بسم الله الرحمن الرحيم

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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.) JS BANK LIMITED NATIONAL BANK OF PAKISTAN 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

Notice is hereby given that Annual General Meeting of the members of J. A. Textile Mills Limited will be held at registered office of the company JK House, 32-W, Susan Road, Madina Town, Faisalabad at 9:00 AM on 31.10.2011 to transact the following business :-

1. To confirm the minutes of the Annual General Meeting held on 30.10.2010

2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2011 together with the Directors' and Auditor's reports thereon.

3. To appoint auditors for the year ending June 30, 2012 and fix their remuneration, retiring auditors M/S Hyder Bhimji & Co. chartered accountants being eligible offered themselves for reappointment.

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

FOR AND ON BEHALF OF THE BOARD

FAISALABAD: 08.10.2011

Company Secretary

NOTES:

1. The share transfer books of the company will remain closed from 26.10.2011 to 01.11.2011 (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 to 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Board of Directors is pleased to present 24th Annual Report for the year ended June 30, 2011

Industry review

During the year under review, spinning sector has many ups and down. The phenomenal jump in cotton prices from 6,000/- maund to 14,000/- maund and shortfall in local crop as a result of flood damages had huge impact on the whole textile industry.

Operational review

Despite of all odds net sales revenue was higher by 25 % on the back of increased selling prices of local and export sales in the first half of the year under review. Unfortunately due to unfavorable business conditions like shortage of raw material and energy crisis the management had to shutdown establishment and suspend operations temporarily to avoid heavy losses in last quarter of year under review.

Summarized financial results

	2011		2010	
	Millions Rs	% of Sales	Millions Rs	% of Sales
Gross Profit margin	15.21	2.12	15.12	2.64
Operating Profit before tax	0.083	0.01	2.298	0.40

Future Outlook

Cotton prices are declining predominantly on high estimates of crop during year 2011-12. Despite of the fact of huge cotton crop expected in Pakistan the trend is likely to trim spinning margins during the year due to decrease in demand of cotton yarn globally, because of debt crisis in Europe and high unemployment in USA.

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, 2011, the earnings per share is Rupee 0.50 in negative.
Considering current financial results and accumulated losses brought forward, no dividend is recommended for the year ended June 30, 2011.

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, 2010, except matter disclosed in note 19.4 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.

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 operation, 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 Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- **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 significant 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) The value of investments in respect of Employees Provident Fund was Rs. 6.528 millions. (As per audited accounts of 2010)

j) 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	4
Mr. Sohail Farooq	4
Malik Shamsher Khan	4
Mr. Muhammad Anwar ul Haq	4
Mr. Muhammad Ikhlaq	4

k) 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) year is attached.

Shareholding

The pattern of shareholding as at June 30, 2011 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 19.3 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 Audit Committee has recommended the re-appointment of retiring auditors for the year 2012 on same terms and conditions.

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 08, 2011

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.

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. No casual vacancy occurred in the Board during the year.

9. 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.

10. 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.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. 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.

13. The company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises of three members, of whom two are non executive directors.

15. 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.

16. 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.

17. 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 institute of Chartered Accountants of Pakistan.

18. Orientation courses have been arranged during the year.

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. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

21. We confirm that all other material principles contained the Code have been complied with.

KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS

PARTICULARS	2010	2009	2008	2007	2006	2005
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
FINANCIAL POSITION						
Paid up capital	**126.011**	126.011	126.011	126.011	126.011	126.011
Fixed assets (cost)	**386.603**	388.471	387.927	387.739	314.355	309.146
Accumulated depreciation	**106.589**	83.066	55.736	19.051	124.212	103.596
Current assets	**63.223**	30.891	77.511	83.900	62.587	62.932
Current liabilities	**65.877**	43.982	51.841	55.067	40.007	68.213
INCOME						
Sales	**571.674**	480.345	572.154	496.947	467.845	203.598
Other income	**0.984**	0.009	0.031	4.586	0.279	0.029
Pre-tax profit/(loss)	**2.298**	(40.925)	(33.719)	12.218	10.024	(1.923)
Taxation charge/(credit)	**8.517**	(4.144)	(6.326)	21.789	2.355	13.605
STATISTICS AND RATIOS						
Pre-tax profit/(loss) to sales %	**0.402**	(8.520)	(5.893)	2.459	2.143	(0.944)
Pre-tax profit/(loss) to capital %	**1.566**	(26.790)	(26.759)	9.696	7.955	(1.526)
Current Ratio	**1 : 0.96**	1 : 0.70	1 : 1.50	1 : 1.50	1 : 1.60	1 : 0.92
Paid up value per share (Rs.)	**10.00**	10.00	10.00	10.00	10.00	10.00
Earning after tax per share (Rs.)	**(0.49)**	(2.92)	(2.17)	(0.76)	0.61	(1.23)
Cash dividend %	**0**	0	0	0	0	0
Break-up value per share including surplus on revaluation(Rs.)	**5.51**	6.00	8.92	11.35	(3.33)	(3.94)
Break-up value per share excluding surplus on revaluation(Rs.)	**(11.64)**	(12.12)	(9.52)	(9.31)	(9.02)	(10.05)

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) 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 risk and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Listing Regulations of the Stock Exchanges where the company is listed, require 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 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, 2011.

Hyder Bhimji & Company
Chartered Accountants

OCTOBER 08, 2011
FAISALABAD

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Khan Muhammad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **J. A. TEXTILE MILLS LIMITED** ("the Company") as at June 30, 2011 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 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 accounts and are further in accordance with the 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, 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, 2011 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 disclosed 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. 268.728 million. This factor indicates the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

(b) Note 19.3 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 & Company
Chartered Accountants

OCTOBER 08, 2011
FAISALABAD

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Khan Muhammad

BALANCE SHEET
AS AT JUNE 30, 2011

ASSETS	Note	2011 Rupees	2010 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	5	275,376,010	290,677,406
Long term deposits	6	17,021,926	17,011,944
		292,397,936	307,689,350
CURRENT ASSETS			
Stores and spares	7	7,801,059	7,460,460
Stock in trade	8	55,811	17,530,073
Trade debts	9	-	5,636,680
Loan and advances	10	3,784,256	7,204,044
Deposits and prepayments	11	113,328	111,547
Other receivables	12	3,233,700	3,687,589
Short term investments	13	27,337,641	-
Cash and bank balances	14	8,342,236	21,592,863
		50,668,031	63,223,256
OTAL ASSETS		343,065,967	370,912,606
EQUITY AND LIABILITIES			
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		(268,728,057)	(272,807,183)
		(142,716,457)	(146,795,583)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	15	205,907,317	216,229,507
NON CURRENT LIABILITIES			
Long term financing	16	193,171,056	189,980,114
Deferred liabilities	17	43,196,113	45,621,476
		236,367,169	235,601,590
:URRENT LIABILITIES			
Trade and other payables	18	21,069,071	43,612,331
Accrued mark up/interest		22,031,875	22,031,875
Provision for taxation		406,992	232,886
		43,507,938	65,877,092
CONTINGENCIES AND COMMITMENTS	19	-	-
TOTAL EQUITY AND LIABILITIES		343,065,967	370,912,606

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	20	**716,221,574**	571,674,382
Cost of sales	21	**701,008,341**	556,557,693
Gross profit		**15,213,233**	15,116,689
Operating expenses			
Distribution costs	22	**4,560,999**	1,691,219
Administrative expenses	23	**10,306,352**	8,953,962
Other expenses	24	**350,638**	2,945,818
Finance costs	25	**749,944**	211,675
		15,967,933	13,802,674
		(754,700)	1,314,015
Other operating income	26	**837,646**	984,431
Profit before taxation		**82,946**	2,298,446
Taxation	27	**6,326,010**	8,516,757
Loss for the year		**(6,243,064)**	(6,218,311)
Earnings per share - Basic	28	**(0.50)**	(0.49)

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
Loss for the year	(6,243,064)	(6,218,311)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(6,243,064)	(6,218,311)

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		82,946	2,298,446
Adjustments for non cash and other items:			
Depreciation		22,029,864	26,186,236
Loss on disposal of property, plant and equipment		-	2,341,665
Profit on deposits		(409,188)	(902,051)
Profit on short term investments		(96,575)	-
Workers' welfare fund		293,149	459,023
Workers' profit participation fund		21,679	145,130
Finance costs		749,944	211,675
Operating cash flows before working capital changes		22,671,819	30,740,124
Changes in working capital			
(Increase)/decrease in current assets			
Stores and spares		(340,599)	(4,041,210)
Stock in trade		17,474,262	(3,914,373)
Trade debts		5,636,680	(5,636,680)
Loan and advances		3,419,788	-
Deposit and prepayments		(1,781)	-
Other receivables		453,889	(7,072,372)
Short term investments		(27,337,641)	-
Increase/(decrease) in current liabilities			
Trade and other payables		(22,427,385)	21,517,215
		(23,122,787)	852,580
Cash (used in)/generated from operations		(450,968)	31,592,704
Finance costs paid		(742,368)	(211,675)
Workers' welfare fund paid		(293,149)	(459,023)
Workers' profit participation fund paid		(145,130)	-
Taxes paid		(7,526,887)	(2,457,826)
Staff retirement gratuity paid		(1,050,380)	(1,258,379)
Net cash (used in)/generated from operating activities		(10,208,882)	27,205,801
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(6,728,468)	(14,329,409)
Proceeds from disposal of property, plant and equipment		-	529,510
Profit on deposits		409,188	902,051
Profit on short term investments		96,575	-
Long term deposits		(9,982)	(44,928)
Net cash used in investing activities		(6,232,687)	(12,942,776)
c) CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		3,190,942	-
Repayment of long term financing		-	(2,331,641)
Net cash generated from/(used in) financing activities		3,190,942	(2,331,641)
Net (decrease)/ increase in cash and cash equivalents	(a+b+c)	(13,250,627)	11,931,384
Cash and cash equivalents at the beginning of the year		21,592,863	9,661,479
Cash and cash equivalents at the end of the year	14	8,342,236	21,592,863

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Accumulated loss	Total
	[R	U P E E	S]
Balance as at July 01, 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)**
Incremental depreciation on revalued property, plant and equipment for the year	-	**15,051,640**	**15,051,640**
Tax effect on incremental depreciation	-	**(4,729,450)**	**(4,729,450)**
Total comprehensive loss for the year	-	**(6,243,064)**	**(6,243,064)**
Balance as at June 30, 2011	**126,011,600**	**(268,728,057)**	**(142,716,456)**

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. THE COMPANY AND ITS OPERATIONS

1.1 J.A. Textile Mills Limited (the Company) was incorporated in Pakistan on 25 May, 1987 under the Companies Ordinance, 1984. The shares of the company are listed on the Karachi and Lahore Stock Exchanges in Pakistan. The Mill is situated at Tehsil Jaranwala, District Faisalabad in the province of Punjab and the registered office of the Company is situated at JK House, 32-W Susan Road, Madina Town, Faisalabad. The principal business activity of the Company is manufacturing and sale of yarn.

1.2 The Company has accumulated loss of Rs. 268.728 million (2010: Rs. 272.807 million) and negative equity of Rs. 142.716 million (2010: Rs.146.796 million) as against issued, subscribed and paid up capital of Rs. 126.012 million and its current assets exceeded its current liabilities by Rs. 7.160 million as at 30-06-2011 as compared to negative balance of Rs.2.654 million as at 30-06-2010. 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. Inspite of the huge accumulated losses, the management is optimistic that future industry situation will improve and in view of future expected improvements in financial results, positive current ratio and continuing financial support from directors, associates and improvement in results during the year, these accounts have been prepared on going concern basis.

2. BASIS OF PREPARATION

2.1 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 Standards 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 Standards, Interpretations and amendments to published approved accounting standards adopted during the

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New and amended standards and Interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which become effective during the year:

IFRS-2	Share based Payment-Group Cash settled Share based Payment Arrangements
IAS-32	Financial Instruments: Presentation -Classification of Rights Issue (Amendment)
IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS-5	Non-Current Assets Held for Sales and Discontinued Operations
IFRS-8	Operating Segments
IAS-1	Presentation of Financial Statements
IAS-7	Statement of Cash Flows
IAS-17	Leases
IAS-36	Impairments of Assets
IAS-39	Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS-3	Business Combinations
IAS-27	Consolidated and Separate Financial Statements

The adoption of the above standards, amendments/improvements and interpretations did not have any effect on the financial statements.

The Company has not early adopted any standard, interpretation or amendments that has been issued but is not yet effective.

2.3 **Standards, interpretations and amendments to approved accounting standards that are issued but 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 against the respective standard or interpretation:

	Standard or Interpretation	
IAS-1	Presentation of Financial Statements-Amendments to revise the way other comprehensive income is presented	**July 01, 2012**
IFRS-7	Financial Instruments: Disclosures-Amendments enhancing disclosures about transfers of financial assets	**July 01, 2011**
IAS-12	Income Tax (Amendment)-Deferred Taxes: Recovery of underlying assets	**January 01, 2012**
IAS-19	Employee Benefits-Amended Standard resulting from the post-employment benefits and termination benefits projects	**January 01, 2013**
IAS-24	Related Party Disclosures (Definition of Related Parties)	**January 01, 2011**
IAS-27	Consolidated and Separate Financial Statement	**January 01, 2013**
IAS-28	Investment in Associates: Investment in Associates and Joint Venture	**January 01, 2013**
IFRIC-14	IAS-19 :Prepayments of a Minimum Funding Requirement (Amendment)	**January 01, 2011**

