

*57th
Annual Report
2017*

BIBOJEE GROUP



**JANANA DE MALUCHO
TEXTILE MILLS LIMITED**

يَارَبُّ الْعِزَّةِ
بِهِمِ اللّٰهُ الرَّحْمٰنُ الرَّحِيْمُ

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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 MR. GOHAR AYUB KHAN MRS. SHAHNAZ SAJJAD AHMAD BRIG. (RETD) ABDUL SAMAD KHAN MR. SAAD WAHEED MR. KHALID KULI KHAN KHATTAK	
AUDIT COMMITTEE	BRIG. (RETD) ABDUL SAMAD KHAN MR. RAZA KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MR. SAAD WAHEED	Chairman Member Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	BRIG. (RETD) ABDUL SAMAD KHAN LT. GEN. (RETD.) ALI KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MR. SAAD WAHEED	Chairman Chief Executive/ Member Member Member
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	MR. AMIN-UR-RASHEED B. Com. (Hons.) FICS Sr. Gen. Manager Finance & Corporate Affairs	
HEAD OF INTERNAL AUDIT	MR. NADEEM AHMAD, ACCA, CIA	
AUDITORS	SHINEWING HAMEED CHAUDHRI & CO., Chartered Accountants	
BANKERS	NATIONAL BANK OF PAKISTAN THE BANK OF KHYBER HABIB BANK LIMITED	
LEGAL ADVISOR	M/S. HASSAN & HASSAN (ADVOCATES) PAAF BUILDING, 7 D, KASHMIR ROAD, LAHORE	
TAX CONSULTANTS	M. NAWAZ KHAN & CO. Ground Floor, Farrah Centre, 2-Mozzang Road, Lahore	
REGISTRARS & SHARES REGISTRATION OFFICE	MANAGEMENT & REGISTRATION SERVICES (PVT) LTD. BUSINESS EXECUTIVE CENTRE, F/17/3, BLOCK 8, CLIFTON, KARACHI TEL 021-35375127-29 FAX NO. 021-35820325 EMAIL registrationservices@live.co.uk	
REGISTERED OFFICE & MILLS	HABIBABAD, KOHAT (KPK) TEL. 0922 - 862161 - 512930 - 510494 FAX. 0922 - 510474 E-MAIL: janana@brain.net.pk janana_textile@hotmail.com WEB SITE: www.jdm.com.pk	

VISION

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

MISSION STATEMENT

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

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

OVER ALL CORPORATE STRATEGY

1. TO ACHIEVE GROWTH BY MONITORING OUR MARKET NICHE IN SUPER FINE & FINE COUNTS, AND AT THE SAME TIME DIVERSIFYING OUR PRODUCTS RANGE TO ENTER NEW PROFITABLE MARKETS.
2. TO CONSTANTLY IMPROVE PRODUCTIVITY, QUALITY AND SERVICES WHICH WILL NOT ONLY SERVE THE MARKET CONSUMERS BUT WILL ALSO RESULT IN ENHANCED PAYMENT OF SALES TAX, INCOME TAX AND OTHER GOVERNMENT LEVIES.
3. TO PROVIDE CLEAN AND POLLUTION FREE ENVIRONMENT TO OUR EMPLOYEES FOR IMPROVING THEIR PERFORMANCE & CREATING A CORPORATE CULTURE THAT FOSTERS INITIATIVE IN ITS WORK FORCE.
4. TO CONSTANTLY STRIVE FOR INCREASING INVESTOR'S SHARE VALUE BY ACHIEVING COMMENDABLE RESULTS EVEN IN VERY DIFFICULT AND HIGHLY COMPETITIVE INTERNATIONAL & LOCAL MARKETS.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 57th Annual General Meeting of the company will be held at the registered office of the Company, Habibabad, Kohat on **Monday the 27th November, 2017 at 11:00 AM** to transact the following business.

1. To confirm the minutes of the Extra ordinary General Meeting held on 30th March 2017.
2. To receive, consider and adopt the annual audited Financial Statements for the year ended 30th June 2017 together with the directors' and auditors' reports thereon.
3. To appoint Auditors for the financial year 2017-18 and to fix their remuneration. The retiring auditors M/s Shinewing Hameed Chaudhri and Company Chartered Accountants. Lahore being eligible have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board



AMIN-UR-RASHEED
Company Secretary

Kohat
Dated: 3rd November, 2017

NOTES:

BOOK CLOSURE:

1. The Shares Transfer Books will remain closed from 20 November 2017 to 27 November 2017 (both days inclusive. Transfers received at Management & Registration Services (Pvt) Limited, Business Executive Centre, F-17/3, Block 8, Clifton, Karachi, the Share Registrar of the company by the close of business on 18 November 2017 will be treated in time.

COMPUTERIZED NATIONAL IDENTITY CARD (CNIC)

2. Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 779(I)/2011 dated August 18, 2011 has directed all listed companies to ensure that Dividend Warrants should bear the Computerized National identity Card (CNIC) Numbers of the registered members. Members who have not yet provided attested copies of their valid CNICs / NTN (in case of corporate entities) are requested to send the same directly to the Share Registrar at aforementioned address.

DELIVERY OF THE UNCLAIMED / UNDELIVERED SHARES LAYING WITH THE SHARE REGISTRAR:

3. As directed by SECP vide letter # SMD/CIW/Misc/14/2009 dated October 11, 2011 shareholders are requested to please contact / coordinate with Company's Share Registrar for collection of unclaimed / Undelivered Bonus Share Certificates.

TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:

4. In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated September 8, 2014, those shareholders who desire to receive Notice & Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. **www.jdm.com.pk** and send the said form duly filled in and signed along with copy of his / her / its CNIC / Passport to the Company's Share Registrar. Please note that giving email address for

receiving of Notice & Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice and, in such case, Notice & Annual Financial Statements will be sent at your registered address, as per normal practice.

DIVIDEND MANDATE (MANDATORY):

5. Pursuant to Section 242 of the Companies Act, 2017 & in pursuance of the directives of the SECP vide Circular No.18 of 2017 dated August 1, 2017, cash dividend shall be paid only by electronic transfer into the bank account of the shareholder designated for the purpose. Accordingly the following information must be provided:

Folio Number:	
Name of Shareholder:	
Title of the Bank Account:	
International Bank Account Number (IBAN):	
Name of Bank:	
Name of Bank Branch and Address:	
Cellular Number of shareholder:	
Landline Number of shareholder:	
CNIC / NTN Number (Attach copy):	
Signature of Member:	
Note: Signature must match specimen signature registered with the Company.	

Members who hold shares in CDC accounts should provide their bank mandates to their respective participants.

E-VOTING

3. Pursuant to SECP S.R.O. No.43(1)/2016 dated January 22, 2016, the members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the company on the appointment of Execution Officer by the intermediary as a Proxy.

VIDEO CONFERENCE

4. Members can also avail Video Conference facility. In this regard please fill the following and submit to the registered address of the company within ten (10) days before holding of general meeting.

I/We _____ of _____ being a member of **JANANA DE MALUCHO TEXTILE MILLS LIMITED**, holder of _____ Ordinary Shares as per Register Folio NNo./CDC A/C No. _____ hereby opt for Video conference Facility at _____.

Signature of members

Note: If the Company receives consent from members holding an aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through Video Conference at least 10 days prior to the date of meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city.

CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:

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

PARTICIPATION IN ANNUAL GENERAL MEETING:

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

INSTRUCTIONS FOR CDC ACCOUNT HOLDERS:

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

a. For attending the meeting:

- i. In case of account holders of CDC their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his original National Identity Card (N.I.C.) or Original Passport at the time of attending the Meeting.
- ii. In case of corporate entity the Board of Directors' Resolution/Power of Attorney with certified specimen signature of the nominee shall be produced at the time of the meeting.

b. For appointing proxies:

- i. In case of individuals account holder of CDC registration details are uploaded as per the regulations shall submit the proxy form as per the above requirements along with attested copies of N.I.C. or the Passport of the beneficial owner and shall be furnished with proxy form.
- ii. The proxy shall produce his original N.I.C. or original Passport at the time of the meeting.
- iii. In case of corporate entity the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted along with proxy form to the company.

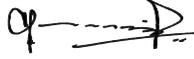
- c. CDC Account Holders and Sub-account Holders, whose Registration details are available in Share Book Detail Report shall have to produce respective Original Computerized National Identity Cards (CNIC) or Original Passports for the purpose of identification to participate in the Annual General Meeting, Such Account Holders and Sub Account Holders should know the CNIC Numbers and CDC Account Number of the respective partner and should bring the same along with them. In case of Proxy, the person should positively attach the attested copy of the CNIC or passport. In case of corporate member's representative, usual documents should be accompanied for the same purpose.

نوٹس برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 57 واں سالانہ اجلاس عام، کمپنی کے رجسٹرڈ دفتر، حبیب آباد کوہاٹ میں بروز پیر 27 نومبر 2017ء کو صبح 11:00 بجے منعقد ہوگا۔

- 1- 30 مارچ 2017ء کو منعقدہ سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
- 2- ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ سالانہ آڈیٹڈ مالیاتی تفصیلات پر غور کرنا اور اس کا حصول۔
- 3- مالی سال 2017-2018 کے لئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔ بطور آڈیٹرز میسرز شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، لاہور نے خود کو دوبارہ تقرری کے لئے پیشکش کی ہے۔
- 4- صاحب صدر کی اجازت سے کسی دیگر امور پر غور و خوض۔

بحکم بورڈ



امین الرشید

کمپنی سیکرٹری

کوہاٹ

مورخہ: 3 نومبر، 2017

نوٹس:

- 1- کمپنی کی حصص منتقلی کی کتابیں 20 نومبر 2017ء تا 27 نومبر 2017ء (بشمول دونوں ایام) بند رہیں گی۔ منتقلیوں کا حصول مینجمنٹ اینڈ رجسٹریشن سروسز پرائیویٹ لمیٹڈ، بزنس ایگزیکٹو سنٹر، F-17/3، کلفٹن کراچی سے ہوگا۔ کمپنی کے شیئر رجسٹرار کے کاروبار کا اختتام 18 نومبر، 2017 کے لئے بروقت تصور ہوگا۔
- 2- اجلاس میں شرکت اور ووٹ دینے کا مستحق کوئی رکن اپنی بجائے شرکت اور ووٹ دینے کیلئے کسی دیگر رکن کو اپنا اپنی پراکسی مقرر کر سکتا رہ سکتی ہے۔ پراکسی کی تقرری اجلاس کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کو لازماً وصول ہو جانی چاہئے۔
- 3- بصورت سی ڈی سی اکاؤنٹ ہولڈر اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھا کر اپنی شناخت ثابت کرنا ہوگی۔ بصورت کارپوریٹ اینٹیلی، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ معہ نامزد کے نمونہ دستخط اجلاس کے وقت مہیا کرنا ہونگے۔
- 4- تمام حصص داران سے دوبارہ درخواست کی جاتی ہے کہ SECP کی ہدایات کے مطابق بینک اکاؤنٹ آن لائن سسٹم کے ذریعے، کمپنی کی طرف سے ملنے والے منافع بروقت جمع کروانے کے لئے، فوری طور پر اپنا بینک اکاؤنٹ نمبر اور IBAN نمبر، بینک کا نام/برانچ/شہر کا نام ہمراہ شناختی کارڈ کی کاپی کمپنی کو مہیا کروائیں۔

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of your Company have pleasure in presenting the 57th Annual Report and Audited Financial Statements of the Company for the financial year ended 30th June, 2017.

PERFORMANCE REVIEW

We have to report that your Company with the infinite benevolence of **Allah Karim** dealt with opportunities and threats as and when they came and despite heavy odds and a very difficult year due to rampant import of cheap Indian yarn and grey cloth, we have given better results in comparison with various other textile units. The major highlights of the Company's financial results as compared to the preceding year are as follows:

Particulars	2017	2016
	Rupees in million	
Sales	2,515.643	2,497.962
Cost of sales	(2,398.962)	(2,339.861)
Gross profit	117.381	158.101
Profit from operations	20.893	58.097
(Loss) / profit before taxation	(21.538)	14.114
(Loss) / profit after taxation	(8.444)	12.894
	----- Rupees -----	
(Loss) / earnings per share	(1.76)	2.69

TURNOVER

Net sales of yarn for the current year have increased marginally i.e. by Rs. 17.681 millions as compared to previous year. However this figure does not reflect the true picture of the dismal market conditions faced by the Company during the year 2016-17. In spite of the fact that increase in rate of sales have contributed a sum of Rs. 135.175 million to the sale revenue besides decrease in the quantity of yarn sold which was 1.322 million lbs. This was possible due to increased production of super fine counts & zero rated sales tax regime in comparison with the preceding year. The company is fighting tooth & nail to counter the extremely adverse impact of the India yarn which is hitting very hard the domestic textiles industry.

