49TH
ANNUAL REPORT
2009

UKAS
ENVIRONMENTAL
MANAGEMENT
Registration Number
014

BIBOJEE GROUP

UKAS
QUALITY
MANAGEMENT
Registration Number
014

JDM 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
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	MR. AMIN-UR-RASHEED B. Com. (Hons.) FICS Gen. Manager Finance & Corporate Affairs	
AUDITORS	M/S HAMEED CHAUDHRI & CO. Chartered Accountants	
BANKERS	NATIONAL BANK OF PAKISTAN HABIB BANK LIMITED UNITED BANK LIMITED BANK ALFALAH LIMITED	
REGISTRARS & SHARES REGISTRATION OFFICE	MANAGEMENT & REGISTRATION SERVICES (PVT) LIMITED. BUSINESS EXECUTIVE CENTRE, F/17/3, BLOCK 8, CLIFTON, KARACHI	
REGISTERED OFFICE & MILLS	HABIBABAD, KOHAT (N.W.F.P) TEL. 0922 - 510063 - 512930 - 510494 FAX. 0922 - 510474 E-MAIL: janana@brain.net.pk WEB SITE: www.bibojee.com	

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 49th Annual General Meeting of the Shareholders of Janana De Malucho Textile Mills Limited will be held at the registered office of the Company at Habibabad, Kohat on **Saturday** the **31st October 2009** at **10:00 AM** to transact the following business.

1. To confirm the minutes of the Extra Ordinary General Meeting held on September 2, 2009.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2009 together with the directors' and auditors' reports thereon.

3. To appoint auditors for the year ending on 30th June 2010 and to fix their remuneration.

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

By order of the Board

Kohat
Dated: 09 October 2009

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

NOTES:

BOOK CLOSURE:

1. The Share transfer books of the Company shall remain closed from 23rd October 2009 to 30th October 2009 (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 2009 will be considered in order for registration in the name of the transferees.

CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:

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

PARTICIPATION IN ANNUAL GENERAL MEETING:

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

INSTRUCTION FOR CDC ACCOUNT HOLDERS:

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

   a. For attending the meeting:

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

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

b. For appointing proxies:

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

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

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Gadoon's Directors' Report for the year, 2009

1. "The results reflect the unprecedented turmoil triggered by the worst economic downturn since World War II. Inflation, current liquidity crunch, energy crisis, erosion of value of Pak rupee vs. US dollar, withdrawal of exchange risk cover by State Bank of Pakistan, steep rise in interest rate, worsening law and order situation, ever increasing transportation cost, all added to the chaos."

2. The Board of Directors presents your Company's Annual Audited Accounts for the year ended 30th June, 2009, along with the Auditors' Report.

Global Economic Recession Continuous to Cast a Shadow on Pakistan's Textile Industry.

3. As stated in last year's Directors' Report about the severe crisis of Pakistan's Textile Industry in general and Spinning Industry in particular has exacerbated further during the year 2008-2009:-
   a. Low cotton yield in Pakistan during the current year has resulted in almost 40% increase in raw cotton cost. Additionally, higher financial costs, electricity & gas load shedding, rampant inflation, burgeoning oil prices, increase in cost of utilities and other inputs, increase in labour cost, have all added to the cost of production. Similarly, the spate of suicide bombing (a direct result of war on Terror) has almost destroyed Pakistan's economic order. Resultantly, foreign Customers have been hesitant to visit Pakistan and some of them have even cancelled their earlier lucrative orders placed on us. All these negative factors have resulted in Pakistan's Textile Industry's sinking into a deeper quagmire.
   b. The global financial crisis and the world recession has also resulted in adversely affecting the purchasing power of International consumers and as a result their demand for Pakistan's Textiles and apparels have plummeted downwards. Unfortunately the IMF has predicted that GDP growth in the EU and US would continue to remain flat in the coming year and as such there is little hope even in the immediate future.
   c. Pakistan's Textile Industry has never been in such a dire situation during its entire history. According to All Pakistan Textile Mills Association (APTMA), as many as 600,000 spindles had to shut down since this crisis, because they are no longer economically viable.
   d. Pakistan's Textile Industry has also never faced a more depressing environment but GOP's support is still inadequate. As a result, the Country's other Political events seem have sadly put the life and death issues of a sinking Textile Industry on the back burner.

<u>FINANCIAL PERFORMANCE OF THE COMPANY FOR THE YEAR 2009:</u>

We are regret to inform you that deep crisis in the Country's Spinning Industry since the year 2005, has add an adverse impact on your Company's dismal Financial results of the Year Ending 30th, June' 2009 as summarized below:-

	30th June 2009	30th June 2008
	Rupees in thousand	
SALES	1,071,738	1,130,611
COST OF SALES	1,010,091	975,272
GROSS PROFIT	61,647	155,339
DISTRIBUTION COST	5,870	8,750
ADMINISTRATIVE EXPENSES	34,023	34,123
OTHER OPERATING EXPENSES	853	2,325
	40,746	45,198
	20,901	110,141
OTHER OPERATING INCOME	5,189	6,234
OPERATING PROFIT	26,090	116,375
FINANCE COST	143,546	93,773
	(117,456)	22,602
SHARE OF LOSS OF ASSOCIATED COMPANIES - Net	(10,124)	(3,166)
IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATED COMPANIES	(21,594)	0
	(31,718)	(3,166)
(LOSS) / PROFIT BEFORE TAXATION	(149,174)	19,436
TAXATION		
- Current	0	5,635
- Deferred	(39,288)	8,553
	(39,288)	14,188
(LOSS) / PROFIT AFTER TAXATION	(109,886)	5,248
	------- Rupees -------	
(LOSS) / EARNINGS PER SHARE	(34.71)	1.66

The net loss before tax amounts to Rs. 149.174 million for the year under report (2008 profit Rs. 19.436 million) are due to following factors:-

(1) Direct manufacturing cost on account of increase in all elements of cost and lower production, the gross profit for the year was lower by Rs. 93.692 million as compared to last year.

(2) Finance Cost increased by Rs. 49.773 million to Rs. 143.546 million (2008: Rs. 93.773 million) as compared to last year i.e. 53%-41% due to increase in bank mark up rates and 12% hefty loss in the value of Pak Rupee Vs US dollar upto 30 June, 2008 burdening extra carrying cost of Raw Material's inventory.

(3) i) Intermittent and complete load shedding of electricity & gas coupled with low voltage.

ii) Volatile law and order situation.

iii) Higher cost of Power, Gas and Oil by Rs. 31.00 million due to increased in rates and idle capacity. (Includes manufacturing costs)

iv) Actual production decreased by 626,396 Lbs due to above factors as compared to last year. These factors have cascading effect on the end users market such as Faisalabad, Jhang, Hafizabad, Lahore, Kasur and Karachi which resulted into reduction of sales prices due to lower demand of yarn in the end user markets on account of unprecedented load shedding of electricity and gas in the manufacturing unit of cloth and finished goods.

v) Keeping in view the continuing loss the company was forced to close mill No. I consisting of 15792 spindles wef 02/12/2008 which were of 1962 vintage.

FUTURE OUTLOOK:-

(1) In case of our Company the Stumbling block is the high Finance Cost which is 13.40% (2008: 8.30%) of the sales as against 6% to 7% of sales of comparable units. In present circumstances, we do not foresee any profit till such time Gross Profit Earnings improves to 17% / 18% of the sales and Finance Cost is brought down to single digit.

(2) The cotton crop, earlier targeted at 13.2 million bales, has been revised at 11.4 million bales. Given the short supply against the demand, the spinners will not have easy time finding lint at a reasonable price without compromising quality.

(3) Another serious threat for the textile industry is power load shedding and disruption due to shut down of gas during winter and intermittent/non-supply of electricity by WAPDA.

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 30-06-2009 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, 2009, 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 Bannu Woollen Mills Limited were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30th June 2009.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING

The Company is compliant with the best practices of transfer pricing as contained in the listing regulation No. 37 of The Karachi Stock Exchange (G) Limited.

BOARD AUDIT COMMITTEE

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

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

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

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

BOARD MEETINGS AND ATTENDANCE OF EACH DIRECTOR	Number
Total number of Board meetings Held during the Year under review	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	3
Mrs. Shahnaz Sajjad Ahmad	3
Dr. Shaheen Kuli Khan	1

- 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 2009.

