# Nine Month Accounts March, 2014

BIBOJEE GROUP

Janana De Malucho Textile Mills Limited

# CONTENTS

# COMPANY'S PROFILE

| | | |
|---|---|---|
| BOARD OF DIRECTORS | MR. RAZA KULI KHAN KHATTAK, Chairman | |
| | LT. GEN. (RETD.) ALI KULI KHAN KHATTAK, Chief Executive | |
| | MR. AHMAD KULI KHAN KHATTAK | |
| | MR. MUSHTAQ AHMAD KHAN, FCA | |
| | MRS. ZEB GOHAR AYUB | |
| | MRS. SHAHNAZ SAJJAD AHMAD | |
| | DR. SHAHEEN KULI KHAN | |
| | CH. SHER MUHAMMAD | |
| | BRIG. (RETD) ABDUL SAMAD KHAN | |
| AUDIT COMMITTEE | MR. AHMAD KULI KHAN KHATTAK | Chairman |
| | MR. RAZA KULI KHAN KHATTAK | Member |
| | MR. MUSHTAQ AHMAD KHAN, FCA | Member |
| | CH. SHER MUHAMMAD | Member |
| HUMAN RESOURCE & REMUNERATION COMMITTEE | MR. RAZA KULI KHAN KHATTAK | Chairman |
| | LT. GEN. (RETD.) ALI KULI KHAN KHATTAK | Chief Executive / Member |
| | MR. AHMAD KULI KHAN KHATTAK | Member |
| | MR. MUSHTAQ AHMAD KHAN, FCA | Member |
| | BRIG. (RETD) ABDUL SAMAD KHAN | Member |
| CHIEF FINANCIAL OFFICER & COMPANY SECRETARY | MR. AMIN-UR-RASHEED<br>B. Com. (Hons.) FICS<br>Sr. Gen. Manager Finance & Corporate Affairs | |
| HEAD OF INTERNAL AUDIT | MR. NADEEM AHMED, ACCA, CIA | |
| AUDITORS | HAMEED CHAUDHRI & CO., Chartered Accountants | |
| BANKERS | NATIONAL BANK OF PAKISTAN<br>HABIB BANK LIMITED<br>UNITED BANK LIMITED<br>BANK ALFALAH LIMITED | |
| LEGAL ADVISOR | HASSAN & HASSAN (ADVOCATES)<br>PAAF BUILDING, 7 D, KASHMIR ROAD, LAHORE | |
| TAX CONSULTANTS | M. NAWAZ KHAN & CO.<br>GROUND FLOOR, FARRAH CENTRE, 2-MOZZANG ROAD, LAHORE | |
| REGISTRARS & SHARES REGISTRATION OFFICE | MANAGEMENT & REGISTRATION SERVICES (PVT) LTD.<br>BUSINESS EXECUTIVE CENTRE,<br>F/17/3, BLOCK 8, CLIFTON, KARACHI<br>TEL. 021-35375127-29, FAX. 021-35820325<br>EMAIL registrationservices@live.co.uk | |
| REGISTERED OFFICE & MILLS | HABIBABAD, KOHAT (KPK)<br>TEL. 0922 - 862161 - 512930 - 510494<br>FAX. 0922 - 510474<br>E-MAIL: janana@brain.net.pk, janana_textile@hotmail.com<br>WEB SITE: www.jdm.com.pk | |

## DIRECTORS REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I feel pleasure in presenting the un-audited financial statements of the Company for the 3rd quarter & nine months ended 31st March 2014.

