

**22. Plant Capacity and Production**

Particulars	2008		2007	
		Average Count		Average Count
Actual production converted to 20 count	-	-	-	-
Attainable capacity (in milion kgs)	-	6,152	-	6,152
Number of spindles installed	-	22,848	-	22,848
Worked during the year	-	-	-	-
Number of shifts worked during the year	-	-	-	-

**23. Reason for Suspension of Operation**

The Production remain Suspended during the Period 2007-2008 under review due to repeated power break downs in winder (Baluchistan) causing damage to he machinery, beside, unfavorable market conditions, unworkable prices of raw Cotton and to increase overhead Costs. The company is in preparation to commence production activities in near future as and when Gas supplies are made available by SSGC in Winder Baluchistan.

**24. Going Concern**

The Company has incurred a net loss, after tax, of Rs. 885,680/-, during the year ended June 30, 2008, and as of date its Current Liabilities exceed its Current Assets by Rs. 777,038/-, and its total liabilities exceed its Total Assets by Rs. 46,959,041/-, Further, as mentioned in Note 1, the operations of the company are, and have been in recession for a considerable period of time. During the year under review the production remain suspended owing to unfavorable conditions and lack of infrastructure facilities at winder Industrial area, especially the non availability of gas, as prices of fuel, diesel and electricity breakdowns have already caused the unit to bear losses. Conversely, the Management is hopeful to revive the unit, and start operations in the near future, The Government has plans to Provide Gas Connection at the mills in Winder (Baluchistan), and the company also is actively persuading the Government for supply of Gas connection at the factory which is expected to be supplied in near future. Upon the supply of Gas connection, the management would commence commercial operation and ultimately, the shareholders would be benefited in future.

**25. Financial Assets and Financial Liabilities**

The company's income and operating cash flows are substantially independent of changes in the market interest rates. The company presently has no significant interest-bearing assets. The company's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities as of June 30, 2008, are summarized below:

The company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR JUNE 30, 2008****1. Corporate Information**

Landmark Spinning Industries Limited (the Company) was incorporated in Pakistan, as a private Limited Company on October 21, 1991 and was converted into a public limited company on April 30, 1992 under the Companies Ordinance, 1984 and its share are listed on the Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the Company is located at 1st floor, cotton Exchange Building, I.I. Chundrigar Road, Karachi; while its manufacturing facilities are located at Winder Balochistan, Pakistan. The Principal activity of the Company is trading, Manufacturing and sale of Yarn.

The company commenced its commercial operation, form 2001 after reactivation of plant which remained idle for the seven years. However, the company again has suspended its production on November 29, 2002 to forestall the recurring losses on account of electricity breakdowns and frequent Load shedding stop gap arrangement was made to suspend operations for the time being until the market trends becomes conducive for positive results. The management feels that immediately upon the utility provision of gas supplies to winder Balochistan industrial zone S.S.G.C. Limited, which is in progress, the production will be expected to commence in near future.

**2. Statement of Compliance**

These financial statement have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, or the requirements of such directives take precedence.

**3. Basis of Preparation**

The financial statements have primarily been prepared on the historical cost basis, unless an accounting policy herein states otherwise. The financial statements, except for the cash flow statements, have been prepared under the accrual basis of accounting.

**4. Approval of Financial Statements**

These financial statements were approved by the Board of Directors and authorized for issue on October 07, 2008

**5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting Policies. Estimates and judgments are continually evaluated and are believed to be reasonable under the circumstances. In process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

**5.1. Property, Plant and Equipments**

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of tangible fixed assets with corresponding affect on the depreciation charge and impairment.

**6. Significant Accounting Policies****6.1 Trade and Other Payable**

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

## **6.2 Taxation**

### **Current Year**

Provision in respect of current year's taxation is based on the method of taxation prescribed under the Income Tax Ordinance, 2001, whereby taxable income is determined and tax charged at the current rates of taxation after taking into account tax credits and rebates available, if any, or the minimum tax liability determined under Section 113 of the Income Tax Ordinance, 2001, whichever is higher.

### **Deferred**

The Company accounts for deferred taxation on all material timing differences between the tax and accounting base of an asset or liability. However, deferred tax is not provided if it can be established with reasonable certainty that these differences would not crystallize in the foreseeable future.

## **6.3 Property, Plant and Equipment**

### **- Owned**

Property, Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any; except

for Capital works in progress which are stated at cost and lease hold land which is on straight line basis.

### **- Depreciation**

Depreciation is charged to income using reducing balance method, at rates specified in the annexed schedule, whereby the cost of assets is written off over its estimated useful life, reflecting the approximate value of the consumption of the respective assets economic benefits. The depreciation method and useful lives of the items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

### **- Repairs, renewals and maintenance**

Major repairs and renewals are capitalized. Normal repairs and maintenance are charged as expense when incurred. Gains or losses on disposal or retirement of assets are determined as the difference between the sale proceeds and the carrying amounts of these assets, and are included in the income currently.

