52nd ANNUAL REPORT 2012

JDM

BIBOJEE GROUP

JANANA DE MALUCHO TEXTILE MILLS LIMITED

بسم الله الرحمن الرحيم

CONTENTS

COMPANY'S PROFILE

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

VISION

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

MISSION STATEMENT

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

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

OVER ALL CORPORATE STRATEGY

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 52nd Annual General Meeting of the Shareholders of Janana De Malucho Textile Mills Limited will be held at the registered office of the Company, Habibabad, Kohat on **Monday** the **22nd October 2012** at **11:30 A.M.** to transact the following business.

A. ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting held on 29th October 2011.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2012 together with the directors' and auditors' reports thereon.
3. To appoint auditors for the year ending on 30th June 2013 and to fix their remuneration.

B. SPECIAL BUSINESS:

To pass the following resolutions as special resolutions with or without amendments;

4. **RESOLVED THAT** the existing Clause No. V of Memorandum of Association of the Company and Clause No. IV of the Article of Association of the Company be and are hereby deleted and substituted as under:-
5. Resolved that permission is hereby granted to issue 11,615,626 non voting 10.80% cumulative convertible unlisted redeemable preference shares of Rs.10/- each to M/s. National Bank of Pakistan in lieu of outstanding loans in accordance with section 87 of the Companies Ordinance, 1984 & restructuring agreement of demand finance loans (FINANCE FACILITIES AGREEMENT dated 12th January 2011) with National Bank of Pakistan **subject to any permission required under the Law.**

Existing Clause V of Memorandum of Association of the Company to be Deleted

The authorized capital of the company is Rs.200,000,000/- (Rupees two hundred million only) divided into 18,000,000 (eighteen million only) ordinary shares of Rs.10/- (Rupees ten only) each. 700,000/- (seven hundred thousand only) 7.5% cumulative Redeemable preference shares of Rs.10/- (Rupees ten only) each, and 1,300,000/- (one million three hundred thousand only) 10% cumulative Redeemable preference shares of Rs.10/- (Rupees ten only) each with the powers of the Company, specifically, to increase the authorized share capital to include a further issue including of preference shares, and generally, to increase or reduce the said capital and to subdivide the share capital into different classes in accordance with the provisions of the Companies Ordinance, 1984 and any rules made thereunder, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association or the Regulations of the Company for the time being, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association or the Regulations of the Company in accordance with law.

Existing Clause 4 of Articles of Association of the Company to be Deleted

The authorized capital of the company is Rs.200,000,000/- (Rupees two hundred million only)

Proposed Clause V of Memorandum of Association of the Company to be Inserted

The authorized capital of the company is Rs.220,000,000/- (Rupees two hundred and twenty million only) divided into 10,000,000 (ten million only) ordinary shares of Rs.10/- (Rupees ten only) each and 12,000,000/- (twelve million only) non voting 10.80% cumulative convertible unlisted redeemable preference shares of Rs.10/- (Rupees ten only) each with the powers of the Company, specifically, to increase the authorized share capital to include a further issue of preference shares, and generally, to increase or reduce the said capital and to subdivide the share capital into different classes in accordance with the provisions of the Companies Ordinance, 1984 and any rules made thereunder, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association or the Regulations of the Company for the time being, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association or the Regulations of the Company in accordance with law.

Proposed Clause 4 of Articles of Association of the Company to be Inserted

The authorized capital of the company is Rs.220,000,000/- (Rupees two hundred and twenty divided into 18,000,000 (eighteen million only) ordinary shares of Rs.10/- (Rupees ten only) each. 700,000/- (seven hundred thousand only) 7.5% cumulative Redeemable preference shares of Rs.10/- (Rupees ten only) each, and 1,300,000/- (one million three hundred thousand only) 10% cummu1ative Redeemable preference shares of Rs.10/- (Rupees ten only) each with the powers of the Company, specifically, to increase the authorized share capital to include a further issue including of preference shares, and generally, to increase or reduce the said capital and to subdivide the share capital into different classes in accordance with the provisions of the Companies Ordinance, 1984 and any rules made thereunder, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association or the Regulations of the Company for the time being, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association or the Regulations of the Company in accordance with law.

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6. Further resolved that the Chief Executive/Company Secretary (any one of them) be and is hereby authorized to complete all the necessary legal and corporate formalities with regard to the above resolutions and take such actions as he may consider necessary or expedient to complete the process. Further resolved that incase of any omission or mistake if pointed out by the SECP or any other competent authority in the aforesaid resolutions the company Secretary be and is hereby authorized to make necessary corrections as permitted under the law.

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

By order of the Board

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

Kohat
Dated: 25th September, 2012

NOTES:

BOOK CLOSURE:

1. The Share transfer books of the Company shall remain closed from 11th October, 2012 to 22nd October, 2012 (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 10th October 2012 will be considered in order for registration in the name of the transferees.

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

2. In pursuance of the Securities and Exchange Commission of Pakistan's Notice dated April 02, 2010 in respect of S.R.O.286/(1)/2005 dated March 31, 2005, all shareholders having physical shares of the company are requested to send clear photocopy of their valid Computerized National Identity Card (both sides) at the earliest at the address of our share Registrar namely M/s. Management & Registration Services (Pvt) Limited, Business Executive Centre, F/17/3, Block 8, Clifton, Karachi.

Fax No.021-35820325. This information is required for maintaining the Members' Register of the company to receive the Dividend/Annual/quarterly financial statements of the company etc.

CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:

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

PARTICIPATION IN ANNUAL GENERAL MEETING:

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

INSTRUCTION FOR CDC ACCOUNT HOLDERS:

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

   a. **For attending the meeting:**

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

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

   b. **For appointing proxies:**

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

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

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

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE 1984 REGARDING SPECIAL BUSINESS VIDE PARA B ABOVE AS UNDER:

Item No. 4 of the Notice:

Approval of the shareholders is being sought for amendment in Clause V of Memorandum of Association of the company and Clause 4 of Articles of Association of the company to increase Authorized Capital of the company in order to implement the decision of the Board of Directors to issue 11,615,626 non voting 10.80% cumulative convertible unlisted redeemable preference shares of Rs.10/- each as mentioned at Item No.5 above **subject to any permission required under the Law.** The Directors have no interest directly or indirectly in the issuance of these preference shares except that they are also members of the company.

Item No. 5 of the Notice:

Approval of the shareholders is being sought to issue 11,615,626 non voting 10.80% cumulative convertible unlisted redeemable preference shares of Rs.10/- each to M/s. National Bank of Pakistan in lieu of outstanding loans in accordance with section 87 of the Companies Ordinance, 1984 & restructuring agreement of demand finance loans (FINANCE FACILITIES AGREEMENT dated 12th January 2011) with National Bank of Pakistan **subject to any permission required under the Law.** The Directors have no interest directly or indirectly in the issuance of these preference shares except that they are also members of the company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of your Company have pleasure in presenting the 52nd Annual Report and Audited Financial Statements of the Company for the financial year ended 30th June, 2012.

PERFORMANCE REVIEW

We are pleased to report that your Company dealt with all the opportunities and threats as and when they came and have given very positive results in wake of very heavy odds, as detailed elsewhere herein below. The major highlights of the Company's financial results as compared to the preceding year are as follows:

Particulars	2012	2011
	Rupees in million	
Sales	**2,314.948**	2,134.841
Cost of sales	**(2,071.385)**	(1,944.643)
Gross profit	**243.563**	190.198
Profit from operations	**170.520**	116.801
Profit before taxation	**109.559**	111.058
Profit after taxation	**144.662**	152.048
	------ Rupees -----	
Earnings per share	**30.23**	33.57

PRODUCTION

Production of yarn, for the year ended 30 June, 2012 (current year) increased by 1,105,137 lbs as compared to year ended 30 June, 2011 (previous year) due to continued and uninterrupted self gas generation and discipline in the labour force.

TURNOVER

Gross sales of yarn for the current year have increased by Rs.170.047 million (increase in quantity was 1,054,220 lbs). Average Sale Rate for the current year was Rs.187.66 per lbs viz-a-viz Rs.192.21 per lbs for the previous year. Decrease in Average Rate was due to excessive load shedding in end user's markets, decrease in raw material average cost and issue of various intermittent sales tax SROs by Federal Board of Revenue, having negative effect on the end users and yarn markets.

RAW MATERIAL

Raw material consumption has increased by Rs.6.297 million (quantity consumed have increased by 1,610,949 lbs). However the average raw material consumption rates have decreased by Rs.12.75 per lbs in comparison with last year due to decrease in rates of medium staple cotton and domestic cotton. The decrease in consumption rates have contributed significantly towards increase in Gross Profit for the year.

MANUFACTURING COST

The manufacturing cost of the Company has increased by Rs.74.577 million. Main reasons of increase were as below:

- Increase of Rs.6.879 million in packing material cost due to increase of production by 1,105,137 lbs.
- Increase of Rs.14.817 million in salaries, wages and benefits due to increments in salaries of senior and lower staff and due to provision of bonus for two months in current year.
- Increase in power and fuel cost by Rs.38.630 million was mainly due to increase in average gas rates per MMBTU from Rs.382.60 to Rs.494.86 (increase of Rs. 112.46 per MMBTU, i.e.29%; whereas increase in rates in the corresponding period was 4% only) and levy of Gas infrastructure Development Cess @ Rs.13 per MMBTU.
- Increase in stores consumption by Rs.11.633 million.

GROSS PROFIT

Gross Profit of the Company, for the year has increased by Rs.53.365 million in comparison with last year. Gross Profit percentage for the year was 10.52% viz-a-viz 8.91% of last year's. Gross Profit has increased in comparison with last year, mainly due to increase in sales by 1,054,220 lbs and decrease in raw material consumption rates.

