UKAS
ENVIRONMENTAL
MANAGEMENT
Registration Number
014

50 ANNUAL REPORT 2010

JDM

BIBOJEE GROUP

JANANA DE MALUCHO TEXTILE MILLS LTD.

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) LTD. 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 janana_textile@hotmail.com WEB SITE: www.jdm.com.pk

VISION

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

MISSION STATEMENT

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

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

OVER ALL CORPORATE STRATEGY

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 50th 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 Sunday the 31st October 2010 at 10:30 A.M. to transact the following business.

1. To confirm the minutes of the 49th Annual General Meeting held on October 31, 2009.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2010 together with the directors' and auditors' reports thereon.

3. To appoint auditors for the year ending on 30th June 2011 and to fix their remuneration.

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

By order of the Board

Kohat
Dated: 9th October 2010

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 2010 to 30th October 2010 (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 2010 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:

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

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

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

DIRECTORS' REPORT TO THE MEMBERS
FOR THE YEAR ENDED 30TH JUNE 2010

By the grace of ALLAH most magnificent and most merciful, we are pleased to inform the shareholders of the very encouraging financial results of the Company and its profitability during the accounting year ended 30th June 2010. The positive change as is evident from the attached audited account is very pleasant. The financial results achieved by the company during the year under report are as under: -

PARTICULAR'S	YEAR ENDED 30/06/2010 (Rupees in thousand)	YEAR ENDED 30/06/2009 (Rupees in thousand)
SALES	1,454,537	1,071,738
COST OF SALES	1,142,811	1,010,091
GROSS PROFIT	311,726	61,647
DISTRIBUTION COST	7,560	5,870
ADMINISTRATIVE EXPENSES	34,929	34,023
OTHER OPERATING EXPENSES	18,058	853
OTHER OPERATING INCOME	(6,078)	(5,189)
	54,469	35,557
PROFIT FROM OPERATIONS	257,257	26,090
FINANCE COST	125,938	143,546
	131,319	(117,456)
PROFIT/(LOSS) BEFORE TAXATION	174,411	(149,174)
PROFIT/(LOSS) AFTER TAXATION	116,642	(109,886)
EARNING/(LOSS) PER SHARE	Rs.30.54	Rs.(34.71)

OPERATING PERFORMANCE:

The company has achieved the above results due to the following factors: -

- Production of yarn during the year under report has increased by 903912 lbs.
- There was decrease in the intermittent/complete load-shedding of the electricity coupled with low voltage as compared to the year ended 30/06/2009.
- Gas load-shedding was less then 2009 therefore, the total idle capacity for the year 2010 was 5.75% vis-à-vis 9.5% for the year ended 30/06/2009 which helped the management of the company to increase the production and cash generation of the company.
- Gross sale of the company has increased by about Rs.382.795 million and the gross sale rate for the year 2010 has increased by Rs.38.80 per lbs (38.82%) as compared to the year ended 30/06/2009.
- Increase in rate of yarn was unprecedented in the history of Pakistan's Textile Industry which was mainly due to crop damage in the China and excessive export of the medium counts to the foreign countries especially China.
- However, due to efficient management of the electricity consumption in peak hours the company succeeded to curtail the increase in the cost of power and fuel of the company which increased very nominally i.e by about Rs.0.034 million despite the fact that gas and electricity rates had increased tremendously as compared to 2009 in the following manner: -

Year Ended	Gas	Electricity
30/06/2007	Rs.238.38 per MMBTU	Rs.3.87 per unit
30/06/2008	Rs.251.55 per MMBTU	Rs.4.47 per unit
30/06/2009	Rs.339.43 per MMBTU	Rs.5.45 per unit
30/06/2010	Rs.382.37 per MMBTU	Rs.5.62 per unit

  - PEPCO have now declared that they will increase the electricity tariff in Khyber Pakhtunkhwa (KPK) to the tune of 26% which will definitely hamper the profitability of the textile industry of this province in the coming months.
  - Ministry of Water and Power has further announced increase of 22% in the electricity tariff for the year ended 30/06/2011 and have also predicted the shortfall of 5000 mega watts.
  - SNGPL has further announced the increase in price of the gas by Rs.60 MMBTU by the end of 2010.
- Unfortunately due to excessive floods the cotton crop has been damaged to a great extent and therefore, the prices of the cotton being quoted in local and international markets are not compatible with the prices of yarn being offered now-a-days in the national and export markets.
- We have to inform the shareholders that the year 2009 was definitely one of the toughest years that your company has ever experienced. While the global economy went through a massive melt down, our national economy also caved in and all elements showed signs of major stress. Political tension, deteriorated law and order situation coupled with monitory tightening policy and high cost of doing business not only put the economy to real test but also adversely affected the industrial operations and growth in Textile Sector and therefore, these factors have significantly increased the per unit cost of the company during the year under report. Whereas international demand for textile related products, especially yarn, increased considerably due to probable increase in the cotton cost in order to meet the next season demand of finished goods and excessive demand of yarn from China.
- Pakistan first ever Textile Policy was announced during the year 2010 with ambitious targets amid falling exports. The policy promised to double its current value addition but did not offer specific measures for achieving this up hill task. Unfortunately, this policy has apparently failed to recognize the due importance of the Spinning Sector which has been given a step motherly treatment.
- The largest industrial sector in Pakistan is the Textile Spinning Sector and yet again, this was pushed back in to crises with the imposition of yarn export quota. After a great difficulty and strenuous efforts the industry matured to survive under free market mechanism. For last many years the Spinning Sector has been a net importer of cotton and yet it recognized the importance of free trade and never asked for any support, protection or restriction on export of cotton. With the imposition of quota on yarn exports the industry was pushed into another crises. The Textile Ministry for the first time in the history of Pakistan had announced a cap of yarn export to 50000 ton per month which was further reduced to 35000 ton per month. On the other hand duty free imports of cotton yarn were allowed to meet any shortage of yarn in Pakistan which was not the case, whereas the cotton yarn in local market was more than sufficient to meet the requirements of the value added industry. This policy has adversely affected

the prices of yarn in market without giving any benefit to the value added industry.

FINANCIAL RESTRUCTURING:

- The National Bank of Pakistan has finally restructured the overdue long term loans of the Company keeping in view its location in strife torn area and have issued the letter by National Bank of Pakistan bearing No.CIBG-ISD/308/2010 dated 03/09/2010 to complete the legalities of this restructured finance facility which has been accepted by the Company.

SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE:

The Federal government subsequent to the balance sheet date, has included the entire textile sector of Khyber Pakhtunkhwa in the Prime Minster's Relief Package to rehabilitate the economic life of FATA/PATA/Khyber Pakhtunkhwa. The Company, in terms of SMEFD circular No. 11 dated 1st July 2010 read with SMEFD Circular letter No. 13 of 2010 dated 31st August 2010 has applied to avail mark up rate differential of business loans comprising of demand finances and short term finances outstanding as at 31st December 2009. The Company's claims aggregating Rs.31.601 million have been processed by National Bank of Pakistan and submitted to State Bank of Pakistan for payment.

ADDITION TO MACHINERY:

- We are happy to inform you that the Company has replaced its 30 ISHIKAWA obsolete and old frames installed in 1962 with 15 new ring frames valuing Rs.41.519 million along with addition of 1 set (6 Nos.) of second hand Reiter combers in order to improve the quality and to enhance its production of the Company soas to facilitate its future cash obligations.

FUTURE PROSPECTS:

- Your industry was a zero rated industry and it is feared that levy of GST if any in the Textile Spinning Sector will again encourage the flying invoices and will completely jeopardize the profitability of the Textile Spinning Sector because 50% of the production of textile sector is being sold to unregistered buyers which are never willing to bear the burden of the GST. Unilateral increase in electricity and gas rates coupled with massive load shedding of electricity and gas throughout the year and gas in winter season will also adversely affect the profitability of the Company. As it is because of the deteriorated law and order situation in KPK is resulting in the migration of the skilled work force from this area.
- Despite the current good rates of yarn in Pakistan for a variety of other factors, the rates of cotton have registered on increase of 80% and is very lively to adversely affect the profitability of the Textile Spinning Sector in the immediate future.

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 30-06-2010 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 good 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 2010, except for those disclosed in the financial statements.
9. The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.
10. No trades in the shares of Janana De Malucho Textile Mills Limited were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30th June 2010.

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 good Corporate governance, financial reporting and Corporate Control. The Committee consists of three members including the Chairman of the Committee. Majority of the members of the Committee are non-executive directors.

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

BOARD MEETINGS AND ATTENDANCE OF EACH DIRECTOR:	**Number**
Total number of Board meetings held during the year under review	5
Attendance of each Director	
Mr. Raza Kuli Khan Khattak	5
Lt. Gen. (Retd). Ali Kuli Khan Khattak	5
Mr. Ahmad Kuli Khan Khattak	4
Mr. Mushtaq Ahmad Khan, FCA	5
Mrs. Zeb Gohar Ayub	5
Mrs. Shahnaz Sajjad Ahmad	4
Dr. Shaheen Kuli Khan	3

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 2010 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.

TRANSMISSION OF QUARTERLY ACCOUNTS ON NEW WEBSITE:

The shareholders are informed that In pursuance of Circular No. 19 of 2004 and with the permission of Securities and Exchange Commission of Pakistan vide their Letter No.EMD/142/2002-1486 dated June 15, 2010, due to non professional behavior of our previous web provider namely M/s. Cosmosoft Business Solutions, Lahore, in future quarterly financial statements of the Company will be transmitted to all the shareholders of the Company through Company's new website i.e. **www.jdm.com.pk** instead of **www.bibojee.com.** Financial statements of the Company from 30th September 2007 to 31st March 2010 and onward shall be available on our new website. We have already given the notice regarding change of address of website in the Newspapers (The News, Karachi and Express, Karachi both dated July 4, 2010)

COMPLIANCE WITH THE REQUIREMENT OF INSERTION OF CNIC NUMBER IN TRANSFER DEED AND FORM A IN ACCORDANCE WITH THE PROVISIONS OF FIRST & THIRD SCHEDULE OF THE COMPANIES ORDINANCE, 1984

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

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 2010.

			(Rs. In Million)
I.	**GOVERNMENT SECTOR**		
	a.	Income Tax paid	12.055
	b.	Power & Fuel	155.516
	c.	Financial Institution/ Banks	125.938
II.	**SOCIAL SECTOR**		
		Employees/Workers salaries, Wages and other benefits	164.550
			458.059

We are also providing employment to 1379 workers (1379 families) the employment cost of which shall now be about Rs.164.550 million.

DIVIDEND:

Keeping in view the commitments of the restructured loans for which we have to make very heavy payments in the years 2011 and 2012 your Directors have decided not to pay any dividend.

APPOINTMENT OF AUDITORS:

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

ACKNOWLEDGMENT:

Your Directors wish to record their appreciations for the efforts made by the workers and Management for achieving such good results in the present difficult circumstances and continued support of the financial institutions (especially the National Bank of Pakistan) for their sustained support since 1962.

For and on behalf of the Board,

Dated : October 08, 2010

RAZA KULI KHAN KHATTAK
Chairman

KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

PARTICULARS		**2010**	2009	2008	2007	2006	2005
Spindles installed	Nos.	**64704**	70896	70896	70896	70896	70896
Rotors installed	Nos.	**600**	600	400	400	400	200
PRODUCTION	Lbs. in million	**10.213**	10.296	10.922	12.106	12.110	5.262
Sales	Rs. in million	**1,454.537**	1,071.738	1,130.611	1,075.183	969.420	463.866
Gross Profit	----- " -----	**311.726**	61.647	155.339	145.209	68.634	34.970
Operating Profit	----- " -----	**257.257**	20.901	110.141	107.781	40.410	11.251
Profit/(Loss) before Taxation	----- " -----	**174.411**	(149.174)	19.436	6.014	(44.382)	(10.353)
Provision for Taxation	----- " -----	**57.769**	(39.288)	14.188	4.326	(12.070)	(3.293)
Profit/(Loss) after Taxation	----- " -----	**116.642**	(109.886)	5.248	1.688	(32.312)	(7.060)
Earning/(Loss) per share	Rupees	**30.54**	(34.71)	1.66	0.53	(11.23)	(2.45)
Breakup Value per share	----- " -----	**61.15**	34.21	65.38	58.15	60.48	66.14
Total Assets	Rs. in million	**2,444.962**	1,977.223	2,128.685	2,061.819	1,649.162	1,623.800
Current Liabilities	----- " -----	**(559.916)**	(698.670)	(748.822)	(658.670)	(636.078)	(571.471)
	----- " -----	**1,885.046**	1,278.553	1,379.863	1,403.149	1,013.084	1,052.329
REPRESENTED BY:							
Share Capital	Rs. in million	**43.064**	31.655	31.655	31.655	28.777	28.777
Reserves and Un-appropriated Profit	----- " -----	**1,324.501**	800.075	869.432	857.964	517.096	548.037
Equity	----- " -----	**1,367.565**	831.730	901.087	889.619	545.873	576.814
Long Term Loans	----- " -----	**285.438**	326.339	318.865	360.9	356.658	351.128
Deferred Liabilities	----- " -----	**232.043**	120.484	159.911	152.63	110.553	124.387
	----- " -----	**1,885.046**	1,278.553	1,379.863	1,403.149	1013.084	1052.329

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 2010

4. No of shareholders	Shareholdings	Total shares held
476	shareholding from 1 to 100 shares	16,185
376	shareholding from 101 to 500 shares	85,704
115	shareholding from 501 to 1000 shares	82,309
118	shareholding from 1001 to 5000	232,547
16	shareholding from 5001 to 10000	116,549
12	shareholding from 10001 to 15000	151,838
3	shareholding from 15001 to 20000	51,147
2	shareholding from 20001 to 25000	42,702
1	shareholding from 25001 to 30000	25,969
2	shareholding from 30001 to 35000	63,620
2	shareholding from 35001 to 40000	76,664
1	shareholding from 40001 to 45000	41,133
1	shareholding from 55001 to 60000	59,459
1	shareholding from 60001 to 65000	64,395
1	shareholding from 130,001 to 135,000	134,062
1	shareholding from 145001 to 150000	147,762
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 560001 to 565000	562,195
1	shareholding from 1555001 to 1560000	1,559,230
1133	Total	4,306,350

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	74,073	1.72
5.2. Associated Companies, undertakings and related parties.	2,462,425	57.18
5.3 NIT and ICP	171,600	3.99
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	13,861	0.32
5.5 Insurance Companies	38,453	0.89
5.6 Modarabas and Mutual Funds	NIL	NIL
5.7 Share holders holding 10%		
Bannu Woollen Mills Ltd	1,559,230	36.21
Bibojee Services (Pvt.) Ltd	562,195	13.05
5.8 General Public		
a. Local	1,093,580	25.39
b. Foreign	NIL	NIL
5.9 Others (to be specified)		
Joint Stock Companies	32,610	0.76
Secretary to Govt. of Khyber Pakhtunkhwa	134,062	3.11
Deputy Administrator Abandoned Properties	3,422	0.08
Trusts	281,063	6.53
Tameer-e-Millat Foundation	1,200	0.03
Govt. of Pakistan	1	0.00

6. Signature of Secretary	
7. Name of Signatory	**AMIN-UR-RASHEED**
8. Designation	Company Secretary & General Manager Corporate Affairs
9. NIC Number	14301-4575764-3
10. Date	Day: 30 Month: 06 Year: 2010

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 BANNU WOOLLEN MILLS LTD,		1,559,230
	M/S.BIBOJEE SERVICES (PVT) LTD.		562,195
	M/S BABRI COTTON MILLS LTD,		341,000
2.	N.I.T. & I.C.P:		
	M/S.INVESTMENT CORPORATION OF PAKISTAN		770
	M/S.NATIONAL INVESTMENT TRUST LTD		170,830
3.	DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:		
	MR.RAZA KULI KHAN KHATTAK,	Chairman	12,482
	LT.GEN. (RETD) ALI KULI KHAN KHATTAK	Chief Executive	11,114
	MR.AHMED KULI KHAN KHATTAK	Director	12,214
	MR.MUSHTAQ AHMED KHAN (FCA)	Director	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		32,610
6.	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS		52,314
7.	SHAREHOLDERS HOLDING 10% OR MORE:		
	M/S BANNU WOOLLEN MILLS LTD,		1,559,230
	M/S.BIBOJEE SERVICES (PVT) LTD.		562,195
8.	GENERAL PUBLIC & OTHERS		1,512,173

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 2010

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 four independent non-executive directors.
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 2010.
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 2010.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises THREE members, of whom TWO are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Signature	________________________
(Name in block letters)	Lt. Gen. (Retd.) Ali Kuli Khan Khattak (Chief Executive)
NIC Number	37405-0360603-3

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

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub - Regulation (xiii a) of Listing Regulations 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 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, 2010.

