بسم الله الرحمن الرحيم

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHIEF EXECUTIVE:	**MR. IMRAN ZAHID**
DIRECTORS:	**MRS. QURATUL-AIN REHAN**
	MR. ZIA-ULLAH KHAN DILAWAR
	MR. MUHAMMAD ANWAR-UL-HAQ
	MR. MUHAMMAD IKHLAQ
	MR. SOHAIL FAROOQ
	MALIK SHAMSHER KHAN
AUDIT COMMITTEE:	
CHAIRMAN:	**MR. IMRAN ZAHID**
MEMBER:	**MR. ZIA-ULLAH KHAN DILAWAR**
MEMBER:	**MR. MUHAMMAD IKHLAQ**
COMPANY SECRETARY:	**MR. KHALID JABBAR**
CHIEF FINANCIAL OFFICER:	**MR. AJMAL SHABAB**
AUDITORS:	**HYDER BHIMJI & COMPANY** **CHARTERED ACCOUNTANTS**
BANKS:	**AL BARAKA ISLAMIC BANK B.S.C. (E.C.)** **NATIONAL BANK OF PAKISTAN** **SILK BANK LIMITED** **UNITED BANK LIMITED**
LEGAL ADVISOR:	**MR. ZIA-UL-HAQ (ADVOCATE)**
REGISTERED OFFICE:	**JK HOUSE, 32-W, SUSAN ROAD,** **MADINA TOWN, FAISALABAD**
SHARE REGISTRAR OFFICE:	**NATIONAL BIZ MANAGEMENT (PVT) LTD.** **PLOT NO. 2-C, MEZZANINE FLOOR,** **BADAR COMMERCIAL AREA, STREET NO. 9,** **PHASE-V(Ext.), D. H. A., KARACHI**
MILLS:	**29-KM, SHEIKHUPURA RAOD,** **FAISALABAD**
WEB SITE:	**www.jatml.com**

VISION

TO TURN AROUND THE COMPANY INTO A PROFITABLE UNDERTAKING THROUGHOUT ITS LIFE AND TO BE A MARKET LEADER BY BEING THE BEST.

MISSION

TO BE A FOREMOST COMPANY RECEPTIVE TO THE NEEDS OF ITS CUSTOMERS BY PROVIDING FINE QUALITY PRODUCTS TO THEIR ENTIRE SATISFACTION. TO CONTRIBUTE FULLY IN SUPPORTING OUR COUNTRY'S ECONOMY BY EARNING VALUABLE FOREIGN EXCHANGE, EXPANSION OF INDUSTRY AND PROVISION OF JOBS.

NOTICE OF ANNUAL GENERAL MEETING & CHANGE OF ADDRESS OF REGISTERED OFFICE

Notice is hereby given that Annual General Meeting of the members of J. A. Textile Mills Limted will be held at JK House, 32-W, Susan Road, Madina Town, Faisalabad at 9:00 AM on 30.10.2010 to transact the following business :-

1. To confirm the minutes of the Annual General Meeting held on 31.10.2009.

2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2010 together with the Directors' reports thereon.

3. To appoint auditors for the year ending June 30, 2011 and fix their remuneration, the retiring auditors M/S Hyder Bhimji & Co. Chartered Accountants being eligible, offered themselves for reappointment. The company has also received a notice to appoint M/S Arshad Raheem & Co. Chartered Accountants, as auditors of the company for the next year.

4. To transact any other business with the permission of the chair.

FOR AND ON BEHALF OF THE BOARD

FAISALABAD:07.10.2010 (Company Secretary)

NOTES :

1. The share transfer books of the company will remain closed from 26.10.2010 to 01.11.2010 (both days inclusive).
2. A member entitled to attend and vote at the general meeting is entitled to appoint another member as proxy. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time for the meeting.
3. CDC shareholders are requested to bring with them their National Identification Cards alongwith participants ID and their account number at the time of Annual General Meeting in order of facilitate identification. In case of a corporate entity, a certified copy of the resolution passed by the Board of Directors/valid power of attorney with the specimen signatures of the nominee be produced at the time of meeting.
4. Members are requested to immediately notify the change in their addresses, if any.

CHANGE OF ADDRESS OF REGISTERED OFFICE

Members are requested to note the change in registered office of the company, which is shifted from "16-C, Peoples Colony, Faisalabad." To " JK House, 32-W, Susan Road, Madina Town, Faisalabad."

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Board of Directors is pleased to present 23rd Annual Report for the year ended June 30, 2010.

Industry review

Factors which affected growth of textile industry were severe energy crises including gas load shedding and consistent rise in tariff rates, unprecedented increase in cotton and fuel prices high mark up and taxation rates as well as other unabsorbed input costs due lower productivity level during the year.

Cotton and yarn prices rose to record high level on increased international demand. Industry faced very hard and competitive environment during the year to control imbalances in selling prices and increasing input costs. Imposition of regulatory duty on yarn export in last quarter of the year under review caused a severe dent to profitability due to suppressed yarn prices in local market.

Operational review

Despite all odds your company was able to post improved operating results and attained profitability. Gross profit / (loss) margin of the company has improved from 6.11% in negative during previous year to 2.64 % in positive this year. This year net margin has also increased to 0.40 % profit of net sales as against loss of 8.52% in the last financial year.

Summarized financial results

	2010		2009	
	Millions Rs	% of Sales	Millions Rs	% of Sales
Gross Profit/ (loss) margin	15.12	2.64	(29.33)	(6.11)
Operating Profit/ (loss) before tax	2.298	0.40	(40.93)	(8.52)

In very difficult business conditions much improved level of financial performance was achieved as of previous year which was possible through sustained efforts and efficient management of available resources. Other factors which affected input cost were increased fuel and gas prices and unabsorbed fixed cost for halted operations during gas load shedding period.

Compliance system

The company has established, implemented and maintained systems in compliance with the requirements of international standards and achieved third party certifications for the following product/ management systems standards;

* ISO 9001:2008 Quality Management Systems

Earning per share and dividend

Based on the loss after tax for the year ended June 30, 2010, the earnings per share is Rupee 0.49 in negative.

Considering current financial results and accumulated losses brought forward, no dividend is recommended for the year ended June 30, 2010.

Contingencies and commitments

There is no material change in position of on going litigation and other matters related to court as reported in the Directors' report to the shareholders for the year ended June 30, 2009 except matter disclosed in note 17.1 to the financial statements.