FINANCE COST

Khyber Pakhtunkhwa (KPK) Mark-up Subsidy Relief Package has expired on 31st December, 2012. Due to this factor mainly, the finance cost of the Company has increased by Rs.49.064 million. The Company has received Rs.22.242 million in terms of mark-up subsidy in the current year as compared to Rs.85.097 million in the previous year.

FINANCIAL RESTRUCTURING

As stated above, the KPK Mark-up Subsidy Package has expired and it has triggered the application of the restructuring agreement's clause regarding the issuance of unlisted non-voting cumulative convertible / redeemable preference shares of Rs.10 each against the overdue installments of the demand finance loans. The Company shall initiate the necessary proceedings for the issuance of shares after approval of members in the Annual General Meeting. The Company has to issue 11,615,626 shares at which it shall pay a fixed dividend @ 10.80%. The issuance of preference shares shall have positive impact in the form of reduced finance cost as the Company is currently paying mark-up @ 6 month KIBOR plus 1.85% per annum which is higher than the fixed rate of 10.80% dividend. The Preference Shares are convertible into the ordinary shares at the option of the National Bank of Pakistan. We are further pleased to inform you that the Company, during the year, have duly fulfilled its obligations under the Demand Finances' Restructuring Agreements i.e. all repayments to the bank were made in accordance with their repayment schedules.

MODIFICATION / REPLACEMENT OF MACHINERY:

We are happy to inform you that the Company, during the current year has done some innovative changes in the machinery to improve the profitability of its operations. The Company has installed Compact Spinning Assembly on 14,256 spindles of its Ring Spinning

Frames to improve the quality of the yarn produced, which was readily saleable on premium. The Company has replaced 18 of its 1965 model Ishikawa Card Machines with used 12 Crossrol MK5-A Card Machines. The newly installed card machines are fast speed and run on Chute Feed System. Further, the Company has also purchased a Second Hand Blowroom. The installation of new Card Machines and a new Blowroom has greatly increased the efficiency of the back process of the mills, resulting into higher production.

GENERAL ECONOMIC REVIEW

The financial year under review was another year full of uncertainties, surprises and unforeseen threats. The industry of Pakistan especially the Textile Sector has been treated by the Government like a stepson. The Govt. levied Sales Tax on Textile Sector in the previous year and it consistently kept issuing various SROs to change conditions and the rate of sales tax which really scared the buyers away. The companies were forced to sell yarn on low rates or hold the stocks till the markets settled down. Further to the bane of Textile Industry, the energy crisis worsened in the current year. The outages of gas for two to three days a week and electric shutdown up to 12 hours daily have forced the closure of many textile mills in the Province of Punjab. This phenomenon resulted into highly detrimental upheavals in yarn markets and, end-user markets were volatile more than ever. Economic activities in the country were a picture of a lame man walking without crutches. The textile industry experts have claimed that the textile and clothing exports could have touched the figures of $.22 billion by the end of June, 2012 but due to energy shortages, the exports could not fetch even 2010-11 year's impressive export earnings (amounting to Rs.13.805 billion) mainly driven by the rise in cotton prices in the international market. The experts say that the energy shortage is the prime cause of decline in exports because 40 percent of the production capacity of textile industry is dysfunctional due to inadequate supply of electricity and gas. The energy shortage coupled with ever increasing rates of electricity and gas and high interest rates have made the industry uncompetitive in the international markets while China, India, and Bangladesh have been supporting their textile industry in view of the economic slowdown in Europe and the United States. Higher prices for imported oil and lower prices for exported textiles, which account for nearly half of our Country's export earnings, have contributed heavily to the rising current account deficit. Low GDP growth coupled with double digit inflation has increased the number of people below poverty line and has nearly eliminated the middle class.

Despite the negatives mentioned, the overall outlook is still not so gloomy. On the positive side, which is the real life line of Pakistan, the foreign remittances of Pakistani expatriates continued to grow and are currently averaging $ one billion per month. A recent IMF diagnosis of Pakistan's economy notes the 'abundant potential' which needs to be realized. Pakistan is located in an economically dynamic neighborhood; it can benefit massively from increased regional trade and has the potential demographic dividend of a young population. The challenges which we must contend with in the coming years will be daunting and we will need an unswerving commitment to good governance, sustained efforts, to rid ourselves of structural impediments such as shortage and high cost of energy, rampant corruption and policies designed to develop Pakistan into regional trading hub for south and central Asia. Admittedly a tall order, but not one we can afford to ignore.

FUTURE PROSPECTS:

The Textile Industry of Pakistan has great potential as it has shown in the past. It is a major export oriented sector. However the policies of the Govt. in respect of application of sales tax, persistent increase in electricity and gas tariff and inconsistency in supply of electricity and gas to textile sector has brought the development of this sector to a standstill. It is pertinent to mention that gas tariff is 182% higher than the Bangladesh and minimum wages of labour are also higher by 127%. Due to these factors the exports of value added textile sectors have gone down between 14 to 22 percent. The gas tariff per cubic feet in Bangladesh is US 6.45 cents while in Pakistan it is US.18.23 cents, exchange rate in Bangladesh is 81.38TK and Rs.94.78 to a Dollar in Pakistan, minimum labor wage is $37 in Bangladesh and $84 in Pakistan. Another factor, which according to a recent report of World Economic Forum is a major hurdle in the progress of businesses in Pakistan, is "Corruption". According to the Global Competitiveness Report (GCR) 2012-13 released on Wednesday (05th September, 2012) by the World Economic Forum, Pakistan has been ranked 124 among 144 countries on the index. The report says Pakistan lacks a long-term view of competitiveness while the level of corruption and poor governance are some of the factors slowing down Pakistan's economic growth.

All in all, despite all the seemingly negative indicators, we can definitely still hope to find numerous positives. Not only we hope that the next year shall be a good year for textile industry in general and for your Company in particular, but being the election year, we also hope and pray to Allah almighty that HE bestow good leaders on us.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE:

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

1. The financial statements of the Company, prepared by the management, 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 30-06-2012 and accounting estimates are based on reasonable and prudent judgment.
3. Proper books of account have been maintained by the Company.
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 significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 June 2012, 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 2012.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING:

The Company is compliant with the best practices of transfer pricing as contained in the listing regulations of The Karachi Stock Exchange (G) Limited.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

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

Hr&R Committee was established by the Board in its meeting held on 20th April, 2012.
The HR& R Committee is responsible for recommendation of various policies for the consideration of BOD with regard to human resource management, selection, evaluation, compensation and succession plan of CEO, COO, CFO, CS and HIA. The Committee will also consider and approve CEO's recommendation for key management positions reporting directly to CEO or COO.

BOARD MEETINGS AND ATTENDANCE OF EACH DIRECTOR:	**Number**
Total number of Board meetings held during the year under review	4
Attendance of each Director	
Mr. Raza Kuli Khan Khattak	4
Lt. Gen. (Retd). Ali Kuli Khan Khattak	4
Mr. Ahmad Kuli Khan Khattak	3
Mr. Mushtaq Ahmad Khan, FCA	4
Mrs. Zeb Gohar Ayub	2
Mrs. Shahnaz Sajjad Ahmad	4
Dr. Shaheen Kuli Khan	2

- Leave of absence was granted to the directors who could not attend the board meetings due to their busy schedule and other appointments.

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 2012 is enclosed. This statement is prepared in accordance with the Code of Corporate Governance and the provisions of Companies Ordinance 1984 read with Companies (Amendment) Ordinance 2002.

CONTRIBUTION OF OUR COMPANY TOWARDS GOVERNMENT, AND SOCIAL SECTOR:

We wish to give hereunder our Company's revenue contribution towards the Government, Semi Government sectors, banks and Social sector during the year ended 30th June 2012.

		(Rs. In Million)
I.	**GOVERNMENT SECTOR**	
a.	Income Tax paid	14.978
b.	Power & Fuel	229.286
c.	Financial Institution/ Banks (In shape of repayment of restructured demand finance loans and mark-up there-on)	156.798
II.	**SOCIAL SECTOR**	
	Employees/Workers salaries, Wages and other benefits	209.247

We are also providing employment to more than 1,300 workers (i.e.1,300 families with an average of 8 family members in KPK province) the employment cost of which shall now be more than Rs.200 million per annum.

DIVIDEND:

Keeping in view the heavy financial resources required to fulfill the repayment commitments with the National Bank of Pakistan for the restructured demand finance loans and mark-up thereon, Term Finance Certificates, during the year 2012-13, the Directors have decided not to pay any dividend.