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 2009 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 2009.

		(Rs. In Million)
I.	**GOVERNMENT SECTOR**	
	a. Income Tax paid	4.052
	b. Power & Fuel	155.481
	c. Financial Institution/ Banks	143.546
II.	**SOCIAL SECTOR**	
	Employees/Workers salaries, Wages and other benefits	140.615
		443.694

We are also providing employment to 1281 workers (1281 families) the employment cost of which shall now be about Rs.140.615 million.

DIVIDEND

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

APPOINTMENT OF AUDITORS

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

ACKNOWLEDGMENT

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

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

QUALIFICATION IN AUDITORS' REPORT TO THE MEMBERS

We are of the view that demand finances and frozen markup thereon have been accounted for and presented in financial statements for the year ended 30th June, 2009 in accordance with their actual substance and economic reality. Classification of frozen markup and current/overdue portion of demand finances under current liabilities as at 30th June, 2009 would give a false and misleading picture of repayment position of these demand finances and of markup thereon. It is anticipated that National Bank of Pakistan shall reschedule these demand finances and markup thereon in accordance with terms disclosed in the annexed financial statements (Note Nos. 11.2 and 13.2 (c))

National Bank of Pakistan Corporate and Investment Banking Group, Islamabad vide its letter No. CIBG/ISD/106/2009 dated September 08, 2009 has informed the company that credit lines of the company available with the National Bank of Pakistan are under consideration for renewal/rescheduling copy of which has also been produced to the statutory auditors.

For and on behalf of Board of Directors

Dated: 08 October, 2009

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

KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

PARTICULARS		**2009**	2008	2007	2006	2005	2004
SPINDLES INSTALLED	*(Nos.)*	***70896***	*70896*	*70896*	*70896*	*70896*	*51536*
ROTORS INSTALLED	*(Nos.)*	***600***	*400*	*400*	*400*	*200*	*0*
PRODUCTION	*(Lbs. in million)*	***10.296***	*10.922*	*12.106*	*12.110*	*5.262*	*6.683*
Sales - Net	*(Rs. in million)*	***1,071.738***	*1,130.611*	*1,075.183*	*969.420*	*463.866*	*633.188*
Gross Profit	----- " -----	***61.647***	*155.339*	*145.209*	*68.634*	*34.970*	*67.254*
Operating Profit	----- " -----	***20.901***	*110.141*	*107.781*	*40.410*	*11.251*	*39.685*
(Loss)/Profit before Taxation	----- " -----	***(149.174)***	*19.436*	*6.014*	*(44.382)*	*(10.353)*	*36.672*
Provision for Taxation	----- " -----	***(39.288)***	*14.188*	*4.326*	*(12.070)*	*(3.293)*	*12.805*
(Loss)/Profit after Taxation	----- " -----	***(109.886)***	*5.248*	*1.688*	*(32.312)*	*(7.060)*	*23.867*
(Loss)/Earning per share	*(Rupees)*	***(34.71)***	*1.66*	*0.53*	*(11.23)*	*(2.45)*	*8.29*
Breakup Value per share	*(Rupees)*	***34.21***	*65.38*	*58.15*	*60.48*	*66.14*	*57.53*

TOTAL ASSETS	*(Rs. in million)*	***1,977.223***	*2,128.685*	*2,061.819*	*1,649.162*	*1,623.800*	*1,062.954*
CURRENT LIABILITIES	----- " -----	***(698.670)***	*(748.822)*	*(658.670)*	*(636.078)*	*(571.471)*	*(362.361)*
	----- " -----	***1,278.553***	*1,379.863*	*1,403.149*	*1,013.084*	*1,052.329*	*700.593*

REPRESENTED BY:

Share Capital	*(Rs. in million)*	***31.655***	*31.655*	*31.655*	*28.777*	*28.777*	*28.777*
Reserves and Un-appropriated Profit	----- " -----	***800.075***	*869.432*	*857.964*	*517.096*	*548.037*	*540.86*
Equity	----- " -----	***831.73***	*901.087*	*889.619*	*545.873*	*576.814*	*569.637*
Long Term Loans	----- " -----	***326.339***	*318.865*	*360.900*	*356.658*	*351.128*	*0*
Deferred Liabilities	----- " -----	***120.484***	*159.911*	*152.630*	*110.553*	*124.387*	*130.956*
	----- " -----	***1,278.553***	*1,379.863*	*1,403.149*	*1,013.084*	*1052.329*	*700.593*

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 2009

4. No of shareholders	Shareholdings	Total shares held
480	Shareholding from 1 to 100 shares	17,077
401	Shareholding from 101 to 500 shares	92,582
117	Shareholding from 501 to 1000 shares	82,162
128	Shareholding from 1001 to 5000	262,600
15	Shareholding from 5001 to 10000	110,723
12	Shareholding from 10001 to 15000	158,844
4	Shareholding from 15001 to 20000	71,521
2	Shareholding from 20001 to 25000	47,700
1	Shareholding from 30001 to 35000	31,000
2	Shareholding from 35001 to 40000	76,664
1	Shareholding from 45001 to 50000	46,500
1	Shareholding from 55001 to 60000	59,990
1	Shareholding from 70001 to 75000	72,620
1	Shareholding from 125,001 to 130,000	128,000
1	Shareholding from 130,001 to 135,000	134,062
1	Shareholding from 170001 to 175000	170,830
1	Shareholding from 280001 to 285000	281,050
1	Shareholding from 340001 to 345000	341,000
1	Shareholding from 415001 to 420000	418,330
1	Shareholding from 560001 to 565000	562,195
	Total	3,165,450

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	74,073	2.34
5.2. Associated Companies, undertakings and related parties.	1,321,525	41.75
5.3 NIT and ICP	171,600	5.42
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	14,108	0.45
5.5 Insurance Companies	38,453	1.21
5.6 Modarabas and Mutual Funds	NIL	0.00
5.7 Share holders holding 10%		
Bibojee Services (Pvt.) Ltd	562,195	17.76
Bannu Woollen Mills Ltd	418,330	13.22
Babri Cotton Millas Ltd	341,000	10.77
5.8 General Public		
a. Local	1,023,727	32.34
b. Foreign	NIL	0.00
5.9 Others (to be specified)		
Joint Stock Companies	102,116	3.23
Secretary to Govt. of N.W.F.P	134,062	4.24
Deputy Administrator Abandoned Properties	3,422	0.11
Trusts	281,063	8.88
Valika Properties Ltd.	100	0.00
Tameer-e-Millat Foundation	1,200	0.04
Govt. of Pakistan	1	0.00

6. Signature of Chief Executive/ Secretary	
7. Name of Signatory	**AMIN-UR-RASHEED**
8. Designation	Company Secretary & General Manager Corporate Affairs
9. NIC Number	1 4 3 0 1 - 4 5 7 5 7 6 4 - 3
10. Date	Day: 3 0 / Month: 0 6 / Year: 2 0 0 9

Note: In case there are more than one class of shares carrying voting rights, the information regarding each such class shall be given separately.

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

CATEGORIES OF SHAREHOLDERS			SHARES HELD
1.	ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES:		
	M/S.BIBOJEE SERVICES (PVT) LTD.		562,195
	M/S BANNU WOOLLEN MILLS LTD,		418,330
	M/S BABRI COTTON MILLS LTD,		341,000
2.	N.I.T. & I.C.P:		
	M/S.INVESTMENT CORPORATION OF PAKISTAN		770
	M/S.NATIONAL INVESTMENT TRUST LTD		170,830
3.	DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:		
	MR.RAZA KULI KHAN KHATTAK,	Chairman	12,482
	LT.GEN. (RETD) ALI KULI KHAN KHATTA K	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		102,116
6.	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS		52,561
7.	SHAREHOLDERS HOLDING 10% OR MORE:		
	M/S.BIBOJEE SERVICES (PVT) LTD.		562,195
	M/S BANNU WOOLLEN MILLS LTD,		418,330
	M/S BABRI COTTON MILLS LTD,		341,000
8.	GENERAL PUBLIC & OTHERS		1,442,420

STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
[See clause (xlv)]

Name of Company **JANANA DE MALUCHO TEXTILE MILLS LIMITED**

Year Ended **30TH JUNE 2009**

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes FIVE independent non-executive directors and NO director is representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended 30th June 2009.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies; along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are well conversant with the legal requirements and such are fully aware of their duties and responsibilities.
10. Their were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30th June 2009.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

Signature	Ali Kuli Khan
(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 CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **JANANA DE MALUCHO TEXTILE MILLS LIMITED** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub - Regulation (xiii) of Listing Regulations 37 (now 35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the 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 status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2009.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE; 08 October, 2009

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, 2009 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:

In contravention of the requirements of IAS 1, mark-up accrued on demand finances, pertaining to the period from 01 October, 2008 to 30 June, 2009, aggregating Rs.39.023 million has been classified as frozen mark-up on demand finances and grouped under non-current liabilities; further, current and overdue portions of demand finances aggregating Rs.72.564 million have been grouped under non-current liabilities [notes 11.2 and 13.2(c)]. Agreement with National Bank of Pakistan for renewal / rescheduling of these liabilities is under its consideration.