GROSS PROFIT

Gross Profit of the Company, for the year has decreased by Rs. 40.720 million in comparison with last year, increase in minimum wages from Rs. 13,000 to Rs. 14,000 coupled with increase in average raw material consumption rate by Rs. 7.10 per lbs on account of imported cotton from India perforce because of inferior quality of local cotton crop.

FINANCE COST

Finance cost has decreased by Rs.4.839 million from Rs.47.720 million of the previous year to Rs.42.881 million for the current year mainly due to decrease in KIBOR rates.

GENERAL ECONOMIC REVIEW

In the last five years numerous textile units consisting of composite units, hosiery units and spinning units have closed down. In the year 2017, 140 textile mills have closed their operations, while another 75 to 80 mills are on the verge of closure due to high cost of doing business. According to All Pakistan Textile Mills Association (APTMA), with the closure of 140 textile mills, about one million workers have lost their jobs and further closures will add to the unemployment figure by another 0.5 million. Due to the closure of about 140 mills with various mills operating below capacity, textile exports are suffering a loss of over \$4 billion per annum.

Pakistan's textile exports have declined during the last four years because of the cost of doing business which is the highest in the region. The textile industry has been hit hard due to high cost of energy, both gas and electricity, leaving Pakistan's exports uncompetitive in the global market as the cost of production of both gas and electricity is about 30 percent higher than the regionally competitors - Bangladesh, India and Vietnam.

In addition to the above non payments of sales tax refund & duty draw back has proved last straw on textiles back which is on the brink of total collapse.

FUTURE PROSPECTS:

The Prime Minister of Pakistan while introducing a textile rehabilitation plan had announced financial support package of Rs.180 billion for the textile industry. The ministry of finance allocated only Rs.4 billion out of which only Rs. 1 billion has been released so far.

We are of the considered view, that the Government should immediately remove 4% import duty on cotton by abolishing the ban imposed on the import of Indian cotton and simultaneously totally ban the import of yarn and grey cloth from India.

Government has withdrawn zero-rated facility from this industry while on the other hand imposition of innovative taxes such as import duty on import of cotton, has increased the manufacturing cost. All Pakistan Textile Mills Associations, in its latest bid to save the textile industry has made an appeal to the Government regarding the abysmal situation that the textile industry is currently in. It says that “every day one textile mill is closing down” and serious remedial measures are needed to be taken immediately to save the textile industry, our national asset. The remedial measures advocated by APTMA include, removal of GIDC and reduction in gas tariff, to make it at par with the competing countries, removal of all surcharges on Electricity Tariff, removal of cess on textile raw materials & taxes at the import of raw material, fabric and garments, inclusion of long term financing facility in indirect exports, imposing very heavy regulatory duty on import of yarn & grey cloth from India and abolishing the turnover tax for the next five years.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE:

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

1. The financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
3. Proper books of account of the Company have been maintained.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed and monitored.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 June, 2017, except for those disclosed in the notes to the accounts.
9. The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.
10. No trades in the shares of Janana De Malucho Textile Mills Limited were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30 June, 2017.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING:

The Company is compliant with the best practices of transfer pricing as contained in the Rule Book of The Pakistan Stock Exchange.

BOARD AUDIT COMMITTEE

The Board of Directors, in compliance with the Code of Corporate Governance, has established an Audit Committee comprising the following:

1. Brig. (Retd.) Abdul Samad Khan	Chairman	Independent Director
2. Mr. Raza Kuli Khan Khattak	Member	Non-Executive Director
3. Mr. Ahmed Kuli Khan Khattak	Member	Non-Executive Director
4. Mr. Saad Waheed	Member	Non-Executive Director

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

1. Brig. (Retd.) Abdul Samad Khan	Chairman	Independent Director
2. Lt. Gen. (Retd.) Ali Kuli Khan Khattak	Member	Chief Executive/Member
3. Mr. Ahmed Kuli Khan Khattak	Member	Non-Executive Director
4. Mr. Saad Waheed	Member	Non-Executive Director

BOARD MEETINGS AND ATTENDANCE OF EACH DIRECTOR

NUMBER

Total number of Board meetings held during the year under review

6

Attendance of each Director

Mr. Raza Kuli Khan Khattak	6
Lt. Gen. (Retd.) Ali Kuli Khan Khattak	6
Mr. Ahmad Kuli Khan Khattak	5
Mr. Mushtaq Ahmad Khan, FCA	3
Mr. Gohar Ayub Khan	6
Mrs. Shahnaz Sajjad Ahmad	6
Dr. Shaheen Kuli Khan	1
Brig. (Retd.) Abdul Samad Khan	3
Mr. Saad Waheed	3
Mr. Khalid Kuli Khan Khattak	2

- The Board is pleased to report that Janana De Malucho Textile Mills Limited is compliant with the provisions of best practices of Code of Corporate Governance as on 30 June, 2017.

KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY)

Key operating and financial data of last six years is enclosed.

PATTERN OF SHAREHOLDING:

The statement of pattern of shareholding of the company as on 30 June, 2017 is attached. This statement is prepared in accordance with the Code of Corporate Governance and the provisions of the repealed Companies Ordinance, 1984.

CONTRIBUTION OF OUR COMPANY TOWARDS GOVERNMENT AND SOCIAL SECTOR:

We wish to give hereunder our Company's revenue contribution towards the Government, Semi Government sectors, banks and Social sector during the year ended 30 June, 2017.

I. GOVERNMENT SECTOR	(Rs. In Million)
Income Tax paid	20.921
Power & Fuel	391.747
Financial Institution/ Banks	42.881
II. SOCIAL SECTOR	
Employees/Workers' salaries, Wages and other benefits	361.435

We are also providing employment to 1,096 permanent workers (1,096 families with an average of 8 family members in KPK province) the employment cost of which shall now be about Rs. 361.435 million per annum.

CORPORATE SOCIAL RESPONSIBILITY:

We believe that education plays a vital role for economic development and poverty alleviation. Pakistan has an urgent need for excellent academic facilities, to develop and prepare young people to acquire skills and help them to utilize their highest potential. For this purpose we donate significant amounts to Waqf-e-Kuli Khan Trust every year.

DIVIDEND:

The Board has not recommended any dividend for the year because of loss after tax amounting Rs.8.444 million.

COMMENTS ON “EMPHASIS OF MATTER” PARAGRAPH IN THE AUDITOR'S REPORT:

The GIDC issue has been currently challenged in the Peshawar High Court (PHC) as well as the Supreme Court of Pakistan. The case is fixed for hearing on 20-12-2017 in the PHC while no hearing date has been given by the Supreme Court. The stay order issued by the PHC on the GIDC issue is in field. The lawyer hired by APTMA has said that our case is very strong and valid, so we are hoping that the decision of the Courts will be in the favour of the industry. The High Court and the Supreme Court of Pakistan in our earlier appeals have already declared GIDC Act, 2011 as un-constitutional and we are of the considered opinion that GIDC Act, 2015, will also be struck down by the learned courts.

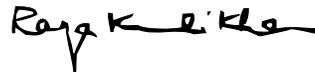
APPOINTMENT OF AUDITORS:

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

ACKNOWLEDGEMENT:

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

For & on behalf of Board of Directors



RAZA KULI KHAN KHATTAK
CHAIRMAN

Dated: 30th October, 2017

ڈائریکٹرز رپورٹ برائے حصص یافتگان

بورڈ آف ڈائریکٹرز کی جانب سے، 57 ویں سال 30 جون 2017 کو ختم ہونے کے لئے کمپنی کے آڈیٹر کی جاری کردہ مالیاتی رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

کارکردگی کا جائزہ۔

آپ کی کمپنی اللہ کریم کی لاکھروں احسانات کے صدقے ناموافق حالات و خطرات جو کہ سستے بھارتی سوترا اور کپڑے کی بھاری درآمدات کے نتیجے درپیش آئے انکا مقابلہ کیا اور ملک کی دیگر ٹیکسٹائل کی صنعتوں کے مقابلے میں بہتر نتائج دیے۔ پچھلے سال کے مقابلے میں کمپنی کی مالیاتی نتائج کی اہم جھلکیاں مندرجہ ذیل ہیں۔

2016	2017	
		روپے لاکھوں میں
2,497.962	2,515.643	فروخت
(2,339.861)	(2,398.962)	فروخت کی لاگت
158.101	117.381	عبوری منافع
58.097	20.893	آپریشن سے منافع
14.114	(21.538)	ٹیکس سے پہلے (نقصان) / منافع
12.894	(8.444)	ٹیکس سے بعد (نقصان) / منافع
		--- روپے ---
2.69	(1.76)	(نقصان) / آمدنی فی شیئر

کاروبار

موجودہ سال کے لئے سوترا کی مجموعی فروخت میں گزشتہ سال کے مقابلے میں 1.7681 کروڑ روپے کا معمولی اضافہ ہوا ہے۔ تاہم یہ مالی سال 17-2016 کے دوران کمپنی کو درپیش مایوس کن مارکیٹ کے حالات کی صحیح تصویر کی عکاسی نہیں کرتا۔ کمپنی کے اس مالی سال کے دوران مال فروخت کی مقدار گزشتہ سال کے مقابلے میں 13 لاکھ 22 ہزار پونڈ کی کمی واقع ہوئی ہے جبکہ سوترا کی قیمتوں میں اضافہ کی وجہ سے 13.5175 کروڑ روپے مجموعی فروخت پچھلے سال کی نسبت زیادہ ہوئی۔ اسکی بنیادی وجہ گزشتہ سال کے مقابلے میں اس سال حکومت کا سوترا پر سے سیلز ٹیکس کا معاف کرنا اور آپ کی کمپنی کا مزید ٹیکس سوترا کا بنانا ہے۔ جبکہ اس کے باوجود سستے بھارتی سوترا اور کپڑے کی درآمدات کی وجہ سے آپ کی کمپنی کو بہت زیادہ محنت کرنا پڑی۔

عبوری منافع

موجودہ سال کا عبوری منافع میں گزشتہ سال کے مقابلے میں 4.072 کروڑ روپے کی کمی واقع ہوئی ہے۔ اس کی بنیادی وجہ گزشتہ سال کے مقابلے میں حکومت کے احکامات کے مطابق مزدور کی کم از کم تنخواہ 13,000 روپے فی مہینہ سے بڑھا کر 14,000 روپے فی مہینہ کی گئی۔ اس کے علاوہ ملکی کپاس کی فصل اچھی نہیں ہو رہی جس کی وجہ سے آپ کی کمپنی کو باہر سے مہنگی روٹی درآمد کرنا پڑتی ہے جس سے اوسط خام مال کی قیمت کی شرح میں 7.10 روپے فی پونڈ کی شرح سے اضافہ ہوا ہے۔

فنانس کی لاگت

موجودہ سال کے فنانس کی لاگت میں گزشتہ سال کے مقابلے میں 0.484 کروڑ روپے کی کمی واقع ہوئی ہے۔ جس کی بنیادی وجہ آپ کی کمپنی کا بینکوں سے کاروباری معاملات کا سمجھداری سے استعمال کرنا۔ اس کے علاوہ KIBOR کی شرح میں کمی ہے۔

عمومی مارکیٹ کی حالت

گزشتہ پانچ سالوں میں کئی ٹیکسٹائل کے کارخانے جن میں کپڑا، ہوزری اور سوتز کے کارخانے شامل ہیں بند ہو چکے ہیں۔ سال 2017 میں 140 ٹیکسٹائل ملز نے اپنے کاروبار بند کر دیے ہیں، جبکہ کاروبار کرنے کی زیادہ لاگت کی وجہ سے 75 سے 80 ملز بند ہونے کے قریب ہیں۔ پاکستان ٹیکسٹائل ملز ایسوسی ایشن (اٹپا) کے مطابق، 140 ٹیکسٹائل ملز بند کرنے کے ساتھ، تقریباً لاکھ کارکنوں نے اپنی ملازمتیں کھودی ہیں اور مزید بندش سے بے روزگاری کی مد میں مزید پانچ لاکھ کا اضافہ ہو جائے گا۔ اٹپا کا مزید کہنا ہے کہ ذیل میں تقریباً 140 ملز کی بندش کی وجہ سے دیگر مختلف ملزوں کی پیداواری صلاحیت میں کمی ہوئی ہے جس کی وجہ سے ٹیکسٹائل کی برآمدات 14 ارب ڈالر فی سال کے حساب سے کم ہوئی ہیں۔

پچھلے چار سالوں میں پاکستان کے ٹیکسٹائل برآمدات میں کمی کی وجہ سے ہمسائے ممالک کی نسبت کاروبار کرنے کی لاگت زیادہ ہونے کی وجہ سے کمی ہوئی ہے۔ گیس اور بجلی دونوں کی زیادہ قیمتوں کی وجہ سے ملکی ٹیکسٹائل انڈسٹری کو مشکلات کا سامنا ہے، جس کی وجہ سے پاکستان کی برآمدات عالمی مارکیٹ میں سستے مال کا مقابلہ نہیں کر پا رہا ہے۔ کیونکہ دونوں گیس اور بجلی کی قیمتیں دیت نام، بھارت اور بنگلہ دیش کے مقابلے میں 30 فیصد زیادہ ہیں۔ اس کے علاوہ حکومت کا سلیکٹڈ اور ڈیوٹی فری کاروبار واپس نہ کرنے کی وجہ سے ٹیکسٹائل کی صنعت بند ہونے کے قریب ہے۔

مستقبل کے نقطہ نظر

ٹیکسٹائل کی بحالی کے منصوبے کو متعارف کرانے کے دوران پاکستان کے وزیر اعظم نے ٹیکسٹائل انڈسٹری کے لئے 80 ارب روپے کا مالی امداد پیکج کا اعلان کیا تھا۔ وزارت فنانس نے صرف 4 ارب روپے مختص کیے ہیں جن میں سے صرف اب تک ایک ارب روپے جاری کیے گئے ہیں۔

ہمیں یہ قیاس کرتے ہیں کہ حکومت کو کپاس درآمد پر فوری طور پر 4 فیصد درآمدی ڈیوٹی اور 5 فیصد سلیکٹڈ کو بنادینا چاہئے، بھارتی کپاس کی درآمد پر پابندی کو ختم کرنے کے ساتھ ساتھ بھارت سے پارن اور کورے کپڑے کی درآمد پر پابندی عائد کرنی چاہیے۔ مندرجہ بالا ڈیوٹی اور سلیکٹڈ لگانے کی وجہ سے ٹیکسٹائل ملز کی قوت خرید دن بدن کم ہو رہی ہے۔

حکومت نے اس صنعت سے صفر درجہ بندی کی سہولیات واپس لے لی ہے جبکہ دوسرے ٹیکس جیسا کہ کپاس کی درآمد پر درآمدی ڈیوٹی نے کپڑے کی تیاری کی لاگت میں اضافہ کیا ہے۔ ٹیکسٹائل کی صنعت کو بچانے کے لئے اٹپا نے اپنے تازہ ترین بیان میں حکومت سے اپیل کی ہے کہ ٹیکسٹائل کی صنعت اس وقت مشکل صورتحال سے دوچار ہے۔ ان کا کہنا ہے کہ "ہر دن ایک ٹیکسٹائل مل بند ہو رہی ہے" اور حکومت فوری طور پر ٹیکسٹائل کی صنعت جو کہ قومی اثاثہ ہے کو بچانے کے لئے فوری اقدامات کرے۔ اٹپا کی جانب سے تجویز ہے کہ گیس انفراسٹرکچر ڈیولپمنٹ سیس کو ہٹانے، گیس و بجلی کی قیمتوں پر تمام اضافی اخراجات کو ختم کرنے، ٹیکسٹائل کے خام مال یعنی کپاس پر لگے سیس اور ٹیکس کو معاف کرے۔ تیار کپڑے اور کپڑے سے بنی ہوئی مصنوعات کی درآمدات پر ٹیکس لگانے، درآمدات کو بڑھانے کے لیے طویل مدتی قرضوں کی سہولیات دے، بھارت سے سوتز اور کورے کپڑے کو درآمد کرنے پر بہت بھاری ریگولیشن ڈیوٹی لگانا اور اگلے پانچ سالوں کے لئے کاروباری ٹیکس میں چھوٹ دے۔

کارپوریٹ گورننس کے ضابطے کی تعمیل

کارپوریٹ گورننس کے کوڈ کے تحت کمپنی کے ڈائریکٹرز تصدیق کرتے ہوئے خوشی محسوس کرتے ہیں:

- ۱- کمپنی کے حسابات کمپنی کے موجودہ کارکردگی کا عکاس ہیں۔
- ۲- کمپنی کے حسابات جس میں اکاؤنٹ کی کتابیں، نفع اور نقصان کا اکاؤنٹ، بیلنس شیٹ اور دیگر حسابات مروجہ قوانین کے تحت تیار کیے گئے ہیں۔
- ۳- کمپنی کا اندرونی آڈٹ کا نظام مکمل اور اسکی موثر طریقے سے نگرانی کی جاتی ہے۔
- ۴- کمپنی نے 30/06/2017 پر کسی قسم کا محصولات بائیس نہیں دینے علاوہ ان تمام قومات کے جن کا ذکر اس کتاب میں کیا گیا ہے۔
- ۵- شیئر ہولڈر اور دیگر اضافی معلومات کا ذکر اس کتاب میں کیا گیا ہے۔
- ۵- اس ملز کے ڈائریکٹر، چیف ایگزیکٹو، ایف او، کمپنی سیکرٹری، ان کے اہل خانہ اور ان کے چھوٹے بچوں نے کمپنی کے شیئر میں خرید و فروخت نہیں کی ہے۔

بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز کے بورڈ نے کارپوریٹ گورننس کے کوڈ کے تحت بورڈ آف ڈائریکٹرز کی کمیٹی بتائی ہے جس ارکان مندرجہ ذیل ہیں۔

- | | | |
|------------------------------------|---------|-----------------------|
| ۱- بریگیڈیر (ریٹائرڈ) عبدالصمد خان | چیئرمین | آزاد ڈائریکٹر |
| ۲- جناب رضا قلی خان خٹک | رکن | غیر ایگزیکٹو ڈائریکٹر |
| ۳- جناب احمد قلی خان خٹک | رکن | غیر ایگزیکٹو ڈائریکٹر |
| ۴- جناب سعد وحید | رکن | غیر ایگزیکٹو ڈائریکٹر |

انسانی وسائل اور معاوضے کی کمیٹی

کمیٹی کے ڈائریکٹرز کے بورڈ نے کارپوریٹ گورننس کے کوڈ کے تحت انسانی وسائل اور معاوضے کی کمیٹی بنائی ہے جس ارکان مندرجہ ذیل ہیں۔

۱۔	بریگیڈیئر (ریٹائرڈ) عبدالصمد خان	چیئرمین	آزاد ڈائریکٹر
۲۔	جنرل (ریٹائرڈ) علی قلی خان خٹک	رکن	چیف ایگزیکٹو آفیسر
۳۔	جناب احمد قلی خان خٹک	رکن	غیر ایگزیکٹو ڈائریکٹر
۴۔	جناب سعد وحید	رکن	غیر ایگزیکٹو ڈائریکٹر

بورڈ کے اجلاس اور ڈائریکٹرز کی حاضری

تعداد

بورڈ کے اجلاس کی کل تعداد جو اس سال منعقد ہوئی

۶

ڈائریکٹرز کی حاضری

۶

۱۔ جناب رضاعلی خان خٹک

۶

۲۔ جنرل (ریٹائرڈ) علی قلی خان خٹک

۵

۳۔ جناب احمد قلی خان خٹک

۳

۴۔ جناب مشتاق احمد خان (ایف سی اے)

۶

۵۔ جناب گوہر ایوب خان

۶

۶۔ مسز شہناز سجادا احمد

۱

۷۔ ڈاکٹر شاپین قلی خان (تاریخ ریٹائرمنٹ 31-03-2017)

۳

۸۔ بریگیڈیئر (ریٹائرڈ) عبدالصمد خان

۳

۹۔ جناب سعد وحید

۲

۱۰۔ جناب خالد قلی خان خٹک (تاریخ تفریح 01-04-2017)

جانانہ ملز کا بورڈ کارپوریٹ گورننس کے دفعات کے مطابق کام کر رہا ہے۔

شیر ہولڈر اور جملہ آپریٹنگ اور مالی اعداد و شمار (گزشتہ چھ سال کے)

شیر ہولڈر اور جملہ آپریٹنگ اور مالی اعداد و شمار اس کتاب میں موجود ہیں۔

حکومت اور سماجی شعبہ کی طرف سے ہماری کمیٹی کی شراکت

اس سال آپ کی کمیٹی نے حکومت اور سماجی شعبہ کو مندرجہ ذیل ادائیگی کی ہے۔

رقم ملین میں

۱۔	حکومتی اداروں کو ادائیگی	20.921
	انکم ٹیکس کی مد میں	391.747
	بجلی اور گیس کی مد میں	42.881
	بینکوں کو ادائیگی	361.435
۲۔	ملازمتی کی تنخواہوں، اجرتوں اور دیگر فوائد کی مد میں	

ہم 1,096 مستقل افراد کو ملازمت دے رہے ہیں جو کہ خیبر پختونخوا کے صوبے کم از کم 18 افراد پر مشتمل 1,096 خاندان کے سہارا ہیں۔ جس کا خرچہ 361.435 ملین روپے سالانہ ہے۔

سماجی ذمہ داری برائے کارپوریٹ

ہمیں یہ یقین ہے کہ تعلیم اقتصادی ترقی اور غربت کے خاتمے کے لئے ایک اہم کردار ادا کرتی ہے۔ پاکستان کی ترقی کے لئے بہترین تعلیمی سہولیات کے لئے ایک فوری ضرورت ہے اور مہارت حاصل کرنے

کے لئے نوجوان لوگوں کو تیار اور ان سب سے زیادہ صلاحیت کو استعمال کرنے میں مدد کے لیے ہم ہر سال وقفہ نقلی خان ٹرسٹ کو گران قدر رقم ادا کرتے ہیں۔

ڈیویڈنڈ

بورڈ نے ٹیکس کے بعد 8.444 ملین روپے کمپنی کو کاروبار میں نقصان ہونے پر کسی بھی قسم کا حتمی کیش ڈیویڈنڈ نہ دینے کی سفارش کی ہے۔

آڈیٹر کی رپورٹ کے پیرا گراف پر تبصرہ

گیس انفراسٹرکچر ڈیولپمنٹ سیس کے خلاف کمپنی نے پشاور ہائی کورٹ کے ساتھ ساتھ سپریم کورٹ آف پاکستان میں کیس کر رکھا ہے۔ پشاور ہائی کورٹ میں 20/12/2017 کی تاریخ مقرر ہوئی ہے جبکہ سپریم کورٹ آف پاکستان نے ابھی مقدمہ کی شنوائی شروع نہیں کی ہے۔ گیس انفراسٹرکچر ڈیولپمنٹ سیس کے کیس میں پشاور ہائی کورٹ کا حکم امتناعی موجود ہے۔ اپٹا نے گیس انفراسٹرکچر ڈیولپمنٹ سیس کے معاملے پر ہمارے وکیل کے ساتھ ایک اجلاس میں مستقبل کی حکمت عملی کے بارے میں مطلع کیا ہے کہ وہ، گیس انفراسٹرکچر ڈیولپمنٹ سیس معاملے میں ہمارے کیس کی بنیاد بہت مضبوط اور درست ہے کہ امید ہے کہ عدالت کا فیصلہ صنعت کے حق میں ہو جائے گا۔ ہائی کورٹ اور پاکستان کی سپریم کورٹ نے پہلے ہی ہماری اپیل میں گیس انفراسٹرکچر ڈیولپمنٹ سیس ایکٹ 2011ء کو غیر آئینی قرار دیا تھا جبکہ حکومت نے گیس انفراسٹرکچر ڈیولپمنٹ سیس ایکٹ 2015 میں کوئی نئی تبدیلی نہیں کی ہے یہ بھی گیس انفراسٹرکچر ڈیولپمنٹ سیس ایکٹ 2011ء ہی کی طرح ہے جس کو اعلیٰ عدالتوں نے مسترد کیا ہے۔ اور ہم امید رکھتے ہیں ہمارے ملک کی اعلیٰ عدالتیں اس ایکٹ کو بھی مسترد کر دیں گی۔

آڈیٹر کی تقرری

کمپنی کے آڈیٹر جو کہ میسر شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، پینک سکولر، لاہور جو اس سال ریٹائر ہو گئے ہیں نے دوبارہ تقرری کے لیے خدمات پیش کی ہیں۔ کمپنی کی بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے ان کی بارہ تقرری کے لیے سفارش کی ہے۔

اعتراف

بورڈ آف ڈائریکٹرز کمپنی کے بینکاروں کی قدر کرتا ہے جو کہ مسلسل کمپنی کی مالی مشکلات میں بروقت مدد کرتے ہیں۔ اسکے علاوہ کمپنی کی انتظامیہ اور کارکنوں کی محنت کو بے مثال مشکل حالات میں بہتر نتائج حاصل کرنے پر شاباش دیتا ہے۔ اور امید کرتا ہے کہ مستقبل میں اسی لگن اور محنت سے کام کرتے رہیں گے۔

تاریخ: 30 اکتوبر 2017ء

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

Raza Khan

رضا نقلی خان خانک

چیئرمین

**KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY**

		(Rs. in million)					
PARTICULARS		2017	2016	2015	2014	2013	2012
Spindles installed	Nos.	62,304	62,304	62,304	62,304	62,304	62,304
Rotors installed	Nos.	600	600	600	600	600	600
PRODUCTION	Lbs. in million	11.829	12.483	14.104	13.322	13.013	11.956
Sales - Net	Rs. in million	2,515.643	2,497.962	2,542.780	2,983.385	2,714.679	2,314.948
Gross Profit	---- " ----	117.381	158.101	198.125	429.024	468.880	243.563
Profit from operations	---- " ----	20.893	58.097	95.883	302.924	378.451	170.520
(Loss) / Profit before Taxation	---- " ----	(21.538)	14.114	14.721	249.465	319.789	109.559
Provision for Taxation	---- " ----	(13.094)	1.220	(1.550)	68.868	83.999	(35.103)
(Loss) / Profit after Taxation	---- " ----	(8.444)	12.894	16.271	180.597	235.790	144.662
(Loss) / Earning per share	Rupees	(1.76)	2.69	3.40	37.74	49.28	30.23
Breakup Value per share	---- " ----	222.25	220.03	218.22	213.86	174.63	125.56

Total Assets	Rs. in million	4,650.061	4,179.031	3,487.615	3,576.849	3,339.138	3,183.565
Current Liabilities	---- " ----	(1,120.964)	(607.450)	(803.414)	(867.418)	(823.469)	(770.262)
	---- " ----	3,529.097	3,571.581	2,684.201	2,709.431	2,515.669	2,413.303

REPRESENTED BY:

Share Capital	Rs. in million	47.848	47.848	47.848	47.848	47.848	47.848
Reserves and Un-appropriated Profit	---- " ----	3,085.218	3,089.808	2,261.898	2,252.968	2,077.962	1,855.426
Equity	---- " ----	3,133.066	3,137.656	2,309.746	2,300.816	2,125.810	1,903.274
Long Term Loans	---- " ----	0.000	0.000	0.000	9.269	35.037	260.713
Deferred Liabilities	---- " ----	396.031	433.925	374.455	399.346	354.822	249.316
	---- " ----	3,529.097	3,571.581	2,684.201	2,709.431	2,515.669	2,413.303

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. CUIIN (Incorporation Number)

2. Name of the Company

3. Pattern of holding of the shares held by the shareholders as at

4. No of shareholders	Shareholdings	Total shares held
531	shareholding from 1 to 100 shares	19,398
391	shareholding from 101 to 500 shares	91,798
99	shareholding from 501 to 1000 shares	72,243
98	shareholding from 1001 to 5000	198,428
16	shareholding from 5001 to 10000	120,354
14	shareholding from 10001 to 15000	175,825
1	shareholding from 15001 to 20000	20,000
1	shareholding from 20001 to 25000	22,700
3	shareholding from 30001 to 35000	93,800
2	shareholding from 35001 to 40000	76,633
1	shareholding from 40001 to 45000	41,143
1	shareholding from 50001 to 55000	52,700
1	shareholding from 60001 to 65000	60,500
1	shareholding from 65001 to 70000	65,529
1	shareholding from 115001 to 120000	117,762
1	shareholding from 130001 to 135000	134,062
1	shareholding from 195001 to 200000	200,000
1	shareholding from 340001 to 345000	341,000
1	shareholding from 475001 to 480000	478,444
1	shareholding from 840001 to 845000	843,245
1	shareholding from 1555001 to 1560000	1,559,230
1167	Total	4,784,794

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	55,868	1.17
5.2. Associated Companies, undertakings and related parties.	2,743,475	57.34
5.3 ICP	620	0.01
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	492,205	10.29
5.5 Insurance Companies	38,422	0.80
5.6 Modarabas and Mutual Funds	NIL	NIL
5.7 Share holders holding 10% Bannu Woollen Mills Ltd	1,559,230	32.59
Bibojee Services (Pvt.) Ltd	843,245	17.62
National Bank of Pakistan	478,444	10.00
5.8 General Public		
a. Local	1,306,010	27.30
b. Foreign	NIL	NIL
5.9 Others (to be specified)		
Joint Stock Companies	14,119	0.30
Secretary to Govt. of KPK	134,062	2.80
Sheriar F. Irani Investment Trust Ltd.	13	0.00

6. Signature of Secretary



7. Name of Signatory

AMIN-UR-RASHEED

8. Designation

Company Secretary & Sr. General Manager Corporate Affairs

9. NIC Number

1	4	3	0	1	-	4	5	7	5	7	6	4	-	3
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

10. Date

Day		Month		Year			
3	0	0	6	2	0	1	7

**DETAILS OF PATTERN OF SHAREHOLDING AS PER
REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE**

CATEGORIES OF SHAREHOLDERS	SHARES HELD
1. ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES:	
M/S BANNU WOOLLEN MILLS LTD,	1,559,230
M/S.BIBOJEE SERVICES (PVT) LTD.	843,245
M/S BABRI COTTON MILLS LTD,	341,000
2. I.C.P:	
M/S. INVESTMENT CORPORATION OF PAKISTAN	620
3. DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:	
MR.RAZA KULI KHAN KHATTAK, Chairman	12,482
LT.GEN. (RETD) ALI KULI KHAN KHATTAK Chief Executive	11,114
MR.AHMED KULI KHAN KHATTAK Director	12,214
MR.MUSHTAQ AHMED KHAN (FCA) Director	13,241
MR. GOHAR AYUB KHAN Director	500
MRS.SHAHNAZ SAJJAD AHMED Director	6,107
BRIG. (RETD) ABDUL SAMAD KHAN Director	10
MR. SAAD WAHEED Director	100
MR. KHALID KULI KHAN KHATTAK Director	100
4. EXECUTIVES	1,155
5. JOINT STOCK COMPANIES	14,119
6. BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	530,627
7. SHAREHOLDERS HOLDING 10% OR MORE:	
M/S BANNU WOOLLEN MILLS LTD.	1,559,230
M/S.BIBOJEE SERVICES (PVT) LTD.	843,245
M/S.NATIONAL BANK OF PAKISTAN	478,444
8. GENERAL PUBLIC & OTHERS	1,438,930

**Statement of Compliance with the Code of
Corporate Governance**

Name of Company **JANANA DE MALUCHO TEXTILE MILLS LIMITED**
Year Ending **30TH JUNE 2017**

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 5.19 of the Rule Book of Pakistan Stock Exchange (PSX) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes one independent director, two executive directors and six non—executive directors.

CATEGORY	NAMES
Independent Director	Brig. (Retd) Abdul Samad Khan
Executive Directors	Lt. Gen. (Retd) Ali Kuli Khan Khattak
	Mr. Khalid Kuli Khan Khattak
Non-Executive Directors	Mr. Raza Kuli Khan Khattak
	Mr. Ahmad Kuli Khan Khattak
	Mr. Mushtaq Ahmad Khan, FCA
	Mr. Gohar Ayub Khan
	Mrs. Shahnaz Sajjad Ahmad
	Mr. Saad Waheed

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

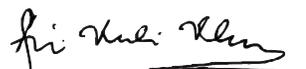
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year in the Board of Directors of the Company.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statements, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Six of our directors have already completed the program in the years 2010 & 2016, one of the director has been given exemption from the director training program. Remaining two directors are not required to attend the program in view of the relaxation given till June 30, 2018 through amendment in the PSX Rule Book.
10. There were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30th June 2017.
11. The directors' report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the code.
15. The board has formed an Audit Committee. It comprises of four members, of whom three are non-executive directors and one is independent director, who is also Chairman of the committee.
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, 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 formed an HR and Remuneration Committee. It comprises of four members, of whom two are non-executive directors, one independent director, who is Chairman of the committee and one executive director, who is also CEO of the company.
18. The board has set up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the code have been complied with.

Signature

(Name in block letters)

NIC Number



LT. GEN. (RETD.) ALI KULI KHAN KHATTAK
(Chief Executive)

37405 -0360603-3

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **JANANA DE MALUCHO TEXTILE MILLS LIMITED** (the Company) for the year ended June 30, 2017 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

Shine Wing Hameed Chaudhri

**SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

Audit Engagement Partner: Osman Hameed Chaudhri

LAHORE: October 30, 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **JANANA DE MALUCHO TEXTILE MILLS LIMITED** (the Company) as at June 30, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed 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, 2017 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Emphasis of matter

We draw attention to note 24.2 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.267.081 million. Our report is not qualified in respect of this matter.

Shine Wing Hameed Chaudhri

**SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

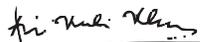
Audit Engagement Partner: Osman Hameed Chaudhri

LAHORE: October 30, 2017

BALANCE SHEET AS AT JUNE 30, 2017

ASSETS	Note	2017 Rupees in thousand	2016
Non-current assets			
Property, plant and equipment	5	3,183,026	3,129,440
Investments in Associated Companies	6	178,719	176,521
Loans to employees	7	1,151	2,097
Security deposits		<u>1,204</u>	<u>1,204</u>
		3,364,100	3,309,262
Current assets			
Stores, spares and loose tools	8	<u>61,404</u>	57,474
Stock-in-trade	9	<u>896,961</u>	524,175
Trade debts - unsecured, considered good		<u>122,510</u>	104,989
Advances to employees		<u>3,619</u>	4,355
Advance payments	10	<u>34,322</u>	34,831
Trade deposits and prepayments	11	<u>3,391</u>	7,320
Due from an Associated Company	12	<u>518</u>	0
Other receivables		<u>5,028</u>	2,678
Sales tax refundable		<u>58,024</u>	29,293
Income tax refundable, advance tax and tax deducted at source		<u>83,185</u>	82,616
Cash and bank balances	13	<u>16,999</u>	22,038
		<u>1,285,961</u>	869,769
TOTAL ASSETS		<u>4,650,061</u>	<u>4,179,031</u>
EQUITY AND LIABILITIES			
Equity			
Authorized capital	14	<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital	15	<u>47,848</u>	47,848
Reserves	16	<u>889,983</u>	389,983
Unappropriated profit		<u>125,581</u>	614,960
Shareholders' equity		<u>1,063,412</u>	<u>1,052,791</u>
Surplus on revaluation of property, plant and equipment	17	<u>2,069,654</u>	<u>2,084,865</u>
Liabilities			
Non-current liabilities			
Staff retirement benefits - gratuity	18	<u>153,932</u>	148,929
Deferred taxation	19	<u>242,099</u>	284,996
		<u>396,031</u>	433,925
Current liabilities			
Trade and other payables	20	<u>258,691</u>	133,619
Accrued mark-up		<u>15,499</u>	10,593
Short term finances	21	<u>821,017</u>	441,436
Taxation	22	<u>24,564</u>	20,588
Preference shares redemption account	23	<u>1,193</u>	1,214
		<u>1,120,964</u>	607,450
Total liabilities		<u>1,516,995</u>	<u>1,041,375</u>
Contingencies and commitments	24		
TOTAL EQUITY AND LIABILITIES		<u>4,650,061</u>	<u>4,179,031</u>

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



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



Ahmad Kuli Khan Khattak
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees in thousand	2016
Sales	25	2,515,643	2,497,962
Cost of Sales	26	2,398,262	2,339,861
Gross Profit		117,381	158,101
Distribution Cost	27	19,816	18,622
Administrative Expenses	28	81,057	93,570
Other Expenses	29	515	2,531
Other Income	30	(4,900)	(14,719)
		96,488	100,004
Profit from Operations		20,893	58,097
Finance Cost	31	42,881	47,720
		(21,988)	10,377
Share of Profit of Associated Companies - net	6	450	3,737
(Loss) / Profit before Taxation		(21,538)	14,114
Taxation	32	(13,094)	1,220
(Loss) / Profit after Taxation		(8,444)	12,894
Other Comprehensive Income / (Loss)			
Items that will not be reclassified to profit or loss:			
- loss on remeasurement of staff retirement benefit obligation (net of deferred tax)	18	(1,192)	(17,845)
- share of other comprehensive income / (loss) of Associated Companies (net of taxation)	6	1,324	(805)
		132	(18,650)
Total Comprehensive Loss		(8,312)	(5,756)
----- Rupees -----			
(Loss) / Earnings per Share	33	(1.76)	2.69

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



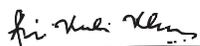
**Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive**


