



For and on behalf of your Board of Directors, I feel pleasure in welcoming you to this 56<sup>th</sup> Annual General Meeting of the Company and presenting you the Audited Accounts and Auditors Report thereon together with notes forming part thereof for the financial year ended on June 30, 2008.

## MARKETING & SALES

The year under review was another period of struggle for Pakistan Textile industry. Overall, the profitability of this sector witnessed a substantial declining trend.

The main factors behind the surge are high cost of doing business which includes increasing trend of mark up rates, power and gas tariffs, hitting astronomical highs, therefore declines gross margin thus putting upward pressure on the costs besides increase in wage bill, which adds to the woes of this sector. However, your Directors managed to overcome escalated input cost up to some extent by adopting strategic steps.

## OPERATING RESULTS:

Your Company experienced a difficult time for the year under review, confronted continuously with the number of unfavorable factors and challenges. The growing competitions in the international market emerged in the shape of reduction in sales volume of the Company. The continuous rise in interest rates considerably hit the profit of your Company. The production facilities were also remained unutilized up to sum extent due to reduction in turnover.

During the year under review your Company has achieved a turnover of Rs.4,716,081,695/- as compared to Rs.6,289,408,315/- which were up to 25% less than the corresponding period of last year's result.

Administration expenses were Rs.60,112,331/- as compared to last year results of Rs. 76,211,346/-, reflecting a reduction up to 21% due to better management control and selling expenses were also declined by 34% less than the corresponding figures of last year results, due to reduction in sales volume.

Financial expenses were Rs.390,108,506/- as compared to Rs.359,550,902/- of the same corresponding period, registered an increase up to 9% mainly due to rise in mark up rates. Other charges have been declined considerably as compared to corresponding period of last year where major portion was consisting of insurance claim.

The profit after tax is Rs.8,056,385/- as compared to Rs.50,667,426/- last year after tax. The earnings per share worked out to Rs.6.45 per share against Rs.40.53 per share for the previous year.

Your Directors recommend the following appropriation:

|                                       |                        |
|---------------------------------------|------------------------|
| Profit before taxation                | Rs.37,556,385          |
| Current taxation                      | <u>Rs.(29,500,000)</u> |
| Profit after taxation                 | Rs. 8,056,385          |
| Unappropriated profit brought forward | <u>Rs.11,774,065</u>   |
|                                       | Rs.19,830,450          |

Appropriation:

|  |                       |
|--|-----------------------|
| Transfer to General Reserve            | Rs. -                 |
| Final Dividend paid 2006-2007          | <u>Rs.(9,375,000)</u> |
|  | Rs.(9,375,000)        |
| Un appropriated profit carried forward | Rs.10,455,450         |

## DIVIDEND:

This year the Company faced more financial constraints due to the described factors, however it has always been policy of the company to distribute as much return to the members as possible. Therefore, your Directors are pleased to recommend a final cash dividend @10% with a hope to distribute to the members as much return on their valued investment as possible.

The final cash dividend @ 10% is proposed to be paid to all such shareholders of the company whose names appear in the company's register as on 23<sup>rd</sup> October 2008.

## **FUTURE PROSPECT:**

The economic outlook for the coming year is not so promising. Strong inflationary pressure persists. It is pretty clear that if the continuous unfavorable environment remains exist, would make another year, very difficult. However, your Directors remain fully committed and supportive and will continue to be an ongoing process to strengthen the infrastructure and technology. Your Directors will continue its accelerated emphasis on high quality with competitive price, and are confident to stay well ahead of our competitors soon.

## **COAL FIELD:**

Thirty (30) years mining lease of Lakhra coalfield comprises of an area of 8626 acres equivalent to 35 square kilometer was awarded to your company by the Government of Sindh vide Notification dated 14.12.2005 for the development and establishment of coal mining and coal washing plant leading to power plant up to 200MW. The designated area is the fully explored coalfield of Pakistan having necessary infrastructure and connected by metallic road and a rail track.