### FINANCIAL HIGHLIGHTS

During the current period your Company has posted the following results:

| | Third Quarter Jan. – Mar. | | Cumulative Jul. – Mar. | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ------------- Rs. in million ------------- | | | |
| Sales | **601.009** | 705.676 | **2,097.008** | 2,025.584 |
| Gross profit | **82.655** | 176.107 | **403.064** | 361.973 |
| Profit from operations | **62.539** | 158.807 | **314.352** | 300.127 |
| Profit before taxation | **36.134** | 127.467 | **283.204** | 237.434 |
| Profit after taxation | **31.982** | 155.608 | **189.089** | 225.632 |
| | ------------- Rupees ------------- | | | |
| Earnings per share | **6.68** | 32.52 | **39.52** | 47.16 |

During the nine months ended 31st March 2014 the turnover of the Company has increased by Rs.71.424 million as compared to previous nine months whereas the gross profit of the current period has increased by Rs.61.692 million. Main reason of increase in gross profit was increase in average sale rates during current nine months. However, profitability in 3rd quarter has decreased due to drastic decrease of 20% in sale rates in 3rd quarter, imposition of GIDC in gas bills, increase in electricity unit cost and increase in salaries and wages cost. Finance cost, however, has decreased due to the total payment of the demand finance loans.

### GENERAL MARKET CONDITION

Cotton and textile business remain essentially retarded since the past several weeks following appreciation or revaluation of the Pakistani rupee against the American Dollar by nearly 11 or 12 percent. Reports indicate that Pakistani rupees 98 or 98.25 can fetch an American Dollar. This unexpected revaluation of the Pakistani rupee against the greenback has resulted in a sizeable setback to cotton and textile exporters who had made forward sales in the export market hoping to obtain rupees 107 or 108 per Dollar against their goods. Furthermore, Indian yarns, both coarse and fine, are finding their way into our market because the domestic downstream or value added textile sector finds it more remunerative to use cheaper imported yarns. India has announced $10 billion subsidy for its exporters, declaring to provide rebate of up to 7.5 percent to garment exporters in order to counter the free market access of EU countries to Pakistan due to GSP plus status.

The Indian central government as well as several provincial governments have announced many incentives for their textile exporters, including subsidies on input cost, relaxation in interest rate, rebate on export and cut in power tariff to compete Pakistan. In India, electricity is cheaper and interest rates of banks and cost of doing business are low. There is no load-shedding of gas and electricity. Indian spinners have been dumping their duty-free yarn in Pakistan. They are also getting 5 percent rebate from the Indian government. Whereas, Pakistani and even Chinese spinners have to pay 10 percent duty on yarn export to India. About 25 percent duty is imposed on fabrics Moreover, Pakistani yarn exports to China, a very large market, have dwindled because Indian yarn exports to China have risen to sizeable level. Thus the domestic cotton economy of Pakistan has been thrown into disarray and is in a big difficulty. Thus both raw cotton and cotton yarn businesses have remained slow over the past several weeks and sale of yarn has decreased to an alarming level. Consequently, both the ginners as well as the spinners are making slow purchases for their immediate needs only. No cotton or yarn exports in any appreciable quantities are materializing.

## FUTURE OUTLOOK

During the period under report the yarn sale rates were higher mainly due to excellent quality. However currently there is downward trend in sales rates as compared to the period under report due to availability of cheaper Indian yarn. Further, the gas prices have also increased by Rs.78 per MMBTU and imposition of GIDC @ Rs.100/- per MMBTU which certainly are going to further erode the profitability to the extent of Rs.3.00 million per month. In addition to the above the Government has allowed rampant import of Indian yarn which is being cleared by paying zero% duty whereas we can export the yarn to Indian buyers and it will be cleared by payment of 10% duty in India which clearly shows the attitude of Indian authorities. India has also allowed rebate of 5% on the export of yarn which has further subsidized the rates of their yarn which has made Pakistani yarn further uncompetitive. Pakistan Government has imposed recent anti-dumping duty of 5% on Indian yarn but due to devaluation of Dollar against Pak Rupee, this move of the Government has been nullified. Regional countries not only support their textile export sectors through various subsidies and incentives but also provide cheaper inputs to enable them to increase market share in global textile markets. Electricity rates in Pakistan are 40% higher than Bangladesh, 33% than Sri Lanka while 20% higher than India. Similarly gas rates in Sri Lanka are 58.5% less while in India 15% less than Pakistan. In case of bank mark-up rates, Bangladesh and Sri Lanka are about 18.5% lower than Pakistan. Appropriate measures should be taken to deal with the emerging challenges. However your management will strive to achieve positive results and strive hard to maintain good profit margins by using every source on its disposal.

## ACKNOWLEDGMENT

The Board places on record its appreciation for the support of its bankers who have constantly facilitated the Company in financially difficult times. The hard work and diligence of the Company's senior management and the production workers is also commendable which enabled the company to achieve these results. We look forward to same dedication and cooperation from them in the future as well.

For & on behalf of the board of directors,

**Dated: 29th April, 2014**

**Raza Kuli Khan Khattak**
Chairman

## CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2014

| | Note | March 31, 2014 Un-audited | June 30, 2013 Audited and Re-stated |
|---|---|---|---|
| **ASSETS** | | **Rupees in thousand** | |
| **Non-current Assets** | | | |
| Property, plant and equipment | 6 | **2,293,673** | 2,270,452 |
| Investments in Associated Companies | 7 | **174,166** | 157,839 |
| Loans to employees | | **4,482** | 3,164 |
| Security deposits | | **1,029** | 1,029 |
| | | **2,473,350** | 2,432,484 |
| **Current Assets** | | | |
| Stores, spares and loose tools | | **87,078** | 49,452 |
| Stock-in-trade | | **1,137,985** | 688,101 |
| Trade debts - unsecured, considered good | | **52,008** | 9,404 |
| Advances to employees | | **3,992** | 3,314 |
| Advance payments | | **31,094** | 33,637 |
| Trade deposits and prepayments | | **51,330** | 1,614 |
| Due from Associated Companies | | **9,653** | 20,208 |
| Other receivables | | **26** | 1,844 |
| Sales tax refundable | | **35,581** | 30,300 |
| Income tax refundable, advance tax and tax deducted at source | | **76,660** | 62,387 |
| Cash and bank balances | | **24,932** | 13,420 |
| | | **1,510,339** | 913,681 |
| **TOTAL ASSETS** | | **3,983,689** | 3,346,165 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Authorised capital | | **200,000** | 200,000 |
| Issued, subscribed and paid-up capital | | **47,848** | 47,848 |
| Reserves | | **389,983** | 389,983 |
| Unappropriated profit | | **601,395** | 404,780 |
| **Shareholders' Equity** | | **1,039,226** | 842,611 |
| **Term Finance Certificates** | | **9,269** | 34,759 |
| **Surplus on Revaluation of Property, Plant and Equipment** | | **1,277,706** | 1,290,226 |
| **LIABILITIES** | | | |
| **Non-current Liabilities** | | | |
| Demand finances | | **0** | 278 |
| Staff retirement benefits - gratuity | | **98,460** | 88,912 |
| Deferred taxation | | **331,894** | 265,910 |
| | | **430,354** | 355,100 |
| **Current Liabilities** | | | |
| Trade and other payables | | **147,581** | 184,959 |
| Accrued mark-up | | **26,043** | 3,581 |
| Short term finances | | **1,010,204** | 585,112 |
| Current portion of non-current liabilities: | | | |
| - term finance certificates | | **13,904** | 13,904 |
| - demand finances | | **0** | 29,329 |
| Taxation | 8 | **28,188** | 5,369 |
| Preference shares redemption account | | **1,214** | 1,215 |
| | | **1,227,134** | 823,469 |
| **Total Liabilities** | | **1,657,488** | 1,178,569 |
| **Contingencies and Commitments** | 9 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **3,983,689** | 3,346,165 |

The annexed notes form an integral part of this condensed interim financial information.

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

Mushtaq Ahmad Khan, FCA
Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
## FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2014