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

LAHORE; October 08, 2010

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, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as described in note 5.1 to the financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

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

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

LAHORE; October 08, 2010

BALANCE SHEET AS AT 30 JUNE, 2010

	Note	2010	2009
		Rupees in thousand	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital	7	200,000	200,000
Issued, subscribed and paid-up capital	8	43,064	31,655
Reserves	9	139,624	128,215
Unappropriated profit / (accumulated loss)		80,649	(51,594)
		263,337	108,276
SHARES DEPOSIT MONEY	10	0	22,818
FROZEN MARK-UP ON DEMAND FINANCES	11	75,790	39,023
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	12	1,028,438	661,613
NON-CURRENT LIABILITIES			
Demand finances	13	285,438	326,339
Staff retirement benefits-gratuity	14	17,569	10,203
Deferred taxation	15	214,474	110,281
		517,481	446,823
CURRENT LIABILITIES			
Current portion of demand finances	13	40,901	16,713
Short term finances	16	388,972	538,287
Trade and other payables	17	102,537	122,308
Accrued mark-up/interest	18	18,986	20,124
Taxation	19	7,285	0
Preference shares redemption account	20	1,235	1,238
		559,916	698,670
CONTINGENCIES AND COMMITMENTS	21		
		2,444,962	1,977,223

	Note	2010	2009
		Rupees in thousand	
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	22	1,929,393	1,497,608
Capital work-in-progress	23	0	3,845
		1,929,393	1,501,453
Investments in Associated Companies	24	52,228	10,804
Loans to employees	25	1,398	1,341
Security deposits		1,029	1,004
		1,984,048	1,514,602
CURRENT ASSETS			
Stores, spares and loose tools	26	25,049	26,060
Stock-in-trade	27	364,761	358,881
Trade debts - unsecured considered good		12,082	26,623
Advances to employees		1,111	1,280
Advance payments	28	15,672	10,543
Trade deposits and prepayments	29	326	1,376
Sales tax refundable		9,419	5,822
Due from Associated Companies	30	9,439	23,709
Income tax refundable, advance tax and tax deducted at source		17,205	5,150
Cash and bank balances	31	5,850	3,177
		460,914	462,621
		2,444,962	1,977,223

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

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

Ahmad Kuli Khan Khattak
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2010

	Note	2010	2009
		Rupees in thousand	
SALES	32	1,454,537	1,071,738
COST OF SALES	33	1,142,811	1,010,091
GROSS PROFIT		311,726	61,647
DISTRIBUTION COST	34	7,560	5,870
ADMINISTRATIVE EXPENSES	35	34,929	34,023
OTHER OPERATING EXPENSES	36	18,058	853
OTHER OPERATING INCOME	37	(6,078)	(5,189)
		54,469	35,557
PROFIT FROM OPERATIONS		257,257	26,090
FINANCE COST	38	125,938	143,546
		131,319	(117,456)
SHARE OF PROFIT / (LOSS) OF ASSOCIATED COMPANIES - Net	24	21,498	(10,124)
IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATED COMPANIES REVERSED / (PROVIDED FOR)	24	21,594	(21,594)
		43,092	(31,718)
PROFIT / (LOSS) BEFORE TAXATION		174,411	(149,174)
TAXATION			
- Current	19	7,285	0
- Prior year		481	0
- Deferred	15	50,003	(39,288)
		57,769	(39,288)
PROFIT / (LOSS) AFTER TAXATION		116,642	(109,886)
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME / (LOSS)		116,642	(109,886)
		------- Rupees -------	
EARNINGS / (LOSS) PER SHARE	39	30.54	(34.71)

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

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

Ahmad Kuli Khan Khattak
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2010

	2010	2009
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) for the year - before taxation and share of profit / (loss) and impairment loss on investments in Associated Companies	**131,319**	(117,456)
Adjustments for non-cash charges and other items:		
Depreciation	**53,561**	53,567
Loss on disposal of operating fixed assets - net	**4,650**	623
Staff retirement benefits - gratuity (net)	**7,366**	(139)
Finance cost	**125,132**	142,723
CASH FLOW FROM OPERATING ACTIVITIES - Before working capital changes	**322,028**	79,318
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**1,011**	(43)
Stock-in-trade	**(5,880)**	71,892
Trade debts	**14,541**	11,052
Loans and advances to employees	**112**	464
Advance payments	**(5,129)**	(4,705)
Trade deposits and prepayments	**1,050**	16,722
Sales tax refundable	**(3,597)**	4,317
Due from Associated Companies	**14,270**	(8,283)
Other receivables	**0**	3,786
(Decrease) / increase in trade and other payables	**(19,771)**	34,900
	(3,393)	130,102
CASH INFLOW FROM OPERATING ACTIVITIES - Before taxation	**318,635**	209,420
Taxes paid	**(12,536)**	(4,052)
CASH INFLOW FROM OPERATING ACTIVITIES - After taxation	**306,099**	205,368
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(57,192)**	(32,212)
Sale proceeds of operating fixed assets	**9,325**	572
Security deposits	**(25)**	0
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(47,892)**	(31,640)
CASH FLOW FROM FINANCING ACTIVITIES		
Demand finances - net	**(16,713)**	(16,714)
Lease finances - net	**0**	(1,136)
Short term finances - net	**(149,315)**	(46,223)
Preference shares redeemed	**(3)**	(1)
Finance cost paid	**(89,503)**	(111,569)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(255,534)**	(175,643)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,673**	(1,915)
CASH AND CASH EQUIVALENTS - At beginning of the year	**3,177**	5,092
CASH AND CASH EQUIVALENTS - At end of the year	**5,850**	3,177

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

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

Ahmad Kuli Khan Khattak
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2010

	Share capital	Reserves					Unappropriated profit / (accumulated loss)	Total
		Capital			Revenue	Sub-total		
		Capital redemption	Tax holiday	Share premium	General			
	---------- Rupees in thousand ----------							
Balance as at 30 June, 2008	31,655	6,694	350	0	121,171	128,215	47,066	206,936
Loss after taxation for the year ended 30 June, 2009	0	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	0	9,481	9,481
- realised on disposal of plant & machinery - net of deferred taxation	0	0	0	0	0	0	239	239
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	0	1,506	1,506
Balance as at 30 June, 2009	31,655	6,694	350	0	121,171	128,215	(51,594)	108,276
Nominal value of ordinary shares issued	11,409	0	0	0	0	0	0	11,409
Premium received on issue of ordinary shares	0	0	0	11,409	0	11,409	0	11,409
Profit after taxation for the year ended 30 June, 2010	0	0	0	0	0	0	116,642	116,642
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	0	10,024	10,024
- realised on disposal of plant & machinery - net of deferred taxation	0	0	0	0	0	0	7,245	7,245
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	0	(1,668)	(1,668)
Balance as at 30 June, 2010	43,064	6,694	350	11,409	121,171	139,624	80,649	263,337

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

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

Ahmad Kuli Khan Khattak
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2010

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

a) staff retirement benefits;

b) provision for current and deferred taxation;

c) useful life of property, plant and equipment; and

d) provision against slow moving inventories.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

(a) IAS 1 (revised) - 'Presentation of Financial Statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Company has applied IAS 1 (revised) from 01 July, 2009 and has elected to present one performance statement (i.e. profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.

(b) Revised IAS 23 'Borrowing Costs' (amendment) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company's current accounting policy is in compliance with this amendment and, therefore, there is no effect of this change on the Company's financial statements.

(c) IFRS 7 (Amendment) 'Financial Instruments: Disclosures'; the amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings / (loss) per share.

(d) IFRS 8 'Operating Segments' introduces the 'management approach' to segment reporting. IFRS 8 requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS has no impact on the financial statements of the Company.

5.2 Standards, amendments to published standards and interpretations that are effective for the annual periods beginning on or after 01 July, 2009 but not relevant to the Company's financial statements

Other new standards, interpretations and amendments to existing standards, which are mandatory for accounting periods beginning on or after 01 July, 2009 are considered not to be relevant nor have any significant effect on the Company's operations; therefore are not detailed in these financial statements.

5.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

- IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 01 February, 2010).

- IAS 32 (Amendments) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 01 January, 2010).

- IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 2 (Amendment) 'Share-based Payments - Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 01 January, 2010).

- IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 01 January, 2010).

- IFRIC 14 (Amendments) - 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after 01 January, 2011).

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 01 July, 2010).

The International Accounting Standards Board made certain amendments to the existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

6.1 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.

6.2 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 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.

6.3 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.

6.4 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.

6.5 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.

6.6 Property, plant and equipment and depreciation

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

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

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

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

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

6.7 Investments in Associated Companies

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

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

6.8 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated to the balance sheet date.

6.9 Stock-in-trade

Basis of valuation are as follows:

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

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

6.10 Trade debts and other receivables

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

6.11 Cash and cash equivalents

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

6.12 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.

6.13 Impairment loss

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

6.14 Revenue recognition

- Sales are recorded on dispatch of goods.

- Return on deposits is accounted for on 'accrual basis'.

- Dividend income is accounted for when the right of receipt is established.

6.15 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies, except for those covered under forward foreign exchange contracts, if any, 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.

6.16 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.

6.17 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.

6.18 Related party transactions

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

7. AUTHORISED SHARE CAPITAL	**2010**	2009
	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
1,140,900 ordinary shares of Rs.10 each issued to Bannu Woollen Mills Ltd. against shares deposit money	**11,409**	0
6,832 ordinary shares of Rs.10 each issued by conversion of preference shares	**68**	68
	32,998	21,589
Issued as bonus shares:		
1,006,518 ordinary shares of Rs.10 each	**10,066**	10,066
	43,064	31,655

8.1 Ordinary shares held by the Associated Companies at the year-end are as follows:	**2010**	2009
	Number of shares	
- Bibojee Services (Pvt.) Ltd.	**562,195**	562,195
- Bannu Woollen Mills Ltd.	**1,559,230**	418,330
- Babri Cotton Mills Ltd.	**341,000**	341,000
	2,462,425	1,321,525

9. RESERVES

	Note	2010	2009
		Rupees in thousand	
Capital:			
- capital redemption reserve		**6,694**	6,694
- tax holiday reserve		**350**	350
- share premium reserve	**9.1**	**11,409**	0
		18,453	7,044
Revenue - general reserve		**121,171**	121,171
		139,624	128,215

9.1 This represents premium at the rate of Rs.10 per share received on 1,140,900 ordinary shares allotted during the year as detailed in note 10.

10. SHARES DEPOSIT MONEY

The Company had previously announced 300% right issue, which was cancelled with the permission of shareholders in their meeting held on 30 October, 2006. Bannu Woollen Mills Ltd. (BWM), however, had advanced money at that time amounting Rs.22.818 million against the said right issue. This amount of Rs.22.818 million was adjusted during the current year against the issue of 1,140,900 ordinary shares as otherwise than right at price of Rs.20 per share to BWM as approved by the Board of Directors in their meeting held on 06 August, 2009. The Securities and Exchange Commission of Pakistan, vide its letter Ref.No.EMD/CI/78/08/713 dated 25 November, 2009, had also allowed the Company to issue 1,140,900 ordinary shares at Rs.20 per share under section 86(1) of the Companies Ordinance, 1984 otherwise than right to BWM against conversion of Shares Deposit Money.

11. FROZEN MARK-UP ON DEMAND FINANCES

This represents mark-up accrued on demand finances pertaining to the period from 01 October, 2008 to 30 June, 2010. As per the finance facilities restructuring package finalised with National Bank of Pakistan, the Company will issue Term Finance Certificates against this liability as fully detailed in note 13.2(e).

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

12.1 The freehold land of the Company was first 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 and 30 June, 2007, had 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. These revaluations were carried-out by independent Valuers - M/s Yunus Mirza & Co., Incorporated Architects, Engineers, Town Planners & Banks' Approved Surveyors, Karachi. The net appraisal surplus arisen on these revaluations aggregating Rs.375.511 million and Rs. 359.299 million respectively were credited to this account.

12.2 The Company, as at 31 March, 2010, 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 appraisal surplus arisen on the latest revaluation aggregating Rs.438.284 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	2010	2009
		Rupees in thousand	
Opening balance		**661,613**	671,333
Surplus arisen on revaluation carried out during the year	**22.2**	**438,284**	0
Less: related deferred taxation		**(54,190)**	0
		384,094	0
Less:			
transferred to unappropriated profit / (accumulated loss) on account of:			
- incremental depreciation for the year - net of deferred taxation		**(10,024)**	(9,481)
- realised on disposal of plant & machinery - net of deferred taxation		**(7,245)**	(239)
		(17,269)	(9,720)
Closing balance		**1,028,438**	661,613

13. DEMAND FINANCES - Secured

	Note	2010	2009
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)	**13.11**	**9,603**	16,005
Rescheduled Demand Finance III (RDF III)	**13.11**	**10,311**	20,622
		326,339	343,052
Less: current portion grouped under current liabilities		**40,901**	16,713
		285,438	326,339

13.1 These finances have been obtained from National Bank of Pakistan (NBP) against various demand finance facilities aggregating Rs.451 million.

13.2 NBP, vide its letter Ref. No. CIBG / ISD / 203 / 2010 dated 22 April, 2010 has approved the restructuring of finance facilities availed by the Company on the following terms and conditions:

(a) Demand Finance I

Original amount	Rs.201.930 million
Amount to be restructured	Rs.144.235 million
Expiry	01 July, 2017
Revised repayment terms	10 equal half-yearly instalments of Rs. 14.424 million each starting from 01 January, 2011

Mark-up rate	6 months KIBOR plus 1.50% per annum
Adjustments	- Conversion of Rs.2.853 million, being the portion of 4 principal instalments of Rs.57.695 million payable 01 January, 2009 to 01 July, 2010, into 285,298 ordinary shares of Rs. 10 each. These shares will be issued by the Company.
	- Rs.54.842 million, being the remaining portion of 4 principal instalments of Rs.57.695 million payable 01 January, 2009 to 01 July, 2010, will be paid by the Company through issuance of cumulative convertible preference shares having par value of Rs.10 each with the redemption option with NBP.

(b) Demand Finance III

Original amount	Rs.7.177 million
Amount to be restructured	Rs.2.393 million
Expiry	01 July, 2013
Revised repayment terms	02 equal half-yearly instalments of Rs.1.196 million each starting from 01 January, 2011
Mark-up rate	6 months KIBOR plus 1.50% per annum
Adjustments	- Conversion of Rs.0.236 million, being the portion of 4 principal instalments of Rs.4.785 million payable 01 January, 2009 to 01 July, 2010, into 23,680 ordinary shares of Rs. 10 each. These shares will be issued by the Company.
	- Rs.4.549 million, being the remaining portion of 4 principal instalments of Rs.4.785 million payable 01 January, 2009 to 01 July, 2010, will be paid by the Company through issuance of cumulative convertible preference shares having par value of Rs.10 each with the redemption option with NBP.

(c) Demand Finance IV

Original amount	Rs.27.500 million
Amount to be restructured	Rs.16.500 million
Expiry	01 July, 2015
Revised repayment terms	06 equal half-yearly instalments of Rs.2.750 million each starting from 01 January, 2011

Mark-up rate	6 months KIBOR plus 1.50% per annum
Adjustments	- Conversion of Rs.0.544 million, being the portion of 4 principal instalments of Rs.11.000 million payable 01 January, 2009 to 01 July, 2010, into 54,400 ordinary shares of Rs. 10 each. These shares will be issued by the Company. - Rs.10.456 million, being the remaining portion of 4 principal instalments of Rs.11.000 million payable 01 January, 2009 to 01 July, 2010, will be paid by the Company through issuance of cumulative convertible preference shares having par value of Rs.10 each with the redemption option with NBP.

(d) Demand Finance V

Original amount	Rs.69.818 million
Amount to be restructured	Rs.46.545 million
Expiry	01 July, 2016
Revised repayment terms	08 equal half-yearly instalments of Rs.5.818 million each starting from 01 January, 2011
Mark-up rate	6 months KIBOR plus 1.50% per annum
Adjustments	- Conversion of Rs.1.151 million, being the portion of 4 principal instalments of Rs.23.273 million payable 01 January, 2009 to 01 July, 2010, into 115,066 ordinary shares of Rs. 10 each. These shares will be issued by the Company. - Rs.22.122 million, being the remaining portion of 4 principal instalments of Rs.23.273 million payable 01 January, 2009 to 01 July, 2010, will be paid by the Company through issuance of cumulative convertible preference shares having par value of Rs.10 each with the redemption option with NBP.

