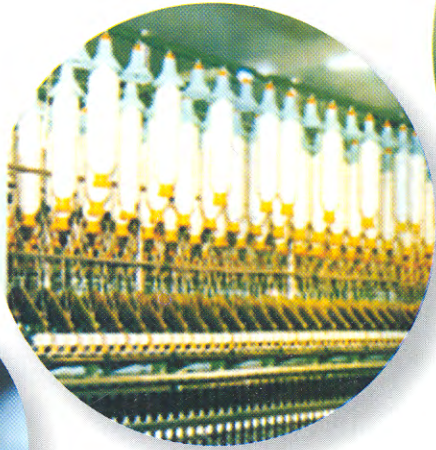


1890
17/5/08
JKSM
Done

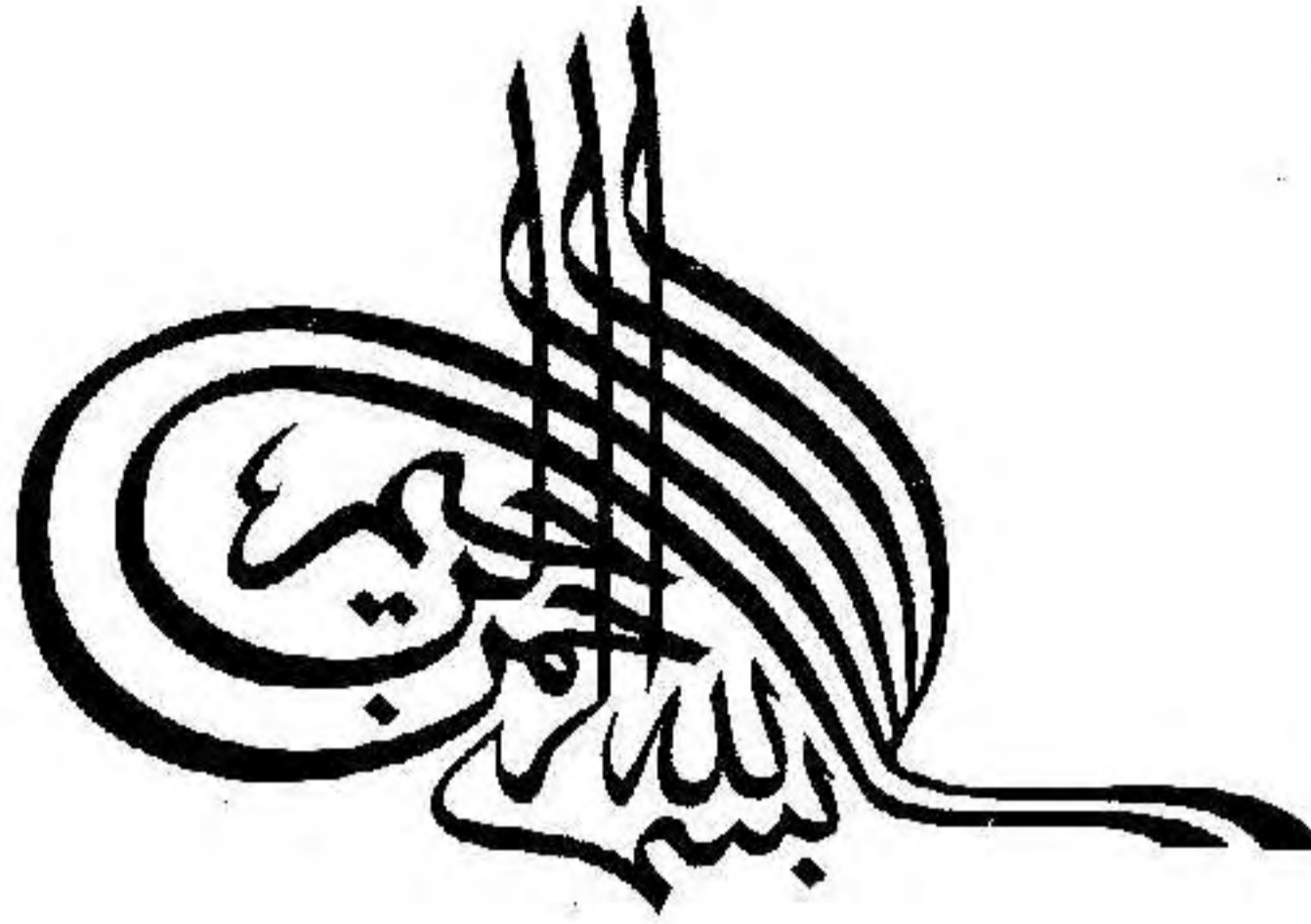


ANNUAL REPORT 2009



J.K. SPINNING MILLS LIMITED





23rd Annual Report 2009

J.K. SPINNING MILLS LIMITED

Annual Report 2009

CONTENTS:	PAGE NO.
Company Information	2
Vision & Mission	3
Director's Report	4-6
Key Operating & Financial Results	7
Pattern of Shareholding	8-9
Statement Of Compliance	10-11
Notice of Annual General Meeting	12
Review Report	13
Auditor's Report	14
Balance Sheet	15
Profit & Loss Account	16
Cash Flow Statement	17
Statement of Changes in Equity	18
Notes To The Accounts	19-40
Proxy Form	41



COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN / CHIEF EXECUTIVE DIRECTORS

Mr. Jawed Anwar (Executive Director)
Mr. Faiq Jawed (Executive Director)
Mr. Shaiq Jawed (Non Executive Director)
Syed Hussain Shahid Mansoor Naqvi
(Non Executive Director)
Mrs. Farhat Jehan (Non Executive Director)
Mrs. Samina Abid (Non Executive Director)
Mrs. Nageen Faiq (Non Executive Director)

BOARD OF AUDIT COMMITTEE

Chairman

Mr. Shaiq Jawed

Members

Mr. Faiq Jawed
Syed Hussain Shahid Mansoor Naqvi

COMPANY SECRETARY

Syed Hussain Shahid Mansoor Naqvi

CHIEF FINANCIAL OFFICER

Anjad Ali

AUDITORS

M/s Zahid Jamil & Co.,
Chartered Accountants
Member of IGAF Worldwide
Faisalabad.

LEGAL ADVISOR

Hassan & Hassan
Advocates

BANKERS

Askari Bank Limited.
The Bank of Punjab
Standard Chartered Bank Limited
(Formerly Union Bank Limited)
Al-Baraka Islamic Bank B.S.C. (E.C.)
United Bank Limited.
NIB Bank Limited
(Formerly PICIC Commercial Bank Limited)

REGISTERED OFFICE

3-1/A, Peoples Colony,
Faisalabad.

MILLS

Tehsil Jaranwala,
District Faisalabad-Punjab.



VISION

To enter into global economy accepting the challenge of barrier free trade as a dynamic force.

MISSION

To turn around performance of company into sustainable growth for the benefit of its stake holders.

To stand the test of expectations of our valued customers redefining excellence with craft, creativity, professionalism and quality control.

To strive hard for hoosting exports of country to earn more and more foreign exchange to rebuild economy.



DIRECTOR'S REPORT TO SHAREHOLDERS
In The Name Of Almighty Allah The Most Gracious, The Beneficent, The Merciful

Dear Shareholders,

The Directors of your company feel pleasure in presenting the Annual Report together with the Audited Accounts for the year ended June 30, 2009.

REVIEW OF FINANCIAL RESULTS:

The financial results of the Company has reflected Net Loss of Rs.2,868 (M) after charging depreciation of Rs.47,303 (M) and financial charges of Rs.71,778 (M) as compared with the Net Loss of Rs.15,318 (M) after charging depreciation of Rs.48,767 (M) and Financial Charges of Rs.91,701 (M). Likewise the previous year incremental depreciation absorbed the real profits earned by the manufacturing activities of the Company. Since the start of new financial year our economy faced huge pressure of world wide economic failure and due to this Textile Sector remained under the tremendous pressure and we also took the hit. However, with great efforts of the management huge loss of Rs.20,669 (M) suffered during nine months were partially averted and your management has managed to reduce the loss up to Rs.2,868 (M).

OTHER INFORMATION:

SALES REVENUE:

The comparative data of sales revenue is given below:

PARTICULAR	2009 Rupees in Million	2008 Rupees in Million
Export Sales (Yarn)	147.472	132.171
Local Sales (Yarn)	666.275	602.768
Waste Sales	21.408	12.676
Total:	835.155	747.615

Since we have converted our Mills on the production of fine counts Cotton Yarns which is most likely not exported, therefore, our local sales are higher than export sales.

EARNING PER SHARE:

During current year earning per share has gone up to (0.41) as compared with the earning per share of (2.19) during the preceding year.

BREAK-UP VALUE PER SHARE:

The Break-up value of your share as on 30-6-2009 was Rs. 60.19 as compared with Rs.63.04 during the preceding year.