**Ahmad Kuli Khan Khattak
Director**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
	Rupees in thousand	
Cash flow from operating activities		
(Loss) / profit for the year - before taxation and share of profit of Associated Companies	(21,988)	10,377
Adjustments for non-cash charges and other items:		
Depreciation	83,033	72,621
Gain on sale of vehicles	(422)	(1,971)
Excess provision of workers' welfare fund written-back	(259)	(7,005)
Staff retirement benefits - gratuity (net)	3,300	14,156
Finance cost	41,344	45,996
Profit on Defence Savings Certificates	0	(1,800)
Profit before working capital changes	105,008	132,374
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(3,930)	15,865
Stock-in-trade	(372,786)	134,343
Trade debts	(17,521)	(68,212)
Loans and advances to employees	1,682	(861)
Advance payments	509	(6,611)
Trade deposits and prepayments	3,929	(6,329)
Due from an Associated Company	(518)	0
Other receivables	(2,350)	2,032
Sales tax refundable	(28,731)	3,507
Increase / (decrease) in trade and other payables	127,663	(51,668)
	(292,053)	22,066
Cash (used in) / generated from operations	(187,045)	154,440
Taxes paid	(20,921)	(18,983)
Net cash (used in) / generated from operating activities	(207,966)	135,457
Cash flow from investing activities		
Fixed capital expenditure	(137,004)	(52,655)
Sale proceeds of vehicles	807	2,370
Defence Savings Certificates redeemed	0	30,000
Profit on Defence Savings Certificates received	0	1,800
Security deposits	0	(175)
Dividend received	3,658	2,195
Net cash used in investing activities	(132,539)	(16,465)
Cash flow from financing activities		
Short term finances - net	379,581	(131,173)
Finance cost paid	(36,438)	(43,690)
Dividends paid	(7,656)	(6,814)
Preference shares redeemed	(21)	0
Net cash generated from / (used in) financing activities	335,466	(181,677)
Net decrease in cash and cash equivalents	(5,039)	(62,685)
Cash and cash equivalents - at beginning of the year	22,038	84,723
Cash and cash equivalents - at end of the year	16,999	22,038

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



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


Ahmad Kuli Khan Khattak
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017**

Share capital	Reserves					Sub-total	Unappropriated profit	Total
	Capital			Revenue				
	Capital redemption	Tax holiday	Share premium	General				

----- Rupees in thousand -----

Balance as at June 30, 2015	47,848	6,694	350	11,409	371,530	389,983	606,328	1,044,159
Transaction with owners:								
Cash dividend at the rate of Rs. 1.50 per ordinary share for the year ended June 30, 2015	0	0	0	0	0	0	(7,177)	(7,177)
Total comprehensive loss for the year ended June 30, 2016:								
- profit for the year	0	0	0	0	0	0	12,894	12,894
- other comprehensive loss	0	0	0	0	0	0	(18,650)	(18,650)
	0	0	0	0	0	0	(5,756)	(5,756)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year								
	0	0	0	0	0	0	18,059	18,059
Effect of items directly credited in equity by Associated Companies - net								
	0	0	0	0	0	0	3,506	3,506
Balance as at June 30, 2016	47,848	6,694	350	11,409	371,530	389,983	614,960	1,052,791
Transfer to general reserve	0	0	0	0	500,000	500,000	(500,000)	0
Transaction with owners:								
Cash dividend at the rate of Rs. 1.25 per ordinary share for the year ended June 30, 2016	0	0	0	0	0	0	(5,981)	(5,981)
Total comprehensive loss for the year ended June 30, 2017:								
- loss for the year	0	0	0	0	0	0	(8,444)	(8,444)
- other comprehensive income	0	0	0	0	0	0	132	132
	0	0	0	0	0	0	(8,312)	(8,312)
Transfer from surplus on revaluation of property, plant and equipment (net of deferred taxation) on account of incremental depreciation for the year								
	0	0	0	0	0	0	20,832	20,832
Effect of items directly credited in equity by Associated Companies - net								
	0	0	0	0	0	0	4,082	4,082
Balance as at June 30, 2017	47,848	6,694	350	11,409	871,530	889,983	125,581	1,063,412

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



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


**Ahmad Kuli Khan Khattak
Director**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. LEGAL STATUS AND OPERATIONS

Janana De Malucho Textile Mills Ltd. (the Company) was incorporated in Pakistan as a Public Company in the year 1960 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company 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

2.1 Statement of compliance

The Companies Act, 2017, during the year, has been promulgated; however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated its decision that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the repealed Ordinance). Accordingly, 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance. In case requirements differ, the provisions or directives of the repealed Ordinance shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest thousand unless otherwise stated.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

(a) Property, plant and equipment

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

(b) Stores & spares and stock-in-trade

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

(c) Provision for impairment of trade debts

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

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 18.

(e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

2.5 No critical judgment has been used in applying the accounting policies.

3. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on July 01, 2016 and are considered to be relevant to the Company's operations:

(a) IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in the financial statements by emphasizing the importance of comparability, understandability and clarity in presentation.

The amendments provide clarification on number of issues including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Disaggregation and sub-totals – line items specified in IAS 1 may need to be disaggregated where this is relevant to understandability of entities' financial position or performance. There is also new guidance on the use of sub-totals.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The above amendments do not have any significant impact on the Company's financial statements.

- (b) Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'; it has been clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It has also been clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments do not have any significant impact on the Company's financial statements.
- (c) Amendments to IAS 34 'Interim financial reporting' clarify what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report. Entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements. The amendments only affects disclosures in the Company's financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 01, 2016 and have not been early adopted by the Company:

- (a) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.
- (b) Amendments to IAS 7, 'Statement of cash flows' are applicable to annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only affect disclosures in the Company's financial statements.
- (c) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.

- (d) Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax asset for unrealized losses are applicable on accounting periods beginning on or after January 01, 2017. These amendments on the recognition of deferred tax asset for unrealized losses clarify how to account for deferred tax asset related to debt instruments measured at fair value. These amendments do not have a material impact on the Company's financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company's financial reporting and operations and therefore, have not been presented here.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment and depreciation

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

Freehold land, buildings on freehold land, plant & machinery and generators have been revalued during prior years and on December 31, 2015. Surplus arisen on revaluation of these assets has been credited to surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the repealed Companies Ordinance, 1984 and shall be held on the balance sheet till realization. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to equity.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 5.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

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

4.2 Investments in Associated Companies

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

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

4.3 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realizable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.4 Stock-in-trade

Basis of valuation are as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials:	
-At warehouses	- At lower of annual average cost and net realizable value.
-In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At cost.
Finished goods	- At lower of cost and net realizable value.
Waste	- At net realizable value.
	- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
	- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
	- Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.5 Trade debts and other receivables

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

4.6 Cash and cash equivalents

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

4.7 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.8 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2017 on the basis of the projected unit credit method by an independent Actuary.

4.9 Trade and other payables

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

4.10 Provisions

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

4.11 Taxation**(a) Current**

Provision for current taxation is based on taxable income / turnover at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments, where necessary, relating to prior years, which arise from assessments framed / finalized during the year.

(b) Deferred

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognized for taxable temporary differences and deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is charged or credited to the profit and loss account except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.12 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized in the period in which these are approved.

4.13 Financial instruments

Financial instruments include security deposits, trade debts, bank balances, trade & other payables, accrued mark-up, short term finances and redeemable preference shares. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.14 Off-setting

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

4.15 Foreign currency translation

Foreign currency transactions are recorded in Pak Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

4.16 Revenue recognition

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

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

4.17 Impairment of non-financial assets

Non-financial assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

4.18 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 39 to these financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2017 Rupees in thousand	2016
Operating fixed assets - tangible	5.1	3,072,855	3,129,440
Capital work-in-progress - plant and machinery (including in-transit plant and machinery valuing Rs.72.034 million)		110,171	0
		3,183,026	3,129,440

5.1 Operating fixed assets - owned

	Freehold land	Roads, paths and culverts	Buildings on freehold land				Plant & machinery	Generators	Workshop equipment	Furniture and fixtures	Office & other equipment	Computer equipment and accessories	Vehicles	Arms	Security & surveillance	Total
			Factory	Non-factory	Residential											
					Officers	Workers										
----- Rupees in thousand -----																
As at June 30, 2015																
Cost / revaluation	956,700	1,247	191,807	6,679	12,447	14,058	1,255,243	186,489	4,286	12,729	3,530	0	25,519	7,058	2,755	2,680,547
Accumulated depreciation	0	0	29,424	1,066	1,954	1,526	315,010	39,946	2,218	5,623	1,568	0	14,617	854	875	414,681
Book value	956,700	1,247	162,383	5,613	10,493	12,532	940,233	146,543	2,068	7,106	1,962	0	10,902	6,204	1,880	2,265,866
Year ended June 30, 2016:																
Additions	0	0	0	0	0	0	43,361	5,470	0	1,147	43	1,012	722	900	0	52,655
Revaluation adjustments:																
Cost / revaluation	719,800	0	65,231	662	(5,004)	(1,413)	0	0	0	0	0	0	0	0	0	779,276
Depreciation	0	0	33,486	1,205	0	0	66,937	3,035	0	0	0	0	0	0	0	104,663
Disposals																
Cost	0	0	0	0	0	0	0	0	0	0	0	0	(3,708)	0	0	(3,708)
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	3,309	0	0	3,309
Depreciation for the year	0	0	10,486	324	393	584	49,806	7,350	104	372	99	54	2,145	340	564	72,621
Book value	1,676,500	1,247	250,614	7,156	5,096	10,535	1,000,725	147,698	1,964	7,881	1,906	958	9,080	6,764	1,316	3,129,440
Year ended June 30, 2017:																
Additions	0	0	5,040	560	0	0	10,767	0	0	568	67	590	8,978	0	263	26,833
Disposals																
Cost	0	0	0	0	0	0	0	0	0	0	0	0	(1,787)	0	0	(1,787)
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	1,402	0	0	1,402
Depreciation for the year	0	0	12,735	381	255	527	50,246	14,770	98	402	98	351	2,391	338	441	83,033
Book value	1,676,500	1,247	242,919	7,335	4,841	10,008	961,246	132,928	1,866	8,047	1,875	1,197	15,282	6,426	1,138	3,072,855
As at June 30, 2016																
Cost / revaluation	1,676,500	1,247	257,038	7,341	7,443	12,645	1,298,604	191,959	4,286	13,876	3,573	1,012	22,533	7,958	2,755	3,508,770
Accumulated depreciation	0	0	6,424	185	2,347	2,110	297,879	44,261	2,322	5,995	1,667	54	13,453	1,194	1,439	379,330
Book value	1,676,500	1,247	250,614	7,156	5,096	10,535	1,000,725	147,698	1,964	7,881	1,906	958	9,080	6,764	1,316	3,129,440
As at June 30, 2017																
Cost / revaluation	1,676,500	1,247	262,078	7,901	7,443	12,645	1,309,371	191,959	4,286	14,444	3,640	1,602	29,724	7,958	3,018	3,533,816
Accumulated depreciation	0	0	19,159	566	2,602	2,637	348,125	59,031	2,420	6,397	1,765	405	14,442	1,532	1,880	460,961
Book value	1,676,500	1,247	242,919	7,335	4,841	10,008	961,246	132,928	1,866	8,047	1,875	1,197	15,282	6,426	1,138	3,072,855
Depreciation rate (%)			5	5	5	5	5	10	5	5	5	30	20	5	30	

5.2 The management in order to ascertain the useful life of operating fixed assets had carried-out an internal exercise during the financial year ended June 30, 2007 and assessed the remaining useful life of depreciable assets other than vehicles. Keeping in consideration the assessed useful life of these assets, the depreciation rates of depreciable assets were found excessive and consequently depreciation rates were reduced to 5% from 10%. The management, in this regard, had also obtained opinion from independent Valuers [M/s. Dimen Associates (Pvt.) Ltd., approved Valuers of Pakistan Banks Association]; the Valuers had confirmed the depreciation rates adopted by the management.

5.3 The management, during the current year, in order to ascertain the useful life of generators has carried-out an internal exercise and assessed their remaining useful life. Keeping in consideration the assessed useful life of generators, the depreciation rate of generators has been enhanced to 10% per annum from 5% per annum.

The aforementioned revision has been accounted for as change in accounting estimate in accordance with the requirements of IAS 8 "Accounting policies, changes in accounting estimates and errors". The effect of this change in accounting estimate has been recognized prospectively in the profit and loss account of the current year. Had there been no revision, loss before taxation for the current year would have been lower by Rs.7.385 million whereas carrying value of operating fixed assets would have been higher by Rs.7.385 million. Accordingly, loss per share for the year ended June 30, 2017 would have been Re.0.22 instead of Rs.1.76.