(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, except for the aforementioned reservations and the extent to which these may affect the annexed financial statements, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

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

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Majeed Chaudhri

LAHORE; 08 October, 2009

BALANCE SHEET AS AT 30 JUNE, 2009

	Note	2009	2008
		Rupees in thousand	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	7	200,000	200,000
Issued, subscribed and paid-up capital	8	31,655	31,655
Reserves	9	128,215	128,215
(Accumulated loss) / unappropriated profit		(51,594)	47,066
		108,276	206,936
SHARES DEPOSIT MONEY	10	22,818	22,818
FROZEN MARK-UP ON DEMAND FINANCES	11	39,023	0
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	12	661,613	671,333
NON-CURRENT LIABILITIES			
Demand finances	13	326,339	318,865
Staff retirement benefits-gratuity	14	10,203	10,342
Deferred taxation	15	110,281	149,569
		446,823	478,776
CURRENT LIABILITIES			
Current portion of:			
- demand finances	13	16,713	40,901
- liabilities against assets subject to finance lease	16	0	1,136
Short term finances	17	538,287	584,510
Trade and other payables	18	122,308	87,408
Accrued mark-up/interest	19	20,124	27,993
Taxation	20	0	5,635
Preference shares redemption account	21	1,238	1,239
		698,670	748,822
CONTINGENCIES AND COMMITMENTS	22		
		1,977,223	2,128,685

	Note	2009	2008
		Rupees in thousand	
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	23	1,497,608	1,494,346
Capital work-in-progress	24	3,845	29,657
		1,501,453	1,524,003
Investments in Associated Companies	25	10,804	41,016
Loans to employees	26	1,341	1,087
Security deposits		1,004	1,004
		1,514,602	1,567,110
CURRENT ASSETS			
Stores, spares and loose tools	27	26,060	26,017
Stock-in-trade	28	358,881	430,773
Trade debts - unsecured considered good		26,623	37,675
Advances to employees		1,280	1,998
Advance payments	29	10,543	5,838
Trade deposits and prepayments	30	1,376	18,098
Sales tax refundable		5,822	10,139
Due from Associated Companies	31	23,709	15,426
Other receivables	32	0	3,786
Income tax refundable, advance tax and tax deducted at source		5,150	6,733
Cash and bank balances	33	3,177	5,092
		462,621	561,575
		1,977,223	2,128,685

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 30 JUNE, 2009

	Note	2009	2008
		Rupees in thousand	
SALES	34	**1,071,738**	1,130,611
COST OF SALES	35	**1,010,091**	975,272
GROSS PROFIT		**61,647**	155,339
DISTRIBUTION COST	36	**5,870**	8,750
ADMINISTRATIVE EXPENSES	37	**34,023**	34,123
OTHER OPERATING EXPENSES	38	**853**	2,325
		40,746	45,198
		20,901	110,141
OTHER OPERATING INCOME	39	**5,189**	6,234
OPERATING PROFIT		**26,090**	116,375
FINANCE COST	40	**143,546**	93,773
		(117,456)	22,602
SHARE OF LOSS OF ASSOCIATED COMPANIES - Net	25	**(10,124)**	(3,166)
IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATED COMPANIES	25	**(21,594)**	0
		(31,718)	(3,166)
(LOSS) / PROFIT BEFORE TAXATION		**(149,174)**	19,436
TAXATION			
- Current	20	**0**	5,635
- Deferred	15	**(39,288)**	8,553
		(39,288)	14,188
(LOSS) / PROFIT AFTER TAXATION		**(109,886)**	5,248
		------- Rupees -------	
(LOSS) / EARNINGS PER SHARE	41	**(34.71)**	1.66

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 30 JUNE, 2009

	2009	2008
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit for the year - before taxation and share of loss and impairment loss on investments in Associated Companies	**(117,456)**	22,602
Adjustments for non-cash charges and other items:		
Depreciation	**53,567**	54,970
Loss / (gain) on disposal of operating fixed assets - net	**623**	(1,946)
Staff retirement benefits - gratuity (net)	**(139)**	(1,272)
Finance cost	**142,723**	93,061
Workers' welfare fund	**0**	465
CASH FLOW FROM OPERATING ACTIVITIES - Before working capital changes	**79,318**	167,880
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**(43)**	(11,150)
Stock-in-trade	**71,892**	(51,745)
Trade debts	**11,052**	(14,672)
Advances to employees	**464**	(634)
Advance payments	**(4,705)**	2,159
Trade deposits and prepayments	**16,722**	(17,967)
Sales tax refundable	**4,317**	(5,824)
Due from Associated Companies	**(8,283)**	3,211
Other receivables	**3,786**	(2,792)
Increase in trade and other payables	**34,900**	18,074
	130,102	(81,340)
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	**209,420**	86,540
Taxes paid	**(4,052)**	(4,952)
CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	**205,368**	81,588
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(32,212)**	(13,762)
Sale proceeds of operating fixed assets	**572**	5,240
Investments made in an Associated Company	**0**	(9,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(31,640)**	(17,522)
CASH FLOW FROM FINANCING ACTIVITIES		
Demand finances - net	**(16,714)**	(16,713)
Lease finances - net	**(1,136)**	(2,236)
Short term finances - net	**(46,223)**	81,770
Preference shares redeemed	**(1)**	(28)
Finance cost paid	**(111,569)**	(126,530)
Dividends paid	**0**	(5)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(175,643)**	(63,742)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(1,915)**	324
CASH AND CASH EQUIVALENTS - At the beginning of the year	**5,092**	4,768
CASH AND CASH EQUIVALENTS - At the end of the year	**3,177**	5,092

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 30 JUNE, 2009

	Share capital	Reserves				Unappropriated profit / (accumulated loss)	Total
		Capital redemption	Tax holiday	General	Sub-total		
	-----------------	-----------------	Rupees in thousand	-----------------			
Balance as at 30 June, 2007	31,655	6,694	350	121,171	128,215	24,211	184,081
Profit for the year ended 30 June, 2008	0	0	0	0	0	5,248	5,248
Transfer from surplus on revaluation of property, plant & equipment on account of:							
- incremental depreciation for the year - net of deferred taxation	0	0	0	0	0	10,046	10,046
- realised on disposal of plant & machinery - net of deferred taxation	0	0	0	0	0	1,341	1,341
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	6,220	6,220
Balance as at 30 June, 2008	31,655	6,694	350	121,171	128,215	47,066	206,936
Loss for the year ended 30 June, 2009	0	0	0	0	0	(109,886)	(109,886)
Transfer from surplus on revaluation of property, plant & equipment on account of:							
- incremental depreciation for the year - net of deferred taxation	0	0	0	0	0	9,481	9,481
- realised on disposal of plant & machinery - net of deferred taxation	0	0	0	0	0	239	239
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	1,506	1,506
Balance as at 30 June, 2009	**31,655**	**6,694**	**350**	**121,171**	**128,215**	**(51,594)**	**108,276**

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, 2009

1. CORPORATE INFORMATION

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) Limited. It is principally engaged in manufacture and sale of yarn. The Company's mills and its registered office are located at Habibabad, Kohat.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with 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 Companies Ordinance, 1984 (the Ordinance), the requirements of the Ordinance and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Ordinance and the directives issued by SECP differ with the requirements of IFRSs, the requirements of the Ordinance and the directives issued by SECP shall prevail.

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 below.

3.2 Functional and presentation currency

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

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires 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 expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

a) staff retirement benefits;

b) recognition and measurement of deferred tax assets and liabilities;

c) taxation; and

d) useful life of property, plant and equipment.

5. ACCOUNTING STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS

5.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current accounting year

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Company's accounting year beginning on 01 July, 2008:

(a) IFRS 7 'Financial Instruments: Disclosures' - The SECP, vide SRO 411(I)/2008 dated 28 April, 2008 notified the adoption of IFRS 7, which is mandatory for the Company's accounting periods beginning on or after the date of notification i.e. 28 April, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

(b) Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after 01 July, 2008, which are not considered relevant nor have any significant effect on the Company's operations are not detailed in these financial statements.

5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July, 2009:

(a) IAS 1 (Revised), 'Presentation of Financial Statements' (effective from 01 January, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities may choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.

(b) IAS 19 (Amendment), 'Employee Benefits' (effective from 01 January, 2009).

(i) The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

(ii) The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

(iii) The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

(iv) IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of adoption of IAS 19 on the Company's financial statements.

(c) IAS 23 (Amendment), 'Borrowing Costs' (effective from 01 January, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. The amendments will have impact on the Company's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

(d) IAS 32 (Amendment), 'Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 01 January, 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the Company.

(e) IAS 36 (Amendment), 'Impairment of Assets' (effective from 01 January, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Company's financial statements.

(f) IAS 38 (Amendment), 'Intangible Assets' (effective from 01 January, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

(g) Amendment to IFRS 2 'Share-based Payment - Vesting Conditions and Cancellations' clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will have no impact on the Company's financial statements as the Company has no such share-based payments.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 July, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 The principal accounting policies applied 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.

6.2 Equity instruments

These are recorded at their face value.

6.3 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

6.4 Staff retirement benefits (defined benefit plan)

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

Provision and current service costs are being accounted for on the basis of the actuary's recommendations based on the actuarial valuation of the scheme. The most recent valuation of the scheme was carried-out as on 30 June, 2009.

6.5 Trade and other payables

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

6.6 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 tax rebates available, if any.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

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

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.7 Dividend and appropriation to reserves

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

6.8 Property, plant and equipment and depreciation

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

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 23. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

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

6.9 Assets subject to finance lease

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

Depreciation is charged to income at the rates stated in note 23 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

6.10 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 the profit or loss of the Associated Companies after the date of acquisition. The Company's share of the profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of 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 investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

6.11 Stores, spares and loose tools

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

6.12 Stock-in-trade

Basis of valuation are as follows:

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

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

6.13 Trade debts

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

6.14 Cash and cash equivalents

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

6.15 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.

6.16 Impairment

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

6.17 Revenue recognition

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

6.18 Foreign currency translations

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

6.19 Financial assets and liabilities

Financial assets and financial liabilities are recognised 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 are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

6.20 Off-setting of financial instruments

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

6.21 Related party transactions

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

	2009	2008
7. AUTHORISED SHARE CAPITAL	**Rupees in thousand**	
18,000,000 ordinary shares of Rs.10 each	**180,000**	180,000
700,000 - 7.5% redeemable cumulative preference shares of Rs.10 each	**7,000**	7,000
1,300,000 - 10% redeemable cumulative preference shares of Rs.10 each	**13,000**	13,000
	200,000	200,000
8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Issued for cash:		
500,000 ordinary shares of Rs.10 each	**5,000**	5,000
1,652,100 ordinary shares of Rs.10 each issued to Financial Institutions by conversion of loans and debentures	**16,521**	16,521
6,832 ordinary shares of Rs.10 each issued by conversion of preference shares	**68**	68
	21,589	21,589
Issued as bonus shares:		
1,006,518 ordinary shares of Rs.10 each	**10,066**	10,066
	31,655	31,655

8.1 Ordinary shares held by the Associated Companies at the year-end are as follows:	**2009**	2008
	Number of shares	
- Bibojee Services (Pvt.) Ltd.	**562,195**	562,195
- Bannu Woollen Mills Ltd.	**418,330**	418,330
- Babri Cotton Mills Ltd.	**341,000**	341,000
	1,321,525	1,321,525

9. RESERVES

	2009	2008
	Rupees in thousand	
Capital:		
- capital redemption reserve	**6,694**	6,694
- tax holiday reserve	**350**	350
	7,044	7,044
Revenue - general reserve	**121,171**	121,171
	128,215	128,215

10. SHARES DEPOSIT MONEY

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

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

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

A review application was submitted to the SECP during August, 2008.

10.2 The SECP, subsequent to balance sheet date vide order dated 29 July, 2009, has accepted the review application filed by BWM and directed that delay in issuance of shares be compensated by issuing more shares of the same amount deposited with the Company. Accordingly, the Company is making necessary arrangements for issuing 1,140,000 ordinary shares to BWM at a price of Rs.20/- per share or at a price to be approved by the SECP. These shares will be issued under section 86(1) of the Companies Ordinance, 1984 otherwise than right and shall rank pari passu in all respects with the existing shares of the Company.

11. FROZEN MARK-UP ON DEMAND FINANCES

11.1 This represents mark-up accrued on demand Finances pertaining to the period from 01 October, 2008 to 30 June, 2009. The management intends to issue preference shares against this liability and is negotiating with National Bank of Pakistan to finalise the rescheduling arrangements.

11.2 In the opinion of External Auditors, classification of accrued mark-up as non-current liability is not permissible under the requirements of International Accounting Standard - 1 (Presentation of Financial Statements)

12. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

	Note	**2009**	2008
		Rupees in thousand	
Opening balance		**671,333**	682,720
Less:			
transferred to unappropriated profit / (accumulated loss) on account of:			
- incremental depreciation for the year - net of deferred taxation		**(9,481)**	(10,046)
- realised on disposal of plant & machinery - net of deferred taxation		**(239)**	(1,341)
		(9,720)	(11,387)
Closing balance		**661,613**	671,333

13. DEMAND FINANCES - Secured

	Note	2009	2008
Demand Finance I (DF I)	**13.1 & 13.2**	**201,930**	201,930
Demand Finance III (DF III)	**13.1 & 13.2**	**7,177**	7,177
Demand Finance IV (DF IV)	**13.1 & 13.2**	**27,500**	27,500
Demand Finance V (DF V)	**13.1 & 13.2**	**69,818**	69,818
Rescheduled Demand Finance I (RDF I)	**13.3**	**16,005**	22,407
Rescheduled Demand Finance III (RDF III)	**13.3**	**20,622**	30,934
		343,052	359,766
Less: current portion grouped under current liabilities		**16,713**	40,901
		326,339	318,865

13.1 These finances have been obtained from National Bank of Pakistan (NBP) against various demand finance facilities aggregating Rs.451 million (2008: Rs.451 million) and are secured against first charge on fixed assets of the Company for Rs.1,099 million. These finances, during the year, carried mark-up at the rates ranging from 16.04% to 17.55% (2008:11.85% to 11.87%) per annum.

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

- DF I is repayable in 14 equal half-yearly instalments with effect from January, 2009.
- DF III is repayable in 6 equal half-yearly instalments with effect from January, 2009.
- DF IV is repayable in 10 equal half-yearly instalments with effect from January, 2009.
- DF V is repayable in 12 equal half-yearly instalments with effect from January, 2009.

(b) The Company has paid no instalment of these finances during the current financial year; agreement with NBP for renewal / rescheduling of these liabilities is under its consideration as communicated by NBP's Corporate Head vide his letter Ref. # CIBG/ISD/106/2009 dated 08 September, 2009. Accordingly, current and overdue portions of these finances aggregating Rs.72.564 million have not been grouped under current liabilities.

(c) In the opinion of External Auditors, non-inclusion of current and overdue portions of these finances under current liabilities as at 30 June, 2009 is not permissible under the requirements of IAS 1 (Presentation of Financial Statements).

13.3 NBP, vide its letter Ref. # KT / MBR / FIN / 07 dated 12 January, 2007, had sanctioned for release of finance facilities under the State Bank of Pakistan's Scheme for export oriented projects. Accordingly, DF I balance amounting Rs.32.010 million and DF III balance amounting Rs.46.401 million were converted into RDF I and RDF III with effect from 01 January, 2007. RDF I is repayable in 20 equal quarterly instalments commenced from March, 2007 whereas RDF III is repayable in 18 equal quarterly instalments commenced from March, 2007. These rescheduled finances, during the year, carried mark-up at the rate of 7% (2008:7%) per annum and are secured against the securities as detailed in note 13.1.

14. STAFF RETIREMENT BENEFITS - Gratuity

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

	2009	2008
- discount rate	**12%**	12%
- expected rate of growth per annum in future salaries	**11%**	11%
- average expected remaining working life time of employees	**10 years**	10 years
The amount recognised in the balance sheet is as follows:	**Rupees in thousand**	
Present value of defined benefit obligation	**31,099**	23,720
Unrecognised actuarial loss	**(20,896)**	(13,378)
Net liability as at 30 June,	**10,203**	10,342

	2009	2008
	Rupees in thousand	
Net liability as at 01 July,	**10,342**	11,614
Charge to profit and loss account	**12,605**	7,646
Payments during the year	**(12,744)**	(8,918)
Net liability as at 30 June,	**10,203**	10,342

The movement in the present value of defined benefit obligation is as follows:

	2009	2008
Present value of defined benefit obligation as at 01 July,	**23,720**	25,433
Current service cost	**8,658**	4,230
Interest cost	**2,847**	2,289
Benefits paid	**(12,744)**	(8,918)
Actuarial loss	**8,618**	686
Present value of defined benefit obligation as at 30 June,	**31,099**	23,720

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

	2009	2008	2007	2006	2005
	------------------ Rupees in thousand ------------------				
Present value of defined benefit obligation	**31,099**	23,720	25,433	24,504	10,153
Experience adjustment on obligation	**8,618**	686	0	14,702	0

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

15. DEFERRED TAXATION - Net

This is composed of the following:

	2009	2008
	Rupees in thousand	
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation allowances	**170,586**	158,350
- surplus on revaluation of property, plant and equipment	**96,949**	102,183
- lease finances	**0**	961
	267,535	261,494
Deductible temporary differences arising in respect of:		
- staff retirement benefits - gratuity	**(3,571)**	(3,620)
- available tax losses	**(153,683)**	(108,305)
	(157,254)	(111,925)
	110,281	149,569

16. CURRENT PORTION OF LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

The Company had entered into lease agreements with ORIX Leasing Pakistan Ltd. for lease of vehicles. The liabilities under these agreements were payable by March, 2009 and during the year were subject to finance cost at the rates ranging from 14.98% to 18.43% (2008:14.49% to 18.43%) per annum. The lease liabilities were secured against title to leased vehicles in ORIX name and demand promissory notes. The Company, during the current year, has fully paid the outstanding rentals and also exercised its option to purchase the leased vehicles upon completion of the lease terms.

17. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.770 million (2008: Rs.770 million) and are secured against pledge of stock-in-trade, lien on export documents and first charge on current and fixed assets of the Company. These facilities, during the year, carried mark-up at the rates ranging from 14.77% to 17.52% (2008: 11.09% to 11.64%) per annum.

Facilities available for opening letters of credit and guarantee from NBP aggregate Rs.225 million (2008: Rs.215 million) of which the amount remained unutilised at the year-end was Rs.142.535 million (2008: Rs.188.759 million). These facilities are secured against lien on import documents and first charge on current and fixed assets of the Company.

These facilities are available upto 31 October, 2009.

18. TRADE AND OTHER PAYABLES

	Note	2009	2008
		Rupees in thousand	
Due to associated companies		**13,540**	6,513
Creditors		**20,428**	15,622
Bills payable against imported:			
- plant and machinery		**1,008**	25,799
- raw materials		**41,342**	0
Advance payments	**18.1**	**184**	184
Accrued expenses		**35,980**	29,451
Tax deducted at source		**201**	267
Due to Waqf-e-Kuli Khan	**18.2**	**1,016**	1,016
Security deposits repayable on demand - interest free		**112**	112
Workers' (profit) participation fund	**18.3**	**1,476**	1,249
Workers' welfare fund		**563**	563
Dividends	**18.4**	**6,440**	6,440
Others		**18**	192
		122,308	87,408

18.1 These advances have been received against sale of land.

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

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

18.3 Workers' (profit) participation fund (the fund)

	Note	2009	2008
		Rupees in thousand	
Opening balance		**1,249**	264
Add:			
- allocation for the year		**0**	1,249
- interest on funds utilised in the Company's business		**227**	0
		227	1,249
		1,476	1,513
Less: amount paid to the fund		**0**	264
Closing balance		**1,476**	1,249

18.4 Dividends

	Note	2009	2008
Unclaimed dividends		**5,154**	5,154
Dividends on preference shares	**(a)**	**1,286**	1,286
		6,440	6,440

(a) These represent dividends on 7.5% and 10% redeemable cumulative preference shares for the years from 30 September, 1979 to 30 September, 1989, 30 September, 1992 to 30 September, 1994 and 30 September, 2000. As the management had decided to redeem the preference shares as stated in notes 21.1 and 21.2, dividends on these shares for the aforesaid years were appropriated during the financial year ended 30 September, 2000 and grouped under current liabilities.

19. ACCRUED MARK-UP / INTEREST

	Note	2009	2008
Mark-up / interest accrued on:			
- demand finances	**19.1**	**0**	9,028
- short term finances		**20,100**	17,658
- associated companies' balances		**24**	1,307
		20,124	27,993

19.1 Refer contents of note 11.

20. TAXATION - Net

	Note	2009	2008
Opening balance		**5,635**	5,376
Add: provision made during the year - current	**20.2**	**0**	5,635
		5,635	11,011
Less: adjustments against completed assessments		**5,635**	5,376
		0	5,635

20.1 Income tax assessments of the Company have been completed upto the Tax Year 2008; the return for the said year has not been taken-up for audit till 30 June, 2009.

20.2 In view of available tax losses, no current tax provision is required as at 30 June, 2009 (2008: tax provision represented the minimum tax on turnover due under section 113 of the Income Tax Ordinance, 2001).

20.3 No numeric tax rate reconciliation is presented in these financial statements as the Company is not liable to pay tax due to available tax losses.

20.4 Tax losses available for carry forward as at 30 June, 2009 aggregated Rs.439 million (2008: Rs.309 million).

21. PREFERENCE SHARES REDEMPTION ACCOUNT

	Note	2009	2008
		Rupees in thousand	
Amounts payable on:			
- 7.5% redeemable cumulative preference shares	21.1	141	141
- 10% redeemable cumulative preference shares	21.2	1,097	1,098
		1,238	1,239

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

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

These shares 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 has allowed the management to redeem these shares fully as provided under section 85 of the Companies Ordinance, 1984. Out of the opening balance of 14,168 shares, the Company during the current year has redeemed 99 (2008: 20) further shares.

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

As stated in the preceding note, the Company's profitability and availability of funds in the recent past has allowed the management to redeem these shares also. The Company, upto 30 June, 2008, has redeemed 312,663 shares whereas 70 (2008: 2,674) shares have been redeemed during the current year.

22. CONTINGENCIES AND COMMITMENTS

22.1 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.

22.2 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.

22.3 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.

22.4 Counter guarantee given by the Company to a commercial bank outstanding as at 30 June, 2009 was for Rs.25 million (2008: Rs.15 million).

	2009	2008
22.5 Commitments for:	**Rupees in thousand**	
irrevocable letters of credit		
- stores and spares	**4,234**	7,899
- raw materials	**0**	3,342
	4,234	11,241

23. OPERATING FIXED ASSETS

	Owned													Leased	
	Freehold land	Roads, paths and culverts	Buildings on freehold land				Plant & machinery	Generators	Workshop equipment	Furniture and fixtures	Office & other equipment	Vehicles	Arms	Vehicles	Total
			Factory	Non-factory	Residential										
					Officers	Workers									
	Rupees in thousand														
As at 30 June, 2007															
Cost / revaluation	481,905	830	154,923	6,143	8,962	8,371	1,028,715	114,449	3,331	6,948	1,985	12,946	17	6,874	1,836,399
Accumulated depreciation	0	0	1,320	435	77	2,737	258,223	11,014	1,577	3,400	996	6,656	12	1,954	288,401
Book value	481,905	830	153,603	5,708	8,885	5,634	770,492	103,435	1,754	3,548	989	6,290	5	4,920	1,547,998
Year ended 30 June, 2008:															
Additions	0	0	173	536	0	0	2,300	365	0	835	161	0	242	0	4,612
Disposals: cost	0	0	0	0	0	0	(14,885)	0	0	0	0	(788)	0	0	(15,673)
depreciation	0	0	0	0	0	0	11,659	0	0	0	0	720	0	0	12,379
	0	0	0	0	0	0	(3,226)	0	0	0	0	(68)	0	0	(3,294)
	481,905	830	153,776	6,244	8,885	5,634	769,566	103,800	1,754	4,383	1,150	6,222	247	4,920	1,549,316
Depreciation charge	0	0	7,682	291	444	282	38,517	5,173	88	204	53	1,247	5	984	54,970
Book value as at June 30, 2008	481,905	830	146,094	5,953	8,441	5,352	731,049	98,627	1,666	4,179	1,097	4,975	242	3,936	1,494,346
Year ended 30 June, 2009:															
Additions	0	0	1,286	0	0	0	49,264	6,432	27	491	17	507	0	0	58,024
Transfers	0	0	0	0	0	0	0	0	0	0	0	3,561	0	(3,561)	0
Disposals: cost	0	0	0	0	0	0	(1,861)	0	0	0	0	(283)	0	0	(2,144)
depreciation	0	0	0	0	0	0	680	0	0	0	0	269	0	0	949
	0	0	0	0	0	0	(1,181)	0	0	0	0	(14)	0	0	(1,195)
	481,905	830	147,380	5,953	8,441	5,352	779,132	105,059	1,693	4,670	1,114	9,029	242	375	1,551,175
Depreciation charge	0	0	7,364	298	422	268	37,954	5,100	83	224	55	1,412	12	375	53,567
Book value as at June 30, 2009	481,905	830	140,016	5,655	8,019	5,084	741,178	99,959	1,610	4,446	1,059	7,617	230	0	1,497,608
As at 30 June, 2008															
Cost / revaluation	481,905	830	155,096	6,679	8,962	8,371	1,016,130	114,814	3,331	7,783	2,146	12,158	259	6,874	1,825,338
Accumulated depreciation	0	0	9,002	726	521	3,019	285,081	16,187	1,665	3,604	1,049	7,183	17	2,938	330,992
Book value	481,905	830	146,094	5,953	8,441	5,352	731,049	98,627	1,666	4,179	1,097	4,975	242	3,936	1,494,346
As at 30 June, 2009															
Cost / revaluation	481,905	830	156,382	6,679	8,962	8,371	1,063,533	121,246	3,358	8,274	2,163	19,256	259	0	1,881,218
Accumulated depreciation	0	0	16,366	1,024	943	3,287	322,355	21,287	1,748	3,828	1,104	11,639	29	0	383,610
Book value	481,905	830	140,016	5,655	8,019	5,084	741,178	99,959	1,610	4,446	1,059	7,617	230	0	1,497,608
Depreciation rate (%)	0	0	5	5	5	5	5	5	5	5	5	20	5	20	

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

23.2 Depreciation was not provided for on operating fixed assets for the tax holiday period; the effect of which, on the basis of reducing balance method, has lowered accumulated depreciation by Rs.0.131 million approximately as at 30 June, 2009 (2008: Rs.0.313 million).

23.3 Depreciation for the year has been apportioned as under:

	2009	2008
	Rupees in thousand	
Cost of sales	**50,768**	51,740
Administrative expenses	**2,799**	3,230
	53,567	54,970

23.4 Disposal of operating fixed assets:

Particulars	Cost / revaluation	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Sold through negotiation to:
	----------------	Rupees in thousand	----------------			
Plant & machinery:						
Cone winding machines	**1,861**	**680**	**1,181**	**400**	**(781)**	**Asia Spinning Mills Ltd., Barkat Market, Lahore.**
Vehicle:						
Suzuki pickup	**283**	**269**	**14**	**172**	**158**	**Mr. Naseem Gul (Employee), Kohat Cantt.**
	2,144	**949**	**1,195**	**572**	**(623)**	

24. CAPITAL WORK-IN-PROGRESS

	2009	2008
	Rupees in thousand	
Factory buildings on freehold land:		
- cost and expenses	**0**	896
- advance payments	**0**	360
	0	1,256
Plant & machinery:		
- cost and expenses	**3,845**	28,401
	3,845	29,657

25. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted

	2009	2008
	Rupees in thousand	
Babri Cotton Mills Ltd. (BCM)		
510,864 (2008: 510,864) ordinary shares of Rs.10 each **- cost** Equity held: 17.64% (2008: 17.64%)	**10,973**	10,973
Post acquisition profit brought forward including effect of items directly credited in equity by BCM	**7,092**	11,177
Loss for the year - net of taxation	**(10,915)**	(5,279)
	7,150	16,871
Bannu Woollen Mills Ltd. (BWM)		
585,301 (2008: 585,301) ordinary shares of Rs.10 each including 285,146 (2008: 285,146) bonus shares **- cost** Equity held: 7.70% (2008: 7.70%)	**7,697**	7,697
Post acquisition profit brought forward including effect of items directly credited in equity by BWM	**16,760**	14,335
Profit for the year - net of taxation	**791**	2,113
	25,248	24,145
	32,398	41,016
Less: impairment loss	**21,594**	0
	10,804	41,016

25.1 Fair value of investments in BCM as at 30 June, 2009 was Rs.2.861 million (2008: Rs.11.750 million).

25.2 Fair value of investments in BWM as at 30 June, 2009 was Rs.7.943 million (2008: Rs.30.131 million).

25.3 Summarised financial information of BCM, based on the financial statements for the year ended 30 June, 2009, is as follows:

	2009	2008
- equity as at 30 June,	**28,724**	95,640
- total assets as at 30 June,	**1,364,717**	1,180,036
- total liabilities as at 30 June,	**886,518**	866,057
- revenue for the year ended 30 June,	**746,961**	739,868
- loss after taxation for the year ended 30 June,	**73,683**	29,926

25.4 Summarised financial information of BWM, based on the financial statements for the year ended 30 June, 2009, is as follows:

	2009	2008
- equity as at 30 June,	**312,510**	313,718
- total assets as at 30 June,	**801,915**	713,499
- total liabilities as at 30 June,	**248,378**	156,472
- revenue for the year ended 30 June,	**391,280**	319,889
- (loss) / profit after taxation for the year ended 30 June,	**(5,267)**	27,458

25.5 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 Limited. 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.

26. LOANS TO EMPLOYEES - Secured

	Note	2009	2008
		Rupees in thousand	
Loans to executives	26.1	**1,060**	1,030
Loans to employees	26.3	**1,168**	1,395
		2,228	2,425
Less: current portion grouped under current assets		**887**	1,338
		1,341	1,087

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

	2009	2008
Opening balance	**1,030**	251
Less: amounts received-back during the year	**(600)**	(251)
Loans advanced during the year	**750**	1,100
Less: deductions made during the year	**(120)**	(70)
Closing balance	**1,060**	1,030

(a) These interest free loans to two 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.310 thousand is receivable in 31 equal monthly instalments whereas the balance of Rs.750 thousand is adjustable against final settlement of an executive.

26.2 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs.1,295 thousand (2008: Rs.1,030 thousand).

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

26.4 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.

27. STORES, SPARES AND LOOSE TOOLS

	2009	2008
Stores		
- at mills	**11,105**	12,311
- in transit	**1,019**	652
Spares	**13,801**	12,922
Loose tools	**135**	132
	26,060	26,017

27.1 The entire closing inventory is pledged with National Bank of Pakistan as security for short term finance facilities (note 17).

28. STOCK-IN-TRADE

	2009	2008
	Rupees in thousand	
Raw materials		
- at mills	**225,915**	353,243
- in transit	**50,689**	0
	276,604	353,243
Work-in-process	**55,809**	55,884
Finished goods at net realisable value (2008: at cost)	**26,468**	21,646
	358,881	430,773

28.1 The entire closing inventory is pledged with National Bank of Pakistan as security for short term finance facilities (note 17).

29. ADVANCE PAYMENTS - Unsecured -

Considered good		
Raw material suppliers	**28**	23
Store suppliers	**8,955**	4,876
Others	**1,560**	939
	10,543	5,838

30. TRADE DEPOSITS AND PREPAYMENTS

Letters of credit	**28**	99
Margin deposits	**0**	17,580
Prepayments	**1,348**	419
	1,376	18,098

31. DUE FROM ASSOCIATED COMPANIES

31.1 Due on account of normal trading transactions:		
Rahman Cotton Mills Limited	**18,289**	17,884
Babri Cotton Mills Limited	**3,425**	1,344
	21,714	19,228
31.2 Due on account of fund transfers and other transactions:		
Rahman Cotton Mills Limited:		
- mark-up	**1,285**	310
- fund transfers	**(6,996)**	(9,496)
	(5,711)	(9,186)
Babri Cotton Mills Limited:		
- mark-up	**1,301**	0
- fund transfers	**6,405**	5,384
	7,706	5,384
	23,709	15,426

32. OTHER RECEIVABLES

Claims receivable	**0**	54
Mark-up rate subsidy receivable from National Bank of Pakistan	**0**	3,732
	0	3,786

33. CASH AND BANK BALANCES

	Note	2009	2008
		Rupees in thousand	
Cash-in-hand		**137**	135
Cash at banks on:			
- current accounts		**2,705**	4,627
- dividend accounts		**195**	195
- PLS security deposit accounts	33.1	**122**	118
- PLS accounts	33.1	**18**	17
		3,040	4,957
		3,177	5,092

33.1 These carry profit at the rate of 5% per annum.

34. SALES

		2009	2008
Yarn		**1,025,161**	1,095,039
Waste		**18,923**	32,760
Raw materials purchased for resale		**27,654**	2,812
		1,071,738	1,130,611

35. COST OF SALES

	Note	2009	2008
Raw materials consumed	35.1	**611,026**	613,069
Packing materials consumed		**19,469**	17,939
Salaries, wages and benefits	35.2	**120,360**	132,384
Power and fuel		**155,482**	132,157
Stores consumed		**23,161**	19,547
Repair and maintenance		**2,583**	7,040
Depreciation		**50,768**	51,740
Insurance		**7,074**	7,331
Others		**848**	633
		990,771	981,840
Adjustment of work-in-process			
Opening		**55,884**	36,790
Closing		**(55,809)**	(55,884)
		75	(19,094)
Cost of goods manufactured		**990,846**	962,746
Adjustment of finished goods			
Opening stock		**21,646**	31,693
Closing stock		**(26,468)**	(21,646)
		(4,822)	10,047
Cost of goods sold - own manufactured		**986,024**	972,793
Cost of goods sold - raw materials purchased for resale		**24,067**	2,479
		1,010,091	975,272

		Note	2009	2008
35.1	**Raw materials consumed**		**Rupees in thousand**	
	Opening stock		**353,243**	310,545
	Purchases		**534,177**	655,391
			887,420	965,936
	Less: closing stock [including in transit valuing Rs.50.689 million (2008: Rs.Nil)]		**276,604**	353,243
	Raw materials issued		**610,816**	612,693
	Cess on cotton consumed		**210**	376
			611,026	613,069
35.2	**These include following in respect of staff retirement benefits (gratuity):**			
	- current service cost		**7,668**	3,823
	- interest cost		**2,521**	2,069
	- actuarial loss recognised		**974**	1,018
			11,163	6,910

36. DISTRIBUTION COST

	Note	2009	2008
Salaries and benefits	**36.1**	**1,959**	2,023
Commission		**1,781**	3,687
Freight and handling		**900**	1,624
Gifts and samples		**416**	488
Others		**814**	928
		5,870	8,750

		2009	2008
36.1	**These include following in respect of staff retirement benefits (gratuity) :**		
	- current service cost	**140**	50
	- interest cost	**47**	27
	- actuarial loss recognised	**18**	14
		205	91

37. ADMINISTRATIVE EXPENSES	Note	2009	2008
		Rupees in thousand	
Salaries and benefits	37.1	**18,296**	20,381
Printing and stationery		**770**	789
Travelling and conveyance - staff		**644**	526
Travelling - directors		**227**	114
Communication		**1,008**	932
Rent, rates and taxes		**1,921**	1,367
Guest house expenses and entertainment		**704**	622
Insurance		**602**	619
Vehicles' running and maintenance		**3,591**	2,971
Advertisement		**57**	198
Subscription		**475**	480
Repair and maintenance		**787**	494
Auditors' remuneration:			
- statutory audit		**275**	275
- half yearly review		**65**	65
- certification charges		**80**	80
- out-of-pocket expenses		**20**	20
		440	440
Legal and professional charges (other than Auditors')		**1,211**	510
Depreciation		**2,799**	3,230
Others		**491**	450
		34,023	34,123

37.1 These include following in respect of staff retirement benefits (gratuity)

	2009	2008
- current service cost	**850**	357
- interest cost	**279**	193
- actuarial loss recognised	**108**	95
	1,237	645

37.2 The Company has charged Rs.7.185 million (2008: Rs.8.001 million) to its Associated Companies on account of administrative services provided to them; this amount was adjusted against the above expenses.

37.3 The Company has shared expenses aggregating Rs.7.348 million (2008: Rs.6.357 million) on account of combined offices with its Associated Companies. These expenses have been booked in the respective heads of account as follows:

	2009	2008
- manufacturing expenses	**577**	513
- administrative expenses	**6,771**	5,844
	7,348	6,357

	Note	2009	2008
38. OTHER OPERATING EXPENSES		**Rupees in thousand**	
Donations (without directors' interest)		**30**	30
Donations to Internally Displaced Persons		**200**	0
Donation to Waqf-e-Kuli Khan	**18.2**	**0**	581
Workers' (profit) participation fund		**0**	1,249
Workers' welfare fund		**0**	465
Loss on disposal of operating fixed assets - net	**23.4**	**623**	0
		853	2,325
39. OTHER OPERATING INCOME			
Income from financial assets			
Mark-up earned on Associated Companies' balances		**2,881**	2,061
Return on bank deposits		**10**	2
Gain on forward foreign exchange contracts - net		**101**	1,214
Income from non-financial assets			
Sale of scrap - net of sales tax amounting Rs.330 thousand (2008: Rs.132 thousand)		**2,065**	879
Quarters' rent		**132**	132
Gain on disposal of operating fixed assets - net		**0**	1,946
		5,189	6,234
40. FINANCE COST - Net			
Mark-up on:			
- demand finances [net of mark-up subsidy aggregating Rs.2.498 million (2008: Rs.7.490 million)]		**52,169**	33,379
- short term finances		**90,350**	58,097
- Associated Companies' balances		**204**	1,585
- workers' (profit) participation fund	**18.3**	**227**	0
Lease finance charges		**48**	206
Bank charges		**548**	506
		143,546	93,773

41. (LOSS) / EARNINGS PER SHARE

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

	2009	2008
(Loss) / profit after taxation attributable to ordinary shareholders	**(109,886)**	5,248
	Numbers	
Weighted average number of ordinary shares in issue during the year	**3,165,450**	3,165,450
	Rupees	
(Loss)/earning per share - basic	**(34.71)**	1.66

42. FINANCIAL INSTRUMENTS

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

- credit risk; - liquidity risk; and - market risk.

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

42.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted and primarily arises from trade debts and due from Associated Companies. Out of the total financial assets of Rs.54,513 thousand (2008:Rs.62,983 thousand), the financial assets which are subject to credit risk aggregated to Rs. 54,376 thousand (2008:Rs.62,848 thousand).

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.

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

The maximum exposure to credit risk as at 30 June, 2009 along with comparative is tabulated below:

	2009	2008
	Rupees in thousand	
Security deposits	**1,004**	1,004
Trade debts	**26,623**	37,675
Due from Associated Companies	**23,709**	15,426
Other receivables	**0**	3,786
Bank balances	**3,040**	4,957
	54,376	62,848

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

The ageing of trade debts at the year-end was as follows:

Not past due	**25,190**	37,272
Past due more than one year	**1,433**	403
	26,623	37,675

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.24.378 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.

In respect of amounts due from Associated Companies, due to the Company's long standing business relationship with them management does not expect non-performance by Associated Companies on their obligations to the Company.

42.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

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

	2009				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	------------------------- Rupees in thousand -------------------------				
Demand finances	**343,052**	**459,635**	**16,880**	**422,086**	**20,669**
Short term finances	**538,287**	**578,039**	**578,039**	**0**	**0**
Trade and other payables	**118,868**	**118,868**	**118,868**	**0**	**0**
Accrued mark-up / interest	**20,124**	**20,124**	**20,124**	**0**	**0**
Preference shares redemption account	**1,238**	**1,238**	**1,238**	**0**	**0**
	1,021,569	**1,177,904**	**735,149**	**422,086**	**20,669**

	2008				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	------------------------- Rupees in thousand -------------------------				
Demand finances	359,766	429,525	44,047	271,170	114,308
Liabilities against assets subject to finance lease	1,136	1,184	1,184	0	0
Short term finances	584,510	618,528	618,528	0	0
Trade and other payables	84,129	84,129	84,129	0	0
Accrued mark-up / interest	27,993	27,993	27,993	0	0
Preference shares redemption account	1,239	1,239	1,239	0	0
	1,058,773	1,162,598	777,120	271,170	114,308

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

42.3 Market risk

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

(a) Currency risk

The Company is exposed to currency risk on import of raw materials, plant & machinery and stores & spares denominated in US Dollar, Euro and Japanese Yen. The Company's exposure to foreign currency risk for US Dollar, Euro and Japanese Yen is as follows:

	2009			
	Rupees	**US$**	**Euros**	**Yens**
	in thousand			
Bills payables	**42,350**	**508**	**0**	**1,189**
Bank balances	**(277)**	**(3)**	**0**	**0**
Gross balance sheet exposure	**42,073**	**505**	**0**	**1,189**
Outstanding letters of credit	**4,234**	**41**	**8**	**0**
Net exposure	**46,307**	**546**	**8**	**1,189**

	2008			
	Rupees	US$	Euros	Yens
	in thousand			
Bills payables	25,799	0	0	42,328
Outstanding letters of credit	11,241	70	52	1,399
Net exposure	37,040	70	52	43,727

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2009	2008	**2009**	2008
US $ to Rupee	**78.89**	62.77	**81.30**	68.20
EURO to Rupee	**111.11**	111.36	**114.82**	107.65
Yen to Rupee	**0.8134**	0.6614	**0.8475**	0.6418

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against Dollar and Yen, with all other variables held constant, loss after taxation for the year would have been lower by the amount shown below mainly as a result of net foreign exchange gain on translation of financial assets and liabilities.

	2009	2008
Effect on (loss) / profit for the year:	**(Rupees in thousand)**	
US $ to Rupee	**45,162**	0
Yen to Rupee	**1,108**	29,882

The weakening of Rupee against Dollar and Yen would have had an equal but opposite impact on the (loss) / profit after taxation.

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

(b) Interest rate risk

At the reporting date, the profit and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	2009	2008	2009	2008
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
Fixed rate instruments				
Financial assets				
Bank balances	**5**	5	**140**	135
Financial liabilities				
Demand finances (export finances)	**7**	7	**36,628**	53,341
Variable rate instruments				
Financial liabilities				
Demand finances	**16.04 to 17.55**	11.85 to 11.87	**306,424**	306,425
Liabilities against assets subject to finance lease	-	14.49 to 18.43	**0**	1,136
Short term finances	**14.77 to 17.52**	11.09 to 11.64	**538,287**	584,510

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in profit and mark-up rates at the balance sheet date would have decreased / (increased) loss / (profit) for the year by the amounts shown below. The analysis is performed on the same basis for the year 2008.

	Increase	*Decrease*
	(Rupees in thousand)	
As at 30 June, 2009		
Cash flow sensitivity-Variable rate financial liabilities	(27)	27
As at 30 June, 2008		
Cash flow sensitivity-Variable rate financial liabilities	(28)	28

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

42.4 Fair value of financial instruments

Carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arms length transaction.

43. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2009	2008	**2009**	2008	**2009**	2008
	----------------------------Rupees in thousand----------------------------					
Managerial remuneration	**2,679**	3,130	**3,000**	3,000	**6,664**	7,662
Bonus / ex-gratia	**0**	128	**370**	247	**0**	337
Retirement benefits	**0**	0	**0**	0	**556**	555
Leave salary	**210**	211	**271**	271	**597**	829
Insurance	**0**	0	**7**	7	**15**	19
Medical	**71**	73	**132**	243	**927**	2,319
Utilities	**210**	188	**497**	381	**310**	243
	3,170	3,730	**4,277**	4,149	**9,069**	11,964
Less: charged to Associated Companies	**0**	0	**3,208**	3,112	**673**	2,562
	3,170	3,730	**1,069**	1,037	**8,396**	9,402
Number of persons	**1**	1	**1**	1	**5**	5

43.1 Meeting fees of Rs.144 thousand (2008: Rs.84 thousand) were also paid to five (2008: five) non-working directors during the year.

43.2 Chief executive, one (2008: one) working director and five (2008: five) of the executives are provided with free use of residential telephones and the Company maintained cars. Working director and executives are also provided with free housing facility.

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

44. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

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

(b) Maximum aggregate debit balance of the Associated Companies at any month-end during the year was Rs.21.217 million (2008: Rs.45.917 million).

(c) Mark-up has been accrued at the rates ranging from 14.77% to 17.52% (2008: 11.09% to 11.64%) per annum on the current account balances of the Associated Companies except for the balances of The Universal Insurance Company Limited which have arisen on account of insurance premium payable.

(d) **Aggregate transactions during the year with the Associated Companies were as follows:**

	2009	2008
	Rupees in thousand	
Sale of goods and services	**1,187**	978
Purchase of goods and services	**9,208**	10,683
Mobilisation advance for construction of cotton godowns adjusted	**0**	(18,500)
Insurance claim received	**1,315**	0
Residential rent:		
- paid	**5**	5
- received	**132**	132
Mark-up:		
- earned	**2,881**	2,061
- expensed	**204**	1,585
Management charges:		
- paid	**1,998**	1,545
- received	**7,185**	8,001

44.2 No amount was due from the directors at any month-end during the year (2008: Rs.Nil).

45. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the ordinary shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2009	2008
	Rupees in thousand	
Total borrowings	**881,339**	945,412
Less: Cash and bank balances	**3,177**	5,092
Net debt	**878,162**	940,320
Total equity	**108,276**	206,936
Total capital	**986,438**	1,147,256
Gearing ratio	**89%**	82%

For the purpose of calculating the gearing ratio, the amount of total borrowings has been determined by including the effect of liabilities against assets subject to finance lease and short term finances under mark-up arrangements.

46. CAPACITY AND PRODUCTION

		2009	2008
		Numbers	
Number of spindles installed		**70,896**	70,896
Number of rotors installed		**600**	400
Number of shifts worked		**1,084**	1,050
Number of spindles / rotors shifts worked	**(a)**	**63,538,987**	71,662,433
		KGs	
Installed capacity at 20's count on the basis of shifts worked		**11,790,623**	12,733,739
Actual production of yarn of all counts		**4,670,171**	4,954,304
Actual production converted into 20's count		**22,016,076**	24,517,579

(a) Mills No.1 consisting of 12,192 spindles was closed with effect from 02 December, 2008 due to non-availability of WAPDA electricity.

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.

47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 08 October, 2009 by the board of directors of the Company.

48. FIGURES

Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.

Corresponding figures, except that commission on sales which was netted-off against sales during the preceding year has been grouped under the head of distribution cost in these financial statements, have neither been rearranged nor reclassified.

Ali Kuli Khan

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

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

FORM OF PROXY

I/We ____ ___________ of ______________________ being in the district of ______________________ being a member of Janana De Malucho Textile Mills Limited and holder of _________________ _________________________ Ordinary Shares as per the Share Register Folio No. ___ ______________ and/or CD C Participant I.D. No. ______________________ and Sub-Account No. __________________ hereby appoint _________________________ of ___________________ or failing him/her ____________________________ as my/our proxy to vote for me/us and on my/our behalf at the 49th Annual General Meeting of the Company to be held at Registered Office, Habibabad, Kohat on 31st October 2009 at 10:00 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this _________day of _________ 2009.

Signed by the said member in the presence of ___________

2. As witness my hand this _________day of__________ 2009.

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.