PRODUCTION ANALYSIS:

Comparison of production results is given hereunder:

PARTICULAR	2009 (Kgs)	2008 (Kgs)
Actual Production 20/S	10,118,054	10,772,182
Installed Capacity after conversion into 20/S	10,031,126	10,031,126
% age of capacity utilization.	100.87%	107.39%



OPERATING PERFORMANCE:

During the year under review your Company maintained almost the same quantitative results. Although we faced horrible Sui Gas shut down on various occasions during the winter season as we availed power supply of WAPDA, which was comparatively costlier than our own generated power supply. Due to compulsory load shedding we were forced to close down our Mills in order to avoid huge fixed charges of WAPDA for the broken period. In view of this Mills suffered production loss of 10 days as it worked for 355 days. The production of cotton yarn converted into 20/S was 10.118 Million Kgs during the year under review.

FINANCIAL RATIO:

During the current financial year we have been able to maintain the current ratio up to 0.88 which was around 0.74 during the previous year. As previously reported that the current ratio was deteriorated due to huge burden of current maturity of long terms loans. During the current year we have borrowed some Long Term Loans from Directors to make payments of Running Finance loans of Banks. Loans Finance Facilities to reduce the mark-up burden, which helped a lot in improving the current ratio as well as reduce the Financial Expenses. In addition to the huge expansion of BMR carried out by our Company during previous years we have added Two For One Twister valuing Rs.7.208 Millions for converting our single yarn into double yarn and thus having variety of yarns for marketing. These machines were installed and commenced production during the year.

FUTURE PROSPECTS:

Presently our country is suffering from severe financial, political and world wide pressures. Although our economy has managed to take lowest impact of international economic turmoil but Textile Sector had badly suffered as their exports were significantly hampered. Exchange values of foreign currencies was also swinging and at one stage Dollar went up to Rs.83.00 and then came down up to Rs.78.70 and after observing day-to-day fluctuations now is ranging around Rs.83.00. Your management is hopeful that the New Textile Policy and other measures taken by the Government will not only help to revive the Industry but also provide strength to Textile Sector to flourish in future.

HUMAN RESOURCES:

The Management of the Company gives much importance to the optimal use of human resources by way of proper training, motivation and incentive schemes for the employees. The Management is also upgrading the manpower through the induction of qualified staff.

CORPORATE AND FINANCIAL REPORTING FRAME WORK:

Security and Exchange Commission of Pakistan framed a Code of Corporate Governance, which was incorporated through the listing regulations of all Stock Exchanges of the country. The Directors of your company has ensured implementation of all provisions of the Code of Corporate Governance applicable for the period ended on June 30, 2009.

The review report on Statement of Compliance with best practices the Code of Corporate Governance of Auditors is annexed with this report.

The Directors of the company are pleased to confirm that there is no material departure from the best practices as detailed in the listing regulations.

- The financial statements prepared by the management of J.K. Spinning Mills Limited present fairly its state of affairs, the results of its operations, cash flows and statement of changes in equity.
- Proper books of accounts of J.K. Spinning Mills Limited have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.



- The International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as going concern.
- There has been no material departure from the best practices of Corporate Governance as contained in the listing regulations.
- Key operating results and financial data of last six years in summarized form is annexed.
- The gain/(loss) arising out due to exchange fluctuation of export finance loans and State Bank of Pakistan circular No. F.F. 25 have been appropriately accounted for as on the date of balance sheet.
- The Statement of pattern of shareholding of the company as at June 30, 2009 is annexed in form set out in the code of corporate governance.
- During the period under review eighteen Meetings of Board of Directors were held out of which fourteen through circulation and four by personal attendance of directors.

Detail is given as under:

Name of Directors	No. of Meetings by Circulated personal attendance
Mr. Jawed Anwar	18
Mr. Faiq Jawed	18
Mr. Shaiq Jawed	18
Syed Hussain Shahid Mansoor Naqvi	18
Mrs. Farhat Jahan	04
Mrs. Samina Abid	04
Mrs. Nageen Faiq	04

AUDIT COMMITTEE:

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee and the following are its members:-

Mr. Shaiq Jawed	Chairman (Non Executive)
Mr. Faiq Jawed.	Member (Executive)
Syed Hussain Shahid Mansoor Naqvi	Member (Non Executive)

DIVIDEND:

In view of losses sustained by the Company and repayment of Long Terms Loans / Short Terms Loans, the Directors did not recommend any Dividend.

AUDITORS:

The Auditors M/S Zahid Jamil & Company, Chartered Accountants, stand retired and being eligible, offer themselves for re-appointment for the next financial year ending on 30-06-2010.

ACKNOWLEDGEMENT:

The Directors wish to express their gratitude to our valued clients and bankers for the cooperation extended by them during the course of business activities. The Directors wish to place on record their appreciation for the hard work and devoted services demonstrated by the staff members and the workers of the company.

For and on behalf of the Board

FAISALABAD:

Date: 9th October, 2009

FAIQ JAWED
DIRECTOR



KEY OPERATING & FINANCIAL RESULTS

FOR LAST SIX YEARS

(RUPEES IN THOUSANDS)

PARTICULARS	2009	2008	2007	2006	2005	2004
OPERATING DATA						
Sales	835,155	747,615	637,107	614,837	415,910	651,409
Cost of goods sold	743,468	646,215	515,931	539,947	367,967	609,222
Gross profit	91,687	101,400	121,176	74,890	47,943	45,187
Operating profit	55,325	73,822	84,724	12,390	14,469	28,698
(Loss) / profit before taxation	(1,593)	(10,454)	14,327	(41,094)	(5,254)	7,036
(Loss) / profit after taxation	(2,869)	(15,318)	5,588	(48,088)	(9,134)	864
FINANCIAL DATA						
Paid up capital	70,000	70,000	70,000	70,000	70,000	70,000
Fixed assets	901,636	928,098	989,928	482,440	389,251	393,086
Long term Investment	---	7	7	7	7	7
Current Assets	380,491	393,539	357,986	393,971	402,488	318,833
Current liabilities	433,246	519,348	523,003	527,733	400,268	312,997
KEY RATIOS						
Gross margin	10.98%	13.56%	19.02%	12.18%	11.53%	6.91%
Operating margin	6.62%	9.87%	13.30%	2.02%	3.48%	4.39%
Net (loss) / profit	(0.35)%	(2.05)%	0.8%	(7.82)%	(2.20)%	0.13%
Current Ratio	0.88	0.74	0.68	0.75	1.01	1.02
Earning per share (Rupees)	(0.41)	(2.19)	0.80	(6.87)	(1.30)	0.12
STATISTICS						
Number of Spindle	26,928	26,928	26,928	16,368	16,368	15,360
Production into 20/s Count (In 000 Kgs)	10,118	10,772	9,419	6,224	4,399	5,237

J.K. SPINNING MILLS LIMITED

Annual Report 2009



**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2009**

NUMBER OF SHARE HOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
12	1	to	100	1,018
36	101	to	500	14,499
25	501	to	1000	23,700
39	1001	to	5000	114,800
7	5001	to	10000	47,983
2	10001	to	15000	27,300
1	15001	to	20000	15,400
1	20001	to	25000	24,500
1	35001	to	40000	39,500
1	40001	to	45000	42,500
1	45001	to	50000	50,000
1	180001	to	185000	184,900
1	320001	to	325000	324,568
1	330001	to	335000	334,332
1	415001	to	420000	420,000
1	485001	to	490000	490,000
1	710001	to	715000	713,500
1	870001	to	875000	875,000
1	3255001	to	3260000	3,256,500
134				7,000,000

PATTERN OF SHAREHOLDING

S.NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
1	Financial Institutions	5	712,600	10.18
2	Investment Company	1	15,400	0.22
3	Insurance Companies	2	5,200	0.07
4	Associated Company	1	3,256,500	46.52
5	Modaraba Company	2	5,600	0.08
6	Director, CFOs & their spouses	8	2,697,700	38.54
7	Individuals	115	307,000	4.39
	TOTAL	134	7,000,000	100.00



DETAIL OF CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2009

NO. OF SHARE HOLDERS

SHARES HELD

FINANCIAL INSTITUTIONS

National Bank of Pakistan, (Trustee Department).	1	324,568
NBP Trustee - NI (U) T (LOC) Fund	1	334,332
National Industrial & Commercial Leasing Ltd.	2	3,700
	<u>4</u>	<u>662,600</u>

MODARBA COMPANIES

First Prudential Modarba	1	3,100
Prudential Capital Management Ltd.	1	2,500
	<u>2</u>	<u>5,600</u>

INVESTMENT COMPANY

National Investment Corporation of Pakistan	1	15,400
National Investment Trust Ltd.	1	50,000
	<u>2</u>	<u>65,400</u>

INSURANCE COMPANIES

Pakistan Guarantee Insurance Co. Ltd.	1	500
Gulf Insurance Company Ltd.	1	1,700
	<u>2</u>	<u>5,200</u>

DIRECTORS, CEOs & THEIR SPOUSES

Mr. Jawed Anwar (Chairman/Chief Executive)	1	875,000
Mr. Faiq Jawed (Director)	2	424,200
Mr. Shaiq Jawed (Director)	1	184,900
Mrs. Farhat Jehan (Director)	1	490,000
Mrs. Samina Abid (Director)	1	713,500
Mrs. Nageen Faiq (Director)	1	9,500
Syed Hussain Shahid Mansoor Naqvi (Director)	1	600
	<u>8</u>	<u>2,697,700</u>

ASSOCIATED COMPANIES

J.K. Sons (Pvt.) Ltd.	1	3,256,500
-----------------------	---	-----------

INDIVIDUALS

115 307,000

GRAND TOTAL

134 7,000,000

SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST IN THE COMPANY AS AT JUNE 30, 2009

