بسم الله الرحمن الرحيم

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# COMPANY INFORMATION

**Board of Directors**

| | |
|---|---|
| Chief Executive: | Mr. Imran Zahid |
| Directors: | Ms. Quratul-ain Zahid |
| | Mr. Zia-ullah Khan Dilawar |
| | Mr. Muhammad Anwar-ul-Haq |
| | Mr. Muhammad Ikhlaq |
| | Mr. Muhammad Ali |
| | Mr. Muhammad Yousaf |

**Audit Committee:**

| | |
|---|---|
| Chairman: | Mr. Zia-ullah Khan Dilawar |
| Member: | Mr. Muhammad Ikhlaq |
| Member: | Mr. Muhammad Anwar-ul-Haq |

**Human Resources & Remuneration (HR&R) Committee:**

| | |
|---|---|
| Chairman: | Mr. Muhammad Ikhlaq |
| Member: | Mr. Imran Zahid |
| Member: | Mr. Zia-ullah Khan Dilawar |
| Company Secretary: | Mr. Khalid Jabbar |
| Chief Financial Officer: | Mr. Ajmal Shabab |
| Head of Internal Audit: | Mr. Aftab Younis |
| Auditors: | Hyder Bhimji & Company, Chartered Accountants |
| Banks: | Al Baraka Islamic Bank B.S.C. (E.C.)<br>JS Bank Limited<br>National Bank of Pakistan<br>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.) Limited<br>Plot No. 2-C, Mezzanine Floor, Badar Commercial Area, Street No. 9, Phase-V(Ext.), D. H. A., Karachi. |
| Mills: | 29-KM, Sheikhupura Road, 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 31.10.2013 to transact the following business :-

1 To confirm the minutes of the Annual General Meeting held on 31.10.2012.

2 To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2013 together with the Directors' and Auditor's reports thereon.

3 To appoint auditors for the year ending June 30, 2014 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: 08.10.2013

Company Secretary

NOTES:

1 The share transfer books of the company will remain closed from 25.10.2013 to 31.10.2013 (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 26th Annual Report for the year ended June 30, 2013

**Industry review**
Performance of textile sector managed a slow growth because of energy shortage. Besides energy crisis other factors like law and order situation, political infirmity, unsupportive government policies and financing barriers for investment in machinery and heavy taxation also badly effect the growth of industry.

**Operational review**
Synopsis of financial year 2013:

- Gross earnings improved to 64.564 million from 22.280 million during last year due to better operations in financial year 2013.
- Operational costs increased by 58.85% (Increased from 12.923million to 20.528 million during the year under review).
- Sales revenue increased by 45.95% due to increased demand in local market and export.

**Summarized financial results**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Millions Rs** | **% of Sales** | **Millions Rs** | **% of Sales** |
| Gross Profit margin | 64.564 | 7.51 | 22.280 | 3.78 |
| Operating Profit before tax | 46.292 | 5.38 | 11.720 | 1.99 |

**Future Outlook**
Your company demonstrated improved performance in financial year 2013 despite of the very challenging business conditions. We are very much optimistic keeping in view of the current year performance and continuous modernization of plant and machinery will ensure better outcome in coming year.

During the year your company has opened a Letter of credit of Rupees 16 million for acquiring new machinery for modernization of further 6 frames of ring department which will not only be enhance efficiency of the plant but also fetch better price due to improvement in quality of yarn. The said machinery has been arrived in mills and installation process started. We positively look forward to counter all challenges and firmly committed to deliver best possible results in future and will continue to meet our objectives and goals.

**Compliance to good governance, social and environmental requirements**
Your company is committed to fulfill its responsibilities towards good governance, social and environmental responsibilities. To protect health and safety of employees and environment, company provides able conditions and means to ensure compliance.

Your 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

**Contribution to national exchequer**
During the financial year the company contributed Rs.9.018 million to the national exchequer in the shape of direct and indirect taxes.

**Human resource and industrial relations**
Under a defined and documented criteria in line with national and international laws people are recruited and hired. This is demonstrated at all level beyond any racism, cast, sex or religion and respects human rights, ethics and standards.

To keep work friendly environment company has setup procedures, rules and regulations which regulate employment guidance. The operations of the company were carried out keeping in view the dignity, respect, support and protection as per national and international standards set to meet the working environments.

**Earning per share and dividend**
Based on the profit after tax for the year ended June 30, 2013, the earning per share is Rupee 2.25.
Considering current financial results and accumulated losses brought forward, no dividend is recommended for the year ended June 30, 2013.

**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, 2012.

**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.

**Financial and Corporate Reporting Framework**
The Directors are pleased to state that your company is compliant with the provisions of the practices of Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

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.

Following are the statements of Corporate and financial Reporting Framework:

**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 there from 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. 4.700/- millions for the year ended June 30, 2013. (2012: Rs. 3.038 millions)

**j)** During the year under review, four meetings of the Board were held

| Name of directors | Meetings attended |
|---|---|
| Mr. Imran Zahid (CEO) | 4 |
| Ms Quratul Ain Zahid | 4 |
| Mr. Zia Ullah Khan Dilawar | 4 |
| Mr. Muhammad Anwar ul Haq | 4 |
| Mr. Muhammad Ikhlaq | 4 |
| Mr. Muhammad Ali | 3 |
| Mr. Muhammad Yousaf | 3 |

**k)** Statement of compliance with the Best Practices of Corporate Governance 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 18.1 and 18.2 to the financial statements. As per directors' view company is at sound footing and prima facie all the cases is expected to be decided in its favor.

**Post balance sheet events**

There was no significant post 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, 2013 is annexed.

**Audit committee**

The committee comprises of 3 members including Chairman. All members of the committee are 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 2014 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
October 08, 2013

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulation No. 35 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the board includes:

| Category | Names |
|---|---|
| Independent Directors | Mr. Zia-ullah Khan Dilawar |
| Executive Directors | Mr. Imran Zahid and Ms. Quratul-ain Zahid |
| Non-Executive Directors | Mr. Muhammad Anwar-ul-Haq, Mr. Muhammad Ikhlaq, Mr. Muhammad Ali and Mr. Muhammad Yousaf. |

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified on clause (xi) of CCG, some of the Directors of the Company are exempted from the requirement of directors' training program and the rest of the Directors to be trained within specified time.

10. The directors' report for this year has been prepared in compliance with the requirement of the CCG 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 CCG.

14. The Board has formed an audit committee. It comprises of three members, all 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.

17. 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.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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) guidelines on code of ethics as adopted by institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to directors, employees and stock exchanges.

21. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

22. We confirm that all other material principles enshrined in the CCG have been complied with.

IMRAN ZAHID
CHIEF EXECUTIVE
OCTOBER 08, 2013

# KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS

| PARTICULARS | **2012 Restated** | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| | **Rs. Millions** | Rs. Millions | Rs. Millions | Rs. Millions | Rs. Millions | Rs. Millions |
| FINANCIAL POSITION | | | | | | |
| Fixed assets (cost) | **540.010** | 403.994 | 386.603 | 388.471 | 387.927 | 387.739 |
| Accumulated depreciation | **140.704** | 128.618 | 106.589 | 83.066 | 55.736 | 19.051 |
| Current assets | **72.502** | 50.668 | 63.223 | 30.891 | 77.511 | 83.900 |
| Paid up capital | **126.012** | 126.012 | 126.012 | 126.012 | 126.012 | 126.012 |
| Current liabilities | **77.904** | 43.508 | 65.877 | 43.982 | 51.841 | 55.067 |
| INCOME | | | | | | |
| Sales | **589.264** | 716.222 | 571.674 | 480.345 | 572.154 | 496.947 |
| Other income | **2.362** | 0.510 | 0.984 | 0.009 | 0.031 | 4.586 |
| Pre-tax profit/(loss) | **11.720** | (0.245) | 2.298 | (40.925) | (33.719) | 12.218 |
| Taxation charge/(credit) | **10.323** | 6.326 | 8.517 | (4.144) | (6.326) | 21.789 |
| STATISTICS AND RATIOS | | | | | | |
| Pre-tax profit/(loss) to sales % | **1.99** | (0.03) | 0.402 | (8.520) | (5.893) | 2.459 |
| Pre-tax profit/(loss) to capital % | **7.23** | (0.39) | 3.310 | (26.790) | (26.759) | 9.696 |
| Current Ratio | **1 : 0.93** | 1 : 1.16 | 1 : 0.96 | 1 : 0.70 | 1 : 1.50 | 1 : 1.50 |
| Paid up value per share (Rs.) | **10.00** | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Earning after tax per share (Rs.) | **0.11** | (0.52) | (0.49) | (2.92) | (2.17) | (0.76) |
| Cash dividend % | **0** | 0 | 0 | 0 | 0 | 0 |
| Break-up value per share (Rs.) | **12.87** | 5.01 | 5.51 | 6.00 | 8.92 | 11.35 |

## 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 ("the Statement") contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **J.A. Textile Mills Limited** ("the Company") to comply with the Listing Regulation No.35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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, 2013.

