



**OLYMPIA SPINNING &  
WEAVING MILLS LIMITED**

***47th***  
**ANNUAL REPORT 2008**



# Olympia Spinning & Weaving Mills Limited

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# Olympia Spinning & Weaving Mills Limited

## COMPANY INFORMATION

|                                      |   |  |
|--------------------------------------|---|--|
| <b>BOARD OF DIRECTORS</b>            |   |  |
| <b>CHAIRMAN AND CHIEF EXECUTIVE</b>  | : | <b>MIAN M. WAQAR MONNOO</b>  |
| <b>DIRECTORS</b>                     | : | MRS. GHAZALA WAQAR<br>MR. SIRAJ SADIQ MONNOO<br>MRS. HINA SIRAJ<br>MR. IMRAN MONNOO<br>MR. SYED AYAZUDDIN<br>MR. MUHAMMAD ANWAR SAIGAL |
| <b>AUDIT COMMITTEE MEMBERS</b>       |   |  |
| <b>CHAIRMAN (EXECUTIVE)</b>          | : | MIAN M. WAQAR MONNOO   |
| <b>MEMBER (NON-EXECUTIVE)</b>        | : | MRS. GHAZALA WAQAR   |
| <b>MEMBER (NON-EXECUTIVE)</b>        | : | MR. IMRAN MONNOO   |
| <b>CHIEF FINANCIAL OFFICER</b>       | : | MR. ASIM JAFFERY   |
| <b>COMPANY SECRETARY</b>             | : | MR. MUHAMMAD ANWAR SAIGAL  |
| <b>LEGAL ADVISOR</b>                 | : | M/S. A.K. BROHI & CO.<br>ADVOCATE.   |
| <b>AUDITORS</b>                      | : | MUSHTAQ & COMPANY<br>CHARTERED ACCOUNTANTS<br>407-408, COMMERCE CENTRE,<br>HASRAT MOHANI ROAD, KARACHI.                                |
| <b>BANKERS</b>                       | : | UNITED BANK LTD<br>HABIB BANK LTD<br>SONERI BANK LTD<br>ASKARI COMMERCIAL BANK LTD<br>ALLIED BANK OF PAKISTAN<br>BANK AL-FALAH LTD.    |
| <b>PRINCIPAL / REGISTERED OFFICE</b> | : | E/3, FARZANA BUILDING, 1ST FLOOR,<br>BLOCK 7 & 8, K.C.H.S. UNION LTD.,<br>SHAHEED-E-MILLAT ROAD,<br>KARACHI-75350                      |
| <b>MILLS AT</b>                      | : | PLOT NO. H/23/3, LANDHI INDUSTRIAL<br>AREA,<br>LANDHI, KARACHI.  |



# Olympia Spinning & Weaving Mills Limited

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## **VISION STATEMENT**

We aim to offer high quality yarn both in Pakistan and abroad by continuously improving our products quality by keeping the most technologically advanced production machinery.

## **MISSION STATEMENT**

We strive to achieve market leadership through technological edge, distinguished by quality and customer satisfaction, and emphasis on employees long term welfare and ensure adequate return to shareholders.

We further wish to contribute to the development of the economy and the country through harmonized endeavour.





# Olympia Spinning & Weaving Mills Limited

## DIRECTORS REPORT

The Directors have pleasure in presenting their Annual Report along with audited accounts of the Company for year ended June 30, 2008 for your consideration and approval.

### OPERATING REVIEW:

The operating results of the period under review has resulted in net loss before taxation of Rs.226,064/- with net sales of Rs.2,742,477,972/- as compared to the last year's sale of Rs.2,231,539,290/- which shows an increase of 22.89% over last year's sale.

|  | For Year ended<br>June 30, 2008<br>Rupees | For Year ended<br>June 30, 2007<br>Rupees |
|--|---|---|
| <b>Appropriation of profit is as under:</b>  |   |   |
| <b>Net (loss) before taxation</b>  | (226,064)                                 | (19,708,514)                              |
| Taxation:  | <u>(14,802,586)</u>                       | <u>(14,301,725)</u>                       |
| <b>Net loss for the year after taxation</b>  | (15,028,586)                              | (34,010,239)                              |
| Unappropriated (loss) brought forward  | (23,950,375)                              | 4,809,506                                 |
| Actuarial Loss recognised outside income statement   | (2,388,203)                               | (2,086,700)                               |
| Amount of incremental depreciation arising due to surplus on revaluation of fixed assets transferred to accumulated profit | 6,970,206                                 | 7,337,059                                 |
| <b>Accumulated (loss) carried forward</b>  | <u>(34,397,021)</u>                       | <u>(23,950,374)</u>                       |
| <b>EPS</b>   | (1.25)                                    | (2.83)                                    |

### FINANCIAL RESULTS:

The financial results for the year ended June 30, 2008 have resulted in net loss after tax of Rs.15,028,650/=. The operating profit has been increased from Rs.139,331,837/= to Rs.141,346,343/= as compared to last year. Gross profit percentage has decreased from 9.62% to 8.03% as compared with the previous corresponding period. This decrease in gross profit is due to increase in local and imported cotton rates, increase in energy rates and increase in wage rates. The combined effect of escalating interest rates and increasing short-term borrowings because of adverse market conditions, has led to an increase in financial charges on borrowed funds, thereby depressing the net profitability of your Company. The current financial results would have in profitability if the textile industry wouldn't have liquidity crunch, high markup and raw cotton cost since last three years.

During the last quarter of year the cotton prices has risen sharply causes us to change our cost formula from annual weighted average to monthly average method so that the effect of high prices of cotton in stock does not effect the current year financial results. The company also adopted alternative approach for recognizing actuarial gains/(losses) to recognized whole amount outside income statement through "Statement of Recognized Income and Expenses" in "Statement of Changes in Equity" as disclosed in note 5.1.

To minimize the effect of increasing interest rates, we entered into Cross currency swaps contracts during the year but unfortunately due to our dispute with the Bank over many vague and undisclosed terms and conditions as disclosed in note 14 we have obtained stay order from Sind High Court against settlements of these contracts & accordingly no provision has been made in the accounts, on the basis of which the auditors have gives their remarks in Auditors report.





# Olympia Spinning & Weaving Mills Limited

## FUTURE PROSPECTS:

At present Pakistan's spinning sector is at a crucial point due to large obstacles to growth in the national economy. The sharp increase in the cotton rates, markup rates and continued escalations in the cost of energy is creating an extremely demanding environment for all spinners. In addition the yarn market is dominated by a bearish sentiment, while the spinning industry is facing stiff competition from heavily subsidized overseas competitors.

To overcome the negative financial effects of these incidents and liquidity crunch due to expansion and continuous increase in the financial cost and input prices, the management has negotiating rescheduling of long term finances with Soneri Bank Limited and Askari Bank Limited. We are also negotiating with other banks for a Term Finance Facility of approximately Rs.200.00 M with a grace period of 2 years and balance payments to be made in 5 years.

The Company at present exporting approximately more than 50% of our total sale to Hong Kong, Korea, Bangladesh, Colombia and USA and hope to reach the level of more than 75% exports of our total sales. We also have been awarded FPCCI's Export Award named Best Export Performance award in cotton yarn.

## CORPORATE GOVERNANCE:

The Directors of the Company are aware of their responsibilities under the Code of Corporate Governance, incorporated in the Listing Regulations of the Stock Exchanges in the country under instructions from Security & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in the Company as required by the Code.

As a part of the compliance of the Code, we confirm the following:

- 1- The enclosed financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- 2- Proper books of account have been maintained by the Company as required by the Companies Ordinance, 1984.
- 3- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting statements are based on reasonable and prudent judgment.
- 4- International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- 5- The system of internal control is sound in design and has been effectively implemented and monitored.
- 6- There are no significant doubt 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- Key operating and financial data of last six years is annexed.
- 9- During the year, 6 board meetings were held and the attendance by each director is given hereunder:

| Name of Director          | No of Meetings Attended |
|---------------------------|-------------------------|
| Mian M. Waqar Monnoo      | 6                       |
| Mrs. Ghazala Waqar        | 5                       |
| Mr. Siraj Sadiq Monnoo    | 6                       |
| Mrs. Hina Siraj           | 5                       |
| Mr. Syed Ayazuddin        | 6                       |
| Mr. Muhammad Anwar Saigal | 6                       |
| Mr. Imran Monnoo          | 2                       |
| Mr. Khalid Gulzar         | 3                       |
|                           |                         |



# Olympia Spinning & Weaving Mills Limited

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- 10- There were no shares bought and sale by the Directors, CEO, CFO, Company secretary and their spouses and minor children during the year.
- 11- The pattern of shareholding and additional information required by the Code of Corporate Governance is annexed.

## **AUDITORS:**

You are requested to appoint auditors for the year 2008-2009 and fix their remuneration. The present auditors M/s. Mushtaq & Co., Chartered Accountants retires and offer themselves for re-appointment.

## **ACKNOWLEDGEMENT:**

I would like to place on record the Co-operation shown by our Bankers for their support and without their co-operation, the present results could not have been achieved. The loyalty and devotion of the Staff members and the workers towards the Company is also one of the major factor for achieving the present results.

For and on behalf of the Board

Karachi: 27<sup>th</sup> September, 2008

WAQAR MONNOO  
(Chief Executive/Director)





# Olympia Spinning & Weaving Mills Limited

STATISTICAL SUMMARY OF KEY OPERATING & FINANCIAL DATE FOR LAST SIX YEARS.

(Rupees in (M))

| YEAR ENDED JUNE 30,                              | 2008     | 2007     | 2006     | 2005     | 2004     | 2003     |
|--|----------|----------|----------|----------|----------|----------|
| <b>OPERATING RESULTS</b>                         |          |          |          |          |          |          |
| Sales net  | 2,742.48 | 2,231.54 | 1,882.93 | 1,240.58 | 1,239.39 | 1,051.70 |
| Gross profit.                                    | 220.34   | 214.83   | 205.94   | 126.04   | 56.64    | 95.45    |
| Operating expenses                               | 82.59    | 79.91    | 64.70    | 42.00    | 24.54    | 18.43    |
| Operating profit                                 | 141.35   | 139.33   | 142.60   | 84.75    | 32.10    | 77.01    |
| Finance cost                                     | 141.57   | 159.04   | 122.91   | 71.22    | 57.83    | 65.07    |
| Others expenses - net (W.P.P.F)                  | -        | -        | 1.04     | 0.71     | -        | 0.52     |
| Profit/(Loss) before tax                         | (0.23)   | (19.71)  | 19.70    | 13.54    | (25.73)  | 9.83     |
| Taxation   | 14.80    | 14.30    | 18.04    | (4.87)   | 23.66    | 6.83     |
| Profit/(Loss) after tax                          | (15.03)  | (34.01)  | 1.66     | 18.40    | (49.39)  | 3.01     |
| <b>FINANCIAL POSITION</b>                        |          |          |          |          |          |          |
| Paid-up Capital                                  | 120.00   | 120.00   | 24.00    | 24.00    | 24.00    | 24.00    |
| Retained earnings/(loss)                         | (49.04)  | (32.35)  | 20.07    | 5.46     | (14.28)  | 33.71    |
| Total equity                                     | 133.85   | 99.63    | 32.39    | 29.46    | 9.72     | 57.71    |
| Long term finances                               | 306.42   | 370.08   | 435.68   | 406.57   | 232.27   | 250.99   |
| Deferred liability                               | 4.22     | 3.52     | 12.96    | 19.34    | 35.14    | 17.92    |
| Current liabilities                              | 1,079.33 | 1,076.00 | 994.03   | 1,073.39 | 1,153.85 | 385.84   |
| Total assets                                     | 2,441.69 | 2,256.31 | 2,220.64 | 2,113.30 | 1,785.86 | 1,103.44 |
| Fixed assets (Gross)                             | 2,208.75 | 1,959.64 | 1,869.25 | 1,639.60 | 1,094.05 | 991.88   |
| Accumulated depreciation                         | 544.40   | 485.82   | 427.99   | 370.08   | 327.23   | 289.16   |
| Fixed assets (Net)                               | 1,664.35 | 1,473.82 | 1,441.27 | 1,269.52 | 766.82   | 702.73   |
| Long term deposits                               | 21.50    | 22.74    | 21.28    | 27.21    | 16.40    | 20.65    |
| Current assets                                   | 705.21   | 756.45   | 745.90   | 805.26   | 875.47   | 380.06   |
| <b>RATIOS</b>                                    |          |          |          |          |          |          |
| Gross profit to sales % (Excluding Depreciation) | 10.10    | 12.23    | 14.23    | 13.57    | 8.17     | 12.87    |
| Gross profit to sales % (Including Depreciation) | 8.03     | 9.63     | 10.94    | 10.16    | 4.57     | 9.08     |
| Cost of sales to sales %                         | (91.97)  | 90.37    | 89.06    | 89.84    | 95.43    | 90.92    |
| Net profit to sales %                            | (0.01)   | (0.88)   | 1.05     | 1.09     | 2.08     | 7.17     |
| Earning/(loss) per shares in Rs.                 | (1.25)   | (2.83)   | 0.14     | 7.67     | (20.58)  | 1.25     |
| Earning/(loss) to equity %                       | (0.17)   | (19.78)  | 60.82    | 45.96    | (264.57) | 17.04    |
| Admin expenses to net sales %                    | 1.33     | 1.42     | 1.63     | 1.35     | 1.42     | 1.75     |
| Return on fixed assets before tax %              | (0.01)   | (1.34)   | 1.37     | 1.07     | (3.36)   | 1.40     |
| Return on total assets before tax %              | (0.01)   | (0.87)   | 0.89     | 0.64     | (1.44)   | 0.89     |
| Debt equity ratio %                              | 45.10    | 57.01    | 59.00    | 66.31    | 63.63    | 68.94    |
| Current ratio                                    | 0.65     | 0.70     | 0.75     | 0.75     | 0.76     | 1.20     |
| Quick ratio                                      | 0.26     | 0.24     | 0.28     | 0.26     | 0.23     | 0.73     |
| Turn over to fixed assets times                  | 1.65     | 1.51     | 1.31     | 0.98     | 1.62     | 1.50     |
| Turn over to total assets times                  | 1.12     | 0.99     | 0.85     | 0.59     | 0.69     | 0.95     |
| <b>OPERATING RESULTS</b>                         |          |          |          |          |          |          |
| Dividend per share Rs.                           | -        | -        | -        | -        | -        | 1.00     |
| Dividend per share %                             | -        | -        | -        | -        | -        | 10.00    |



# Olympia Spinning & Weaving Mills Limited

## FORM - A PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2008

| No. of Share Holders | Shareholding |      |                        | Total Shares Held |
|----------------------|--------------|------|------------------------|-------------------|
| 129                  | Holding      | from | 001 to 100             | 8,430             |
| 110                  | ---do---     |      | 101 to 500             | 27,566            |
| 16                   | ---do---     |      | 501 to 1,000           | 16,000            |
| 35                   | ---do---     |      | 1,001 to 5,000         | 104,779           |
| 11                   | ---do---     |      | 5,001 to 10,000        | 82,546            |
| 5                    | ---do---     |      | 10,001 to 15,000       | 65,500            |
| 2                    | ---do---     |      | 15,001 to 20,000       | 33,000            |
| 1                    | ---do---     |      | 20,001 to 25,000       | 25,000            |
| 2                    | ---do---     |      | 25,001 to 30,000       | 54,500            |
| 1                    | ---do---     |      | 30,001 to 35,000       | 34,500            |
| 2                    | ---do---     |      | 35,001 to 40,000       | 73,500            |
| 3                    | ---do---     |      | 40,001 to 45,000       | 131,000           |
| 2                    | ---do---     |      | 45,001 to 50,000       | 100,000           |
| 1                    | ---do---     |      | 60,001 to 65,000       | 61,750            |
| 1                    | ---do---     |      | 65,001 to 70,000       | 70,000            |
| 1                    | ---do---     |      | 95,001 to 100,000      | 100,000           |
| 1                    | ---do---     |      | 100,001 to 105,000     | 100,500           |
| 2                    | ---do---     |      | 120,001 to 125,000     | 245,179           |
| 1                    | ---do---     |      | 175,001 to 180,000     | 180,000           |
| 3                    | ---do---     |      | 245,001 to 250,000     | 750,000           |
| 1                    | ---do---     |      | 295,001 to 300,000     | 300,000           |
| 1                    | ---do---     |      | 325,001 to 330,000     | 330,000           |
| 1                    | ---do---     |      | 1,550,001 to 1,555,000 | 1,550,025         |
| 2                    | ---do---     |      | 3,000,001 to 4,500,000 | 7,556,225         |
| 334                  |              |      |                        | 12,000,000        |

| Categories Shareholders | No. of Shareholders | Shares Held | Percentage |
|-------------------------|---------------------|-------------|------------|
| Individuals             | 325                 | 11,785,100  | 98.21%     |
| Financial Institutions  | 3                   | 87,450      | 0.73%      |
| Joint stock Companies   | 5                   | 127,250     | 1.06%      |
| Abandoned Properties    | 1                   | 200         | 0.00%      |
|                         | 334                 | 12,000,000  | 100.00%    |





# Olympia Spinning & Weaving Mills Limited

## PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2008

### ADDITIONAL INFORMATION

| <u>SHAREHOLDER'S CATEGORY</u>   | <u>Total Shares</u> | <u>Percentage</u> |
|---|---------------------|-------------------|
| <b>Associated Companies, Undertakings and related parties (Name-wise).</b>          | None                | None              |
| N.I.T. and I.C.P  |                     |                   |
| (1) National Bank of Pakistan, Trustee Department (NIT)                             | 42855               | 0.36              |
| (2) NBP Trustee - NI(U)T(LOC) Fund  | 44145               | 0.37              |
| (3) Investment Corporation of Pakistan  | 450                 | 0.00              |
| <b>Directors, CEO and their Spouse and Minor Childern (Name-wise)</b>               |                     |                   |
| (1) M. Waqar Monnoo Chairman / Director   | 4374570             | 36.45             |
| (2) Mrs. Ghazala Waqar Director   | 3181660             | 26.51             |
| (3) Mr. Siraj Sadiq Monnoo Director   | 1550025             | 12.92             |
| (4) Mr. Syed Ayazuddin Director   | 330000              | 2.75              |
| (5) Mr. Muhammad Anwar Saigal Director  | 300000              | 2.50              |
| (6) Mrs. Hina Siraj Director  | 61750               | 0.51              |
| (7) Mr. Imran Monnoo Director   | 500                 | 0.00              |
| <b>Executives</b>   | None                | None              |
| <b>Public Sector, Joint Stock Companies and Corporations</b>                        |                     |                   |
| (1) Fateh Textile Mills Ltd.  | 50                  | 0.00              |
| (2) Y.S. Securities & Services (Pvt) Ltd  | 4500                | 0.04              |
| (3) Harvest Smartrend Securities (Pvt) Ltd  | 200                 | 0.00              |
| (4) Stock Master Securities (Pvt) Ltd   | 2000                | 0.02              |
| (5) Ismail Iqbal Securities (Pvt) Ltd   | 120500              | 1.00              |
| <b>Abandoned properties &amp; Other Companies.</b>                                  |                     |                   |
| (1) Abandoned properties organisation.  | 200                 | 0.00              |
| <b>Shareholders holding 10% or more voting interest<br/>in the Listed Companies</b> |                     |                   |
| (1) M. Waqar Monnoo.  | 4374570             | 36.45             |
| (2) Mrs. Ghazala Waqar  | 3181660             | 26.51             |
| (3) Mr. Siraj Sadiq Monnoo.   | 1550025             | 12.92             |





# Olympia Spinning & Weaving Mills Limited

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED 30TH JUNE, 2008

This statement is being presented to comply with the Code of Corporate Governance contained in listing Regulation No.37 of the Karachi Stock Exchange (Guarantee) Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board. At present the board include three non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. To the best of our knowledge 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies arose on the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which is signed by directors and employees.
6. The Management has developed a vision/mission statement, overall corporate Strategy and significant policies of the Company and the same is in the process of approval by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, the Board met at least once in every quarter. Written notices of the Board meetings along with the 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 orientation courses for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.