DIRECTORS, CEOs & THEIR SPOUSES

	SHARES HELD	% AGE
Mr. Jawed Anwar (Chairman / Chief Executive)	875,000	12.50
Mrs. Samina Abid (Director)	713,500	10.19

ASSOCIATED COMPANY

J.K. Sons (Pvt.) Ltd.	3,256,500	46.52
-----------------------	-----------	-------



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation of Karachi Stock Exchange (Guarantee) Ltd and Lahore Stock Exchange (Guarantee) Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice 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. The Board is made up of five non-executive and two executive directors. Presently there are no independent non-executive director and no director in the board representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred in the Board during the period under report.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and employees of the Company.
6. The Board has developed a vision/mission statement, 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 condition of employment of the CEO and other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and 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 were appropriately recorded and circulated.
9. The Board arranged an orientation course for the directors during the period to apprise them of their duties and responsibilities. More courses will follow in future.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CFO.
11. The director's report for this period 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 share of the Company other than 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 three members of whom two are non executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

JAWED ANWAR
CHIEF EXECUTIVE

FAIQ JAWED
DIRECTOR

FAISALABAD
DATED: 9th OCTOBER, 2009



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 23RD ANNUAL GENERAL MEETING OF THE MEMBERS OF J.K. SPINNING MILLS LTD WILL BE HELD ON SATURDAY 31ST OCTOBER 2009 AT 10:00 A.M. AT REGISTERED OFFICE OF THE COMPANY SITUATED AT 3-1/A, PEOPLES COLONY, JARANWALA ROAD, FAISALABAD, TO TRANSACT THE FOLLOWING BUSINESS:-

ORDINARY BUSINESS.

1. To confirm the minutes of the last Extra Ordinary General Meeting.
2. To receive, consider, and adopt the annual audited accounts of the company along with the Directors' and Auditors' Reports for the year ended 30th June, 2009.
3. To appoint the Auditors for the year 2009-2010 and fix their remuneration. The present auditors M/s. Zahid Jamil & Co. Chartered Accountants, being eligible offer themselves for reappointment.
4. To transact any other business which may be placed before the meeting with the permission of the chair.

FAISALABAD:
Dated: 09th October, 2009

BY THE ORDER OF THE BOARD

SYED HUSSAIN SHAHID MANSOOR NAQVI
DIRECTOR / COMPANY SECRETARY

NOTES: -

- I. The share transfer Books of the Company will remain closed from 27th October, 2009 to 2nd November, 2009 (both days inclusive).
- II. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf at the meeting. Proxies, in order to be valid, must be received by the company at the registered office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.
- III. Any individual beneficial owner of Central Depository System entitled to attend and vote at this meeting, must bring his / her original Computerized National Identity Card or original passport to provide his / her identity and in case of proxy must enclose an attested copy of his / her CNIC or Passport. Representative of corporate members should bring their usual documents required for such purpose.
- IV. Shareholders are requested to promptly notify the company of any change in their address, if any.



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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **J.K. SPINNING MILLS LIMITED** to comply with the listing regulation No. 37 of Karachi Stock Exchange and Chapter XIII of Lahore Stock Exchange where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations No. 35 (previously Regulations No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before 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 of Corporate Governance for the year ended June 30, 2009.

FAISALABAD:
Date: 9th October, 2009

ZAHID JAMIL & CO.
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER: MUHAMMAD AMIN



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **J.K. SPINNING MILLS LIMITED** as at **JUNE 30, 2009** 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 Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct 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 accounts have been kept by the Company as required by the 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 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 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, 2009** and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980- (XVIII of 1980).

FAISALABAD:
Date: 9th October, 2009

ZAHID JAMIL & CO.
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER: MUHAMMAD AMIN



**J.K. SPINNING MILLS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2009**

	NOTE	2009 RUPEES	2008 RUPEES
ASSETS			
NON CURRENT ASSETS			
Property, plant & equipment			
Operating fixed assets	3	901,636,096	928,095,119
Capital work in progress	4	26,905,145	23,201,208
Long term investment	5	-	7,500
Long term deposits	6	23,466,768	30,955,848
		<u>952,008,009</u>	<u>982,260,675</u>
CURRENT ASSETS			
Stores, spares and loose tools	7	4,771,708	3,905,447
Stock in trade	8	107,406,320	181,422,183
Trade debts	9	150,405,511	96,774,935
Loans and advances	10	77,740,030	64,699,634
Deposits and prepayments	11	6,242,273	1,752,556
Other receivables	12	1,697,898	4,030,061
Tax refunds due from Government	13	24,527,329	20,201,560
Cash and bank balances	14	5,199,814	70,752,235
		<u>380,490,883</u>	<u>393,538,611</u>
CURRENT LIABILITIES			
Trade and other payables	15	162,498,319	154,530,729
Markup, interest accrued on loans	16	10,351,720	15,891,423
Short term borrowings	17	201,730,209	291,417,908
Current portion of long term financing		5,882,632	11,765,248
Current portion of lease liabilities		52,783,157	48,742,367
		<u>433,246,337</u>	<u>519,347,675</u>
WORKING CAPITAL		<u>(52,755,449)</u>	<u>(125,809,064)</u>
TOTAL CAPITAL EMPLOYED		<u>899,252,560</u>	<u>855,553,611</u>
NON CURRENT LIABILITIES			
Long term financing	18	332,844,821	226,819,019
Liabilities against assets subject to finance lease	19	73,710,192	133,168,176
Deferred liabilities	20	71,354,012	54,312,938
		<u>477,909,025</u>	<u>414,300,133</u>
CONTINGENCIES & COMMITMENTS	21	-	-
NET WORTH		<u>421,343,535</u>	<u>441,253,178</u>
REPRESENTED BY			
SHARE CAPITAL & RESERVES			
Share capital	22	70,000,000	70,000,000
Unappropriated profit		34,901,458	72,797,847
		<u>104,901,458</u>	<u>92,797,847</u>
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	23	316,442,077	348,455,331
		<u>421,343,535</u>	<u>441,253,178</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

JAWED ANWAR
CHIEF EXECUTIVE

FAIQ JAWED
DIRECTOR



**J.K. SPINNING MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009**

	NOTE	2009 RUPEES	2008 RUPEES
Sales	24	835,155,356	747,615,497
Cost of sales	25	743,467,955	646,215,135
Gross profit		91,687,401	101,400,364
Trading (loss) Profit	26	(890,285)	1,668,711
		90,797,116	103,069,075
Operating expenses			
Distribution and selling	27	12,519,550	10,562,109
Administrative	28	22,952,669	18,684,823
		35,472,219	29,246,932
Operating profit		55,324,897	73,822,143
Other charges			
Finance cost	29	71,778,737	91,700,857
		(16,453,840)	(17,878,714)
Other income	30	14,861,145	7,424,592
Loss before taxation		(1,592,695)	(10,454,122)
Taxation	31	1,275,874	4,863,916
Net loss for the year		(2,868,569)	(15,318,038)
(Loss) earning per share-Basic & diluted	39	(0.41)	(2.19)

The annexed notes 1 to 41 form an integral part of these financial statements.

JAWED ANWAR
CHIEF EXECUTIVE

FAIQ JAWED
DIRECTOR



J.K. SPINNING MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operation	35	116,620,799	102,384,400
Finance cost paid		(70,385,452)	(86,010,979)
Provident fund paid		(2,653,694)	(2,725,988)
W.P.F. paid		-	(784,193)
Income tax paid		(3,398,454)	(6,794,049)
Net cash generated from operating activities		<u>40,183,219</u>	<u>6,070,183</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Operating fixed assets		(21,644,081)	(20,333,958)
Proceeds from sale of operating fixed assets		928,223	38,972,393
Capital work in progress		(3,703,937)	(1,934,978)
Long term deposits		6,589,080	(2,228,693)
Profit on PLS accounts and other income		3,413,431	5,773,315
Net cash (used in) / generated from investing activities		<u>(14,417,284)</u>	<u>20,248,659</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		(89,687,699)	2,729,570
Long term financing- Related Parties		109,676,368	76,351,593
Long term financing- Non Related Parties		(8,873,936)	(36,965,748)
Dividend paid		(65,890)	(6,869,860)
Liabilities against assets subject to finance lease		(52,417,199)	(50,663,174)
Net cash used in financing activities		<u>(41,318,356)</u>	<u>(15,408,319)</u>
Net (Decrease), Increase in cash and cash equivalents		<u>(15,552,421)</u>	<u>10,909,943</u>
Cash and cash equivalents at the beginning of the year		20,752,235	9,842,292
Cash and cash equivalents at the end of the year (Refer note # 14)		<u>5,199,814</u>	<u>20,752,235</u>

JAWED ANWAR
CHIEF EXECUTIVE

FAIQ JAWED
DIRECTOR



**J.K. SPINNING MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009**

PARTICULARS	SHARE CAPITAL RUPEES	REVENUE RESERVE UNAPPROPRIATED PROFIT	TOTAL RUPEES	REVALUATION SURPLUS
		RUPEES		RUPEES
Balance as on July 01, 2007	70,000,000	28,292,621	98,292,621	385,177,038
Revaluation surplus realized: Incremental depreciation - Net of Deferred Tax	-	16,823,264	16,823,264	(16,823,264)
Transferred to deferred tax liability	-	-	-	(20,198,443)
Dividend	-	(7,000,000)	(7,000,000)	-
Net loss for the year	-	(15,318,038)	(15,318,038)	-
Balance as on June 30, 2008	70,000,000	22,797,847	92,797,847	348,455,331
Revaluation surplus realized: Incremental depreciation - Net of Deferred tax	-	14,972,180	14,972,180	(14,972,180)
Transferred to deferred tax liability	-	-	-	17,041,034
Net loss for the year	-	(2,868,569)	(2,868,569)	-
Balance as on June 30, 2009	70,000,000	31,901,458	104,901,458	316,442,077

The annexed notes 1 to 41 form an integral part of these financial statements.