The mining part of the mega project is moving satisfactory. The services of foreign Engineers who have expertise in the fields have also been hired and the Government of Sindh has recommended to Ministry of Interior, Government of Pakistan to issue visa to them.

The various national and international agencies have studied the above coalfield. The coal deposits in the area are estimated at thirty two million tons, whereas the fuel requirement of 200 MW power plant for twenty five year's estimated life is twenty five millions tons. The surplus eight million tons of coal will therefore, be sold to local industry. The net realizable value of the surplus coal (eight million tons) is approximately Rs 8.80 billion at present market value. The realizable value after washing process will be increased to Rs 24 billion.

## **MERGER SCHEME:**

Your Company's merger plan of absorption of two of its associated undertakings with the object of strengthening its financial resources, resort to economy in cost and saving in taxation is pending with the Honourable High Court of Sindh for approval.

## **AUDITORS OBSERVATION:**

The exchange gain on trade debts for the export proceeds realized during the year under review has been accounted far as shown in Note 27 under heading 'Other Income'. However the exchange gain on trade debts for the export proceeds yet to be realized has not been provided as the management is of the opinion that the steep rise in Us Dollar against Pak Rupee is transitory.

## **CORPORATE GOVERNANCE**

The statement of compliance with the best practices of Code of Corporate Governance is annexed.

## **CORPORATE AND FINANCIAL FRAMEWORK**

In compliance with the Code of Corporate Governance, the Board is committed to maintain the Corporate Governance in latter and spirit. The Board has reviewed the Code of Corporate Governance and gives hereunder statements of Corporate and Financial Reporting Framework:

- The financial statements under review have been prepared in accordance with the provisions of the Companies Ordinance, 1984 as amended by Companies (Amendment) Ordinance, 2002, the requirements of Securities and Exchange Commission of Pakistan and the Listing Regulations of Karachi Stock Exchange (G) Limited. These financial statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of these financial statements and any departure there from has been adequately disclosed.
- The system of internal control of the Company is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations of Karachi Stock Exchange (G) Limited wherever applicable to the Company for the year ended June 30, 2008.



- Outstanding taxes and other government levies are given in related note(s) to the financial statements.
- The key operating and financial data for the last six years, in a summarized form, is annexed.
- The Company operates an unfunded gratuity scheme for its all eligible employees. Obligations under the scheme are provided annually. The provision is adjusted triennially as per actuarial valuation as required by IAS-19.
- During the year five meetings of the Board of Directors were held and attendance at meetings were as follows:

| <u>Name of Director</u>         | <u>Meetings attended</u> |
|---------------------------------|--------------------------|
| Mr. Gohar Ullah                 | 5                        |
| Mr. Asad Ullah Barkat           | 2                        |
| Mr. Humayun Barkat              | 5                        |
| Mr. Maqsood Ahmed Khan          | 5                        |
| Mr. Muhammad Saleem             | 4                        |
| Mr. Abdul Razzak Memon          | 5                        |
| Mr. Muhammad Ayub (NIT Nominee) | 4                        |

Leave of absence was granted to Directors who could not attend some of the Board Meetings.

**AUDIT COMMITTEE:**

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee. The names of its members are given under Company Information.

**PATTERN OF SHAREHOLDING:**

The pattern of shareholding and the additional information as required by the Code of Corporate Governance is enclosed.

**AUDITORS:**

As required by the Code of Corporate Governance, the Audit Committee of the Board has recommended the name of M/s. Rahim Jan & Company, Chartered Accountants, Karachi who retire and being eligible, offer themselves for reappointment for the financial year ending June, 2009.

**ACKNOWLEDGMENT:**

I extend my thanks and appreciation to the banks and financial institutions for their continued support and cooperation as well as to the Board of Directors for the highly dedicated services, unflinching support and contribution to the Company.

I also extend my appreciation to the members of the Company for their trust and confidence on us.

For and on behalf of the Board

Hyderabad: 28<sup>th</sup> September 2008.

**Gohar Ullah**  
Chairman