## Olympia Spinning & Weaving Mills Limited

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15. The Board has formed an audit committee. It comprises three members, of whom two 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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

FOR AND BEHALF OF THE BOARD OF DIRECTORS

(M. WAQAR MONNOO)  
CHIEF EXECUTIVE





# Olympia Spinning & Weaving Mills Limited

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## REVIEW REPORT TO THE MEMBERS

*On the 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 **Olympia Spinning & Weaving Mills Limited** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2008.

Karachi:  
Dated: \_\_\_\_\_

MUSHTAQ & COMPANY  
Chartered Accountants





# Olympia Spinning & Weaving Mills Limited

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 48<sup>th</sup> Annual General Meeting of the shareholders of **OLYMPIA SPINNING & WEAVING MILLS LIMITED**, will be held at the Registered office of the company at E-3, Farzana Building, 1<sup>st</sup> Floor, Block - 7 & 8, Shaheed-e-Millat Road, Karachi on Monday, October 20<sup>th</sup> 2008 at 10:00 a.m. to transact the following business:

### Ordinary Business

1. To confirm the minutes of Extra ordinary General Meeting of the Company held on February 12<sup>th</sup> 2008.
2. To receive, consider and adopt Audited Accounts for the year ended 30<sup>th</sup> June, 2008 together with Auditor's and Director's Report thereon.
3. To appoint Auditors for the year ending 30<sup>th</sup> June, 2009 and to fix their remuneration.
4. To transact any other business with the permission of chairman.

### Special Business

1. To seek the consent of the members for placing of quarterly accounts on the Company's website, instead of sending the same by post to the members in compliance with the Securities & Exchange Commission of Pakistan's circular No. 19 dated 14 April, 2004. In this connection to consider, and if thought fit, to pass the following Special Resolution with or without amendment(s).

**"RESOLVED THAT the Company is hereby authorized to place its quarterly accounts on its website instead of sending these to shareholders by mail."**

A statement under section 160 (1) (b) of the Ordinance pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

By order of the board

Muhammad Anwar Saigal  
Company Secretary

### Note

- a. The Register of Members of the Company will remain closed from 14<sup>th</sup> October 2008 to 20<sup>th</sup> October 2008 (both days inclusive), members are requested to notify change of addresses (if any)
- b. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.
- c. Central Depository Company account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.





# Olympia Spinning & Weaving Mills Limited

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## A. For Attending the Meeting

1. In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall, authenticate his identity by showing his original National Identity Card (NIC) or original Passport at the time of attending the Meeting.
2. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

## B. For Appointing Proxies

1. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
2. The proxy form shall be witnessed by two persons whose name, addresses and NIC numbers shall be mentioned on the form.
3. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his original NIC or original passport at the time of the Meeting.
5. Members are requested to notify immediately changes, if any, in their registered addresses.

## STATEMENT UNDER SECTION 160(1)(b) OF THE ORDINANCE.

Securities & Exchange Commission of Pakistan (SECP) vide their circular No. 19 dated 14 April, 2004 has allowed listed companies to place their quarterly accounts on their websites instead of sending them to shareholders by mail, subject to fulfillment of certain conditions including seeking of the consent of its shareholders in a General Meeting.

This initiative has been taken by SECP to ensure timely and confirmed availability of the information to the shareholders and investors. Further, costs involved in cumbersome exercise of sending periodical accounts to all shareholders by mail, would also be saved while meeting the objectives of the statutory provision in section 245 of the Company Ordinance, 1984.

Your Company wishes to place its quarterly accounts on its website: [www.olympiaspinning.com](http://www.olympiaspinning.com), so that advantage of the facility allowed by SECP can be availed for the benefit of our shareholders.

The members are accordingly requested to pass with or without modification the following resolution as an ordinary resolution:

**"RESOLVED THAT** the Company is hereby authorized to place its quarterly accounts on its website instead of sending these to shareholders by mail.

Karachi: September 27<sup>th</sup>, 2008.





# Olympia Spinning & Weaving Mills Limited

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Olympia Spinning & Weaving Mills Limited** as at June 30, 2008

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 ended June 30, 2008 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) As mentioned in note 14.1, the company has not provided liability under cross currency swap contracts loss of Rs. 61.46 (M). The amount has been declared as Contingent Liability in Note No. 14.1. The company has filed a suit in High Court of Sindh and obtained stay order against the settlement of cross currency swap contracts on the vague provision of the contracts. Had the provision been accounted for, the loss would increase to Rs. 76.48 (M).
- (b) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 5.1 with which we concur:
- (c) 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 period 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;
- (d) in our opinion and to the best of our information and according to the explanations given to us, except as mentioned in note (a) above and its effects on the financial statements, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 and of the loss, its cash flows and changes in equity for the year ended June 30, 2008; and
- (e) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**MUSHTAQ & COMPANY**  
**CHARTERED ACCOUNTANTS**

**KARACHI:**

**BALANCE SHEET AS AT JUNE 30, 2008**

| EQUITY AND LIABILITIES   | NOTE | JUNE 30, 2008        | JUNE 30, 2007        |
|--|------|----------------------|----------------------|
|  |      | RUPEES               | RUPEES               |
| <b>SHARE CAPITAL AND RESERVES</b>                              |      |                      |                      |
| Authorized capital<br>13000,000 Ordinary shares of Rs.10 each. |      | 130,000,000          | 130,000,000          |
| Issued, subscribed and paid up capital                         | 6    | 120,000,000          | 120,000,000          |
| Revenue reserve  |      | 3,580,053            | 3,580,053            |
| Capital Reserve  |      | 44,665,822           | -                    |
| Unappropriated loss  |      | (34,397,021)         | (23,950,375)         |
|  |      | <u>133,848,854</u>   | <u>99,629,678</u>    |
| Surplus on revaluation of fixed assets                         | 7    | 798,934,764          | 553,782,970          |
| <b>NON CURRENT LIABILITIES</b>                                 |      |                      |                      |
| Long term financing  | 8    | 306,416,046          | 370,084,011          |
| Liability against assets subject to finance lease              | 9    | 128,946,783          | 153,295,967          |
| Deferred liabilities   | 10   | 4,216,949            | 3,523,054            |
| <b>CURRENT LIABILITIES</b>                                     |      |                      |                      |
| Trade and other payables                                       | 11   | 409,305,789          | 302,869,208          |
| Interest / mark-up accrued on loans                            | 12   | 27,849,098           | 22,047,177           |
| Short-term borrowings  | 13   | 526,862,346          | 592,569,977          |
| Current portion of   |      |                      |                      |
| - long term financing  |      | 58,333,336           | 90,833,336           |
| - liabilities against asset subject to finance lease           |      | 22,003,844           | 22,981,231           |
| Provision for taxation   |      | 34,972,601           | 44,694,958           |
|  |      | <u>1,079,327,013</u> | <u>1,075,995,887</u> |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           |      |                      |                      |
|  | 14   | -                    | -                    |
|  |      | <u>2,451,690,410</u> | <u>2,256,311,567</u> |

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

Karachi: 27th SEPTEMBER,2008

**BALANCE SHEET AS AT JUNE 30, 2008**

| PROPERTY AND ASSETS                    | NOTE | JUNE 30, 2008        | JUNE 30, 2007        |
|--|------|----------------------|----------------------|
|  |      | RUPEES               | RUPEES               |
| <b>NON CURRENT ASSETS</b>              |      |                      |                      |
| Property, plant and equipment          | 15   | 1,674,353,591        | 1,473,819,904        |
| Capital work in progress               | 16   | 5,963,413            | 3,301,528            |
| Long term deposit                      | 17   | 21,495,772           | 22,738,240           |
| Long term investment in subsidiary     | 18   | 44,665,822           | -                    |
| <b>CURRENT ASSETS</b>                  |      |                      |                      |
| Stores and spare parts and loose tools | 19   | 17,010,837           | 8,597,021            |
| Stock in trade                         | 20   | 408,812,676          | 484,732,255          |
| Trade debts - considered good          | 21   | 133,372,571          | 79,494,901           |
| Loans and advances                     | 22   | 129,239,410          | 161,843,658          |
| Other receivables                      | 23   | 14,615,793           | 14,862,579           |
| Cash and bank balances                 | 24   | 2,160,525            | 6,921,482            |
|  |      | <u>705,211,812</u>   | <u>756,451,895</u>   |
|  |      | <u>2,451,690,410</u> | <u>2,256,311,567</u> |

DIRECTOR





# Olympia Spinning & Weaving Mills Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008

|                                       |             | For the year<br>ended<br>June 30, 2008 | For the year<br>ended<br>June 30, 2007 |
|---------------------------------------|-------------|--|--|
|                                       | <b>NOTE</b> | <b>RUPEES</b>                          | <b>RUPEES</b>                          |
| Sales (net)                           | 25          | 2,742,477,972                          | 2,231,539,290                          |
| Cost of goods sold                    | 26          | (2,522,135,506)                        | (2,016,704,534)                        |
| Gross profit                          |             | 220,342,467                            | 214,834,757                            |
| Distribution cost                     | 27          | (46,148,562)                           | (48,193,506)                           |
| Administrative expenses               | 28          | (36,442,725)                           | (31,718,397)                           |
| Other operating income                | 29          | 3,595,162                              | 4,408,984                              |
|                                       |             | (78,996,124)                           | (75,502,919)                           |
| Operating profit                      |             | 141,346,343                            | 139,331,837                            |
| Finance cost                          | 30          | (141,572,407)                          | (159,040,351)                          |
| Net loss before taxation              |             | (226,064)                              | (19,708,514)                           |
| Taxation:                             | 31          | (14,802,586)                           | (14,301,725)                           |
| Net loss for the year after taxation  |             | (15,028,650)                           | (34,010,239)                           |
| Earning per share - Basic and diluted | 32          | (1.25)                                 | (2.83)                                 |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: 27th SEPTEMBER, 2008



# Olympia Spinning & Weaving Mills Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

|  | For year ended<br>June30,<br>2008<br>RUPEES | For year ended<br>June30,<br>2007<br>RUPEES |
|--|---|---|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |   |   |
| Cash generated from operations (Note: 33)              | 351,024,878                                 | 340,929,789                                 |
| Taxes paid   | (19,396,934)                                | (17,068,669)                                |
| Finance cost paid                                      | (135,770,488)                               | (155,998,821)                               |
| Workers' profit participation fund paid                | -   | (2,458,858)                                 |
| Gratuity paid  | (3,728,108)                                 | (3,355,267)                                 |
| Long term deposits                                     | 1,242,468                                   | (1,459,702)                                 |
| Net cash from operating activities                     | 193,371,816                                 | 160,588,472                                 |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |   |   |
| Proceeds from disposal of fixed assets                 | 940,000                                     | 4,200,000                                   |
| Fixed capital expenditure                              | (9,208,721)                                 | (56,601,436)                                |
| Capital work in progress.                              | (2,661,885)                                 | 8,900,000                                   |
| Net cash (used in)/from investing activities           | (10,930,606)                                | (43,501,436)                                |
| <b>CASH FLOW FORM FINANCING ACTIVITIES</b>             |   |   |
| Long term finance                                      | (96,167,965)                                | (108,970,568)                               |
| Long term loans from Trade Creditors                   | -   | (32,552,457)                                |
| Right shares subscription received                     | -   | 96,000,000                                  |
| Short term finances                                    | (65,707,631)                                | 19,757,136                                  |
| Repayment of lease liabilities                         | (25,326,571)                                | (64,842,919)                                |
| Advance against sale and lease back                    | -   | (25,611,222)                                |
| Net cash used in financing activities                  | (187,202,167)                               | (116,220,030)                               |
| Net increase in cash and cash equivalents              | (4,760,957)                                 | 867,006                                     |
| Cash and cash equivalents at the beginning of the year | 6,921,482                                   | 6,054,476                                   |
| Cash and cash equivalents at the end of the year.      | 2,160,525                                   | 6,921,482                                   |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE**

Karachi: 27TH SEPTEMBER, 2008

**DIRECTOR**





# Olympia Spinning & Weaving Mills Limited

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

|   | PAID UP<br>CAPITAL | REVENUE<br>RESERVE | CAPITAL<br>RESERVE | UN-<br>APPROPRIATED<br>LOSS | TOTAL              |
|---|--------------------|--------------------|--------------------|-----------------------------|--------------------|
|   | RUPEES             |                    |                    |                             |                    |
| Balance as at June 30, 2006   | 24,000,000         | 3,580,053          | -                  | 4,809,506                   | 32,389,559         |
| Issue of Right Shares   | 96,000,000         | -                  | -                  | -                           | 96,000,000         |
| Loss for the year 2007  | -                  | -                  | -                  | (36,096,939)                | (36,096,939)       |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in the current year-net of deferred taxation | -                  | -                  | -                  | 7,337,059                   | 7,337,059          |
| Balance as at June 30, 2007   | 120,000,000        | 3,580,053          | -                  | (23,950,375)                | 99,629,678         |
| Loss for the year 2008  | -                  | -                  | -                  | (17,416,853)                | (17,416,853)       |
| Gift of Shares by shareholders of Olympia Power Generation (Pvt) Limited.   | -                  | -                  | 44,665,822         | -                           | 44,665,822         |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in the current year 2008                     | -                  | -                  | -                  | 6,970,206                   | 6,970,206          |
| Balance as at June 30, 2008   | <u>120,000,000</u> | <u>3,580,053</u>   | <u>44,665,822</u>  | <u>(34,397,021)</u>         | <u>133,848,854</u> |

June 30, 2008    June 30, 2007

RUPEES            RUPEES

### STATEMENT OF RECOGNISED INCOME AND EXPENSES

|                             |                     |                     |
|-----------------------------|---------------------|---------------------|
| Loss for the year           | (15,028,650)        | (34,010,239)        |
| Actuarial (Loss) recognised | (2,388,203)         | (2,086,700)         |
|                             | <u>(17,416,853)</u> | <u>(36,096,939)</u> |

The annexed notes form an integral part of these financial statements

DIRECTOR

CHIEF EXECUTIVE

Karachi: 27th SEPTEMBER, 2008



# Olympia Spinning & Weaving Mills Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30 2008

### 1. THE COMPANY AND ITS OPERATIONS:

The company was incorporated in Pakistan as a public limited company on October 28, 1960, and its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn. The registered office of the company is situated at E-3 Farzana Building, 1<sup>st</sup> floor, Block 7 & 8, Shaheed-e-Millat Road Karachi.

### 2. INVESTMENT IN SUBSIDIARY-UNLISTED

During the year on February 09, 2008 the directors of Olympia Power Generation (Pvt) Limited have gifted 9,000 shares representing 60% of their shareholding to the company at free of cost. The investment value has been recorded at fair value by taking break-up value of Olympia Power Generation (Pvt) Limited accounts as at February 09, 2008 & crediting capital reserve with Rs. 44,665,822.

### 3. STATEMENT OF COMPLIANCE

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

### 4. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving higher degree of judgments or complexity or areas where assumption and estimates are significant to the financial statements are as follows:

- a) Employee retirements benefits- Note-10
- b) Useful life and residual values of property, plant and equipment- Note-5.7

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 5.1 Change in accounting policy & method:

#### a) Change in cost formula for raw-material from annual weighted average to monthly average:

Based on new circumstances and huge variation in raw cotton prices, the company has changed its cost formula for calculation of inventories from annual weighted average to monthly weighted average. This change in accounting estimate is dealt under International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and





# Olympia Spinning & Weaving Mills Limited

Errors". Had the previous policy of calculation of cost applied, the loss would have increased by Rs.34.473 (M) and carrying value of inventory would be reduced by the same amount. The impact of changes of this estimate in future periods is not disclosed because estimating the effect in future periods is impracticable.

**b) Staff retirement benefit:**

During the year the company has adopted the alternative approach of recognizing actuarial gain and losses outside the profit & loss account through "Statement of recognized income & expenses" in accordance with para 93A of IAS-19. The prior year figure in balance sheet and profit & loss account have been restated to account for the change in accounting policy in compliance with the requirements of International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors". The change have no effect on the net profit/ (loss) of prior years.

**5.2 Functional and presentation currency**

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

**5.3 Defined benefit plan**

The company operates an unfunded gratuity plan for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from June 30, 2008 using the Projected Unit Credit Method.

Any actuarial gain or loss recognized during the year is accounted for under para 93A of IAS-19 by recognizing whole amount of actuarial gain or loss in "Statement of recognized income and expense" in statement of changes in equity.

**5.4 Taxation**

**Current**

Provision for current taxation is made on the taxable income, if any, after taking into account tax credit and tax rebate available.

**Deferred**

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

**5.5 Trade and other payables**

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

**5.6 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.





# Olympia Spinning & Weaving Mills Limited

## 5.5 Property, plant and equipment

### a) Owned

Property plant and equipment except land are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation on additions during year is charged on pro-rata basis when the assets are available for use. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized. The company reviews the rate of depreciation, useful life, residual value of assets for possible impairment on annual basis. Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charges and impairment.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

### b) Leased Assets subject to finance lease

Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payment under the lease agreement and the fair value of the leased asset.

The related obligations under the lease less financial charges allocated to future period are shown as a liability. Financial charges are allocated to accounting period in a manner to provide constant periodic rate of charge on the outstanding liability. Capitalized or leased assets are depreciated on the same basis and on the same rate as owned assets. Income arising from sales and lease back transaction, if any, is deferred and is amortized equally over the lease period.

### c) Capital work in progress

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

### d) Impairment of fixed assets

In accordance with IAS 36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the profit and loss account.

## 5.8 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

## 5.9 Stock in trade

These are valued at lower of cost and net realizable value (NRV) except waste

|              |  |
|--------------|--|
| Raw material | Monthly average except those in transit which are stated at cost comprising invoice value plus other charge incurred thereon |
|--------------|--|

|                                    |  |
|------------------------------------|--|
| Finished goods and work in process | Raw material cost plus appropriate manufacturing overheads |
|------------------------------------|--|

|       |                         |
|-------|-------------------------|
| Waste | At net realizable value |
|-------|-------------------------|





# Olympia Spinning & Weaving Mills Limited

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Net realizable value signifies the selling price prevailing in the market less selling expenses incidental to sales

## 5.10 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

## 5.11 Cash and cash equivalent

Cash in hand, cash at bank and short-term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short-term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

## 5.12 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

## 5.13 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

## 5.14 Revenue recognition

Sales are recognized on dispatch of goods to the customers. Dividend income is recognized when right to receive dividend is established. Interest income is recognized on accrual basis.

## 5.15 Derivative Financial Instruments

These are initially recognised at cost and are subsequently remeasured at their fair value. The method of recognising gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives (Other than designated as hedging instrument) with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised Losses) are included in other liabilities in the balance sheet. The resultant gain and losses are included in the income currently.

## 5.16 Borrowing cost

All mark up, interest and other charges are charged to current income on an accrual basis.

## 5.17 Dividend and appropriation to reserves

The dividend distribution and appropriation to reserves is recognised in the period in which, these are approved.

## 5.18 Related party transactions

The Company at arms' length price using the method prescribed under the Companies Ordinance, 1984, carries out all transactions with related parties.





# Olympia Spinning & Weaving Mills Limited

|  | June 30, 2008<br>RUPEES   | June 30, 2007<br>RUPEES |
|--|---|-------------------------|
| <b>6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>  |   |                         |
| 2,200,000 Ordinary shares of Rs.10 each<br>fully paid in cash                                      | 22,000,000  | 22,000,000              |
| 200,000 Ordinary shares of Rs.10 each<br>fully paid as bonus shares                                | 2,000,000   | 2,000,000               |
| 9.600,000 Ordinary shares of Rs. 10 each<br>issued as right shares                                 | 96,000,000  | 96,000,000              |
|  | <u>120,000,000</u>  | <u>120,000,000</u>      |
| <b>7 SURPLUS ON REVALUATION OF FIXED ASSETS</b>  |   |                         |
| Balance as at July 01, 2007  | 553,782,970   | 561,120,029             |
| Add: surplus on revaluation of land during the year  | 252,122,000   | -                       |
|  | <u>795,904,970</u>  | <u>561,120,029</u>      |
| Less:<br>transfer to unappropriated profit on account of incremental<br>depreciation for the year. | 6,970,206   | 7,337,059               |
|  | <u>6,970,206</u>  | <u>7,337,059</u>        |
| Balance as at June 30, 2008  | <u>788,934,764</u>  | <u>553,782,970</u>      |
| <b>8 LONG TERM FINANCING</b>   |   |                         |
| From banking companies - secured   |   |                         |
| Loan 1 (Note:8.1)  | 63,000,000  | 63,000,000              |
| Loan 2 (Note:8.2)  | 137,499,999   | 167,583,333             |
| Loan 3 (Note:8.2(a))   | 5,833,333   | 7,500,001               |
| Loan 4 (Note:8.3)  | -   | 2,500,000               |
| Loan 5 (Note: 8.4)   | 60,000,000  | 60,000,000              |
| Loan 6 (Note: 8.5)   | 45,000,000  | 50,000,000              |
|  | <u>311,333,332</u>  | <u>350,583,334</u>      |
| From related party - unsecured   |   |                         |
| Directors loan- Sub-ordinated (Note: 8.6)  | 53,416,050  | 95,334,013              |
| Associated company (Note: 8.7)   | -   | 15,000,000              |
|  | <u>53,416,050</u>   | <u>110,334,013</u>      |
| Current maturity of long term financing (Note: 8.9)  | <u>(58,333,336)</u>   | <u>(90,833,336)</u>     |
|  | <u>306,416,046</u>  | <u>370,084,011</u>      |
| <b>8.1</b>   | This term loan with UBL is for Rs.63.00 (M) for 5 years with a grace period of two years starting from August 31,2009 and repayable in quarterly installments of Rs.5.25 (M) each. This is secured by equitable mortgage of Rs.575.396 (M) on fixed assts, and floating charge on current assts and personal guarantee of Directors. Mark-up is @ 3 months Kibor + 2.5 % per annum, payable quarterly.  |                         |
| <b>8.2</b>   | This revised Term financing with Askari Bank Ltd. for Rs. 137.5 (M) is for four years with a grace period of 21 months. Repayment is in 24 equal quarterly installments starting from 1st September 2008 and ending in December 2011. This is secured by specific charge of Rs. 200 (M) over the machinery imported and purchased locally and first pari passu charge of Rs. 310 (M) over plant and machinery and personal guarantee of directors. Mark-up is @ 6 months Kibor + 2.00% bps payable quarterly. |                         |
| <b>8.2(a)</b>  | This revised long Term financing with Askari Bank Ltd. for Rs. 6.25 (M) is for four years and secured by specific charge of Rs. 200(M) on imported machinery and Rs.310 (M) on plant and machinery along with other facilities. Repayments is in 20 equal quarterly installments of Rs. 0.416 (M) ending in December 2011. Mark up is SBP refinance rate plus 2% payable quarterly.   |                         |
| <b>8.3</b>   | This demand finance loan from Allied Bank Ltd. is repayable in monthly installments commencing from May-2005 and carries mark-up @ 6 months kibar average ask side + 2% per annum, payable quarterly. This loan is secured by ranking charge over fixed assets of the company to the extent of Rs.33.00 (M) in addition to personal guarantee of sponsor Directors. Total facility amount is Rs. 24.5 (M).  |                         |





# Olympia Spinning & Weaving Mills Limited

- 8.4 This term finance from Soneri Bank Ltd has 12 months grace period and repayable in four half yearly installments commencing from 1st July 2008 and ending on 1st January 2010 and carries mark up @ 6 months kibar + 2.65 % per annum, payable quarterly. Total facility amount is Rs. 60.00 (M). Charge on fixed assets of the company is to the extent of Rs.80 (M).
- 8.5 This demand finance has been rescheduled with My Bank Ltd. having 6 months grace period and repayable in 10 quarterly installments commencing from August 23, 2007 and ending on November 23, 2009 and carries mark-up @ 6 months kibar + 4% with a floor of 15% with mark-up payable quarterly. Total facility amount is Rs.50.00(M). Charge over fixed assets of the company Rs. 67(M).
- 8.6 The Directors loan is unsecured and interest free and is not repayable in the next twelve months. This loan has been Sub-ordinated to bank loans.
- 8.7 These represent unsecured finance obtained from an associated company carrying no markup and is not repayable in the next twelve months
- 8.8 During the year the company has entered into cross currency swap arrangements at different dates to hedge the probable adverse movement in interest rates. Under the terms of these contracts at each swap date, the company will receive KIBOR from the arranging bank in local currency & pays LIBOR plus Bank spread in USD and settling the transaction on net cash basis. There has been no transfer of liability, only the nature of the interest payments has been changed. As this hedging relationship is ineffective and does not meet the criteria of hedge, this arrangement does not qualify for special hedge accounting specified in IAS 39 "Financial Instruments: Recognition and Measurement". The derivative cross currency swap payable as at June 30, 2008 has been marked to market and the resulting liability of Rs.61.46 (M) has not been recognised in profit & loss account due to the reasons disclosed in Note 14.1.
- 8.9 Includes overdue installment of Rs. 9.16 (M).

## 9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| Minimum lease payments                      |                         |                         |
| Up to one year                              | 38,806,696              | 41,028,685              |
| More than one year but less than five years | 149,185,386             | 179,476,230             |
|   | 187,992,082             | 220,504,915             |
| Less: Financial charges                     |                         |                         |
| Up to one year                              | 16,802,852              | 18,886,239              |
| More than one year but less than five years | 20,238,603              | 25,341,478              |
|   | 37,041,455              | 44,227,717              |
| Present value of minimum lease payments     |                         |                         |
| Up to one year                              | 22,003,844              | 22,981,231              |
| More than one year but less than five years | 128,946,783             | 153,295,967             |
|   | 150,950,627             | 176,277,198             |

- 9.1 The company has entered into lease agreements with various leasing companies. The lease agreement contains bargain purchase option. Taxes, repairs and maintenance, insurance and other costs relating to the leased assets are to be borne by the company. The rate of finance charges applied vary from 11.71 % to 18.38 % (June 2007 11.35% to 14.09%) per annum. The above liabilities are additionally secured by security deposits and personal guarantee of Directors.

## 10 DEFERRED LIABILITIES

|  |                  |                  |
|--|------------------|------------------|
| Staff retirement benefit-gratuity(Note:10.1 to 10.5) | 4,216,949        | 3,523,054        |
| Deferred tax (Note:10.6)                             | -                | -                |
|  | <u>4,216,949</u> | <u>3,523,054</u> |

## 10.1 Movement in the net liability recognized in the balance sheet

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Opening net-liability | 3,523,054        | 3,258,442        |
| Expense for the year  | 4,422,003        | 3,619,879        |
|                       | 7,945,057        | 6,878,321        |
| Contribution paid     | (3,728,108)      | (3,355,267)      |
| Closing net liability | <u>4,216,949</u> | <u>3,523,054</u> |

## 10.2 Expense recognized in the profit and loss account excluding actuarial loss

|                      |                  |                  |
|----------------------|------------------|------------------|
| Current service cost | 1,793,654        | 1,334,191        |
| Interest cost        | 240,146          | 198,988          |
|                      | <u>2,033,800</u> | <u>1,533,179</u> |





# Olympia Spinning & Weaving Mills Limited

## 10.3 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method..

## 10.4 Principal actuarial assumption

Following are a few important actuarial assumptions used in the valuation.

|                                     | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|-------------------------------------|-------------------------|-------------------------|
| Discount rate                       | %<br>12                 | %<br>10                 |
| Expected rate of increase in salary | 5                       | 5                       |

## 10.5 Historical information

|   | 2008<br>RUPEES | 2007<br>RUPEES | 2006<br>RUPEES | 2005<br>RUPEES | 2004<br>RUPEES |
|---|----------------|----------------|----------------|----------------|----------------|
| Present value of the defined obligation | 4,216,919      | 3,523,054      | 3,258,442      | 2,893,776      | 4,865,582      |

10.6 The company has provided for the current tax based on normal provisions of the income tax ordinance 2001. However, the Company has not provided for deferred tax since the Company's management expects that in consonance with the past trends, future tax liabilities would continue to be finalised under the final tax Regime. Therefore, any timing differences arising during the year are not expected to reverse in future periods.

## 11 TRADE AND OTHER PAYABLES

|                             | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|-----------------------------|-------------------------|-------------------------|
| Trade creditors (Note 11.1) | 101,757,479             | 78,775,937              |
| Bills payable               | 292,168,084             | 214,339,022             |
| Accrued expenses            | 15,380,226              | 9,754,248               |
|                             | <u>409,305,789</u>      | <u>302,869,208</u>      |

11.1 This includes Rs. 19.88 (M) payable to Olympia Power Generation (Pvt) Ltd on account of purchase of electricity

## 12 INTEREST / MARK-UP ACCRUED ON LOANS

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| Long term financing        | 6,241,503         | 2,588,639         |
| Short term running finance | 21,607,595        | 19,458,538        |
|                            | <u>27,849,098</u> | <u>22,047,177</u> |

## 13 SHORT TERM BORROWINGS

|  |                    |                    |
|--|--------------------|--------------------|
| Secured-banking companies (Note: 13.1) | <u>526,862,346</u> | <u>592,569,977</u> |
|--|--------------------|--------------------|

13.1 The facilities for running finance available from various banks amounted to Rs. 846.5 (M) (June 2007:Rs 796.5 (M)) and carries mark-up ranging from 11.75% to 18.35% (June 2007:11.36% to 14.09%) per annum payable quarterly. The above facilities are secured by pledge of raw cotton and hypothecation charge on stock and book debts and personal guarantee of directors.

## 14 CONTINGENCIES AND COMMITMENTS

### 14.1 Contingencies

The company has filed a suit in High Court of Sind and obtained Stay Order against settlement of cross currency swap contracts of Rs. 830(M). entered into by the company during the year with a foreign bank. The company mainly contest on vague provision of unwinding cost calculation, mismatched dates of settlement with it long term loans repayments and other procedural non compliance of foreign bank. No provision of Rs 61.46 m has been made in the financial statement as management strongly believes that the case would be decided in company's favor.

### 14.2 Commitments

|                                     | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|-------------------------------------|-------------------------|-------------------------|
| Capital Commitments for civil works | 6,203,000               | 4,300,000               |
| Letter of credit - import of cotton | <u>202,880,738</u>      | <u>179,598,347</u>      |



**15 PROPERTY, PLANT AND EQUIPMENT**

| PARTICULARS                         | COST / REVALUATION   |                          |                    |                      |                      | RATE % | DEPRECIATION        |                   |                    |                    | W.D.V.<br>AS AT<br>30-6-2008 |
|-------------------------------------|----------------------|--------------------------|--------------------|----------------------|----------------------|--------|---------------------|-------------------|--------------------|--------------------|------------------------------|
|                                     | AS AT<br>01-07-2007  | ADDITION /<br>(DELETION) | REVALUATION        | TRANSFER<br>IN/(OUT) | AS AT<br>30-6-2008   |        | AS AT<br>01-07-2007 | FOR THE<br>YEAR   | ADJUSTMENT         | AS AT<br>30-6-2008 |                              |
| <b>OWNED</b>                        |                      |                          |                    |                      |                      |        |                     |                   |                    |                    |                              |
| Lease hold land                     | 424,578,000          | -                        | 252,122,000        | -                    | 676,700,000          | -      | -                   | -                 | -                  | -                  | 676,700,000                  |
| Factory building on lease hold land | 404,383,193          | -                        | -                  | -                    | 404,383,193          | 4      | 74,149,654          | 13,209,342        | -                  | 87,358,996         | 317,024,197                  |
| Plant and machinery                 | 800,703,554          | 5,320,909                | -                  | 80,086,500           | 886,110,963          | 6      | 325,055,530         | 32,075,234        | 24,695,453         | 381,826,217        | 504,284,746                  |
| Office equipment                    | 6,549,939            | 1,230,025                | -                  | -                    | 7,779,964            | 10     | 2,839,144           | 466,817           | -                  | 3,305,961          | 4,474,003                    |
| Factory tools and equipment         | 1,654,947            | 13,500                   | -                  | -                    | 1,668,447            | 10     | 778,103             | 87,684            | -                  | 865,787            | 802,660                      |
| Furniture and fixture               | 5,769,528            | 130,729                  | -                  | -                    | 5,900,257            | 10     | 1,882,714           | 397,416           | -                  | 2,280,130          | 3,620,127                    |
| Motor vehicle                       | 369,980              | 566,883                  | -                  | 8,989,000            | 7,706,863            | 20     | 169,223             | 696,517           | 5,462,226          | 4,826,472          | 2,880,391                    |
|                                     |                      | (2,219,000)              |                    |                      |                      |        |                     |                   | (1,501,494)        |                    |                              |
| Arms and ammunition                 | 36,500               | -                        | -                  | -                    | 36,500               | 10     | 28,775              | 772               | -                  | 29,547             | 6,953                        |
| Electric and pipe fitting           | 46,394,501           | 1,946,675                | -                  | -                    | 48,341,176           | 10     | 20,239,088          | 2,810,209         | -                  | 23,049,297         | 25,291,879                   |
|                                     | 1,690,440,142        | 9,208,721                | 252,122,000        | 80,086,500           | 2,038,627,363        |        | 425,142,231         | 49,743,991        | 28,656,185         | 503,542,407        | 1,535,084,956                |
|                                     |                      | (2,219,000)              |                    | 8,989,000            |                      |        |                     |                   |                    |                    |                              |
| <b>LEASED</b>                       |                      |                          |                    |                      |                      |        |                     |                   |                    |                    |                              |
| Plant and machinery                 | 250,844,767          | -                        | -                  | (80,086,500)         | 170,758,267          | 6      | 52,398,059          | 8,583,340         | (24,695,453)       | 36,285,946         | 134,472,321                  |
| Motor vehicles                      | 18,357,000           | -                        | -                  | (8,989,000)          | 9,368,000            | 20     | 8,281,715           | 1,752,197         | (5,462,226)        | 4,571,686          | 4,796,314                    |
|                                     | 269,201,767          | -                        | -                  | (89,075,500)         | 180,126,267          |        | 60,679,774          | 10,335,537        | (30,157,679)       | 40,857,632         | 139,268,635                  |
| <b>TOTAL RUPEES - 2008</b>          | <b>1,959,641,909</b> | <b>9,208,721</b>         | <b>252,122,000</b> | <b>-</b>             | <b>2,218,753,630</b> |        | <b>485,822,005</b>  | <b>60,079,528</b> | <b>(1,501,494)</b> | <b>544,400,039</b> | <b>1,674,353,591</b>         |
|                                     |                      | <b>(2,219,000)</b>       |                    |                      |                      |        |                     |                   |                    |                    |                              |
| <b>TOTAL RUPEES - 2007</b>          | <b>1,869,251,279</b> | <b>96,513,070</b>        | <b>-</b>           | <b>-</b>             | <b>1,959,641,909</b> |        | <b>427,986,069</b>  | <b>61,212,207</b> | <b>(3,376,271)</b> | <b>485,822,005</b> | <b>1,473,819,904</b>         |
|                                     |                      | <b>(6,122,440)</b>       |                    |                      |                      |        |                     |                   |                    |                    |                              |

15.1 Adjustment of leased machinery represents transfer to owned assets on completion of term of lease.

|   | 30-Jun-08         | 30-Jun-07         |
|---|-------------------|-------------------|
| Depreciation has been allocated as under: | RUPEES            | RUPEES            |
| Cost of sales (Note:26)                   | 56,765,809        | 57,984,986        |
| Administrative expenses(Note:28)          | 3,313,719         | 3,227,221         |
|   | <u>60,079,528</u> | <u>61,212,208</u> |

15.2 Had there been no revaluation the related figures of land and factory building at June 30, 2008 would have been as follows.

|                                     | Cost               | Book Value         |
|-------------------------------------|--------------------|--------------------|
| Lease hold land                     | 383,000            | 383,000            |
| Factory building on lease hold land | 204,905,496        | 150,629,859        |
| As at 30th June 2008                | <u>205,288,496</u> | <u>151,012,859</u> |
| As at 30th June 2007                | <u>205,288,496</u> | <u>157,289,103</u> |

During the year the company revalued its land which resulted in surplus of 252.122(M). The revaluation was carried out under market value basis by an independent valuer Messers Imran Associate. The company revalued its leasehold land in 2005 by Consultancy Support & Services Management Consultants, which resulted increase in net surplus of Rs. 151.635 (M) .The company had further revalued its factory building in the year 2006 by Consultancy Support & Services, Management Consultants, which resulted increase in net surplus of Rs. 122.681 (M).



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## 15.3 DISPOSAL OF FIXED ASSETS BY NEGOTIATIONS

| Particulars            | Original Cost    | Accumulated Depreciation | Book Value     | Sales Proceed  | Mode of Sale   | Purchaser  |
|------------------------|------------------|--------------------------|----------------|----------------|----------------|--|
| VEHICLES               |                  |                          |                |                |                |  |
| SUZUKI CULTUS AEX-663  | 590,000          | 405,296                  | 184,704        | 350,000        | By Negotiation | MR. SYED INAMUDDIN<br>D-35 ANARKALI PLAZA SECTOR 5-K NORTH KARACHI,<br>KARACHI |
| SUZUKI CULTUS AFB-780  | 590,000          | 410,248                  | 179,752        | 200,000        | By Negotiation | MR. IRSHAD AHMED<br>HOUSE # 4/235 SHAH FAISAL COLONY, KARACHI.                 |
| SUZUKI CULTUS AHN-670  | 590,000          | 309,138                  | 280,862        | 300,000        | By Negotiation | MR. KASHIF AMJAD<br>HOUSE # S-22/II, 16TH STREET PHASE 1 D.H.A KARACHI.        |
| HYUNDAI SANTRO ACY-327 | 449,000          | 376,812                  | 72,188         | 90,000         | By Negotiation | MR. SYED FARHAN AYAZ<br>HOUSE # A-255 BLOCK # 1, GULSHAN-E-IOBAL, KARACHI      |
| <b>Total Rupees</b>    | <b>2,219,000</b> | <b>1,501,494</b>         | <b>717,506</b> | <b>940,000</b> |                |  |

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| <b>16 CAPITAL WORK IN PROGRESS</b>  |                         |                         |
| Civil Works   |                         |                         |
| Opening Balance   | 3,301,528               | 12201528                |
| Addition  | 2,661,885               | -                       |
| Transfer  | -                       | (8,900,000)             |
| Closing Balance   | <u>5,963,413</u>        | <u>3,301,528</u>        |
| <b>17 LONG TERM DEPOSITS</b>  |                         |                         |
| Lease security deposits   | 19,130,100              | 20,370,538              |
| K.E.S.C.  | 1,829,694               | 1,829,694               |
| Other deposits  | 535,978                 | 538,008                 |
|   | <u>21,495,772</u>       | <u>22,738,240</u>       |
| <b>18 LONG TERM INVESTMENT</b>  |                         |                         |
| Long term Investment in subsidiary - unquoted<br>Olympia Power Generation(Pvt) Ltd<br>9000 ordinary shares of Rs. 10 each.<br>Break- up value Rs. 4,926.869 per share Total Rs.44,665,822.  | 44,665,822              | -                       |
|   | <u>44,665,822</u>       | <u>-</u>                |
| On February 09, 2008 the Directors of Olympia Power Generation (put) Ltd gifted 9000 ordinary shares of Rs.10 each which were recorded in the books of the company at a break- up value of Rs. 4,962.869 per shares and credited to capital reserves. |                         |                         |
| <b>19 STORES, SPARE PARTS AND LOOSE TOOLS</b>   |                         |                         |
| Stores  | 12,657,744              | 5,526,845               |
| Packing material  | 4,353,093               | 3,070,176               |
|   | <u>17,010,837</u>       | <u>8,597,021</u>        |
| <b>20 STOCK IN TRADE</b>  |                         |                         |
| Raw material  | 336,839,091             | 323,856,078             |
| Raw material in transit   | -                       | 84,164,452              |
| Work in process   | 18,395,164              | 17,014,163              |
| Finished goods  | 53,413,291              | 58,203,912              |
| Waste   | 165,130                 | 1,493,650               |
|   | <u>408,812,676</u>      | <u>484,732,255</u>      |
| <b>21 TRADE DEBTS</b>   |                         |                         |
| considered good   |                         |                         |
| Export - secured  | 24,044,911              | 44,629,768              |
| Local - unsecured   | 109,327,660             | 34,865,133              |
|   | <u>133,372,571</u>      | <u>79,494,901</u>       |





# Olympia Spinning & Weaving Mills Limited

|                                    | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|------------------------------------|-------------------------|-------------------------|
| <b>22 LOANS AND ADVANCES</b>       |                         |                         |
| Unsecured-considered good Advances |                         |                         |
| To employees                       |                         |                         |
| Staff                              | 641,477                 | 892,243                 |
| Workers                            | 3,347,790               | 4,031,953               |
|                                    | 3,989,267               | 4,924,196               |
| To suppliers(Note:22.1)            | 41,942,880              | 77,644,328              |
| To contractors                     | 7,065,639               | 7,096,770               |
| Short term deposits                | 33,762,438              | 10,600,052              |
| L/C payments                       | 1,094,760               | 566,397                 |
| Advance Income tax                 | 35,727,768              | 49,520,004              |
| Freight subsidy receivable         | 5,656,659               | 11,491,912              |
|                                    | <u>129,239,410</u>      | <u>161,843,658</u>      |

22.1 Advance to supplier include Rs. Nil (2007:12.567M) from Olympia Power Generation (Private) Limited.

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| <b>23 OTHER RECEIVABLES</b>               |                         |                         |
| Sales tax receivable                      | 11,162,228              | 11,928,473              |
| Central excise duty receivable from banks | 261,487                 | 261,487                 |
| Others                                    | 3,192,078               | 2,672,619               |
|   | <u>14,615,793</u>       | <u>14,862,579</u>       |
| <b>24 CASH AND BANK BALANCES</b>          |                         |                         |
| Cash in hand                              | 1,707,449               | 1,670,881               |
| Cash at bank in current accounts          | 453,077                 | 5,250,601               |
|   | <u>2,160,525</u>        | <u>6,921,482</u>        |
| <b>25 SALES</b>                           |                         |                         |
| Local                                     |                         |                         |
| Yarn                                      | 1,035,943,346           | 406,485,515             |
| Raw cotton                                | 215,151,204             | 144,800,092             |
| Waste                                     | 114,083,619             | 87,268,042              |
|   | 1,365,178,169           | 638,553,649             |
| Export                                    |                         |                         |
| Yarn                                      | 1,407,838,568           | 1,620,309,654           |
|   | 1,407,838,568           | 1,620,309,654           |
|   | <u>2,773,016,737</u>    | <u>2,258,863,303</u>    |
| Brokerage and commission                  | (30,538,765)            | (27,324,013)            |
|   | <u>2,742,477,972</u>    | <u>2,231,539,290</u>    |



# Olympia Spinning & Weaving Mills Limited

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| <b>26 COST OF SALES</b>   |                         |                         |
| Raw material consumed (Note:26.1)   | 2,046,480,275           | 1,573,263,119           |
| Packing material consumed (Note:26.2)   | 47,306,935              | 46,624,388              |
| Stores and spare parts consumed (Note:26.3)   | 25,750,511              | 24,749,889              |
| Salaries, wages and benefits (Note: 26.4)   | 112,079,589             | 95,806,799              |
| Power and fuel  | 210,803,319             | 172,299,749             |
| Doubling Charges  | -                       | 315,124                 |
| Vehicle running and maintenance   | 693,192                 | 725,841                 |
| Traveling and conveyance  | 73,186                  | 26,554                  |
| Repairs and maintenance   | 4,022,437               | 3,551,192               |
| Insurance   | 8,188,011               | 5,457,250               |
| Miscellaneous overheads   | 587,513                 | 355,987                 |
| Depreciation (Note:15.1)  | 56,765,809              | 57,984,986              |
|   | <u>2,512,750,777</u>    | <u>1,981,160,878</u>    |
| Work in process   |                         |                         |
| Opening   | 17,014,163              | 13,600,733              |
| Closing   | (18,395,164)            | (17,014,163)            |
|   | <u>(1,381,000)</u>      | <u>(3,413,430)</u>      |
| Cost of goods manufactured  | 2,511,369,776           | 1,977,747,448           |
| Cotton Yarn purchase  | 4,646,588               | 59,610,420              |
| Finished goods and waste  |                         |                         |
| Opening   | 59,697,562              | 39,044,228              |
| Closing   | (53,578,421)            | (59,697,562)            |
|   | <u>6,119,141</u>        | <u>(20,653,334)</u>     |
| Cost of sales   | <u>2,522,135,506</u>    | <u>2,016,704,534</u>    |
| <b>26.1 RAW MATERIAL CONSUMED</b>   |                         |                         |
| Opening stock   | 408,020,530             | 404,717,209             |
| Purchases   | 1,975,298,836           | 1,576,566,440           |
|   | <u>2,383,319,366</u>    | <u>1,981,283,649</u>    |
| Closing stock   | (336,839,091)           | (408,020,530)           |
|   | <u>2,046,480,275</u>    | <u>1,573,263,119</u>    |
| <b>26.2 PACKING MATERIAL CONSUMED</b>   |                         |                         |
| Opening stock   | 3,070,176               | 1,431,302               |
| Purchases   | 48,589,852              | 48,263,262              |
|   | <u>51,660,028</u>       | <u>49,694,564</u>       |
| Closing stock   | (4,353,093)             | (3,070,176)             |
|   | <u>47,306,935</u>       | <u>46,624,388</u>       |
| <b>26.3 STORES AND SPARES CONSUMED</b>  |                         |                         |
| Opening stock   | 5,526,845               | 7,515,173               |
| Purchases   | 32,881,409              | 22,761,561              |
|   | <u>38,408,254</u>       | <u>30,276,734</u>       |
| Closing stock   | (12,657,744)            | (5,526,845)             |
|   | <u>25,750,511</u>       | <u>24,749,889</u>       |
| <b>26.4</b> It includes Rs. 2,033,800/- (June 2007: Rs. 1,533,179/-) in respect of staff retirement benefits. |                         |                         |
| <b>27 DISTRIBUTION COST</b>   |                         |                         |
| Freight and cartage   | 42,656,963              | 44,277,915              |
| Export Development Surcharge  | 3,491,599               | 3,915,591               |
|   | <u>46,148,562</u>       | <u>48,193,506</u>       |





# Olympia Spinning & Weaving Mills Limited

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| <b>28 ADMINISTRATIVE AND SELLING EXPENSES</b>   |                         |                         |
| Salaries and other benefits (Note:28.1)   | 16,918,223              | 14,019,411              |
| Rent, rates and taxes   | 4,729,157               | 5,578,525               |
| Electric gas and water  | 951,252                 | 973,838                 |
| Postage, telephone and telex  | 1,437,601               | 1,333,908               |
| Printing and stationery   | 551,496                 | 778,400                 |
| Traveling and conveyance  | 1,010,887               | 326,246                 |
| Legal and professional  | 3,258,577               | 1,727,384               |
| Newspapers and periodicals  | 9,479                   | 10,000                  |
| Repairs and maintenance   | 771,835                 | 712,895                 |
| Charity and donation (Note:28.2)  | 5,000                   | -                       |
| Advertisement and publicity   | 167,918                 | 114,344                 |
| Motor vehicle expenses  | 937,426                 | 1,091,912               |
| Entertainment   | 863,848                 | 792,984                 |
| Packing Charges   |                         | 20,827                  |
| Auditor's remuneration:   |                         |                         |
| Audit fee   | 192,500                 | 175,000                 |
| Half yearly review fee  | 75,000                  | 75,000                  |
|   | 267,500                 | 250,000                 |
| Miscellaneous   | 678,499                 | 185,962                 |
| Insurance Expense   | 570,309                 | 574,539                 |
| Depreciation (Note:15)  | 3,313,719               | 3,227,221               |
|   | 36,442,725              | 31,718,396              |
| <b>28.1 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES</b>   |                         |                         |
| a. The Chief Executive and Directors of the company have waived their remuneration and meeting fee.   |                         |                         |
| b. The Chief Executive and two directors of the company are provided with free use of company maintained car and telephone at their residences. |                         |                         |
| <b>28.2</b> Directors and their spouse have no interest in the donees.  |                         |                         |
|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
| <b>29 OTHER OPERATING INCOME</b>  |                         |                         |
| Gain on disposal of fixed assets  | 222,494                 | 1,453,831               |
| Scrap sales   | 3,372,668               | 2,779,332               |
| Purchase discount   | -                       | 69,635                  |
| Other receipts  | -                       | 106,186                 |
|   | 3,595,162               | 4,408,984               |
| <b>30 FINANCE COST</b>  |                         |                         |
| Interest/mark-up on   |                         |                         |
| Long term loans   | 39,603,924              | 35,680,826              |
| Interest expense on W.P.P.F   | -                       | 37,840                  |
| Bank running finance  | 75,451,106              | 84,434,463              |
| Finance charges on lease  | 17,558,263              | 24,452,831              |
|   | 132,613,293             | 144,605,959             |
| Markup Others   | -                       | 367,500                 |
| Markup recovered from Subsidiary Company  | (2,619,050)             | -                       |
| Gain or loss on cross currency swap   | (865,928)               | -                       |
| LC discounting and Bank charges   | 12,444,092              | 14,066,892              |
|   | 141,572,407             | 159,040,351             |



# Olympia Spinning & Weaving Mills Limited

|   | June 30, 2008<br>RUPEES         | June 30, 2007<br>RUPEES         |
|---|---------------------------------|---------------------------------|
| <b>31 TAXATION</b>  |                                 |                                 |
| Current (Note 31.1)   | 14,284,234                      | 24,006,591                      |
| Prior   | 518,352                         | -                               |
| Deferred  | -                               | (9,704,866)                     |
|   | <u>14,802,586</u>               | <u>14,301,725</u>               |
| <b>31.1 Current</b>   |                                 |                                 |
| The provision for taxation has been made in these financial statement on the basis of section 169 of the income tax ordinance,2001  |                                 |                                 |
| <b>32 EARNINGS PER SHARE - BASIC &amp; DILUTED</b>  | <b>June 30, 2008<br/>RUPEES</b> | <b>June 30, 2007<br/>RUPEES</b> |
| There is no dilutive effect on the basic earnings per share of the company  |                                 |                                 |
| Profit for the year in rupees   | (15,028,650)                    | (34,010,239)                    |
| Total number of ordinary shares   | 12,000,000                      | 12,000,000                      |
| Earnings per share in rupees- Basic and diluted   | <u>(1.25)</u>                   | <u>(2.83)</u>                   |
| <b>33 CASH GENERATED FROM OPERATIONS</b>  |                                 |                                 |
| Profit /(Loss) before taxation  | (226,064)                       | (19,708,514)                    |
| Adjustment for non cash charges and other items   |                                 |                                 |
| Depreciation  | 60,079,528                      | 61,212,208                      |
| Financial charges   | 141,572,407                     | 159,040,351                     |
| (Gain)/Loss on disposal of fixed assets   | (222,494)                       | (1,453,831)                     |
| Provision for gratuity  | 4,422,003                       | 3,619,879                       |
|   | <u>205,851,444</u>              | <u>222,418,607</u>              |
| Operating profit / (loss) before working capital changes  | 205,625,380                     | 202,710,093                     |
| (Increase)/decrease in current assets   |                                 |                                 |
| Stock, Store & spare parts  | 67,505,763                      | (27,020,631)                    |
| Trade debts   | (53,877,671)                    | 11,324,355                      |
| Loans and advances  | 27,476,241                      | 22,839,931                      |
| Other receivables   | 246,786                         | 1,711,627                       |
|   | 41,351,120                      | 8,855,282                       |
| Increase/(decrease) in current liabilities  |                                 |                                 |
| Trade and other payables  | 106,436,581                     | 131,451,113                     |
|   | <u>353,413,080</u>              | <u>343,016,489</u>              |
| <b>34 TRANSACTION WITH SUBSIDIARY/ASSOCIATED UNDERTAKING</b>  |                                 |                                 |
| The related parties and associated undertakings comprise, local associated companies, directors and key management personnel. Transaction with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of their employment are as follows |                                 |                                 |
|   | <b>June 30, 2008<br/>RUPEES</b> | <b>June 30, 2007<br/>RUPEES</b> |
| Purchase of electricity (Note:33.1)   | 198,392,080                     | 155,828,125                     |
| Discount availed on electric purchases  | -                               | 19,478,516                      |

**34.1** This amount represents the purchase of electric power from Olympia Power Generation Private) Limited.

**34.2** Transactions with associated undertakings/subsidiary are carried out by the company at arms length price using the method prescribed under the Companies Ordinance, 1984.





# Olympia Spinning & Weaving Mills Limited

## 35 FINANCIAL INSTRUMENT RELATED DISCLOSURE

### 35.1 YIELD / MARK UP RATE RISK

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield / mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield / mark up rate risk in respect of the following:

|  | 2008                     |                    |               |                              |                    |               | TOTAL           |
|--|--------------------------|--------------------|---------------|------------------------------|--------------------|---------------|-----------------|
|  | interest/mark up bearing |                    |               | non interest/mark up bearing |                    |               |                 |
|  | Within one year          | More than one year | Sub total     | Within one year              | More than one year | Sub total     |                 |
| RUPEES   |                          |                    |               |                              |                    |               |                 |
| <b>FINANCIAL ASSETS</b>                                |                          |                    |               |                              |                    |               |                 |
| Deposits   | -                        | -                  | -             | 33,762,438                   | -                  | 33,762,438    | 33,762,438      |
| Trade debts  | -                        | -                  | -             | 133,372,571                  | -                  | 133,372,571   | 133,372,571     |
| Other receivables                                      | -                        | -                  | -             | 14,615,793                   | -                  | 14,615,793    | 14,615,793      |
| Cash and bank balances                                 | -                        | -                  | -             | 2,160,525                    | -                  | 2,160,525     | 2,160,525       |
|  |                          |                    |               | 183,911,328                  |                    | 183,911,328   | 183,911,328     |
| <b>FINANCIAL LIABILITIES</b>                           |                          |                    |               |                              |                    |               |                 |
| Loans  | 58,333,336               | 252,999,996        | 311,333,332   | -                            | 53,416,050         | 53,416,050    | 364,749,382     |
| Liabilities against assets subject to finance lease    | 22,003,844               | 128,946,783        | 150,950,627   | -                            | -                  | -             | 150,950,627     |
| Short term finance                                     | 526,862,346              | -                  | 526,862,346   | -                            | -                  | -             | 526,862,346     |
| Trade and other payables                               | -                        | -                  | -             | 409,305,789                  | -                  | 409,305,789   | 409,305,789     |
|  | 607,199,526              | 381,946,779        | 989,146,305   | 409,305,789                  | 53,416,050         | 462,721,839   | 1,451,868,143   |
| Off balance sheet items:                               |                          |                    |               |                              |                    |               |                 |
| Bank Guarantees issued                                 | -                        | -                  | -             | -                            | -                  | -             | -               |
| Other commitments                                      | -                        | -                  | -             | -                            | -                  | -             | 202,880,738     |
| Total  |                          |                    |               |                              |                    |               | 202,880,738     |
| <b>Total yield / mark up rate risk sensitivity gap</b> | (607,199,526)            | (381,946,779)      | (989,146,305) | (225,394,461)                | (53,416,050)       | (278,810,511) | (1,267,956,816) |
| Off balance sheet gap                                  |                          |                    |               |                              |                    |               | (202,880,738)   |

|  | 2007                     |                    |                 |                              |                    |               | TOTAL           |
|--|--------------------------|--------------------|-----------------|------------------------------|--------------------|---------------|-----------------|
|  | interest/mark up bearing |                    |                 | non interest/mark up bearing |                    |               |                 |
|  | Within one year          | More than one year | Sub total       | Within one year              | More than one year | Sub total     |                 |
| RUPEES   |                          |                    |                 |                              |                    |               |                 |
| <b>FINANCIAL ASSETS</b>                                |                          |                    |                 |                              |                    |               |                 |
| Deposits   | -                        | -                  | -               | 10,600,052                   | -                  | 10,600,052    | 10,600,052      |
| Trade debts  | -                        | -                  | -               | 79,494,901                   | -                  | 79,494,901    | 79,494,901      |
| Other receivables                                      | -                        | -                  | -               | 14,862,579                   | -                  | 14,862,579    | 14,862,579      |
| Cash and bank balances                                 | -                        | -                  | -               | 6,921,482                    | -                  | 6,921,482     | 6,921,482       |
|  |                          |                    |                 | 181,309,355                  |                    | 202,587,893   | 111,879,014     |
| <b>FINANCIAL LIABILITIES</b>                           |                          |                    |                 |                              |                    |               |                 |
| Loans  | 90,833,336               | 259,749,998        | 350,583,334     | -                            | 110,334,013        | 110,334,013   | 460,917,347     |
| Liabilities against assets subject to finance lease    | 22,981,231               | 153,295,967        | 176,277,198     | -                            | -                  | -             | 176,277,198     |
| Short term finance                                     | 592,569,977              | -                  | 592,569,977     | -                            | -                  | -             | 592,569,977     |
| Trade and other payables                               | -                        | -                  | -               | 302,869,208                  | -                  | 302,869,208   | 302,869,208     |
|  | 706,384,544              | 413,045,965        | 1,119,430,509   | 302,869,208                  | 110,334,013        | 413,203,221   | 1,532,633,730   |
| Off balance sheet items:                               |                          |                    |                 |                              |                    |               |                 |
| Bank Guarantees issued                                 | -                        | -                  | -               | -                            | -                  | -             | 7,270,000       |
| Other commitments                                      | -                        | -                  | -               | -                            | -                  | -             | 174,721,995     |
| Total  |                          |                    |                 |                              |                    |               | 181,991,995     |
| <b>Total yield / mark up rate risk sensitivity gap</b> | (706,384,544)            | (413,045,965)      | (1,119,430,509) | (121,559,853)                | (110,334,013)      | (210,615,328) | (1,420,754,716) |
| Off balance sheet gap                                  |                          |                    |                 |                              |                    |               | (181,991,995)   |

Effective yield / mark up rate was mentioned in the relevant notes.

### 35.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

### 35.3 Fair value of financial instruments

The carrying value of all the financial instruments reported in the financial statement approximate their fair value.

### 35.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers and believes that it is not exposed to significant exchange risk. As at year end no forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies.

### 35.5 Capital risk management

The objective of the company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit 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 make 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 the shareholders or issue new shares.



# Olympia Spinning & Weaving Mills Limited

## 36 PLANT CAPACITY AND PRODUCTION:

|  |            |            |
|--|------------|------------|
| Total number of spindles installed   | 44,484     | 44,484     |
| Average No. of spindles worked   | 44,004     | 44,004     |
| Number of shifts   | 3          | 3          |
| <b>Actual production of the period in kgs</b><br>after conversion into 20/1 count  | 14,253,918 | 14,144,356 |
| <b>Installed capacity of the period in kgs</b><br>after conversion into 20/1 count | 15,104,644 | 15,104,644 |

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, spindle speed, twist per inch and raw material used etc. It would also vary according to the pattern of production adopted in a particular year.

## 37 General

Corresponding last year figures have been rearranged and reclassified, whenever necessary, for better presentation and disclosure

| Reclassification from  | Reclassification to                            | Amount     |
|--|--|------------|
| <b>Trade Debts</b><br>Local Debts  | Loan & Advances<br>Suppliers                   | 55,300,129 |
| <b>Administrative &amp; Selling Expense</b><br>Export Develop. Surcharge (Rent, rates and taxes) | Distribution Cost<br>Export Develop. Surcharge | 3,915,519  |

## 38 DATE OF AUTHORISATION FOR ISSUE

The Board of directors of the company have authorized these financial statements for issue on September 27, 2008.

CHIEF EXECUTIVE

DIRECTOR

Karachi: 27th SEPTEMBER, 2008





# Olympia Spinning & Weaving Mills Limited

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## OLYMPIA GROUP

### CONSOLIDATED FINANCIAL STATEMENT

30 JUNE 2008



# Olympia Spinning & Weaving Mills Limited

## DIRECTORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Directors have pleasure in presenting their Annual Consolidated Report along with audited accounts of the Group for year ended June 30, 2008 for your consideration and approval. The Olympia Group comprises financial statement of Olympia Spinning & Weaving Mills Limited and Olympia Power Generation (Pvt) Limited.

The Directors report on the performance of Olympia Spinning & Weaving for the year ended 30 June, 2008 has been presented separately.

### GROUP RESULTS

The operating results of the period under review has resulted in net profit before taxation of Rs.5,244,284/- with net sales of Rs.2,742,477,972/-

|                       | For Year ended<br>June 30, 2008<br>Rupees |
|-----------------------|---|
| Gross Sales           |   |
| Gross Profit          | 2,742,477,972                             |
| Profit from Operation | 234,892,936                               |
| EPS                   | 152,336,466<br>(0.79)                     |

### OLYMPIA POWER GENERATION (PVT) LIMITED

Olympia Power Generation (Pvt) Limited, groups subsidiary earns good profit of Rs 26 million with sales of Rs 198 million and remain successful in achieving its target. The company is expecting continued inflationary pressure during the next year & plans to cope with it by considering alternative source of revenue and internal cost savings.

### ACKNOWLEDGEMENT:

I would like to place on record the Co-operation shown by our Bankers for their support and without their co-operation, the present results could not have been achieved. The loyalty and devotion of the Staff members and the workers towards the Company is also one of the major factor for achieving the present results.

For and on behalf of the Board

Karachi: 27<sup>th</sup> September, 2008

WAQAR MONNOO  
(Chief Executive/Director)





# Olympia Spinning & Weaving Mills Limited

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## AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of **Olympia Spinning & Weaving Mills Limited** (the holding company) and its subsidiary company as at June 30, 2008 and the related consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity together with the notes forming part thereof, for the year ended June 30, 2008. We have also expressed a separate opinion on the financial statements of Olympia Spinning Mills Limited and its subsidiary company. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements examined by us present fairly, except as mentioned in note 14.1, the company has not provided liability under cross currency swap contracts loss of Rs. 61.46 (M). The amount has been declared as Contingent Liability in Note No. 14.1. The company has filed a suit in High Court of Sindh and obtained stay order against the settlement of cross currency swap contracts on the vague provision of the contracts, had the provision been accounted for, the loss would increase to Rs. 76.48 (M), the financial position of **Olympia Spinning & Weaving Mills Limited** and its subsidiary company as at June 30, 2008 and the results of their operations for the year ended June 30, 2008.

**MUSHTAQ & COMPANY**  
**CHARTERED ACCOUNTANTS**

**KARACHI:**



**CONSOLIDATED BALANCE**

| EQUITY AND LIABILITIES   | NOTE | JUNE 30, 2008<br>RUPEES | JUNE 30, 2007<br>RUPEES |
|--|------|-------------------------|-------------------------|
| <b>SHARE CAPITAL AND RESERVES</b>                              |      |                         |                         |
| Authorized capital<br>13000,000 Ordinary shares of Rs.10 each. |      | <u>130,000,000</u>      | <u>130,000,000</u>      |
| Issued, subscribed and paid up capital                         | 5    | 120,000,000             | 120,000,000             |
| Revenue reserve  |      | 3,580,053               | 3,580,053               |
| Capital Reserve  |      | 44,665,822              | -                       |
| Unappropriated loss  |      | (31,232,165)            | (23,950,375)            |
|  |      | <u>137,013,710</u>      | <u>99,629,678</u>       |
| Minority interest  | 6    | 31,880,185              |                         |
| Surplus on revaluation of fixed assets                         | 7    | 798,934,764             | 553,782,970             |
| <b>NON CURRENT LIABILITIES</b>                                 |      |                         |                         |
| Long term financing  | 8    | 359,141,075             | 370,084,011             |
| Liability against assets subject to finance lease              | 9    | 128,946,783             | 153,295,967             |
| Deferred liabilities   | 10   | 4,663,819               | 3,523,054               |
| <b>CURRENT LIABILITIES</b>                                     |      |                         |                         |
| Trade and other payables                                       | 11   | <u>403,858,404</u>      | <u>302,869,208</u>      |
| Interest / mark-up accrued on loans                            | 12   | 27,849,098              | 22,047,177              |
| Short-term borrowings  | 13   | 526,965,655             | 592,569,977             |
| Current portion of   |      |                         |                         |
| - long term financing  |      | 82,193,595              | 90,833,336              |
| - liabilities against asset subject to finance lease           |      | 23,309,136              | 22,981,231              |
| Provision for taxation   |      | <u>34,972,601</u>       | <u>44,694,958</u>       |
|  |      | 1,099,148,489           | 1,075,995,887           |
| <b>CONTINGENCIES AND COMMITMENTS</b>                           |      |                         |                         |
|  | 14   |                         |                         |
|  |      | <u>2,559,728,826</u>    | <u>2,256,311,567</u>    |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE**

Karachi: 27th SEPTEMBER, 2008



**SHEET AS AT JUNE 30, 2008**

| PROPERTY AND ASSETS                    | NOTE | JUNE 30, 2008<br>RUPEES | JUNE 30, 2007<br>RUPEES |
|--|------|-------------------------|-------------------------|
| <b>NON CURRENT ASSETS</b>              |      |                         |                         |
| Property, plant and equipment          | 15   | 1,817,291,771           | 1,473,819,904           |
| Capital work in progress               | 16   | 5,963,413               | 3,301,528               |
| Long term deposit                      | 17   | 21,495,772              | 22,738,240              |
| <b>CURRENT ASSETS</b>                  |      |                         |                         |
| Stores and spare parts and loose tools | 18   | <u>18,166,159</u>       | <u>8,597,021</u>        |
| Stock in trade                         | 19   | 408,812,676             | 484,732,255             |
| Trade debts - considered good          | 20   | 133,372,571             | 79,494,901              |
| Loans and advances                     | 21   | 137,945,703             | 161,843,658             |
| Other receivables                      | 22   | 14,060,003              | 14,862,579              |
| Cash and bank balances                 | 23   | <u>2,620,758</u>        | <u>6,921,482</u>        |
|  |      | 714,977,870             | 756,451,895             |
|  |      | <u>2,559,728,826</u>    | <u>2,256,311,567</u>    |

**DIRECTOR**





# Olympia Spinning & Weaving Mills Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008

|                                       |      | For the year<br>ended June 30,<br>2008 | For the year<br>ended June 30,<br>2007 |
|---------------------------------------|------|--|--|
|                                       | NOTE | RUPEES                                 | RUPEES                                 |
| Sales (net)                           | 24   | 2,742,477,972                          | 2,231,539,290                          |
| Cost of goods sold                    | 25   | (2,507,585,037)                        | (2,016,704,534)                        |
| Gross profit                          |      | 234,892,936                            | 214,834,757                            |
| Distribution cost                     | 26   | (46,148,562)                           | (48,193,506)                           |
| Administrative expenses               | 27   | (38,604,599)                           | (31,718,397)                           |
| Other operating income                | 28   | 2,196,691                              | 4,408,984                              |
| Operating profit                      |      | (82,556,469)                           | (75,502,919)                           |
| Finance cost                          | 29   | 152,336,466                            | 139,331,837                            |
| Net loss before taxation              |      | (147,092,183)                          | (159,040,351)                          |
| Taxation:                             | 30   | 5,244,284                              | (19,708,514)                           |
| Net loss for the year after taxation  |      | (14,802,586)                           | (14,301,725)                           |
| Attributable to:                      |      | (9,558,302)                            | (34,010,239)                           |
| Equity holders of the parent          |      | (11,742,280)                           |  |
| Minority Interest                     |      | 2,183,978                              |  |
|                                       |      | (9,558,302)                            |  |
| Earning per share - Basic and diluted | 31   | (0.79)                                 | (2.83)                                 |

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

Karachi: 27th SEPTEMBER, 2008



# Olympia Spinning & Weaving Mills Limited

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

|  | For the year<br>ended June30,<br>2008<br>RUPEES | For year ended<br>June30,<br>2007<br>RUPEES |
|--|---|---|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |   |   |
| Cash generated from operations (Note: 33)              | 346,066,690                                     | 340,929,789                                 |
| Taxes paid   | (10,848,711)                                    | (17,068,669)                                |
| Finance cost paid                                      | (141,290,262)                                   | (155,998,821)                               |
| Workers' profit participation fund paid                | -   | (2,458,858)                                 |
| Gratuity paid  | (4,058,521)                                     | (3,355,267)                                 |
| Long term deposits                                     | 1,242,468                                       | (1,459,702)                                 |
| Net cash from operating activities                     | 191,111,665                                     | 160,588,472                                 |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |   |   |
| Proceeds from disposal of fixed assets                 | 940,000   | 4,200,000                                   |
| Net assets of subsidiary net of cash acquired          | (74,443,038)                                    |   |
| Fixed capital expenditure                              | (10,039,187)                                    | (56,601,436)                                |
| Capital work in progress.                              | (2,661,885)                                     | 8,900,000                                   |
| Net cash (used in)/from investing activities           | (86,204,110)                                    | (43,501,436)                                |
| <b>CASH FLOW FORM FINANCING ACTIVITIES</b>             |   |   |
| Long term finance                                      | (19,582,677)                                    | (108,970,568)                               |
| Short term finances                                    | (65,604,322)                                    | 19,757,136                                  |
| Repayment of lease liabilities                         | (24,021,279)                                    | (64,842,919)                                |
| Net cash used in financing activities                  | (109,208,278)                                   | (116,220,030)                               |
| Net increase in cash and cash equivalents              | (4,300,724)                                     | 867,006                                     |
| Cash and cash equivalents at the beginning of the year | 6,921,482                                       | 6,054,476                                   |
| Cash and cash equivalents at the end of the year.      | 2,620,758                                       | 6,921,482                                   |

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE**

**DIRECTOR**

Karachi: 27TH SEPTEMBER, 2008





# Olympia Spinning & Weaving Mills Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

|   | Attributable to equity holders of the parent |                  |                   |                      | TOTAL              | MINORITY INTEREST | TOTAL EQUITY       |
|---|--|------------------|-------------------|----------------------|--------------------|-------------------|--------------------|
|   | PAID UP CAPITAL                              | REVENUE RESERVE  | CAPITAL RESERVE   | UN-APPROPRIATED LOSS |                    |                   |                    |
|   | RUPEES                                       |                  |                   |                      |                    |                   |                    |
| Balance as at February 09, 2008   | 120,000,000                                  | 3,580,053        | -                 | (23,950,375)         | 99,629,678         | -                 | 99,629,678         |
| Share in net assets as at the date of consolidation   |  |                  |                   |                      |                    | 29,777,216        | 29,777,216         |
| Gift of Shares by shareholders of Olympia Power Generation(Pvt) Limited.  | -  | -                | 44,665,822        | -                    | 44,665,822         | -                 | 44,665,822         |
| Loss for the period including share of actuarial loss   | -  | -                | -                 | (14,251,996)         | (14,251,996)       | 2,102,969         | (12,149,027)       |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged in the current year 2008 | -  | -                | -                 | 6,970,206            | 6,970,206          | -                 | 6,970,206          |
| Balance as at June 30, 2008   | <u>120,000,000</u>                           | <u>3,580,053</u> | <u>44,665,822</u> | <u>(31,232,165)</u>  | <u>137,013,710</u> | <u>31,880,185</u> | <u>168,893,895</u> |

June 30, 2008

RUPEES

### STATEMENT OF RECOGNISED INCOME AND EXPENSES

|                             |                     |
|-----------------------------|---------------------|
| Loss for the year           | (11,742,280)        |
| Actuarial (Loss) recognised | (2,509,716)         |
|                             | <u>(14,251,996)</u> |

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

Karachi: 27th SEPTEMBER, 2008



# Olympia Spinning & Weaving Mills Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30 2008

### 1. THE COMPANY AND ITS OPERATIONS:

Olympia Spinning & Weaving Mills Limited (the parent company) was incorporated in Pakistan as a public limited company on October 28, 1960, and its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn. Olympia Power Generation (Pvt) Limited (the subsidiary) was incorporated in Pakistan as a private limited company on August 30, 1994. The Subsidiary is engaged in power generation and sale of electricity. The holding company holds 9,000 equity shares representing 60% shareholding by virtue of gift of shares by directors of subsidiary at free of cost on 9<sup>th</sup> February, 2008. The registered office of the company is situated at E-3 Farzana Building, 1<sup>st</sup> floor, Block 7 & 8, Shaheed-e-Millat Road Karachi.

### 2. STATEMENT OF COMPLIANCE

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

### 3. BASIS OF PREPARATION

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving higher degree of judgments or complexity or areas where assumption and estimates are significant to the financial statements are as follows:

- a) Employee retirements benefits- Note-10
- b) Useful life and residual values of property, plant and equipment- Note-5.7

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Change in accounting policy & method:

- a) **Change in cost formula for raw-material from annual weighted average to monthly average:**  
Based on new circumstances and huge variation in raw cotton prices, the company has changed its cost formula for calculation of inventories from annual weighted average to monthly weighted average. This change in accounting estimate is dealt under International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors". Had the previous policy of calculation of cost applied, the loss would have increased by Rs.34.473 (M) and carrying value of inventory would be reduced by the same amount. The impact of changes of this estimate in future periods is not disclosed because estimating the effect in future periods is impracticable.

- b) **Staff retirement benefit:**

During the year the company has adopted the alternative approach of recognizing actuarial gain and losses outside the profit & loss account through "Statement of recognized income & expenses" in accordance with para 93A of IAS-19. The prior year figure in balance sheet and profit & loss account have been restated to account for the change in accounting policy in compliance with the requirements of International Accounting Standard (IAS 8) "Accounting Policies, Changes in





# Olympia Spinning & Weaving Mills Limited

Accounting Estimates and Errors". The change have no effect on the net profit/ (loss) of prior years.

## 4.2 Principles of Consolidation

Subsidiaries are all entities over which the holding company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements includes Olympia Spinning and Weaving Mills Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their value at the combination date, irrespective of the extent of any minority interest. The investment is measured at fair value by taken taking breakup value of Olympia Power Generations (Pvt) Limited accounts as at 9<sup>th</sup> February, 2008 and crediting capital reserves. The assets and liabilities arising from acquisition are as follows:

|  |                 |
|--|-----------------|
| Property, Plant & Equipment            | Rs 144,660,676  |
| Stores and Spares                      | Rs 668,105      |
| Loan and Advances                      | Rs 14,399,178   |
| Trade Debts                            | Rs 33,347,853   |
| Other Receivables                      | Rs 44,855       |
| Cash and bank balances                 | Rs 1,531,849    |
| Long Term Loans                        | (Rs 87,856,828) |
| Obligation under Finance Lease         | (Rs 5,303,930)  |
| Staff Retirement Benefits              | (Rs 143,509)    |
| Creditors, accrued & other liabilities | (Rs 26,905,210) |
| Net Equity                             | Rs 74,443,039   |

The carrying value of assets and liabilities acquired approximate their fair values. The assets and liabilities of subsidiary company have been consolidated on a line-by-line basis and the carrying value of investments are eliminated against subsidiary share capital and pre-acquisition reserves in the consolidated financial statements. Inter-company transactions, balances and unrealized gains on transactions between group company is eliminated in full. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Minority Interest

Minority interests are that part of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the parent company.

## 4.2 Functional and presentation currency.

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

## 4.4 Defined benefit plan

The company operates an unfunded gratuity plan for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from June 30, 2008 using the Projected Unit Credit Method.

Any actuarial gain or loss recognized during the period is accounted for under para 93A of IAS-19 by recognizing whole amount of actuarial gain or loss in "Statement of recognized income and expense" in statement of changes in equity.

## 4.5 Taxation Current

Provision for current taxation is made on the taxable income, if any, after taking into account tax credit and tax rebate available.





# Olympia Spinning & Weaving Mills Limited

## Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

## 4.6 Trade and other payables

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

## 4.7 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

## 4.8 Property, plant and equipment

### a) Owned

Property plant and equipment except land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Depreciation on additions during year is charged on pro-rata basis when the assets are available for use. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized. The company reviews the rate of depreciation, useful life, residual value of assets for possible impairment on annual basis. Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charges and impairment. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

### b) Leased Assets subject to finance lease

Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payment under the lease agreement and the fair value of the leased asset. The related obligations under the lease less financial charges allocated to future period are shown as a liability. Financial charges are allocated to accounting period in a manner to provide constant periodic rate of charge on the outstanding liability. Capitalized or leased assets are depreciated on the same basis and on the same rate as owned assets. Income arising from sales and lease back transaction, if any, is deferred and is amortized equally over the lease period.

### c) Capital work in progress

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

### d) Impairment of fixed assets

In accordance with IAS 36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the profit and loss account.

## 4.9 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.





# Olympia Spinning & Weaving Mills Limited

## 4.10 Stock in trade

These are valued at lower of cost and net realizable value (NRV) except waste which is valued at NRV, cost is determined as follows:

|                                    |  |
|------------------------------------|--|
| Raw material                       | Monthly average except those in transit which are stated at cost comprising invoice value plus other charge incurred thereon |
| Finished goods and work in process | Raw material cost plus appropriate manufacturing overheads   |
| Waste                              | At net realizable value  |

Net realizable value signifies the selling price prevailing in the market less selling expenses incidental to sales

## 4.11 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

## 4.12 Cash and cash equivalent

Cash in hand, cash at bank and short-term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short-term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

## 4.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

## 4.14 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

## 4.15 Revenue recognition

Sales are recognized on dispatch of goods to the customers. Dividend income is recognized when right to receive dividend is established. Interest income is recognized on accrual basis.

## 4.16 Derivative Financial Instruments

These are initially recognised at cost and are subsequently remeasured at their fair value. The method of recognising gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives (Other than designated as hedging instrument) with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gain and losses are included in the income currently.

## 4.17 Borrowing cost

All mark up, interest and other charges are charged to current income on an accrual basis.

## 4.18 Dividend and appropriation to reserves

The dividend distribution and appropriation to reserves is recognised in the period in which, these are approved.

## 4.19 Related party transactions

The Company at arms' length price using the method prescribed under the Companies Ordinance, 1984, carries out all transactions with related parties.





# Olympia Spinning & Weaving Mills Limited

|  | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|--|-------------------------|-------------------------|
| <b>5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>  |                         |                         |
| 2,200,000 Ordinary shares of Rs.10 each<br>fully paid in cash                                      | 22,000,000              | 22,000,000              |
| 200,000 Ordinary shares of Rs.10 each<br>fully paid as bonus shares                                | 2,000,000               | 2,000,000               |
| 9,600,000 Ordinary shares of Rs. 10 each<br>issued as right shares                                 | 96,000,000              | 96,000,000              |
|  | <u>120,000,000</u>      | <u>120,000,000</u>      |
| <b>6 MINORITY INTEREST</b>   |                         |                         |
| Share capital  | 90,000                  | -                       |
| General reserve  | 6,000,000               | -                       |
| Accumulated profit   | 25,790,185              | -                       |
|  | <u>31,880,185</u>       | <u>-</u>                |
| <b>7 SURPLUS ON REVALUATION OF FIXED ASSETS</b>  |                         |                         |
| Balance as at July 01, 2007  | 553,782,970             | 561,120,029             |
| Add: surplus on revaluation of fixed assets during the year  | 252,122,000             | -                       |
|  | 795,904,970             | 561,120,029             |
| Less:<br>transfer to unappropriated profit on account of incremental<br>depreciation for the year. | <u>6,970,206</u>        | <u>7,337,059</u>        |
|  | 6,970,206               | 7,337,059               |
| <b>8 Balance as at June 30, 2008</b>   | <u>788,934,764</u>      | <u>553,782,970</u>      |
| <b>LONG TERM FINANCING</b>   |                         |                         |
| From banking companies - secured   |                         |                         |
| Loan 1 (Note:8.1)  | 63,000,000              | 63,000,000              |
| Loan 2 (Note:8.2)  | 137,499,999             | 167,583,333             |
| Loan 3 (Note:8.2)  | 5,833,333               | 7,500,001               |
| Loan 4 (Note:8.3)  | -                       | 2,500,000               |
| Loan 5 (Note: 8.4)   | 60,000,000              | 60,000,000              |
| Loan 6 (Note: 8.5)   | 45,000,000              | 50,000,000              |
| Loan 7 (Note: 8.6)   | 76,585,288              | -                       |
|  | 387,918,620             | 350,583,334             |
| From related party - unsecured   |                         |                         |
| Directors (Note: 8.7) Sub -ordinated   | <u>53,416,050</u>       | <u>95,334,013</u>       |
| Associated company (Note: 8.8)   | -                       | 15,000,000              |
|  | 53,416,050              | 110,334,013             |
| Current maturity of long term financing (Note: 8.10)   | <u>(79,193,595)</u>     | <u>(90,833,336)</u>     |
|  | <u>362,141,075</u>      | <u>370,084,011</u>      |

8.1 This term loan with UBL is for Rs.63.00 (M) for 5 years with a grace period of two years starting from August 31,2009 and payable in quarterly installments of Rs.5.25 (M) each. This is secured by equitable mortgage of Rs.575.396 (M) on fixed assts, and floating charge on current assts and personal guarantee of Directors. Mark-up is @ 3 months Kibor + 2.5 % per annum, payable quarterly.

8.2 This revised Term financing with Askari Bank Ltd. for Rs. 137.5 (M) is for four years with a grace period of 21 months. Repayment is in 24 equal quarterly installments starting from 1st September 2008 and ending in December 2011. This is secured by specific charge of Rs. 200 (M) over the machinery imported and purchased locally and first pari passu charge of Rs. 310 (M) over plant and machinery and personal guarantee of directors. Mark-up is @ 6 months Kibor + 2.00% bps payable quarterly.





# Olympia Spinning & Weaving Mills Limited

- 8.2 (a)** This revised long Term financing with Askari Bank Ltd. for Rs. 6.25 (M) is for four years and secured by specific charge of Rs. 200 (M) on imported machinery and Rs.310 (M) on plant and machinery along with other facilities. Repayments is in 20 equal quarterly installments of Rs 0.416 (M) ending in December 2011. Mark up is SBP refinance rate plus 2% payable quarterly.
- 8.3** This demand finance loan from Allied Bank Ltd. is repayable in monthly installments commencing from May-2005 and carries mark-up @ 6 months kibar average ask side + 2% per annum, payable quarterly. This loan is secured by ranking charge over fixed assets of the company to the extent of Rs.33.00 (M) in addition to personal guarantee of sponsor Directors. Total facility amount is Rs. 24.5 (M).
- 8.4** This term finance from Soneri Bank Ltd has 12 months grace period and repayable in four half yearly installments commencing from 1st July 2008 and ending on 1st January 2010 and carries mark up @ 6 months kibar + 2.65 % per annum, payable quarterly. Total facility amount is Rs. 60.00 (M) Charge on fixed assets of the company is to the extent Rs.80 (M).
- 8.5** This demand finance has been rescheduled with My Bank Ltd. having 6 months grace period and repayable in 10 quarterly installments commencing from August 23, 2007 and ending on November 23, 2009 and carries mark-up @ 6 months kibar + 4% with a floor of 15% with mark-up payable quarterly. Total facility amount is Rs.50.00(M).Charge over fixed assets of the company Rs. 67(M).
- 8.6** This represents debt swap arrangements for converting lease finance of Rs. 100 (M) into Long term financing (LTF-EOP) of Rs. 73.20 (M) under SBP's LTF-EOP Scheme and remaining portion into Term Finance facility of Rs 26.78 (M) .The Long term finance carries markup at the rate of SBP portion of markup + 3% and is payable in six half yearly installments.  
The Term finance facility carries markup at the rate of six month average KIBOR + 2.75%. Both these facilities are secured by 10% margin, first hypothecation charges over generators financed by the bank for Rs.135 (m) and personal guarantees of directors of the company.
- 8.7** The above loan is unsecured and interest free and is not repayable in the next twelve months. This loan has been Sub - ordinated to bank loan.
- 8.8** These represent unsecured finance obtained from an associated company carrying no markup and is not repayable in the next twelve months
- 8.9** During the year the company has entered into cross currency swap arrangements at different dates to hedge the probable adverse movement in interest rates.Under the terms of these contracts at each swap date , the company will receive KIBOR from the arranging bank in local currency & pays LIBOR plus Bank spread in USD and settling the transaction on net cash basis. There has been no transfer of liability , only the nature of the interest payments has been changed. As this hedging relationship is ineffective and does not meet the criteria of hedge, this arrangement does not qualify for special hedge accounting specified in IAS 39 "Financial Instruments:Recognition and Measurement". The derivative cross currency swap payable as at June 30, 2008 has been marked to market and the resulting liability of Rs.61.46 (M) has not been recognised in profit & loss account due to the reasons disclosed in Note 14.1.
- 8.10** Includes overdue installment of Rs. 9.16 (M).

## 9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| Minimum lease payments                      |                         |                         |
| Up to one year                              | 40,206,572              | 41,028,685              |
| More than one year but less than five years | 149,185,386             | 179,476,230             |
|   | 189,391,958             | 220,504,915             |
| Less: Financial charges                     |                         |                         |
| Up to one year                              | 16,897,436              | 18,886,239              |
| More than one year but less than five years | 20,238,603              | 25,341,478              |
|   | 37,136,039              | 44,227,717              |
| Present value of minimum lease payments     |                         |                         |
| Up to one year                              | 23,309,136              | 22,981,231              |
| More than one year but less than five years | 128,946,783             | 153,295,967             |
|   | <u>152,255,919</u>      | <u>176,277,198</u>      |





# Olympia Spinning & Weaving Mills Limited

9.1 The company has entered into lease agreements with various leasing companies. The lease agreement contains bargain purchase option. Taxes, repairs and maintenance, insurance and other costs relating to the leased assets are to be borne by the company. The rate of finance charges applied vary from 11.71 % to 18.38 % (June 2007 11.35% to 14.09%) per annum. The above liabilities are additionally secured by security deposits and personal guarantee of Director.

## 10 DEFERRED LIABILITIES

|  |                  |                  |
|--|------------------|------------------|
| Staff retirement benefit-gratuity (Note: 10.1 to 10.5) | 4,663,819        | 3,523,054        |
| Deferred tax (Note: 10.6)                              | -                | -                |
|  | <u>4,663,819</u> | <u>3,523,054</u> |

### 10.1 Movement in the net liability recognized in the balance sheet

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Opening net liability | 3,947,576        | 3,258,442        |
| Expense for the year  | 4,774,764        | 3,619,879        |
|                       | <u>8,722,340</u> | <u>6,878,321</u> |
| Contribution paid     | (4,058,521)      | (3,355,267)      |
| Closing net liability | <u>4,663,819</u> | <u>3,523,054</u> |

### 10.2 Expense recognized in the profit and loss account excluding actuarial loss

|                      |                  |                  |
|----------------------|------------------|------------------|
| Current service cost | 1,910,343        | 1,334,191        |
| Interest cost        | 273,696          | 198,988          |
|                      | <u>2,184,039</u> | <u>1,533,179</u> |

### 10.3 General description

The scheme provides for terminal benefits for all of its permanent employees who attain the minimum qualifying period. Annual charge is made using the actuarial technique of Projected Unit Credit Method..

### 10.4 Principal actuarial assumption

Following are a few important actuarial assumptions used in the valuation.

|                                     |    |    |
|-------------------------------------|----|----|
|                                     | %  | %  |
| Discount rate                       | 12 | 10 |
| Expected rate of increase in salary | 5  | 5  |

### 10.5 Historical information

|   | 2008      | 2007      | 2006      | 2005      | 2004      |
|---|-----------|-----------|-----------|-----------|-----------|
|   | RUPEES    | RUPEES    | RUPEES    | RUPEES    | RUPEES    |
| Present value of the defined obligation | 4,216,919 | 3,523,054 | 3,258,442 | 2,893,776 | 4,865,582 |

10.6 The company has provided for the current tax based on normal provisions of the income tax ordinance 2001. However, the Company has not provided for deferred tax since the Company's management expects that in consonance with the past trends, future tax liabilities would continue to be finalised under the final tax Regime. Therefore, any timing differences arising during the year are not expected to reverse in future periods.

|   | June 30, 2008      | June 30, 2007      |
|---|--------------------|--------------------|
|   | RUPEES             | RUPEES             |
| <b>11 TRADE AND OTHER PAYABLES</b>            |                    |                    |
| Trade Creditors                               | 94,278,398         | 78,775,937         |
| Bills payable                                 | 292,168,084        | 214,339,022        |
| Withholding tax payable                       | 3,300              | -                  |
| Worker's Profit Participation fund            | 1,398,471          | -                  |
| Accrued expenses                              | 16,010,151         | 9,754,248          |
|   | <u>403,858,404</u> | <u>302,869,208</u> |
| <b>12 INTEREST / MARK-UP ACCRUED ON LOANS</b> |                    |                    |
| Long term financing                           | 6,241,503          | 2,588,639          |
| Short term running finance                    | 21,607,595         | 19,458,538         |
|   | <u>27,849,098</u>  | <u>22,047,177</u>  |





# Olympia Spinning & Weaving Mills Limited

|  | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|--|-------------------------|-------------------------|
| <b>13 SHORT TERM BORROWINGS</b>  |                         |                         |
| Secured-banking companies (Note: 13.1)   | 526,965,655             | 592,569,977             |
| <b>13.1</b>  |                         |                         |
| The facilities for running finance available from various banks amounted to Rs. 846.5 (M) (June 2007:Rs 796.5 (M)) and carries mark-up ranging from 11.75% to 18.35% (June 2007:11.36% to 14.09%) per annum payable quarterly. The above facilities are secured by pledge of raw cotton and hypothecation charge on stock and book debts and personal guarantee of directors.  |                         |                         |
| <b>14 CONTINGENCIES AND COMMITMENTS</b>  |                         |                         |
| <b>14.1 Contingency</b>  |                         |                         |
| (a) The company has filed a suit in High Court of Sind and obtained Stay Order against settlement of cross currency swap contracts of Rs. 830(M). entered into by the company during the year with a foreign bank. The company mainly contest on vague provision of unwinding cost calculation , mismatched dates of settlement with it long term loans repayments and other procedural non compliance of foreign bank. No provision of Rs 61.46 m has been made in the financial statement as management strongly believes that the case would be decided in company's favor. |                         |                         |
| (b) Guarantee issued in favour of Southern Gas Co. Ltd, Karachi for Rs.32,500 (M) (2007: Rs.32,500 (M))  |                         |                         |
|  | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
| <b>14.2 Commitment</b>   |                         |                         |
| Capital Commitments for civil works  | 6,203,000               | 4,300,000               |
| Letter of credit - import of cotton  | 202,880,738             | 179,598,347             |

15 PROPERTY, PLANT AND EQUIPMENT

| PARTICULARS                         | COST / REVALUATION   |                          |                    |                      |                      | RATE % | DEPRECIATION        |                   |                    |                    | W.D.V.<br>AS AT<br>30-6-2008 |
|-------------------------------------|----------------------|--------------------------|--------------------|----------------------|----------------------|--------|---------------------|-------------------|--------------------|--------------------|------------------------------|
|                                     | AS AT<br>01-07-2007  | ADDITION /<br>(DELETION) | REVALUATION        | TRANSFER<br>IN/(OUT) | AS AT<br>30-6-2008   |        | AS AT<br>01-07-2007 | FOR THE<br>YEAR   | ADJUSTMENT         | AS AT<br>30-6-2008 |                              |
| <b>OWNED</b>                        |                      |                          |                    |                      |                      |        |                     |                   |                    |                    |                              |
| Lease hold land                     | 424,578,000          | -                        | 252,122,000        | -                    | 676,700,000          | -      | -                   | -                 | -                  | -                  | 676,700,000                  |
| Factory building on lease hold land | 404,383,193          | -                        | -                  | -                    | 404,383,193          | 4      | 74,149,654          | 13,209,342        | -                  | 87,358,996         | 317,024,197                  |
| Plant and machinery                 | 953,314,447          | 6,151,375                | -                  | 102,794,500          | 1,062,260,322        | 6      | 354,694,552         | 34,967,399        | 32,504,734         | 422,166,685        | 640,093,637                  |
| Office equipment                    | 6,549,939            | 1,230,025                | -                  | -                    | 7,779,964            | 10     | 2,839,144           | 466,817           | -                  | 3,305,961          | 4,474,003                    |
| Factory tools and equipment         | 4,677,559            | 13,500                   | -                  | -                    | 4,691,059            | 10     | 2,178,891           | 145,300           | -                  | 2,324,191          | 2,366,868                    |
| Furniture and fixture               | 5,881,028            | 130,729                  | -                  | -                    | 6,011,757            | 10     | 1,911,949           | 400,339           | -                  | 2,312,288          | 3,699,469                    |
| Motor vehicle                       | 729,980              | 566,883                  | -                  | 8,989,000            | 8,066,863            | 20     | 487,365             | 699,721           | 5,462,226          | 5,147,818          | 2,919,045                    |
|                                     |                      | (2,219,000)              |                    |                      |                      |        |                     |                   | (1,501,494)        |                    |                              |
| Arms and ammunition                 | 36,500               | -                        | -                  | -                    | 36,500               | 10     | 28,775              | 772               | -                  | 29,547             | 6,953                        |
| Electric and pipe fitting           | 46,394,501           | 1,946,675                | -                  | -                    | 48,341,176           | 10     | 20,239,088          | 2,810,209         | -                  | 23,049,297         | 25,291,879                   |
|                                     | 1,846,545,147        | 10,039,187               | 252,122,000        | 102,794,500          | 2,218,270,834        |        | 456,529,418         | 52,699,899        | 36,465,466         | 545,694,783        | 1,672,576,051                |
|                                     |                      | (2,219,000)              |                    | 8,989,000            |                      |        |                     |                   |                    |                    |                              |
| <b>LEASED</b>                       |                      |                          |                    |                      |                      |        |                     |                   |                    |                    |                              |
| Plant and machinery                 | 279,610,041          | -                        | -                  | (102,794,500)        | 176,815,541          | 6      | 61,220,475          | 8,180,394         | (32,504,734)       | 36,896,135         | 139,919,406                  |
| Motor vehicles                      | 18,357,000           | -                        | -                  | (8,989,000)          | 9,368,000            | 20     | 8,281,715           | 1,752,197         | (5,462,226)        | 4,571,686          | 4,796,314                    |
|                                     | 297,967,041          | -                        | -                  | (111,783,500)        | 186,183,541          |        | 69,502,190          | 9,932,591         | (37,966,960)       | 41,467,821         | 144,715,720                  |
| <b>TOTAL RUPEES - 2008</b>          | <b>2,144,512,188</b> | <b>10,039,187</b>        | <b>252,122,000</b> | <b>-</b>             | <b>2,404,454,375</b> |        | <b>526,031,608</b>  | <b>62,632,490</b> | <b>(1,501,494)</b> | <b>587,162,604</b> | <b>1,817,291,771</b>         |
|                                     |                      | <b>(2,219,000)</b>       |                    |                      |                      |        |                     |                   |                    |                    |                              |
| <b>TOTAL RUPEES - 2007</b>          | <b>1,869,251,279</b> | <b>96,513,070</b>        | <b>-</b>           | <b>-</b>             | <b>1,959,641,909</b> |        | <b>427,986,069</b>  | <b>61,212,207</b> | <b>(3,376,271)</b> | <b>485,822,005</b> | <b>1,473,819,904</b>         |
|                                     |                      | <b>(6,122,440)</b>       |                    |                      |                      |        |                     |                   |                    |                    |                              |

15.1 Adjustment of leased machinery represents transfer to owned assets on completion of term of lease.

| Depreciation has been allocated as under: | 30-Jun-08         | 30-Jun-07         |
|---|-------------------|-------------------|
|   | RUPEES            | RUPEES            |
| Cost of sales (Note:25)                   | 59,312,644        | 57,984,986        |
| Administrative expenses(Note:27)          | 3,319,846         | 3,227,221         |
|   | <u>62,632,490</u> | <u>61,212,208</u> |

15.2 Had there been no revaluation the related figures of land and factory building at June 30, 2007 would have been as follows.

|                                     | Cost               | Book Value         |
|-------------------------------------|--------------------|--------------------|
| Lease hold land                     | 383,000            | 383,000            |
| Factory building on lease hold land | 204,905,496        | 150,629,859        |
| As at 30th June 2008                | <u>205,288,496</u> | <u>151,012,859</u> |
| As at 30th June 2007                | <u>205,288,496</u> | <u>157,289,103</u> |

During the year the company revalued its land which resulted in surplus of 252.122(M). The revaluation was carried out under market value basis by an independent valuer Messers Imran Associate. The company revalued its leasehold land in 2005 by Consultancy Support & services, Management Consultants, which resulted increase in net surplus of Rs. 151.635 (M). The company had further revalued its factory building in the year 2006 by Consultancy Support & Services, Management Consultants, which resulted increase in net surplus of Rs. 122.681 (M).





# Olympia Spinning & Weaving Mills Limited

## 15.3 DISPOSAL OF FIXED ASSETS BY NEGOTIATIONS

| Particulars            | Original Cost    | Accumulated Depreciation | Book Value     | Sales Proceed  | Mode of Sale   | Purchaser   |
|------------------------|------------------|--------------------------|----------------|----------------|----------------|---|
| <b>VEHICLES</b>        |                  |                          |                |                |                |   |
| SUZUKI CULTUS AEX-663  | 590,000          | 405,296                  | 184,704        | 350,000        | By Negotiation | MR. SYED INAMUDDIN<br>D-35 ANARKALI PLAZA SECTOR 5-K NORTH KARACHI, KARACHI |
| SUZUKI CULTUS AFB-780  | 590,000          | 410,248                  | 179,752        | 200,000        | By Negotiation | MR. IRSHAD AHMED<br>HOUSE # 4/235 SHAH FAISAL COLONY, KARACHI.              |
| SUZUKI CULTUS AHN-870  | 590,000          | 309,138                  | 280,862        | 300,000        | By Negotiation | MR. KASHIF AMJAD<br>HOUSE # S-22/II, 16TH STREET PHASE 1 D.H.A KARACHI.     |
| HYUNDAI SANTRO ACY-327 | 449,000          | 376,812                  | 72,188         | 90,000         | By Negotiation | MR. SYED FARHAN AYAZ<br>HOUSE # A-255 BLOCK # 1, GULSHAN-E-IQBAL, KARACHI   |
| <b>Total Rupees</b>    | <b>2,219,000</b> | <b>1,501,494</b>         | <b>717,506</b> | <b>940,000</b> |                |   |

|  | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|--|-------------------------|-------------------------|
| <b>16 CAPITAL WORK IN PROGRESS-CIVIL WORKS</b> |                         |                         |
| Opening Balance                                | 3,301,528               | 12201528                |
| Addition                                       | 2,661,885               | -                       |
| Transfer                                       | -                       | (8,900,000)             |
| Closing Balance                                | <u>5,963,413</u>        | <u>3,301,528</u>        |
| <b>17 LONG TERM DEPOSITS</b>                   |                         |                         |
| Lease security deposits                        | 19,130,100              | 20,370,538              |
| K.E.S.C.                                       | 1,829,694               | 1,829,694               |
| Other deposits                                 | 535,978                 | 538,008                 |
|  | <u>21,495,772</u>       | <u>22,738,240</u>       |
| <b>18 STORES, SPARE PARTS AND LOOSE TOOLS</b>  |                         |                         |
| Stores   | 13,803,066              | 5,526,845               |
| Packing material                               | 4,353,093               | 3,070,176               |
|  | <u>18,156,159</u>       | <u>8,597,021</u>        |
| <b>19 STOCK IN TRADE</b>                       |                         |                         |
| Raw material                                   | 336,839,091             | 323,856,078             |
| Raw material in transit                        | -                       | 84,164,452              |
| Work in process                                | 18,395,164              | 17,014,163              |
| Finished goods                                 | 53,413,291              | 58,203,912              |
| Waste  | 165,130                 | 1,493,650               |
|  | <u>408,812,676</u>      | <u>484,732,255</u>      |
| <b>20 TRADE DEBTS</b>                          |                         |                         |
| considered good                                |                         |                         |
| Export - secured                               | 24,044,911              | 44,629,768              |
| Local - unsecured                              | 109,327,660             | 34,865,133              |
|  | <u>133,372,571</u>      | <u>79,494,901</u>       |
| <b>21 LOANS AND ADVANCES</b>                   |                         |                         |
| Unsecured-considered good                      |                         |                         |
| Advances                                       |                         |                         |
| To employees                                   |                         |                         |
| Staff  | 1,128,831               | 892,243                 |
| Workers  | 3,347,790               | 4,031,953               |
|  | 4,476,621               | 4,924,196               |
| To suppliers                                   | 46,692,109              | 77,644,328              |
| To contractors                                 | 7,065,639               | 7,096,770               |
| Short term deposits                            | 37,112,438              | 10,600,052              |
| L/C payments                                   | 1,094,760               | 566,397                 |
| Advance Income tax                             | 35,843,772              | 49,520,004              |
| FED Receivables                                | 3,705                   | -                       |
| Freight subsidy receivable                     | 5,656,659               | 11,491,912              |
|  | <u>137,945,702</u>      | <u>161,843,658</u>      |