Outstanding statutory payment

An amount of Rs. 5,591,401 has been shown in the balance sheet as custom levies payable. This consists of import duty and import surcharge on the import of ring spinning frames. SRO 1076(I)/95 provides that 30% of total import duty and surcharge was leviable which the Company has already paid. However this long outstanding issue is still pending with the custom authorities.

Future outlook

Shortfall in cotton crop against indigenous requirement coupled with higher international demand has presently pushed prices to new level of Rs. 7,500/ Md., which is difficult to absorb in selling price of yarn. On the other hand energy crises are growing every day and gas shortfall is affecting operational performance. Therefore, much will now depend on future crop size and its level of price.
However, despite of all these challenges your management is committed to business growth in future and will endeavor to over come through dedicated efforts.

Corporate Governance

Your company complies with the requirements of the best practices of Code of Corporate Governance. In order to protect and enhance the long term value of shareholders the Board is responsible for the overall corporate governance of the company including approving strategic policies and decisions, capital expenditures, appointing, removing, and creating succession policies. As required by the Code of Corporate Governance directors are pleased to report that:

a) Financial statements prepared by the management of the Company represent fairly and accurately the company's state of affairs, results of its operations, cash flows and changes in equity.
b) Proper books of accounts have been maintained.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
e) The system of internal control is sound in design, has been effectively implemented and being monitored continuously. On going review will continue in future for further improvement in controls.

f) There are no doubts upon the company's ability to continue as a going concern.
g) There has been no material departure from best practices of corporate governance.
h) Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board.
i) During the year under review, four meetings of the Board were held

Name of directors	Meetings attended
Mr. Imran Zahid (CEO)	4
Mrs Quratul Ain Rehan	4
Mr. Zia Ullah Khan Dilawar	3
Mr. Sohail Farooq	3
Malik Shamsher Khan	3
Mr. Muhammad Anwar ul Haq	3
Mr. Muhammad Ikhlaq	3

j) Statement of compliance with the Best Practices of Corporate Governance is annexed.

Post balance sheet events

There was no significant balance sheet event which warrants mention in the Directors' Report.

Key financial highlights

Financial data of the last six (06) years is attached.

Shareholding

The pattern of shareholding as at June 30, 2010 is annexed.

Auditors' report- emphasis paragraphs

The Directors would like to draw your attention to the last paragraph of the Auditors' report relating to note 1.2 and 17.3 to the financial statements. As per directors' view the going concern assumption used by the management in preparing the annexed financial statements is appropriate; while the management is confident that the decision of the court cases will be made in favour of the company.

Audit Committee

The committee comprises of 3 members including Chairman. All members of the committee except chairman are independent non executive directors. The committee meets every quarter for review of audit reports and interim/ annual financial results prior to the approval of the Board.

Auditors

Present auditors, M/s Hyder Bhimji and Company, Chartered Accountants, retire and offer themselves for re-appointment. The company has also received a notice to appoint M/s Arshad Raheem & Co. Chartered Accountants, as auditors of the company for the next year.

Acknowledgement

We would like to express our appreciation for the dedication and hard work put in by the entire team at J. A. Textile Mills Limited and all its partners within the country and all across the world.

For and on behalf of the Board.

Imran Zahid
Chief Executive Officer
October 07, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the code in the following manners:

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present board includes five independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. No director has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. The company has prepared a 'Statement of Ethics and Business Practices' to establish a standard of conduct which is signed by directors and employees of the company.
5. The board has developed a 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 and amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors are taken by the Board.
7. 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 meet at least once in every quarter. Written notices of the Board meetings along with agenda and working papers are circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The Board of Directors of the Company are aware of their responsibilities and fully conversant with the provisions of Companies Ordinance, 1984 and all other business regulatory laws and the provisions of the Memorandum and Articles of Association required for managing the affairs of the company on behalf of the shareholders.
9. The Directors' Report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
10. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
11. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
12. The company has complied with all the corporate and financial reporting requirements of the Code.

13. The Board has formed an audit committee. It comprises of three members, of whom two are non executive directors.
14. 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.
15. The Board has set-up an effective internal audit function. The audit staff are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they (or their representative) are involved in the internal audit function on a full time basis.
16. 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 spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidance on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
17. 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.
18. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi Stock Exchange (Guarantee) Limited.
19. We confirm that all other material principles contained the Code have been complied with.

Imran Zahid
Chief Executive Officer

KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS

PARTICULARS	2009	2008	2007	2006	2005	2004
FINANCIAL POSITION						
Paid up capital	126.011	126.011	126.011	126.011	126.011	126.011
Fixed assets (cost)	388.471	387.927	387.739	314.355	309.146	286.455
Accumulated depreciation	83.066	55.736	19.051	124.212	103.596	95.194
Current assets	30.891	77.511	83.900	62.587	62.932	33.627
Current liabilities	43.982	51.841	55.067	40.007	68.213	99.800
INCOME						
Sales	480.345	572.154	496.947	467.845	203.598	232.109
Other income	0.009	0.031	4.586	0.279	0.029	3.688
Pre-tax profit/(loss)	(40.925)	(33.719)	12.218	10.024	(1.923)	(41.789)
Taxation charge/(credit)	(4.144)	(6.326)	21.789	2.355	13.605	(4.812)
STATISTICS AND RATIOS						
Pre-tax profit/(loss) to sales %	(8.520)	(5.893)	2.459	2.143	(0.944)	(18.004)
Pre-tax profit/(loss) to capital %	(26.790)	(26.759)	9.696	7.955	(1.526)	(33.163)
Current Ratio	1:1.4	1:1.5	1:1.5	1:1.6	1:0.92	1:0.33
Paid up value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Earning after tax per share (Rs.)	(2.92)	(2.17)	(0.76)	0.61	(1.23)	(2.93)
Cash dividend %	0	0	0	0	0	0
Break up value per share (Rs.)	(6.00)	(8.92)	(11.35)	(3.32)	(3.93)	(2.7)

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. A. Textile Mills Limited** (the Company) for the year ended June 30, 2010 to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for 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 the 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub - Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 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, as applicable to the Company for the year ended June 30, 2010.

OCTOBER 07, 2010
FAISALABAD

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **J. A. TEXTILE MILLS LIMITED** ("the Company") as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, 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 conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the over all presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the 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 the accounting policies consistently applied except for the change as stated in note 3.3 to the accompanying financial statements, with which we concur;

(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, statement of comprehensive income, cash flow statement and statement of changes in equity together with 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, 2010 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.

Without qualifying our opinion, we draw attention to;

(a) note 1.2 to the financial statements, which discloses the appropriateness of going concern assumption used by the Company in the preparation of financial statements, in spite of the fact that the Company's accumulated loss stands at Rs. 272.807 million and its current liabilities exceeds its current assets by Rs. 2.654 million. These factors indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

(b) note 17.3 to the financial statements, which indicate that the Company has filed a suit against MCB Bank Limited for charging compound mark up on long term financing and that the balance as appearing in these accounts has also not been confirmed by the Bank. Although, the management and legal advisor of the company are affirmative that the case will be decided in company's favour, the ultimate outcome of the matter cannot presently be determined with any degree of certainty.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
KHAN MUHAMMAD - ENGAGEMENT PARTNER

OCTOBER 07, 2010
FAISALABAD

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	6	290,677,406	305,405,408
Long term deposits	7	17,011,944	16,967,016
		307,689,350	322,372,424
CURRENT ASSETS			
Stores and spares	8	7,460,460	3,419,250
Stock in trade	9	17,530,073	13,615,700
Trade debts	10	5,636,680	-
Advances, prepayments and other receivables	11	11,003,180	4,194,184
Cash and bank balances	12	21,592,863	9,661,479
		63,223,256	30,890,613
TOTAL ASSETS		370,912,606	353,263,037
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 ordinary shares of Rs.10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital			
12,601,160 ordinary shares of Rs. 10 each, fully paid up in cash		126,011,600	126,011,600
Accumulated loss		(272,807,183)	(278,772,986)
		(146,795,583)	(152,761,386)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	13	216,229,507	228,413,621
NON CURRENT LIABILITIES			
Long term financing	14	189,980,114	192,311,755
Deferred liabilities	15	45,621,476	41,317,186
		235,601,590	233,628,941
CURRENT LIABILITIES			
Trade and other payables	16	43,612,331	21,949,986
Accrued mark up/interest		22,031,875	22,031,875
Provision for taxation		232,886	-
		65,877,092	43,981,861
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		370,912,606	353,263,037

The annexed notes 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Sales - net	18	571,674,382	480,345,136
Cost of sales	19	556,557,693	509,677,091
Gross profit / (loss)		15,116,689	(29,331,955)
Operating expenses			
Distribution cost	20	1,691,219	2,576,228
Administrative expenses	21	8,953,962	8,820,464
Other operating expenses	22	2,945,818	-
Finance cost	23	211,675	205,254
		13,802,674	11,601,946
		1,314,015	(40,933,901)
Other operating income	24	984,431	9,142
Profit / (loss) before taxation		2,298,446	(40,924,759)
Taxation	25	8,516,757	(4,143,744)
Loss for the year		(6,218,311)	(36,781,015)
Earnings per share - Basic	26	(0.49)	(2.92)

The annexed notes 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Loss for the year	**(6,218,311)**	(36,781,015)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	**(6,218,311)**	(36,781,015)

The annexed notes 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		2,298,446	(40,924,759)
Adjustments for non cash and other items:			
Depreciation		26,186,236	27,329,511
Loss on disposal of property, plant and equipment		2,341,665	-
Profit on deposits		(902,051)	(6,750)
Workers' welfare fund		459,023	-
Workers' profit participation fund		145,130	-
Finance cost		211,675	205,254
Operating cash flows before working capital changes		30,740,124	(13,396,744)
Changes in working capital			
(Increase)/decrease in current assets			
Stores and spares		(4,041,210)	(394,806)
Stock in trade		(3,914,373)	12,816,957
Trade debts		(5,636,680)	96,400
Advances, prepayments and other receivables		(7,072,372)	2,973,741
Increase/(decrease) in current liabilities			
Trade and other payables		21,517,215	(7,859,615)
		852,580	7,632,677
Cash generated from/(used in) operations		31,592,704	(5,764,067)
Finance cost paid		(211,675)	(205,254)
Workers' welfare fund paid		(459,023)	-
Taxes paid		(2,457,826)	(699,552)
Staff retirement gratuity paid		(1,258,379)	(2,835,238)
Net cash generated from/(used in) operating activities		27,205,801	(9,504,111)
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(14,329,409)	(544,550)
Proceeds from disposal of property, plant and equipment		529,510	-
Profit on deposits		902,051	6,750
Long term deposits		(44,928)	(66,354)
Net cash used in investing activities		(12,942,776)	(604,154)
c) CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		-	4,878,530
Repayment of long term financing		(2,331,641)	-
Net cash (used in)/generated from financing activities		(2,331,641)	4,878,530
Net increase/(decrease) in cash and cash equivalents	(a+b+c)	11,931,384	(5,229,735)
Cash and cash equivalents at the beginning of the year		9,661,479	14,891,214
Cash and cash equivalents at the end of the year	12	21,592,863	9,661,479

The annexed notes 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	Share capital	Accumulated loss	Total
	[R U P E E S]		
Balance as at July 01, 2008	126,011,600	(246,005,217)	(119,993,617)
Incremental depreciation on revalued property, plant and equipment for the year	-	9,520,756	9,520,756
Tax effect on incremental depreciation	-	(5,507,510)	(5,507,510)
Total comprehensive loss for the year	-	(36,781,015)	(36,781,015)
Balance as at June 30, 2009	**126,011,600**	**(278,772,986)**	**(152,761,386)**
Incremental depreciation on revalued property, plant and equipment for the year	-	**17,603,333**	**17,603,333**
Tax effect on incremental depreciation	-	**(5,715,098)**	**(5,715,098)**
Surplus realised on disposal of property, plant and equipment - net off deferred tax	-	**295,879**	**295,879**
Total comprehensive loss for the year	-	**(6,218,311)**	**(6,218,311)**
Balance as at June 30, 2010	**126,011,600**	**(272,807,183)**	**(146,795,583)**

The annexed notes 1 to 32 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. THE COMPANY AND ITS OPERATIONS

1.1 J.A. Textile Mills Limited (the Company) is limited by shares incorporated in Pakistan on 25 May, 1987 under the Companies Ordinance, 1984 and is listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the Company is located at Faisalabad. The principal business activity of the Company is manufacturing and sale of yarn.