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

	2017	2016
	Rupees in thousand	
Freehold land	340	340
Buildings on freehold land:		
Factory	43,281	40,469
Non-factory	1,370	877
Residential:		
- officers	146	154
- workers	7,003	7,372
Plant & machinery	622,749	644,412
Generators	122,588	136,209
	797,477	829,833

5.5 Depreciation for the year has been apportioned as under:

Cost of sales	78,376	68,329
Administrative expenses	4,657	4,292
	83,033	72,621

5.6 Disposal of vehicles

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain
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----- Rupees in thousand -----

Nissan Sunny	1,530	1,147	383	642	259
Suzuki Mehran	257	255	2	165	163
	<u>1,787</u>	<u>1,402</u>	<u>385</u>	<u>807</u>	<u>422</u>
2016	<u>3,708</u>	<u>3,309</u>	<u>399</u>	<u>2,370</u>	<u>1,971</u>

Sold through negotiation to:

Mr. Muhammad Ahmad, DHA, Lahore.

Mr. Aqeel Ahmad, Habibabad, Kohat.

6. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted
Babri Cotton Mills Ltd. (BCM)587,493 (2016: 587,493) ordinary shares of
Rs.10 each - cost2017 2016
Rupees in thousand

10,973 10,973

Equity held: 16.09% (2016: 16.09%)

Post acquisition profit and other comprehensive income
brought forward including effect of items directly
credited in equity by BCM

89,390 88,811

Loss for the year - net of taxation

(4,762) (2,006)

Share of other comprehensive income / (loss) - net of taxation

1,162 (155)

96,763 97,623

Bannu Woollen Mills Ltd. (BWM)

731,626 (2016: 731,626) ordinary shares of
Rs.10 each - cost

7,697 7,697

Equity held: 7.70% (2016: 7.70%)

Post acquisition profit and other comprehensive income
brought forward including effect of items directly
credited in equity by BWM

72,543 68,303

Profit for the year - net of taxation

5,212 5,743

Share of other comprehensive income / (loss) - net of taxation

162 (650)

Dividend received

(3,658) (2,195)

81,956 78,898

178,719 176,521

6.1 Although the Company has less than 20 % voting rights in BCM and BWM as at June 30, 2017 and 2016, it is presumed that the Company has significant influence over these Companies due to majority representation on their board of directors.

6.2 Market value of the Company's investments in BCM and BWM as at June 30, 2017 was Rs.47.587 million (2016: Rs.60.018 million) and Rs.50.116 million (2016: Rs.38.893 million) respectively.

- 6.3** BCM was incorporated in Pakistan on October 26, 1970 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. It is principally engaged in manufacture and sale of yarn.

The summary of financial information of BCM based on its audited financial statements for the year ended June 30, 2017 is as follows:

	2017 (Rupees in thousand)	2016
Summarized Balance Sheet		
Non-current assets	1,599,772	1,634,131
Current assets	723,756	457,202
	<u>2,323,528</u>	<u>2,091,333</u>
Surplus on revaluation of property, plant and equipment	752,058	763,234
Deferred income	2,100	5,698
Non-current liabilities	195,887	247,589
Current liabilities	771,525	467,423
	<u>1,721,570</u>	<u>1,483,944</u>
Net assets	<u>601,958</u>	<u>607,389</u>
Reconciliation to carrying amount		
Opening net assets	607,389	607,039
Loss for the year	(29,601)	(12,472)
Incremental depreciation for the year	15,392	12,534
Other comprehensive income / (loss) for the year	7,222	(961)
Other adjustments	1,556	1,249
Closing net assets	<u>601,958</u>	<u>607,389</u>
Company's share percentage 16.09% (2016: 16.09%)		
Company's share	96,855	97,729
Miscellaneous adjustments	(92)	(106)
Carrying amount of investment	<u>96,763</u>	<u>97,623</u>
Summarized Profit and Loss Account		
Sales	1,649,638	1,444,247
Loss before taxation	48,121	(49,850)
Loss after taxation	<u>(29,601)</u>	<u>(12,472)</u>

6.4 BWM was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. It is principally engaged in manufacture and sale of woollen yarn, cloth and blankets.

The summary of financial information of BWM based on its audited financial statements for the year ended June 30, 2017 is as follows:

	2017	2016
	(Rupees in thousand)	
Summarized Balance Sheet		
Non-current assets	1,493,376	1,512,569
Current assets	957,879	748,652
	2,451,255	2,261,221
Surplus on revaluation of property, plant and equipment	819,833	827,453
Non-current liabilities	278,610	267,015
Current liabilities	285,986	139,267
	1,384,429	1,233,735
Net assets	1,066,826	1,027,486
Reconciliation to carrying amount		
Opening net assets	1,027,486	976,503
Profit for the year	67,725	74,624
Dividend paid during the year	(47,531)	(28,519)
Incremental depreciation for the year	8,727	6,448
Other comprehensive income / (loss) for the year	2,104	(8,447)
Other adjustments	8,315	6,877
Closing net assets	1,066,826	1,027,486
Company's share percentage 7.70% (2016: 7.70%)		
Company's share	82,146	79,116
Miscellaneous adjustments	(190)	(218)
Carrying amount of investment	81,956	78,898
Summarized Profit and Loss Account		
Sales	793,305	749,408
Profit before taxation	93,971	102,562
Profit after taxation	67,725	74,624

- 6.5** The Company, during the financial years 1972-73 and 1973-74, had declared dividend in specie by distributing its investment in the share capital of Babri Cotton Mills Ltd. The Company wrote-back these unclaimed dividends in specie during the years 1989 and 1990 and incorporated these as investment. During the current and preceding years, no distribution by way of dividend in specie was made.
- 6.6** The management, as at June 30, 2017, has carried out impairment testing of its investments in the Associated Companies as required under IAS 36, 'Impairment of Assets'. The recoverable amount of investments in BCM and BWM amounted Rs.206.572 million (2016: Rs. 247.569 million) and Rs.128.760 million (2016: Rs. 90.178 million) respectively. The recoverable amounts of investments have been determined using the 'value-in-use' computations. In assessing the value in use, estimated future cash flows have been discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money. The pre-tax discount rates applied to cash flow projections by BCM and BWM are 6.13% (2016: 7.04%) and 13.58% (2016: 15.25%) respectively. As a result of the aforementioned impairment testing, the management has concluded that the carrying values of investments in Associated Companies do not exceed the recoverable amounts.

7. LOANS TO EMPLOYEES - Secured	Note	2017	2016
		Rupees in thousand	
Loans to:			
- executives	7.1	705	1,430
- employees	7.3	2,837	3,374
		3,542	4,804
Less: current portion grouped under current assets		2,391	2,707
		1,151	2,097
7.1 Movement in the account of loans to executives is as follows:			
Opening balance		1,430	1,790
Loan advanced during the year		60	0
Less: deductions made during the year		(785)	(360)
Closing balance		705	1,430

The year-end balance represents interest free loan to an executive (2016: three executives); the loan has been advanced for construction of house and is recoverable in 47 equal monthly instalments.

- 7.2** The maximum aggregate amount of loans due from executives at any month-end during the year was Rs.1.675 million (2016: Rs.1.930 million).
- 7.3** These interest free loans to employees have been advanced for various purposes and are recoverable in instalments which vary from case to case.
- 7.4** These loans are secured against the gratuity benefits payable to respective employees.

8. STORES, SPARES AND LOOSE TOOLS	Note	2017 Rupees in thousand	2016
Stores			
- at mills		26,459	22,639
- in transit		7,077	1,796
Spares [including obsolete gas generators' parts inventory valuing Rs.16.305 million (2016: Rs.16.305 million)]		43,773	48,913
Loose tools		400	431
		<u>77,709</u>	<u>73,779</u>
Less: provision against obsolete gas generators' parts		16,305	16,305
		<u>61,404</u>	<u>57,474</u>
9. STOCK-IN-TRADE			
Raw materials:			
- at mills		712,998	409,111
- in transit		56,845	48,387
	9.1	<u>769,843</u>	<u>457,498</u>
Work-in-process		46,919	50,920
Finished goods	9.1	80,199	15,757
		<u>896,961</u>	<u>524,175</u>
9.1 Raw materials and finished goods inventories are pledged with National Bank of Pakistan and The Bank of Khyber as security for short term finance facilities (note 21).			
10. ADVANCE PAYMENTS - Unsecured			
- Considered good			
Raw material suppliers		127	181
Store suppliers		17,410	25,756
Post dated cheques issued in favour of Customs Authorities	24.3	12,642	0
Others		4,143	8,894
		<u>34,322</u>	<u>34,831</u>
11. TRADE DEPOSITS AND PREPAYMENTS			
Letters of credit		2,421	122
Prepayments		970	1,198
Advance payment to Peshawar Electric Supply Company		0	6,000
		<u>3,391</u>	<u>7,320</u>
12. DUE FROM AN ASSOCIATED COMPANY			

This represents due from Bibojee Services (Pvt.) Limited on account of sharing of expenses.

13. CASH AND BANK BALANCES

	Note	2017 Rupees in thousand	2016
Cash-in-hand		896	1,053
Cash at banks on:			
- current accounts		14,699	19,758
- PLS security deposit account	13.1	173	168
- PLS account (employees/staff gratuity fund account)	13.1	684	661
- PLS account	13.1	0	14
- Dividend account		547	384
		16,103	20,985
		16,999	22,038

13.1 PLS accounts carry profit at the rates ranging from 3.75% to 4.00% (2016: 3.88% to 4.25%) per annum.

14. AUTHORISED SHARE CAPITAL

2017	2016			
---- Numbers ----				
18,000,000	18,000,000	Ordinary shares of Rs.10 each	180,000	180,000
700,000	700,000	7.5% redeemable cumulative preference shares of Rs.10 each	7,000	7,000
1,300,000	1,300,000	10% redeemable cumulative preference shares of Rs.10 each	13,000	13,000
20,000,000	20,000,000		200,000	200,000

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

15.1 Ordinary shares held by the Associated Companies and an Associate at the year-end:	2017	2016
	Number of shares	
Bibojee Services (Pvt.) Ltd.	843,245	562,195
Bannu Woollen Mills Ltd.	1,559,230	1,559,230
Babri Cotton Mills Ltd.	341,000	341,000
Waqf-e-Kuli Khan	0	281,050
	2,743,475	2,743,475

16. RESERVES	Note	2017	2016
		Rupees in thousand	
Capital:			
- capital redemption reserve		6,694	6,694
- tax holiday reserve		350	350
- share premium reserve	16.1	11,409	11,409
		18,453	18,453
Revenue - general reserve		871,530	371,530
		889,983	389,983

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

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

17.1 The Company had revalued its freehold land on September 30, 1998, September 30, 2004, June 30, 2007, March 31, 2010 and February 29, 2012. Buildings on freehold land, plant & machinery and generators were revalued on September 30, 2004, June 30, 2007, March 31, 2010 and February 29, 2012. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values and resulted in revaluation surplus aggregating Rs.1.539 billion.

17.2 The Company, as at December 31, 2015, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers - M/s Hamid Mukhtar & Co. (Pvt.) Ltd., Consulting Engineers, Surveyors and Loss Adjusters, Valuation Consultants, 14-Q Gulberg-2, Lahore. Freehold land has been revalued on the basis of current market value whereas buildings on freehold land, plant & machinery and generators have been revalued on the basis of depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.883.939 million has been credited to this account to comply with the requirements of section 235 of the repealed Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	2017	2016
	Rupees in thousand	
Opening balance	2,268,489	1,411,107
Add: surplus arisen on revaluation carried-out during the preceding year	0	883,939
Less: transferred to unappropriated profit on account of incremental depreciation for the year	(30,191)	(26,557)
	2,238,298	2,268,489
Less: deferred tax on:		
- opening balance of surplus	183,624	145,520
- surplus arisen during the preceding year	0	52,525
- incremental depreciation for the year	(9,359)	(8,498)
	174,265	189,547
	2,064,033	2,078,942
Resultant adjustment due to reduction in tax rate	5,621	5,923
Closing balance	2,069,654	2,084,865

18. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

Significant actuarial assumptions	2017	2016
- discount rate	7.75%	7.25%
- expected rate of growth per annum in future salaries	6.75%	6.25%
- mortality rates	SLIC	SLIC
	2001-2005	2001-2005
	Setback 1 year	
- withdrawal rates	Age-based	Age-based
- retirement assumption	Age 60	Age 60

Amount recognized in the balance sheet is the present value of defined benefit obligation at the reporting date:

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

Opening balance	148,929	108,911
Current service cost	20,753	19,350
Interest cost	9,809	13,211
Benefits paid	(27,262)	(18,405)
Remeasurements: experience adjustments	1,703	25,862
Closing balance	153,932	148,929

Expense recognized in profit and loss account	2017	2016
	Rupees in thousand	
Current service cost	20,753	19,350
Interest cost	9,809	13,211
	30,562	32,561

Charge for the year has been allocated to:

- cost of sales	22,922	24,421
- distribution cost	611	651
- administrative expenses	7,029	7,489
	30,562	32,561

Remeasurement recognized in other comprehensive income

Experience adjustments (net of deferred tax)	(1,192)	(17,845)
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Comparison of present value of defined benefit obligation and experience adjustments on obligation for five years is as follows:

	2017	2016	2015	2014	2013
	----- Rupees in thousand -----				
Present value of defined benefit obligation	153,932	148,929	108,911	104,139	88,912
Experience adjustments on obligation	1,703	25,862	0	22,368	(2,517)

Year-end sensitivity analysis:

	Impact on defined benefit obligation		
	Change in assumption	Increase	Decrease
	Rupees in thousand		
Discount rate	1%	<u>178,140</u>	<u>194,802</u>
Salary growth rate	1%	<u>194,985</u>	<u>177,843</u>

18.1 The average duration of the defined benefit obligation as at June 30, 2017 is 4 years.

18.2 The expected contribution to defined benefit obligation for the year ending June 30, 2018 is Rs.29.389 million.

19. DEFERRED TAXATION - Net		2017	2016
This is composed of the following:	Note	Rupees in thousand	
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		186,836	197,078
- surplus on revaluation of property, plant and equipment		168,642	183,622
		355,478	380,700
Deductible temporary differences arising in respect of:			
- staff retirement benefits - gratuity		(46,180)	(46,168)
- minimum tax recoverable against normal tax charge in future years		(67,199)	(49,536)
		(113,379)	(95,704)
		242,099	284,996
20. TRADE AND OTHER PAYABLES			
Creditors		43,102	24,105
Bills payable against imported:			
- plant and machinery		5,445	0
- raw materials		56,554	24,935
Advances from customers		4,262	3,956
Advance payments	20.1	184	184
Accrued expenses	20.2	142,057	69,061
Tax deducted at source		234	1,686
Due to Waqf-e-Kuli Khan	20.3	4,565	4,872
Security deposits repayable on demand - interest free		112	112
Workers' (profit) participation fund	20.4	0	609
Workers' welfare fund		495	916
Unclaimed dividend		1,425	3,100
Others		256	83
		258,691	133,619

20.1 These advances have been received against sale of land.

20.2 No amount was payable to Associated Companies at the end of current and preceding years.

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

- | | |
|---|-------------------------------|
| - Mr. Raza Kuli Khan Khattak | - Mr. Ahmad Kuli Khan Khattak |
| - Lt. General (Retd.) Ali Kuli Khan Khattak | - Mr. Mushtaq Ahmad Khan, FCA |
| - Mrs. Shahnaz Sajjad Ahmad | |

20.4 Workers' (profit) participation fund (the Fund)*	Note	2017 Rupees in thousand	2016
Opening balance		609	1,339
Add: interest on funds utilized in the Company's business		22	44
		631	1,383
Less:			
- paid to workers		617	1,361
- deposited with the Government Treasury		14	22
		631	1,383
		0	0
Add: allocation for the year		0	609
Closing balance		0	609

* The Fund's audit for the year ended June 30, 2016 was carried-out by M/s Inaam ul Haq & Co., Chartered Accountants, 33-A, Behind Queens Centre, Shahrah-e-Fatima Jinnah, Lahore.

21. SHORT TERM FINANCES

Secured	21.1	808,393	441,436
Un-secured (temporary bank overdraft)		12,624	0
		821,017	441,436

21.1 Short term finance facilities available from National Bank of Pakistan (NBP) and The Bank of Khyber (BoK) under mark-up arrangements aggregate Rs.1.200 billion (2016: Rs.1.130 billion) and are secured against pledge of raw materials & finished goods, first charge on current & fixed assets of the Company and personal guarantees of two directors of the Company. These facilities, during the year, carried mark-up at the rates ranging from 7.12% to 9.10% (2016: 7.58% to 10.01%) per annum.

Facilities available for opening letters of credit and guarantee from NBP and BoK aggregate Rs.385 million (2016: Rs.375 million) out of which facilities amounting Rs.240.843 million (2016: Rs.250.933 million) remained unutilized at the year-end. These facilities are secured against lien on import documents and the securities as detailed in the preceding paragraph.

These facilities are available upto December 31, 2017.

22. TAXATION - Net

Opening balance		20,588	23,476
Add: provision made / (written-back) during the year:			
current [net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 amounting Rs.1.077 million; (2016: Rs.4.883 million)]	22.11	24,564	20,588
prior year		(893)	(235)
		23,671	20,353
		44,259	43,829
Less: payments / adjustments made against completed assessments		19,695	23,241
		24,564	20,588

- 22.1** Income tax returns of the Company have been filed upto the tax year 2016 i.e. accounting year ended June 30, 2016. The Income Tax Department (the Department) for tax year 2015 has charged tax under sections 161/236 G&H of the Income Tax Ordinance, 2001 (the Ordinance) amounting Rs. 6.995 million against which the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)], which is pending adjudication.
- 22.2** Income tax return of the Company for tax year 2014 has been selected for audit through random computer balloting during September, 2015. The Company has filed the information as required by the Department and the proceedings are pending.
- 22.3** The Department has charged tax under sections 161/236 G&H of the Ordinance for tax years 2014 and 2015 at Rs.12.936 million and Rs.4.809 million respectively; the CIR(A) has decided the appeal against the Company against which the Company has filed further appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.
- 22.4** The Department has charged tax aggregating Rs.3.998 million under sections 161/205 of the Ordinance for the tax year 2012 against which appeal has been filed with the CIR(A), which is pending adjudication.
- 22.5** The CIR(A), during the year, has decided the appeal for the tax year 2011 in favor of the Company and demands of tax charged under sections 161/205 of the Ordinance aggregating Rs.5.632 million have been deleted. The Company has filed for appeal effects with the Department, which is under process.
- 22.6** The Department has charged tax under section 122(5A) of the Ordinance for tax year 2008 at Rs.214 thousand; the CIR(A) has decided the appeal against the Company against which the Company has filed further appeal before the ATIR, which is pending adjudication.
- 22.7** The CIR(A) has decided the appeal for 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 and the Department have filed appeals before the ATIR, which has decided the appeal and remanded the case back to the Deputy Commissioner Inland Revenue for de novo consideration.
- 22.8** The ATIR, during the year for the tax years 2004 to 2006, has cancelled all the assessments made under section 122(5A) of the Ordinance by the CIR and restored the original assessments under section 120(1) of the Ordinance. The Company has filed for appeal effects with the Department, which is under process.
- 22.9** The CIR(A) has decided the appeal for the tax year 2010 in favor of the Company and workers' welfare fund levy of Rs.3.488 million has been deleted against which the Department has filed further appeal before the ATIR.
- 22.10** The Company's writ petition before the Islamabad High Court, Islamabad praying exemption from levy of minimum tax under section 113 of the Ordinance is still pending adjudication. An adverse judgment by the Court will create tax liability under section 113 of the Ordinance aggregating Rs.51.828 million.

The Finance Act, 2015 has omitted clause 126F of the Ordinance and inserted a new sub-clause (xx) of clause (11A) in part IV of the second schedule of the Ordinance wherein exemption from levy of minimum tax under section 113 of the Ordinance has been provided. The amendment would have a retrospective impact being related to tax years 2010, 2011 and 2012.

22.11 No numeric tax rate reconciliation is presented in these financial statements as the Company is mainly liable to pay tax due under sections 5 (Tax on dividends) and 113 (Minimum tax on turnover) of the Ordinance.

23. PREFERENCE SHARES REDEMPTION ACCOUNT	Note	2017	2016
		Rupees in thousand	
Amounts payable on:			
- 7.5% redeemable cumulative preference shares	23.1	134	134
- 10% redeemable cumulative preference shares	23.2	1,059	1,080
		1,193	1,214

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

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

These shares totaling 128,112 could not be redeemed during the preceding years due to non-availability of adequate funds and incurrence of persistent losses. The Company's profitability and availability of funds in the recent past had allowed the management to redeem these shares fully as provided under section 85 of the repealed Companies Ordinance, 1984. The Company, during the current year, had redeemed no further shares and the opening balance of 13,435 shares was outstanding as at June 30, 2017.

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

As stated in the preceding note, the Company's profitability and availability of funds in the recent past had allowed the management to redeem these shares also. The Company, upto June 30, 2014, had redeemed 314,483 shares whereas 2,112 further shares were redeemed during the current financial year.

24. CONTINGENCIES AND COMMITMENTS

24.1 The Company, vide show cause notice dated May 28, 2013, was directed to make payments aggregating Rs.75.698 million by way of sales tax under various sections of the Sales Tax Act, 1990 read with certain SROs. The Lahore High Court, Lahore had suspended the operation of the impugned show cause notice on September 12, 2013. The writ petition is still pending adjudication.

24.2 The Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court, which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. An application, however, has been made before the PHC for suspension of its judgment till the filing of petition before the Supreme Court. PHC has suspended its judgment vide its order dated June 20, 2017.

Sui Northern Gas Pipelines Limited., along with gas bill for the month of June, 2017, has raised GIDC demands aggregating Rs.345.124 million, which are payable in case of an adverse judgment by the Supreme Court. The management has made GIDC provisions aggregating Rs.78.043 million relating to the current financial year in its books of account. Provisions for the balance GIDC demands aggregating Rs.267.081 million pertaining to prior years have not been made in the books of account as the management expects a favorable judgment by the Supreme Court due to meritorious legal grounds.

24.3 The Company, as per order of the PHC, has deposited post dated cheques aggregating Rs.12.642 million with the Customs Authorities against clearance of the consignments from the Dry Port, Torkham without payment of sales tax. The petition before the PHC is pending adjudication.

24.4 Counter guarantee given by the Company to a commercial bank outstanding as at June 30, 2017 was for Rs.75 million (2016: Rs.75 million).

24.5 Commitments against irrevocable letters of credit outstanding at the year-end were for:	Note	2017	2016
		Rupees in thousand	
- stores and spares		7,158	0
- raw materials		0	24,132
		7,158	24,132
		7,158	24,132

24.6 Also refer contents of note 22.

25. SALES - Net

Yarn		2,415,747	2,541,436
Waste		99,934	75,305
Raw materials purchased for resale		0	2,143
		2,515,681	2,618,884
Less: sales tax	25.1	38	120,922
		2,515,643	2,497,962
		2,515,643	2,497,962

25.1 As per S.R.O. Notification 491(I) / 2016 dated June 30, 2016, sales made by the Company are being charged sales tax at zero percent with effect from July 01, 2016.

26. COST OF SALES	Note	2017 Rupees in thousand	2016
Raw materials consumed	26.1	1,471,040	1,432,592
Packing materials consumed		45,838	45,533
Salaries, wages and benefits	26.2	361,435	332,915
Power and fuel		391,747	318,525
Stores consumed		85,768	72,339
Repair and maintenance		12,996	8,527
Depreciation	5.5	78,376	68,329
Insurance		10,858	10,391
Others		645	519
		<u>2,458,703</u>	<u>2,289,670</u>
Adjustment of work-in-process			
Opening		50,920	46,785
Closing	9	(46,919)	(50,920)
		<u>4,001</u>	<u>(4,135)</u>
Cost of goods manufactured		<u>2,462,704</u>	<u>2,285,535</u>
Adjustment of finished goods			
Opening stock		15,757	68,172
Closing stock	9	(80,199)	(15,757)
		<u>(64,442)</u>	<u>52,415</u>
Cost of goods sold - own manufactured		<u>2,398,262</u>	<u>2,337,950</u>
Cost of goods sold - raw materials purchased for resale		0	1,911
		<u>2,398,262</u>	<u>2,339,861</u>
26.1 Raw materials consumed			
Opening stock		457,498	543,561
Purchases		1,782,946	1,346,053
		<u>2,240,444</u>	<u>1,889,614</u>
Less: closing stock	9	769,843	457,498
Raw materials issued		<u>1,470,601</u>	<u>1,432,116</u>
Cess on cotton consumed		439	476
		<u>1,471,040</u>	<u>1,432,592</u>

26.2 These include Rs.22.922 million (2016: Rs.24.421 million) in respect of staff retirement benefits - gratuity.

27. DISTRIBUTION COST

	Note	2017 Rupees in thousand	2016
Salaries and benefits	27.1	10,863	12,066
Commission		6,727	4,199
Freight and handling		1,811	2,109
Gifts and samples		90	17
Others		325	231
		19,816	18,622