| | Note | For the 3rd Quarter | | Cumulative | |
|---|---|---|---|---|---|
| | | **Jan. - Mar., 2014** | Jan. - Mar., 2013 | **Jul. - Mar., 2014** | Jul. - Mar., 2013 |
| | | ---------------- Rupees in thousand ---------------- | | | |
| **Sales** - net | | **601,009** | 705,676 | **2,097,008** | 2,025,584 |
| **Cost of Sales** | | **518,354** | 529,569 | **1,693,944** | 1,663,611 |
| **Gross Profit** | | **82,655** | 176,107 | **403,064** | 361,973 |
| **Distribution Cost** | | **2,746** | 1,576 | **11,523** | 6,103 |
| **Administrative Expenses** | | **17,471** | 15,692 | **54,877** | 48,965 |
| **Other Expenses** | | **35** | 36 | **23,697** | 9,006 |
| **Other Income** | | **(136)** | (4) | **(1,385)** | (2,228) |
| | | **20,116** | 17,300 | **88,712** | 61,846 |
| **Profit from Operations** | | **62,539** | 158,807 | **314,352** | 300,127 |
| **Finance Cost** | | **26,405** | 31,340 | **52,469** | 82,344 |
| | | **36,134** | 127,467 | **261,883** | 217,783 |
| **Share of Profit of Associated Companies** | 7 | **0** | 0 | **21,321** | 19,651 |
| **Profit before Taxation** | | **36,134** | 127,467 | **283,204** | 237,434 |
| **Taxation** | | | | | |
| - current | | **8,188** | 3,529 | **28,188** | 10,314 |
| - prior year | | **0** | 0 | **(57)** | 1,488 |
| - deferred | | **(4,036)** | (31,670) | **65,984** | 0 |
| | | **4,152** | (28,141) | **94,115** | 11,802 |
| **Profit after Taxation** | | **31,982** | 155,608 | **189,089** | 225,632 |
| **Other Comprehensive Income** | | **0** | 0 | **0** | 0 |
| **Total Comprehensive Income for the Period** | | **31,982** | 155,608 | **189,089** | 225,632 |
| | | ------------------------- Rupees ------------------------- | | | |
| **Earnings per Share** | | **6.68** | 32.52 | **39.52** | 47.16 |

The annexed notes form an integral part of this condensed interim financial information.

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

Mushtaq Ahmad Khan, FCA
Director

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
## FOR THE NINE MONTHS ENDED MARCH 31, 2014

| | Nine months ended Mar. 31, 2014 | Nine months ended Mar. 31, 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **Cash flow from operating activities** | | |
| Profit for the period - before taxation and share of profit of Associated Companies | 261,883 | 217,783 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | 50,395 | 49,707 |
| Staff retirement benefits - gratuity (net) | 9,548 | 17,961 |
| Restructuring cost balance amortised | (278) | 0 |
| Finance cost - net | 52,469 | 82,344 |
| **Profit before working capital changes** | 374,017 | 367,795 |
| **Effect on cash flow due to working capital changes** | | |
| (Increase) / decrease in current assets: | | |
| Stores, spares and loose tools | (37,626) | (9,714) |
| Stock-in-trade | (449,884) | (314,703) |
| Trade debts | (42,604) | (102) |
| Loans and advances to employees | (1,996) | (2,910) |
| Advance payments | 2,543 | (15,716) |
| Trade deposits and prepayments | (49,716) | (7,689) |
| Due from Associated Companies | 10,555 | (1,571) |
| Other receivables | 1,818 | 1,921 |
| Sales tax refundable | (5,281) | (6,808) |
| Decrease in trade and other payables | (37,378) | (112,406) |
| | (609,569) | (469,698) |
| **Cash generated from / (used in) operations** | (235,552) | (101,903) |
| Taxes paid | (19,585) | (15,698) |
| **Net cash generated from / (used in) operating activities** | (255,137) | (117,601) |
| **Cash flow from investing activities** | | |
| Fixed capital expenditure | (73,616) | (81,630) |
| Dividend received from an Associated Company | 0 | 1,756 |
| **Net cash used in investing activities** | (73,616) | (79,874) |
| **Cash flow from financing activities** | | |
| Term finance certificates repaid | (25,490) | (13,904) |
| Demand finances repaid | (29,329) | (121,202) |
| Short term finances - net | 425,092 | 427,928 |
| Preference shares redeemed | (1) | 0 |
| Finance cost paid | (30,007) | (77,272) |
| **Net cash generated from financing activities** | 340,265 | 215,550 |
| **Net increase in cash and cash equivalents** | 11,512 | 18,075 |
| **Cash and cash equivalents** - at beginning of the period | 13,420 | 3,134 |
| **Cash and cash equivalents** - at end of the period | 24,932 | 21,209 |

The annexed notes form an integral part of this condensed interim financial information.