1.2 The Company has accumulated loss of Rs. 272.807 million (2009: Rs. 278.773 million) as against issued, subscribed and paid up capital of Rs. 126.012 million and its current liabilities exceeded its current assets by Rs. 2.654 million (2009: Rs. 13.091 million) as at June 30, 2010. These factors indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Due to the above factors, the Company may be unable to discharge its liabilities and realize its assets in the normal course of business. In spite of the huge accumulated losses and adverse current ratio, the management is optimistic that future industry situation will improve and in view of future expected improvements in financial results and continuing financial support from directors, associates and improvement in results during the year, these accounts have been prepared on going concern basis.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) 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.

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

3.1 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretation:

Standard or Interpretation		**Effective Date (accounting periods beginning on or after)**
IFRS - 2	Share Based Payments: Amended relating to Group Cash-settled Share Based Payment Transactions	January 01, 2010
IAS - 24	Related Party Disclosures (Revised)	January 01, 2011
IAS - 32	Financial Instruments: Presentation - Classification of Right Issue	February 01, 2010
IFRIC - 14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC - 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009 primarily with a view to remove inconsistencies and clarify wordings. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3.2 Standards, amendments and interpretations adopted during the year

During the year, following new / revised standards, amendments and interpretations of accounting standards become effective;

Standards, amendments and interpretations

IFRS - 2	Share Based Payments - Vesting Conditions and Cancellations (Amendments)
IFRS - 3	Business Combinations (Revised)
IFRS - 7	Financial Instruments: Disclosures (Amendments)
IFRS - 8	Operating Segments
IFRS - 1	Presentation of Financial Statements (Revised)
IAS - 23	Borrowing Costs (Revised)
IAS - 27	Consolidated and Separate Financial Statements (Amendment)
IAS - 32	Financial Instruments: Presentation and IAS - 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IAS - 39	Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendments)
IFRIC - 15	Agreements for the Construction of Real Estate
IFRIC - 16	Hedges of a Net Investment in a Foreign Operation
IFRIC - 17	Distributions of Non-Cash Assets to Owners
IFRIC - 18	Transfers of Assets from Customers

Improvement to International Financial Reporting Standards (Issued 2008)

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except IAS - 1 (Revised) which is explained in note 3.3 below

3.3 Change in accounting policy and disclosures

Starting 1st July 2009, the Company has changed its accounting policies in the following areas:

"Revised IAS - 1 Presentation of Financial Statements (2007)" became effective from 1st January 2009. The revised standard prohibits 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' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has opted to present two statements; a profit and loss account and a statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the change in accounting policies only affect presentation / disclosures of financial statements, there is no impact on profit for the year and earnings per share.

BASIS OF MEASUREMENT

These financial statements have been prepared under the "historical cost convention" except that staff retirement gratuity stated on termination basis and freehold land, building on freehold land and property, plant and equipment carried at revalued amounts.

SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

The Company changed its policy for staff retirement benefits as on 31st March, 2008 from staff retirement gratuity to provident fund and staff retirement gratuity up to that date is stated on termination basis.

At present the Company operates an approved Provident Fund Scheme covering all its permanent employees. Equal monthly contributions are made, both by the Company, and the employees, to the fund at the rate of 8.33% of the basic salary. The Company's contribution to the fund is charged to profit and loss account.

5.2 Trade and other payables

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

5.3 Taxation

Current Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax rebates and tax credits, if any, available under the law.

Deferred Taxation

The Company accounts for deferred taxation on all temporary differences arising due to difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reversed based on tax rates that have been enacted. Deferred tax is charged to income except in the case of items credited or charged to equity in which case it is included in equity.

5.4 Provisions

A provision is recognised when the Company has a present, legal or constructive obligation as a result of a past event when 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 of obligation can be made.

5.5 Property, plant and equipment

Operating assets

Operating fixed assets except land are stated at cost / revalued amount less accumulated depreciation and accumulated impairment losses, if any. Free hold land is stated at revalued amount .

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note except for plant and machinery on which depreciation is charged applying unit of production method.

Depreciation on additions during the year is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The asset's residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset, when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Every other subsequent expenditure is recognized as an expense in the period in which it is incurred. Gains and losses on deleted assets are included in the profit and loss account.

Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in the course of construction and installation. Transfers are made to relevant category of property, plant and equipment as and when assets are available for use. Capital work in progress is stated at cost, less any identified impairment loss.

Surplus on revaluation of property, plant and equipment

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charge on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to accumulated loss through statement of changes in equity.

5.6 Stores and spares

Stores and spares are stated at lower of cost and net realisable value less impairment loss, if any. Cost is determined using moving average cost method.

5.7 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw material	
in hand	Annual average cost
in transit	Cost accumulated up to the balance sheet date
Work in process and Finished goods	Average manufacturing cost including a portion of production overheads.
Wastes	Net realizable value

5.8 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future. Balances considered bad are written off when identified.

5.9 Foreign currency translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

5.10 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 loss is recognised in the profit and loss, except for impairment loss on revalued asset, which is adjusted against the revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.11 Financial assets and liabilities

Financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently remeasured at fair value, amortised cost or cost as the case may be. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

Financial assets are derecognised when the Company loses control of contractual rights that comprise the financial assets. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Assets and liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the government are not the financial instruments of the Company.

5.12 Offsetting of financial assets and financial liabilities

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

5.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is recognized on a time-apportioned basis using the effective rate of return.

Dividend income is recognized when the right to receive payment is established.

5.14 Related party transactions and transfer pricing

Transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method.

5.15 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents compromise of cash and cheques in hand and at banks and include short term highly liquid investments. The cash and cash equivalents are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

5.16 Borrowing costs

Borrowing cost are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to current year income.

5.17 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

5.18 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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, staff retirement gratuity 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.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 Rupees	2009 Rupees
Operating fixed assets	6.1	280,013,959	305,405,408
Capital work in progress	6.5	10,663,447	-
		290,677,406	305,405,408

6.1 OPERATING FIXED ASSETS

2010									
	COST / REVALUATION			DEPRECIATION				W.D.V	
DESCRIPTION	As at July 1, 2009	Addition/ (deletion)	As at June 30, 2010	As at July 1, 2009	For the year	Adjustment	As at June 30, 2010	As at June 30, 2010	Rate %
Freehold land	63,040,000	-	63,040,000	-	-	-	-	63,040,000	-
Building on freehold land									
- factory	99,954,726	-	99,954,726	18,952,371	8,100,236	-	27,052,607	72,902,119	10
- residential	20,034,800	-	20,034,800	3,806,612	1,622,819	-	5,429,431	14,605,369	10
Plant and machinery	175,593,342	3,583,062	175,936,404	38,875,929	15,376,618	(871,026)	53,381,521	122,554,883	UPM
		(3,240,000)							
Factory equipments	2,711,074	-	2,711,074	1,989,539	72,154	-	2,061,693	649,381	10
Electric appliances	940,688	-	940,688	646,589	29,410	-	675,999	264,689	10
Office equipments	2,519,155	81,400	2,600,555	1,403,681	115,289	-	1,518,970	1,081,585	10
Electric installations	12,569,808	-	12,569,808	9,485,843	308,397	-	9,794,240	2,775,568	10
Furniture and fixtures	289,016	1,500	290,516	221,732	6,878	-	228,610	61,906	10
Vehicles	10,818,670	-	8,524,470	7,683,575	554,435	(1,791,999)	6,446,011	2,078,459	20
		(2,294,200)							
Total 2010	388,471,279	(1,868,238)	386,603,041	83,065,871	26,186,236	(2,663,025)	106,589,082	280,013,959	

2009									
	COST / REVALUATION			DEPRECIATION				W.D.V	
DESCRIPTION	As at July 1, 2008	Addition/ (deletion)	As at June 30, 2009	As at July 1, 2008	For the year	Adjustment	As at June 30, 2009	As at June 30, 2009	Rate %
Freehold land	63,040,000	-	63,040,000	-	-		-	63,040,000	-
Building on freehold land									
- factory	99,954,726	-	99,954,726	9,952,109	9,000,262	-	18,952,371	81,002,355	10
- residential	20,034,800	-	20,034,800	2,003,480	1,803,132	-	3,806,612	16,228,188	10
Plant and machinery	175,593,342	-	175,593,342	23,703,501	15,172,428	-	38,875,929	136,717,413	UPM
Factory equipments	2,711,074	-	2,711,074	1,909,368	80,171	-	1,989,539	721,535	10
Electric appliances	940,688	-	940,688	613,911	32,678	-	646,589	294,099	10
Office equipments	2,192,705	326,450	2,519,155	1,292,721	110,960	-	1,403,681	1,115,474	10
Electric installations	12,351,708	218,100	12,569,808	9,147,213	338,630	-	9,485,843	3,083,965	10
Furniture and fixtures	289,016	-	289,016	214,256	7,476	-	221,732	67,284	10
Vehicles	10,818,670	-	10,818,670	6,899,801	783,774	-	7,683,575	3,135,095	20
Total 2009	387,926,729	544,550	388,471,279	55,736,360	27,329,511	-	83,065,871	305,405,408	

6.2 Depreciation has been allocated as under;

	2010 Rupees	2009 Rupees
Cost of sales	**25,509,634**	26,427,301
Administrative expenses	**676,602**	902,210
	26,186,236	27,329,511

6.3 Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery as at June 30 would have been as follows.

	2010		
	Cost	Accumulated depreciation	Written down value
	[R U P E E S]		
Freehold land	3,848,875	-	3,848,875
Building on freehold land			
Factory	32,519,124	26,974,975	5,544,149
Residential	5,664,294	4,777,925	886,369
Plant and machinery	232,119,688	177,973,025	54,146,663
	274,151,981	**209,725,925**	**64,426,056**

	2009		
	Cost	Accumulated depreciation	Written down value
	[R U P E E S]		
Freehold land	3,848,875	-	3,848,875
Building on freehold land			
Factory	32,519,124	26,358,958	6,160,166
Residential	5,664,294	4,679,440	984,854
Plant and machinery	231,986,626	172,449,017	59,537,609
	274,018,919	**203,487,415**	**70,531,504**

6.4 Disposal of property, plant and equipment

Description	Cost / Revalued	Accumulated depreciation	Written down value	Sale proceeds	Profit/ (loss)	Particulars of buyers
Operating assets						
Written off						
Plant and machinery	3,240,000	871,026	2,368,974	-	(2,368,974)	Not applicable
By negotiation						
Vehicle	1,110,000	963,501	146,499	129,310	(17,189)	Ahsan Saeed 205-C, Gulberg Colony, Faisalabad.
Vehicle	1,184,200	828,498	355,702	400,200	44,498	Haroon Rashid 144-C, Peoples Colony No. 1, Faisalabad
					(2,341,665)	

	Note	2010 Rupees	2009 Rupees
6.5 Capital work in progress			
Plant and machinery		**10,663,447**	-
7. LONG TERM DEPOSITS			
Security deposit		**17,011,944**	16,967,016
8. STORES AND SPARES			
Stores		**2,634,191**	1,850,305
Spares		**4,826,269**	1,568,945
		7,460,460	3,419,250
9. STOCK IN TRADE			
Raw material		**1,731,970**	-
Finished goods		**15,798,103**	13,615,700
		17,530,073	13,615,700
10. TRADE DEBTS			
Considered good - secured			
Foreign		**5,636,680**	-
11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
Suppliers		**6,651,686**	-
Employees		**552,358**	554,910
Income tax		-	263,376
Prepayments			
Prepaid insurance		**111,547**	117,011
Other receivables			
Duty drawback		-	238,302
Sales tax		**2,787,005**	2,239,775
Others		**900,584**	780,810
		11,003,180	4,194,184
12. CASH AND BANK BALANCES			
Cash in hand		**9,943**	8,399
Cash at bank			
In current accounts - including US$ 970 (2009: US$: 520)		**539,936**	2,674,729
In deposit accounts		**21,042,984**	6,978,351
		21,582,920	9,653,080
		21,592,863	9,661,479

13. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2010 Rupees	2009 Rupees
Balance as on July 01,	**228,413,621**	232,426,867
Incremental depreciation on revalued property, plant and equipment for the year transferred to accumulated loss	**(17,603,333)**	(9,520,756)
Related effect of deferred tax liability	**5,715,098**	5,507,510
Surplus realised on disposal of property, plant and equipment - net off deferred tax	**(295,879)**	-
	(12,184,114)	(4,013,246)
Balance as on June 30,	**216,229,507**	228,413,621

This represents surplus on revaluation of freehold land, building on freehold land and plant and machinery. Revaluation of freehold land on market value, building on freehold land and plant and machinery on depreciated replacement values was carried out by independent valuers as on September 30, 1998 and by M/S Nizami Associates as on June 30, 2007.