(e) Term Finance Certificates (TFCs)

Balance overdue amount of Rs.75.700 million (after an upfront payment of Rs.7.500 million effected by the Company against overdue mark-up of Rs.83.200 million approximately) will be paid by the Company through issuance of TFCs as follows:

Amount	Rs.75.700 million
Purpose	To convert overdue mark-up against demand finance facilities from quarter ended December, 2008 to June, 2010 into TFCs.
Tenor	6 year starting from 01 July, 2010
Repayment	6 years with the condition that at-least 10% of the original TFCs amount will be redeemed each year.
Securities	As stated in note 13.10 and personal guarantees of two directors of the Company.
Mark-up rate	Nil

13.3 Repayment of existing principal instalments and mark-up thereon

Principal instalments of demand finance lines and mark-up due and to be due would be paid by the Company as per the existing repayment schedule i.e. mark-up to be paid from 01 July, 2010 on quarterly basis starting from 30 September, 2010. However, payment of instalments pertaining to the principal as per existing schedule will be linked to the actual cash flows and gross profit of the Company.

13.4 Issue of ordinary shares by the Company

The Company will issue a total of 478,444 ordinary shares of Rs.10 each (face value) under section 87 of the Companies Ordinance, 1984. These shares, constituting 10% of the Company's paid-up capital, will be issued by the Company and NBP will acquire them accordingly. Sponsor shareholders of the Company would have the first right of refusal to buy the shares from NBP at the market price, if at any point of time, NBP wants to dispose-off its shareholding in the Company, in one or more lots.

13.5 Dividend rate on preference shares and redemption

The Company will issue a total of 9,196,900 preference shares of Rs.10 each. The dividend rate on these shares would be 10.8%. The dividend rate will be adjusted with each change in the applicable income tax rates on account of interest or dividend in such a manner that the net of tax interest or dividend to NBP could be maintained. Dividend calculation will be started from 01 July, 2010. Issuance of preference shares will be in compliance with law and related rules and regulations.

If the preference shares could not be redeemed within the prescribed period, NBP will have the right to get the un-redeemed preference shares (whose redemption would be due) converted into ordinary shares.

13.6 Special conditions regarding enhanced repayments of TFCs and preference shares

The redemption will be linked to the gross profit and actual cash flows of the Company. If the Company generates excess cash flows due to any reason other than the increase in gross profit margin, NBP would allow the Company to make excess payments without any prepayment charges. In case increased cash flows are solely due to increase in gross profit margin, the Company would be bound to repay its obligation first towards TFCs and then preference shares as follows:

- if gross profit margin remains between 8% to 11%	no extra payment
- with the increase in gross profit margin beyond 11%	at least 50% of the extra cash flows will be paid towards the adjustment of TFCs and preference shares respectively and for remaining, prior permission of NBP will be required for any other use.

13.7 The effects of restructuring of principal portion of demand finance facilities by NBP on the Company's financial statements will be as follows:

	Balance of demand finances as at 30 June, 2009	Restructured demand finances to be created	Ordinary shares to be issued	Preference shares to be issued
	------------- Rupees in thousand -------------			
Demand Finance I	201,930	144,235	2,853	54,842
Demand Finance III	7,177	2,393	236	4,548
Demand Finance IV	27,500	16,500	544	10,456
Demand Finance V	69,818	46,545	1,151	22,122
	306,425	209,673	4,784	91,968

13.8 The effects of restructuring of frozen mark-up accrued on demand finance facilities by NBP on the Company's financial statements will be as follows:

	Rupees in thousand
Frozen mark-up accrued on demand finances - balance as at 30 June, 2009	39,023
Mark-up accrued on demand finances during the current year ended 30 June, 2010	44,267
Less: amount paid to NBP during the current year	(7,500)
	75,790
Term Finance Certificates to be issued against outstanding frozen mark-up	75,790

13.9 Mark-up rate on demand finances

The effective mark-up rate on demand finance facilities charged by NBP during the current financial year ranged between 14.28% to 14.61% (2009: 16.04% to 17.55%) per annum.

13.10 Securities

The aggregate demand finance facilities are secured against first charge on fixed assets of the Company for Rs.1.099 billion.

13.11 Rescheduled Demand Finances

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% (2009:7%) per annum and are secured against the securities as detailed in note 13.10.

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:

	2010	2009
- 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	**38,465**	31,099
Unrecognised actuarial loss	**(20,896)**	(20,896)
Net liability as at 30 June,	**17,569**	10,203
Net liability as at 01 July,	**10,203**	10,342
Charge to profit and loss account	**14,457**	12,605
Payments during the year	**(7,091)**	(12,744)
Net liability as at 30 June,	**17,569**	10,203
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at 01 July,	**31,099**	23,720
Current service cost	**8,946**	8,658
Interest cost	**3,732**	2,847
Benefits paid	**(7,091)**	(12,744)
Actuarial loss	**1,779**	8,618
Present value of defined benefit obligation as at 30 June,	**38,465**	31,099

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

	2010	2009	2008	2007	2006
	------------------ **Rupees in thousand** ------------------				
Present value of defined benefit obligation	**38,465**	31,099	23,720	25,433	24,504
Experience adjustment on obligation	**1,779**	8,618	686	0	14,702

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

	Note	2010	2009
		Rupees in thousand	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**181,015**	170,586
- surplus on revaluation of property, plant and equipment		**141,841**	96,949
		322,856	267,535
Deductible temporary differences arising in respect of:			
- staff retirement benefits - gratuity		**(6,149)**	(3,571)
- available tax losses		**(102,233)**	(153,683)
		(108,382)	(157,254)
		214,474	110,281

16. SHORT TERM FINANCES - Secured

Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.770 million (2009: 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 14.09% to 15.73% (2009: 14.77% to 17.52%) per annum.

Facilities available for opening letters of credit and guarantee from NBP aggregate Rs.225 million (2009: Rs.225 million) of which the amount remained unutilised at the year-end was Rs.162.888 million (2009: Rs.142.535 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, 2010.

17. TRADE AND OTHER PAYABLES

	Note	2010	2009
Creditors		**22,084**	20,428
Due to associated companies		**0**	13,540
Bills payable against imported:			
- plant and machinery		**1,150**	1,008
- raw materials		**0**	41,342
Advance payments	**17.1**	**184**	184
Accrued expenses		**55,661**	35,980
Tax deducted at source		**252**	201
Due to Waqf-e-Kuli Khan	**17.2**	**4,337**	1,016
Security deposits repayable on demand - interest free		**112**	112
Workers' (profit) participation fund	**17.3**	**8,930**	1,476
Workers' welfare fund		**3,315**	563
Dividends	**17.4**	**6,440**	6,440
Others		**72**	18
		102,537	122,308

17.1 These advances have been received against sale of land.

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

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

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

	Note	**2010**	2009
		Rupees in thousand	
Opening balance		**1,476**	1,249
Add:			
- allocation for the year		**7,243**	0
- interest on funds utilised in the Company's business		**211**	227
		7,454	227
		8,930	1,476

17.4 Dividends

	Note	**2010**	2009
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 20.1 and 20.2, dividends on these shares for the aforesaid years were appropriated during the financial year ended 30 September, 2000 and grouped under current liabilities.

18. ACCRUED MARK-UP / INTEREST

	Note	**2010**	2009
Mark-up / interest accrued on:			
- short term finances		**18,678**	20,100
- associated companies' balances		**308**	24
		18,986	20,124

19. TAXATION - Net

	Note	**2010**	2009
Opening balance		**0**	5,635
Add: provision made during the year			
- current	**19.2**	**7,285**	0
- prior year		**481**	0
		7,766	0
		7,766	5,635
Less: adjustments against completed assessments		**481**	5,635
		7,285	0

19.1 Income tax assessments of the Company have been completed upto the Tax Year 2009; the return for the said year has not been taken-up for audit till 30 June, 2010.

19.2 Provision for the current year represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001 (the Ordinance). Due to location in the most affected area, the Company's income is exempt from tax for a period of three years under clause 126F of the second schedule to the Ordinance starting from the tax year 2010.

