

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Board of Directors is pleased to present un-audited accounts for the 1<sup>st</sup> quarter ended September 30, 2010.

The operations have resulted in a profit before taxation of Rs. 1.357 million as compared to profit of Rs. 10.628 million in corresponding period of last year.

Although yarn prices increased during the period as compared to corresponding period, however price of raw cotton almost doubled during the recent period and rose to record of Rs. 8000/md.

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.

Earning per share - basic for the quarter under review is Rs. 0.16 negative in comparison to Rs. 0.79 positive in the corresponding period of last year.

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

Faisalabad  
October 29, 2010

**J. A. TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2010**

ASSETS	Note	Unaudited	Audited
		September 30, 2010	June 30, 2010
		----- Rupees -----	-----
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	4	288,218,653	290,677,406
Long term deposits		17,011,944	17,011,944
		305,230,597	307,689,350
<b>CURRENT ASSETS</b>			
Stores and spares		8,529,124	7,460,460
Stock in trade		25,111,963	17,530,073
Trade debts		10,915,787	5,636,680
Advances, prepayments and other receivables		12,249,802	11,003,180
Cash and bank balances		3,971,735	21,592,863
		60,778,411	63,223,256
		366,009,008	370,912,606
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized capital</b>			
20,000,000 ordinary shares of Rs.10 each		200,000,000	200,000,000
<b>Issued, subscribed and paid up capital</b>			
12,601,160 ordinary shares of Rs. 10 each, fully paid in cash		126,011,600	126,011,600
<b>Accumulated loss</b>		(272,013,800)	(272,807,183)
		(146,002,200)	(146,795,583)
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
	5	213,385,780	216,229,507
<b>NON CURRENT LIABILITIES</b>			
Long term financing		191,291,159	189,980,114
Deferred liabilities		46,628,917	45,621,476
		237,920,076	235,601,590
<b>CURRENT LIABILITIES</b>			
Trade and other payables		38,009,624	43,612,331
Accrued mark up		22,031,875	22,031,875
Provision for taxation		663,853	232,886
		60,705,352	65,877,092
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6	366,009,008	370,912,606

The annexed notes 1 to 10 form an integral part of the financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

**J. A. TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2010 (Un-Audited)**

	Note	Quarter ended	
		September 30, 2010	September 30, 2009
		----- Rupees -----	
Sales-net		205,664,059	132,919,842
Cost of sales	7	<u>200,315,616</u>	<u>119,538,412</u>
Gross profit		5,348,443	13,381,430
Operating expenses			
Distribution cost		1,028,395	538,733
Administrative expenses		3,041,544	2,268,337
Other operating expenses		-	14,706
Finance cost		119,287	26,661
		4,189,226	2,848,437
		1,159,217	10,532,993
Other operating income		197,911	95,415
Profit before taxation		1,357,128	10,628,408
Taxation		3,407,472	631,350
Net (loss)/profit after taxation		(2,050,344)	9,997,058
Earnings per share - Basic		(0.16)	0.79

The annexed notes 1 to 10 form an integral part of the financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

**J. A. TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2010 (Un-Audited)**

	<u>Quarter ended</u>	
	<u>September 30,</u>	<u>September 30,</u>
	<u>2010</u>	<u>2009</u>
	----- Rupees -----	
Net (loss)/profit after taxation	(2,050,344)	9,997,058
Other comprehensive income for the period	-	-
Total comprehensive (loss)/income for the period	<u>(2,050,344)</u>	<u>9,997,058</u>

The annexed notes 1 to 10 form an integral part of the financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

**J. A. TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2010 (Un-Audited)**

	Quarter ended	
	September 30, 2010	September 30, 2009
	----- Rupees -----	
<b>a) CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,357,128	10,628,408
<b>Adjustments for non cash and other items</b>		
Depreciation	6,210,836	4,458,242
Profit on deposits	(197,911)	(95,415)
Loss on sale of property, plant and equipment	-	14,706
Finance cost	119,287	26,661
Provision for taxation	430,967	-
Operating cash flows before working capital changes	7,920,307	15,032,602
<b>Changes in working capital</b>		
<b>(Increase)/decrease in current assets</b>		
Stores and spares	(1,068,664)	910,188
Stock in trade	(7,581,890)	(1,307,317)
Trade debts	(5,279,107)	(4,985)
Advances, prepayments and other receivables	(1,246,622)	(8,091,458)
<b>(Decrease)/increase in current liabilities</b>		
Trade and other payables	(5,602,707)	7,069,411
	(20,778,990)	(1,424,161)
<b>Cash (used in)/generated from operations</b>	(12,858,683)	13,608,441
Finance cost paid	(119,287)	(26,661)
Taxes paid	(2,024,451)	(118,554)
Staff retirement gratuity paid	(375,580)	(341,515)
<b>Net cash (used in)/generated from operating activities</b>	(15,378,001)	13,121,711
<b>b) CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(3,752,083)	(1,500)
Proceeds from sale of property, plant and equipment	-	150,000
Profit on deposits	197,911	95,415
Long term deposits	-	(44,928)
<b>Net cash (used in)/generated from investing activities</b>	(3,554,172)	198,987
<b>c) CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing obtained	1,311,045	-
Repayment of long term financing	-	(334,164)
<b>Net cash generated from/(used in) financing activities</b>	1,311,045	(334,164)
<b>Net (decrease)/increase in cash and cash equivalents (a+b+c)</b>	(17,621,128)	12,986,534
<b>Cash and cash equivalents at the beginning of the period</b>	21,592,863	9,661,479
<b>Cash and cash equivalents at the end of the period</b>	3,971,735	22,648,013

The annexed notes 1 to 10 form an integral part of the financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