JAWED ANWAR
CHIEF EXECUTIVE

FAIQ JAWED
DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1. Status and activities

The company is limited by shares incorporated in Pakistan under the Companies Ordinance, 1984 as on January 07, 1987. It is quoted at Karachi and Lahore Stock exchanges in Pakistan. The principal activity of the company is manufacturing and sale of yarn. Registered office of the company is located at 3-1/A Peoples Colony Faisalabad. The mills is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab.

2. Significant accounting policies

2.1. Statement of compliance

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

2.2. Adoption of the new and revised standards and interpretations

The Company has adopted the following new amended IFRS and IFRIC interpretation as of July 01, 2008.

- IFRS 7 Financial Instrument: Disclosures

Adoption of the standard did not have any material effect on the financial statements of the Company except for the certain additional disclosures included in the relevant notes to the financial statements.

2.3. Amendments to published standards applicable to company but not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates.

IAS 1 (Revised), 'Presentation of financial statements' is effective from January 01, 2009. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity will be required to be shown in performance statement, but company can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The above standard will only impact the presentation of financial statements.

Certain amendments to IAS 23 'Borrowing Cost' have been published that are applicable to the company's financial statements covering annual periods, beginning on or after January 01, 2009. Adoption of these amendments would require the company to capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the company's financial statements.

2.4. Standards, amendments and interpretations to existing standards that are not applicable to the company and not yet effective

Standards or Interpretation	Effective Date
• IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 1, 2009
• IFRS 2 - Share-based Payments (Amended)	January 1, 2009



- IFRS 3 - Business Combinations (Revised) July 1, 2009
- IFRS 4 - Insurance contracts January 1, 2009
- IFRS 8 - Operating segments January 1, 2009
- IFRIC 12 - Service concession arrangements January 1, 2009
- IFRIC 13 - Customer Loyalty Programmes January 1, 2009
- IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction January 1, 2009
- IFRIC 15 - Accounting for agreements for the construction of real assets January 1, 2009
- IFRIC 16 - Hedge of net investment in a foreign operation October 1, 2008
- IFRIC 17 - Distribution of Non cash Assets to Owners July 1, 2009
- IFRIC 18 - Transfer of Assets from Customers July 1, 2009

2.5. Measurement basis and basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention except that certain fixed assets have been stated at revalued amounts. These financial statements, except for cash flow information, have been prepared under accrual basis of accounting.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

2.6. Staff retirement benefits

Defined contribution plan

The company operates a recognised provident fund scheme covering all its employees. The scheme is administered by Board of Trustees. Equal monthly contributions are made to the fund by the company and the employees in accordance with the rules of the scheme. The company has no further payment obligation once the contributions have been paid. The contributions made by the company are recognised as employee benefit expense when they are due.

2.7. Taxation

Current

The company falls under the ambit of presumptive tax regime regarding export sales under section 154 of the Income Tax Ordinance, 2001. Provision for income tax is made in the accounts accordingly.

Deferred

Deferred tax is accounted for using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for the financial reporting purpose. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Company also recognises deferred tax liability on surplus on revaluation of assets which is adjusted against the related surplus as per the requirements of revised IAS 12 "Income Taxes".



2.8. Operating assets

Operating assets including additions are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to income applying the reducing balance method at the rates specified in the operating assets note except land.

Depreciation on addition during the year is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged for the month in which asset is disposed off. Maintenance and normal repairs are charged to income as and when incurred. Major repairs and improvements are capitalized.

Gains and losses on disposal of assets are included in current income. Amortization of surplus on revaluation of fixed assets is charged to retained earnings through statement of changes in equity.

2.9. Assets subject to finance lease

Assets held under finance leases are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the asset at the lower of the present value of the minimum lease payments under the lease agreement and the fair values of the assets acquired. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the company.

2.10. Trade and other payables

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

2.11. Provisions

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

2.12. Impairment

An assessment is made at each balance sheet date to determine whether there is an indication for impairment of any asset or group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

2.13. Financial instruments

All other financial assets and liabilities are recognized at cost which is the fair value of the consideration given or received at the time when company becomes a party to the contractual provisions of the instruments by following trade date accounting. Any gain or loss on subsequent to measurement and recognition is charged to income.

2.14. Capital work in progress

All costs / expenditures connected with specific assets incurred during installations and construction period are included in this head. These are transferred to specific assets as and when assets are available for use.

2.15. Investments

Long term investments, whose fair values cannot be determined are stated at cost. Provision is made for permanent diminution in value of quoted shares. Short term investments are stated at market value if materially differs from cost. Reduction to market value and reversals of such reductions are included in current year's Profit and Loss account.

2.15.1 Investments in associates

The results, assets and liabilities of the associate have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of investment. Losses of an associate in excess of the Company's interest in that associate (which includes any long term interest that, in substance, form part of the Company's net investment in the associate) are recognised only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

2.16. 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, balances with banks and highly liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.17. Stores, spares and loose tools

These are valued at moving average cost.

2.18. Stock in trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw material	Weighted average cost
Finished goods	Average manufacturing cost
Work in process	Average manufacturing cost
Waste	Net realizable value

2.19. Trade debts

Trade debts are carried at original invoice amount less any estimate made for the doubtful debts based on the review of the outstanding amounts. Known bad debts are written off and provision is made for debts considered doubtful.

2.20. Dividend

Dividend is recognized as a liability in the period in which it is declared.

2.21. Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date, except those covered under forward exchange contracts which are translated at the contracted rate and the foreign currency account maintained for payments in foreign currency which are translated at the rates in effect at the date of transactions. Exchange differences in respect of foreign currency transactions relating to acquisition of fixed assets are incorporated in the cost of relevant assets, other exchange differences are included in current year's Profit and Loss account.

2.22. Functional and presentational currency

The financial statements are presented in Pak Rupee which is the company's functional and presentational currency.



2.23. Offsetting of financial asset and liability

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the company has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.24. Revenue recognition

Sales are recorded on dispatch of goods to customers. Mark-up income is recorded on time proportion basis. Rental income is recorded on monthly basis.

2.25. Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the company's policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory, and deferred taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.26. Transaction with related parties

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course of business are conducted at arm's length using valuation modes, as admissible. Parties are said to be related when they meet the definition as provided in the Companies Ordinance, 1984.



Operating fixed assets

2009

PARTICULARS	GROSS CARRYING VALUE			ACCUMULATED AS AT 31.03.2009	DEPRECIATION			NET CARRYING VALUE AS AT 30.06.2009	RATE %
	TOTAL AS AT 31.03.2008	ADDITIONS (DEDUCTIONS)	TOTAL AS AT 30.06.2009		ADJUSTMENT	FOR THE YEAR	ACCUMULATED AS AT 30.06.2009		
Freehold land	50,850,000	-	50,850,000	-	-	-	-	50,850,000	0
Buildings, plant and machinery	176,263,143	273,187	176,536,330	6,807,743	-	6,807,743	13,615,486	163,920,844	9
Plant & machinery	512,777,608	28,777,754	541,555,362	75,241,891	120,206	14,917,696	89,879,487	451,675,875	8
Leased plant & machinery	267,907,971	2,078,181	270,000,152	1,471,784	-	1,708,157	3,190,041	266,810,111	7
Plant & equipment	9,080,929	402,342	9,483,271	3,375,400	-	3,445,200	6,820,600	2,662,671	2
Office equipment	3,275,750	421,585	3,697,335	1,777,272	-	1,667,900	3,445,172	232,163	1
Motor vehicles	500,781	141,000	641,781	622,925	-	70,882	693,807	147,974	2
Leasehold land	7,560,179	1,140,560	8,700,739	2,100,179	577,029	250,071	2,677,200	6,023,539	7
		(1,070,000)			(1,600,000)				
	713,930,989	30,786,381	744,717,370	46,448,197	422,008	35,416,811	81,865,019	662,852,351	
		(1,070,000)							
Leasehold									
Machinery	273,058,762	(71,000,000)	202,058,762	18,058,178	(1,012,631)	28,720,447	25,765,544	176,293,218	8
Vehicles	21,053,579	(1,042,540)	19,991,039	5,001,222	(577,000)	31,620,370	26,114,370	13,876,669	2
	997,908,679	50,786,381	1,048,695,060	69,507,500	(1,166,690)	47,502,779	1,147,831,589	937,863,890	
2009 RUPEES		(1,070,000)							

2008

PARTICULARS	GROSS CARRYING VALUE			ACCUMULATED AS AT 01.07.2007	DEPRECIATION			NET CARRYING VALUE AS AT 30/06/2008	RATE %
	TOTAL AS AT 31.03.2007	ADDITIONS (DEDUCTIONS)	TOTAL AS AT 30.06.2008		ADJUSTMENT	FOR THE YEAR	ACCUMULATED AS AT 30.06.2008		
Freehold land	89,850,000	(38,000,000)	50,850,000	-	-	-	-	50,850,000	0
Buildings, plant and machinery	133,948,299	316,517	134,264,816	-	-	1,307,743	1,307,743	132,957,073	9
Plant & machinery	438,194,570	13,075,178	451,269,748	2,771,880	-	23,244,840	26,016,720	425,253,028	8
Leased plant & machinery	24,517,743	2,236,755	26,754,498	2,071,880	-	7,139,162	9,211,042	17,543,456	7
Plant & equipment	7,983,240	1,192,314	9,175,554	3,079,170	-	566,027	3,645,197	5,530,357	4
Office equipment	2,968,781	756,573	3,725,354	1,371,609	-	1,45,643	1,517,252	2,208,102	4
Motor vehicles	500,781	8,200	509,000	497,459	-	24,615	522,074	456,926	1
Leasehold land	4,215,585	600,000	4,815,585	792,816	(1,074,095)	216,063	1,024,874	3,790,711	8
		(1,317,000)							
	763,132,234	10,988,509	774,120,743	12,958,583	(1,071,095)	33,867,873	32,796,778	741,323,965	
		(10,817,055)							
Leasehold									
Machinery	273,058,762	345,449	273,404,211	7,391,094	-	11,260,552	18,651,646	254,752,565	9
Vehicles	21,053,579	(1,042,540)	19,991,039	7,450,980	(6,018,000)	1,036,410	1,418,390	18,572,649	2
	997,908,679	25,707,321	1,023,616,000	22,842,563	(1,087,095)	48,799,815	47,712,720	975,903,280	
2008 RUPEES		(10,817,055)							

3.1. Depreciation for the year has been allocated as follows:

Cost of goods manufactured (refer note. 25.1)	43,688,195	11,714,115
Administrative (refer note. 28)	3,614,581	4,052,730
	47,302,779	18,766,845

	2009	2008
	RUPEES	RUPEES
Revalued amounts	757,668,818	727,079,762
Historical costs	259,713,862	270,528,857
	<u>1,017,382,680</u>	<u>997,708,619</u>

3.2. Total gross carrying amount of assets is based on following measurement basis.

Revalued amounts	757,668,818
Historical costs	259,713,862
	<u>1,017,382,680</u>

3.3. Had there been no revaluation the related figures of free hold land, building, plant & machinery and electric installation & appliances as on June 30, 2009 would have been as follows:

PARTICULARS	GROSS CARRYING VALUE		DEPRECIATION				NET CARRYING VALUE		RATE
	TOTAL AS AT 01-07-2008	ADDITIONS/ (DELETION)	TOTAL AS AT 30-06-2009	ACCUMULATED AS AT 01-07-2008	FOR THE YEAR	ACCUMULATED AS AT 30-06-2009	AS AT 30-06-2009		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		
Free hold land	1,838,253	-	1,838,253	-	-	-	1,838,253	-	
Building on freehold land	107,310,101	373,151	107,683,252	58,384,702	3,450,483	41,835,185	65,848,067	5	
Plant & machinery	350,891,829	28,170,774	379,062,603	140,551,897	12,049,054	152,600,951	226,461,652	5	
Electric installation & appliances	33,760,976	2,045,131	35,806,107	15,384,475	959,610	16,344,085	19,462,022	5	
	493,801,159	30,589,056	524,390,215	194,321,074	16,459,147	210,780,221	513,609,994		

3.4 Particulars of disposal of fixed Assets

PARTICULARS	NAME OF BUYER	GROSS CARRYING VALUE		ACCUMULATED DEPRECIATION	NET CARRYING VALUE	SALE PRICE	PROFIT ON DISPOSAL	MODE OF DISPOSAL
		Rupees	Rupees					
Vehicles								
Honda Civic	Qayyum Mohsin Malik, J.K fibre	1,142,500	577,039	565,461	645,882	80,421	Negotiation	
Honda 125	Mohammad Nazir - J.K spinning	78,800	66,241	12,559	25,000	12,441	Employees	
Honda city	Mohammad Tariq - J.K spinning	748,720	523,416	225,304	257,340	32,036	Car Scheme	
		1,970,020	1,166,696	803,324	928,222	124,898		



	2009 RUPEES	2008 RUPEES
4. Capital work in progress		
Building	26,905,145	23,201,208
5. Long term investment		
Associated undertaking J.K. Tech (Pvt) Ltd. 750 fully paid up Ordinary shares of Rs. 10/- each -at cost	7,500	7,500
Share in post acquisition profits	-	-
Impairment in value of investment	(7,500)	-
	<u> -</u>	<u> 7,500</u>
6. Long term deposits		
Lease key money	23,401,767	29,990,847
Central Depository Company (CDC)	25,000	25,000
Others	40,001	40,001
	<u>23,466,768</u>	<u>30,055,818</u>
7. Stores, spares and loose tools		
Stores	2,566,716	1,563,548
Spare parts	1,699,775	2,324,172
Loose tools	5,217	17,727
	<u>4,271,708</u>	<u>3,905,447</u>
7.1. No stores, spares and loose tools is held for capitalization as on Balance Sheet date i.e. June 30, 2009.		
8. Stock in trade		
Raw material	51,906,290	117,204,352
Work in process	3,963,392	3,947,361
Finished goods	50,209,472	58,691,807
Waste	1,327,166	1,578,663
	<u>107,406,320</u>	<u>181,422,183</u>
9. Trade debts		
Considered good		
Foreign - secured	45,894,111	14,517,319
Local - unsecured		
Related parties (9.1)	25,651,905	30,142,687
Others	78,859,495	52,114,929
	<u>150,405,511</u>	<u>96,774,935</u>
Considered doubtful	1,607,725	1,524,606
Provision for doubtful debts (9.2)	(1,607,725)	(1,524,606)
	<u> -</u>	<u> -</u>
	<u>150,405,511</u>	<u>96,774,935</u>
9.1 Related Parties		
J.K Sons (Pvt) Ltd.	24,806,823	28,945,283
Fine Fabrics (Pvt) Ltd.	845,082	845,082
J.K Fibre Mills Ltd.	-	354,322
	<u>25,651,905</u>	<u>30,142,687</u>



	2009 RUPEES	2008 RUPEES
9.2. Provision for doubtful debts		
Opening balance	1,524,606	964,419
Charge for the year	140,044	560,187
Reversal for the year	(56,925)	-
	83,119	560,187
Closing balance	<u>1,607,725</u>	<u>1,524,606</u>

10. Loans and advances

Considered good		
Loans - secured		
Due from employees(10.1)	191,209	371,198
Advances		
Letter of credit	8,479,794	1,543,257
Suppliers (10.2)	68,839,742	62,548,115
Employees (10.3)	226,985	233,264
Others	2,300	3,800
	<u>77,740,030</u>	<u>64,699,634</u>

10.1. It is secured against the retirement benefits of the employees and carry interest rate @ average borrowing rate of the company.

10.2. It includes an amount of Rs.1,484,609 (2008: Rs. 1,589,414) paid to related party (Associate-J.K. Tech (Pvt) Ltd) against supply of electric power.

10.3. These are given to the employees to meet the day to day expenses.

	2009 RUPEES	2008 RUPEES
11. Deposits and prepayments		
Deposits		
Bank guarantee margin	-	900,000
Lease key money	5,474,830	-
Prepayments		
Insurance	414,583	443,610
Others	352,860	108,946
	<u>6,242,273</u>	<u>1,752,556</u>

12. Other receivables

Duty drawback	3,108,523	3,518,687
Others	1,589,375	511,374
	<u>4,697,898</u>	<u>4,030,061</u>

13. Tax refunds due from Government

Income tax	12,612,103	10,489,543
Sales tax	11,623,719	9,583,177
Special excise duty	291,507	128,840
	<u>24,527,329</u>	<u>20,201,560</u>

13.1 Prior year figures have been reclassified for better presentation.



	2009 RUPEES	2008 RUPEES
14. Cash and bank balances		
Cash in hand	1,884,332	7,437,062
Cash with banks		
in current accounts	3,313,410	11,315,376
in saving accounts	2,072	1,999,797
	<u>3,315,482</u>	<u>13,315,173</u>
	<u>5,199,814</u>	<u>20,752,235</u>
15. Trade and other payables		
Creditors (15.1)	22,324,958	38,896,947
Murabaha finance - secured (15.2)	14,944,000	14,950,000
Letter of credit	97,962,549	82,761,167
Accrued charges	15,699,319	11,464,718
Advances		
Staff	279,793	-152,791
Customers	8,804,934	2,428,482
Retentions / securities (15.3)	607,500	606,000
Income tax withheld	459,904	244,395
Bank overdrawn	1,288,909	2,533,886
Unclaimed dividend	126,453	192,343
	<u>162,498,319</u>	<u>154,530,729</u>

15.1. It includes Rs. 8,380,103 (2008: 27,362,284) and Rs. 142,707 (2008: Nil) payable to related parties J.K Fibre Mills Ltd and J.K Sons (Pvt) Ltd respectively.

15.2. It is obtained from Al-Baraka Islamic Bank Limited for the purpose of cotton and polyester staple fibre and is priced at KIBOR -3% (2008: KIBOR+3%). Its total sanctioned limit is 50 million (2008:50 Million) rupees and it is payable by December 31, 2009.

Securities for the loan are:

- i) First joint parri passu charge of 40 Million rupees over the fixed assets of the company.
- ii) First joint parri passu charge of 57 Million rupees over the current assets of the company.
- iii) Lien on title of goods to be imported / purchased.
- iv) Lien on export documents.
- v) Personal guarantees of two main sponsor directors.

15.3. It is adjustable against the supply of goods in accordance with the contract in writing.

	2009 RUPEES	2008 RUPEES
16. Markup / interest accrued on loans		
Markup / interest on		
Secured		
Long term loans	34,328	249,972
Liability against assets subject to finance lease	1,604,802	863,598
Short term borrowings	7,675,098	11,560,284
Short term murabaha	1,037,492	879,348
Unsecured		
Related parties (16.1)	-	2,338,221
	<u>10,351,720</u>	<u>15,891,423</u>

16.1. Rs. NIL (2008: 2,338,221) payable to Jawed Technical Services. It has been waived off by Jawed Technical Services.



		2009 RUPEES	2008 RUPEES
17. Short term borrowings			
Non-related parties			
Secured - under mark up arrangements			
From banking companies			
	Limit		
Export finances (17.1)	305 M (2008:215 M)	57,661,999	111,194,000
Raising finances (17.2)	200 M (2008:200 M)	144,068,210	180,773,968
		<u>201,730,209</u>	<u>291,967,968</u>

17.1 These are obtained from various banks. These carry markup @ 3 months KIBOR + (2% to 3%) rate with floor of 5.50% to 10% p.a (2008: 3 months KIBOR + (1.5% to 2.5%) rate with floor of 5.50% to 10% p.a). These are secured against export documents, charge of 33.334 Million over current assets of the company registered with SECP and personal guarantees of all the male directors of the company.

17.2 These are obtained from various banks. These are secured against Pledge of stocks of cotton yarn and polyester with 10% margin and are further secured against the personal guarantee of all the male directors of the company. These carry mark up @ 3 months KIBOR + (2.5% to 3%) with floor limit of 5.50% p.a (2008 : 3 months KIBOR + 2.5% with floor limit of 5.50% p.a) to be paid on quarterly basis.

		2009 RUPEES	2008 RUPEES
18. Long term financing			
Non-related parties			
Secured - under mark up arrangements			
From banking companies			
PICIC Commercial Bank Limited (18.1)		5,882,632	14,706,568
Current portion shown under current liabilities		(5,882,632)	(11,765,248)
		-	2,941,320
Related parties			
Unsecured			
Directors - interest free		501,391,311	191,711,913
Javed Technical Services (18.2)		-	6,430,369
Employees' Provident Fund Trust (J.K Spinning Mills Limited) (18.3)		31,453,510	25,732,587
		<u>332,844,821</u>	<u>226,819,019</u>

18.1 It carries exclusive / specific charge of Rs.60,750 million over three gas generators imported through bank. Markup is charged @ 6 % (2008: 6%) and is served on quarterly basis. The finance is payable in sixteen equal quarterly installments by September, 2009.

18.2 It has been waived off by the Javed Technical Services.

18.3. Employees' Provident Fund Trust (J.K Spinning Mills Limited)

Opening			
Provident fund		7,971,722	7,171,745
Markup on provident fund		17,760,865	15,050,839
		<u>25,732,587</u>	<u>22,525,584</u>
Contribution			
Provident fund		4,008,772	3,222,066
Markup on provident fund		4,365,845	2,710,025
		<u>8,374,617</u>	<u>5,932,091</u>
Payment / adjustment			
Provident fund		2,653,694	2,725,088
		<u>31,453,510</u>	<u>25,732,587</u>

It carries Mark up at the rate of average annual borrowing cost of the Company plus 2% p.a.



19. Liabilities against assets subject to finance lease

Particulars	2009 (RUPEES)			2008 (RUPEES)		
	Minimum lease payments	Finance cost for future periods	Present value of minimum lease payments	Minimum lease payments	Finance cost for future periods	Present value of minimum lease payments
Within one year	66,467,286	13,683,834	52,783,452	66,271,305	20,528,038	45,743,267
After one year but not more than five years	80,976,712	7,216,520	73,710,192	153,017,860	19,819,581	133,168,476
	<u>147,393,998</u>	<u>20,900,354</u>	<u>126,493,644</u>	<u>219,289,165</u>	<u>40,347,619</u>	<u>178,911,743</u>

19.1 It represent finances obtained against machinery and vehicles under finance lease liability. The purchase option is available to the company on payment of last installment and surrender of deposit paid under the agreement. The liability represents total minimum lease payments discounted at the rate ranging from 12.00 % to 21.17 % p.a (2008: 8.00% to 18.94% p.a). There is no major restriction imposed by leasing company.

	2009 RUPEES	2008 RUPEES
20. Deferred Liabilities		
Deferred tax		
Opening Balance	44,917,060	24,718,617
Deferred tax attributable to revaluation surplus (note 23)	17,041,074	20,198,443
Closing Balance (20.1)	<u>61,958,134</u>	<u>44,917,060</u>
Deferred Markup		
Related parties - Unsecured		
J.K. Fibre Mills Limited (20.2)	9,395,878	9,395,878
	<u>71,354,012</u>	<u>54,312,938</u>
20.1. Deferred tax liability		
Difference of tax and accounting basis of assets	137,319,621	98,520,883
Deferred tax assets		
Tax losses carried forward	(37,975,061)	(19,965,123)
Liabilities against assets subject to finance lease	(33,304,245)	(33,354,467)
Provision for doubtful debts	(423,295)	(284,233)
Minimum taxation	(3,658,886)	-
	<u>(75,361,487)</u>	<u>(53,603,823)</u>
Net deferred tax liability	<u>61,958,134</u>	<u>44,917,060</u>

20.2 Prior year figures have been reclassified and transferred from markup / interest accrued on loans (current liabilities) for better presentation. The repayment will be started after the grace period of three years.

	2009 RUPEES Million	2008 RUPEES Million
21. Contingencies and commitments		
Contingencies		
Claim of sales tax department	19.749	19.749
21.1 The company has filed an appeal before Honourable Lahore High Court against order in appeal Number 280/LB/2007 dated 17-12-2008 for an amount of Rs.11.002 million along with default surcharge under section 34 and penalty of 30% amounting to Rs. 8.474 million. The provision for the same is not acknowledged in these accounts in view of pending appeal.		
21.2 Both the parties (the company and Muslim Commercial Bank Ltd.) have settled their cases as per order of the Honourable Lahore High Court, Lahore.		
Commitments		
Bank guarantee	16.522	20.584
Outstanding letter of credit	59.211	59.463



	2009 RUPEES	2008 RUPEES
22. Share capital		
Authorized 15,000,000 (2008: 15,000,000) Ordinary shares of Rs.10 - each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid up capital 7,000,000 (2008: 7,000,000) Ordinary shares of Rs.10 - each fully paid in cash.	<u>70,000,000</u>	<u>70,000,000</u>
23. Surplus on revaluation of operating fixed assets		
Balance as on July 01, Incremental depreciation transferred	392,136,460 <u>(17,156,236)</u>	410,195,655 <u>(18,059,195)</u>
	374,980,224	392,136,460
Related deferred tax liability		
Opening balance	43,681,129	24,718,617
Transferred to unappropriated profit on account of incremental depreciation	(2,184,056)	(1,235,931)
Transferred from deferred tax liability (refer note 20)	17,041,074	20,198,413
	<u>58,538,147</u>	<u>43,681,129</u>
	<u>316,442,077</u>	<u>348,455,331</u>

23.1 First revaluation of Freehold land, Building, Plant and Machinery, Electric installations and other equipments had been carried out as on September 30, 1996 by independent valuer Zahid Jamil Associates (PVT) Limited and the same had been verified by SBP's approved auditors R.H. & Company, Chartered Accountants, on the basis of depreciated replacement value.

Second revaluation of Freehold land, Building, Plant & Machinery and Electric installations had been carried out as on September 30, 2000 by independent valuer Harvester Services (PVT) Limited, Faisalabad and same has been verified by SBP's approved auditors M. Yousuf Adil Saleem & Co. Chartered Accountants, Faisalabad on the basis of depreciated replacement basis of depreciated replacement value.

Third revaluation of Freehold land, Building and Plant & Machinery has been carried out as on September 30, 2004 by (SBP's approved) independent valuer MYK Associates (PVT) Limited Faisalabad on the basis of market appraisal value.

Fourth revaluation of Freehold land, Building and Plant & Machinery has been carried out as on June 30, 2007 by (SBP's approved) independent valuer MYK Associates (PVT) Limited Faisalabad on the basis of market appraisal value.

23.2 Surplus on revaluation of fixed assets is realised as per requirements of section 235 of Companies Ordinance 1984. Moreover, it is subject to restrictions mentioned in the said section.