14. LONG TERM FINANCING

	Note	2010 Rupees	2009 Rupees
From banking companies - secured			
IBRD foreign currency	**14.1**	**164,509**	164,509
Demand finance	**14.2**	**14,946,241**	14,946,241
		15,110,750	15,110,750
From related parties - unsecured			
Chief executive, Directors and Members	**14.3**	**174,869,364**	177,201,005
		189,980,114	192,311,755

14.1 It is secured against first charge by way of equitable mortgage on fixed assets of the Company, hypothecation of plant and machinery and equipment and floating charge on book debts. It is further secured by a demand promissory note and personal guarantees of the directors of the Company. It is subject to markup @ 14% per annum (markup not accounted for as described in note 17.3). In case of default in payment of any installment of principal and/or markup on due date, additional markup @ 5% per annum will be payable on the amount of default.

However the company has filed a suit against charging the compound mark up by MCB Bank Limited. The bank has also filed a counter suit against the Company. In the opinion of the management, the suits are not likely to be finally decided in the next twelve months from the balance sheet date, hence shown as non current liability.

In the opinion of the legal advisor, the case of the Company is based on strong legal grounds as the superior courts have already decided certain cases against charging of compound markup / profit and the case of the Company is also based on similar question of law. Due to litigation, the bank has not confirmed the balances appearing in these accounts.

14.2 These represent credit facilities created against deferral of installments of IBRD loan and are covered against securities provided to secure the loan (Refer to Note 14.1). These are subject to mark up ranging from 14% to 17% per annum (markup not accounted for as described in note 17.3). It is also not likely to be repaid in the next twelve months due to pending litigation as mentioned in note 14.1).

14.3 These are interest free. Terms of repayment have not been decided so far, however it is confirmed by lenders that they will not demand repayment within twelve months from balance sheet date.

	Note	2010 Rupees	2009 Rupees
15. DEFERRED LIABILITIES			
Deferred taxation	15.1	38,410,936	32,848,267
Staff retirement gratuity	15.2	1,619,139	2,877,518
Deferred custom levies	15.3	5,591,401	5,591,401
		45,621,476	41,317,186

15.1 DEFERRED TAXATION

		2010 Rupees	2009 Rupees
15.1.1	Balance as on July 01,	32,848,267	37,605,325
	Provided/(adjusted) during the year	5,562,669	(4,757,058)
	Balance as on June 30,	38,410,936	32,848,267

		2010 Rupees	2009 Rupees
15.1.2	This comprise of following:		
	Deferred tax liability:		
	Taxable temporary differences relating to operating assets	61,167,736	63,481,087
	Deferred tax assets:		
	Deductible temporary differences on:		
	Tax losses	(22,231,123)	(29,761,131)
	Staff retirement benefits	(525,677)	(871,689)
		(22,756,800)	(30,632,820)
		38,410,936	32,848,267

15.2 STAFF RETIREMENT GRATUITY

	2010 Rupees	2009 Rupees
Balance as on July 01,	2,877,518	5,712,756
Expenses recognised	-	-
Paid during the period	(1,258,379)	(2,835,238)
Balance as on June 30,	1,619,139	2,877,518

	2010 Rupees	2009 Rupees
15.3 DEFERRED CUSTOM LEVIES	5,591,401	5,591,401

It represents 70% of the import duty and surcharge on ring spinning frames levied by the custom authorities. Whereas SRO 1076(I)/95 provides that 30% of total import duty and surcharge was levieable which the Company has already paid. However, this long outstanding issue is pending with the custom authorities and is not expected to be settled in near future.

	Note	2010 Rupees	2009 Rupees
16. TRADE AND OTHER PAYABLES			
Creditors		31,733,912	8,397,975
Accrued liabilities		7,016,291	7,597,808
Advances from customers		3,582,191	5,277,799
Audit fee		325,000	225,000
Withholding tax payable		366,087	7,684
Unclaimed dividend		443,720	443,720
Workers' profit participation fund	16.1	145,130	-
		43,612,331	21,949,986

16.1 Workers' profit participation fund

	2010 Rupees	2009 Rupees
Allocation for the year	145,130	-

17. CONTINGENCIES AND COMMITMENTS

Contingencies

17.1 The Faysal Bank Limited has filed an appeal before the Lahore High Court, Lahore, against the decision in favour of Company by the Appellate Authorities. The mark up claim of Rs. 29.955 million (2009:41.566 million) has not been acknowledged by the Company on the ground that the Appellate Authorities have already been given their verdict in favour of the Company, although the Bank concerned has filed an appeal before the Lahore High Court against such decision. Subsequently on 6 July 2010, the Honourable Lahore High Court has remitted back the case to Banking Court-II, Faisalabad for necessary calculations. However, the Company has filed an appeal before the Honourable Supreme Court of Pakistan against the decision of the Honourable Lahore High Court. The management and legal advisor of the company are affirmed that the case will be decided in its favour. Due to litigation, the bank has not confirmed the balances appearing in these accounts.

17.2 An employee has filed a case against the company in Labour Court for the claim of reinstatement of his services; and the market committee has filed a case against the company in Civil Court for toll charges. The financial impact of these cases are immaterial. The legal advisor has confirmed that there are strong grounds on the basis of which the cases will be decided in favour of the company.

17.3 The Company has not charged mark up on long term financing from MCB Bank Limited from July 01, 2008 to June 30, 2010 on the basis that as per management's assertion, the provision of Rs. 22.032 million already existed in the books of account is much excess than the amount that may be payable; as the case of the Comapny is based on strong legal grounds (Refer to Notes 14.1 and 14.2).