**HYDER BHIMJI & CO.**
**Chartered Accountants**
**Engagement Partner: Shabir Ahmed**

**DATE: OCTOBER 08, 2013**
**FAISALABAD**

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **J.A. TEXTILE MILLS LIMITED** ("the Company") as at June 30, 2013 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 overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of 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, 2013 and of the profit, 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 of the members to;

(a) Note 18.1 to the financial statements, which indicate that the Company has filed appeal before the Supreme Court of Pakistan against the decision of the Lahore High Court Lahore for remitting back the case to Banking Court-II, Faisalabad for necessary calculations of mark up, which had originally decided in favour of the Company. Due to litigation the bank has not confirmed the balances as appearing in these financial statements. Although, the management of the company is 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.

(b) Note 18.2 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 balances as appearing in these financial statements has also not been confirmed by the Bank. Although, the management of the company is affirmative that the case will be decided in Company's favour, the ultimate outcome of the matter cannot presently be determined with any degree of certainty.

**HYDER BHIMJI & CO.**
**Chartered Accountants**
**Engagement Partner: Shabir Ahmed**

**DATE: OCTOBER 08, 2013**
**FAISALABAD**

# J.A . TEXTILE MILLS LIMITED

## BALANCE SHEET
### AS AT JUNE 30, 2013

| | Note | 2013 Rupees | Restated 2012 Rupees | Restated 2011 Rupees |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **NON CURRENT ASSETS** | | | | |
| Property, plant and equipment | 5 | 416,076,266 | 427,359,028 | 275,376,010 |
| Long term deposits | 6 | 17,171,926 | 17,197,833 | 17,021,926 |
| | | 433,248,192 | 444,556,861 | 292,397,936 |
| **CURRENT ASSETS** | | | | |
| Stores and spares | 7 | 8,065,296 | 7,153,391 | 7,801,059 |
| Stock in trade | 8 | 87,237,176 | 32,505,174 | 55,811 |
| Trade debts | 9 | 7,962,413 | 8,227,189 | - |
| Advances, prepayment and other receivables | 10 | 3,115,879 | 2,585,524 | 4,762,358 |
| Short term investment | 11 | 293,133 | 269,805 | 27,337,641 |
| Tax refunds due from Government | 12 | 7,747,271 | 3,735,289 | 2,368,926 |
| Cash and bank balances | 13 | 24,390,863 | 18,025,906 | 8,342,236 |
| | | 138,812,031 | 72,502,278 | 50,668,031 |
| **TOTAL ASSETS** | | 572,060,223 | 517,059,139 | 343,065,967 |
| **EQUITY AND LIABILITIES** | | | | |
| **SHARE CAPITAL AND RESERVES** | | | | |
| **Authorized capital** 20,000,000 ordinary shares of Rs.10 each | | 200,000,000 | 200,000,000 | 200,000,000 |
| **Issued, subscribed and paid up capital** 12,601,160 ordinary shares of Rs. 10 each, fully paid in cash | | 126,011,600 | 126,011,600 | 126,011,600 |
| **Accumulated loss** | | (170,731,401) | (208,568,809) | (214,622,490) |
| | | (44,719,801) | (82,557,209) | (88,610,890) |
| **SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT** | 14 | 235,178,750 | 244,693,379 | 151,801,750 |
| **NON CURRENT LIABILITIES** | | | | |
| Long term financing | 15 | 186,179,049 | 192,309,918 | 193,171,056 |
| Deferred liabilities | 16 | 101,012,763 | 84,708,834 | 43,196,113 |
| | | 287,191,812 | 277,018,752 | 236,367,169 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 17 | 72,377,587 | 55,442,463 | 21,069,071 |
| Accrued mark up/interest | | 22,031,875 | 22,031,875 | 22,031,875 |
| Provision for taxation | | - | 429,879 | 406,992 |
| | | 94,409,462 | 77,904,217 | 43,507,938 |
| **CONTINGENCIES AND COMMITMENTS** | 18 | | | |
| **TOTAL EQUITY AND LIABILITIES** | | 572,060,223 | 517,059,139 | 343,065,967 |

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company Chartered Accountants

CHIEF EXECUTIVE　　　　DIRECTOR

# J.A . TEXTILE MILLS LIMITED
## PROFIT AND LOSS ACCOUNT
### FOR THE YEAR ENDED JUNE 30, 2013

| | Note | 2013 Rupees | Restated 2012 Rupees |
|---|---|---|---|
| Sales - net | 19 | **860,044,093** | 589,263,886 |
| Cost of sales | 20 | **795,479,816** | 566,983,774 |
| Gross profit | | **64,564,277** | 22,280,112 |
| Operating expenses | | | |
| Distribution costs | 21 | **6,057,761** | 598,762 |
| Administrative expenses | 22 | **10,819,403** | 11,147,305 |
| Other operating expenses | 23 | **3,420,353** | 1,026,304 |
| Finance cost | 24 | **230,654** | 150,469 |
| | | **20,528,171** | 12,922,840 |
| | | **44,036,106** | 9,357,272 |
| Other income | 25 | **2,255,925** | 2,362,320 |
| Profit before taxation | | **46,292,031** | 11,719,592 |
| Taxation | 26 | **17,992,580** | 10,322,943 |
| Profit for the year | | **28,299,451** | 1,396,649 |
| Earnings per share - Basic & Diluted | 27 | **2.25** | 0.11 |

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR

# J.A . TEXTILE MILLS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED JUNE 30, 2013

| | 2013<br>Rupees | Restated<br>2012<br>Rupees |
|---|---|---|
| Profit for the year after taxation | **28,299,451** | 1,396,649 |
| **Other comprehensive income for the year** | | |
| Unrealized income on change in fair value of investment | **23,328** | 26,500 |
| Total comprehensive income for the year | **28,322,779** | 1,423,149 |

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company
Chartered Accountants

**CHIEF EXECUTIVE**

**DIRECTOR**

# J.A . TEXTILE MILLS LIMITED
## CASH FLOW STATEMENT
### FOR THE YEAR ENDED JUNE 30, 2013

| | Note | 2013 Rupees | Restated 2012 Rupees |
|---|---|---|---|
| **a) CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 46,292,031 | 11,719,592 |
| **Adjustments for non cash and other items:** | | | |
| Depreciation | | 20,149,921 | 12,085,253 |
| Profit on deposit accounts | | (2,149,990) | (1,303,983) |
| Profit on short term investment | | - | (573,783) |
| Workers' welfare fund | | 240,385 | 250,832 |
| Workers' profit participation fund | | 2,449,075 | 630,022 |
| Gain on disposal of vehicle | | (101,619) | - |
| Finance cost | | 230,654 | 150,469 |
| Operating cash flows before working capital changes | | 67,110,457 | 22,958,402 |
| **Changes in working capital** | | | |
| **(Increase)/decrease in current assets** | | | |
| Stores and spares | | (911,905) | 647,668 |
| Stock in trade | | (54,732,002) | (32,449,363) |
| Trade debts | | 264,776 | (8,227,189) |
| Advances, prepayment and other receivables | | (441,496) | 2,176,834 |
| Tax refunds due from Government | | (1,991,223) | (1,366,363) |
| **Increase/(decrease) in current liabilities** | | | |
| Trade and other payables | | 15,116,071 | 33,772,625 |
| | | (42,695,779) | (5,445,788) |
| **Cash generated from operations** | | 24,414,678 | 17,512,614 |
| Finance cost paid | | (190,056) | (150,469) |
| Workers' welfare fund paid | | (240,385) | (250,832) |
| Workers' profit participation fund paid | | (670,620) | (29,255) |
| Taxes paid | | (4,139,289) | (5,835,533) |
| Staff retirement gratuity paid | | - | (568,759) |
| **Net cash generated from operating activities** | | 19,174,328 | 10,677,766 |
| **b) CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Addition in property, plant and equipment | | (9,065,540) | (28,929,153) |
| Sale proceeds from the disposal of vehicle | | 300,000 | - |
| Profit on deposit accounts | | 2,061,131 | 1,303,983 |
| Profit on short term investment | | 23,328 | 600,283 |
| Short term investment | | (23,328) | 27,067,836 |
| Long term deposits | | 25,907 | (175,907) |
| **Net cash used in investing activities** | | (6,678,502) | (132,958) |
| **c) CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Long term financing obtained | | - | - |
| Repayment of long term financing | | (6,130,869) | (861,138) |
| **Net cash used in financing activities** | | (6,130,869) | (861,138) |
| **Net increase in cash and cash equivalents** | (a+b+c) | 6,364,957 | 9,683,670 |
| **Cash and cash equivalents at the beginning of the year** | | 18,025,906 | 8,342,236 |
| **Cash and cash equivalents at the end of the year** | 13 | 24,390,863 | 18,025,906 |

The annexed notes 1 to 36 form an integral part of these financial statements.

Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR

# J.A . TEXTILE MILLS LIMITED

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2013

| | Share capital | Accumulated loss | Total |
|---|---|---|---|
| | [ R U P E E S ] | | |
| **Balance as at July 01, 2011 as originally reported** | 126,011,600 | (268,728,057) | (142,716,457) |
| Correction of error (Note- 4.21) | - | 54,105,567 | 54,105,567 |
| **Balance as at July 01, 2011 - restated** | **126,011,600** | **(214,622,490)** | **(88,610,890)** |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of tax as originally reported | | 5,024,369 | 5,024,369 |
| Excess transfer of Incremental depreciation net of tax from surplus on revaluation of property, plant & equipment (Note.4.21) | | (393,837) | (393,837) |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of tax as restated | | 4,630,532 | 4,630,532 |
| Total comprehensive income for the year as originally reported | | (23,437,819) | (23,437,819) |
| Net deferred taxation on additional surplus arisen on revaluation of property, plant & equipment during the year charged to P&L (Note.4.21) | | 24,860,968 | 24,860,968 |
| Total comprehensive income for the year as restated | | 1,423,149 | 1,423,149 |
| **Balance as at June 30, 2012-restated** | **126,011,600** | **(208,568,809)** | **(82,557,209)** |
| Balance as July 01, 2012 as originally reported | 126,011,600 | (287,141,507) | (161,129,907) |
| **Correction of error (Note 4.21)** | | | |
| Deferred taxation on surplus arisen on revaluation of property, plant & equipment of prior years | | 54,105,567 | 54,105,567 |
| Net deferred taxation on additional surplus arisen on revaluation of property, plant & equipment during the year charged to P&L | | 24,860,968 | 24,860,968 |
| Excess transfer of Incremental depreciation net of tax from surplus on revaluation of property, plant & equipment | | (393,837) | (393,837) |
| | | 78,572,698 | 78,572,698 |
| **Balance as July 01, 2012-restated** | **126,011,600** | **(208,568,809)** | **(82,557,209)** |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of tax | | **9,514,629** | **9,514,629** |
| Total comprehensive income for the year | - | **28,322,779** | **28,322,779** |
| **Balance as at June 30, 2013** | **126,011,600** | **(170,731,401)** | **(44,719,801)** |

The annexed notes 1 to 36 form an integral part of these financial statements.

Hyder Bhimji & Company Chartered Accountants

CHIEF EXECUTIVE

DIRECTOR

## J.A . TEXTILE MILLS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS
### FOR THE YEAR ENDED JUNE 30, 2013

**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.

**2. STATEMENT OF COMPLIANCE**

2.1 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 year**

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which became effective during the year but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

**2.3 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective**

There were certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2013, but are considered not to be relevant or have any significant effect on the company's operations, other than presentation / disclosures and are, therefore, not disclosed in these financial statements.

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:

| | | **IASB Effective date**<br>Accounting Periods beginning on or After |
|---|---|---|
| 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 |
| IFRIC-21 | Levies | January 01, 2014 |

**3. BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention except property, plant and equipment reffered in note 4.3 are 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 approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of setting up and applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the use of the management assumptions, judgement and estimates in these financial statements are as follows:

| | |
|---|---|
| Taxation | ( Note : 4.2 ) |
| Useful life of the depreciable assets | ( Note : 4.3 ) |
| Contingencies | ( Note : 4.7 ) |
| Store and spares | ( Note : 4.8 ) |
| Provision for doubtful debts and other receivable | ( Note : 4.10 ) |

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 subsequent years.

**4. SUMMERY OF SIGNIFICANT ACCOUNTING POLICIES**

4.1 Staff retirement benefits

The Company operates an approved funded contributory Provident Fund Scheme for all its employees eligible for benefits. 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 for the year.

## 4.2 Taxation

### Current Taxation

#### Under normal law

The current taxation is computed on the basis of profit for the year adjusted for fiscal purposes after taking into account the tax credit or rebate, if any or minimum tax u/s 113 of the Income Tax Ordinance, 2001.

#### Under presumptive tax regime

Taxation in relation to export of goods under section 154 read with section 169 is provided on the basis of Presumptive Tax Regime in accordance with the provisions of the Income Tax Ordinance, 2001.

### 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 basis 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 amounts 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 - 5.1.

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 loss 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

The surplus arising on revaluation of these assets is credited to the "Surplus on revaluation of property, plant and equipment"' account shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance 1984. The Company has adopted the following accounting treatment of depreciation on revalued assets in accordance with the provisions of the above said section:

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

An amount equal to incremental depreciation for the year net of deferred taxation is transferred from " Surplus on Revaluation of Fixed Assets account" to accumulated profits/losses through Statement of Changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

## 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.

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**4.6 Provisions**

A provision is recognized 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 Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence/ non- occurrence of the uncertain future event(s).

**4.8 Stores and spares**

These are valued at lower of moving (monthly weighted) average cost and net realizable value except items-in-transit which are valued at cost accumulated to the balance sheet date. Stores, spares and loose tools are regularly reviewed by the management to assess their net realizable value (NRV). Provision is made for slow moving and obsolete store items when so identified.

**4.9 Stock in trade**

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

| | |
|---|---|
| Raw material - At factory | Annual 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 | At net realizable value |

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

**4.10 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 recognized at nominal amount which is fair value of the consideration to be received in future. Balances considered bad are written off when identified.

**4.11 Short term investment**

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available -for -sale.

Subsequent to initial recognition at cost, these are measured at fair value. The Company uses latest stock exchange quotations to determine the fair value of quoted investments. Gain or losses on available for sale investments are recognised directly in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognised in other comprehensive income, is re-classified from equity to profit and loss as re-classification adjustment.

**4.12 Foreign currency translation**

Transactions in foreign currencies are translated into Pak Rupees (functional and presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date. All exchange differences arising from foreign currency transactions / translations are charged to profit and loss account.

**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 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.

**4.15 Revenue recognition**

Revenue is recongnised to the extent it is probable that economic benefits will flow to the Company and revenue can be measured reliably. Revenue is measured at fair value of consideration received or receivable and is recognised on the following basis;

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have been passed to the customers usually when goods are delivered/ dispatched and title has passed.