**J. A. TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2010 (Un-Audited)**

	<b>Share capital</b>	<b>Accumulated loss</b>	<b>Total</b>
	----- Rupees -----		
<b>Balance as at July 01, 2009</b>	126,011,600	(278,772,986)	(152,761,386)
Incremental depreciation on revalued property, plant and equipment for the period	-	10,729,566	10,729,566
Tax effect on incremental depreciation	-	(3,755,348)	(3,755,348)
Total comprehensive income for the period	-	9,997,058	9,997,058
<b>Balance as at September 30, 2009</b>	<b>126,011,600</b>	<b>(261,801,710)</b>	<b>(135,790,110)</b>
<b>Balance as at July 01, 2010</b>	<b>126,011,600</b>	<b>(272,807,183)</b>	<b>(146,795,583)</b>
Incremental depreciation on revalued property, plant and equipment for the period	-	4,238,927	4,238,927
Tax effect on incremental depreciation	-	(1,395,200)	(1,395,200)
Total comprehensive loss for the period	-	(2,050,344)	(2,050,344)
<b>Balance as at September 30, 2010</b>	<b>126,011,600</b>	<b>(272,013,800)</b>	<b>(146,002,200)</b>

The annexed notes 1 to 10 form an integral part of the financial information.

**CHIEF EXECUTIVE**

**DIRECTOR**

**J. A. TEXTILE MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2010 (Un-Audited)**

**1. THE COMPANY AND ITS OPERATIONS**

J.A. Textile Mills Limited (the Company) is limited by shares incorporated in Pakistan under the Companies Ordinance, 1984 and listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the Company is located in W-32, Susan Road, Madina Town, Faisalabad. The principal business activity of the Company is manufacturing and sale of yarn.

**2. BASIS OF PREPARATION**

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan. This condensed interim financial information is unaudited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the annual audited financial statements of the Company as at and for the year ended June 30, 2010. Comparative figures of the balance sheet are extracted from annual audited financial statements for the year ended June 30, 2010, whereas comparative profit and loss account, cash flow statement and statement of changes in equity are stated from unaudited condensed financial information for the quarter ended September 30, 2009.

**3. ACCOUNTING POLICIES**

The accounting policies, related judgements, estimates and assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited financial statements for the preceding year ended June 30, 2010.

**4. PROPERTY, PLANT AND EQUIPMENT**

	<u>Unaudited</u> <u>September 30,</u> <u>2010</u>	<u>Audited</u> <u>June 30,</u> <u>2010</u>
	----- Rupees -----	
Opening book value	280,013,959	305,405,408
Add: Cost of additions during the period / year (Note 4.1)	7,113,594	3,665,962
	<u>287,127,553</u>	<u>309,071,370</u>
Book value of deletions during the period / year	-	(2,871,175)
	<u>287,127,553</u>	<u>306,200,195</u>
Depreciation charged for the period / year	(6,210,836)	(26,186,236)
	<u>280,916,717</u>	<u>280,013,959</u>

**4. ADDITIONS DURING THE PERIOD**

Plant and machinery	-	3,583,062
Power generator	5,331,724	-
Office equipments	2,000	81,400
Furniture and fixtures		1,500
Vehicles	1,779,870	-
	<u>7,113,594</u>	<u>3,665,962</u>

<u>Unaudited</u>	<u>Audited</u>
<u>September 30,</u>	<u>June 30,</u>
<u>2010</u>	<u>2010</u>
----- Rupees -----	

## 5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance	216,229,507	228,413,621
Incremental depreciation on revalued property, plant and equipment transferred to accumulated loss	4,238,927	17,899,213
Related effect of deferred tax liability	(1,395,200)	(5,715,098)
	2,843,727	12,184,115
	213,385,780	216,229,507.00

First revaluation of property, plant and equipment was carried out on September 30, 1998 and second on June 30, 2007 by independent valuers, M/S Nizamy associates on the basis of depreciated replacement values.

## 6. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 6.1** 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.
- 6.2** 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.
- 6.3** The Company has not charged mark up on long term financing from MCB Bank Limited from July 01, 2008 to September 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.



Quarter ended	
September 30, 2010	September 30, 2009
----- Rupees -----	

## 7. COST OF SALES

Raw material consumed (Note 7.1)	156,953,948	84,554,993
Stores and spares consumed	1,896,662	1,170,497
Packing material consumed	1,312,787	1,446,477
Salaries and wages	11,448,321	8,759,295
Retirement benefits	388,316	290,316
Fuel and power	15,846,172	9,077,946
Repairs and maintenance	188,790	86,640
Postage and telecommunication	15,883	12,305
Vehicles running and maintenance	129,171	81,106
Insurance	447,990	390,000
Depreciation	6,063,443	4,274,115
Others	239,086	196,313
	<b>194,930,569</b>	110,340,003
Work in process		
Opening balance	-	-
Closing balance	(2,905,216)	(3,464,028)
	<b>(2,905,216)</b>	(3,464,028)
Cost of goods manufactured	<b>192,025,353</b>	106,875,975
Finished goods		
Opening balance	15,798,103	13,615,700
Closing balance	(7,507,840)	(953,263)
	<b>8,290,263</b>	12,662,437
	<b>200,315,616</b>	119,538,412

### 7.1 RAW MATERIAL CONSUMED

Opening balance	1,731,970	-
Purchases	169,920,885	95,048,384
	<b>171,652,855</b>	95,048,384
Closing balance	(14,698,907)	(10,493,391)
	<b>156,953,948</b>	84,554,993

8. The provision for taxation made in this condensed interim financial information is subject to adjustment in annual financial statements.

## 9. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on OCTOBER 29, 2010 by the Board of Directors of the Company.

## 10. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR