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**28th**  
**ANNUAL REPORT**  
**2009**

**Suhail Jute Mills Limited**



# 28th Annual Report 2009

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**Company Information**

**BOARD OF DIRECTORS**

Chairman / Chief Executive

*Sohail Farooq Shaikh*

Directors

*Mrs. Neelum Sohail Shaikh*

*Mrs. Mehreen Haroon Rashid*

*Mrs. Ambareen Zahid Bashir*

*Mrs. Sharmeen Azam Jameel*

*Mrs. Nazifa Khaliq*

*Mr. Nadia Shaikh*

Audit Committee

*Mrs. Nazifa Khaliq*

*Mrs. Neelum Sohail Shaikh*

*Mrs. Mehreen Haroon Rashid*

Company Secretary

*Farzand Ali Bangash*

Chief Financial Office

*Mohammad Amjad Iqbal*

Auditors

*M/s Amir Alam Khan & Company  
Chartered Accountants, Rawalpindi*

Share Registrar

*Nasir Absar & Co (Pvt) Ltd. Islamabad.*

Registered Office

*125 - Murree Road, Rawalpindi.*

Factory

*Kabul River Railway Station,*

*Mardan Road,*

*Nowshera, N.W.F.P.*

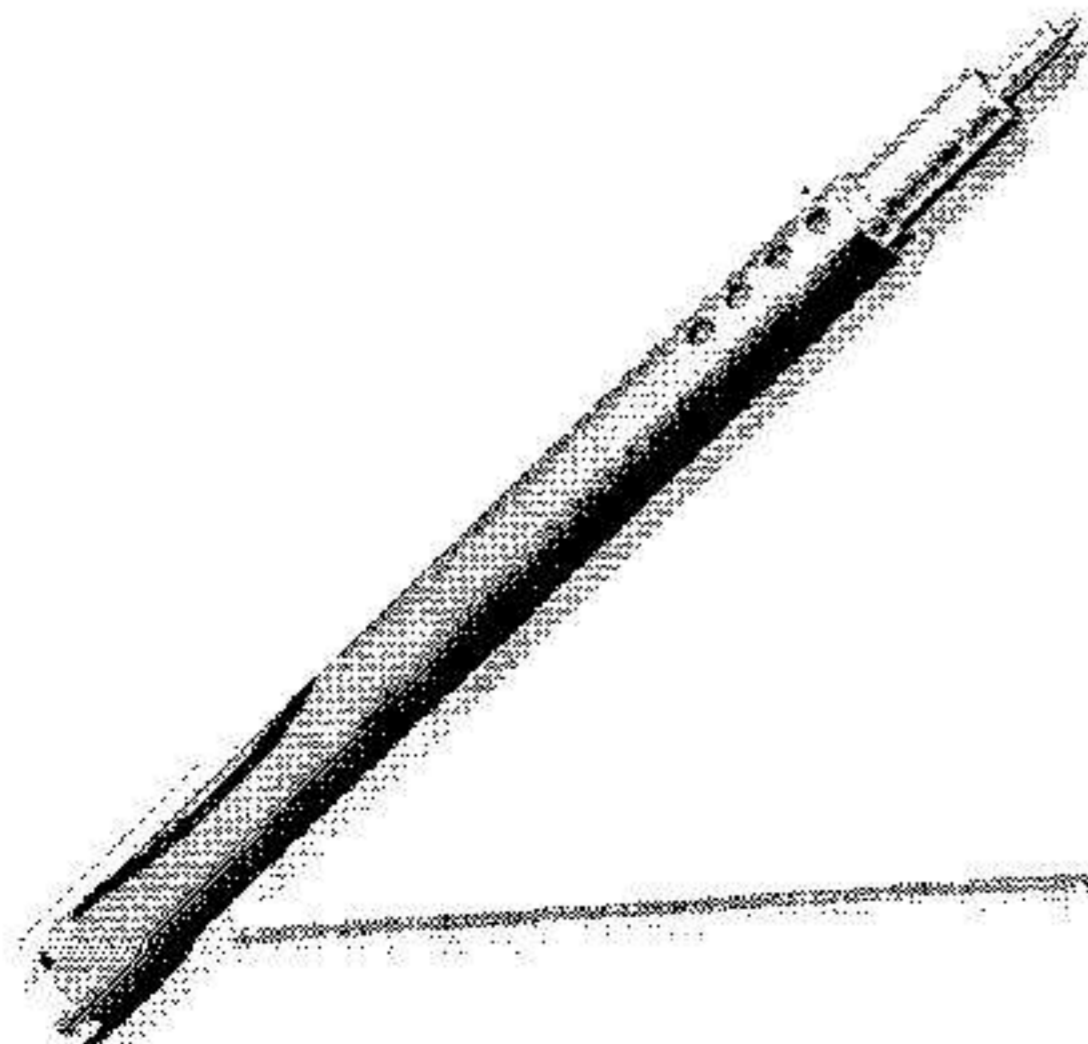


## **Vision**

To excel in delivering highest standards quality Jute products to customers as per their customized needs.

## **Mission Statement**

To transform Company into a modern and dynamic Jute Industry and to provide quality products to consumers and explore new markets to promote / extend sale of the Company's products through good governance and foster a sound and dynamic team, so as to achieve optimum profitability.





## NOTICE OF MEETING

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Company will be held at the Registered Office 125 Murree Road, Rawalpindi on Saturday the 31st day of October, 2009 at 1600 hrs to transact the following business :-

### ORDINARY BUSINESS

1. To confirm the Minutes of Twenty Seventh Annual General Meeting.
2. To receive, consider and adopt the Balance Sheet and Profit and Loss Account along with notes for the year ended 30th June 2009 together with the Directors and Auditors report thereon.
3. To appoint Auditors of the Company for the year 2009-2010 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

Rawalpindi : October 06, 2009

By Order of the Board

**FARZAND ALI BANGASH**  
COMPANY SECRETARY

#### NOTE :

- i) The Share Transfer Books of the Company for the purpose of General Meeting will remain closed from 25th October 2009 to 31st October 2009 (both days inclusive)
- (ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. No person shall act as a proxy who is not a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
- (iii) Members are requested to promptly communicate to the Company any change in their address to ensure prompt delivery of mail.



**DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors of the Company are pleased to place before you the Financial Statements and Notes for the Year ended 30 June 2009, along with the Auditors' Report thereon at the 28<sup>th</sup> Annual General Meeting of Suhail Jute Mills Limited.

**STATE OF THE COMPANY'S AFFAIRS**

The Company's Sales rose to RS. 344.967 Million from RS. 248.563 Million, with Gross profit rising substantially to Rs. 48.823 Million from RS. 9.308 Million in the previous year. The Company also managed to achieve a reduction in Administrative expenses for the year under review despite the high inflationary pressures, while Selling Expenses rose in line with the higher value and volume of sales. On the operational side this resulted in a Profit (before Financial Charges) of RS. 17.561 Million. This vindicated our contention that the Company's core business remains viable and as higher volumes and prices are achieved the Company's profitability also rises rapidly.

However, the sharp increase in Financial Costs and the unprecedented freeze on quoted shares as a result of economic distress both locally and internationally, had a negative impact on the Company's overall performance. Financial charges rose by 36.5% over the previous year, to RS.45.532 Million. Moreover, the Company was hit by an unprecedented decline in the value of its holdings of NIT Units and the forced liquidation of the bulk of the units by the Banks. Such forced liquidation was effected at prices that were artificially low. The freeze on trading in marketable shares imposed on the Stock Exchanges and the decision to allow Mutual fund managers not to quote selling and repurchase prices interdicted proper price discovery mechanisms and led to artificial declines in the value of listed securities. The freeze on trading also prevented any remedial action such as the timely sale of securities. This, in turn, panicked the Banks into forcing the liquidation of the Units held by them as securities as soon as the Stock Exchanges reopened. These steps were taken under artificial market conditions and with no regard to the improving trend in the prices of quoted securities. The Bank that chose this course of action in our case was itself in distress globally and has since so'd its business in Pakistan and is pulling out.

As a result of the decline in prices of the NIT Units, Other Income, which amounted to RS. 82.679 Million in the previous year, and provided a substantial cushion to earnings, reversed into a net loss of RS. 3.839 Million. The combined effect of these extraordinary events and the massive rise in Financial Charges during the year resulted in a Net Loss of Rs. 29.811 Million (Rs. 7.96 per share). The SECP's directive to book the impairment in the market value of securities directly to the Profit and Loss Account also had an extraordinary negative impact. It is clarified that these were extraordinary events in a time of extraordinary economic and financial stress, locally and internationally.

**DIVIDEND**

The Net Loss for the year does not allow us to recommend a dividend for the time being. As such, no payout is contemplated for now.

**RESERVES**

There are no surpluses available for the year for transfer to reserves.

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## **FUTURE OUTLOOK**

The Company has been able to sustain the extraordinary financial shocks during the year and has lowered its overall borrowing levels as well as having re profiled its debt so as reduce any further negative impact of high financial charges.

It has no long term Debt against Shareholders equity of RS. 74.482 Million and a Revaluation surplus of Rs. 719.435 Million, which reflects its intrinsic financial strength.

While the weakening Rupee exchange rate has already raised imported raw material prices and will further raise the general price level in the future, we remain cautiously optimistic that the demand for our products will be strong and selling prices will realistically reflect the considerably higher input costs.

## **POST BALANCE SHEET EVENT**

There has been a substantial rise in the value of the NIT Units held by the Company subsequent to the balance Sheet date due to buoyant Stock Market conditions. The benefits of this are expected to accrue to the Company in future periods.

## **PROVIDENT FUND**

The Company has duly rectified the status of the Provident Fund in compliance with SECP Directives.

## **AUDITORS' QUALIFICATION**

The Company's reciprocal arrangements with (Colony) Sarhad Textile Mills Limited, an Associated Company, have remained in place for a long time to the benefit of both the Companies.

As indicated earlier, the Associated Company has signed a settlement Agreement with its Creditor Banks under the terms of the State Bank's award under Circular 29. The repayable amount was finally quantified and the Company has almost completed the full settlement of its obligations to banks and financial institutions under the Agreement.

As a consequence of this, it is hoped that the Associated Company will be in a position to restructure its financial matters in a manner that will positively impact the Company's receivable from (Colony) Sarhad Textile Mills Ltd. In the opinion of the Management the amounts are recoverable and no provision is required.

The Directors hereby confirm the following as required by clause (xix) of the Code of Corporate Governance.

- a. The financial statements prepared by the management present fairly the company's state of affairs, the result of its operations, cash flow and changes in equity.
  - b. Proper books of account have been maintained.
  - c. Appropriate accounting policies have been consistently applied in preparation of financial statements as mentioned in Note 2 of the financial statement. Further, accounting estimates are based on reasonable and prudent judgment.
  - d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
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- e. The system of internal control of the Company is in place and is sound in design and effectively monitored.
- f. The Company has followed the best practices of corporate governance, as detailed in the listing regulations, wherever possible and is in process of complying with all the remaining regulations.
- g. Except stated in additional information to shareholders no trading in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and Minor Children during the year as per Companies Books.

During the year Four (4) meetings of the Board of Directors were held. Attendance of the Directors is as follows.

NAME OF DIRECTOR	NUMBER OF MEETINGS ATTENDED
1. Mr.Sohail Frooq Shaikh	4
2. Mrs. Neelum Sohail	3
3. Mrs. Mehreen Haron Rashid	3
4. Mrs. Umbereen Zahid Bashir	Nil
5. Mrs. Sharmeen Azam Jamil	1
6. Mrs. Nadia Shaikh	3
7. Mrs. Nazifa Khaliq	3

**PATTERN OF SHAREHOLDING**

The pattern of shareholding is provided in a schedule included in these Financial Statements.

**GENERAL**

The Board of Directors would like to express their appreciation for the efforts of all officers, staff and workers of the Company, which enabled the management to run the Company efficiently during the year.

**ON BEHALF OF THE DIRECTORS**

Rawalpindi 06 October 2009

**CHIEF EXECUTIVE**



**PATTERNS OF SHARE HOLDING  
AS AT 30TH JUNE 2009**

No. of shareholders		Share held		Total share held		
198	From	1	to	100	SHARES	19,800
110	From	101	to	500	SHARES	37,601
45	From	501	to	1,000	SHARES	37,601
36	From	1,001	to	2,500	SHARES	64,700
21	From	2,501	to	5,000	SHARES	77,900
10	From	5,001	to	10,000	SHARES	68,000
1	From	10,001	to	15,000	SHARES	10,400
3	From	15,001	to	20,000	SHARES	61,800
2	From	20,001	to	200,000	SHARES	219,298
4	From	200,001	to	400,000	SHARES	1,293,400
1	From	400,001	to	1,000,000	SHARES	500,000
1	From	1,000,001	to	1,500,000	SHARES	1,354,500
						<b>432</b>
						<b>3,745,000</b>

Categories of shareholder	Number	Shares held	Percentage
Individuals	424	3,212,900	85.79
Insurance Companies	1	200	0.01
Joint Stock Companies	1	500,000	13.35
Private Limited Companies	1	1000	0.03
Financial Institutions	3	9900	0.26
Surriya Farooq Charitable	1	20000	0.53
Puinjab Cooperative Board For Liquidation	1	1000	0.03
	<b>432</b>	<b>3,745,000</b>	<b>100.00</b>



**DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF  
CODE OF CORPORATE GOVERNANCE AS AT 30TH JUNE, 2009****ADDITIONAL INFORMATION****ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES**

(Colony) Sarhad Textile Mills Limited	500,000
M. Farooq (Pvt) Ltd.	1,000
Surriya Farooq Charitable Foundation	20,000

**NIT & ICP (NAME WISE DETAIL)**

Investment Corporation of Pakistan	900
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**DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN****Chief Executive/ Director**

Sohail Farooq Shaikh	1,354,500
Mrs. Neelum Sohail	500
Mrs. Mehreen Haroon Rasheed	323,300
Mrs. Nazifa Khaliq	600
Mrs. Nadia Shaikh	600
Mrs. Ambreen Zahid Bashir	323,300
Mrs. Sharmeen Azam Jamil	323,500

**SPOUSE**

Mr. Azam Jamil	500
Mr. Farrukh Haroon Rashid	500

**PUBLIC SECTOR COMPANIES AND CORPORATION**

National Industrial Cooperative Finance Corporation (Pvt.) Ltd.	4,000
Punjab Cooperative Board For Liquidation	1,000

**SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST**

(Colony) Sarhad Textile Mills Limited	500,000
Sohail Farooq Shaikh	1,354,500

**NONE OF THE DIRECTORS, CEO, CFO, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN HAS TRADED IN THE SHARES OF THE COMPANY DURING THE YEAR.**

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# SUEHAIL JUNE MILLS LIMITED

## KEY OPERATING AND FINANCIAL DATA

A statement of summarised key operating and financial data of the Company for the last seven (7) years is annexed to the annual report

PARTICULARS	2009	2008	2007	2006	2005	2004	2003
Net Sales	344,967,220	248,562,696	232,707,294	201,265,457	180,783,069	74,461,868	170,938,935
Cost of Sales	296,143,895	239,254,981	232,213,758	192,717,623	181,535,398	53,920,292	128,450,341
Operating Expenses	69,220,348	63,873,433	55,906,930	46,378,760	28,183,435	29,402,515	17,203,379
Other Income	(3,839,340)	82,679,370	47,785,924	42,798,854	8,793,308	32,029,916	2,544,217
Earning per Share - Rupees	(7.96)	6.15	(2.35)	1.05	(5.63)	3.08	6.13
Financial Position							
Equity	74,482,046	198,345,716	219,748,754	153,334,678	117,738,770	108,919,998	88,999,752
Reserve on Revaluation of Fixed Assets	719,434,507	724,585,662	201,363,163	205,063,588	208,771,599	212,501,087	216,329,138
Long Term Finance	-	-	1,000,000	7,000,000	13,000,000	19,000,000	25,000,000
Finance Lease	-	-	729,940	729,940	1,605,393	2,385,984	-
Deferred Liabilities	23,104,009	19,640,171	56,402,861	85,468,711	111,718,873	110,624,669	106,837,876
Current Liabilities	194,576,441	260,586,395	244,826,441	201,043,137	187,403,361	117,748,393	88,143,751
	<b>1,011,597,003</b>	<b>1,203,157,944</b>	<b>724,071,159</b>	<b>652,640,054</b>	<b>640,237,996</b>	<b>571,180,131</b>	<b>525,310,517</b>
Fixed Capital Expenditure	749,424,677	757,489,838	235,994,345	241,938,823	247,464,985	252,565,664	256,058,931
Due from Associated Undertaking	62,441,292	59,985,941	57,526,601	55,071,248	52,625,543	50,169,537	47,710,823
Current Assets	199,731,034	385,682,165	430,550,213	355,629,983	340,147,468	268,444,930	221,540,763
	<b>1,011,597,003</b>	<b>1,203,157,944</b>	<b>724,071,159</b>	<b>652,640,054</b>	<b>640,237,996</b>	<b>571,180,131</b>	<b>525,310,517</b>



## STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

Code of corporate governance as applicable as on 30<sup>th</sup> June 2009 has been complied with.

For and on behalf of the Board.

Rawalpindi  
Dated: October 06, 2009

Chairman/Chief Executive

## 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, as applicable to the company, for the year ended June 30, 2009 prepared by the Board of Directors of SUHAIL JUTE MILLS LIMITED to comply with the Listing Regulations of the respective Stock Exchanges where the company is listed.

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

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

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

Rawalpindi  
Date: October 06, 2009

AMIR ALAM KHAN & CO.  
CHARTERED ACCOUNTANTS



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SUHAIL JUTE MILLS LIMITED as at June 30, 2009 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 include 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 no provision has been made against doubtful receivables amounting Rs. 62.44 Million due from associated undertaking. (note - 12)

Except for the matter stated above and the extent to which the same may effect the financial statements of the company, we report that:-

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984.
- (b) in our opinion:-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) Except for the effects of matter stated in paragraph above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss for the year then ended, and
- (d) in our opinion no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



## BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	3	37,450,000	37,450,000
General reserve		10,870,000	10,870,000
Fair value reserve		-	99,204,206
Accumulated profit		26,162,046	50,821,510
		<b>74,482,046</b>	<b>198,345,716</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	4	<b>719,434,507</b>	<b>724,585,662</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities	5	23,104,009	19,640,171
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	31,756,565	27,386,775
Accrued mark-up		4,266,351	3,839,573
Running finance under mark-up arrangements	7	158,553,525	228,117,234
Provision for taxation	8	-	1,242,813
		<b>194,576,441</b>	<b>260,586,395</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9	-	-
		<b>1,011,597,003</b>	<b>1,203,157,944</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	746,874,677	754,939,838
Investment property	11	2,550,000	2,550,000
Due from associated undertakings	12	62,441,292	59,985,941
		<b>811,865,969</b>	<b>817,475,779</b>
<b>CURRENT ASSETS</b>			
Stores and spare parts	13	12,328,752	12,550,282
Stock in trade	14	101,728,365	77,894,370
Trade debts - considered good	15	5,676,125	33,990,875
Short term investments	16	44,386,218	235,816,019
Advances	17	22,200,004	15,904,817
Deposits and prepayments	18	10,769,362	7,151,224
Cash and bank balances	19	2,642,208	2,374,578
		<b>199,731,034</b>	<b>385,682,165</b>
		<b>1,011,597,003</b>	<b>1,203,157,944</b>

The annexed notes form an integral part of these financial statements

Rawalpindi

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
SALES	20	344,967,220	248,562,696
COST OF SALES	21	<u>(296,143,895)</u>	<u>(239,254,981)</u>
GROSS PROFIT		48,823,325	9,307,715
OTHER INCOME	22	(3,839,340)	82,679,370
ADMINISTRATIVE EXPENSES	23	(25,687,986)	(31,980,673)
SELLING AND DISTRIBUTION EXPENSES	24	(5,574,256)	(3,835,216)
FINANCIAL CHARGES	25	(43,532,362)	(31,892,760)
(LOSS) / PROFIT BEFORE TAXATION		<u>(29,810,619)</u>	<u>24,278,436</u>
TAXATION	8		(1,242,813)
NET (LOSS) / PROFIT AFTER TAXATION		<u><u>(29,810,619)</u></u>	<u><u>23,035,623</u></u>
(LOSS) / EARNING PER SHARE - Basic	26	<u><u>(7.96)</u></u>	<u><u>6.15</u></u>

The annexed notes form an integral part of these financial statements

Rawalpindi,

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	27	(10,341,751)	(57,699,886)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment		(41,920)	(1,511,350)
Proceeds from investments		82,670,361	46,438,000
Due from associated undertaking		(2,455,351)	(2,459,340)
Net cash outflow from investing activities		80,173,090	42,467,310
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term loans repaid		-	(7,000,000)
Payment of finance lease liabilities		-	(729,940)
Net cash inflow from financing activities		-	(7,729,940)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		69,831,339	(22,962,516)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		(225,742,656)	(202,780,140)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		(155,911,317)	(225,742,656)

The annexed notes form an integral part of these financial statements

Rawalpindi,

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital	General Reserve	Fair Value Reserve	Accumulated Profit / Loss	Total
	-----Rupees-----				
<b>BALANCE AS AT JUNE 30, 2007</b>	37,450,000	10,870,000	148,011,224	23,417,530	219,748,754
Profit for the year	-	-	-	23,035,623	23,035,623
Un-realized loss transferred to profit and loss account	-	-	(6,914,200)	-	(6,914,200)
Fair Value transferred on actual sale of units	-	-	(41,892,818)	-	(41,892,818)
Effect of incremental depreciation	-	-	-	4,368,357	4,368,357
<b>BALANCE AS AT JUNE 30, 2008</b>	37,450,000	10,870,000	99,204,206	50,821,510	198,345,716
Loss for the year.	-	-	-	(29,810,619)	(29,810,619)
Effect of incremental depreciation.	-	-	-	5,151,155	5,151,155
Fair Value transferred on actual sale of units.	-	-	(98,185,118)	-	(98,185,118)
Un-realized gain transferred to profit and loss account after impairment.	-	-	(1,019,088)	-	(1,019,088)
<b>BALANCE AS AT JUNE 30, 2009</b>	<b>37,450,000</b>	<b>10,870,000</b>	<b>-</b>	<b>26,162,046</b>	<b>74,482,046</b>

The annexed notes form an integral part of these financial statements

Rawalpindi,

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009****1. LEGAL STATUS AND OPERATIONS**

Suhail Jute Mills Limited (the Company) was incorporated in Pakistan in 1981 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). Its shares are quoted on Lahore and Karachi stock exchanges in Pakistan. The Company is principally engaged in the business of manufacturing and sale of jute products. The registered office of the Company is situated at 125-Murree Road, Rawalpindi, while the production facilities are situated at Kabul River Railway Station, Mardan Road, Nowshera N.W.F.P.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 ACCOUNTING CONVENTION**

These financial statements have been prepared under historical cost convention.

**2.2 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance 1984. (The Ordinance). Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

**2.3 STAFF RETIREMENT BENEFITS****Defined benefit plan**

The Company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision is made annually to cover obligations under the scheme in accordance with actuarial recommendations. Projected Unit Credit Method has been used for actuarial valuation. The results of current valuation carried on June 30, 2008, are summarized in note - 5.

Actuarial gains/(losses) in excess of 10% of the present value of the defined benefit obligation are recognized over the expected average future working lives of the employees participating in the scheme. Past service cost is recognized immediately to the extent the benefits are already vested.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation adjusted for the actuarial gains and losses and unrecognized past service cost.

The Company policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19.

**Defined contribution plan**

The Company also operates provident fund scheme for its employees. Monthly contributions are made to the fund @ 6% of basic salary.

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## 2.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation except lease hold land and capital work in progress, which are stated at cost. Cost comprises acquisition and other directly attributable costs. Depreciation is provided on a reducing balance basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note no.10.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in profit and loss account currently.

### Impairment

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

## 2.5 TAXATION

### CURRENT

Provision for current taxation is based on taxable income of the company after taking into account rebates, if any, allowable to the company. In case of loss the tax liability is calculated according to the section 113 of Income Tax Ordinance. The company account for deferred taxation using liability method arising on all major timing differences.

### DEFERRED

Deferred income tax, if any, is accounted for using the balance sheet liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are recognized for all taxable temporary timing differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the timing differences will reverse, based on the tax rates that have been enacted. Deferred tax is charged or credited to income except in the cases where it is included in equity.

## 2.6 STORES AND SPARE PARTS

These are valued at weighted average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred up to the balance sheet date.

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## 2.7 STOCK IN TRADE

Stock in trade is stated at the lower of average cost and net realizable value, less allowance for obsolete items.

Raw material	at moving average purchase cost and directly attributable expenses
Work in process and finished goods	at moving average cost of raw materials and applicable manufacturing expenses
Raw material in transit	at invoice value plus other charges incurred up to the balance sheet date

## 2.8 INVESTMENT AVAILABLE FOR SALE

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at cost and at subsequent reporting dates measured at fair value. Gains and arising from re-measurement at fair value is recognized directly in the equity as unrealized, unless sold, collected, or otherwise disposed off at which time, the cumulative gain previously recognized in equity is recycled to profit and loss account.

## 2.9 INVESTMENT PROPERTY

The investment property of the Company is stated at cost using the cost model. Investment property is a property held for capital appreciation.

## 2.10 REVENUE RECOGNITION

Local sales are recorded when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer.

Export sales are recorded on shipment basis while export rebate is accounted for on receipt basis.

Return on investment in associated undertaking is recorded on accrual basis while return on bank deposits are accounted for on a time proportioned basis on the principal amount outstanding.

Dividend income on investments is recognized when the right to receive the payment is established.

## 2.11 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Foreign Exchange transactions are translated into reporting currency at the rates of exchange prevailing on the date of transactions except repayments of foreign currency loans, which are covered against exchange rate risk. Monetary assets and liabilities.

## 2.12 CASH AND CASH EQUIVALENTS

Cash and bank balances are defined as cash in hand, demand deposits and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks on current accounts and deposit accounts and balances of outstanding running finance facilities availed by the company.



## 2.13 TRADE AND OTHER RECEIVABLES

Trade receivables are recognized and carried at original invoice amount less any allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made. Other receivables and receivables from related parties are recognized and carried at cost.

## 2.14 TRADE AND OTHER PAYABLES

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the Company.

## 2.15 BORROWINGS

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in trade and other payables to the extent of the amount remaining unpaid.

## 2.16 FINANCIAL INSTRUMENTS

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the company loses control of the contractual rights that comprise the financial asset and in case of financial liability.

### a) Long term loans and accrued interest

All loans are initially recognized at cost. After initial recognition, all loans and accrued interest thereon are subsequently measured at fair value and any gain or loss arising from a change in fair value is included in the profit and loss account.

### b) Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received . Payable to related parties are recognized and carried at cost.

### c) Provisions

Provisions are recognized when a company has a legal or constructive obligation as a result of past event if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

### d) Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount / cost less an allowance for any uncollectible amounts.

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**e) Cash and bank balances**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

**f) Related party transactions**

The comparable uncontrolled price method is used for valuation of transfer of any asset .

	2009 Rupees	2008 Rupees
<b>3. SHARE CAPITAL</b>		
Authorized share capital 5,000,000 (2008 : 5,000,000) Ordinary shares of Rs. 10/- each.	50,000,000	50,000,000
Issued, subscribed and paid up share capital		
Ordinary shares issued for cash 3,245,000 (2008 : 3,245,000) Ordinary shares of Rs. 10/- each.	32,450,000	32,450,000
Ordinary shares issued for consideration other than cash 500,000 (2008 : 500,000) Ordinary shares of Rs. 10/- each.	5,000,000	5,000,000
	<b>37,450,000</b>	<b>37,450,000</b>
<b>4. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
Surplus on revaluation of fixed assets	771,935,615	244,344,759
Less: Accumulated amortization at beginning of the year	(47,349,953)	(42,981,596)
	724,585,662	201,363,163
Surplus for the year	-	527,590,856
	724,585,662	728,954,019
Less: Incremental depreciation for the year	(5,151,155)	(4,368,357)
	<b>719,434,507</b>	<b>724,585,662</b>

Land of the Company was revalued in 1992 and on January 31, 2008, whereas buildings and plant and machinery were revalued in 1995 and on January 31, 2008. The latest revaluation of land, buildings and plant and machinery has been carried out by an independent valuer M/s BFA (Pvt.) Ltd. under the market value basis. The surplus/(deficit) resulting from these revaluations are as follows:

Particulars	Surplus	Surplus	Surplus /(deficit)
	1992	1995	2008
	----- Rupees -----		
Mills land	36,235,333	-	484,448,470
Building	-	23,780,646	86,907,307
Plant and machinery	-	184,328,780	(43,764,921)
<b>Total</b>	36,235,333	208,109,426	527,590,856



	2009 Rupees	2008 Rupees
<b>5. DEFERRED LIABILITIES</b>		
Present value of defined benefit obligation	26,468,020	19,891,320
Cumulative net unrealized actuarial losses	(3,364,011)	(251,149)
Liability as at June 30	23,104,009	19,640,171
Liability as at July 01	19,640,171	16,285,375
Charge to profit and loss account	5,768,483	5,100,746
Benefits paid by the company	(2,304,645)	(1,745,950)
Liability as at June 30	23,104,009	19,640,171

The amount recognized in the profit and loss account is as follows:

Current service cost	3,381,524	3,433,905
Interest cost	2,386,958	1,666,841
	5,768,483	5,100,746
Cost of sales	4,037,938	3,570,520
Administrative expenses	1,730,545	1,530,226
	5,768,483	5,100,746

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

Liability as at July 01	19,891,320	16,668,414
Charge for the year	5,768,483	5,100,746
Benefit paid during the year	(2,304,645)	(1,745,950)
Actuarial (gain)/Loss	3,112,862	(131,890)
Present value of defined benefit obligation as at June 30	26,468,020	19,891,320

Comparison of present value of defined benefit obligation for the current year and previous three years is as follows:

	2009	2008	2007	2006
	----- Rupees -----			
Present value of defined benefit obligation	26,468,020	19,891,320	16,668,414	12,162,489
Experience adjustments on obligations	(3,364,011)	(251,149)	(383,039)	766,788
	23,104,009	19,640,171	16,285,375	12,929,277

The principal actuarial assumptions used in actuarial valuations were as follows:

Discount rate	13%
Expected rate of increase in salary	12%
Mortality rate	61-66
Average expected remaining working life time of employees	11 years



		2009	2008	
		Rupees	Rupees	
<b>6.</b>	<b>TRADE AND OTHER PAYABLES</b>			
	Trade creditors	5,072,964	3,762,629	
	Accrued expenses	9,434,068	7,082,709	
	Security deposits	1,500	1,500	
	Advances from customers	2,124,000	462,187	
	Workers' profit participation fund	12,322,707	10,827,437	
	Workers welfare fund	191,931	191,931	
	Unclaimed dividend	197,548	197,548	
	Other taxes payable	281,917	203,491	
	Others	348,130	3,175,543	
	Due to directors	1,781,800	1,481,800	
		<u>31,756,565</u>	<u>27,386,775</u>	
<b>6.1</b>	<b>Workers' profit participation fund</b>			
	Balance as at July 01	10,827,437	9,513,252	
	Interest for the year	1,495,270	1,314,185	
		<u>12,322,707</u>	<u>10,827,437</u>	
<b>7.</b>	<b>RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS- Secured</b>			
	Royal Bank of Scotland (Pakistan) Limited	7.1	88,560,325	169,992,234
	Al-Baraka Islamic Bank	7.2	69,993,200	58,125,000
			<u>158,553,525</u>	<u>228,117,234</u>
<b>7.1</b>	<b>Royal Bank of Scotland (Pakistan) Limited</b>			
	Running finance facility	7.1.1	66,960,125	153,967,184
	Cash finance facility	7.1.2	21,600,200	16,025,050
			<u>88,560,325</u>	<u>169,992,234</u>

### 7.1.1 Running finance facility

The company has availed rupees 66.96 million (2008 : Rs. 153.97 million) out of rupees 90 million (2008 : Rs. 175 million). The rate of mark up is 3 month KIBOR +2.91% per annum payable on monthly basis. This facility is obtained to meet working capital requirements.

The facility is secured against the following:

- i)- First registered charge for Rs. 220 million on fixed assets including land, building and machinery of the company.
- ii)- Hypothecation charge on current assets of the company for Rs. 100 million.
- iii)- Promissory note.



**7.1.2 Cash finance facility**

The company has availed rupees 21.6 million (2008 : Rs. 16.03 million) out of rupees 60 million (2008 : 40 million) at mark up rate of 3 months KIBOR +2.91% (2008 : 12.5%) payable on monthly basis. At the balance sheet date the unavailed facility was Rs. 38.4million. The purpose of this facility is to provide finance for procurement and storage of jute.

Securities provided against this facility are listed below:

- i)-Pledge of 50% of finished goods and 50% raw material with 15% margin of the amount drawn under the control of the Bank's approved muccadam at factory site.
- ii)- Promissory note.

Other facilities available to the Company from Royal Bank of Scotland are as follows:

**Sight Letter of Credit**

Sight Letter of Credit amounting to Rs. 30 million (2008 : Rs. 40 million); secured by lien over shipment documents and 100% credit against deposits (CAD) basis.

**Letter of Guarantee**

Letter of Guarantees amounting to Rs. 5 million (2008 : Rs. 5 million); secured by promissory note, counter guarantee and also covered by securities available to running finance package.

**Discounting of Inland Bills**

Discounting of Inland Bills up to Rs.20 million maximum amount outstanding at any time, it is secured against;

- i)-bills duly endorsed in favor of Bank TCP, Punjab Food and respective (GOP) food agencies of provinces with 25% margin; and
- ii)-as per running finance facility.

**7.2 Al-Baraka Islamic Bank**

The aggregate facility available to the company consists of Rs. 90 million (2008 : Rs. 90 million) under the arrangement of AMI Murabaha of Rs. 60 million (2008 : Rs. 60 million) carrying mark-up @ six months kibar plus 2.5% p.a. and three months kibar plus 3% with floor of 13% if paid within 180days and 90 days respectively, Import Murabaha Rs. 30 million (2008 : Rs. 30 million ). The Company had an unavailed facility of Rs. 20.01million (2008 : Rs.11.375 million) against AMI Murabaha and Rs. nil (2008: 20.5 million ) against Import Murabaha at the balance sheet date.

AMI Murabaha is secured by the following securities

- i)-lien on NIT units of 70% of the outstanding amount of Murabaha with margin of 25%.
- ii)-pledge of raw jute and finished goods of 30% of outstanding amount with margin of 25%.

The above mentioned securities are also available for other facilities availed from the bank.

Import Murabaha is secured by the following securities:

Pledge of raw jute and finished goods with margin of 25%.

Other facilities available to the Company from Al-Baraka Islamic Bank are as follows:



Sight letter of credit (limit 1) of Rs. 90 million (2008 : Rs. 90 million) Murabaha and Import Murabaha; The facility is secured by lien on NIT units 10% of outstanding amount and pledge of raw jute 25% of outstanding amount with 25% margin.

Sight Letter of Credit (limit 2) of Rs. 30 million (2008 : Rs. 30 million); The facility is secured by lien on title of raw jute of 25% of the outstanding amount with margin of 25% or lien on NIT units of 10% of outstanding amount with margin of 25%.

Letter of Guarantees amounting to Rs.1,000,000 (2008 : Rs. 1,080,000); secured by lien on deposits.

	2009 Rupees	2008 Rupees
<b>8. PROVISION FOR TAXATION</b>		
Opening balance	1,242,813	24,796,337
Provision made during the year		
Current	-	1,242,813
Deferred	-	-
prior years	-	-
	-	1,242,813
	1,242,813	26,039,150
Paid/ adjusted	(1,242,813)	(24,796,337)
	-	1,242,813

## 9. CONTINGENCIES AND COMMITMENTS

- 9.1 Al Baraka Islamic Bank and Royal Bank of Scotland (Pak) Ltd. have issued letter of guarantee of Rs.505,000 (2008: Rs. 505,000) and Rs.550,000 (2008: Rs.550,000 ) respectively on behalf of the company in the ordinary course of business in favor of Sui Northern Gas Pipelines Limited.
- 9.2 Al Baraka Islamic Bank have issued letter of performance guarantee of US\$.139,000 (2008 : Nil) in favor of Managing Director of Private Power & Infrastructure Board, Ministry of Water & Power, Government of Pakistan,
- 9.2 Letters of credit issued on behalf of the company in the ordinary course of business, by various banks outstanding at year end amounted to Rs. 12.19 million (2008 : Rs. 38.493 million).



## 10. PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST			R A T E	DEPRECIATION			WRITTEN DOWN VALUE AS AT JUNE 30, 2009
	AS AT JULY 01, 2008	ADDITION/ (DELETION)	AS AT JUNE 30, 2009		AS AT JULY 01, 2008	FOR THE YEAR	AS AT JUNE 30, 2009	
Free hold land	523,000,000	-	523,000,000	-	-	-	-	523,000,000
Building on freehold land	129,703,160	-	129,703,160	3%	21,820,261	3,236,487	25,056,748	104,646,412
Plant & machinery	271,493,251	-	271,493,251	3-15%	153,764,819	3,911,908	157,676,727	113,816,524
Tools & equipment	218,642	-	218,642	10%	155,802	6,284	162,086	56,556
Electric fittings	281,186	-	281,186	10%	224,012	5,978	229,990	51,196
Furniture & fixtures	2,865,976	1,620	2,867,596	10%	1,585,732	128,186	1,713,918	1,153,677
Office equipment	3,272,859	40,300	3,313,159	10%	1,608,685	170,447	1,779,132	1,534,027
Weight & measures	499,782	-	499,782	10%	448,216	5,157	453,373	46,409
Motor vehicles	11,160,181	-	11,160,181	20%	7,954,415	641,153	8,595,568	2,564,613
Fire fighting equipment	23,130	-	23,130	10%	20,849	228	21,077	2,053
Library books	53,031	-	53,031	30%	49,001	1,209	50,210	2,821
Arms	812	-	812	10%	380	43	423	389
<b>2009- Rupees</b>	<b>942,572,010</b>	<b>41,920</b>	<b>942,613,930</b>		<b>187,632,172</b>	<b>8,107,081</b>	<b>195,739,253</b>	<b>746,874,677</b>
<b>2008- Rupees</b>	<b>413,469,804</b>	<b>529,102,206</b>	<b>942,572,010</b>		<b>180,025,459</b>	<b>7,606,713</b>	<b>187,632,172</b>	<b>754,939,838</b>

**2009**  
**Rupees**

**2008**  
**Rupees**

### 10.1 ALLOCATION OF DEPRECIATION

Depreciation has been allocated as under:

Cost of sales	7,464,447	6,806,220
Administrative expenses	642,633	800,493
	<b>8,107,081</b>	<b>7,606,713</b>

## 11. INVESTMENT PROPERTY

This represents the cost of land situated at Gadoon Amazai Industrial State NWFP purchased for the purpose of setting up industry to avail the industry incentives. However, the government withdrew the incentives therefore no construction has taken place. Now the Company is looking forward for an appropriate time when the Company would be able to sale the land at profit. The fair value of the land cannot be measured reliably due to the fact that there is no active trading of land in this area.

**2009**  
**Rupees**

**2008**  
**Rupees**

## 12. DUE FROM ASSOCIATED UNDERTAKINGS

Borrowings		10,395,381	10,395,381
Mark up on borrowings	12.1	29,554,542	28,099,191
Joint office expenses	12.2	22,491,369	21,491,369
		<b>62,441,292</b>	<b>59,985,941</b>



**12.1** This represents amount due from (Colony) Sarhad Textile Mills Limited. The Company has reciprocal arrangements of lending and borrowing with its associated undertaking at an interest rate of 14% per annum.

**12.2** This represents the share of the total joint expenses of the office. The Company maintains that joint office expenses does not constitute investment as defined in section 208 of the Companies Ordinance, 1984.

	2009 Rupees	2008 Rupees
<b>13. STORES AND SPARE PARTS</b>		
Spare parts	9,146,309	9,177,050
Stores	3,182,443	3,373,232
	12,328,752	12,550,282
<b>14. STOCK IN TRADE</b>		
Raw material	49,932,765	48,920,358
Work in process	11,910,100	10,723,208
Finished goods	39,885,500	18,250,804
	101,728,365	77,894,370

**15. TRADE DEBTS - CONSIDERED GOOD**

This includes an amount of Rs. 4.2 million receivable from Punjab Food Department (PFD), Government of Punjab against the supply of 4000 bales of jute grain sacks in the year 2006. The amount is under dispute since the price offered for supply to PFD is over and above the price offered to another government department. The matter is under consideration of court, while the management of the Company feels it shall be resolved in its favor and therefore no provision has been provided in these financial statements.

**16. SHORT TERM INVESTMENTS**

2009	2008		2009	2008
No. of units		Name of Investee	Cost Rupees	Fair value Rupees
1,653,118	4,504,604	National Investment Trust	57,193,571	44,386,218
				235,816,019

Fair value of NIT units is determined using declared repurchase price.

	2009 Rupees	2008 Rupees
<b>16.1 Impairment / un-realized gain on remeasurement of available for sale investment to fair value</b>		
Fair value of investments at year end	44,386,218	235,816,019
Less: cost of investment	(57,193,571)	(136,611,813)
Impairment / unrealised gain	(12,807,353)	99,204,206

1,141,953 (2008:1,141,953)-NIT units are under lien with Al Baraka Islamic Bank. Units in hand are 511,165 (2008: Nil).



	2009 Rupees	2008 Rupees
<b>17. ADVANCES</b>		
Withholding tax	19,889,073	13,921,159
Letter of credit	1,800	5,039
Advances - considered good:		
- Employees	166,775	276,365
- Expenses	43,010	815,067
- Others	1,263,900	7,260
Sales tax receivable	787,636	836,703
Other receivables - considered good	47,810	43,224
	<b>22,200,004</b>	<b>15,904,817</b>
<b>18. DEPOSITS AND PREPAYMENTS</b>		
Deposits	10,402,570	6,946,885
Prepayments	366,792	204,339
	<b>10,769,362</b>	<b>7,151,224</b>
<b>19. CASH AND BANK BALANCES</b>		
Cash in hand	28,962	9,411
Cash at banks:		
- in current accounts	1,680,970	1,433,225
- in saving accounts	932,276	931,942
	<b>2,642,208</b>	<b>2,374,578</b>
<b>20. SALES</b>		
<b>Local</b>		
Jute Twine	-	10,644,903
Gunny bags	327,499,950	169,951,500
Hessian cloth	10,315,750	21,049,023
Rice bags	13,929,300	38,647,516
Waste	40,000	50,000
	<b>351,785,000</b>	<b>240,342,942</b>
<b>Export</b>		
Hessian cloth	-	13,347,833
Export rebate	-	51,000
	<b>-</b>	<b>13,398,833</b>
<b>Total sales</b>	<b>351,785,000</b>	<b>253,741,775</b>
Less: Forwarding expenses		
- Forwarding and other expenses local	6,817,780	4,186,073
- Forwarding and other expenses export	-	993,006
	<b>6,817,780</b>	<b>5,179,079</b>
	<b>344,967,220</b>	<b>248,562,696</b>



		2009 Rupees	2008 Rupees
<b>21. COST OF SALES</b>			
Opening stock finished goods		18,250,804	12,366,300
Cost of goods manufactured	21.1	317,778,591	245,139,485
		<u>336,029,395</u>	<u>257,505,785</u>
Closing stock finished goods		(39,885,500)	(18,250,804)
		<u>296,143,895</u>	<u>239,254,981</u>
<b>21.1 Cost of goods manufactured</b>			
Raw materials consumed	21.1.1	197,717,194	135,295,576
Stores and spares consumed	21.1.2	25,658,617	20,886,983
Salaries, wages and benefits		67,401,954	58,616,086
Fuel and power		15,921,705	15,174,343
Repair and maintenance		2,864,310	2,882,927
Insurance		1,637,256	1,453,458
Depreciation		7,464,447	6,806,220
Other costs		300,000	300,000
		<u>318,965,483</u>	<u>241,415,593</u>
Adjustment for work in process			
Opening stock		10,723,208	14,447,100
Closing stock		(11,910,100)	(10,723,208)
		<u>(1,186,892)</u>	<u>3,723,892</u>
Cost of goods manufactured		<u>317,778,591</u>	<u>245,139,485</u>
<b>21.1.1 Raw material consumed</b>			
Opening balance		48,920,358	49,641,464
Add: Purchases		198,729,601	134,574,470
		<u>247,649,959</u>	<u>184,215,934</u>
Less: Closing stock		(49,932,765)	(48,920,358)
		<u>197,717,194</u>	<u>135,295,576</u>
Salaries, wages and benefits include provident fund contribution of Rs.135,552 (2008 : Rs. 126,582) and gratuity provision of Rs.4,037,938 (2008 : Rs. 3,570,520).			
		2009 Rupees	2008 Rupees
<b>21.1.2 Stores and spare parts consumed</b>			
Opening balance		12,550,282	13,143,903
Add: Purchases		25,437,087	20,293,362
		<u>37,987,369</u>	<u>33,437,265</u>
Less: Closing stock		(12,328,752)	(12,550,282)
		<u>25,658,617</u>	<u>20,886,983</u>



	2009 Rupees	2008 Rupees
<b>22. OTHER INCOME</b>		
Return on investment in the associated undertaking	1,455,351	1,459,340
Interest on bank deposits	85,553	70,714
Dividend income on NIT units	29,279,966	30,005,591
Sale of scrap	120,870	20,659
(Loss) / Gain on disposal of available for sale investments	(21,973,727)	6,904,314
Impairment on available for sale investment	(12,807,353)	-
Liability written off		44,218,752
	<b>(3,839,340)</b>	<b>82,679,370</b>
<b>23. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and benefits	8,487,225	7,151,313
Directors' Remuneration	23.1 2,232,156	2,269,230
Directors' meeting fee	6,500	8,000
Travelling	1,464,052	960,174
Motor vehicle running expenses	2,684,942	1,933,857
Entertainment	1,085,955	782,448
Printing and stationery	536,801	465,916
Postage, telegram and telephone	684,480	751,680
News paper and periodicals	52,195	44,230
Rent, rates and taxes	1,952,677	2,516,117
Electricity	1,345,766	1,226,043
Fees and subscription	290,711	261,625
Donation	553,107	56,500
Professional charges	830,100	1,136,167
Auditor's remuneration	23.2 325,000	150,000
Depreciation	642,633	800,493
Repairs and maintenance	496,012	303,211
Zakat	1,966,815	1,404,169
Write offs		9,719,560
Miscellaneous	50,859	39,940
	<b>25,687,986</b>	<b>31,980,673</b>

### 23.1 Remuneration of Managing Director and Executives

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the managing director, directors and executives of the Company are given below:



	2009		2008	
	Director Rupees	Managing director Rupees	Director Rupees	Managing director Rupees
Fee	6,500	-	8,000	-
Remuneration	-	2,232,156	240,000	2,029,230
Allowances/ Reimbursement	-	1,179,532	108,000	2,132,819
<b>Rupees</b>	<b>6,500</b>	<b>3,411,688</b>	<b>356,000</b>	<b>4,162,049</b>
<b>Number</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

The Managing Director has been provided with the Company maintained car, utilities and telephone at his residence.

	2009 Rupees	2008 Rupees
<b>23.2 Auditors remuneration</b>		
Audit fee	250,000	100,000
Fee for half yearly review of financial statements	75,000	50,000
	<b>325,000</b>	<b>150,000</b>
<b>24. SELLING AND DISTRIBUTION EXPENSES</b>		
Advertisement	55,111	37,500
Loading / unloading expenses	5,519,145	3,797,716
	<b>5,574,256</b>	<b>3,835,216</b>
<b>25. FINANCIAL CHARGES</b>		
Interest on Workers' profit participation fund	1,495,270	1,314,185
Mark up on short term borrowings	41,275,682	30,072,956
Bank charges	761,410	497,713
Finance charges of lease liability	-	7,906
	<b>43,532,362</b>	<b>31,892,760</b>
<b>26. LOSS / EARNING PER SHARE - BASIC</b>		
(Loss) / Profit after taxation - Rupees	<b>(29,810,619)</b>	<b>23,035,623</b>
Weighted average number of ordinary shares in issue during the year - No.	<b>3,745,000</b>	<b>3,745,000</b>
(Loss) / Earning per share - Rupees	<b>(7.96)</b>	<b>6.15</b>



	2009 Rupees	2008 Rupees
<b>27. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(29,810,619)	24,278,436
<b>Adjustment for:</b>		
Depreciation	8,107,081	7,606,713
Write offs	-	9,719,560
Loss / Gain on disposal of available for sale investments	21,973,727	(6,904,314)
Impairment / gain on available for sale investment	12,807,353	(25,795,135)
Dividend	(25,225,845)	-
Liabilities waived	-	(44,218,752)
Financial charges	43,532,362	31,892,760
Provision for employee benefits	5,768,483	5,100,746
<b>Loss before working capital changes</b>	<b>37,152,541</b>	<b>1,680,014</b>
<b>Effect on cash flow due to working capital changes:</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spare parts	221,530	593,621
Stock in trade	(23,833,995)	(1,403,848)
Trade debts - considered good	28,314,750	(28,237,013)
Advances	(376,340)	2,578,042
Deposits and prepayments	(3,618,138)	-
	<b>707,807</b>	<b>(26,469,198)</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	4,369,790	3,128,472
Accrued interest	426,778	-
<b>Cash generated / (used in) from operations</b>	<b>42,656,916</b>	<b>(21,660,712)</b>
Financial charges paid	(43,532,362)	(29,583,568)
Employees' retirement benefits paid	(2,304,645)	(1,745,950)
Taxes (paid) / recovered	(7,161,660)	(4,709,656)
	<b>(10,341,751)</b>	<b>(57,699,886)</b>

**29. FINANCIAL ASSETS**

	Interest /Mark-up bearing			Non-Interest bearing			2009	2008
	with in one year	more than one year	sub-total	with in one year	more than one year	sub-total		
(Rupees)								
Financial assets								
Investment property	-	-	-	-	2,550,000	2,550,000	2,550,000	2,550,000
Due from associated undertakings	-	62,441,292	62,441,292	-	-	-	62,441,292	59,985,941
Trade debts - considered good	-	-	-	5,676,125	-	5,676,125	5,676,125	33,990,875
Short term investments	-	-	-	44,386,218	-	44,386,218	44,386,218	235,816,019
Advances	-	-	-	214,585	-	214,585	214,585	15,904,817
Deposits and prepayments	-	-	-	10,402,570	-	10,402,570	10,402,570	7,151,224
Cash and bank balances	932,276	-	932,276	1,709,932	-	1,709,932	2,642,208	2,374,578
	<b>932,276</b>	<b>62,441,292</b>	<b>63,373,568</b>	<b>62,389,430</b>	<b>2,550,000</b>	<b>64,939,430</b>	<b>128,312,998</b>	<b>357,773,454</b>



	Interest /Mark-up bearing			Non-Interest bearing			2009	2008
	with in one year	more than one year	sub-total	with in one year	more than one year	sub-total		
------(Rupees)-----								
<b>Financial Liabilities</b>								
Deferred liabilities	-	-	-	-	23,104,009	23,104,009	23,104,009	19,640,171
Trade and other payables	-	-	-	16,836,010	-	16,836,010	16,836,010	27,183,284
Accrued mark-up	-	-	-	4,266,351	-	4,266,351	4,266,351	3,839,573
Running finance under mark-up arrangements	158,553,525	-	158,553,525	-	-	4,266,351	162,819,875	228,117,234
	<u>158,553,525</u>	<u>-</u>	<u>158,553,525</u>	<u>21,102,361</u>	<u>23,104,009</u>	<u>48,472,720</u>	<u>207,026,245</u>	<u>278,780,262</u>

### 30. CURRENCY RISK

Currency risk is the risk that value of a financial instrument will fluctuate due to change in foreign exchange rates. This risk arises mainly where financial instruments are receivable and payable in foreign currency. The company is not exposed to foreign exchange risk as there are no forward contracts.

### 31. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents that accounting loss would be recognized at the reporting date if counter parties failed to completely perform as contracted. The company's credit risk is primarily attributed to trade debts amounting to Rupees 5,676,125 (2008 - 33,990,875).

### 32. INTEREST RATE RISK

Interest rate risk is the risk that value of financial instrument will fluctuate due to changes in market interest rates. The company is not exposed to any material interest rate risks.

### 33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all Financial assets and Liabilities reflected in the financial statements approximate their fair values.

### 34. RELATED PARTY TRANSACTIONS

The related parties comprise of directors, key management personnel, entities over which the directors are able to exercise influence, major suppliers and employers funds. Balances outstanding with related parties at the year end is as follows:

All transactions with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method.

	2009 Rupees	2008 Rupees
<b>Associated Companies</b>		
Sales to (Colony) Sarhad Textile Mills Limited	-	3,000
Return on lending - Colony Sarhad Textile Mills Limited	1,455,351	1,459,340
Joint office expenses - Colony Sarhad Textile Mills Limited	1,000,000	1,000,000
	<u>2,455,351</u>	<u>2,462,340</u>



	2009 Rupees	2008 Rupees
<b>Other related parties</b>		
Gratuity - expensed charged	5,768,483	5,100,746
Gratuity - payment made	2,304,645	1,745,950
Provident fund - expense charged	362,171	309,511
	8,435,299	7,156,207

	2009 Kgs	2008 Kgs
<b>35. PRODUCTION DATA</b>		
Capacity on 360 days basis	6,000,000	6,000,000
Production achieved		
Sacking cloth	4,870,134	4,161,602
Hessian cloth	78,200	638,757
Twine	-	218,493
	4,948,334	5,018,852

It is difficult to describe precisely the production capacity of a Jute mill since it fluctuates widely depending on the pattern of production and number of shifts worked in a particular year. Higher production was achievable but suffered due to weak market demand.

**36. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent loan obtained by the Company as referred to in note 7. Total capital employed includes equity as shown in the balance sheet, plus borrowings. The Company's strategy was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at year ended June 30, 2009 and June 30, 2008 are as follows:

	2009 RUPEES	2008 RUPEES
Total borrowings	158,553,525	228,117,234
Total equity	75,428,135	198,345,716
	233,981,660	426,462,950
Gearing ratio	68%	53%

The increase in gearing ratio during 2009 resulted from decrease in unrealized gain (on remeasurement of available for sale investments to fair value) due to decrease in repurchase price of NIT units.



**37. DATE OF AUTHORIZATION FOR ISSUE**

These Financial Statements were authorized for issue on 06th October,2009 by the Board of Directors of the Company.

**38. CORRESPONDING FIGURES**

In these financial statements figures have been rounded off to the nearest rupee and of the previous year have been re-arranged and re-grouped wherever necessary to facilitate comparison.

Rawalpindi,

\_\_\_\_\_  
CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



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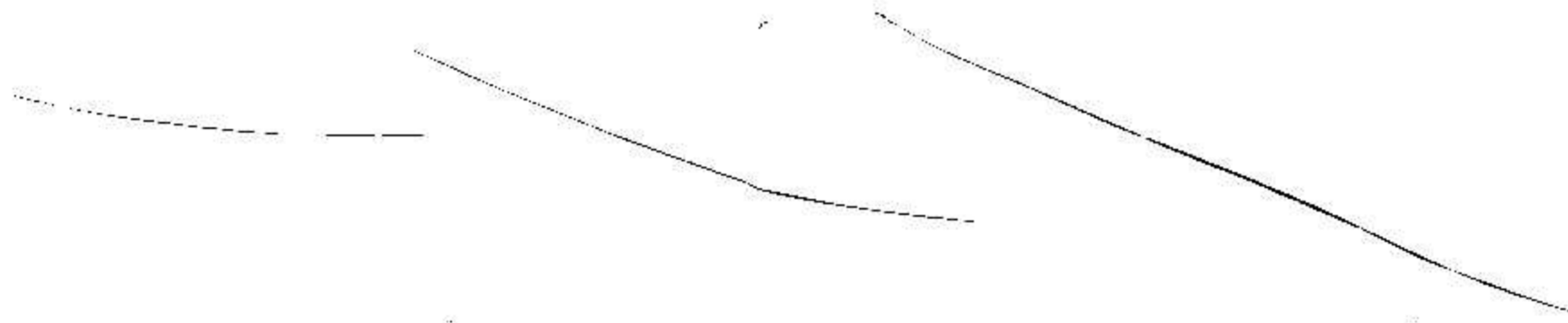
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# SUHAIL JUTE MILLS LIMITED

## PROXY FORM

(Twenty Eight Annual General Meeting)

I / We, \_\_\_\_\_ of \_\_\_\_\_

being member of Suhail Jute Mills Limited and holder of \_\_\_\_\_

Ordinary shares as per Share Register Folio No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as

my / our proxy to attend, speak and vote for me/us and on my/our behalf of the Twenty Eighth

Annual General Meeting of the Company to be held on Saturday, October 31, 2009 and at any

adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

Signed by the said \_\_\_\_\_

in the presence of \_\_\_\_\_

Signature on  
Rs. 5/-  
Revenue Stamp

### Notes, :

1. The proxy in order to be valid must be signed across Five Rupees Revenue Stamp and should be deposited with the Company not later than 48 hours before the time of holding the Meeting.
2. The proxy must be a member of the Company.
3. Signature should agree with the specimen signature, registered with the company.