	Note	2010 Rupees	2009 Rupees
18. SALES - NET			
Yarn			
Export sales		**31,755,870**	47,573,834
Exchange gain/(loss)		**17,746**	(331,678)
		31,773,616	47,242,156
Local sales		**507,477,440**	416,766,954
		539,251,056	464,009,110
Waste sales - local		**33,466,433**	17,826,312
		572,717,489	481,835,422
Less: Commission		**(1,043,107)**	(1,490,286)
		571,674,382	480,345,136

	Note	2010 Rupees	2009 Rupees
19. COST OF SALES			
Raw material consumed	19.1	**384,317,408**	345,896,581
Stores and spares consumed		**7,689,510**	7,325,235
Packing material consumed		**4,866,068**	6,219,302
Salaries, wages and benefits		**45,785,952**	42,042,952
Provident fund		**1,370,361**	1,155,358
Fuel and power		**85,959,807**	64,751,188
Repairs and maintenance		**521,157**	355,732
Postage and telecommunication		**63,777**	70,982
Vehicles running and maintenance		**437,913**	405,605
Insurance		**1,601,073**	1,477,366
Depreciation	6.2	**25,509,634**	26,427,301
Others		**617,436**	1,227,484
		558,740,096	497,355,086
Work in process			
Balance as on July 01,		-	3,467,699
Balance as on June 30,		-	-
		-	3,467,699
Cost of goods manufactured		**558,740,096**	500,822,785
Finished goods			
Balance as on July 01,		**13,615,700**	22,470,006
Balance as on June 30,		**(15,798,103)**	(13,615,700)
		(2,182,403)	8,854,306
		556,557,693	509,677,091

	Note	2010 Rupees	2009 Rupees
19.1 RAW MATERIAL CONSUMED			
Balance as on July 01,		-	494,952
Purchases		386,049,378	345,401,629
		386,049,378	345,896,581
Balance as on June 30,		(1,731,970)	-
		384,317,408	345,896,581

20. DISTRIBUTION COST

	Note	2010 Rupees	2009 Rupees
Staff salaries and benefits		-	188,122
Provident fund		-	5,334
Ocean freight		1,231,875	1,434,848
Shipping expenses		129,037	203,632
Local freight		289,959	569,926
Postage and telephone		1,660	33,068
Electricity and gas		-	19,842
Repairs and maintenance		-	35,116
Traveling and conveyance		-	22,629
Others		38,688	63,711
		1,691,219	2,576,228

21. ADMINISTRATIVE EXPENSES

	Note	2010 Rupees	2009 Rupees
Directors' remuneration		402,332	872,711
Staff salaries and benefits		4,345,711	3,997,394
Provident fund		216,437	175,936
Postage and telecommunication		402,284	237,003
Electricity, gas and water		379,252	257,720
Printing and stationery		180,210	185,859
Traveling and conveyance		242,321	577,807
Fee and subscriptions		830,449	483,429
Legal and professional		244,769	262,059
Repairs and maintenance		202,894	158,703
Auditors' remuneration	21.1	251,045	202,223
Insurance		223,637	263,080
Depreciation	6.2	676,602	902,210
Others		356,019	244,330
		8,953,962	8,820,464

21.1 AUDITORS' REMUNERATION

	Note	2010 Rupees	2009 Rupees
Audit fee		250,000	200,000
Out of pocket expenses		1,045	2,223
		251,045	202,223

22. OTHER OPERATING EXPENSES

	Note	2010 Rupees	2009 Rupees
Workers' welfare fund		459,023	-
Workers' profit participation fund		145,130	-
Loss on disposal of property, plant and equipment	6.4	2,341,665	-
		2,945,818	-

23. FINANCE COST

	Note	2010 Rupees	2009 Rupees
Bank charges and commission		211,675	205,254

24. OTHER OPERATING INCOME

	Note	2010 Rupees	2009 Rupees
Profit on deposits		902,051	6,750
Balances written back		27,840	-
Exchange gain on foreign currency accounts		54,540	2,392
		984,431	9,142

	Note	2010 Rupees	2009 Rupees
25. TAXATION			
Current	25.1	2,954,088	554,091
Prior year		-	59,223
Deferred		5,562,669	(4,757,058)
		8,516,757	(4,143,744)

25.1 In view of the available tax losses, provision for current taxation is based on turnover under Section 113 of the Income Tax Ordinance, 2001 for sales under normal law and under section 154 read with section 169 for sales under final tax regime. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required in view of turnover and final taxation.

25.2 Reconciliation of tax expense and accounting profit has not been presented in these financial statements due to the reason discussed in note 25.1 to the financial statements.

26. EARNINGS PER SHARE-BASIC	2010	2009
Loss for the year (Rupees)	(6,218,311)	(36,781,015)
Weighted average number of ordinary shares outstanding during the year	12,601,160	12,601,160
Earnings per share-basic (Rupees)	(0.49)	(2.92)

There is no dilutive effect on the basic earnings per share of the Company.

27. REMUNERATION TO DIRECTORS

	Directors 2010	Directors 2009
	[R U P E E S]	
Salary	254,110	551,197
Retirement benefits	21,167	45,915
House rent allowance	95,644	206,079
Conveyance allowance	6,000	14,400
Utility allowance	25,411	55,120
Total	402,332	872,711
Number of persons	4	4

No remuneration is paid to the Chief Executive Officer, however Chief Executive Officer and Executive Directors are entitled to free use of company maintained cars. The monetary value of these benefits is approximately Rs. 69,030/- (2009: Rs. 341,760/-).

No employee of the company falls within the definition of executive as defined in the 4th schedule to the Companies Ordinance, 1984.

28. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. Amounts due from and due to related parties, if any, are shown under relevant notes to financial statements. Remuneration of Chief Executive Officer, Directors and Executives is disclosed in Note 27. There is no other significant transactions with related parties.

29. PLANT CAPACITY AND PRODUCTION	2010	2009
Number of spindles installed	21,528	21,768
Number of spindles worked	18,718	20,688
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	6,916,560	6,894,209
Actual production of yarn after conversion into 20/s count (Kgs)	5,088,717	4,833,030

Reasons for shortfall

The short fall in actual production during the year when compared with capacity is mainly on account of:
– Temporary closure of business for maintenance.
– The actual production is planned to meet the market demand and orders in hand.