19.3 The Income Tax Department for the Tax Year 2004, vide order dated 29 June, 2010, has raised notice of demand to pay Rs.7.123 million against which the Company has filed a rectification application under section 221 of the Ordinance, which is pending adjudication. The management and the Tax Advisors are confident that outcome of the rectification application would be in the Company's favour; hence, no provision against this demand has been made in the books of account.

20. PREFERENCE SHARES REDEMPTION ACCOUNT

	Note	**2010**	2009
		Rupees in thousand	
Amounts payable on:			
- 7.5% redeemable cumulative preference shares	**20.1**	**141**	141
- 10% redeemable cumulative preference shares	**20.2**	**1,094**	1,097
		1,235	1,238

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

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

These shares 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. The Company, during the current year, has redeemed no further shares and the opening balance of 14,069 shares was outstanding as at 30 June, 2010.

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

As stated in the preceding note, the Company's profitability and availability of funds in the recent past has allowed the management to redeem these shares also. The Company, upto 30 June, 2009, has redeemed 312,733 shares whereas 333 (2009: 70) shares have been redeemed during the current year.

21. CONTINGENCIES AND COMMITMENTS

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

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

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

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

21.4 Counter guarantee given by the Company to a commercial bank outstanding as at 30 June, 2010 was for Rs.25 million (2009: Rs.25 million).

	2010	2009
21.5 Commitments for:	**Rupees in thousand**	
irrevocable letters of credit		
- stores and spares	**4,730**	4,234
- raw materials	**32,382**	0
	37,112	4,234

21.6 Refer contents of note 19.3.

22. OPERATING FIXED ASSETS

	Owned													Leased	
	Freehold land	Roads, paths and culverts	Buildings on freehold land: Factory	Buildings on freehold land: Non-factory	Buildings on freehold land: Residential: Officers	Buildings on freehold land: Residential: Workers	Plant & machinery	Genera-tors	Work-shop equip-ment	Furniture and fixtures	Office & other equip-ment	Vehicles	Arms	Vehicles	Total
	Rupees in thousand														
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
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
	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
Year ended 30 June, 2010:															
Additions	0	0	4,236	0	0	0	41,519	14,349	0	652	268	0	13	0	61,037
Revaluation surplus	283,455	0	19,707	0	3,485	467	0	0	0	0	0	0	0	0	307,114
Elimination against gross carrying amount	0	0	21,617	1,215	1,244	3,477	98,271	5,346	0	0	0	0	0	0	131,170
Disposals:															
- cost	0	0	0	0	0	0	(31,581)	0	0	0	0	0	0	0	(31,581)
- depreciation	0	0	0	0	0	0	17,606	0	0	0	0	0	0	0	17,606
	765,360	830	185,576	6,870	12,748	9,028	866,993	119,654	1,610	5,098	1,327	7,617	243	0	1,982,954
Depreciation charge	0	0	7,469	296	456	301	38,058	5,078	81	231	56	1,523	12	0	53,561
Book value as at June 30, 2010	765,360	830	178,107	6,574	12,292	8,727	828,935	114,576	1,529	4,867	1,271	6,094	231	0	1,929,393
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
As at 30 June, 2010															
Cost / revaluation	765,360	830	180,325	6,679	12,447	8,838	1,073,471	135,595	3,358	8,926	2,431	19,256	272	0	2,217,788
Accumulated depreciation	0	0	2,218	105	155	111	244,536	21,019	1,829	4,059	1,160	13,162	41	0	288,395
Book value	765,360	830	178,107	6,574	12,292	8,727	828,935	114,576	1,529	4,867	1,271	6,094	231	0	1,929,393
Depreciation rate (%)	0	0	5	5	5	5	5	5	5	5	5	20	5	20	

22.1 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.

22.2 The revaluation surplus on each class of asset has been determined as follows:

Particulars	Freehold land	Buildings on freehold land				Plant & machinery	Generators	Total
		Factory	Non-factory	Residential				
				Officers	Workers			
	------------------------------- Rupees in thousand -------------------------------							
Cost / revaluation as at 31 March, 2010	481,905	156,381	6,680	8,962	8,371	1,039,848	121,245	1,823,392
Accumulated depreciation to 31 March, 2010	0	21,617	1,235	1,244	3,477	332,498	25,036	385,107
Book value before revaluation adjustments as at 31 March, 2010	481,905	134,764	5,445	7,718	4,894	707,350	96,209	1,438,285
Revalued amounts	765,360	176,088	6,660	12,447	8,838	805,621	101,555	1,876,569
Revaluation surplus	283,455	41,324	1,215	4,729	3,944	98,271	5,346	438,284

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

	2010	2009
	Rupees in thousand	
Freehold land	**340**	340
Buildings on freehold land:		
Factory	**47,020**	44,986
Non-factory	**1,189**	1,249
Residential:		
- Officers	**202**	208
- Workers	**3,701**	3,893
Plant & machinery	**595,232**	585,976
Generators	**96,608**	86,603

22.4 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.87 thousand approximately as at 30 June, 2010 (2009: Rs.131 thousand).

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

Cost of sales	**50,987**	50,768
Administrative expenses	**2,574**	2,799
	53,561	53,567

22.6 Disposal of plant & machinery:

Particulars	Cost / revaluation	Accumulated depreciation	Book value	Sale proceeds	Loss	Sold through negotiation to:
	--------------- Rupees in thousand ---------------					
						Islamia Park, Lahore.
03 Cone winding machines	3,030	1,165	1,865	675	(1,190)	Mr. Irshad Ayyub Khan, Jhang Road, Faisalabad.
33 Set ring frames	26,991	15,649	11,342	8,250	(3,092)	Meo Engineering Company, 2nd Floor, Khawaja Arcade, Abdali Road, Lahore.
01 Set drawing simplex	1,560	792	768	400	(368)	Ashraf & Company, Korangi Town, Karachi.
	31,581	**17,606**	**13,975**	**9,325**	**(4,650)**	

23. CAPITAL WORK-IN-PROGRESS

	2010	2009
	Rupees in thousand	
Plant & machinery - cost and expenses	**0**	3,845

24. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted

	2010	2009
Babri Cotton Mills Ltd. (BCM)		
510,864 (2009: 510,864) ordinary shares of Rs.10 each **- cost** Equity held: 17.64% (2009: 17.64%)	**10,973**	10,973
Post acquisition profit brought forward including effect of items directly credited in equity by BCM	**(5,489)**	7,092
Profit / (loss) for the year - net of taxation	**15,971**	(10,915)
	21,455	7,150
Bannu Woollen Mills Ltd. (BWM)		
585,301 (2009: 585,301) ordinary shares of Rs.10 each including 285,146 (2009: 285,146) bonus shares **- cost** Equity held: 7.70% (2009: 7.70%)	**7,697**	7,697
Post acquisition profit brought forward including effect of items directly credited in equity by BWM	**17,549**	16,760
Profit for the year - net of taxation	**5,527**	791
	30,773	25,248
	52,228	32,398
Less: impairment loss	**0**	(21,594)
	52,228	10,804

24.1 Fair value of investments in BCM as at 30 June, 2010 was Rs.6.687 million (2009: Rs.2.861 million).

24.2 Fair value of investments in BWM as at 30 June, 2010 was Rs.4.741 million (2009: Rs.7.943 million).

24.3 Summarised financial information of BCM, based on the audited financial statements for the year ended 30 June, 2010, is as follows:

	Note	2010	2009
		Rupees in thousand	
- equity as at 30 June,		**133,425**	28,724
- total assets as at 30 June,		**1,377,411**	1,364,717
- total liabilities as at 30 June,		**799,418**	886,518
- revenue for the year ended 30 June,		**1,195,591**	746,961
- profit / (loss) before taxation for the year ended 30 June,		**154,897**	(104,001)
- profit / (loss) after taxation for the year ended 30 June,		**102,343**	(73,683)

24.4 Summarised financial information of BWM, based on the audited financial statements for the year ended 30 June, 2010, is as follows:

- equity as at 30 June,	**414,754**	312,510
- total assets as at 30 June,	**914,562**	801,915
- total liabilities as at 30 June,	**260,940**	248,378
- revenue for the year ended 30 June,	**415,428**	391,280
- profit before taxation for the year ended 30 June,	**94,268**	9,709
- profit / (loss) after taxation for the year ended 30 June,	**87,353**	(5,267)

24.5 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.