	2009 RUPEES	2008 RUPEES
24. Sales - Net		
Gross Sales		
Yarn		
Local	666,274,734	602,768,173
Export	<u>147,472,198</u>	<u>132,171,422</u>
	813,746,932	734,939,595
Waste	21,408,424	12,675,902
Net Sales	<u>835,155,356</u>	<u>747,615,497</u>



	2009 RUPEES	2008 RUPEES
25. Cost of sales		
Cost of goods manufactured (25.1)	735,280,377	684,154,169
Finished goods		
Opening	55,007,937	17,068,901
Closing	(46,820,359)	(55,007,937)
	8,187,578	(37,939,036)
	<u>743,467,955</u>	<u>646,215,133</u>
25.1. Cost of goods manufactured		
Raw material consumed (25.1.1)	517,610,232	484,285,063
Wages and benefits (25.1.2)	55,106,765	53,784,031
Fuel and power	82,637,539	73,106,170
Stores and spares	15,762,662	12,570,869
Packing material	15,345,971	13,719,252
Doubling expenses	484,480	-
Repair and maintenance	966,389	430,147
Insurance	2,329,543	1,027,771
Depreciation (refer note 3.1)	43,688,195	44,714,115
Other factory overheads	1,364,632	1,433,995
	<u>735,296,408</u>	<u>685,071,413</u>
Work in process		
Opening	3,947,361	3,030,117
Closing	(3,963,392)	(3,947,361)
	(16,031)	(917,244)
	<u>735,280,377</u>	<u>684,154,169</u>
25.1.1. Raw material consumed		
Opening stock	117,204,352	97,524,172
Purchases including direct expenses	452,312,170	529,285,243
Available for consumption	<u>569,516,522</u>	<u>626,809,415</u>
Closing stock	(51,906,290)	(117,204,352)
Claim against supplier	-	(25,320,000)
	<u>517,610,232</u>	<u>484,285,063</u>
25.1.2. Wages and benefits		
Salaries and wages	43,360,587	44,046,697
Overtime and leave encashment	7,899,208	5,678,454
Social security and E.O.B.I.	1,932,128	2,104,233
Provident fund	1,491,015	1,290,302
Group insurance	234,087	415,977
Others	189,740	248,368
	<u>55,106,765</u>	<u>53,784,031</u>



	2009 RUPEES	2008 RUPEES
26. Trading (loss) / profit		
Sales		
Local	-	431,444
Export	9,166,468	217,949,644
	<u>9,166,468</u>	<u>218,381,088</u>
Cost of sales		
Material including direct expenses (26.1)	9,058,393	193,819,829
Gross profit	<u>108,075</u>	<u>24,561,259</u>
Operating & financial expenses		
Shipping freight	359,922	12,399,791
Local freight	62,083	1,486,600
Clearing, forwarding and others	-	2,494,691
Foreign commission	363,117	5,228,945
Bank charges, commission and markup	213,238	1,282,521
	<u>998,360</u>	<u>22,892,548</u>
	<u>(890,285)</u>	<u>1,668,711</u>
26.1. Material including direct expenses		
Opening stock	5,262,533	4,749,983
Purchases of yarn	8,512,139	194,332,379
Closing stock	<u>(4,716,279)</u>	<u>(5,262,533)</u>
	<u>9,058,393</u>	<u>193,819,829</u>
27. Distribution and selling		
Ocean freight	3,076,315	2,881,205
Commission & brokerage	6,666,761	5,262,773
Local freight	2,017,617	1,417,123
Shipping expenses	470,066	463,565
Export development surcharge	281,266	342,697
Miscellaneous	7,525	194,746
	<u>12,519,550</u>	<u>10,562,109</u>
28. Administrative		
Director's remuneration (refer note 32)	2,400,000	1,875,000
Staff salaries and benefits (28.1)	7,976,998	6,051,896
Communications	770,376	605,978
Vehicle running & maintenance	1,019,225	799,057
Travelling & conveyance	2,015,464	1,710,080
Printing & stationery	339,794	322,827
Utilities	345,846	282,129
Entertainment	289,754	192,101
Fee and subscription	596,814	419,784
Advertisement	-	33,800
Legal & professional	631,544	214,010
Rent, rates and taxes	566,880	193,012
Repair and maintenance (general)	339,132	136,122
Insurance	586,451	869,875
Auditors' remuneration (28.2)	350,000	335,000
Impairment in value of investment	7,500	-
Depreciation (refer note 3.1)	3,614,584	4,052,730
Payment against settlement of case with MCB (28.3)	736,787	-
Provision for doubtful debts (refer note 9.2)	83,119	560,187
Miscellaneous	279,401	31,235
	<u>22,952,669</u>	<u>18,684,823</u>



	2009 RUPEES	2008 RUPEES
28.1. Staff salaries and benefits		
Staff salaries	6,810,988	5,307,907
Overtime and leave encashment	273,913	157,523
Social security and E.O.B.I.	121,394	49,472
Provident fund	500,851	370,731
Others	269,852	216,263
	<u>7,976,998</u>	<u>6,051,896</u>
28.2. Auditors' remuneration		
Auditors' remuneration	300,000	300,000
Interim review and other certifications	50,000	35,000
	<u>350,000</u>	<u>335,000</u>
28.3. It is paid as per the order passed by the Honorable Lahore High Court, Lahore, against the full and final satisfaction of all the pending litigations with/by the MCB.		
29. Finance cost		
Interest / markup on		
Secured loans	36,631,636	44,355,155
Unsecured loans	4,569,942	2,907,279
Inland L/Cs markup	6,663,555	13,174,299
Lease finance charges	22,127,638	27,179,597
Bank charges and commission	1,785,966	4,084,532
	<u>71,778,737</u>	<u>91,700,857</u>
30. Other Income		
From financial assets		
Foreign exchange gain	2,325,504	1,449,158
Mark-up and loan waived off (Refer Note 16.1 & 18.2)	8,997,312	-
Profit on saving accounts	20,814	1,102
Others	3,392,617	5,772,213
From assets other than financial assets		
Profit on sale of fixed assets	124,898	202,119
	<u>14,861,145</u>	<u>7,424,592</u>
31. Taxation		
Current	<u>1,275,874</u>	<u>1,863,916</u>

31.1. The relationship between tax expense and accounting loss has not been presented in these financial statements as the company's current year's taxation is based on provisions of section 169 of the Income Tax Ordinance, 2001.

32. Remuneration to director and executives

	2009 (RUPEES)		2008 (RUPEES)	
	Director	Executives	Director	Executives
Remuneration	1,626,240	2,703,981	1,387,680	2,157,336
House rent allowance	533,760	1,351,989	417,000	421,025
Others	240,000	450,663	70,320	110,019
	<u>2,400,000</u>	<u>4,506,633</u>	<u>1,875,000</u>	<u>2,688,380</u>
Number of persons	1	6	1	4

32.1. Director has waived his meeting fee for the year.



	2009 RUPEES	2008 RUPEES
33. Cash generated from operation		
Loss before taxation	(1,592,695)	(10,454,122)
Adjustment for non-cash / non-operating items		
Depreciation	47,302,779	48,766,845
Profit on saving accounts and other income	(3,413,431)	(5,773,315)
Profit on disposal of fixed assets	(124,898)	(202,119)
Gain due to Loan & Markup waived off	(8,997,312)	-
Loss on remeasurement of investment	7,500	-
Provision for provident fund	4,008,772	3,222,066
Finance cost	71,778,737	91,700,857
	<u>110,562,147</u>	<u>137,714,334</u>
Operating profit before working capital changes	108,969,452	127,260,212
(Increase) / decrease in current assets		
Stores, spares and loose tools	(366,261)	2,787,282
Stock in trade	74,015,863	(59,049,010)
Trade debts	(53,630,576)	20,256,456
Loans and advances	(13,040,396)	(2,674,021)
Deposits and prepayments	(4,489,717)	627,466
Other receivables	(667,837)	459,413
Tax refunds due from government	(2,203,209)	(2,857,809)
Increase in current liabilities		
Trade and other payables	<u>8,033,480</u>	<u>6,574,411</u>
	<u>7,651,347</u>	<u>(24,875,812)</u>
Cash generated from operation	<u>116,620,799</u>	<u>102,384,400</u>

34. Financial instruments

34.1. Financial assets & liabilities

June 30, 2009

Particulars	Interest/Markup bearing			Non Interest/Markup bearing			Total Rupees
	Maturity up to one year	Maturity more than one year	Sub-total 2009	Maturity up to one year	Maturity more than one year	Sub-total 2009	
Financial assets							
Long term investment	-	-	-	-	-	-	-
Long term deposits	-	-	-	-	23,466,768	23,466,768	23,466,768
Trade debts	-	-	-	150,405,511	-	150,405,511	150,405,511
Loans and advances	191,209	-	191,209	-	-	-	191,209
Deposits and prepayments	-	-	-	5,474,830	-	5,474,830	5,474,830
Other receivables	-	-	-	1,589,375	-	1,589,375	1,589,375
Cash and bank balances	2,072	-	2,072	5,197,742	-	5,197,742	5,199,814
	<u>193,281</u>	-	<u>193,281</u>	<u>162,667,458</u>	<u>23,466,768</u>	<u>186,134,226</u>	<u>186,327,507</u>
Financial liabilities							
Trade & other payables	14,944,000	-	14,944,000	137,883,235	-	137,883,235	152,827,235
Markup / interest on loans	10,351,720	-	10,351,720	-	-	-	10,351,720
Short term borrowings	201,730,209	-	201,730,209	-	-	-	201,730,209
Long term financing	5,882,632	31,453,510	37,336,142	-	301,391,311	301,391,311	338,727,453
Liabilities against assets subject to finance lease	52,783,452	73,710,192	126,493,644	-	-	-	126,493,644
	<u>285,692,013</u>	<u>105,163,702</u>	<u>390,855,715</u>	<u>137,883,235</u>	<u>301,391,311</u>	<u>439,274,546</u>	<u>830,130,261</u>