APPOINTMENT OF AUDITORS:

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

ACKNOWLEDGEMENT:

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

For & on behalf of Board of Directors

Raza Kuli Khan

RAZA KULI KHAN KHATTAK
CHAIRMAN

Dated: 22 September, 2012

KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

PARTICULARS		**2012**	2011	2010	2009	2008	2007
Spindles installed	Nos.	**62,304**	62,304	64,704	70,896	70,896	70,896
Rotors installed	Nos.	**600**	600	600	600	400	400
PRODUCTION	Lbs. in million	**11.956**	10.851	10.213	10.296	10.922	12.106
Sales - Net	Rs. in million	**2,314.948**	2,134.841	1,454.537	1,071.738	1,130.611	1,075.183
Gross Profit	----- " -----	**243.563**	190.198	311.726	61.647	155.339	145.209
Profit from operations	----- " -----	**170.520**	116.801	257.257	20.901	110.141	107.781
Profit / (Loss) before Taxation	----- " -----	**109.559**	111.058	174.411	(149.174)	19.436	6.014
Provision for Taxation	----- " -----	**(35.103)**	(40.990)	57.769	(39.288)	14.188	4.326
Profit / (Loss) after Taxation	----- " -----	**144.662**	152.048	116.642	(109.886)	5.248	1.688
Earning / (Loss) per share	Rupees	**30.23**	33.57	30.54	(34.71)	1.66	0.53
Breakup Value per share	----- " -----	**125.56**	91.50	61.15	34.21	65.38	58.15
Total Assets	Rs. in million	**3,183.565**	2,725.271	2,444.962	1,977.223	2,128.685	2,061.819
Current Liabilities	----- " -----	**(770.262)**	(771.642)	(559.916)	(698.670)	(748.822)	(658.670)
	----- " -----	**2,413.303**	1,953.629	1,885.046	1,278.553	1,379.863	1,403.149
REPRESENTED BY:							
Share Capital	Rs. in million	**47.848**	47.848	43.064	31.655	31.655	31.655
Reserves and Un-appropriated Profit	----- " -----	**1,855.426**	1,404.026	1,248.711	800.075	869.432	857.964
Equity	----- " -----	**1,903.274**	1,451.874	1,291.775	831.730	901.087	889.619
Long Term Loans	----- " -----	**260.713**	321.057	361.228	326.339	318.865	360.900
Deferred Liabilities	----- " -----	**249.316**	180.698	232.043	120.484	159.911	152.630
	----- " -----	**2,413.303**	1,953.629	1,885.046	1,278.553	1,379.863	1,403.149

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 2012

4. No of shareholders	Shareholdings	Total shares held
493	shareholding from 1 to 100 shares	16,247
374	shareholding from 101 to 500 shares	83,511
106	shareholding from 501 to 1000 shares	74,835
121	shareholding from 1001 to 5000	245,783
13	shareholding from 5001 to 10000	100,103
9	shareholding from 10001 to 15000	110,569
5	shareholding from 15001 to 20000	88,833
2	shareholding from 20001 to 25000	43,022
2	shareholding from 25001 to 30000	56,781
2	shareholding from 30001 to 35000	62,236
2	shareholding from 35001 to 40000	76,633
1	shareholding from 40001 to 45000	41,143
1	shareholding from 45001 to 50000	50,000
1	shareholding from 50001 to 55000	52,000
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 485001 to 490000	486,969
1	shareholding from 560001 to 565000	562,195
1	shareholding from 1555001 to 1560000	1,559,230
1140	**Total**	**4,784,794**

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	74,073	1.55
5.2. Associated Companies, undertakings and related parties.	2,462,425	51.46
5.3 NIT and ICP	171,600	3.59
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	492,305	10.29
5.5 Insurance Companies	38,422	0.80
5.6 Modarabas and Mutual Funds	NIL	NIL
5.7 Share holders holding 10%		
Bannu Woollen Mills Ltd	1,559,230	32.59
Bibojee Services (Pvt.) Ltd	562,195	11.75
National Bank of Pakistan	486,969	10.18
5.8 General Public		
a. Local	1,096,067	22.91
b. Foreign	NIL	NIL
5.9 Others (to be specified)		
Joint Stock Companies	31354	0.66
Secretary to Govt. of N.W.F.P	134,062	2.80
Deputy Administrator Abandoned Properties	3,422	0.07
Trusts	281,063	5.88
Govt. of Pakistan	1	0.00

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

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. NATIONAL INVESTMENT TRUST LTD		170,830
	M/S. INVESTMENT CORPORATION OF PAKISTAN		770
3.	DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:		
	MR.RAZA KULI KHAN KHATTAK,	Chairman	12,482
	LT.GEN. (RETD) ALI KULI KHAN KHATTAK	Chief Executive	11,114
	MR.AHMED KULI KHAN KHATTAK	Director	12,214
	MR.MUSHTAQ AHMED KHAN (FCA)	Director	13,241
	MRS.ZEB GOHAR AYUB	Director	12,808
	MRS.SHAHNAZ SAJJAD AHMED	Director	6,107
	DR. SHAHEEN KULI KHAN	Director	6,107
4.	EXECUTIVES		1,155
5.	JOINT STOCK COMPANIES		31,354
6.	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS		530,727
7.	SHAREHOLDERS HOLDING 10% OR MORE:		
	M/S BANNU WOOLLEN MILLS LTD,		1,559,230
	M/S.BIBOJEE SERVICES (PVT) LTD.		562,195
	M/S. NATIONAL BANK OF PAKISTAN		486,969
8.	GENERAL PUBLIC & OTHERS		1,513,460

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

[See clause (xlv)]

JANANA DE MALUCHO TEXTILE MILLS LIMITED

Year ending 30 June, 2012

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

The company has applied the principles contained in the CCG in the following manner:

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

Category	Names
Executive Directors	Lt. Gen. (Retd.) Ali Kuli Khan Khttak Dr. Shaheen Kuli Khan Khattak
Non-Executive Directors	Mr. Raza Kuli Khan Khattak Mr. Ahmed Kuli Khan Khattak Mr.Mushtaq Ahmed Khan, FCA Mrs. Zeb Gohar Ayub Mrs. Shahnaz Sajjad Ahmed

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and 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 board arranged no training program for its directors during the year as all the directors held adequate exposure to discharge their duties and responsibilities.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three members, all of which are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a Human Resource and Remuneration Committee. It comprises four members, of whom three are non-executive directors including the chairman of the committee.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with, except for which are not yet applicable during the current financial year, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of JANANA DE MALUCHO TEXTILE MILLS LIMITED (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2012.

LAHORE; 22 September, 2012

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

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, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2012 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; 22 September, 2012

BALANCE SHEET AS AT 30 JUNE, 2012

	Note	2012	2011
		Rupees in thousand	
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital	7	200,000	200,000
Issued, subscribed and paid-up capital	8	47,848	47,848
Reserves	9	217,673	217,673
Unappropriated profit		335,281	172,310
		600,802	437,831
Term Finance Certificates	10	49,821	63,725
Surplus on Revaluation of Property, Plant and Equipment	11	1,302,472	1,014,043
Non-current Liabilities			
Demand finances	12	210,892	257,332
Staff retirement benefits - gratuity	13	48,693	34,403
Deferred taxation	14	200,623	146,295
		460,208	438,030
Current Liabilities			
Trade and other payables	15	223,931	184,238
Accrued mark-up / interest	16	25,142	30,477
Short term finances	17	461,246	463,811
Current portion of long term liabilities	18	58,728	63,126
Taxation	19	0	28,772
Preference shares redemption account	20	1,215	1,218
		770,262	771,642
Contingencies and Commitments	21		
		3,183,565	2,725,271

	Note	2012	2011
		Rupees in thousand	
Assets			
Non-current Assets			
Property, plant and equipment	22	2,246,422	1,936,389
Investments in Associated Companies	23	108,784	85,196
Loans to employees	24	1,065	1,176
Security deposits		1,029	1,029
		2,357,300	2,023,790
Current Assets			
Stores, spares and loose tools	25	40,551	34,404
Stock-in-trade	26	671,596	508,371
Trade debts - unsecured considered good		7,527	49,957
Advances to employees		1,820	1,451
Advance payments	27	16,595	9,826
Trade deposits and prepayments	28	1,215	490
Mark-up subsidy receivable	29	0	30,895
Due from Associated Companies	30	7,615	0
Other receivables		3,421	1,201
Sales tax refundable		29,000	14,368
Income tax refundable, advance tax and tax deducted at source		43,791	29,325
Cash and bank balances	31	3,134	21,193
		826,265	701,481
		3,183,565	2,725,271

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

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

Mushtaq Ahmad Khan, FCA
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2012

	Note	2012	2011
		Rupees in thousand	
Sales	32	**2,314,948**	2,134,841
Cost of Sales	33	**2,071,385**	1,944,643
Gross Profit		**243,563**	190,198
Distribution Cost	34	**9,750**	15,000
Administrative Expenses	35	**62,724**	52,643
Other Operating Expenses	36	**10,466**	9,418
Other Operating Income	37	**(9,897)**	(3,664)
		73,043	73,397
Profit from Operations		**170,520**	116,801
Finance Cost	38	**85,679**	36,615
		84,841	80,186
Share of Profit of Associated Companies	23	**24,718**	30,872
Profit before Taxation		**109,559**	111,058
Taxation			
- Current	19	**293**	21,487
- Prior years	19	**(28,553)**	5,702
- Deferred	14	**(6,843)**	(68,179)
		(35,103)	(40,990)
Profit after Taxation		**144,662**	152,048
Other Comprehensive Income		**0**	0
Total Comprehensive Income		**144,662**	152,048
		------- Rupees -------	
Earnings per Share	39	**30.23**	33.57