25. LOANS TO EMPLOYEES - Secured

	Note	2010	2009
Loans to executives	**25.1**	**940**	1,060
Loans to employees	**25.3**	**1,240**	1,168
		2,180	2,228
Less: current portion grouped under current assets		**782**	887
		1,398	1,341

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

Opening balance	**1,060**	1,030
Less: amounts received-back during the year	**0**	(600)
Loans advanced during the year	**0**	750
Less: deductions made during the year	**(120)**	(120)
Closing balance	**940**	1,060

(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.190 thousand is receivable in 19 equal monthly instalments whereas the balance of Rs.750 thousand is adjustable against final settlement of an executive.

25.2 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs.1,372 thousand (2009: Rs.1,295 thousand).

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

25.4 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.

26. STORES, SPARES AND LOOSE TOOLS

	2010	2009
	Rupees in thousand	
Stores		
- at mills	**14,136**	11,105
- in transit	**1,159**	1,019
Spares	**9,635**	13,801
Loose tools	**119**	135
	25,049	26,060

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

27. STOCK-IN-TRADE

Raw materials		
- at mills	**274,416**	225,915
- in transit	**0**	50,689
	274,416	276,604
Work-in-process	**44,165**	55,809
Finished goods at cost (2009: at net realisable value)	**46,180**	26,468
	364,761	358,881

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

28. ADVANCE PAYMENTS - Unsecured - Considered good

Raw material suppliers	**6,160**	28
Store suppliers	**7,264**	8,955
Others	**2,248**	1,560
	15,672	10,543

29. TRADE DEPOSITS AND PREPAYMENTS

Letters of credit	**208**	28
Prepayments	**118**	1,348
	326	1,376

		Note	2010	2009
30.	**DUE FROM ASSOCIATED COMPANIES**		**Rupees in thousand**	
30.1	**Due on account of normal trading transactions:**			
	Rahman Cotton Mills Limited		**18,806**	18,289
	Babri Cotton Mills Limited		**6,283**	3,425
	The Universal Insurance Company Limited		**273**	0
			25,362	21,714
30.2	**Due on account of fund transfers and other transactions:**			
	Rahman Cotton Mills Limited:			
	- mark-up		**3,716**	1,285
	- fund transfers		**(14,987)**	(6,996)
			(11,271)	(5,711)
	Babri Cotton Mills Limited:			
	- mark-up		**407**	1,301
	- fund transfers		**(5,059)**	6,405
			(4,652)	7,706
			9,439	23,709
31.	**CASH AND BANK BALANCES**			
	Cash-in-hand		**319**	137
	Cash at banks on:			
	- current accounts		**5,385**	2,705
	- dividend accounts		**0**	195
	- PLS security deposit accounts	**31.1**	**127**	122
	- PLS accounts	**31.1**	**19**	18
			5,531	3,040
			5,850	3,177

31.1 These carry profit at the rate of 5% (2009: 5%) per annum.

		2010	2009
32.	**SALES**		
	Yarn	**1,379,019**	1,025,161
	Waste	**72,846**	18,923
	Raw materials purchased for resale	**2,672**	27,654
		1,454,537	1,071,738

33.	COST OF SALES	Note	2010 Rupees in thousand	2009 Rupees in thousand
	Raw materials consumed	33.1	**746,754**	611,026
	Packing materials consumed		**20,651**	19,469
	Salaries, wages and benefits	33.2	**143,318**	120,360
	Power and fuel		**155,516**	155,482
	Stores consumed		**22,123**	23,161
	Repair and maintenance		**4,018**	2,583
	Depreciation		**50,987**	50,768
	Insurance - net of rate refund claims of Rs.3.565 million (2009: Rs. Nil)		**4,728**	7,074
	Others		**492**	848
			1,148,587	990,771
	Adjustment of work-in-process			
	Opening		**55,809**	55,884
	Closing		**(44,165)**	(55,809)
			11,644	75
	Cost of goods manufactured		**1,160,231**	990,846
	Adjustment of finished goods			
	Opening stock		**26,468**	21,646
	Closing stock		**(46,180)**	(26,468)
			(19,712)	(4,822)
	Cost of goods sold - own manufactured		**1,140,519**	986,024
	Cost of goods sold - raw materials purchased for resale		**2,292**	24,067
			1,142,811	1,010,091

33.1 Raw materials consumed

	2010	2009
Opening stock	**276,604**	353,243
Purchases	**744,318**	534,177
	1,020,922	887,420
Less: closing stock [including in transit valuing Rs.Nil (2009: Rs.50.689 million)]	**274,416**	276,604
Raw materials issued	**746,506**	610,816
Cess on cotton consumed	**248**	210
	746,754	611,026

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

	2010	2009
- current service cost	**7,826**	7,668
- interest cost	**3,265**	2,521
- actuarial loss recognised	**1,556**	974
	12,647	11,163

34. DISTRIBUTION COST		**2010**	2009
	Note	**Rupees in thousand**	
Salaries and benefits	**34.1**	**1,948**	1,959
Commission		**2,785**	1,781
Freight and handling		**1,855**	900
Gifts and samples		**293**	416
Others		**679**	814
		7,560	5,870
34.1 These include following in respect of staff retirement benefits (gratuity)**:**			
- current service cost		**88**	140
- interest cost		**37**	47
- actuarial loss recognised		**18**	18
		143	205
35. ADMINISTRATIVE EXPENSES			
Salaries and benefits	**35.1**	**19,284**	18,296
Printing and stationery		**633**	770
Travelling and conveyance - staff		**896**	644
Travelling - directors		**273**	227
Communication		**1,089**	1,008
Rent, rates and taxes		**2,331**	1,921
Guest house expenses and entertainment		**608**	704
Insurance - net of rate refund claims of Rs.0.444 million (2009: Rs. Nil)		**278**	602
Vehicles' running and maintenance		**3,002**	3,591
Advertisement		**154**	57
Subscription		**390**	475
Repair and maintenance		**551**	787
Auditors' remuneration:			
- statutory audit		**500**	275
- half yearly review		**65**	65
- certification charges		**100**	80
- out-of-pocket expenses		**30**	20
		695	440
Legal and professional charges (other than Auditors')		**1,474**	1,211
Depreciation		**2,574**	2,799
Others		**697**	491
		34,929	34,023

		Note	2010	2009
35.1	**These include following in respect of staff retirement benefits** (gratuity):		**Rupees in thousand**	
	- current service cost		**1,032**	850
	- interest cost		**430**	279
	- actuarial loss recognised		**205**	108
			1,667	1,237

35.2 The Company has charged Rs.9.430 million (2009: Rs.7.185 million) to its Associated Companies on account of administrative services provided to them; this amount was adjusted against the above expenses.

35.3 The Company has shared expenses aggregating Rs.5.702 million (2009: Rs.7.348 million) on account of combined offices with its Associated Companies. These expenses have been booked in the respective heads of account as follows:

	2010	2009
- manufacturing expenses	**412**	577
- administrative expenses	**5,290**	6,771
	5,702	7,348

36. OTHER OPERATING EXPENSES

	Note	2010	2009
Donations (without directors' interest)		**42**	30
Donations to Internally Displaced Persons		**0**	200
Donation to Waqf-e-Kuli Khan	**17.2**	**3,371**	0
Workers' (profit) participation fund		**7,243**	0
Workers' welfare fund		**2,752**	0
Loss on disposal of operating fixed assets - net	**22.6**	**4,650**	623
		18,058	853

37. OTHER OPERATING INCOME

	2010	2009
Income from financial assets		
Mark-up earned on Associated Companies' balances	**3,380**	2,881
Return on bank deposits	**54**	10
Gain on forward foreign exchange contracts - net	**0**	101
Income from non-financial assets		
Sale of scrap - net of sales tax amounting Rs.401 thousand (2009: Rs.330 thousand)	**2,512**	2,065
Quarters' rent	**132**	132
	6,078	5,189

38. FINANCE COST - Net

	Note	2010	2009
		Rupees in thousand	
Mark-up on:			
- demand finances [net of mark-up subsidy aggregating Rs.3.255 million (2009: Rs.2.498 million)]		**43,136**	52,169
- short term finances		**81,512**	90,350
- Associated Companies' balances		**484**	204
- workers' (profit) participation fund	**17.3**	**211**	227
Lease finance charges		**0**	48
Bank charges		**595**	548
		125,938	143,546

39. EARNINGS / (LOSS) PER SHARE

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

	2010	2009
Profit / (loss) after taxation attributable to ordinary shareholders	**116,642**	(109,886)
	Numbers	
Weighted average number of ordinary shares in issue during the year	**3,818,732**	3,165,450
	Rupees	
Earnings / (loss) per share - basic	**30.54**	(34.71)

40. 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 the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

40.1 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.28,400 thousand (2009:Rs.54,513 thousand), the financial assets which are subject to credit risk aggregated to Rs. 28,081 thousand (2009:Rs.54,376 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, 2010 along with comparative is tabulated below:

	2010	2009
	Rupees in thousand	
Security deposits	**1,029**	1,004
Trade debts	**12,082**	26,623
Due from Associated Companies	**9,439**	23,709
Bank balances	**5,531**	3,040
	28,081	54,376

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	**11,679**	25,190
Past due more than one year	**403**	1,433
	12,082	26,623

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.10.499 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.