27.1 These include Rs.611 thousand (2016: Rs.651 thousand) in respect of staff retirement benefits - gratuity.

28. ADMINISTRATIVE EXPENSES

Salaries and benefits	28.1	55,890	65,324
Printing and stationery		1,277	1,060
Travelling and conveyance - staff		1,183	1,286
Travelling - directors		203	169
Communication		1,432	1,823
Rent, rates and taxes		3,164	4,177
Guest house expenses and entertainment		1,254	829
Insurance		899	761
Vehicles' running and maintenance		4,639	5,719
Advertisement		119	55
Subscription		857	892
Repair and maintenance		761	1,370
Auditors' remuneration:			
- statutory audit		839	703
- half yearly review		190	190
- certification charges		15	15
- out-of-pocket expenses		45	45
- short provision for the preceding year		151	183
		1,240	1,136
Legal and professional charges (other than Auditors)		2,251	3,388
Depreciation	5.5	4,657	4,292
Others		1,231	1,289
		81,057	93,570

28.1 These include Rs.7.029 million (2016: Rs.7.489 million) in respect of staff retirement benefits - gratuity.

29. OTHER EXPENSES	Note	2017	2016
		Rupees in thousand	
Donations (without directors' interest)		20	20
Donation to Waqf-e-Kuli Khan	20.3	0	236
Workers' (profit) participation fund	20.4	0	609
Workers' welfare fund		495	916
Zakat on Defence Savings Certificates		0	750
		515	2,531

30. OTHER INCOME

Income from financial assets

Return on bank deposits		33	43
Profit on Defence Savings Certificates		0	1,800
Exchange fluctuation gain - net		4	13

Income from non-financial assets

Sale of scrap - net of sales tax amounting Rs.528 thousand (2016: Rs.706 thousand)		2,783	3,755
Quarters' rent		1,399	132
Gain on sale of vehicles	5.6	422	1,971
Excess provision for workers' welfare fund written-back	30.1	259	7,005
		4,900	14,719

30.1 As the Company's income for tax years 2010, 2011 and 2012 was exempt from charge of tax under clause 126F of the second schedule to the Income Tax Ordinance, 2001, provisions for workers' welfare fund aggregating Rs.6.246 million pertaining to these tax years and balance provision amounting Rs.759 thousand of prior years was written-back during the preceding year.

31. FINANCE COST

Mark-up on short term finances		41,322	45,952
Interest on workers' (profit) participation fund	20.4	22	44
Bank charges		1,537	1,724
		42,881	47,720

32. TAXATION	Note	2017 Rupees in thousand	2016
Current			
- for the year		24,564	20,588
- for prior years		(893)	(235)
	22	23,671	20,353
Deferred:			
- for the year		(42,386)	(25,056)
- resultant adjustment due to reduction in tax rate	17	5,621	5,923
		(36,765)	(19,133)
		(13,094)	1,220

33. (LOSS) / EARNINGS PER SHARE

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

(Loss) / profit after taxation attributable to ordinary shareholders

(8,444) 12,894

(Number of shares)

Weighted average number of ordinary shares in issue during the year

4,784,794 4,784,794

----- Rupees -----

(Loss) / earnings per share - basic

(1.76) 2.69

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.1 Financial Risk Factors

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

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

34.2 Market risk

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

(a) Currency risk

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

	Rupees	U.S.\$	Euro
	----- in thousand -----		
2017			
Bills payable	61,999	539	45
Outstanding letters of credit	7,158	0	60
Total exposure	69,157	539	105
2016			
Bills payable	24,935	238	0
Bank balances	(466)	(5)	0
Gross balance sheet exposure	24,469	233	0
Outstanding letters of credit	24,132	231	0
Net exposure	48,601	464	0

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2017	2016	2017	2016
U.S. \$ to Rupee	105.00	104.27	105.00	104.70
Euro to Rupee	116.57	-	120.14	-

Sensitivity analysis

At June 30, 2017, if Rupee had strengthened by 10% against U.S.\$ and Euro with all other variables held constant, loss after taxation for the year would have been lower (2016: profit would have been higher) by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial assets and liabilities.

	2017	2016
	Rupees in thousand	
Effect on loss (2016: profit) for the year:		
U.S. \$ to Rupee	5,660	2,440
Euro to Rupee	541	0

The weakening of Rupee against U.S. \$ and Euro would have had an equal but opposite impact on loss (2016: profit) after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on loss (2016: profit) for the year and assets / liabilities of the Company.

(b) Interest rate risk

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

	2017	2016	2017	2016
	Effective rate		Carrying amount	
	%	%	Rupees in thousand	
Fixed rate instruments				
Financial assets				
Bank balances	3.75 to 4.00	3.88 to 4.25	<u>173</u>	<u>182</u>
Variable rate instruments				
Financial liabilities				
Short term finances	7.12 to 9.10	7.58 to 10.01	<u>808,393</u>	<u>441,436</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2017, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs.8.084 million higher / lower (2016: profit after taxation would have been lower / higher by Rs.4.414 million) mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

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

34.3 Credit risk exposure and concentration of credit risk

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

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

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

Exposure to credit risk

The maximum exposure to credit risk at the reporting date along with comparative is tabulated below:

	2017	2016
	Rupees in thousand	
Security deposits	1,204	1,204
Trade debts	122,510	104,989
Due from an Associated Company	518	0
Bank balances	16,103	20,985
	140,335	127,178

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

The ageing of trade debts at the year-end was as follows:

Not past due	120,027	101,449
Past due more than one year	2,483	3,540
	122,510	104,989

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.118.751 million have been realized subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realized in short course of time.

34.4 Liquidity risk

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

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

	Carrying amount	Contractual cash flows having maturity of less than one year
	Rupees in thousand	
2017		
Trade and other payables	257,778	257,778
Accrued mark-up	15,499	15,499
Short term finances	821,017	850,276
Redeemable preference shares	1,193	1,193
	1,095,487	1,124,746
2016		
Trade and other payables	130,224	130,224
Accrued mark-up	10,593	10,593
Short term finances	441,436	460,485
Redeemable preference shares	1,214	1,214
	583,467	602,516

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

35. MEASUREMENT OF FAIR VALUES

The management, during the preceding financial year, has engaged an independent external Valuer to carry out valuation of its freehold land, buildings on freehold land, plant & machinery and generators. Selection criteria included market knowledge, reputation, independence and whether professional standards were maintained. When measuring the fair value of an asset, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

Financial assets not measured at fair value

	2017	2016
	Carrying amount	
	Rupees in thousand	
Trade debts	122,510	104,989
Bank balances	16,103	20,985
	138,613	125,974

Financial liabilities not measured at fair value

Creditors	43,102	24,105
-----------	---------------	--------

Management has assessed that the fair values of trade debts, bank balances and creditors approximate their carrying amounts largely due to the short term maturities of these instruments.

36. CAPITAL RISK MANAGEMENT

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

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

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

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2017	2016	2017	2016	2017	2016

-----Rupees in thousand-----

Managerial remuneration	6,336	6,336	9,761	4,260	49,669	64,785
Bonus / ex-gratia	433	434	530	296	3,068	3,706
Retirement benefits	528	528	813	355	4,133	4,571
Leave salary	477	476	731	326	3,413	4,254
Medical	523	140	438	114	1,480	2,036
Utilities	507	711	648	188	595	627
	8,804	8,625	12,921	5,539	62,358	79,979
No. of persons	1	1	1	1	8	10

37.1 Meeting fees of Rs.880 thousand (2016: Rs.200 thousand) were also paid to seven (2016: six) non-working directors during the year.

37.2 Chief executive, one (2016: one) working director and seven (2016: seven) of the executives are provided with free use of residential telephones and the Company maintained cars. Working director and executives are also provided with free housing facility.

38. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

38.1 The Company's shareholders vide a special resolution dated March 30, 2017 have enhanced the previous approved limit of Rs.5.000 million to Rs.12.500 million on account of transactions among Associated Companies of the Group, which fall under normal trade transactions for sale and purchase of store and spare parts, purchase of raw materials and certain other related transactions not falling within the preview of section 208 of the repealed Companies Ordinance, 1984 or the regulations made thereunder.

38.2 Maximum aggregate debit balance of the Associated Companies at any month-end during the year was Rs.10.685 million (2016: Rs.0.162 million).

38.3 Mark-up on Associated Companies' balances has not been accrued during the current and preceding years as the Company has executed no such transactions attracting mark-up accrual.

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

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

Name	Nature of relationship	Nature of transaction	2017 --- Rupees in '000 ---	2016
Babri Cotton Mills Ltd.	Associated Company	Residential rent		
		- paid	24	5
		- received	1,399	132
		Utilities / expenses:		
		- paid	93	102
		- received	90	467
		Salaries & benefits		
		- paid	41	74
		- recovered	6,304	1,036
		Dividend paid	426	511
Sale of used machinery parts	0	410		
Sale of packing materials	20	0		
Bannu Woollen Mills Ltd.	-do-	Sale of raw materials	0	2,143
		Utilities / expenses received	101	29
		Salaries & benefits recovered	6,018	95
		Dividend paid	1,949	2,339
		Dividend received	3,658	2,195
Rahman Cotton Mills Ltd.	-do-	Salaries & benefits recovered	5,179	0
		Expenses recovered	90	0
Gammon Pakistan Ltd.	-do-	Rent paid	150	75
		Expenses recovered	90	0
Bibojee Services (Pvt.) Ltd.	-do-	Dividend paid	1,054	843
		Salaries & benefits recovered	1,186	0
		Expenses recovered	90	0
Ghandhara Nissan Ltd.	-do-	Salaries & benefits recovered	1,186	0
		Expenses recovered	90	0
Ghandhara Industries Ltd.	-do-	Salaries & benefits recovered	1,186	0
		Expenses recovered	90	0
The Universal Insurance Company Ltd.	-do-	Salaries & benefits recovered	1,186	0
		Expenses recovered	90	0
The General Tyre & Rubber Company of Pakistan Ltd.	-do-	-----do-----	90	0
Waqf-e-Kuli Khan	Associated Undertaking	Donation	0	236
		Dividend paid		
		Year ended June 30, 2014	0	843
		Year ended June 30, 2015	0	422

39. OPERATING SEGMENT

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

39.1 Yarn sales represent 96.02% (2016: 96.99%) of the total sales of the Company.

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

39.3 All non-current assets of the Company as at June 30, 2017 are located in Pakistan.

39.4 Three (2016: three) of the Company's customers contributed towards 84.79% (2016: 78.26%) of the gross yarn sales during the year aggregating Rs.2.048 billion (2016: Rs.1.896 billion).

40. CAPACITY AND PRODUCTION	2017	2016
	---- Numbers ----	
Spindles installed	62,304	62,304
Rotors installed	600	600
Shifts worked	1,093	1,096
Spindles / rotors shifts worked	66,721,472	66,992,426
	----KGs.----	
Installed capacity at 20's count on the basis of shifts worked	27,879,794	27,904,109
Actual production of yarn of all counts	5,365,586	5,662,436
Actual production converted into 20's count	27,068,890	27,122,192

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

41. NUMBER OF EMPLOYEES

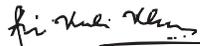
Number of permanent employees as at June 30, 2017 was 1,108 (2016: 1,104) and average number of employees during the year was 1,087 (2016: 1,133).

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30th October, 2017 by the board of directors of the Company.

43. FIGURES

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



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



Ahmad Kuli Khan Khattak
Director

JANANA DE MALUCHO TEXTILE MILLS LTD.

FORM OF PROXY

I/We _____
of _____ being in the district of _____ being a
member of Janana De Malucho Textile Mills Limited and holder of _____
_____ Ordinary Shares as per the Share Register Folio No. ____
_____ and/or CD C Participant I.D. No. _____ and Sub-
Account No. _____ hereby appoint _____ of
_____ or failing him/her _____ as my/our
proxy to vote for me/us and on my/our behalf at the 57th Annual General Meeting of
the Company to be held at Registered Office, Habibabad, Kohat on 27th November, 2017
at 11:00 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this _____ day of _____ 2017.

Signed by the said member in the presence of _____

2. As witness my hand this _____ day of _____ 2017.

Signed by the said member in the presence of _____

Please affix five rupees revenue stamp
--

Signatures of member

Please fill in the applicable columns:

For Physical shares	For CDC Account Holders		Shares Held
Folio No.	CDC Participant I.D. No.	Sub Account No.	

Note:

A member entitle to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy needs not to be a member of Company. If a member is unable to attend the meeting, he may complete and sign this form and send it the Company Secretary, Janana De Malucho Textile Mills Limited, Habibabad, Kohat so as to reach not less than 48 hours before the time appointed for holding the meeting.

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

In addition to the above the following requirements have to be met.

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC No. Shall be stated on the forms.
2. Attested copies of CNICs or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
3. The proxy shall produce his original CNIC or original passport at the time of the meeting.
4. In case of corporate entity, the Board of Directors resolution/power of attorney with attested specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



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