## **6.4. Stores, Spares and Loose Tools**

These are stated at the lower of cost and net realizable value. The cost of inventory is based on the average cost. Items in transit are stated at cost accumulated up to the date of the balance sheet.

## **6.5 Stock-in-Trade**

These are valued as follows :

Raw Material	: At lower of average cost or net realizable value.. Cost of raw material and components represents invoice plus plus other charges paid thereon.
Finished Goods	: At lower of weighted average cost or net realizable value. Cost of finished goods comprises of prime cost and an appropriate portion of production overhead

Net realizable Value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

## **6.6 Trade Debts & Other Receivables**

Trade debts are carried at the original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified. Debts considered bad, if any, by the management are written-off and provision is made against those considered doubtful. No general provision is made for bad and doubtful debts.

**6.7 Foreign Currency Translation**

Transaction in foreign currencies, if any, are recorded using the rates of exchange prevalent at the date of the transaction. Assets and Liabilities in foreign currencies, if any, are translated into the reporting currency, i.e., Rupees, at the exchange prevalent at the balance sheet date, except where foreign exchange contracts are entered into; in which case, the contracted rates are used. Exchange gains and losses, if any, are included/changed into income currently.

**6.8 Deferred cost - Unallocated Pre-production Expenses**

The company used to amortize this deferred cost over a period of five years from commencement of commercial production.

**6.9 Borrowing Cost**

Borrowing cost are charged to income in the period in which they are incurred.

**6.10 Provisions**

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

**6.11 Financial Instruments**

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

Financial instruments carried on the balance sheet includes investments, deposit, receivables, cash and bank balances, redeemable capital, liabilities against assets subject to finance lease, creditors, running finance and other payable. The particular recognition method adopted is disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset when the company has a legally enforceable right to offset the same and intends to settle either on a net basis or to realize the assets and settle the liabilities simultaneously.

**6.12 Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash bank balances.

**6.13 Impairment of Assets**

The carrying amount of the assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount, whereby the asset is written down and that impairment losses are recognized in the profit and loss account.

**6.14 Related Party Transactions**

All transactions with related parties are carried out by the company at arm's length prices with the exception of loan taken from related parties which is interest / mark up free.

**6.15 Loans, Advances and other Receivables**

Loans, Advances and other receivable are recognized initially at cost, and subsequently at their amortized / residual cost.

**6.16 Revenue Recognition**

Revenue from Sales is recognized on dispatch of goods to customers.

Other Income is recognized on Receipt Basis

**6.17 Employees Benefits**

The company does not operate any employee's benefits scheme.

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## 6.18 Contingent Liability.

A contingent liability is disclosed in the financial statements unless the possibility of an out flow of resources embodying economic benefits is remote.

## 6.19 Contingent Assets.

A contingent asset is disclosed where in inflow of economic benefits is probable.

	<b>2008</b> <b>Rupees</b>	<b>2007</b> <b>Rupees</b>
<b>7. Tangible Fixed Assets</b>	<u>240,568,880</u>	<u>152,862,390</u>
Property, Plant and Equipment	<u>240,568,880</u>	<u>152,862,390</u>

## Property, Plant and Equipment - At cost less accumulated depreciation

Particulars	Cost				Rate %	Depreciation			Written Down Value As At June 30, 2008
	As at July 01, 2007	Revaluation	Additions/ (Deletion)	As at June 30, 2008		As at July 01, 2007	For the Period	As at June 30, 2008	
	<i>Rupees</i>					<i>Rupees</i>			
Lease hold land	2,969,450	7,986,890	-	10,956,340	1	356,340	-	356,340	10,600,000
Factory Building on Lease hold land	65,679,261	31,491,285	-	97,170,546	10	17,799,080	-	17,799,080	79,371,466
Plant and Machinery	139,862,787	48,235,183	-	188,097,970	10	37,902,816	-	37,902,816	150,195,154
Hut at Sanspit (leaseholder)	308,500	-	-	308,500	10	249,748	5,875	255,623	52,878
Power House Generator	40,000	-	-	40,000	10	28,843	-	28,843	11,157
Telephone Installations & Instrur	108,200	-	-	108,200	10	77,108	-	77,108	31,092
Factory Tools and Equipments	115,205	-	-	115,205	10	81,423	-	81,423	33,782
Furniture, Fixture and Equipm	3,183	-	-	3,183	10	2,184	-	2,184	999
Electrical Installations	388,116	-	-	388,116	10	126,223	-	126,223	261,893
Vehicles	195,000	-	-	195,000	10	190,027	995	191,022	3,979
Sales and Measuring Equipment	8,000	-	-	8,000	10	1,520	-	1,520	6,480
2008	209,677,702	87,713,358	-	297,391,060	10	56,815,312	6,870	56,822,182	240,568,880
2007	209,677,702	-	-	209,677,702	10	56,807,541	7,771	56,815,312	152,862,390