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

Ali Kuli Khan

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

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2012

	2012	2011
	Rupees in thousand	
Cash flow from operating activities		
Profit for the year - before taxation and share of profit of Associated Companies	**84,841**	80,186
Adjustments for non-cash charges and other items:		
Depreciation	**62,331**	59,950
Loss on disposal of operating fixed assets - net	**782**	108
Receivable balances written-off	**63**	0
Unclaimed dividends written-back	**(6,394)**	0
Unclaimed payable balances written-back	**(4)**	(379)
Loss arisen upon extinguishment of demand finances against issuance of ordinary shares	**0**	2,871
Amortisation of restructuring cost on demand finances	**(457)**	0
Staff retirement benefits - gratuity (net)	**14,290**	16,834
Finance cost	**84,610**	32,886
Profit before working capital changes	**240,062**	192,456
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**(6,147)**	(9,355)
Stock-in-trade	**(163,225)**	(143,610)
Trade debts	**42,430**	(37,875)
Loans and advances to employees	**(321)**	(118)
Advance payments	**(6,769)**	5,846
Trade deposits and prepayments	**(725)**	(164)
Mark-up subsidy receivable	**30,895**	54,202
Due from Associated Companies	**(7,615)**	9,439
Other receivables	**(2,220)**	(1,201)
Sales tax refundable	**(14,632)**	(4,949)
Increase in trade and other payables	**46,091**	82,080
	(82,238)	(45,705)
Cash generated from operations	**157,824**	146,751
Taxes paid	**(14,978)**	(17,822)
Net cash generated from operating activities	**142,846**	128,929
Cash flow from investing activities		
Fixed capital expenditure	**(11,481)**	(69,377)
Sale proceeds of operating fixed assets	**4,448**	2,323
Dividend received from an Associated Company	**2,926**	1,171
Net cash used in investing activities	**(4,107)**	(65,883)
Cash flow from financing activities		
Term finance certificates redeemed	**(13,904)**	0
Demand finances	**(50,381)**	(16,713)
Short term finances - net	**(2,565)**	74,839
Preference shares redeemed	**(3)**	(17)
Finance cost paid	**(89,945)**	(105,812)
Net cash used in financing activities	**(156,798)**	(47,703)
Net (decrease) / increase in cash and cash equivalents	**(18,059)**	15,343
Cash and cash equivalents - at beginning of the year	**21,193**	5,850
Cash and cash equivalents - at end of the year	**3,134**	21,193

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

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

Mushtaq Ahmad Khan, FCA
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2012

	Share capital	Reserves					Unappr-opriated profit	Total
		Capital			Revenue	Sub-total		
		Capital redemp-tion	Tax holiday	Share premium	General			
	---------- Rupees in thousand ----------							
Balance as at 30 June, 2010	43,064	6,694	350	11,409	121,171	139,624	80,649	263,337
Transfer to general reserve	0	0	0	0	78,049	78,049	(78,049)	0
Transactions with owners								
Nominal value of ordinary shares issued upon extinguishment of long term liabilities	4,784	0	0	0	0	0	0	4,784
Total comprehensive income for the year	0	0	0	0	0	0	152,048	152,048
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):								
- on account of incremental depreciation for the year	0	0	0	0	0	0	13,128	13,128
- upon sale of revalued plant & machinery	0	0	0	0	0	0	1,267	1,267
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	0	3,267	3,267
Balance as at 30 June, 2011	47,848	6,694	350	11,409	199,220	217,673	172,310	437,831
Total comprehensive income for the year	0	0	0	0	0	0	144,662	144,662
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):								
- on account of incremental depreciation for the year	0	0	0	0	0	0	14,319	14,319
- upon sale of revalued plant & machinery	0	0	0	0	0	0	2,194	2,194
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	0	1,796	1,796
Balance as at 30 June, 2012	47,848	6,694	350	11,409	199,220	217,673	335,281	600,802

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

Ali Kuli Khan

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

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2012

1. CORPORATE INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Accounting convention

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

3.2 Functional and presentation currency

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

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

4.1 Amended standards that are effective in the current year and are relevant to the Company

The following amendments to the approved accounting standards are mandatory for the periods beginning on or after 01 July, 2011 and are relevant to the Company:

(a) IFRS 7 (Amendment), ‘Financial Instruments: Disclosures’. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. The amendment has only resulted in additional disclosures with respect to financial instruments, which have been duly incorporated in these financial statements.

(b) IAS 1 (Amendment), ‘Presentation of Financial Statements’. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Accordingly, the Company has presented analysis of other comprehensive income for each component of equity in the statement of changes in equity.

(c) IAS 24 (Revised), 'Related Party Disclosures', issued in November, 2009 supersedes IAS 24 'Related Party Disclosures' issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The application of the revised standard has no material impact on the Company's financial statements.

(d) IAS 34 (Amendment), 'Interim Financial Reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment pertains to interim reporting and was duly incorporated in the Company's condensed interim financial information for the period of six months ended 31 December, 2011.

4.2 New accounting standards, amendments to approved accounting standards and interpretations that are effective in current financial year but are not relevant to the Company

There are other new standards, amendments to approved accounting standards and interpretations that are mandatory for the periods beginning on or after 01 July, 2011; however, these are currently not considered to be relevant to the Company or do not have any impact on the Company's financial statements and therefore have not been detailed in these financial statements.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July, 2012 and have not been early adopted by the Company:

(a) IFRS 7 (Amendments), 'Financial Instruments: Disclosures' (effective for the periods beginning on or after 01 January, 2013). The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is only expected to result in additional disclosures and will not impact the Company's financial results.

(b) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after 01 January, 2015). This is the first standard issued as part of a wider project to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (i) amortised cost and (ii) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(c) IFRS 13, 'Fair Value Measurement' (effective for the periods beginning on or after 01 January, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It is unlikely that this standard will have a significant affect on the Company's financial statements.

(d) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after 01 July, 2012).The main change resulting from these amendments is a requirement for the entities to group items presented in other comprehensive income (OCI) on the basis of whether they can be potentially reclassified to profit or loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of OCI, the amendments are not expected to have an affect on the Company's financial statements.

(e) IAS 19 (Amendments), 'Employee Benefits' (effective for the periods beginning on or after 01 January, 2013). The amendments (i) eliminate the 'corridor method' for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately, (ii) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (iii) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The Company is yet to assess the full impact of these amendments.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are not yet effective; however, they are currently not considered to be relevant to the Company and therefore have not been detailed in these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Borrowings

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

5.2 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on 30 June, 2011 on the basis of the projected unit credit method by an independent Actuary.

5.3 Trade and other payables

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

5.4 Taxation

(a) Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

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

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

5.5 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.

5.6 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.

Property, plant and equipment, as detailed in note 22.3, have been revalued during the current year. Surplus arisen on revaluation of these assets has been credited to surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to equity.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 22.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

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

5.7 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.

5.8 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 upto the balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

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

5.10 Trade debts and other receivables

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

5.11 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.

5.12 Impairment loss

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

5.13 Provisions

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

5.14 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

5.15 Financial instruments

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

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

5.16 Off-setting of financial assets and liabilities

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

5.17 Revenue recognition

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

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

5.18 Borrowing costs

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

5.19 Segment reporting

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

6. ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 13.

b) Taxation

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

c) **Property, plant and equipment**

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

d) **Stores & spares and stock-in-trade**

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

e) **Provision for impairment of trade debts**

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

7. AUTHORISED SHARE CAPITAL

2012	2011		**2012**	2011
(Number of shares)			**Rupees in thousand**	
18,000,000	18,000,000	Ordinary shares of Rs.10 each	**180,000**	180,000
700,000	700,000	7.5% redeemable cumulative preference shares of Rs.10 each	**7,000**	7,000
1,300,000	1,300,000	10% redeemable cumulative preference shares of Rs.10 each	**13,000**	13,000
20,000,000	20,000,000		**200,000**	200,000

8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

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

	2012	2011
	Number of shares	
Bibojee Services (Pvt.) Ltd.	**562,195**	562,195
Bannu Woollen Mills Ltd.	**1,559,230**	1,559,230
Babri Cotton Mills Ltd.	**341,000**	341,000
	2,462,425	2,462,425

9. RESERVES

	Note	2012	2011
		Rupees in thousand	
Capital:			
- capital redemption reserve		**6,694**	6,694
- tax holiday reserve		**350**	350
- share premium reserve	**9.1**	**11,409**	11,409
		18,453	18,453
Revenue - general reserve		**199,220**	199,220
		217,673	217,673

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

10. TERM FINANCE CERTIFICATES - Secured

	Note	2012	2011
Balance as at 30 June,	**12.2 (h)**	**62,566**	76,470
Less: current portion grouped under current liabilities		**12,745**	12,745
		49,821	63,725

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

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

11.2 The Company, as at 29 February, 2012, has again revalued its freehold land, buildings on freehold land, plant & machinery and generators. The revaluation exercise has been carried-out by independent Valuers - M/s Yunus Mirza & Co., Architects, Engineers and approved Surveyors, I.I. Chundrigar Road, Karachi. Freehold land has been revalued on the basis of current market value whereas buildings on freehold land, plant & machinery and generators have been revalued on the basis of depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.366.113 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	2012	2011
		Rupees in thousand	
Opening balance		**1,148,132**	1,170,279
Add: surplus arisen on revaluation carried-out during the year	**22.3**	**366,113**	0
Less: transferred to unappropriated profit:			
- on account of incremental depreciation for the year		**(22,029)**	(20,197)
- upon sale of revalued plant & machinery		**(3,375)**	(1,950)
		1,488,841	1,148,132
Less: deferred tax on:			
- opening balance of surplus		**134,089**	141,841
- surplus on revaluation carried-out during the year		**61,171**	0
- incremental depreciation for the year		**(7,710)**	(7,069)
- sale of revalued plant & machinery		**(1,181)**	(683)
		186,369	134,089
Closing balance		**1,302,472**	1,014,043

12. DEMAND FINANCES - Secured

	Note	2012	2011
		Rupees in thousand	
Demand Finance I (DF I)	**12.1 & 12.2**	**170,230**	199,077
Demand Finance III (DF III)	**12.1 & 12.2**	**5,744**	6,940
Demand Finance IV (DF IV)	**12.1 & 12.2**	**21,456**	26,956
Demand Finance V (DF V)	**12.1 & 12.2**	**57,031**	68,668
Rescheduled Demand Finance I (RDF I)	**12.4**	**0**	3,201
		254,461	304,842
Add: restructuring cost arisen upon extinguishment of demand finances against issuance of ordinary shares		**2,414**	2,871
		256,875	307,713
Less: current portion grouped under current liabilities		**45,983**	50,381
		210,892	257,332

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

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

(b) The Company was liable to repay the following amounts to NBP in respect of various finance facilities :

	Amount payable Rupees in thousand
DF I	**201,930**
DF III	**7,177**
DF IV	**27,500**
DF V	**69,818**
Overdue mark-up on finance facilities	**83,970**
	390,395

(c) The aggregate outstanding amount was Rs.390.395 million plus an amount of Rs.7.500 million being the up-front payment that the Company had already paid to NBP.

(d) Demand Finance I

(i) NBP had allowed the Company to convert the principal portion of DF I amounting Rs.2.853 million into 285,298 ordinary shares of Rs.10 each at the conversion rate of Rs.10 per share under section 87 of the Companies Ordinance, 1984. The Company had issued these shares during the preceding financial year.

(ii) NBP had allowed the Company to repay the remaining portion of overdue principal amount of Rs.69.267 million along with the mark-up to be due thereon from time to time under the Khyber Pakhtunkhwa Relief Package issued by State Bank of Pakistan through its circular / notification Ref. # SMEFD Circular No.11 dated 01 July, 2010 (the KPK Package) in 10 equal half-yearly instalments with a grace period of three years.

(iii) After the expiry of KPK Package on 31 December, 2011, the Company is liable to repay the remaining overdue principal amount through the proceeds of issuance of unlisted non-voting cumulative convertible / redeemable preference shares of Rs.10 each. NBP will have the option to redeem and convert these preference shares into ordinary shares at the rate of Rs.10 per share. Procedures to obtain necessary approvals regarding issuance of these shares will be initiated by the management in the upcoming annual general meeting of the Company's shareholders.

(iv) NBP had allowed the Company to repay the portion of principal amount of Rs.129.810 million under the KPK Package as a demand finance facility in 9 equal half-yearly instalments of Rs.14.424 million commenced from July, 2011. After the expiry of KPK Package on 31 December, 2011, the Company is liable to repay the remaining portion as a demand finance facility along with mark-up to be due thereon from time to time.

(e) Demand Finance III

(i) NBP had allowed the Company to convert the principal portion of DF III amounting Rs.237 thousand into 23,680 ordinary shares of Rs.10 each at the conversion rate of Rs.10 per share under section 87 of the Companies Ordinance, 1984. The Company had issued these shares during the preceding financial year. The Company, during September, 2011, had paid Rs.1.196 million against this finance facility.

(ii) NBP had allowed the Company to repay the remaining portion of overdue principal amount of Rs.5.744 million along with the mark-up to be due thereon from time to time under the KPK Package in 10 equal half-yearly instalments with a grace period of three years.

(iii) Refer contents of note 12.2 (d) (iii).

(f) Demand Finance IV

(i) NBP had allowed the Company to convert the principal portion of DF IV amounting Rs.544 thousand into 54,400 ordinary shares of Rs.10 each at the conversion rate of Rs.10 per share under section 87 of the Companies Ordinance, 1984. The Company had issued these shares during the preceding financial year.

(ii) NBP had allowed the Company to repay the remaining portion of overdue principal amount of Rs.13.206 million along with the mark-up to be due thereon from time to time under the KPK Package in 10 equal half-yearly instalments with a grace period of three years.

(iii) Refer contents of note 12.2 (d) (iii).

(iv) NBP had allowed the Company to repay the portion of principal amount of Rs.13.750 million under the KPK Package as a demand finance facility in 5 equal half-yearly instalments of Rs.2.750 million commenced from July, 2011. After the expiry of KPK Package on 31 December, 2011, the Company is liable to repay the remaining portion as a demand finance facility along with mark-up to be due thereon from time to time.

(g) Demand Finance V

(i) NBP had allowed the Company to convert the principal portion of DF V amounting Rs.1.150 million into 115,066 ordinary shares of Rs.10 each at the conversion rate of Rs.10 per share under section 87 of the Companies Ordinance, 1984. The Company had issued these shares during the preceding financial year.

(ii) NBP had allowed the Company to repay the remaining portion of overdue principal amount of Rs.27.939 million along with the mark-up to be due thereon from time to time under the KPK Package in 10 equal half-yearly instalments with a grace period of three years.

(iii) Refer contents of note 12.2 (d) (iii).

(iv) NBP had allowed the Company to repay the portion of principal amount of Rs.40.728 million, under the KPK Package as a demand finance facility in 7 equal half-yearly instalments of Rs.5.818 million commenced from July, 2011. After the expiry of KPK Package on 31 December, 2011, the Company is liable to repay the remaining portion as a demand finance facility along with mark-up to be due thereon from time to time.

(h) Mark-up portion of finance facilities

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

Total issue size	Rs.76.470 million
Instrument	Unrated, unlisted and secured TFCs issued as redeemable capital under section 120 of the Companies Ordinance, 1984.

Purpose of issuance of TFCs	To pay overdue mark-up of NBP (TFC holder) against demand finance facilities availed by the Company during the period from December, 2008 to December, 2010.
Tenor	6 years from the issue date i.e. 12 January, 2011.
Security	First charge on entire fixed assets of the Company for Rs.1.160 billion.
Profit rate	Nil
Profit payment	None
Principal repayment	6 years with the condition that at least 10% of the original TFCs amount is redeemed each year. The redemption is linked to gross profit and cash flows of the Company. As per the indicative redemption schedule, the total principal amount of TFCs of Rs.76.470 million will be redeemed in 6 annual equal instalments of Rs.12.745 million commenced from January, 2012.
Redemption reserve	No redemption reserve has been created for redemption of TFCs. In view of projected financial cash flows, the Company is expected to have adequate funds to meet its financial obligations.
Enhanced redemption of TFCs	If the Company generates excess cash flows due to any reason other than the increase due to gross profit margin, the Company will be allowed to make excess payments without any prepayment charges. In case the increased cash flows are due to increase in gross profit, the Company will repay its obligation first towards TFCs and then preference shares as follows : - no extra payment will be required if the gross profit margin remains between 8% to 11%.

	- with the increase in gross profit margin beyond 11%, additional cash flows would be utilised for enhanced redemption of TFCs beyond the minimum 10% allowed repayment each year.
Transfer of TFCs	The TFCs are transferable in the manner as provided in the Companies Ordinance, 1984.

(i) Mark-up rate

The Company and NBP had agreed that during the validity of KPK Package, the Company would pay mark-up on demand finance facilities at the KPK rate i.e. 7.5% per annum. After the expiry / termination of KPK Package, the Company will pay mark-up on demand finance facilities at the base rate (6-months KIBOR) plus 1.85% per annum. Mark-up is payable with effect from 01 January, 2011 on quarterly basis; payment has commenced from March, 2011.

After the expiry of KPK Package on 31 December, 2011, the Company is paying mark-up on demand finance facilities at the rate specified in the aforementioned paragraph. Mark-up rate during the period from 01 January, 2012 to 30 June, 2012 was 13.87% per annum.

(j) Mechanism for alteration in the existing repayment schedule

If the Company generates excess cash flows due to any reason other than the operations i.e. sale of fixed assets, sale of investments and issuance of securities / equity injection etc., the Company will be allowed to make excess payments above the regular payments without any prepayment charges. The application of this clause will be as follows:

If gross profit as per annual audited financial statements of the Company remains between 8% and 11% of net sales	The repayment of principal amount of instalments will be as per existing repayment schedule.
If gross profit is above 11% of net sales as per annual audited financial statements of the Company	Following percentage of the principal portion of one instalment amount payable during a particular year will be added to the existing instalment amount:
If gross profit increases:	
- from 11% to 12% per annum	25% (say if principal portion is Rs.100, the Company will pay Rs.125)
- from 11% to 13% per annum	50% (say if principal portion is Rs.100, the Company will pay Rs.150)
- from 11% to 14% per annum	75% (say if principal portion is Rs.100, the Company will pay Rs.175)
- from 11% to 15% per annum and above	100% (say if principal portion is Rs.100, the Company will pay Rs.200)

Any enhanced payment will decrease the last instalment's principal.

12.3 Securities

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

12.4 Rescheduled Demand Finances

NBP, during 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 was converted into RDF I. The balance of RDF I was fully repaid during the year and it carried mark-up at the rate of 7% (2011: 7%) per annum. It was secured against the securities as detailed in note 12.3.

13. 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:

	2012	2011
- discount rate	**14%**	14%
- expected rate of growth per annum in future salaries	**13%**	13%
- average expected remaining working life time of employees	**9 years**	9 years

The amount recognised in the balance sheet is as follows:	**2012**	2011
	Rupees in thousand	
Present value of defined benefit obligation	**76,102**	64,433
Unrecognised actuarial loss	**(27,409)**	(30,030)
Net liability at end of the year	**48,693**	34,403
Net liability at beginning of the year	**34,403**	17,569
Charge to profit and loss account	**24,285**	24,981
Payments made during the year	**(9,995)**	(8,147)
Net liability at end of the year	**48,693**	34,403
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**64,433**	38,465
Current service cost	**12,644**	12,591
Interest cost	**9,020**	4,616
Past service cost - vested benefits	**0**	5,880
Benefits paid	**(9,995)**	(8,147)
Actuarial loss	**0**	11,028
Closing balance	**76,102**	64,433
Expense recognised in profit and loss account		
Current service cost	**12,644**	12,591
Interest cost	**9,020**	4,616
Past service cost	**0**	5,880
Actuarial loss recognised	**2,621**	1,894
Charge for the year	**24,285**	24,981

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

	2012	2011	2010	2009	2008
	------------------	**Rupees in thousand**	------------------		
Present value of defined benefit obligation	**76,102**	64,433	38,465	31,099	23,720
Experience adjustment on obligation	**0**	11,028	1,779	8,618	686

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

14. DEFERRED TAXATION - Net

	Note	**2012**	2011
		Rupees in thousand	
This is composed of the following:			
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		**187,613**	180,563
- surplus on revaluation of property, plant and equipment		**186,369**	134,089
		373,982	314,652
Deductible temporary differences arising in respect of:			
- staff retirement benefits - gratuity		**(17,043)**	(12,041)
- unused tax losses		**(156,316)**	(156,316)
		(173,359)	(168,357)
		200,623	146,295

15. TRADE AND OTHER PAYABLES

	Note	2012	2011
Creditors		**21,586**	18,172
Bills payable against imported:			
- plant and machinery		**1,274**	1,065
- raw materials		**81,743**	70,046
Advance payments	**15.1**	**184**	184
Accrued expenses	**15.2**	**98,534**	71,715
Tax deducted at source		**580**	580
Due to Waqf-e-Kuli Khan	**15.3**	**8,301**	6,345
Security deposits repayable on demand - interest free		**112**	112
Workers' (profit) participation fund	**15.4**	**4,722**	4,473
Workers' welfare fund		**6,809**	5,015
Dividends	**37.1**	**0**	6,394
Others		**86**	137
		223,931	184,238

15.1 These advances have been received against sale of land.

15.2 These include Rs.1.386 million (2011: Rs.4.010 million) payable to Associated Companies.

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

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

15.4 Workers' (profit) participation fund (the Fund)*

	Note	2012	2011
		Rupees in thousand	
Opening balance		**4,473**	8,930
Add: interest on funds utilised in the Company's business		**442**	715
		4,915	9,645
Less:			
- paid to workers		**4,847**	9,645
- deposited with the Government Treasury		**68**	0
		4,915	9,645
		0	0
Add: allocation for the year		**4,722**	4,473
Closing balance		**4,722**	4,473

* The Fund's audit for the year ended 30 June, 2011 was carried-out by M/s Inaam Ul Haq & Co., Chartered Accountants, 33-A, Behind Queens Centre, Lahore.

16. ACCRUED MARK-UP / INTEREST

Mark-up / interest accrued on:

	Note	2012	2011
- demand finances		**8,775**	10,284
- short term finances		**15,472**	20,096
- advances from Associated Companies		**895**	97
		25,142	30,477

17. SHORT TERM FINANCES

	Note	2012	2011
Secured	**17.1**	**460,741**	463,811
Un-secured	**17.2**	**505**	0
		461,246	463,811

17.1 Short term finance facilities available from National Bank of Pakistan (NBP) and The Bank of Khyber under mark-up arrangements aggregate Rs.930 million (2011: Rs.830 million) and are secured against pledge of raw materials & finished goods, first charge on current & fixed assets of the Company and personal guarantees of some of the directors of the Company. These facilities, during the year, carried mark-up at the rates ranging from 7.5% to 14.92% (2011: 7.50%) per annum.

Facilities available for opening letters of credit and guarantee from NBP aggregate Rs.235 million (2011: Rs.235 million) out of which facilities amounting Rs.5 million (2011: Rs.104.984 million) remained unutilised at the year-end. These facilities are secured against lien on import documents and the securities as detailed in the preceding paragraph.

These facilities are available upto 31 December, 2012.

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

	Note	**2012**	2011
18. CURRENT PORTION OF LONG TERM LIABILITIES		**Rupees in thousand**	
Term finance certificates	**10**	**12,745**	12,745
Demand finances	**12**	**45,983**	50,381
		58,728	63,126

	Note	**2012**	2011
19. TAXATION - Net			
Opening balance		**28,772**	7,285
Add: provision made / (written-back) during the year:			
current	**19.2**	**293**	21,487
prior year - minimum tax	**19.3**	**(28,655)**	0
- others		**102**	5,702
		(28,260)	27,189
		512	34,474
Less: adjustments against completed assessments		**512**	5,702
		0	28,772

19.1 Income tax assessments of the Company, except as detailed in notes 19.4 to 19.8, have been finalised by the Income Tax Department (the Department) or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto the year ended 30 June, 2011.

19.2 Provision for the current year represents tax on dividends under section 5 of the Ordinance.

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

19.4 The Department has charged tax under section 122(5A) of the Ordinance amounting Rs.7.123 million for the Tax Year 2004 against which the Company and the Department have filed appeals with the Appellate Tribunal Inland Revenue (ATIR), which are pending adjudication.

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

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

19.7 The Department has charged tax under section 221 of the Ordinance amounting Rs.2.772 million for the Tax Year 2007 against which an appeal has been filed with the Commissioner Inland Revenue (Appeals) [CIR(A)], who has remanded-back the matter to the concerned officer.

19.8 The Department has charged workers' welfare fund demand under section 4 of the Workers' Welfare Fund Ordinance, 1971 amounting Rs.3.488 million for the Tax Year 2010 against which an appeal has been filed before the CIR(A), which is pending adjudication.

20. PREFERENCE SHARES REDEMPTION ACCOUNT

	Note	2012	2011
Amounts payable on:		Rupees in thousand	
- 7.5% redeemable cumulative preference shares	**20.1**	**134**	134
- 10% redeemable cumulative preference shares	**20.2**	**1,081**	1,084
		1,215	1,218

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 13,435 shares was outstanding as at 30 June, 2012.

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, 2011, has redeemed 314,103 shares whereas 274 (2011: 1,037) 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, 2012 was for Rs.30 million (2011: Rs.25 million).

	Note	2012	2011
		Rupees in thousand	
21.5 Commitments against irrevocable letters of credit outstanding at the year-end were for:			
- stores and spares		**0**	6,559
- raw materials		**124,708**	27,346
		124,708	33,905

21.6 Refer contents of notes 19.3 to 19.8.

22. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
Operating fixed assets - tangible	**22.1**	**2,246,422**	1,877,956
Capital work-in-progress			
Plant & machinery - cost and expenses		**0**	58,433
		2,246,422	1,936,389

22.1 Operating fixed assets - owned

	Freehold land	Roads, paths and culverts	Buildings on freehold land				Plant & machinery	Generators	Workshop equipment	Furniture and fixtures	Office & other equipment	Vehicles	Arms	Total
			Factory	Non-factory	Residential									
					Officers	Workers								
	Rupees in thousand													
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	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	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	1,929,393
Year ended 30 June, 2011:														
Additions	0	397	0	0	0	0	3,558	0	0	918	75	5,996	0	10,944
Disposals:														
Cost	0	0	0	0	0	0	(3,493)	0	0	0	0	(2,328)	0	(5,821)
Depreciation	0	0	0	0	0	0	1,536	0	0	0	0	1,854	0	3,390
Depreciation for the year	0	0	8,905	329	615	436	41,484	5,729	76	261	66	2,037	12	59,950
Book value	765,360	1,227	169,202	6,245	11,677	8,291	789,052	108,847	1,453	5,524	1,280	9,579	219	1,877,956
Year ended 30 June, 2012:														
Additions	0	20	462	0	0	0	62,867	0	0	840	391	5,334	0	69,914
Revaluation adjustments:														
Cost / revaluation	191,340	0	5,029	0	0	229	0	(3,663)	0	0	0	0	0	192,935
Depreciation	0	0	16,770	620	1,159	823	153,806	0	0	0	0	0	0	173,178
Disposals:														
Cost	0	0	0	0	0	0	(11,447)	0	0	0	0	(1,532)	0	(12,979)
Depreciation	0	0	0	0	0	0	7,476	0	0	0	0	273	0	7,749
Depreciation for the year	0	0	8,750	319	597	427	44,279	5,321	73	294	72	2,187	12	62,331
Book value	956,700	1,247	182,713	6,546	12,239	8,916	957,475	99,863	1,380	6,070	1,599	11,467	207	2,246,422
As at 30 June, 2011														
Cost / revaluation	765,360	1,227	180,325	6,679	12,447	8,838	1,073,536	135,595	3,358	9,844	2,506	22,924	272	2,222,911
Accumulated depreciation	0	0	11,123	434	770	547	284,484	26,748	1,905	4,320	1,226	13,345	53	344,955
Book value	765,360	1,227	169,202	6,245	11,677	8,291	789,052	108,847	1,453	5,524	1,280	9,579	219	1,877,956
As at 30 June, 2012														
Cost / revaluation	956,700	1,247	185,816	6,679	12,447	9,067	1,124,956	131,932	3,358	10,684	2,897	26,726	272	2,472,781
Accumulated depreciation	0	0	3,103	133	208	151	167,481	32,069	1,978	4,614	1,298	15,259	65	226,359
Book value	956,700	1,247	182,713	6,546	12,239	8,916	957,475	99,863	1,380	6,070	1,599	11,467	207	2,246,422
Depreciation rate (%)	0	0	5	5	5	5	5	5	5	5	5	20	5	

22.2 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.

22.3 Revaluation surplus / (deficit) on each class of assets, as a result of latest revaluation as detailed in note 11.2, 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 29 February, 2012	765,360	180,785	6,680	12,447	8,838	1,123,728	135,594	2,233,432
Accumulated depreciation to 29 February, 2012	0	16,770	640	1,159	823	304,029	30,377	353,798
Book value before revaluation adjustments as at 29 February, 2012	765,360	164,015	6,040	11,288	8,015	819,699	105,217	1,879,634
Revalued amounts	956,700	185,814	6,660	12,447	9,067	973,505	101,554	2,245,747
Revaluation surplus / (deficit)	**191,340**	**21,799**	**620**	**1,159**	**1,052**	**153,806**	**(3,663)**	**366,113**

22.4 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:

	2012	2011
	Rupees in thousand	
Freehold land	**340**	340
Buildings on freehold land:		
Factory	**42,970**	44,669
Non-factory	**1,076**	1,129
Residential:		
- officers	**188**	192
- workers	**3,345**	3,516
Plant & machinery	**600,379**	568,918
Generators	**87,310**	91,778
	735,608	710,542

22.5 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.6 thousand approximately as at 30 June, 2012 (2011: Rs.45 thousand).

22.6 Depreciation for the year has been apportioned as under:

Cost of sales	**58,850**	56,631
Administrative expenses	**3,481**	3,319
	62,331	59,950

22.7 Disposal of operating fixed assets:

Particulars	Cost / reval-uation	Accum-ulated depre-ciation	Book value	Sale proceeds/ insurance claim	(Loss) / gain	Sold through negotiations to / insurance claim received from:
	---------- Rupees in thousand ----------					
Plant & machinery						
18 card machines (Ishikawa)	8,287	5,242	3,045	2,716	(329)	Malik Abdul Hafeez, Gadown # 181, Darul Ahsaan Town, Samundri Road, Faisalabad.
1 set of drawing machine (Toyoda)	3,160	2,234	926	332	(594)	- do -
	11,447	7,476	3,971	3,048	(923)	
Vehicle						
Nissan Sunny	1,532	273	1,259	1,400	141	The Universal Insurance Co. Ltd. (an Associated Company).
	12,979	7,749	5,230	4,448	(782)	

23. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted

	2012	2011
	Rupees in thousand	
Babri Cotton Mills Ltd. (BCM)		
587,493 (2011: 587,493) ordinary shares of Rs.10 each - **cost**	**10,973**	10,973
Equity held: 16.09% (2011: 16.09%)		
Post acquisition profit brought forward including effect of items directly credited in equity by BCM	**32,751**	11,969
Profit for the year - net of taxation	**14,162**	19,717
	57,886	42,659
Bannu Woollen Mills Ltd. (BWM)		
585,301 (2011: 585,301) ordinary shares of Rs.10 each - **cost**	**7,697**	7,697
Equity held: 7.70% (2011: 7.70%)		
Post acquisition profit brought forward including effect of items directly credited in equity by BWM	**35,571**	24,856
Dividend received during the year	**(2,926)**	(1,171)
Profit for the year - net of taxation	**10,556**	11,155
	50,898	42,537
	108,784	85,196

23.1 Market value of the Company's investment in BCM and BWM as at 30 June, 2012 was Rs.7.643 million (2011: Rs.9.400 million) and Rs.13.169 million (2011: Rs.9.049 million) respectively.

23.2 Summarised financial information of BCM, based on the audited financial statements for the year ended 30 June, 2012, is as follows:

	Note	2012	2011
		Rupees in thousand	
- equity as at 30 June,		**359,851**	265,191
- total assets as at 30 June,		**1,780,545**	1,502,375
- total liabilities as at 30 June,		**790,150**	797,621
- revenue for the year ended 30 June,		**1,663,021**	1,705,170
- profit before taxation for the year ended 30 June,		**61,963**	131,960
- profit after taxation for the year ended 30 June,		**88,036**	122,571

23.3 Summarised financial information of BWM, based on the audited financial statements for the year ended 30 June, 2012, is as follows:

- equity as at 30 June,		**661,337**	552,700
- total assets as at 30 June,		**1,482,279**	1,410,378
- total liabilities as at 30 June,		**244,212**	288,571
- revenue for the year ended 30 June,		**663,406**	569,195
- profit before taxation for the year ended 30 June,		**135,691**	143,757
- profit after taxation for the year ended 30 June,		**137,160**	144,937

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

24. LOANS TO EMPLOYEES - Secured

Loans to:			
- executives	**24.1**	**820**	870
- employees	**24.3**	**1,450**	1,237
		2,270	2,107
Less: current portion grouped under current assets		**1,205**	931
		1,065	1,176

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

Opening balance	**870**	940
Loans advanced during the year	**395**	50
Less: deductions made during the year	**(445)**	(120)
Closing balance	**820**	870

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.70 thousand is receivable in 07 equal monthly instalments whereas the balance of Rs.750 thousand is adjustable against final settlement of an executive.

24.2 The maximum aggregate amount of loans due from executives at any month-end during the year was Rs.1,440 thousand (2011: Rs.748 thousand).

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

24.4 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.

25. STORES, SPARES AND LOOSE TOOLS

	2012	2011
	Rupees in thousand	
Stores		
- at mills	**18,757**	17,148
- in transit	**1,284**	2,950
Spares	**20,037**	14,147
Loose tools	**473**	159
	40,551	34,404

26. STOCK-IN-TRADE

Raw materials:		
- at mills (2011: balance included inventory valuing Rs.72.021 million valued at replacement cost)	**445,923**	310,988
- in transit	**125,091**	70,566
	571,014	381,554
Work-in-process	**62,397**	62,191
Finished goods including inventory valuing Rs.3.656 million (2011: Rs.7.370 million) valued at fair value	**38,185**	64,626
	671,596	508,371

26.1 Raw materials and finished goods inventories are pledged with National Bank of Pakistan and The Bank of Khyber as security for short term finance facilities (note 17).

27. ADVANCE PAYMENTS - Unsecured

Considered good		
Raw material suppliers	**32**	31
Store suppliers	**14,489**	7,447
Others	**2,074**	2,348
	16,595	9,826

28. TRADE DEPOSITS AND PREPAYMENTS

Letters of credit	**677**	52
Prepayments	**538**	438
	1,215	490

29. MARK-UP SUBSIDY RECEIVABLE

The Federal Government, during the preceding year, had 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, was eligible 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 for the current financial year aggregating Rs.22.241 million have been processed by the banks and credits there against given to the Company during the year. The subsidy received has been accounted for by adjusting the relevant expenses (note 38). The relief package was available upto 31 December, 2011.

30. DUE FROM ASSOCIATED COMPANIES
(on account of normal trading transactions)

	Note	2012	2011
		Rupees in thousand	
Babri Cotton Mills Ltd.		**250**	0
The Universal Insurance Company Ltd.		**7,365**	0
		7,615	0

31. CASH AND BANK BALANCES

	Note	2012	2011
Cash-in-hand		**41**	117
Cash at banks on:			
- current accounts	**31.1**	**2,943**	20,932
- PLS security deposit account	**31.2**	**139**	133
- PLS account	**31.2**	**11**	11
		3,093	21,076
		3,134	21,193

31.1 These include foreign currency balance of U.S. $5,210 (2011: U.S. $189,881), which has been converted into Pak Rupees at the exchange rate ruling on the balance sheet date i.e. 1 U.S. $ = Rs.94.51 (2011: 1 U.S.$ = Rs.85.85).

31.2 These carry profit at the rate of 5% (2011: 5%) per annum.

32. SALES - Net

	2012	2011
Yarn	**2,236,222**	2,066,246
Waste	**73,513**	79,371
Raw materials purchased for resale	**5,420**	0
	2,315,155	2,145,617
Less: sales tax	**207**	10,776
	2,314,948	2,134,841

33. COST OF SALES

	Note	2012	2011
		Rupees in thousand	
Raw materials consumed	33.1	**1,448,215**	1,454,512
Packing materials consumed		**35,566**	28,687
Salaries, wages and benefits	33.2	**209,247**	194,430
Power and fuel		**229,286**	190,656
Stores consumed		**54,357**	42,724
Repair and maintenance - net	33.3	**4,527**	5,167
Depreciation		**58,850**	56,631
Insurance		**7,463**	7,718
Others		**484**	590
		2,047,995	1,981,115
Adjustment of work-in-process			
Opening		**62,191**	44,165
Insurance claim	33.3	**(6,400)**	0
Closing		**(62,397)**	(62,191)
		(6,606)	(18,026)
Cost of goods manufactured		**2,041,389**	1,963,089
Adjustment of finished goods			
Opening stock		**64,626**	46,180
Closing stock		**(38,185)**	(64,626)
		26,441	(18,446)
Cost of goods sold - own manufactured		**2,067,830**	1,944,643
Cost of goods sold - raw materials purchased for resale		**3,555**	0
		2,071,385	1,944,643

33.1 Raw materials consumed

	2012	2011
Opening stock	**381,554**	274,416
Purchases	**1,637,321**	1,561,405
	2,018,875	1,835,821
Less: closing stock	**571,014**	381,554
Raw materials issued	**1,447,861**	1,454,267
Cess on cotton consumed	**354**	245
	1,448,215	1,454,512

33.2 These include Rs.18,213 thousand (2011: Rs.18,735 thousand) in respect of staff retirement benefits - gratuity.

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

34. DISTRIBUTION COST

	Note	2012	2011
		Rupees in thousand	
Salaries and benefits	34.1	**4,432**	3,723
Commission		**1,512**	4,409
Freight and handling		**3,570**	6,538
Gifts and samples		**23**	72
Others		**213**	258
		9,750	15,000

34.1 These include Rs.486 thousand (2011: Rs.500 thousand) in respect of staff retirement benefits - gratuity.

35. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries and benefits	35.1	**42,697**	34,700
Printing and stationery		**1,078**	878
Travelling and conveyance - staff		**1,067**	969
Travelling - directors		**155**	755
Communication		**1,333**	1,168
Rent, rates and taxes		**2,466**	1,777
Guest house expenses and entertainment		**693**	625
Insurance		**657**	729
Vehicles' running and maintenance		**4,990**	3,998
Advertisement		**26**	161
Subscription		**604**	570
Repair and maintenance		**714**	212
Auditors' remuneration:			
- statutory audit		**500**	500
- half yearly review		**110**	100
- consultancy and certification charges		**60**	160
- out-of-pocket expenses		**35**	25
- short provision for the preceding year		**75**	45
		780	830
Legal and professional charges (other than Auditors')		**1,164**	1,188
Depreciation		**3,481**	3,319
Others		**819**	764
		62,724	52,643

35.1 These include Rs.5,586 thousand (2011: Rs.5,746 thousand) in respect of staff retirement benefits - gratuity.

36. OTHER OPERATING EXPENSES

	Note	2012	2011
		Rupees in thousand	
Donations (without directors' interest)		**30**	30
Donation to Waqf-e-Kuli Khan	15.3	**3,075**	3,107
Workers' (profit) participation fund	15.4	**4,722**	4,473
Workers' welfare fund		**1,794**	1,700
Loss on disposal of operating fixed assets - net	22.7	**782**	108
Receivable balances written-off		**63**	0
		10,466	9,418

37. OTHER OPERATING INCOME

	Note	2012	2011
Income from financial assets			
Mark-up earned on Associated Companies' balances		**0**	62
Return on bank deposits		**7**	7
Exchange fluctuation gain - net		**509**	78
Income from non-financial assets			
Sale of scrap - net of sales tax amounting Rs.383 thousand (2011: Rs.367 thousand)		**2,394**	3,006
Quarters' rent		**132**	132
Unclaimed dividends written back	37.1	**6,394**	0
Unclaimed payable balances written back:		**4**	379
Amortisation of restructuring cost on demand finances		**457**	0
		9,897	3,664

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

38. FINANCE COST - Net

	Note	2012	2011
Mark-up on demand finances		**37,651**	43,363
Less: mark-up subsidy		**8,711**	29,090
		28,940	14,273
Mark-up on short term finances		**67,572**	73,555
Less: mark-up subsidy		**13,530**	56,007
		54,042	17,548
Interest accrued on:			
- Associated Companies' balances		**1,186**	350
- workers' (profit) participation fund	15.4	**442**	715
Loss arisen upon extinguishment of demand finances against issuance of ordinary shares		**0**	2,871
Bank charges		**1,069**	858
		85,679	36,615

39. EARNINGS PER SHARE

	2012	2011
	Rupees in thousand	
There is no dilutive effect on earnings per share of the Company, which is based on:		
Profit after taxation attributable to ordinary shareholders	**144,662**	152,048
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	**4,784,794**	4,529,187
	------- Rupees -------	
Earnings per share - basic	**30.23**	33.57

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial Risk Factors

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

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

40.2 Market risk

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

(a) Currency risk

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

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

	2011		
	Rupees	U.S.$	Euros
	---------- in thousand ----------		
Bills payable	71,111	826	0
Bank balances	(16,311)	(190)	0
Gross balance sheet exposure	54,800	636	0
Outstanding letters of credit	33,905	345	34
Net exposure	88,705	981	34

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2012	2011	**2012**	2011
U.S. $ to Rupee	**90.43**	85.58	**94.20**	86.05
Euro to Rupee	**120.84**	113.73	**118.50**	124.89
CHF to Rupee	**99.91**	-	**98.62**	-

Sensitivity analysis

At 30 June, 2012, if Rupee had strengthened by 10% against U.S.$ and CHF with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial assets and liabilities.

	2012	2011
Effect on profit for the year:	**Rupees in thousand**	
U.S. $ to Rupee	**8,129**	5,473
CHF to Rupee	**128**	0

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

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

(b) Interest rate risk

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

	2012	2011	**2012**	2011
	Effective rate		**Carrying amount**	
	%	**%**	**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Bank balances	**5**	5	**150**	144
Financial liabilities				
Demand finances (export finances)	**-**	7	**0**	3,201
Variable rate instruments				
Financial liabilities				
Demand finances	**7.5 to 13.87**	7.5	**254,461**	301,641
Short term finances	**7.5 to 14.92**	7.5	**460,741**	463,811

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At 30 June, 2012, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.20 thousand (2011: Rs.21 thousand) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

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

40.3 Credit risk exposure and concentration of credit risk

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

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

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

Exposure to credit risk

The maximum exposure to credit risk as at 30 June, 2012 along with comparative is tabulated below:

	2012	2011
	Rupees in thousand	
Security deposits	**1,029**	1,029
Trade debts	**7,527**	49,957
Mark-up subsidy receivable	**0**	30,895
Due from Associated Companies	**7,615**	0
Other receivables	**3,421**	1,201
Bank balances	**3,093**	21,076
	22,685	104,158

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

The ageing of trade debts at the year-end was as follows:	**2012**	2011
	Rupees in thousand	
Not past due	**7,257**	49,380
Past due more than one year	**270**	577
	7,527	49,957

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.5.418 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

40.4 Liquidity risk

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

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

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

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	-------------------- Rupees in thousand --------------------				
2011					
Term finance certificates	76,470	76,470	12,745	63,725	0
Demand finances	304,842	487,012	101,932	333,855	51,225
Trade and other payables	173,986	173,986	173,986	0	0
Accrued mark-up / interest	30,477	30,477	30,477	0	0
Short term finances	463,811	499,223	499,223	0	0
Redeemable preference shares	1,218	1,218	1,218	0	0
	1,050,804	1,268,386	819,581	397,580	51,225

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

40.5 Fair value of financial instruments

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

At 30 June, 2012, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which are valued at their original costs less repayments.

41. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

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

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2012	2011	**2012**	2011	**2012**	2011
	----------------------------Rupees in thousand----------------------------					
Managerial remuneration	**6,943**	4,748	**4,260**	3,129	**21,866**	20,295
Bonus / ex-gratia	**0**	383	**0**	237	**2,072**	1,581
Retirement benefits	**528**	528	**355**	355	**1,744**	1,633
Leave salary	**476**	359	**325**	277	**1,459**	1,086
Insurance	**0**	0	**0**	0	**33**	15
Medical	**53**	104	**26**	82	**954**	560
Utilities	**543**	549	**103**	8	**289**	312
	8,543	6,671	**5,069**	4,088	**28,417**	25,482
Number of persons	**1**	1	**1**	1	**8**	7

42.1 Meeting fees of Rs.280 thousand (2011: Rs.400 thousand) were also paid to five (2011: five) non-working directors during the year.

42.2 Chief executive, one (2011: one) working director and six (2011: six) of the executives are provided with free use of residential telephones and the Company maintained cars. Working director and executives are also provided with free housing facility.

43. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

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

43.2 Maximum aggregate debit balance of the Associated Companies at any month-end during the year was Rs.7.615 million (2011: Rs.5.043 million).

43.3 Mark-up has been accrued at the rates ranging from 14.02% to 15.25% (2011: 7.5%) per annum on the current account balances of the Associated Companies except for the balances of The Universal Insurance Company Ltd., which have arisen on account of insurance premium payable.

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

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

Name	Nature of relationship	Nature of transaction	2012	2011
			--- Rupees in '000 ---	
Babri Cotton Mills Ltd.	Associated Company	Residential rent:		
		- paid	**5**	0
		- received	**132**	132
		Purchase of raw materials	**0**	9
		Utilities:		
		- paid	**84**	0
		- received	**567**	0
		Salaries:		
		- paid	**55**	0
		- recovered	**545**	0
Bannu Woollen Mills Ltd.	-do-	Sale of raw materials	**5,079**	0
		Dividend received	**2,926**	1,171
		Mark-up:		
		- earned	**0**	61
		- paid	**388**	0
		- expensed	**1,186**	350
Rahman Cotton Mills Ltd.	-do-	Sale of raw materials	**341**	0
		Purchase of raw materials	**64**	0
The Universal Insurance Co. Ltd.	-do-	Insurance premium	**9,832**	13,459
		Insurance claims	**9,200**	21
		Rent expensed	**792**	0
Ghandhara Nissan Ltd.	-do-	Purchase of vehicles	**0**	4,366
Waqf-e-Kuli Khan	Associated Undertaking	Donation	**3,075**	3,107
			(Number of shares)	
Babri Cotton Mills Ltd.	Associated Company	Bonus shares received	**0**	76,629

44. OPERATING SEGMENT

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

44.1 Yarn sales represent 96.59% (2011: 96.28%) of the total sales of the Company.

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

44.3 All non-current assets of the Company as at 30 June, 2012 are located in Pakistan.

44.4 One (2011: one) of the Company's customers contributed towards 32.32% (2011: 14.51%) of net sales during the year amounting Rs.722.796 million (2011: Rs.299.811 million).

45. CAPACITY AND PRODUCTION

	2012	2011
	---- Numbers ----	
Spindles installed	**62,304**	62,304
Rotors installed	**600**	600
Shifts worked	**1,093**	1,094
Spindles / rotors shifts worked	**65,489,441**	65,184,617
	----KGs.----	
Installed capacity at 20's count on the basis of shifts worked	**24,347,157**	22,866,837
Actual production of yarn of all counts	**5,423,124**	4,921,837
Actual production converted into 20's count	**23,196,393**	21,636,130

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

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 22 September, 2012 by the board of directors of the Company.

47. FIGURES

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

Ali Kuli Khan

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

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

JANANA DE MALUCHO TEXTILE MILLS LTD.

FORM OF PROXY

I/We ____
of ________________________ being in the district of ________________________ being a member of Janana De Malucho Textile Mills Limited and holder of ___________________ ____________________________ Ordinary Shares as per the Share Register Folio No. ___ _______________ and/or CD C Participant I.D. No. ________________________ and Sub-Account No. ____________________ hereby appoint ___________________________ of _____________________ or failing him/her _______________________________ as my/our proxy to vote for me/us and on my/our behalf at the 52nd Annual General Meeting of the Company to be held at Registered Office, Habibabad, Kohat on 22 October, 2012 at 11:30 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this _________day of _________ 2012.

Signed by the said member in the presence of ____________

2. As witness my hand this _________day of__________ 2012.

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.