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

Mushtaq Ahmad Khan, FCA
Director

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
## FOR THE NINE MONTHS ENDED MARCH 31, 2014

| | Share capital | Reserves | | | | | Unappr-opriated profit | Total |
|---|---|---|---|---|---|---|---|---|
| | | Capital | | | Revenue | | | |
| | | Capital redemp-tion | Tax holiday | Share premium | General | Sub-total | | |
| | ------------- Rupees in thousand ------------- | | | | | | | |
| Balance as at June 30, 2012 (audited) | 47,848 | 6,694 | 350 | 11,409 | 199,220 | 217,673 | 335,281 | 600,802 |
| Effect of change in accounting policy (note 4) | 0 | 0 | 0 | 0 | 0 | 0 | (17,816) | (17,816) |
| Balance as at June 30, 2012 (audited and re-stated) | 47,848 | 6,694 | 350 | 11,409 | 199,220 | 217,673 | 317,465 | 582,986 |
| Transfer | 0 | 0 | 0 | 0 | 172,310 | 172,310 | (172,310) | 0 |
| Total comprehensive income for the nine months ended March 31, 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 225,632 | 225,632 |
| Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) on account of incremental depreciation for the half-year | 0 | 0 | 0 | 0 | 0 | 0 | 12,979 | 12,979 |
| Effect of items directly credited in equity by the Associated Companies | 0 | 0 | 0 | 0 | 0 | 0 | 1,711 | 1,711 |
| Balance as at March 31, 2013 (un-audited and re-stated) | 47,848 | 6,694 | 350 | 11,409 | 371,530 | 389,983 | 385,477 | 823,308 |
| Total comprehensive income for the quarter ended June 30, 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 8,949 | 8,949 |
| Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) on account of incremental depreciation for the quarter | 0 | 0 | 0 | 0 | 0 | 0 | 4,326 | 4,326 |
| Effect of items directly credited in equity by the Associated Companies | 0 | 0 | 0 | 0 | 0 | 0 | 3,334 | 3,334 |
| Effect of change in accounting policy (note 4) | 0 | 0 | 0 | 0 | 0 | 0 | 2,694 | 2,694 |
| Balance as at June 30, 2013 (audited and re-stated) | 47,848 | 6,694 | 350 | 11,409 | 371,530 | 389,983 | 404,780 | 842,611 |
| Total comprehensive income for the half-year ended December 31, 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 189,089 | 189,089 |
| Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) on account of incremental depreciation for the half-year | 0 | 0 | 0 | 0 | 0 | 0 | 12,520 | 12,520 |
| Effect of items directly credited in equity by the Associated Companies | 0 | 0 | 0 | 0 | 0 | 0 | (4,994) | (4,994) |
| Balance as at December 31, 2013 | 47,848 | 6,694 | 350 | 11,409 | 371,530 | 389,983 | 601,395 | 1,039,226 |

The annexed notes form an integral part of this condensed interim financial information.

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

Mushtaq Ahmad Khan, FCA
Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2014

### 1. Legal Status and Operations

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

### 2. Basis of Preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984 (the Ordinance). It has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 - ‘Interim Financial Reporting’ and provisions of and directives issued under the Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and, therefore, should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2013.

### 3. Significant Accounting Policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2013 except for the adoption of a new accounting policy as referred to in note 4.

### 4. Amendments to Published Standards Effective in the Current Period

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information except for IAS 19 (Amendment), 'Employee Benefits'. The impact of this amendment on the condensed interim financial information is as follows:

IAS 19 (revised) has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognised actuarial losses net of taxes associated with retirement benefits - gratuity by adjusting the opening balance of unappropriated profit and retirement benefits for the prior period presented. No actuarial assessment has been carried-out for the preparation of this condensed interim financial information.