Profit on short term investments and bank deposits is recognized on accrual basis.

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### 4.16 Borrowing costs

Borrowing costs 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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account in the period of incurrence.

### 4.17 Dividend and other appropriations

Dividend is recognized 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.

### 4.18 Financial Instruments

Financial assets are long term deposits, long term advances, trade debtors, advances & other receivables and cash and bank balances. These are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred; and the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term loans & finances, short term loans & borrowing and trade payables. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

### 4.19 Impairment

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount by charging the impairment loss against profit and loss account for the year.

### 4.20 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.

### 4.21 Correction of error

Deferred tax effect in the aggregate sum of Rs. 54,105,567 up to the year ended June 30, 2011 and Rs. 37,616,957 for the year ended June 30, 2012 on the surplus arising on the revaluation of property, plant and equipment was inadvertently not transferred from "surplus on revaluation of property plant and equipment" account to deferred tax liability. Such an error has been rectified retrospectively in accordance of IAS 8, "Accounting policies, Changes in accounting estimates and Errors". The effect of these adjustments in these financial statements is, as under:

| | Amount Rupees |
|---|---|
| **Effect on year 2012 :** | |
| Effect in statement of changes in equity | |
| Decrease in incremental depreciation on revaluation of Property, plant & equipment net of deferred tax | 393,837 |
| Effect on the balance sheet | |
| Decrease in surplus on revaluation of Property, plant & equipment | 37,223,120 |
| Increase in deferred liabilities | (12,755,989) |
| Effect on the profit & loss account | |
| Decrease in taxation expense | (24,860,968) |
| Effect on statement of comprehensive income | |
| Increase in profit after tax for the year | 24,860,968 |
| Effect on earning per share | |
| Increase in earning per share | 1.97 |
| **Effect on period prior to 2011:** | |
| Effect in statement of changes in equity | |
| Decrease in accumulated loss | (54,105,567) |
| Effect on the balance sheet | |
| Decrease in surplus on revaluation of Property, plant & equipment | 54,105,567 |

| | 2012 After restatement | 2012 Before restatement |
|---|---|---|
| | ---Rupees--- | |
| **Earning per share - Basic** | | |
| Earnings per share - Basic & Diluted | 0.11 | (1.86) |

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## 5. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Operating fixed assets | 5.1 | **414,991,616** | 399,305,694 |
| Capital work in progress | 5.5 | **1,084,650** | 28,053,334 |
| | | **416,076,266** | 427,359,028 |

## 5.1 OPERATING FIXED ASSETS

**2013**

| DESCRIPTION | COST / REVALUATION | | | | DEPRECIATION | | | | W. D. V | Rate |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2012 | Addition/ (deletion) | Surplus on Revaluation | As at June 30, 2013 | As at July 1, 2012 | For the year | Adjustment | As at June 30, 2013 | As at June 30, 2013 | % |
| Freehold land | 78,800,000 | - | - | 78,800,000 | - | - | - | - | 78,800,000 | - |
| Building on freehold land | | | | | | | | | | |
| - factory | 152,567,415 | - | - | 152,567,415 | 37,623,415 | 5,747,200 | - | 43,370,615 | 109,196,800 | 5 |
| - residential | 28,647,509 | 483,380 | - | 29,130,889 | 7,547,209 | 1,069,114 | - | 8,616,323 | 20,514,566 | 5 |
| Plant and machinery | 204,635,320 | 33,300,933 | - | 237,936,253 | 69,995,320 | 7,948,702 | - | 77,944,022 | 159,992,231 | 5 |
| Power Generators | 29,653,910 | 343,536 | - | 29,997,446 | 2,653,910 | 2,722,902 | - | 5,376,812 | 24,620,634 | 10 |
| Electric installations | 16,621,598 | - | - | 16,621,598 | 10,321,598 | 630,000 | - | 10,951,598 | 5,670,000 | 10 |
| Factory equipments | 14,785,075 | - | - | 14,785,075 | 2,185,075 | 1,260,000 | - | 3,445,075 | 11,340,000 | 10 |
| Electric appliances | 940,688 | - | - | 940,688 | 726,290 | 21,440 | - | 747,730 | 192,958 | 10 |
| Office equipments | 2,789,355 | 18,000 | - | 2,807,355 | 1,749,009 | 105,291 | - | 1,854,300 | 953,055 | 10 |
| Furniture and fixtures | 290,516 | - | - | 290,516 | 240,373 | 5,014 | - | 245,387 | 45,129 | 10 |
| Vehicles | 10,278,507 | 1,888,375<br>(645,770) | - | 11,521,112 | 7,662,000 | 640,258 | (447,389) | 7,854,869 | 3,666,243 | 20 |
| **Total 2013** | **540,009,893** | **35,388,454** | - | **575,398,347** | **140,704,199** | **20,149,921** | | **160,406,731** | **414,991,616** | |

**2012**

| DESCRIPTION | COST / REVALUATION | | | | DEPRECIATION | | | | W. D. V | Rate |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2011 | Addition/ (deletion) | Surplus on Revaluation | As at June 30, 2012 | As at July 1, 2011 | For the year | | As at June 30, 2012 | As at June 30, 2012 | % |
| Freehold land | 63,040,000 | - | 15,760,000 | 78,800,000 | - | - | | - | 78,800,000 | - |
| Building on freehold land | | | | | | | | | | |
| - factory | 99,954,726 | - | 52,612,689 | 152,567,415 | 34,342,819 | 3,280,596 | - | 37,623,415 | 114,944,000 | 5 |
| - residential | 20,034,800 | - | 8,612,709 | 28,647,509 | 6,889,968 | 657,241 | - | 7,547,209 | 21,100,300 | 5 |
| Plant and machinery | 175,936,404 | 497,919 | 28,200,997 | 204,635,320 | 64,415,106 | 5,580,214 | - | 69,995,320 | 134,640,000 | 5 |
| Power Generators | 15,466,978 | 360,000 | 13,826,932 | 29,653,910 | 1,193,569 | 1,460,341 | - | 2,653,910 | 27,000,000 | 10 |
| Electric installations | 12,569,808 | - | 4,051,790 | 16,621,598 | 10,071,797 | 249,801 | - | 10,321,598 | 6,300,000 | 10 |
| Factory equipments | 2,711,074 | - | 12,074,001 | 14,785,075 | 2,126,631 | 58,444 | - | 2,185,075 | 12,600,000 | 10 |
| Electric appliances | 940,688 | - | - | 940,688 | 702,468 | 23,822 | - | 726,290 | 214,398 | 10 |
| Office equipments | 2,771,455 | 17,900 | - | 2,789,355 | 1,633,914 | 115,095 | - | 1,749,009 | 1,040,346 | 10 |
| Furniture and fixtures | 290,516 | | - | 290,516 | 234,801 | 5,572 | - | 240,373 | 50,143 | 10 |
| Vehicles | 10,278,507 | - | - | 10,278,507 | 7,007,873 | 654,127 | - | 7,662,000 | 2,616,507 | 20 |
| **Total 2012** | **403,994,956** | **875,819** | **135,139,118** | **540,009,893** | **128,618,946** | **12,085,253** | | **140,704,199** | **399,305,694** | |

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| | 2013 Rupees | 2012 Rupees |
|---|---|---|

**5.2 Depreciation charge for the year has been allocated as under**

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Cost of sales | **19,399,358** | 11,310,459 |
| Administrative expenses | **750,563** | 774,794 |
| | **20,149,921** | 12,085,253 |

**5.3 Detail of disposal of operating fixed assets**

| Description | Cost | Accumulated Depreciation | Written down value | Sale proceeds | Particulars |
|---|---|---|---|---|---|
| Vehicle (Sold by negotiation) | 645,770 | 447,389 | 198,381 | 300,000 | Muhammad Hammad Riaz, S/O Riaz Ahmad Chak # 244 GB Kalaan, Tehsil Gojra, District Toba Tek Singh. |

5.4 Had there been no revaluation, the related figures of freehold land, building on freehold land, plant and machinery, power generators, electric installation and factory equipments as at June 30 would have been as follows:

| | 2013 | | |
|---|---|---|---|
| | 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 | 28,015,889 | 4,503,235 |
| - Residential | 6,147,674 | 4,958,440 | 1,189,234 |
| Plant and machinery | 265,918,540 | 188,897,381 | 77,021,159 |
| Power Generators | 16,170,514 | 3,994,119 | 12,176,395 |
| Electric installations | 12,569,808 | 10,546,419 | 2,023,389 |
| Factory equipments | 2,711,074 | 2,237,675 | 473,399 |
| | **339,885,609** | **238,649,923** | **101,235,686** |

| | 2012 | | |
|---|---|---|---|
| | 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 | 27,778,877 | 4,740,247 |
| - Residential | 5,664,294 | 4,906,449 | 757,845 |
| Plant and machinery | 232,617,607 | 185,315,577 | 47,302,030 |
| Power generators | 15,826,978 | 2,653,910 | 13,173,068 |
| Electric installations | 12,569,808 | 10,321,598 | 2,248,210 |
| Factory equipments | 2,711,074 | 2,185,075 | 525,999 |
| | **305,757,760** | **233,161,486** | **72,596,274** |

**5.5 Capital work in progress**

Plant and machinery

The movement in this account is as follows :

| | Opening Balance | Additions / Adjustment | Transfer to operating fixed assets | Closing Balance |
|---|---|---|---|---|
| | [ R U P E E S ] | | | |
| | 28,053,334 | | (26,968,684) | 1,084,650 |
| **2013** | **28,053,334** | **-** | **(26,968,684)** | **1,084,650** |
| **2012** | - | 28,053,334 | - | 28,053,334 |

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| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **6. LONG TERM DEPOSITS** | | | |
| Security deposits | | 17,171,926 | 17,197,833 |
| **7. STORES AND SPARES** | | | |
| Stores | | 4,103,401 | 3,727,047 |
| Spares | | 3,961,895 | 3,426,344 |
| | | 8,065,296 | 7,153,391 |
| **8. STOCK IN TRADE** | | | |
| Raw material | | 57,285,474 | 19,675,409 |
| Work in process | | 7,472,432 | 4,721,559 |
| Finished goods | | 22,479,270 | 8,108,206 |
| | | 87,237,176 | 32,505,174 |
| **9. TRADE DEBTS** | | | |
| **Considered good** | | | |
| Foreign - secured against Letter of Credit | | - | 4,896,280 |
| Local - unsecured | | 7,962,413 | 3,330,909 |
| | | 7,962,413 | 8,227,189 |
| **10. ADVANCES, PREPAYMENT AND OTHER RECEIVABLES** | | | |
| Advances to suppliers-considered good | | 1,963,994 | 1,545,069 |
| Advances to employees | | 30,336 | 70,121 |
| Prepaid insurance | | 167,916 | 105,560 |
| Accrued profit on deposit accounts | | 88,859 | - |
| Others | | 864,774 | 864,774 |
| | | 3,115,879 | 2,585,524 |
| **11. SHORT TERM INVESTMENT** | | | |
| **Available for sale** | | | |
| NAFA Government Securities Liquid Fund | 11.1 | 293,133 | 269,805 |

**11.1** These have been valued by using published net asset value (NAV) as at 30th June, the number of units held by the Company are 29,202.6628 units (2012: 26,840.0988 units).

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **12. TAX REFUNDS DUE FROM GOVERNMENT** | | | |
| Sales tax receivable | | 5,726,512 | 3,735,289 |
| Income tax refundable | | 2,020,759 | - |
| | | 7,747,271 | 3,735,289 |
| **13. CASH AND BANK BALANCES** | | | |
| Cash in hand | | 21,722 | 188,801 |
| Cash at bank | | | |
| In current accounts - including US$ 970 (2012: US$: 970) | | 334,720 | 230,417 |
| In deposit accounts | 13.1 | 24,034,421 | 17,606,688 |
| | | 24,369,141 | 17,837,105 |
| | | 24,390,863 | 18,025,906 |

**13.1** The rate of profit on deposit accounts is ranging from 5% to 9% per annum (2012: ranging from 6% to 8% per annum).

| | 2013 Rupees | Restated 2012 Rupees |
|---|---|---|
| **14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT** | | |
| Balance as on July 01, as originally reported | 244,693,379 | 205,907,317 |
| Less: Correction of error for not transferring the deferred tax effect arisen on surplus on revaluation of property plant and equipment to deferred tax liability in the prior years (Note.4.21) | - | (54,105,567) |
| Balance as on July 01, 2011, as restated | 244,693,379 | 151,801,750 |
| Add: Additional surplus arisen on revaluation of property, plant and equipment during the year. | - | 135,139,118 |
| Less: Related deferred tax effect transferred to deferred tax liability(Note.4.21) | - | (37,616,957) |
| | - | 97,522,161 |
| Less: Incremental depreciation on revalued property, plant and equipment for the year transferred to accumulated loss restated | 13,889,482 | 6,760,936 |
| Related effect of deferred tax liability restated | (4,374,853) | (2,130,404) |
| | 9,514,629 | 4,630,532 |
| Balance as on June 30, | 235,178,750 | 244,693,379 |

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This represents surplus on revaluation of freehold land, building on freehold land, plant and machinery, factory equipments, electric installations and power generators. 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 Nizamy Associates as on June 30, 2007 and June 30, 2012.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **15. LONG TERM FINANCING** | | | |
| **From banking companies - secured** | | | |
| IBRD foreign currency | 15.1 | **164,509** | 164,509 |
| Demand finance | 15.2 | **14,946,241** | 14,946,241 |
| | | **15,110,750** | 15,110,750 |
| **From related parties - unsecured** | | | |
| Chief executive, Directors and Members | 15.3 | **171,068,299** | 177,199,168 |
| | | **186,179,049** | 192,309,918 |

**15.1** It obtained from MCB Bank Limited and 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 (provision of markup not accounted for as described in note 18.2). 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.

**15.2** These represent credit facilities created against deferral of installments of IBRD foreign currency loan and are covered against securities provided to secure the loan in note 15.1. These are subject to mark up ranging from 14% to 17% per annum (markup provision not accounted for as described in note 18.2).

**15.3** 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 | 2013 Rupees | Restated 2012 Rupees |
|---|---|---|---|
| **16. DEFERRED LIABILITIES** | | | |
| Deferred taxation | 16.1 | **95,421,362** | 79,117,433 |
| Deferred custom levies | 16.2 | **5,591,401** | 5,591,401 |
| | | **101,012,763** | 84,708,834 |
| **16.1 DEFERRED TAXATION** | | | |
| **16.1.1** Balance as on July 01, | | **79,117,433** | 37,035,953 |
| Provided/(adjusted) during the year | | **16,303,929** | 42,081,480 |
| Balance as on June 30, | 16.1.2 | **95,421,362** | 79,117,433 |
| **16.1.2** This comprise of following: | | | |
| Deferred tax liability: | | | |
| Taxable temporary differences relating to operating assets | | **21,733,539** | 13,776,919 |
| Deferred tax assets: | | | |
| Deductible temporary differences on tax losses | | **-** | (12,754,133) |
| Deferred tax liability on surplus on revaluation of property, plant and equipment | | **73,687,823** | 78,094,647 |
| | | **95,421,362** | 79,117,433 |

**16.1.3** The liability of deferred tax has been computed by applying the tax rate of 34% as reduced by the Finance Act 2013 from 35%.

| | | 2013 | 2012 |
|---|---|---|---|
| **16.2 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 leviable 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.

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## 17. TRADE AND OTHER PAYABLES

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Trade creditors | | **37,610,521** | 32,101,293 |
| Accrued expenses | | **15,780,696** | 16,161,798 |
| Advances from customers | | **13,470,430** | 5,361,819 |
| Withholding tax payable | | **74,557** | 89,105 |
| Unclaimed dividend | | **443,720** | 443,720 |
| Provident fund trust | 17.1 | **1,261,198** | 654,706 |
| Sales tax payable | | **1,287,390** | - |
| Workers' profit participation fund | 17.2 | **2,449,075** | 630,022 |
| | | **72,377,587** | 55,442,463 |

**17.1** This represents amounts due to provident fund trust for the months of April, May & June, 2013. This amount was paid to trust on July 20, 2013.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **17.2** | **Workers' profit participation fund** | | | |
| | Balance as at July 01, | | **630,022** | 29,255 |
| | Interest on funds utilized in the Company's business | | **40,598** | - |
| | | | **670,620** | 29,255 |
| | Allocation for the year | | **2,449,075** | 630,022 |
| | | | **3,119,695** | 659,277 |
| Less : | Payments during the year | | **(670,620)** | (29,255) |
| | | | **2,449,075** | 630,022 |

## 18. CONTINGENCIES AND COMMITMENTS

**Contingencies**

**18.1** The Faysal Bank Limited has filed an appeal before the Lahore High Court, Lahore for recovery of Rs.45.616 Million (2012: Rs.45.616 Million) alongwith costs etc, against the decision in favor of Company by the Appellate Authorities. The mark up claim of Rs. 29.955 million (2012: Rs. 29.955 million) has not been acknowledged by the Company on the ground that the Appellate Authorities have already been given their verdict in favor of the Company, although the concerned bank has filed an appeal before the Lahore High Court against such decision. Subsequently on 6 July 2010, the Honorable 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 Honorable Supreme Court of Pakistan against the decision of the Honorable Lahore High Court. The management of the company is affirmed that the case will be decided in its favor. Due to litigation, the bank has not confirmed current accounts balances of Rs. 20,889/-appearing in these financial statements.

**18.2** The Company has filled a suit of rendition of accounts against charging excessive mark up by MCB Bank Limited instead of agreed one in all financing facilities availed in 1996. The bank has also filed a counter suit against the Company for recovery of outstanding liabilities. In the opinion of the management and its 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 financial statements. However the management of the Company has decided that further mark up on long term financing from MCB Bank Limited will not be charged from July 01, 2008 to June 30, 2013 on the plea that as per management's assertion, the provision of Rs. 22.032 million already existed in the books of account is much more than the amount that may be payable by the Company on decision.

**18.3** Two employees have filed suits against the company in Labor Court for the claim of outstanding dues against their services. The financial impact of the cases is immaterial. The legal advisor has confirmed that the Company is at sound footing and prima facie both the cases are expected to be decided in its favor.

**18.4** The Company has filed an appeal before Punjab Labor Appellate Tribunal against the decision of Labor 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 Labor Appellate Tribunal. Rs.119,774 as 50% of employee's dues have been deposited with Punjab Labor Appellate Tribunal. The financial impact of the case is immaterial. The legal advisor has confirmed that the Company is at sound footing and prima facie all the cases is expected to be decided in its favor.

**18.5** During the year, the Company has acknowledged a liability amounting to Rs. 240,385/- instead of Rs. 933,535/- of Workers Welfare Fund in the light of the decision of Honorable Lahore High Court, Lahore dated 24 August 2011 whereby the Honorable Lahore High Court, Lahore has struck down amendments regarding Workers Welfare Fund Ordinance, 1971 through Finance Act 2006 and 2008 as being unconstitutional. However, the department has filed an appeal against the decision, which is still pending for adjudication.

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **Commitments** | | |
| Under letters of credit for import of machinery | 15,987,816 | 26,308,800 |

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| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **19. SALES - NET** | | | |
| Yarn sales | 19.1 | | |
| Export | | **13,309,465** | 19,176,077 |
| Local | | **815,221,599** | 542,293,020 |
| Waste sales - local | | **31,639,842** | 28,326,736 |
| | | **860,170,906** | 589,795,833 |
| Less: Commission | | **(126,813)** | (531,947) |
| | | **860,044,093** | 589,263,886 |

**19.1** It includes exchange gain/(loss) Rs.16,876/- (2012: Rs.7,265/-)

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **20. COST OF SALES** | | | |
| Raw material consumed | 20.1 | **581,079,038** | 433,961,538 |
| Stores and spares consumed | | **20,034,211** | 12,662,918 |
| Packing material consumed | | **10,454,384** | 5,817,115 |
| Salaries, wages and benefits | | **74,826,146** | 47,320,645 |
| Provident fund contribution | | **2,148,033** | 1,306,843 |
| Fuel and power | | **100,094,521** | 64,030,375 |
| Repairs and maintenance | | **626,108** | 561,662 |
| Postage and telecommunication | | **80,136** | 67,751 |
| Vehicles running and maintenance | | **708,572** | 604,721 |
| Insurance | | **1,965,295** | 1,680,748 |
| Depreciation | 5.2 | **19,399,358** | 11,310,459 |
| Others | | **1,185,951** | 432,953 |
| | | **812,601,753** | 579,757,728 |
| Work in process | | | |
| Balance as on July 01, | | **4,721,559** | - |
| Balance as on June 30, | | **(7,472,432)** | (4,721,559) |
| | | **(2,750,873)** | (4,721,559) |
| Finished goods | | | |
| Balance as on July 01, | | **8,108,206** | 55,811 |
| Balance as on June 30, | | **(22,479,270)** | (8,108,206) |
| | | **(14,371,064)** | (8,052,395) |
| | | **795,479,816** | 566,983,774 |

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **20.1 RAW MATERIAL CONSUMED** | | | |
| Balance as on July 01, | | **19,675,409** | - |
| Purchases | | **618,689,103** | 453,636,947 |
| | | **638,364,512** | 453,636,947 |
| Balance as on June 30, | | **(57,285,474)** | (19,675,409) |
| | | **581,079,038** | 433,961,538 |
| **21. DISTRIBUTION COSTS** | | | |
| Ocean freight | | **506,589** | 130,073 |
| Shipping expenses | | **122,266** | 149,750 |
| Local freight | | **168,014** | 233,200 |
| Postage and telephone | | **17,270** | 71,781 |
| Others | 21.1 | **5,243,622** | 13,958 |
| | | **6,057,761** | 598,762 |

**21.1** It includes an amount of Rs. 5,228,621 sale tax paid into Government treasury to avail sale tax amnasty in terms of SRO. 179(I)/2013 dated 7th March, 2013.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **22. ADMINISTRATIVE EXPENSES** | | | |
| Staff salaries and benefits | | **5,428,275** | 4,850,354 |
| Provident fund contribution | | **201,850** | 212,210 |
| Postage and telecommunication | | **501,132** | 473,501 |
| Electricity, gas and water | | **491,816** | 887,988 |
| Printing and stationery | | **197,376** | 277,539 |
| Traveling and conveyance | | **1,096,286** | 823,169 |
| Fee and subscriptions | | **947,870** | 726,346 |
| Legal and professional | | **27,213** | 966,946 |
| Repairs and maintenance | | **94,058** | 36,839 |
| Auditors' remuneration | 22.1 | **320,000** | 320,000 |
| Insurance | | **337,234** | 335,671 |
| Depreciation | 5.2 | **750,563** | 774,794 |
| Others | | **425,730** | 461,948 |
| | | **10,819,403** | 11,147,305 |
| **22.1 AUDITORS' REMUNERATION** | | | |
| Statutory audit | | **250,000** | 250,000 |
| Half yearly review | | **50,000** | 50,000 |
| Out of pocket expenses | | **20,000** | 20,000 |
| | | **320,000** | 320,000 |

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| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **23. OTHER OPERATING EXPENSES** | | | |
| Workers' welfare fund | | 240,385 | 250,832 |
| Workers' profit participation fund | | 2,449,075 | 630,022 |
| Mark up on provident fund | | 730,893 | - |
| Balance written off | | - | 145,450 |
| | | 3,420,353 | 1,026,304 |
| **24. FINANCE COST** | | | |
| Interest on workers' profit participation fund | | 40,598 | - |
| Bank charges and commission | | 190,056 | 150,469 |
| | | 230,654 | 150,469 |
| **25. OTHER INCOME** | | | |
| **Income from financial assets** | | | |
| Profit on deposit accounts | | 2,149,990 | 1,303,983 |
| Profit on short term investment | | - | 573,783 |
| Exchange gain on foreign currency translation | | 4,316 | 8,294 |
| **Income from non-financial assets** | | | |
| Gain on disposal of vehicle | | 101,619 | - |
| Balances written back | | - | 476,260 |
| | | 2,255,925 | 2,362,320 |

| | Note | 2013 Rupees | Restated 2012 Rupees |
|---|---|---|---|
| **26. TAXATION** | | | |
| Current | 26.1 | 1,688,651 | 5,872,619 |
| Deferred | | | |
| Defered tax expense relating to the orgination and reversal of temporary differences, tax loss etc. | | 18,564,427 | 4,464,523 |
| Defered tax income resulting from reduction in tax rate | | (2,260,498) | |
| | | 16,303,929 | 4,464,523 |
| Prior year | | - | (14,199) |
| | | 17,992,580 | 10,322,943 |

**26.1** 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 after taking tax credits available under the law, therefore, reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required.

**26.2** Reconciliation of tax expense and accounting profit has not been presented in these financial statements due to the reason discussed in note 26.1 above.

| | 2013 | Restated 2012 |
|---|---|---|
| **27. EARNINGS PER SHARE-BASIC** | | |
| Profit for the year (Rupees) | 28,299,451 | 1,396,649 |
| Weighted average number of ordinary shares outstanding during the year | 12,601,160 | 12,601,160 |
| Profit per share-basic (Rupees) | 2.25 | 0.11 |

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

## 28. REMUNERATION TO DIRECTORS

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. 318,800/- (2012: Rs. 95,237/-).

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

## 29. 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 28. There is no other significant transactions with related parties.

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Company's contribution to provident fund | 2,349,883 | 1,519,053 |
| Repayments to CEO/directors/members | 6,109,693 | 1,761,138 |
| Loan from CEO/directors/members | - | 900,000 |

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## 30. PLANT CAPACITY AND PRODUCTION

| | 2013 | 2012 |
|---|---|---|
| Number of spindles installed | **21,528** | 21,528 |
| Number of spindles worked | **21,384** | 20,750 |
| Number of shifts worked per day | **3** | 3 |
| Installed capacity after conversion into 20/s count (Kgs) | **6,811,893** | 6,916,560 |
| Actual production of yarn after conversion into 20/s count (Kgs) | **4,376,346** | 3,831,008 |

**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 unfavorable market conditions and economic slow down in the country;
- The actual production is planned to meet the market demand and orders in hand; and
- Shortage of electricity.

## 31. EMPLOYEES PROVIDENT FUND TRUST

The following information is based on latest un-audited financial statements of the Fund:

| | 2013 | 2012 |
|---|---|---|
| Size of the fund (Rupees) | **7,399,279** | 5,935,384 |
| Cost of investment made (Rupees) | **5,926,048** | 112,204 |
| Percentage of investment made (%) | **80.09** | 1.89 |
| Fair value of investment (Rupees) | **6,342,615** | 114,811 |

31.1 The break-up of fair value of investments is:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Rupees** | **% of full** | **Rupees** | **% of full** |
| Bank balances | **6,227,598** | **98.19** | 8,947 | 7.79 |
| NAFA Govt. Securities | **115,017** | **1.81** | 105,864 | 92.21 |
| | **6,342,615** | **100.00** | 114,811 | 100.00 |

31.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 32. NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30, 2013 were 574 (2012: 471) and number of employees as at June 30, 2013 were 570 (2012: 583)

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## 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

### 33 Financial assets and liabilities by category and their respective maturities

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

| | June 30, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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** | | | | | | | |
| **Available-for-sale** | | | | | | | |
| - Investment (NAFA Government Securities) | | | | 293,133 | - | 293,133 | **293,133** |
| Long term deposits | - | - | - | - | 17,171,926 | 17,171,926 | **17,171,926** |
| Trade debts | - | - | - | 7,962,413 | - | 7,962,413 | **7,962,413** |
| Advances, prepayment and other receivables | - | - | - | 864,774 | - | 864,774 | **864,774** |
| Cash and bank balances | 24,034,421 | - | 24,034,421 | 356,442 | - | 356,442 | **24,390,863** |
| | 24,034,421 | - | 24,034,421 | 9,476,762 | 17,171,926 | 26,648,688 | **50,683,109** |
| **Financial liabilities** | | | | | | | |
| **At amortized cost** | | | | | | | |
| Long term financing | - | 15,110,750 | 15,110,750 | - | 171,068,299 | 171,068,299 | **186,179,049** |
| Trade and other payables | - | - | - | 56,383,525 | - | 56,383,525 | **56,383,525** |
| Accrued mark up/interest on long term financing | - | - | - | 22,031,875 | - | 22,031,875 | **22,031,875** |
| | - | 15,110,750 | 15,110,750 | 78,415,400 | 171,068,299 | 249,483,699 | **264,594,449** |
| Excess of financial liabilities over financial assets | **24,034,421** | **(15,110,750)** | **8,923,671** | **(68,938,638)** | **(153,896,373)** | **(222,835,011)** | **(213,911,340)** |

| | June 30, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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** | | | | | | | |
| **Available-for-sale** | | | | | | | |
| - Investment (NAFA Government | - | - | - | 269,805 | - | 269,805 | 269,805 |
| **Loans and receivables** | | | | | | | |
| Long term deposits | - | - | - | - | 17,197,833 | 17,197,833 | 17,197,833 |
| Trade debts | - | - | - | 8,227,189 | - | 8,227,189 | 8,227,189 |
| Advances, prepayment and other receivables | - | - | - | 970,334 | - | 970,334 | 970,334 |
| Cash and bank balances | 17,606,688 | - | 17,606,688 | 419,218 | - | 419,218 | 18,025,906 |
| | 17,606,688 | - | 17,606,688 | 9,886,546 | 17,197,833 | 27,084,379 | 44,691,067 |
| **Financial liabilities** | | | | | | | |
| **At amortized cost** | | | | | | | |
| Long term financing | - | 15,110,750 | 15,110,750 | - | 177,199,168 | 177,199,168 | 192,309,918 |
| Trade and other payables | - | - | - | 49,361,517 | - | 49,361,517 | 49,361,517 |
| Accrued mark up/interest on long term financing | - | - | - | 22,031,875 | - | 22,031,875 | 22,031,875 |
| | - | 15,110,750 | 15,110,750 | 71,393,392 | 177,199,168 | 248,592,560 | 263,703,310 |
| Excess of financial liabilities over financial assets | **17,606,688** | **(15,110,750)** | **2,495,938** | **(61,506,846)** | **(160,001,335)** | **(221,508,181)** | **(219,012,243)** |

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair value.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company is exposed to market risk comprising interest rate risk, currency risk and other price / equity risk, credit risk and liquidity risk. The company's principal financial liabilities comprise long term borrowings, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for company's operations. The company has various financial assets such as loans, deposits, trade debts, prepayments and other receivables and cash and bank balances, which are directly related to its operations. The company's finance departments oversees the management of these risks and provide assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite. No changes were made in the objectives, policies, procedures and assumptions during the year ended June 30, 2013. The policies for managing each of these risks are summarized below:

### 34.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and other price risk, such as equity risk. Financial instruments susceptible to / affected by market risk include loans, borrowings and deposits. The sensitivity analysis in the following sections relate to the position as at June 30, 2012 and 2013.

#### 34.1.1 Yield/Mark-up 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.

| | 2013<br>Rupees | 2012<br>Rupees |
|---|---|---|
| **Fixed rate instruments** | | |
| **Financial liabilities** | | |
| Long term financing | **186,200,225** | 192,309,918 |
| **Floating rate instruments** | | |
| **Financial assets** | | |
| Bank balance-deposit accounts | **24,034,421** | 17,606,688 |

**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.

#### 34.1.2 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. 95,836/- (2012: Rs. 4,987,800/-) which are subject to currency risk.