The company expects that the adoption of the above standards and interpretations will not have any material impact on its 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. Such improvements are generally effective for accounting periods beginning on or after January 1, 2011. These include changes in terminology and accounting requirements. 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.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

IFRS-9	Financial Instruments	January 01, 2015
IFRS-10	Consolidated Financial Statements	January 01, 2013
IFRS-11	Joint Arrangements	January 01, 2013
IFRS-12	Disclosure of Interest in Other Entities	January 01, 2013
IFRS-13	Fair Value Measurement	January 01, 2013

3. **BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for staff retirement benefits stated on termination basis and property, plant and equipment carried at revalued amounts. The company's significant accounting policies are stated in note 4. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 the 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 on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions effect only that period, or in the period of revision and future periods if revisions effect both current and future periods.

Significant areas requiring the use of the management estimates in these financial statements relate to the useful life of the depreciable assets, provision for doubtful debts on account receivables and staff retirement benefits. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff 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.

4.2 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

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.3 Property, plant and equipment

Operating assets

Operating fixed assets except land and capital work in progress are stated at cost / revalued amount less accumulated depreciation and impairment, if any. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Free hold land is stated at revalued amount and capital work in progress is stated at historical cost.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of the property, plant and equipment is capitalized and the asset so replaced is retired from use. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the reducing balance method so as to write off the historical cost of the assets over their expected useful life at the rates mentioned 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 residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

Gains and losses on disposal of property, plant and equipment are included in current income.

Capital work in progress is shown at cost less any identified impairment and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

4.4 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.

4.5 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.

4.6 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. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.7 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realisable value less impairment, if any.

4.8 Stock in trade

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

Raw material - At factory	Weighted average cost
- In Transit	Invoice value plus direct charges in respect thereof.
Work in process and finished goods	Prime cost including a proportion of production overheads.

Wastes are valued at net realizable value.

4.9 Trade 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.

4.10 Foreign currency translation

These financial statements are presented in Pak Rupee, 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.

4.11 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.

4.12 Related party transactions and transfer pricing

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

4.13 Cash and cash equivalents

Cash and cash equivalents comprise 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.

4.14 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition 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. All other borrowing costs are charged to current year income.

4.15 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.

4.16 Financial Instruments

Financial instruments carried on the balance sheet include deposits, trade, debts, loans and advances, other receivables, accrued interest, cash and bank balances, short term borrowings, long term financing, accrued mark-up and trade and other payables. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "Financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it is realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each items and in the accounting policy of investments.

a) Trade and other Receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

b) Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest rate method.

c) Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

4.17 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidences that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivables and other financial assets at specific asset levels. Losses are recognized as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated An impairment loss is recognized as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.18 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 a legally enforceable right to set-off and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2011 Rupees	2010 Rupees
Operating fixed assets	5.1	275,376,010	280,013,959
Capital work in progress	5.4	-	10,663,447
		275,376,010	290,677,406

5.1 OPERATING FIXED ASSETS

2011

DESCRIPTION	COST / REVALUATION			DEPRECIATION				W.D.V	Rate %
	As at July 1, 2010	Addition/ (deletion)	As at June 30, 2011	As at July 1, 2010	For the year	Adjustment	As at June 30, 2011	As at June 30, 2011	
Freehold land	63,040,000	-	63,040,000	-	-	-	-	63,040,000	-
Building on freehold land									
- factory	99,954,726	-	99,954,726	27,052,607	7,290,212	-	34,342,819	65,611,907	10
- residential	20,034,800	-	20,034,800	5,429,431	1,460,537	-	6,889,968	13,144,832	10
Plant and machinery	175,936,404	-	175,936,404	53,381,521	11,033,585	-	64,415,106	111,521,298	UPM
Power Generators	-	15,466,978	15,466,978	-	1,193,569	-	1,193,569	14,273,409	10
Factory equipments	2,711,074	-	2,711,074	2,061,693	64,938	-	2,126,631	584,443	10
Electric appliances	940,688	-	940,688	675,999	26,469	-	702,468	238,220	10
Office equipments	2,600,555	170,900	2,771,455	1,518,970	114,944	-	1,633,914	1,137,541	10
Electric installations	12,569,808	-	12,569,808	9,794,240	277,557	-	10,071,797	2,498,011	10
Furniture and fixtures	290,516	-	290,516	228,610	6,191	-	234,801	55,715	10
Vehicles	8,524,470	1,754,037	10,278,507	6,446,011	561,862	-	7,007,873	3,270,634	20
Total 2011	386,603,041	17,391,915	403,994,956	106,589,082	22,029,864	-	128,618,946	275,376,010	

2010

DESCRIPTION	COST / REVALUATION			DEPRECIATION				W.D.V	Rate %
	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	
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	

5.2 Depreciation has been allocated as under;

	2011 Rupees	2010 Rupees
Cost of sales	**21,346,867**	25,509,634
Administrative expenses	**682,997**	676,602
	22,029,864	26,186,236

5.3 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.

	2011		
	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	27,529,390	4,989,734
Residential	5,664,294	4,866,562	797,733
Plant and machinery	232,119,688	182,847,835	49,271,853
	274,151,981	**215,243,787**	**58,908,195**

	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**

5.4 Capital work in progress

	2011 Rupees	2010 Rupees
Power Generators	-	10,663,447

	Note	2011 Rupees	2010 Rupees
6. LONG TERM DEPOSITS			
Security deposits		17,021,926	17,011,944
7. STORES AND SPARES			
Stores		3,259,760	2,634,191
Spares		4,541,299	4,826,269
		7,801,059	7,460,460
8. STOCK IN TRADE			
Raw material		-	1,731,970
Finished goods		55,811	15,798,103
		55,811	17,530,073
9. TRADE DEBTS			
Considered good - secured			
Foreign		-	5,636,680
10. LOAN AND ADVANCES			
Advances - considered good			
Suppliers		3,216,082	6,651,686
Employees		568,174	552,358
		3,784,256	7,204,044
11. DEPOSITS AND PREPAYMENTS			
Prepayment			
Prepaid insurance		113,328	111,547
12. OTHER RECEIVABLES			
Sales tax		2,368,926	2,787,005
Others		864,774	900,584
		3,233,700	3,687,589
13. SHORT TERM INVESTMENTS			
Available-for-sale			
NAFA Government Securities Liquid Fund		27,337,641	-

These have been valued by using published net asset value (NAV). As at 30 June 2011, the number of units held by the company are 2,638,921.2467 units (2010: Nil)

		2011 Rupees	2010 Rupees
14. CASH AND BANK BALANCES			
Cash in hand		5,330	9,943
Cash at bank			
In current accounts - including US$ 970 (2010: US$: 970)		467,621	539,936
In deposit accounts		7,869,285	21,042,984
		8,336,906	21,582,920
		8,342,236	21,592,863

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2011 Rupees	2010 Rupees
Balance as on July 01,	**216,229,507**	228,413,621
Incremental depreciation on revalued property, plant and equipment for the year transferred to accumulated loss	**(15,051,640)**	(17,603,333)
Related effect of deferred tax liability	**4,729,450**	5,715,098
Surplus realised on disposal of property, plant and equipment - net off deferred tax	**-**	(295,879)
	(10,322,190)	(12,184,114)
Balance as on June 30,	**205,907,317**	216,229,507

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 M/S Yousaf Adil Saleem & Co. Chartered Accountants as on September 30, 1998 and by M/S Nizami Associates as on June 30, 2007.

16. LONG TERM FINANCING

	Note	2011 Rupees	2010 Rupees
From banking companies - secured			
IBRD foreign currency	16.1	**164,509**	164,509
Demand finance	16.2	**14,946,241**	14,946,241
		15,110,750	15,110,750
From related parties - unsecured			
Chief executive, Directors and Members	16.3	**178,060,306**	174,869,364
		193,171,056	189,980,114

16.1 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 19.3). 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.

16.2 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 16.1). These are subject to mark up ranging from 14% to 17% per annum (markup not accounted for as described in note 19.3). It is also not likely to be repaid in the next twelve months due to pending litigation as mentioned in note 16.1).

16.3 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	2011 Rupees	2010 Rupees
17. DEFERRED LIABILITIES			
Deferred taxation	17.1	37,035,953	38,410,936
Staff retirement gratuity	17.2	568,759	1,619,139
Deferred custom levies	17.3	5,591,401	5,591,401
		43,196,113	45,621,476

17.1 DEFERRED TAXATION

	2011 Rupees	2010 Rupees
17.1.1 Balance as on July 01,	38,410,936	32,848,267
Provided/(adjusted) during the year	(1,374,983)	5,562,669
Balance as on June 30,	37,035,953	38,410,936

17.1.2 This comprise of following:

	2011 Rupees	2010 Rupees
Deferred tax liability:		
Taxable temporary differences relating to operating assets	56,406,744	61,167,736
Deferred tax assets:		
Deductible temporary differences on:		
Tax losses	(19,192,078)	(22,231,123)
Staff retirement benefits	(178,713)	(525,677)
	(19,370,791)	(22,756,800)
	37,035,953	38,410,936

17.2 STAFF RETIREMENT GRATUITY

	2011 Rupees	2010 Rupees
Balance as on July 01,	1,619,139	2,877,518
Paid during the period	(1,050,380)	(1,258,379)
Balance as on June 30,	568,759	1,619,139

17.3 DEFERRED CUSTOM LEVIES

	2011 Rupees	2010 Rupees
17.3 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	2011 Rupees	2010 Rupees
18. TRADE AND OTHER PAYABLES			
Trade creditors		13,730,519	31,733,912
Accrued expenses		6,577,529	7,262,469
Advances from customers		-	3,582,191
Withholding tax payable		194,486	366,087
Unclaimed dividend		443,720	443,720
Provident fund		93,562	78,822
Workers' profit participation fund	18.1	29,255	145,130
		21,069,071	43,612,331

18.1 Workers' profit participation fund

	2011 Rupees	2010 Rupees
At the beginning of the year	145,130	-
Interest on funds utilized in the Company's business	7,576	
	152,706	-
Allocation for the year	21,679	145,130
	174,385	145,130
Less: Amount paid to the fund	(145,130)	-
	29,255	145,130

19. CONTINGENCIES AND COMMITMENTS

Contingencies:

19.1 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 (2010:29.955 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.

19.2 An employee has filed a case against the company in Labour Court for the claim of reinstatement of his services. The financial impact of the case is immaterial.The legal advisor has confirmed that there are strong grounds on the basis of which the case will be decided in favour of the company.

19.3 The Company has not charged mark up on long term financing from MCB Bank Limited from July 01, 2008 to June 30, 2011 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 16.1 and 16.2).

19.4 The Company has filed an appeal before Punjab Labour Appellate Tribunal against the decision of Labour Court No.4, Faisalabad. The case is filed by the employee for the claim of reinstatement of his services and dues. In compliance with the order of Punjab Labour Appellate Tribunal. Rs.119,774/- as 50% of employee's dues have been deposited with Punjab Labour Appellate Tribunal. The financial impact of the case is immaterial. The legal advisor has confirmed that there are strong grounds on the basis of which the case will be decided in favour of the Company.

	Note	2011 Rupees	2010 Rupees
20. SALES - NET			
Yarn			
Export sales	20.1	137,521,325	31,773,616
Local sales		526,767,829	507,477,440
Waste sales - local		54,567,227	33,466,433
		718,856,381	572,717,489
Less: Commission		(2,634,807)	(1,043,107)
		716,221,574	571,674,382

20.1 It includes exchange (loss)/gain Rs.(70,554/-) (2010 Rs.17,746/-)

	Note	2011 Rupees	2010 Rupees
21. COST OF SALES			
Raw material consumed	21.1	539,948,019	384,317,408
Stores and spares consumed		10,960,493	7,689,510
Packing material consumed		7,085,799	4,866,068
Salaries, wages and benefits		40,847,400	45,785,952
Provident fund		1,466,496	1,370,361
Fuel and power		59,709,544	85,959,807
Repairs and maintenance		894,763	521,157
Postage and telecommunication		63,966	63,777
Vehicles running and maintenance		477,655	437,913
Insurance		1,883,516	1,601,073
Depreciation	5.2	21,346,867	25,509,634
Others		581,531	617,436
		685,266,049	558,740,096
Finished goods			
Balance as on July 01,		15,798,103	13,615,700
Balance as on June 30,		(55,811)	(15,798,103)
		15,742,292	(2,182,403)
		701,008,341	556,557,693

21.1 RAW MATERIAL CONSUMED

	2011 Rupees	2010 Rupees
Balance as on July 01,	1,731,970	-
Purchases	538,216,049	386,049,378
	539,948,019	386,049,378
Balance as on June 30,	-	(1,731,970)
	539,948,019	384,317,408

	Note	2011 Rupees	2010 Rupees
22. DISTRIBUTION COSTS			
Ocean freight		2,632,257	1,231,875
Shipping expenses		533,464	129,037
Local freight		1,285,577	289,959
Postage and telephone		7,994	1,660
Others		101,707	38,688
		4,560,999	1,691,219
23. ADMINISTRATIVE EXPENSES			
Directors' remuneration		-	402,332
Staff salaries and benefits		5,077,879	4,345,711
Provident fund		229,138	216,437
Postage and telecommunication		544,255	402,284
Electricity, gas and water		325,945	379,252
Printing and stationery		301,602	180,210
Traveling and conveyance		371,469	242,321
Fee and subscriptions		641,786	830,449
Legal and professional		1,117,879	244,769
Repairs and maintenance		83,289	202,894
Auditors' remuneration	23.1	252,550	251,045
Insurance		215,244	223,637
Depreciation	5.2	682,997	676,602
Others		462,319	356,019
		10,306,352	8,953,962
23.1 AUDITORS' REMUNERATION			
Audit fee		250,000	250,000
Out of pocket expenses		2,550	1,045
		252,550	251,045
24. OTHER EXPENSES			
Workers' welfare fund		293,149	459,023
Workers' profit participation fund		21,679	145,130
Balance written off		35,810	-
Loss on disposal of property, plant and equipment		-	2,341,665
		350,638	2,945,818
25. FINANCE COSTS			
Interest on workers' profit participation fund		7,576	-
Bank charges and commission		742,368	211,675
		749,944	211,675
26. OTHER OPERATING INCOME			
Income from financial assets			
Profit on deposits accounts		409,188	902,051
Profit on short term investment		96,575	-
Increase in fair value of financial assets-investments		327,641	-
Exchange gain on foreign currency accounts		485	54,540
Income from non-financial assets			
Balances written back		3,757	27,840
		837,646	984,431

	Note	2011 Rupees	2010 Rupees
27. TAXATION			
Current	27.1	7,650,861	2,954,088
Deferred		(1,374,983)	5,562,669
Prior year		50,132	
		6,326,010	8,516,757

27.1 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.

27.2 Reconciliation of tax expense and accounting profit has not been presented in these financial statements due to the reason discussed in note 27.1 to the financial statements.

28. EARNINGS PER SHARE-BASIC	2011	2010
Loss for the year (Rupees)	(6,243,064)	(6,218,311)
Weighted average number of ordinary shares outstanding during the year	12,601,160	12,601,160
Earnings per share-basic (Rupees)	(0.50)	(0.49)

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

29. REMUNERATION TO DIRECTORS

	Directors 2011	Directors 2010
	[R U P E E S]	
Salary	-	254,110
Retirement benefits	-	21,167
House rent allowance	-	95,644
Conveyance allowance	-	6,000
Utility allowance	-	25,411
Total	-	402,332
Number of persons		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. 74,195/- (2010: Rs. 69,030/-).

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

30. 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 29. There is no other significant transactions with related parties.

31. PLANT CAPACITY AND PRODUCTION	2011	2010
Number of spindles installed	21,528	21,528
Number of spindles worked	21,528	18,718
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	6,916,560	6,916,560
Actual production of yarn after conversion into 20/s count (Kgs)	3,722,021	5,088,717

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 and unfavourable market conditions.
– The actual production is planned to meet the market demand and orders in hand.

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 Financial assets and liabilities

Financial assets and liabilities of the company are as follows:-

	June 30, 2011						
	Interest/mark-up bearing			Non Interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
				RUPEES			
Financial assets							
At fair value through profit and loss							
Investments (NAFA securities)				27,337,641	-	27,337,641	27,337,641
Loans and receivables							
Long Term Deposits	-	-	-	-	17,021,926	17,021,926	17,021,926
Trade debts	-	-	-	-	-	-	-
Other Receivables	-	-	-	864,774	-	864,774	864,774
Cash and bank balances	7,869,285	-	7,869,285	472,951	-	472,951	8,342,236
	7,869,285	-	7,869,285	28,675,366	17,021,926	45,697,292	53,566,577
Financial liabilities							
At amortized cost							
Long term finances	-	15,110,750	15,110,750	-	178,060,306	178,060,306	193,171,056
Trade and other payables	-	-	-	20,845,330	-	20,845,330	20,845,330
Interest accrued on long term financing	-	-	-	22,031,875	-	22,031,875	22,031,875
	-	15,110,750	15,110,750	42,877,205	178,060,306	220,937,511	236,048,261
Excess of financial assets over financial liabilities	7,869,285	(15,110,750)	(7,241,465)	(14,201,839)	(161,038,380)	(175,240,219)	(182,481,684)

	June 30, 2010						
	Interest/mark-up bearing			Non Interest/mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
				RUPEES			
Financial assets							
At fair value through profit and loss							
Investments (NAFA securities)	-	-	-	-	-	-	-
Loans and receivables							
Long Term Deposits	-	-	-	-	17,011,944	17,011,944	17,011,944
Trade debts	-	-	-	5,636,680	-	5,636,680	5,636,680
Other Receivables	-	-	-	900,584	-	900,584	900,584
Cash and bank balances	21,042,984	-	21,042,984	549,879	-	549,879	21,592,863
	21,042,984	-	21,042,984	7,087,143	17,011,944	24,099,087	45,142,071
Financial liabilities							
At amortized cost							
Long term finances	-	15,110,750	15,110,750	-	174,869,364	174,869,364	189,980,114
Trade and other payables	-	-	-	39,518,923	-	39,518,923	39,518,923
Interest accrued on	-	-	-	-	-	-	-
long term financing	-	-	-	22,031,875	-	22,031,875	22,031,875
	-	15,110,750	15,110,750	61,550,798	174,869,364	236,420,162	251,530,912
Excess of financial assets over financial liabilities	21,042,984	(15,110,750)	5,932,234	(54,463,655)	(157,857,420)	(212,321,075)	(206,388,841)

32.2 FINANCIAL RISK MANAGEMENT

32.2.1 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. The carrying value of financial assets which are neither past due nor impaired are as under

	2011 Rupees	2010 Rupees
Trade debts	-	5,636,680
Other receivables	864,774	900,584
Short term investments	27,337,641	-
Bank balances	10,624,491	21,582,920
	38,826,906	28,120,184

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			2011	2010
	Short term	Long term	Agency	Rupees	Rupees
Bank balances					
Al-Baraka Islamic Bank Limited	A2	A	PACRA	595,040	729,365
Bank Al-Habib Limited	A1+	AA+	PACRA	3,761	4,763
Faysal Bank Limited	A1+	AA	PACRA	20,889	20,889
JS Bank	A1	A	PACRA	7,010,160	-
Meezan Bank Limited	A1+	AA-	JCR-VIS	13,782	13,782
National Bank of Pakistan	A1+	AAA	JCR-VIS	71,617	167,396
Soneri Bank Limited	A1+	AA-	PACRA	11,861	11,860
Silkbank Limited	A2	A-	JCR-VIS	860	20,337,069
United Bank Limited	A1+	AA+	JCR-VIS	2,896,521	297,796
				10,624,491	21,582,920
		Rating			
Short term investments					
NAFA Government Securities Liquid Fund		AAA		27,337,641	-
Counterparties without external credit rating					
Other receivables				864,774	900,584

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 32.1.

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. 83,226/- (2010: Rs. 5,719,365/-) 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.

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial liabilities		
Long term financing	**15,110,750**	15,110,750
Floating rate instruments		
Financial assets		
Bank balances-deposit account	**7,869,285**	21,042,984

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 51,150/- (2010: Rupees 136,779/-) 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) 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.

The company does not believe to have been materially exposed to price risk as its investment is in NAFA Government Securities Liquid Fund.

32.2.2 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.

	2011 Rupees	2010 Rupees
Borrowings	**193,171,056**	189,980,114
Total equity	**63,190,860**	69,433,924
Total capital employed	**256,361,916**	259,414,038
Gearing ratio	**75.35**	73.23

The increase in the gearing ratio resulted from losses.

32.3 **Fair value of financial assets and liabilities**

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

33. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the comparison. Major reclassification made in the corresponding figures for better presentation are as under:

		Reclassification	
	Rs	**From**	**To**
Suppliers	6,651,686	Advances, prepayments and other receivables	Loan and advances
Employees	552,358		
Prepaid insurance	111,547	Advances, prepayments and other receivables	Deposits and prepayments
Sales tax	2,787,005	Advances, prepayments and other receivables	Other receivables
Others	900,584		

34. DATE OF AUTHORISATION FOR ISSUE

34.1 The financial statements were authorized for issue on **OCTOBER 08, 2011** by the Board of Directors of the Company.

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

CHIEF EXECUTIVE

DIRECTOR

FORM-34

PATTERN OF SHAREHOLDING AS ON JUNE 30, 2011

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
153	1	100	14,309
1,486	101	500	720,607
57	501	1,000	55,605
71	1,001	5,000	175,866
16	5,001	10,000	126,883
4	10,001	15,000	42,802
4	15,001	20,000	76,044
1	20,001	25,000	23,500
1	70,001	75,000	73,965
1	325,001	330,000	325,500
2	625,001	630,000	1,260,000
1	755,001	760,000	759,285
1	795,001	800,000	798,934
1	1,150,001	1,155,000	1,154,850
1	6,990,001	6,995,000	6,993,010
1,800			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.		1,781	3,695,930	29.33
(*) 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 Rehan	(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	0.16
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
Moosani Securities (pvt) Ltd.		1	9,000	0.07
Pasha Securities (pvt) Ltd.		1	1,000	0.01
National Development Finance Corp.		1	1,000	0.01
		1,800	12,601,160	100.00

STATEMENT SHOWING SHARES BOUGHT AND SOLD BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSE AND MINOR CHILDREN FROM 01-07-2010 TO 30-06-2011.

Name	Designation	Shares Bought	Shares Sold
NILL	NILL	NILL	NILL