Effects of change in accounting policy are as follows:

| | Staff retirement benefits - gratuity | Deferred taxation | Equity |
|---|---|---|---|
| | ----------- (Rupees in thousand) ----------- | | |
| Balance as at June 30, 2012 - as previously reported | 48,693 | 200,623 | 600,802 |
| Recognition of unrecognised actuarial loss | 27,409 | (9,593) | (17,816) |
| Balance as at June 30, 2012 - as restated | 76,102 | 191,030 | 582,986 |
| Balance as at June 30, 2013 - as previously reported | 66,000 | 273,700 | 857,733 |
| Recognition of unrecognised actuarial loss | | | |
| - for the year ended June 30, 2012 | 27,409 | (9,593) | (17,816) |
| - for the year ended June 30, 2013 | (4,497) | 1,574 | 2,923 |
| - resultant adjustment due to reduction in tax rate | 0 | 229 | (229) |
| | 22,912 | (7,790) | (15,122) |
| | 88,912 | 265,910 | 842,611 |

## 5. Accounting Estimates and Judgments

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended June 30, 2013.

## 6. Property, Plant and Equipment

| | Note | Un-audited Mar. 31, 2014 | Audited June 30, 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Operating fixed assets - tangible | 6.1 | 2,221,967 | 2,270,452 |
| Capital work-in-progress | 6.2 | 71,706 | 0 |
| | | 2,293,673 | 2,270,452 |

### 6.1 Operating fixed assets - owned

| | |
|---|---|
| Book value as at June 30, 2013 | 2,270,452 |
| Additions during the period: | |
| - building - factory | 908 |
| - plant & machinery | 68 |
| - furniture & fixtures | 324 |
| - office & other equipment | 188 |
| - vehicles | 47 |
| - arms | 375 |
| | 1,910 |
| Depreciation charge for the period | (50,395) |
| Book value as at March 31, 2014 | 2,221,967 |

### 6.2 Capital work-in-progress

| | |
|---|---|
| - plant & machinery | 22,487 |
| - generators | 49,219 |
| | 71,706 |

| 7. Investments in Associated Companies - Quoted | Un-audited Mar. 31, 2014 | Audited June 30, 2013 |
|---|---|---|
| **Babri Cotton Mills Ltd.** (BCM) | (Rupees in thousand) | |
| 587,493 (June 30, 2013: 587,493) ordinary shares of Rs.10 each - **cost** | **10,973** | 10,973 |
| Equity held: 16.09% (June 30, 2013: 16.09%) | | |
| Post acquisition profit brought forward including effect of items directly credited in equity by BCM | **83,023** | 49,786 |
| Profit for the period / year - net of taxation | **12,267** | 34,648 |
| | **106,263** | 95,407 |
| **Bannu Woollen Mills Ltd.** (BWM) | | |
| 731,626, including 146,325 bonus shares received during the period, (June 30, 2013: 585,301) ordinary shares of Rs.10 each - **cost** | **7,697** | 7,697 |
| Equity held: 7.70% (June 30, 2013: 7.70%) | | |
| Post acquisition profit brought forward including effect of items directly credited in equity by BWM | **51,152** | 45,373 |
| Dividend received during the preceding year | **0** | (1,756) |
| Profit for the period / year - net of taxation | **9,054** | 11,118 |
| | **67,903** | 62,432 |
| | **174,166** | 157,839 |

7.1 Market value of the Company's investments in BCM and BWM as at March 31, 2014 was Rs.51.464 million (June 30, 2013: Rs.36.947 million) and Rs.60.147 million (June 30, 2013: Rs.45.010 million) respectively.

8. **Taxation**

8.1 Except for the matter detailed in note 8.2 and 8.3, there has been no significant change in the status of tax cases as detailed in the note 28 to the preceding financial statements of the Company for the year ended June 30, 2013.

8.2 The Commissioner Inland Revenue - Appeals [CIR(A)] has decided the appeal for the tax year 2007 and allowed relief of Rs.3.361 million resulting therein no change in tax liability due to brought forward losses. The Company has filed an appeal before the Appellate Tribunal Inland Revenue, which is pending adjudication.

8.3 The Department has charged tax under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) amounting Rs.0.214 million for the tax year 2008 against which the Company has filed an with the CIR(A), with is pending adjudication.

