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Annual Report
2012

J.K. SPINNING MILLS LIMITED



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Company Information

Board of Directors

Chief Executive	Mr. Jawed Anwar
Directors	Mr. Faiq Jawed
	Mr. Shaiq Jawed
	Mrs. Farhat Jehan
	Syed Hussain Shahid Mansoor Naqvi
	Mr. Ghulam Muhammad
	Mr. Qayyum Mohsin Malik

Audit Committee

Chairman	Mr. Shaiq Jawed
Members	Mrs. Farhat Jehan
	Syed Hussain Shahid Mansoor Naqvi

HR Committee

Chairman	Mr. Faiq Jawed
Members	Syed Hussain Shahid Mansoor Naqvi
	Mr. Qayyum Mohsin Malik

Company Secretary	Syed Hussain Shahid Mansoor Naqvi
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Chief Financial Officer	Mr. Ghulam Muhammad
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Head of Internal Audit	Mr. Amjad Ali
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Auditors	M/s Riaz Ahmad & Company, Chartered Accountants (A member of Nexia International) Faisalabad
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Legal Advisor	Atif & Atif Law Associates Advocates
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Bankers	Standard Chartered Bank (Pakistan) Limited
	The Bank of Punjab
	National Bank of Pakistan
	Askari Bank Limited
	United Bank Limited
	Al-Baraka Bank (Pakistan) Limited
	Summit Bank

Registered Office	3-1/A, Peoples Colony, Faisalabad
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Mills	29-KM, Sheikhpura Road, Faisalabad.
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Vision

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

Mission

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

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

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





Chairman's Review



It is my pleasure to present 26th Annual Report of the company for the year ended June 30, 2012.

Overview of Economy and Industry

The economy of Pakistan is the 47th largest economy in the world in nominal terms. Rising inflation, investment decline, low tax revenue and losses at public sector have led to slow growth and underdevelopment in Pakistan. The economy continuous to be affected by structural problems including terrorism, domestic energy crises, abrupt decline in investment, persistently high inflation and security issues. Budget deficit remain high, driven by substantial subsidies.

Pakistan's agriculture account stands for more than one fifth of output and two fifth of employment. Textile accounts for most of Pakistan's export earning and Pakistan's failure to expand a viable export base for other manufacturers has left the country vulnerable to shift in world demand. Official unemployment is 6% but this fails to capture the true picture because much of the economy is informal and under employment remains high. Over the past few years, low growth and high inflation, led by spurt in food prices, have increased the poverty which almost stands at 50% of population. Inflation has worsened the situation. As a result of political and economic instability, the Pakistani Rupee

has depreciated more than 56% since 2007. Foreign investment growth is negative due to investors concern related to governance, energy crises, security and slows down in global economy. Remittance from overseas workers averaging about above \$1 billion a month remains a bright spot for Pakistan. Pakistan current account after a small surplus in fiscal year 2011 turned to deficit in fiscal year 2012 spurred by higher prices for imported oil and lower prices of textile products.

Pakistan remains stuck in a low-income, low-growth trap. Pakistan need to address long standing issues related to Government revenue and energy production in order to push the economic growth. Improved management of power resources could reorganize predictability of load shedding to allow the private sector to better schedule work and minimize costs.

Pakistan's textile industry is going through one of the toughest periods in decades. The Global recession which has hit the global textile really hard is not the only cause for concern. Serious internal issues such as the hike in electricity tariff, the increase in interest rate, energy crisis, devaluation of Pakistani rupee, increasing cost of inputs, political instability, removal of subsidy & internal dispute also affected Pakistan's textile industry very badly. The high cost of production resulting from an instant rise in the energy costs has been the primary

Chairman's Review

cause of concern for the industry. Depreciation of Pakistani rupee during last year has significantly raised the cost of imported inputs.

Furthermore, double digit inflation and high cost of financing has seriously affected the growth of textile industry. All factor increase the cost of production which decreases the exports consequently increasing unemployment level. Pakistan's textile industry is lacking in research & development (R & D).

Our textile sector needs to capitalize on the new emerging opportunities by adhering to global best practices, adapting rapidly changing technologies, better supply chain management while trying to reach global value chains.

Financial and operational performance

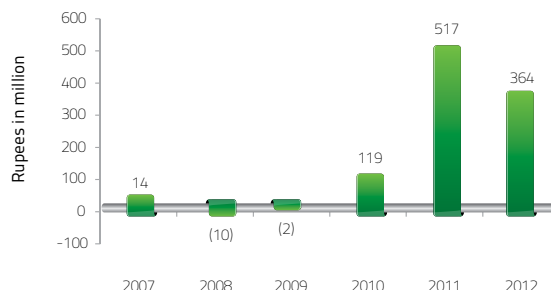
Your company has earned after tax net profit of Rs. 281.585 million for the year ended June 30, 2012 as compared to profit of Rs. 364.406 million in the last year.

Sales revenue for the year 2012 stood Rs. 7,193.895 million against Rs. 9,097.849 million in 2011. During the year under review average cotton prices decreased to Rs. 5600 per maund as compared to all time high of Rs. 14,000 per maund in March 2011. First six month of financial year, 2012 remained stressed in view of unstable cotton prices which resulted in dull demand of textile products. Stores, spare parts and loose tools, processing and conversion charges, fuel and power and salaries and wages costs increased in view of inflationary trend. Your company managed to reduce the financial cost during the year from Rs. 322.852 million in the year 2011 to Rs. 241.545 million in 2012.

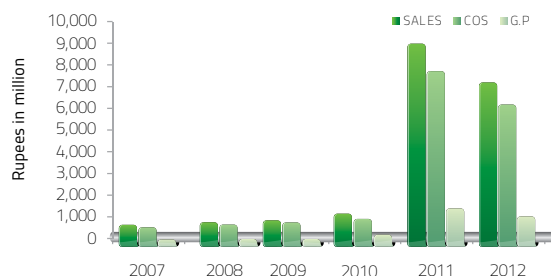
Following continuance policy for Balancing Modernization and Replacement (BMR) of its plant and machinery, your company has replaced two Blow Room lines, sixteen Card Machines, three Breaker Draw Frames, three Finisher Draw Frames, two Simplex Machines and four combing machines and one lap former during the financial year under review. The company has replaced its outdated cone winding machines with seven Auto Cone Machines which commissioned in July, 2012.

The company has planned capex of Rs.600 million approximately for the forthcoming year for upgrading the Ring and Auto Cone sections by replacing exiting outdated Ring machines with fourteen Ring Machines and eight Auto Cone Machines of latest model.

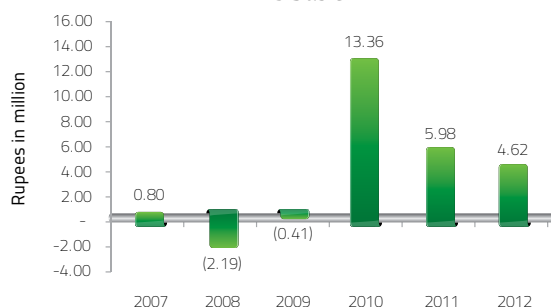
Profit before taxation



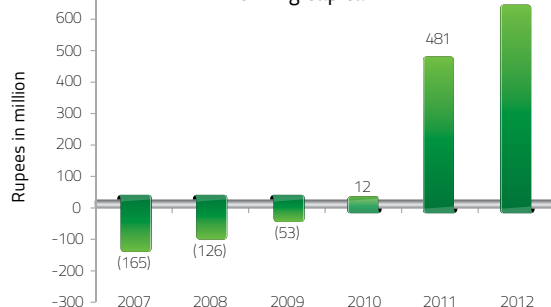
Sales, cost and G.P



EPS basic



Working capital



Chairman's Review



Keeping in view up gradation of its lab equipments, the company has planned to import one Latest Uster Tenso jet Lab Equipment to replace the outdated lab equipment during the financial year 2013.

To enhance the cotton warehousing capacity, five cotton warehouses have been added during the year under review while four cotton warehouses has been planned to be added during the forthcoming financial year.

The production of yarn converted into 20s for the year ended June 30, 2012 stood at 22.302 million Kgs against 23.340 million kgs of corresponding year.

Balance Sheet

Balance Sheet footing has increased to Rs. 4,980.210 million this year as compared to Rs. 4811.683 million in corresponding year.

Liquidity of the company is good enough with current ratio of the company improved to the level of 1.43 in 2012 from 1.28 in 2011. Debt equity ratio stood at 22:78 in 2012 against 20:80 in 2011 while leverage of the company also improved to 0.94 in 2012 from last year level of 1.12.

Chairman's Review



Changes on the Board

During the year under review, election of Board of Director was held on March 28, 2012. Mr. Ghulam Muhammad and Mr. Qayyum Mohsin Malik have been elected in place of Mrs. Samina Abid and Mrs. Nageen Faiq. The Board appreciates the contributions made by outgoing directors and welcomes the new directors on the Board.

Human Resource

The management of the company believes that human resources training and development are essential tools for optimizing the utilization of human resource which helps the employees to achieve the organizational goals as well as their individual goals. Therefore, management of the Company gives much importance to the optimal use of human resources by way of proper training, motivation and incentive schemes for the employees for developing their skills, loyalty, better attitudes, and other aspects that successful workers and managers usually display.

Future Outlook

In view of weak macroeconomic environment, political uncertainty, depleting foreign exchange reserves and natural disaster on account of heavy rains are impeding economic recovery and are challenges for our economic growth. The growth outlook depends on revival of industry which in turn depends upon energy sector reforms.

Increasing fuel and power cost and unscheduled gas and power load shedding are major threat to our textile industry. Though State Bank of Pakistan has reduced the discount rate by 200 basis point but its benefit to

industry will be subdued by immense increasing trend in power and energy cost.

The global economic recovery which is dwindling since past few years is still at risk, and Euro zone economies remain in a "precarious" situation unless leaders take further action to avoid the sovereign debt crisis from escalating and prevent a market meltdown. The policy makers have demanded austerity measures in the struggling periphery economies of Greece, Spain and Portugal in return for bailouts. The crisis has led millions of people to lose their jobs and benefits.

The fiscal cliff poses the biggest threat to USA economic recovery, if policymakers fail to reach consensus on extending some temporary tax cuts and reversing deep automatic spending cuts by the end of fiscal 2013.

Global GDP growth is weakening, particularly in China and Europe, two of the biggest export markets for the U.S. China's industrial output is growing at its slowest pace since May 2009. Although Europe's leaders appear to be making progress in taming their debt crisis, much of the continent is already in recession. In near future, there is no sign of significant improvement of current recession, the global economy is facing.

Despite of various adverse factors, demand of Pakistani textile goods is improving with better margins. The company is focusing on improving efficiencies and minimizing costs to achieve the better financial results of forthcoming financial year.

Faisalabad
October 08, 2012

Jawed Anwar
Chief Executive

Directors' Report

In the name of Almighty Allah The Most Gracious, The beneficent, The Merciful



Dear Shareholders,

The Directors' of your company feel pleasure in presenting the annual report together with audited financial statements of the company for the Year Ended June 30, 2012.

Financial Results

The financial results of the company for the year ended June 30, 2012 are summarized as under:

	2012	2011
	Rupees in Thousands	
Profit before Taxation	364,079	516,869
Taxation	82,494	152,463
Net profit for the year	281,585	364,406
Other Comprehensive Income	43,883	43,144
Total comprehensive income for the year	325,468	407,550

DIVIDEND:

The Board of Directors have recommended 25% final Cash Dividend to ordinary shareholders except Directors, CEO, their Spouses and Associates etc.

Earnings Per share

Earnings per share for the year ended June 30, 2012 stood at Rs. 4.62 per share as compared to Rs. 5.98 per share in corresponding year.

Corporate and Financial Reporting Frame Work:

Security and Exchange Commission of Pakistan framed a code of corporate governance, which was incorporated through the listing regulations of all Stock Exchanges of the country. The Director of your company has ensured implementation of all provisions

Directors' Report

of the code of corporate governance applicable for the period ended on June 30, 2012.

The review report on Statement of Compliance with the code of corporate governance of Auditors is annexed with this report.

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

- The financial statements prepared by the management of J.K. Spinning Mills Limited present fairly its state of affair, the results of its operations, cash flow and statement of changes in equity.
- Proper books of accounts of J.K. Spinning Mills Limited have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as going concern.
- Information about outstanding taxes and levies is given in notes to the accounts.
- Key operating results and financial data of last six years in summarized form is annexed.
- The gain/ (loss) arising out due to exchange rate fluctuations and financing under State Bank of Pakistan circular No. F.E. 25 has been appropriately accounted for as on the date of balance sheet.
- Value of investment of provident fund trust based on audited accounts as on June 30, 2010 is Rs. 87.649 million.
- No trade in shares of the company was carried out during the year by its directors, CEO, CFO, Company Secretary and their spouses and minor children.
- The Statement of pattern of shareholding of the company as at June 30, 2012 is annexed in new form set out in the code of corporate governance.



Directors' Report

Boards Meetings

During the year under review, five meetings of Board of Directors were held. Attendance position of Board of Directors meetings is as under:

Name of Director	No. of Meetings Attended
Mr. Jawed Anwar	05
Mr. Faiq Jawed	05
Mr. Shaiq Jawed	05
Syed Hussain Shahid Mansoor Naqvi	05
Mrs. Farhat Jahan	05
Mrs. Samina Abid	03
Mrs. Nageen Faiq	03
Mr. Ghulam Muhammad	02
Mr. Qayyum Mohsin Malik	02

AUDIT COMMITTEE

The Audit Committee held five meetings during the year under review, each before the Board of Director's meeting to review the financial statements, internal audit reports and compliance of the corporate governance requirements. These meeting included meeting with external auditors before and after completion of audit and other statutory meetings as required by the code of corporate Governance.

AUDITORS:

The Auditors M/S Riaz Ahmad & Company, Chartered Accountants, stand retired and being eligible, offer themselves for re-appointment for the next financial year ending on 30-06-2013.