June 30, 2008

Particulars	Interest/Markup bearing			Non Interest/Markup bearing			Total Rupees
	Maturity up to one year	Maturity more than one year	Sub-total 2008	Maturity up to one year	Maturity more than one year	Sub-total 2008	
Financial assets							
Long term investment	-	-	-	-	7,500	7,500	7,500
Long term deposits	-	-	-	-	30,055,848	30,055,848	30,055,848
Trade debts	-	-	-	96,774,935	-	96,774,935	96,774,935
Loans and advances	371,198	-	371,198	-	-	-	371,198
Deposits and prepayments	-	-	-	900,000	-	900,000	900,000
Other receivables	-	-	-	640,214	-	640,214	640,214
Cash and bank balances	1,999,797	-	1,999,797	18,752,438	-	18,752,438	20,752,235
	<u>2,370,995</u>	<u>-</u>	<u>2,370,995</u>	<u>117,067,587</u>	<u>30,063,348</u>	<u>147,130,935</u>	<u>149,507,930</u>
Financial liabilities							
Trade & other payables	14,950,000	-	14,950,000	136,262,718	-	136,262,718	151,212,718
Markup interest accrued on loans	25,287,301	-	25,287,301	-	-	-	25,287,301
Short term borrowings	291,417,908	-	291,417,908	-	-	-	291,417,908
Long term financing	11,765,248	226,819,019	238,584,267	-	-	-	238,584,267
Liabilities against assets subject to finance lease	45,712,367	133,168,476	178,910,843	-	-	-	178,910,843
	<u>389,162,824</u>	<u>359,987,495</u>	<u>749,150,319</u>	<u>136,262,718</u>	<u>-</u>	<u>136,262,718</u>	<u>885,413,037</u>

35. Financial Risk Management

The Company has exposure to the following risks from the use of its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

35.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. To manage exposure to credit risk, Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The carrying amounts of financial assets, against which the Company did not hold any collateral, are represent the maximum credit exposure, as specified below:



	2009 RUPEES	2008 RUPEES
Trade debts	104,511,400	82,257,616
Loans and advances	191,209	371,198
Deposits and prepayments	-	900,000
Other receivables	1,589,375	640,211
Bank balances	3,315,482	13,315,173
	109,607,466	97,181,201

The company maintaining bank accounts with counterparties that have a credit rating of at least A1 and A+.
The age of trade debts at balance sheet date was:

The age of trade debts

	2009 (RUPEES)		2008 (RUPEES)	
	Gross Debts	Impairment	Gross Debts	Impairment
Not past due	96,119,125	-	72,456,825	-
Past due 0 - 365 days	4,242,026	-	5,807,671	-
More than 365 days	4,150,249	(1,607,725)	3,993,117	(1,524,606)
	104,511,400	(1,607,725)	82,257,616	(1,524,606)

35.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

	Less than 1 year	Between 1 and 5 years	Over 5 years
(Rupees)			
June 30, 2009			
Trade & other payables	152,827,235	-	-
Markup + interest on loans	10,351,720	-	-
Short term borrowings	201,730,209	-	-
Long term financing	5,882,632	332,844,821	-
Liabilities against assets subject to finance lease	52,783,452	73,710,192	-
	423,575,248	406,555,013	-
(Rupees)			
June 30, 2008			
Trade & other payables	151,212,718	-	-
Markup + interest on loans	25,287,301	-	-
Short term borrowings	291,417,908	-	-
Long term financing	11,765,248	226,819,019	-
Liabilities against assets subject to finance lease	45,742,367	133,168,476	-
	525,425,542	359,987,495	-



35.3 Market Risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Company's market risk comprises of two types of risk: foreign currency risk and interest rate risk. The market risks associated with the Company's business activities are discussed as under:

35.3.1. Foreign currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company is not exposed to foreign currency risk on export. Company's risk exposure is on import of material and machinery that are entered in a currency other than local currency.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2009 (USD)	2008 (USD)
Long term financing	-	94,284
Letter of credit	730,099	874,156

35.3.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The company is not exposed to any significant interest rate except as disclosed in the respective notes. The rate of financing and their maturities are disclosed in the respective notes.

	2009 %	2008 %	2009 ---(RUPEES)---	2008
Fixed rate instruments				
Financial assets				
Cash and bank balances	8% to 12%	7% to 12%	2,172	1,999,797
Financial liabilities				
Long term financing	4% to 6%	4% to 6%	5,882,632	21,136,757
Floating rate instruments				
Financial Liabilities				
Trade & other payables	13.32% to 18.29%	12.41% to 13.61%	14,944,000	14,950,300
Short term borrowings	7.5% to 18.5%	11.89% to 13.84%	201,730,209	291,417,908
Long term financing	16% to 18%	12% to 14%	31,453,510	25,752,587
Liabilities against assets subject to finance lease	12% to 21.17%	8% to 18.94%	126,492,641	178,910,843
			374,621,363	511,011,338

35.4 Fair values of financial assets & liabilities

The carrying value of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.



36. Capital Management

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

The Company manages its capital structure which comprises capital and reserves 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 were no changes to Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

37. Aggregate transactions with associates

The related parties comprise associated undertakings and directors. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under the relevant notes to financial statements. Other significant transactions with related parties are as follows.

	2009 RUPEES Million	2008 RUPEES Million
Purchases		
Finished goods	8,512	182,862
Services	0.105	0.159
Markup	-	5.87
Organizational expenses -net	1,963	4,9766
Sales		
Finished goods	52,610	31,035
Land	-	38

All transactions with related parties have been carried out on commercial terms and conditions.

38. Plant capacity and actual production

	NOs.	NOs.
Spindle installed	26,928	26,928
Spindle worked	26,928	26,928
Shifts per day	3	3
	KGs.	KGs.
Installed capacity after conversion into 20/s count	10,031,126	10,031,126
Actual production of yarn after conversion into 20/s count	10,118,054	10,772,187

39. (Loss) / earnings per share

39.1. Basic

	2,009	2008
Net loss for the year (Rs.)	(2,868,569)	(13,318,038)
Weighted average no. of shares outstanding during the period	7,000,000	7,000,000
(Loss) / earnings per share - basic (Rs.)	(0.41)	(2.19)



39.2. Diluted

No figure for diluted earnings per share has been presented as the company has not as yet issued any instruments which would have an impact on basic earnings per share when exercised.

40. Total number of employees at mills and head office at the end of the year is 660 (2008:639)

41. General

41.1. Following major re-classifications have been made in these financial statements:

Account Head	Previous	Current
Markup on loans from related parties (Rs. 9,595,878)	Current liabilities Mark up/interest Accrued on related parties	Non current liabilities Deferred Liabilities Deferred Mark up/ related parties
Income Tax (Rs. 10,489,513)	Current Assets Other receivables	Current Assets Tax Refunds due from Government
Sales tax Receivable (Rs. 9,583,177)	Current Assets Other receivables	Current Assets Tax Refunds due from Government
Special excise duty (Rs. 128,810)	Current Assets Other receivables Others	Current Assets Tax Refunds due from Government
Markup on Provident Fund (Rs. 2,677,730)	Financials	Finance cost on Unsecured loans

41.2. Nomenclature of the following account has been changed in these financial statements

Current Nomenclature	Previous Nomenclature
Finance cost	Financials

41.3. Date of authorization

These accounts have been approved and authorized for issue by the board of directors as on October 09, 2009.

41.4. Figures have been rounded off to the nearest rupee.

JAWED ANWAR
CHIEF EXECUTIVE

FAIQ JAWED
DIRECTOR



PROXY FORM

J.K. SPINNING MILLS LIMITED

Folio No. _____ CDC Participants Identity Card No. _____ A/C No. _____

I/We _____

Of _____ being

a member(s) of **J.K. SPINNING MILLS LIMITED** a holder of _____

ordinary shares as per Registered Folio No. _____

hereby appoint _____

of _____

Shares Registered Folio No. _____

who is also a member of **J.K. SPINNING MILLS LIMITED** as my Proxy to vote for me and on my behalf at the 23rd Annual General Meeting of the Company to be held on Friday, the October 31st, 2009 and at any adjournment thereof.

Signed this _____ day of _____ 2009.

Witness:

1.

2.

**Please
affix
Revenue Stamp**

N.B. (Signatures should agree with specimen signature registered with the Company)

NOTICE:

A member entitled to vote at this meeting may appoint a proxy. Proxies in order to be effective must be received at Registered Office of the Company duly stamped and signed not later than 48 hours before the time of meeting.

Annual Report 2009