8.4 Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Ordinance starting from the tax year 2010. As per management's contention, exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue to the specific areas of Khyber Pakhtunkhwa. The Company has filed a writ petition before the Islamabad High Court, Islamabad, praying exemption from levy of minimum tax under section 113 of the Ordinance, which is still pending adjudication. The Peshawar High Court, Peshawar, in an identical writ petition concerning exemption of minimum tax filed by a Group Company, had granted exemption from levy of minimum tax. The management is confident that Islamabad High Court will also grant exemption from levy of minimum tax; accordingly, no provision for minimum tax for the financial year ended June 30, 2012 was made in the books of account as well as provisions for minimum tax made during the financial years ended June 30, 2010 and June 30, 2011 aggregating Rs.28.655 million were written-back in the books of account. An adverse judgment by the Islamabad High Court will create tax liability under section 113 of the Ordinance aggregating Rs.51.828 million.

**9. Contingencies and Commitments**

**9.1** There has been no significant change in the status of contingencies as reported in the preceding published annual audited financial statements of the Company for the year ended June 30, 2013.

**9.2** Counter guarantee given by the Company to a commercial bank outstanding as at March 31, 2014 was for Rs.60 million (June 30, 2013: Rs.40 million).

| | | **Un-audited Mar. 31, 2013** | Audited June 30, 2013 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **9.3** | Commitments against irrevocable letters of credit outstanding at the period / year-end were for: | | |
| | - stores and spares | **0** | 12,712 |
| | - raw materials | **180,432** | 77,457 |
| | | **180,432** | 90,169 |

**9.4** Refer contents of note 8.3.

**10. Transactions with Related Parties**

| Name | Nature of relationship | Nature of transaction | Cumulative July - Mar., 2014 | Cumulative July - Mar., 2013 |
|---|---|---|---|---|
| Babri Cotton Mills Ltd. | Associated Company | Utilities: | | |
| | | - paid | **14** | 13 |
| | | - received | **528** | 169 |
| Bannu Woollen Mills Ltd. | -do- | Purchase of goods | **0** | 21 |
| | | Sale of goods | **0** | 1,809 |
| | | Dividend received | **0** | 1,756 |
| | | Utilities paid | **125** | 30 |
| | | Salaries paid on behalf | **120** | 0 |
| | | Mark-up: | | |
| | | - earned | **214** | 0 |
| | | - paid | **0** | 257 |
| | | - expensed | **0** | 46 |
| Rahman Cotton Mills Ltd. | -do- | Purchase of goods | **5,442** | 21 |
| The Universal Insurance Company Ltd. | -do- | Rent expensed | **0** | 144 |
| Gammon Pakistan Ltd. | -do- | Rent expensed | **0** | 75 |
| Bibojee Services (Pvt.) Ltd. | -do- | Mark-up earned | **395** | 0 |

**10.1** No other transactions, other than remuneration and benefits paid to key management personnel under the terms of their employment, were executed with other related parties during the period.

**10.2** Trade and other payables include due to Associated Companies on account of normal business transactions aggregating Rs.434 thousand (June 30, 2013: Rs.511 thousand).

**11. Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements, and should therefore be read in conjunction with the Company's financial statements for the year ended June 30, 2013. There have been no significant changes in the risk management policies since the year-end.

**12. Date of Authorisation for Issue**

This condensed interim financial information was authorised for issue on April 29th, 2014 by the Board of Directors of the Company.

**13. Corresponding Figures**

In order to comply with the requirements of IAS 34 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of the preceding financial year, whereas, the condensed interim profit and loss account and condensed interim cash flow statement have been compared with the balances of comparable period of the immediately preceding financial year.

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison. However, no significant re-classifications have been made except for re-statement made in accordance with IAS 19 (revised) as reflected in note 4 to this condensed interim financial information.

| | |
|---|---|
| Lt. Gen (Retd)<br>Ali Kuli Khan Khattak<br>Chief Executive | Mushtaq Ahmad Khan, FCA<br>Director |

**PRINTED MATTER**
(Under Postal Certificate)

If undelivered please return to
Share Department
**JANANA DE MALUCHO TEXTILE MILLS LIMITED**
Habibabad - KOHAT