## NOTE

7.1. In the year 2008 the following fixed assets were revalued by independent valuer namely M/s A.R./ Bherwani (Private) Limited, and their Report on the revaluation dated April 21, 2008 and Board of Directors of the Company have resolve to incorporate the effect of the revaluation in the financial statements for the year ended June 30, 2008. The surplus arising from the revaluation is Rs. 87, 713, 3587= The depreciated values as per valuation reports on that are as follows:

	REVALUED AMOUNT	BOOK VALUE AS ON JUNE 30, 2008	DIFFERENCE BETWEEN BOOK VALUE & REVALUED AMOUNT		Had there been on levitation the related figures of Land and Building and Plant and Machinery as at June 30, 2008 would have been as follows:		
					COST	Accumulated Depreciation	Written Down Value
Lease hold land	10,956,340	2,969,450	7,986,890	Lease hold land	2,969,450	356,340	2,613,110
Factory Building on lease hold land	97,170,546	65,679,261	31,491,285	Factory Building on lease hold land	65,679,261	17,799,080	47,880,181
Plant and Machinery	188,097,970	139,862,787	48,235,183	Plant and Machinery	139,862,787	37,902,816	101,959,971
	<u>296,224,856</u>	<u>296,224,856</u>	<u>87,713,358</u>				

	<b>2008</b> <b>Rupees</b>	<b>2007</b> <b>Rupees</b>
Depreciation for the period has been allocated as follows:	-	-
Production Expenses	-	-
Administrative Expense	<u>6,870</u>	<u>7,771</u>
	<u>6,870</u>	<u>7,771</u>

## Allocation of Depreciation

Depreciation for the period has been allocated as follows:

7.2 No Depreciation since 2002 on assets except a Hut on Sandspit (Lease Hold) and Vehicles had been charged during the period as their has been no production activity made during the period review. Had the company charged depreciation on all the assets of the company the written down value of Fixed assets would have been reduced by Rs. 67,232,635 and consequently Accumulated losses of the company as of Balance sheet date would have been increased by Rs. 67,232,635 and also the company not considered the impact of depreciation on revaluation then written down value of Fixed assets (With out revaluation) would have been reduced by Rs. 59,180,119 and consequently Accumulated losses of the company as of Balance Sheet date would have been increased would have been increased by Rs. 59,180,119

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	<b>June 30, 2008 Rupees</b>	<b>June30, 2007 Rupees</b>
<b>8. Long Term Deposits</b>		
Central Depository Company	25,000	25,000
<b>9. Loans and Advances - Unsecured, Considered Good</b>		
Advance Income Tax	38,688	38,688
	38,688	38,688
<b>10. Trade Deposit and Prepayments - Considered good</b>		
Guarantee Margins	474,980	474,980
	474,980	474,980
<b>11. Cash and Bank Balances</b>		
Cash in Hand	-	-
Cash at Banks - Current Accounts	72,350	73,843
	72,350	73,843
<b>12. Trade and Other Payables</b>		
Creditors for Goods	81,804	201,115
<b>Accrued Liabilities</b>		
Accrued Expense	1,013,978	1,025,339
<b>Others</b>		
With holding tax Payable	267,274	267,274
	1,363,056	1,493,728
<b>13. Contingencies and Commitments</b>		

Karachi port trust suit bearing No. 201 of 2004 in Banking Court No. 1 against National Bank of Pakistan and other claiming recovery of Rs. 73,23,546 under section 9 of the Banking Companies (Recovery of Loan, Advances, Credit and Finance) act XV of 1997. put the Company to bear liability in cash of any order by the court in favor of K.P.T. Landmark Spinning Industries Ltd. has filed litigation in order to Contest the invalid Claim of KPT against the Bank guarantees of Rs. 3,245,000 which expired on 15th May, 1994. The matter is pending adjudication.

## 14. Issued, Subscribed and paid-up Capital

No. of Ordinary Shares of Rs. 10/-

*each*

2008	2007		2008	2007
12,123,700	12,123,700	Fully Paid in cash	121,237,000	121,237,000
12,123,700	12,123,700		121,237,000	121,237,000

## 15. Surplus on Revaluation of Property, Plant and Equipments

This represents surplus over the book value resulting from the revaluation of Land, Building and Plant and Machinery Carried out by independent valuer namely M/s A.R. Bherwani (Private) Limited, and their Report on the revaluation dated April 21, 2008 on the basis of market value or depreciated replacement values as applicable.