	2010 Rupees	2009 Rupees

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

30.1 Financial assets and liabilities of the Company are as follows:

	2010 Rupees	2009 Rupees
Financial Assets		
Loans and receivables		
Maturity up to one year		
Trade debts	**5,636,680**	-
Other receivables	**900,584**	780,810
Cash and bank balances	**21,592,863**	9,661,479
Maturity after one year		
Long term deposits	**17,011,944**	16,967,016
	45,142,071	27,409,305
Financial Liabilities		
At amortised cost		
Maturity up to one year		
Trade and other payables	**39,518,923**	16,672,187
Accrued mark up/interest	**22,031,875**	22,031,875
	61,550,798	38,704,062
Maturity after one year		
Long term financing	**189,980,114**	192,311,755
	251,530,912	231,015,817

30.2 FINANCIAL RISK MANAGEMENT

30.2.1 Financial risk factors

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

a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted.

The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets and these financial assets are neither past due nor impaired.

	2010 Rupees	2009 Rupees
Trade debts	**5,636,680**	-
Other receivables	**900,584**	780,810
Bank balances	**21,582,920**	9,653,080
	28,120,184	10,433,890

Credit quality of financial assets

The credit quality of the company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit rating determined based on their historical information for any defaults in meeting obligations.

	Rating			2010	2009
	Short term	Long term	Agency	Rupees	Rupees
Bank balances					
Al-Baraka Islamic Bank Limited	A-1	A	JCR-VIS	**729,365**	230,316
Bank Al-Habib Limited	A1+	AA+	PACRA	**4,763**	44,213
Faysal Bank Limited	A1+	AA	PACRA	**20,889**	20,889
Habib Bank Limited	A-1+	AA+	JCR-VIS	**-**	1,868
Meezan Bank Limited	A-1	AA-	JCR-VIS	**13,782**	13,782
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**167,396**	7,940
Soneri Bank Limited	A1+	AA-	PACRA	**11,860**	11,961
Silkbank Limited	A-3	A-	JCR-VIS	**20,337,069**	6,957,185
United Bank Limited	A-1+	AA+	JCR-VIS	**297,796**	2,364,926
				21,582,920	9,653,080
Counterparties without external credit rating					
Other receivables				**900,584**	780,810

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents.

Assets and liabilities maturing within twelve months are prescribed in note 30.1.

c) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables or payables that exist due to transactions in foreign currencies.

Financial assets include Rs. 5,719,365/- (2009: Rs. 42,276/-) which were subject to currency risk.

(ii) Interest rate risk

Interest rate risk represents the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long term interest bearing financial assets. The Company's interest rate risk arises from long term financing. Borrowings obtained at variable rates exposes the Company to cash flow interest rate risk. Borrowings obtained at fixed rate exposes the company to fair value interest rate risk.

	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	**15,110,750**	15,110,750
Floating rate instruments		
Financial assets		
Bank balances-deposit account	**21,042,984**	6,978,351

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 136,779/- (2009: Rupees 62,805/-) higher / lower. The analysis is prepared assuming the amounts of bank balances outstanding at the balance sheet date were outstanding for the whole year.

(iii) Other price risk

Price risk represents risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

30.2.2 Capital risk management

The Company's objectives when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital.

In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

The Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing obtained by the Company. Total capital employed includes 'total equity' plus 'borrowings'. The Company's strategy, which was unchanged from the last year, was to maintain a gearing ratio of 70% debt and 30% equity.

	2010 Rupees	2009 Rupees
Borrowings	**189,980,114**	192,311,755
Total equity	**69,433,924**	75,652,235
Total capital employed	**259,414,038**	267,963,990
Gearing ratio	**73.23**	71.77

The increase in the gearing ratio resulted from losses.

30.3 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair value.

31. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on **October 07, 2010** by the Board of Directors of the Company.

32. GENERAL

32.1 The following nomenclatures have also been changed during the year to be more representative:

Previous year nomenclature	Current year nomenclature
Income tax payable	Withholding tax payable

32.2 Figures in these financial statements have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE **DIRECTOR**

FORM - 34

PATTERN OF SHAREHOLDING AS ON 30 JUNE, 2010

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
154	1	100	14,401
1,501	101	500	718,905
58	501	1,000	56,501
69	1,001	5,000	169,257
16	5,001	10,000	129,882
2	10,001	15,000	21,500
3	15,001	20,000	58,600
1	70,001	75,000	73,800
1	135,001	140,000	136,935
1	250,001	255,000	325,500
1	580,001	585,000	584,300
1	625,001	630,000	630,000
1	755,001	760,000	759,285
1	770,001	775,000	774,434
1	1,150,001	1,155,000	1,154,850
1	6,990,001	6,995,000	6,993,010
1,812			12,601,160

NOTE: The slabs not applicable have not been shown.
(*) The shareholder holds 10% or more shares

Categories of Shareholders		Number	Shares Held	Holding Percentage
Individuals.		1,793	3,704,929	29.40
(*) N. I. T.		1	759,285	6.03
I. C. P.		1	5,700	0.05
Mr. Imran Zahid	(CEO/Director)	1	630,000	5.00
Miss Quratul Ain Zahid	(Director)	1	325,500	2.58
Mr. Zia Ullah Khan Dilawar	(Director)	1	2,500	0.02
Mr. Muhammad Anwar ul Haq	(Director)	1	2,500	0.02
Mr. Muhammad Ikhlaq	(Director)	1	2,500	0.02
Mr. Sohail Farooq	(Director)	1	2,500	0.02
Malik Shamsher Khan	(Director)	1	2,500	0.02
(*) Mr. Zahid Anwar		1	6,993,010	55.49
Saudi Pak Ind & Inv (pvt) Ltd		1	200	0.00
Adamjee Insurance Co Ltd		1	1,000	0.01
Altowfeek Investment Bank Ltd		1	20,000	0.15
J. K. Exports (pvt) Ltd		1	100	0.00
Islamic Investment Bank Ltd		1	10,000	0.08
The Bank of Punjab		1	136,935	1.09
Darson Securities (pvt) Ltd.		1	1	0.00
Pasha Securities (pvt) Ltd.		1	1,000	0.01
National Development Finance Corp.		1	1,000	0.01
		1,812	12,601,160	100.00

STATEMENT SHOWING SHARES BOUGHT AND SOLD BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSE AND MINOR CHILDREN FROM 01-07-2009 TO 30-06-2010.

Name	Designation	Shares Bought	Shares Sold
Mrs. Quratul Ain Rehan	Director	73,800	NILL