40.2 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:

	2010				
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**	**5 years and above**
	------------------------- **Rupees in thousand** -------------------------				
Demand finances	**326,339**	**463,235**	**83,886**	**379,349**	**0**
Short term finances	**388,972**	**407,241**	**407,241**	**0**	**0**
Trade and other payables	**85,519**	**85,519**	**85,519**	**0**	**0**
Accrued mark-up / interest	**18,986**	**18,986**	**18,986**	**0**	**0**
Preference shares redemption account	**1,235**	**1,235**	**1,235**	**0**	**0**
	821,051	**976,216**	**596,867**	**379,349**	**0**

	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

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

40.3 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:

	2010			
	Rupees	**US$**	**Euros**	**Yens**
	------ in thousand ------			
Bills payable	**1,150**	**3**	**8**	**0**
Bank balances	**(133)**	**(2)**	**0**	**0**
Gross balance sheet exposure	**1,017**	**1**	**8**	**0**
Outstanding letters of credit	**37,112**	**406**	**15**	**861**
Net exposure	**38,129**	**407**	**23**	**861**

	2009			
	Rupees	US$	Euros	Yens
	------ in thousand ------			
Bills payable	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

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2010	2009	**2010**	2009
US $ to Rupee	**84.25**	78.89	**85.60**	81.30
Euro to Rupee	**117.24**	111.11	**104.58**	114.82
Yen to Rupee	**0.9207**	0.8134	**0.9662**	0.8475

Sensitivity analysis

At the reporting date, if Rupee had strengthened by 10% against US Dollar, Euro and Yen, with all other variables held constant, profit after taxation for the year would have been higher (2009: loss after taxation 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.

	2010	2009
Effect on profit / (loss) for the year:	**(Rupees in thousand)**	
US $ to Rupee	**9**	4,106
Yen to Rupee	**0**	101
Euro to Rupee	**84**	0

The weakening of Rupee against US Dollar, Euro and Yen would have had an equal but opposite impact on the profit / (2009: loss) after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (2009: loss) for the year and assets / liabilities of the Company.

(b) Interest rate risk

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

	2010	2009	**2010**	2009
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Fixed rate instruments				
Financial assets				
Bank balances	**5**	5	**146**	140
Financial liabilities				
Demand finances (export finances)	**7**	7	**19,914**	36,627
Variable rate instruments				
Financial liabilities				
Demand finances	**14.28 to 14.61**	16.04 to 17.55	**306,425**	306,425
Short term finances	**14.09 to 15.73**	14.77 to 17.52	**388,972**	538,287

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 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 mark-up rates at the balance sheet date would have (decreased) / increased profit for the year by the amounts shown below. The analysis is performed on the same basis for the year 2009.

	Decrease	Increase
	(Rupees in thousand)	
As at 30 June, 2010		
Cash flow sensitivity-Variable rate financial liabilities	**(19)**	**19**
As at 30 June, 2009		
Cash flow sensitivity-Variable rate financial liabilities	23	(23)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit (2009: loss) for the year and liabilities of the Company.

40.4 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 arm's length transaction.

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2010	2009	**2010**	2009	**2010**	2009
	-----Rupees in thousand-----					
Managerial remuneration	**2,496**	2,679	**3,000**	3,000	**7,424**	6,664
Bonus / ex-gratia	**0**	0	**250**	370	**0**	0
Retirement benefits	**0**	0	**0**	0	**645**	556
Leave salary	**210**	210	**454**	271	**657**	597
Insurance	**0**	0	**7**	7	**14**	15
Medical	**65**	71	**163**	132	**936**	927
Utilities	**480**	210	**448**	497	**249**	310
	3,251	3,170	**4,322**	4,277	**9,925**	9,069
Less: charged to Associated Companies	**0**	0	**3,241**	3,208	**1,123**	673
	3,251	3,170	**1,081**	1,069	**8,802**	8,396
Number of persons	**1**	1	**1**	1	**6**	5

41.1 Meeting fees of Rs.270 thousand (2009: Rs.144 thousand) were also paid to five (2009: five) non-working directors during the year.

41.2 Chief executive, one (2009: one) working director and six (2009: five) of the executives are provided with free use of residential telephones and the Company maintained cars. Working director and executives are also provided with free housing facility.

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

42. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

42.1 **(a)** The Company's shareholders, vide a special resolution, have authorised the chief executive to advance loans upto Rs.5.0 million to any of the 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.25.614 million (2009: Rs.21.217 million).

(c) Mark-up has been accrued at the rates ranging from 14.09% to 14.77% (2009: 14.77% to 17.52%) 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:	**2010**	2009
	Rupees in thousand	
Sale of goods and services	**2,672**	1,187
Purchase of goods and services	**7,574**	9,208
Insurance claim received	**0**	1,315
Insurance premium paid	**9,581**	4,562
Residential rent:		
- paid	**5**	5
- received	**132**	132
Mark-up:		
- earned	**3,380**	2,881
- expensed	**484**	204
Management charges:		
- paid	**2,896**	1,998
- received	**9,430**	7,185

42.2 No amount was due from the directors at any month-end during the year (2009: Rs.Nil).

43. 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.

	Note	2010	2009
		Rupees in thousand	
Total borrowings		**715,311**	881,339
Less: Cash and bank balances		**5,850**	3,177
Net debt		**709,461**	878,162
Total equity		**263,337**	108,276
Total capital		**972,798**	986,438
Gearing ratio		**73%**	89%

For the purpose of calculating the gearing ratio, the amount of total borrowings has been determined by including the effect of short term finances under mark-up arrangements.

44. CAPACITY AND PRODUCTION

		2010	2009
		Numbers	
Number of spindles installed		**64,704**	70,896
Number of rotors installed		**600**	600
Number of shifts worked		**1,092**	1,084
Number of spindles / rotors shifts worked	**(a)**	**59,996,467**	63,538,987
		KGs	
Installed capacity at 20's count on the basis of shifts worked		**10,798,980**	11,790,623
Actual production of yarn of all counts		**4,632,507**	4,670,171
Actual production converted into 20's count		**20,012,402**	22,016,076

(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.

45. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

The Federal Government, subsequent to the balance sheet date, has included the entire Textile Sector of Khyber Pakhtunkhwa in the Prime Minister's Fiscal Relief Package to rehabilitate the economic life in FATA / PATA / Khyber Pakhtunkhwa. The Company, in terms of SMEFD Circular No.11 dated 01 July, 2010 read with SMEFD Circular Letter No.13 of 2010 dated 31 August, 2010, has applied to avail mark-up rate differential on business loans comprising of demand finances and short term finances outstanding as at 31 December, 2009. The Company's claims aggregating Rs.31.601 million have been processed by National Bank of Pakistan and submitted to State Bank of Pakistan for payment.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 07 October , 2010 by the board of directors of the Company.

47. FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison; however, no material re-arrangements have been made in these financial statements.

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

Ahmad Kuli Khan Khattak
Director

JANANA DE MALUCHO TEXTILE MILLS LTD.

FORM OF PROXY

I/We ____ __________ of _____________________ being in the district of _____________________ being a member of Janana De Malucho Textile Mills Limited and holder of ________________ __________________________ Ordinary Shares as per the Share Register Folio No. ___ _____________ and/or CD C Participant I.D. No. _____________________ and Sub-Account No. _________________ hereby appoint _______________________ of ___________________ or failing him/her ___________________________ as my/our proxy to vote for me/us and on my/our behalf at the 50^{th} Annual General Meeting of the Company to be held at Registered Office, Habibabad, Kohat on 31st October 2010 at 10:30 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this _________day of _________ 2010.

Signed by the said member in the presence of ___________

2. As witness my hand this _________day of__________ 2010.

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.