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		<b>June 30, 2008 Rupees</b>	<b>June30, 2007 Rupees</b>
<b>16. Long term Loan</b>			
(Unsecured & Interest free)			
Form Directors	16.1	23,427,751	23,427,751
Form Associated Undertaking	16.2	<u>175,634,773</u>	<u>174,626,782</u>
		<u>199,062,524</u>	<u>198,054,533</u>
16.1 Maximum balance due at the end of any month during the year is Rs. 23,427,751,( 2007 : Rs 23,427,751)			
16.2 Maximum balance due at the end of any month during the year in Rs. 175,634,773 ( 2007 : Rs 174, 626,782)			
16.3 Term of repayment of these loans have not been executed with the directors and associated undertakings			
16.4 The above loans are unsecured and interest free.			
<b>17. Administrative and General Expenses</b>			
Salaries & Wages		424,284	415,610
Fees & Subscription		122,550	70,150
Printing & stationery		17,000	20,400
Advertisement Expenses.		37,400	25,800
Insurance Exp.		74,028	74,085
Legal and Professional Charges		30,000	10,000
Oil and Lubricants Consumed		97,815	97,820
Auditors Remuneration		75,000	75,000
Miscellaneous Expenses		-	600
Depreciation Expenses.		<u>6,870</u>	<u>7,771</u>
		<u>884,947</u>	<u>797,236</u>
<b>18. Finance Cost</b>			
Bank Charges and Commission		<u>733</u>	<u>3,401</u>
		<u>733</u>	<u>3,401</u>
<b>19. Taxation</b>			
19.1 The company's income tax assessment have been finalized including and upto Tax year 2007 (accounting Year 2006-207)			
19.2 Management feels that there is no material temporary differences. Accordingly, deferred tax provision is not required			
19.3 The numerical reconciliation between the average tax rate and the applicable tax rate has not presented in theses financial statements as the company is not in operational activities as described in note 1 of these financial statements.			
<b>20. Earnings Per Share - Basic</b>			
Profit after Taxation		<u>(885,680)</u>	<u>(800,637)</u>
Weighted Average Number of Ordinary Shares		<u>12,123,700</u>	<u>12,123,700</u>
Earning per Share - Basic	Rupees	<u>(0.07)</u>	<u>(0.07)</u>
<b>21. Related Party Transactions</b>			
Bridge financing		<u>987,991</u>	<u>1,006,067</u>

All transactions were carried out on not normal terms and conditions. Reimbursement of expenses were on actual basis. Remuneration and benefits to key management personnel under the terms of their employment.

Particulars	interest Bearing		Non-Interest Bearing		Total	
	Less than One Year	More than One Year	Less than One Year	More than One Year	2008	2007
	<i>RUPEES</i>					
Financial Assets						
Long Term Deposits	-	-	-	25,000	25,000	25,000
Deposits and Prepayments	-	-	474,980	-	474,980	474,980
Cash & Bank Balances	-	-	72,350	-	72,350	73,843
Total Financial Assets	-	-	547,330	25,000	572,330	573,823
Financial Liabilities						
Long Term Loans	-	-	-	199,062,524	199,062,524	198,054,535
Trade and Other Payables	-	-	1,363,056	-	1,363,056	1,493,725
Total Financial Liabilities	-	-	1,363,056	199,062,524	200,425,580	199,548,260
Net Exposure	-	-	(815,726)	(199,037,524)	(199,853,250)	(198,974,437)

Effective rates of interest (if any) for the monetary financial liabilities are mentioned in the respective notes to the accounts.

Effective rates of interest (if any) for the monetary financial liabilities are mentioned in the respective notes to the accounts.

## 25.1 Credit Risk and Concentration of Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures and limiting transactions with specific counterparties. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have a similar economic features that would cause their ability to meet contractual obligation to be similarly affected by change in economic, political or other condition. Concentrations of credit indicate the relative sensitivity of the company performance to developments affecting a particular industry or geographic location.

The company is not materially exposed to credit risk.

## 25.2 Foreign Exchange Risk

Foreign currency risk arises mainly where receivable and payment exist due to transactions with foreign undertakings. The company does not enter into any transactions which may expose it to foreign currency risk.

## 25.3 Fair value of Financial Instruments

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

Underlying the definition of fair value is the presumption that the company is a going concern with out any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different form book value as shown in these financial statements.

**25.4 Liquidity risk**

Liquidity risk reflects the company's inability of rising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes continues monitoring of daily fund positions, relevant ratios and diversification of the Company's financial assets.

**26. General**

- i) Figures have been rounded off to nearest rupee.

**AKBAR ALI HASHWANI**  
Chief Executive

**AMIN A. HASHWANI**  
Director