At June 30, 2013 had the currency been weakened / strengthened by 5% against the foreign currency with all other variables held constant, profit for the year and equity would have been Rs. 4,408/- (2012: Rs.229,439/-) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated trade debts and foreign currency bank accounts.

#### 34.1.3 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.

### 34.2 Credit risk and concentration of credit risk:

Credit risk is the risk representing accounting loss that would be recognized at the reporting date if one party to a financial instrument will fail to discharge an obligation or its failure to perform duties under the contract as contracted. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts amounting to Rs. 7.962 million (2012: Rs. 8.227 million). Company seeks to minimize the credit risk exposure through having exposure only to customers and suppliers considered credit worthy and also by obtaining advance against sales from customers. The carrying values of financial assets which are neither past due nor impaired are as under:

| FINANCIAL ASSETS | 2013<br>Rupees | 2012<br>Rupees |
|---|---|---|
| Long term deposits | **17,171,926** | 17,197,833 |
| Trade debts | **7,962,413** | 8,227,189 |
| Advances and other receivables | **864,774** | 864,774 |
| Short term investment | **293,133** | 269,805 |
| Bank balances | **24,369,141** | 17,837,105 |
| | **50,661,387** | 44,396,706 |

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**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 | | | 2013 | 2012 |
|---|---|---|---|---|---|
| | Short term | Long term | Agency | Rupees | Rupees |
| **Bank balances** | | | | | |
| Al-Baraka Bank (Pakistan) Limited | A1 | A | PACRA | **539,884** | 629,527 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | **3,761** | 3,761 |
| Faysal Bank Limited | A1+ | AA | PACRA | **20,889** | 20,889 |
| JS Bank Limited | A1 | A+ | PACRA | **16,465,835** | 4,796,605 |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | **184,263** | 77,161 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | **6,940,747** | 9,578,595 |
| Dubai Islamic Bank (Pakistan) Limited | A-1 | A | JCR-VIS | **213,762** | 2,730,567 |
| | | | | **24,369,141** | 17,837,105 |
| | | Rating | | | |
| **Short term investments** | | | | | |
| NAFA Government Securities Liquid Fund | | AAA | | **293,133** | 269,805 |
| **Counterparties without external credit rating** | | | | | |
| Other receivables | | | | **864,774** | 864,774 |

## 34.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and cash equivalents.

The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2013 and 2012 based on contractual undiscounted payments date and present market interest rates.

| | Within 6 months | More than 1 year and up to 5 years | Total |
|---|---|---|---|
| | ---------- Rupees ---------- | | |
| **June 30, 2013** | | | |
| Long term financing | - | **186,179,049** | **186,179,049** |
| Trade and other payables | **66,861,647** | - | **66,861,647** |
| Accrued interest/markup | - | **22,031,875** | **22,031,875** |
| | **66,861,647** | **208,210,924** | **275,072,571** |
| **June 30, 2012** | | | |
| Long term financing | - | 192,309,918 | 192,309,918 |
| Trade and other payables | 53,624,910 | - | 53,624,910 |
| Accrued interest/markup | - | 22,031,875 | 22,031,875 |
| | **53,624,910** | **214,341,793** | **267,966,703** |

## 34.4. 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 debt-to-adjusted capital ratios at June 30, 2013 and June 30, 2012 were as follows:

| | 2013 Rupees | Restated 2012 Rupees |
|---|---|---|
| Total Debts | **186,179,049** | 192,309,918 |
| Less: Cash and cash and bank balances | **(24,390,863)** | (18,025,906) |
| Net debt | **161,788,186** | 174,284,012 |
| Total equity | **82,247,814** | 53,925,035 |
| Total capital employed | **244,036,000** | 228,209,047 |
| Gearing ratio | **66.30** | 76.37 |

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

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

## 35. CORRESPONDING FIGURES

35.1 Previous year figures have been rearranged and reclassified wherever necessary for the purpose of comparison. Major reclassification made in the corresponding figures for better presentation are as under:

| | | Reclassification | |
|---|---|---|---|
| | **Rupees** | **From** | **To** |
| Sales tax receivable | **5,726,512** | Advances, prepayment and other receivables | Tax refunds due from Government |

35.2 Following nomenclatures have been changed during the year:

| **Previous year nomenclature** | **Current year nomenclature** |
|---|---|
| Other expenses | Other Operating expenses |
| Other Operating income | Other Income |

## 36. DATE OF AUTHORIZATION FOR ISSUE

**36.1** The financial statements were authorized for issue on 08 OCT 2013 by the Board of Directors of the Company.

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

CHIEF EXECUTIVE

DIRECTOR

Hyder Bhimji & Company Chartered Accountants

# FORM - 34

## PATTERN OF SHAREHOLDING AS ON 30 JUNE, 2013

| No. of Shareholders | Shareholding From | Shareholding To | Total Shares Held |
|---|---|---|---|
| 152 | 1 | 100 | 14,291 |
| 1,465 | 101 | 500 | 708,580 |
| 54 | 501 | 1,000 | 54,913 |
| 68 | 1,001 | 5,000 | 170,863 |
| 14 | 5,001 | 10,000 | 121,325 |
| 4 | 10,001 | 15,000 | 42,802 |
| 4 | 15,001 | 20,000 | 91,044 |
| 1 | 20,001 | 25,000 | 21,200 |
| 1 | 70,001 | 75,000 | 77,655 |
| 1 | 325,001 | 330,000 | 326,558 |
| 2 | 625,001 | 630,000 | 1,265,500 |
| 1 | 755,001 | 760,000 | 751,425 |
| 1 | 795,001 | 800,000 | 807,144 |
| 1 | 1,150,001 | 1,155,000 | 1,154,850 |
| 1 | 6,990,001 | 6,995,000 | 6,993,010 |
| 1,770 | | | 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. | | 1,751 | 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 Zahid | (Director) | 1 | 325,500 | 2.58 |
| Mr. Zia Ullah Khan Dilawar | (Director) | 1 | 2,500 | 0.02 |
| Mr. Muhammad Anwar ul Haq | (Director) | 1 | 2,500 | 0.02 |
| Mr. Muhammad Ikhlaq | (Director) | 1 | 2,500 | 0.02 |
| Mr. Muhammad Ali | (Director) | 1 | 2,500 | 0.02 |
| Mr. Muhammad Yousaf | (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 | 3,000 | 0.02 |
| GMI-Capital Securities (Pvt.) Ltd. | | 1 | 7,000 | 0.06 |
| National Development Finance Corp. | | 1 | 1,000 | 0.01 |
| | | 1,770 | 12,601,160 | 100.00 |

STATEMENT SHOWING SHARES BOUGHT AND SOLD BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSE AND MINOR CHILDREN FROM 01-07-2012 TO 30-06-2013.

| Name | Designation | Shares Bought | Shares Sold |
|---|---|---|---|
| NILL | NILL | NILL | NILL |

# ANNUAL GENERAL MEETING

## FORM OF PROXY

**IMPORTANT**

**This Form of Proxy, in order to be effective, must be deposited duly completed at the Company's Registered Office JK House, 32-W, Susan Road, Madina Town, Faisalabad, not less than 48 hours before the time of holding the meeting.**

**A proxy must be a member of the Company. Signature should agree with the specimen registered with the company.**

**Please quote Registered Folio Number**

I/We ______________________________

of ______________________________

being a member of the J. A. Textile Mills Limited ____________________ and holder

of ____________________ ordinary shares, hereby appoint

______________________________ of ____________________

who is also a member of the company as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at registered office of the Company, JK House, 32-W, Susan Road, Madina Town, Faisalabad, on 31.10.2013 at 9:00 a.m. or at any adjournment thereof.

As witness my/our hand this ____________________ day of ____________ 2013

Signed by the said ____________________ in the presence of

______________________________

Date:

(Member's Signature)

Place

(Witness's Signature)

Affix Rs. 5/-
revenue stamp which
must be cancelled
either by signature
over it or by some
other means