# Olympia Spinning & Weaving Mills Limited

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| <b>22 OTHER RECEIVABLES</b>               |                         |                         |
| Sales tax receivable                      | 10,601,493              | 11,928,473              |
| Central excise duty receivable from banks | 261,487                 | 261,487                 |
| Others                                    | 3,197,023               | 2,672,619               |
|   | <u>14,060,003</u>       | <u>14,862,579</u>       |
| <b>23 CASH AND BANK BALANCES</b>          |                         |                         |
| Cash in hand                              | 2,042,054               | 1,670,881               |
| Cash at bank in current accounts          | 578,704                 | 5,250,601               |
|   | <u>2,620,758</u>        | <u>6,921,482</u>        |
| <b>24 SALES</b>                           |                         |                         |
| Local                                     |                         |                         |
| Yarn                                      | 1,035,943,346           | 406,485,515             |
| Raw cotton                                | 215,151,204             | 144,800,092             |
| Waste                                     | 114,083,619             | 87,268,042              |
|   | 1,365,178,169           | 638,553,649             |
| Export                                    |                         |                         |
| Yarn                                      | 1,407,838,568           | 1,620,309,654           |
|   | 1,407,838,568           | 1,620,309,654           |
|   | 2,773,016,737           | 2,258,863,303           |
| Brokerage and commission                  | (30,538,765)            | (27,324,013)            |
|   | 2,742,477,972           | 2,231,539,290           |
| <b>25 COST OF SALES</b>                   |                         |                         |
| Raw material consumed (Note:25.1)         | 2,046,480,275           | 1,573,263,119           |
| Packing material consumed (Note:25.2)     | 47,306,935              | 46,624,388              |
| Stores and spares consumed (Note:25.3)    | 27,067,113              | 24,749,889              |
| Salaries, wages and benefits (Note: 25.4) | 114,216,498             | 95,806,799              |
| Power and fuel                            | 189,940,841             | 172,299,749             |
| Doubling Charges                          | -                       | 315,124                 |
| Vehicle running and maintenance           | 793,018                 | 725,841                 |
| Traveling and conveyance                  | 73,186                  | 26,554                  |
| Repairs and maintenance                   | 4,236,537               | 3,551,192               |
| Insurance                                 | 8,188,011               | 5,457,250               |
| Miscellaneous overheads                   | 587,513                 | 355,987                 |
| Depreciation (Note:15.1)                  | 59,312,644              | 57,984,986              |
|   | 2,498,202,571           | 1,981,160,878           |
| Work in process                           |                         |                         |
| Opening                                   | 17,014,163              | 13,600,733              |
| Closing                                   | (18,395,164)            | (17,014,163)            |
|   | (1,381,001)             | (3,413,430)             |
| Cost of goods manufactured                | 2,496,821,570           | 1,977,747,448           |
| Cotton Yarn purchase                      | 4,646,588               | 59,610,420              |
| Finished goods and waste                  |                         |                         |
| Opening                                   | 59,697,562              | 39,044,228              |
| Closing                                   | (53,578,421)            | (59,697,562)            |
|   | 6,119,141               | (20,653,334)            |
| Cost of sales                             | <u>2,507,587,299</u>    | <u>2,016,704,534</u>    |
| <b>25.1 RAW MATERIAL CONSUMED</b>         |                         |                         |
| Opening stock                             | 408,020,530             | 404,717,209             |
| Purchases                                 | 1,975,298,836           | 1,576,566,440           |
|   | 2,383,319,366           | 1,981,283,649           |
| Closing stock                             | (336,839,091)           | (408,020,530)           |
|   | <u>2,046,480,275</u>    | <u>1,573,263,119</u>    |
| <b>25.2 PACKING MATERIAL CONSUMED</b>     |                         |                         |
| Opening stock                             | 3,070,176               | 1,431,302               |
| Purchases                                 | 48,589,852              | 48,263,262              |
|   | 51,660,028              | 49,694,564              |
| Closing stock                             | (4,353,093)             | (3,070,176)             |
|   | <u>47,306,935</u>       | <u>46,624,388</u>       |





# Olympia Spinning & Weaving Mills Limited

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| <b>25.3 STORES AND SPARE PARTS CONSUMED</b>   |                         |                         |
| Opening stock   | 6,194,950               | 7,515,173               |
| Purchases   | <u>34,675,228</u>       | <u>22,761,561</u>       |
|   | 40,870,178              | 30,276,734              |
| Closing stock   | <u>(13,803,066)</u>     | <u>(5,526,845)</u>      |
|   | <u>27,067,113</u>       | <u>24,749,889</u>       |
| <b>25.4</b> It includes Rs. 2,184,039/- (June 2007: Rs. 1,533,179/-) in respect of staff retirement benefits.                                   |                         |                         |
| <b>26 DISTRIBUTION COST</b>   |                         |                         |
| Freight and cartage   | 42,656,963              | 44,277,915              |
| Export Development Surcharge  | <u>3,491,599</u>        | <u>3,915,591</u>        |
|   | <u>46,148,562</u>       | <u>48,193,506</u>       |
| <b>27 ADMINISTRATIVE AND SELLING EXPENSES</b>   |                         |                         |
| Salaries and other benefits (Note:27.1)   | 18,306,262              | 14,019,411              |
| Rent, rates and taxes   | 4,955,909               | 5,578,525               |
| Electric gas and water  | 995,245                 | 973,838                 |
| Postage, telephone and telex  | 1,437,601               | 1,333,908               |
| Printing and stationery   | 552,746                 | 778,400                 |
| Traveling and conveyance  | 1,144,953               | 326,246                 |
| Legal and professional  | 3,273,577               | 1,727,384               |
| Newspapers and periodicals  | 9,479                   | 10,000                  |
| Repairs and maintenance   | 771,835                 | 712,895                 |
| Charity and donation (Note:27.2)  | 5,000                   | -                       |
| Advertisement and publicity   | 167,918                 | 114,344                 |
| Motor vehicle expenses  | 937,426                 | 1,091,912               |
| Entertainment   | 1,160,995               | 792,984                 |
| Packing Charges   |                         | 20,827                  |
| Auditor's remuneration:   |                         |                         |
| Audit fee   | <u>242,000</u>          | <u>175,000</u>          |
| Half yearly review fee  | <u>75,000</u>           | <u>75,000</u>           |
|   | 317,000                 | 250,000                 |
| Miscellaneous   | 678,501                 | 185,962                 |
| Insurance Expense   | 570,309                 | 574,539                 |
| Depreciation (Note:15.1)  | <u>3,319,846</u>        | <u>3,227,221</u>        |
|   | <u>38,604,601</u>       | <u>31,718,396</u>       |
| <b>27.1 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES</b>   |                         |                         |
| a. The Chief Executive and Directors of the company have waived their remuneration and meeting fee.   |                         |                         |
| b. The Chief Executive and two directors of the company are provided with free use of company maintained car and telephone at their residences. |                         |                         |
| <b>27.2</b> Directors and their spouse have no interest in the donees.  |                         |                         |
| <b>28 OTHER OPERATING INCOME</b>  |                         |                         |
| Gain on disposal of fixed assets  | 222,494                 | 1,453,831               |
| Scrap sales   | 3,372,668               | 2,779,332               |
| WPPF  | (1,398,471)             | -                       |
| Purchase discount   | -                       | 69,635                  |
| Other receipts  | -                       | 106,186                 |
|   | <u>2,196,691</u>        | <u>4,408,984</u>        |
| <b>29 FINANCE COST</b>  |                         |                         |
| Interest/mark-up on   |                         |                         |
| Long term loans   | <u>45,041,993</u>       | <u>35,680,826</u>       |
| Interest expense on W.P.P.F   | -                       | 37,840                  |
| Bank running finance  | 75,451,106              | 84,434,463              |
| Finance charges on lease  | <u>17,633,213</u>       | <u>24,452,831</u>       |
|   | 138,126,312             | 144,605,959             |
| Markup Others   | -                       | 367,500                 |
| Markup recovered from subsidiary  | (2,619,050)             | -                       |
| Gain or loss on cross currency swap   | (865,928)               | -                       |
| Loc discounting and Bank charges  | 12,450,849              | 14,066,892              |
|   | <u>147,092,183</u>      | <u>159,040,351</u>      |



# Olympia Spinning & Weaving Mills Limited

|   | June 30, 2008<br>RUPEES | June 30, 2007<br>RUPEES |
|---|-------------------------|-------------------------|
| <b>30 TAXATION</b>  |                         |                         |
| Current (Note 30.1)   | 14,284,234              | 24,006,591              |
| Prior   | 518,352                 | -                       |
| Deferred  | -                       | (9,704,866)             |
|   | <u>14,802,586</u>       | <u>14,301,725</u>       |
| <b>30.1 Current</b>   |                         |                         |
| The provision for taxation has been made in these financial statement on the basis of section 169 of the income tax ordinance,2001  |                         |                         |
| <b>31 EARNINGS PER SHARE - BASIC &amp; DILUTED</b>  |                         |                         |
| There is no dilutive effect on the basic earnings per share of the company  |                         |                         |
| Profit for the year in rupees   | (9,239,109)             | (34,010,239)            |
| Total number of ordinary shares   | 12,000,000              | 12,000,000              |
| Earnings per share in rupees- Basic and diluted   | <u>(0.79)</u>           | <u>(2.83)</u>           |
| <b>32 CASH GENERATED FROM OPERATIONS</b>  |                         |                         |
| Profit/(Loss) before taxation   | 5,244,284               | (19,708,514)            |
| Adjustment for non cash charges and other items   |                         |                         |
| Depreciation  | 62,632,490              | 61,212,208              |
| Financial charges   | 147,092,183             | 159,040,351             |
| (Gain)/Loss on disposal of fixed assets   | (222,494)               | (1,453,831)             |
| Provision for gratuity-net  | 5,199,286               | 3,619,879               |
|   | <u>214,701,465</u>      | <u>222,418,607</u>      |
| Operating profit / (loss) before working capital changes  | 219,945,748             | 202,710,093             |
| (Increase)/decrease in current assets   |                         |                         |
| Stock, Stores & spares  | 66,350,441              | (27,020,631)            |
| Trade debts   | (53,877,671)            | 11,324,355              |
| Loans and advances  | 11,856,399              | 22,839,931              |
| Other receivables   | 802,576                 | 1,711,627               |
|   | <u>25,131,746</u>       | <u>8,855,282</u>        |
| Increase/(decrease) in current liabilities  |                         |                         |
| Trade and other payables  | 100,989,196             | 131,451,113             |
|   | <u>346,066,690</u>      | <u>343,016,489</u>      |
| <b>33 TRANSACTION WITH SUBSIDIARY/ASSOCIATED UNDERTAKING</b>  |                         |                         |
| The related parties and associated under takings comprise, local associated companies, directors and key management personnel. Transaction with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of their employment are as follows          |                         |                         |
| Purchase of electricity (Note:33.1)   | 198,392,080             | 155,828,125             |
| Discount availed on electric purchases  | -                       | 19,478,516              |
| <b>33.1</b>   |                         |                         |
| This amount represents the purchase of electric power from Olympia Power Generation(Private) Limited.   |                         |                         |
| <b>33.2</b>   |                         |                         |
| Transactions with associated undertakings/subsidiary are carried out by the company at arms length priceusing the method prescribe under the Companies Ordinance, 1984.   |                         |                         |
| <b>34 PLANT CAPACITY AND PRODUCTION:</b>  |                         |                         |
| <b>SPINNING</b>   |                         |                         |
| Total number of spindles installed  | 44,484                  | 44,484                  |
| Average No. of spindles worked  | 44,004                  | 44,004                  |
| Number of shifts  | 3                       | 3                       |
| Actual production of the period in kgs after conversion into 20/1 count   | 14,144,356              | 14,144,356              |
| Installed capacity of the period in kgs after conversion into 20/1 count  | 15,104,644              | 15,104,644              |
| 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, spindle speed, twist per inch and raw material used etc. It would also vary according to the pattern of production adopted in a particular year. |                         |                         |
| <b>POWER</b>  |                         |                         |
| Installed Capacity  | 7 MW                    | 7 MW                    |





# Olympia Spinning & Weaving Mills Limited

## 35 FINANCIAL INSTRUMENT RELATED DISCLOSURE

### 35.1 YIELD / MARK UP RATE RISK

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/ mark up rate risk in respect of the following:

|  | 2008                     |                    |                 |                              |                    |               | TOTAL           |
|--|--------------------------|--------------------|-----------------|------------------------------|--------------------|---------------|-----------------|
|  | interest/mark up bearing |                    |                 | non interest/mark up bearing |                    |               |                 |
|  | Within one year          | More than one year | Sub total       | Within one year              | More than one year | Sub total     |                 |
|  | RUPEES                   |                    |                 |                              |                    |               |                 |
| <b>FINANCIAL ASSETS</b>                                |                          |                    |                 |                              |                    |               |                 |
| Deposits   | -                        | -                  | -               | 37,112,438                   | 21,495,772         | 58,608,210    | 58,608,210      |
| Trade debts  | -                        | -                  | -               | 133,372,571                  | -                  | 133,372,571   | 133,372,571     |
| Other receivables                                      | -                        | -                  | -               | 14,060,003                   | -                  | 14,060,003    | 14,060,003      |
| Cash and bank balances                                 | -                        | -                  | -               | 2,620,758                    | -                  | 2,620,758     | 2,620,758       |
|  | -                        | -                  | -               | 187,165,770                  | 21,495,772         | 208,661,542   | 208,661,542     |
| <b>FINANCIAL LIABILITIES</b>                           |                          |                    |                 |                              |                    |               |                 |
| Loans  | 79,193,595               | 308,725,025        | 387,918,620     | -                            | 53,416,050         | 53,416,050    | 441,334,670     |
| Liabilities against assets subject to finance lease    | 23,309,136               | 128,946,783        | 152,255,919     | -                            | -                  | -             | 152,255,919     |
| Short term finance                                     | 526,965,655              | -                  | 526,965,655     | -                            | -                  | -             | 526,965,655     |
| Trade and other payables                               | -                        | -                  | -               | 403,858,404                  | -                  | 403,858,404   | 403,858,404     |
|  | 629,468,386              | 437,671,808        | 1,067,140,194   | 403,858,404                  | 53,416,050         | 457,274,454   | 1,524,414,647   |
| <b>Off balance sheet items:</b>                        |                          |                    |                 |                              |                    |               |                 |
| Bank Guarantees issued                                 | -                        | -                  | -               | -                            | -                  | -             | -               |
| Other commitments                                      | -                        | -                  | -               | -                            | -                  | -             | 201,785,978     |
| Total  | -                        | -                  | -               | -                            | -                  | -             | 201,785,978     |
| <b>Total yield / mark up rate risk sensitivity gap</b> | (629,468,386)            | (437,671,808)      | (1,067,140,194) | (216,692,634)                | (31,920,278)       | (248,612,912) | (1,315,253,105) |
| Off balance sheet gap                                  |                          |                    |                 |                              |                    |               | (201,785,978)   |

|  | 2007                     |                    |                 |                              |                    |               | TOTAL           |
|--|--------------------------|--------------------|-----------------|------------------------------|--------------------|---------------|-----------------|
|  | interest/mark up bearing |                    |                 | non interest/mark up bearing |                    |               |                 |
|  | Within one year          | More than one year | Sub total       | Within one year              | More than one year | Sub total     |                 |
|  | RUPEES                   |                    |                 |                              |                    |               |                 |
| <b>FINANCIAL ASSETS</b>                                |                          |                    |                 |                              |                    |               |                 |
| Deposits   | -                        | -                  | -               | 10,600,052                   | 22,738,240         | 33,338,292    | 33,338,292      |
| Trade debts  | -                        | -                  | -               | 79,494,901                   | -                  | 79,494,901    | 79,494,901      |
| Other receivables                                      | -                        | -                  | -               | 14,862,579                   | -                  | 14,862,579    | 14,862,579      |
| Cash and bank balances                                 | -                        | -                  | -               | 6,921,482                    | -                  | 6,921,482     | 6,921,482       |
|  | -                        | -                  | -               | 181,309,355                  | 22,738,240         | 202,587,893   | 134,617,254     |
| <b>FINANCIAL LIABILITIES</b>                           |                          |                    |                 |                              |                    |               |                 |
| Loans  | 90,833,336               | 259,749,998        | 350,583,334     | -                            | 110,334,013        | 110,334,013   | 460,917,347     |
| Liabilities against assets subject to finance lease    | 22,981,231               | 153,295,967        | 176,277,198     | -                            | -                  | -             | 176,277,198     |
| Short term finance                                     | 592,569,977              | -                  | 592,569,977     | -                            | -                  | -             | 592,569,977     |
| Trade and other payables                               | -                        | -                  | -               | 302,869,208                  | -                  | 302,869,208   | 302,869,208     |
|  | 706,384,544              | 413,045,965        | 1,119,430,509   | 302,869,208                  | 110,334,013        | 413,203,221   | 1,532,633,730   |
| <b>Off balance sheet items:</b>                        |                          |                    |                 |                              |                    |               |                 |
| Bank Guarantees issued                                 | -                        | -                  | -               | -                            | -                  | -             | 7,270,000       |
| Other commitments                                      | -                        | -                  | -               | -                            | -                  | -             | 174,721,995     |
| Total  | -                        | -                  | -               | -                            | -                  | -             | 181,991,995     |
| <b>Total yield / mark up rate risk sensitivity gap</b> | (706,384,544)            | (413,045,965)      | (1,119,430,509) | (121,559,853)                | (87,595,773)       | (210,615,328) | (1,398,016,476) |
| Off balance sheet gap                                  |                          |                    |                 |                              |                    |               | (181,991,995)   |

Effective yield / mark up rate was mentioned in the relevant notes.

### 35.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

### 35.3 Fair value of financial instruments

The carrying value of all the financial instruments reported in the financial statement approximate their fair value.

### 35.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers and believes that it is not exposed to significant exchange risk. As at year end no forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies.

### 35.5 Capital risk management

The objective of the company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit 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 make 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 the shareholders of issue new shares.

### 36 General

Corresponding figures have been rearranged and reclassified, whenever necessary, for better presentation and disclosure

| Reclassification from            | Reclassification to     | Amount     |
|----------------------------------|-------------------------|------------|
| Trade Debts                      | Loan & Advances         |            |
| Local Debts                      | Suppliers               | 55,300,129 |
| Administrative & selling Expense | Distribution Cost       |            |
| Export Devlp. Surcharge          | Export Devlp. Surcharge | 3,915,519  |

### 37 DATE OF AUTHORISATION FOR ISSUE

The Board of directors of the Company have authorized these financial statements for issue on September 27, 2008

CHIEF EXECUTIVE  
Karachi: 27th SEPTEMBER, 2008

DIRECTOR