Chairman's Review

The accompanied Chairman's Review deal with performance of the company during the year and future outlook. The directors of the company endorse the contents of review.

Post Balance Sheet Events

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

ACKNOWLEDGEMENT:

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



services demonstrated by the staff members and the workers of the company.

For and on behalf of Board of Directors

Faisalabad
October 08, 2012

Jawed Anwar
Chief Executive

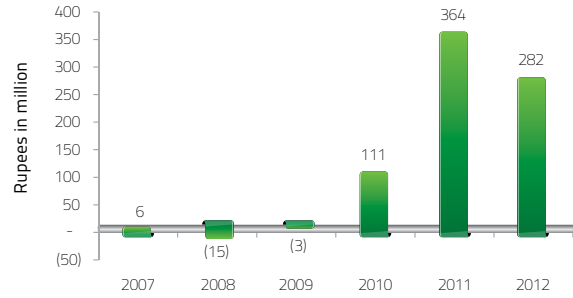
Key Operating and Financial Results

for last six years

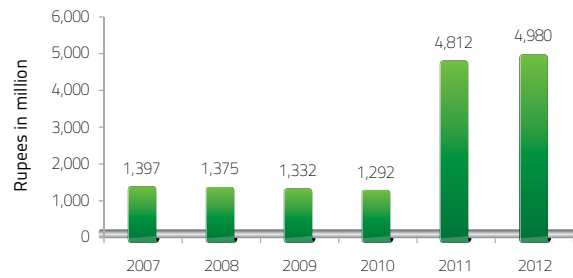
PARTICULARS	2012	2011	2010	2009	2008	2007
OPERATING DATA						
Sales	7,193,895	9,097,849	1,148,043	835,155	747,615	637,107
Cost of goods sold	6,176,622	7,713,396	906,703	743,468	646,215	515,931
Gross profit	1,017,273	1,384,453	241,340	91,687	101,400	121,176
Operating profit	605,624	839,721	198,422	55,325	73,822	84,724
Profit /(loss) before taxation	364,079	516,869	118,615	(1,593)	(10,454)	14,327
Profit /(loss) after taxation	281,585	364,406	110,591	(2,869)	(15,318)	5,589
FINANCIAL DATA						
Paid up capital	609,033	183,750	175,000	70,000	70,000	70,000
Fixed assets	2,841,761	2,623,342	899,447	901,636	928,098	989,928
Long term investment	-	-	-	-	7	7
Current assets	2,137,382	2,180,061	354,253	380,491	393,539	357,987
Current liabilities	1,491,416	1,698,745	341,923	433,246	519,348	523,003
KEY RATIOS						
Gross margin	14.14%	15.22%	21.02%	10.98%	13.56%	19.02%
Operating margin	8.41%	9.23%	17.28%	6.62%	9.87%	13.30%
Net profit/(loss)	3.91%	4.01%	9.63%	(0.35)	(2.05)	0.88%
Current ratio	1.43	1.28	1.04	0.88	0.76	0.68
Earning per share (Rupees) Basic	4.62	5.98	13.36	(0.41)	(2.19)	0.80
STATISTICS						
Number of Spindle (worked)	81,516	81,516	30,360	26,928	26,928	26,928
Production into 20/s Count (In 000 Kgs)	22,302	23,339	11,675	10,118	10,772	9,419



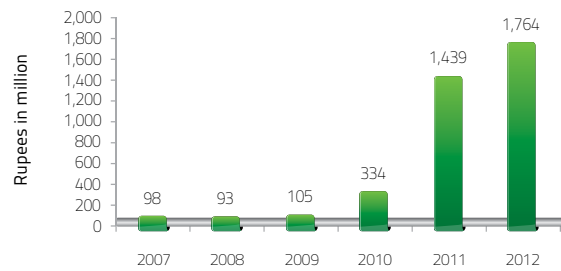
Profit after taxation



Total assets



Share capital & reserves



Leverage ratio



Statement of Compliance

with the Best Practices of Corporate Governance



This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No.35 of the Listing regulations of Karachi Stock Exchange (Guarantee) Ltd and Chapter XI of Lahore Stock Exchange (Guarantee) Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code of Corporate Governance in the following manner:

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

Categories	Names
Executive Directors	Mr. Jawed Anwar
	Mr. Faiq Jawed
	Mr. Shaiq Jawed
	Syed Hussain Shahid Mansoor Naqvi
	Mr. Ghulam Muhammad
Non-Executive Directors	Mr. Quyyum Mohsin Malik
	Mrs. Farhat Jehan

2. The Directors have confirmed that none of them is serving as Director in more than ten Listed Companies, including this Company.

3. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking Company, a Development Finance Institution (DFI), or a Non-Banking Financial Institution (NBFI) or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred in the Board during the period under report.
5. The Company has prepared a "Code of Conduct" and 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, other Executive and Non-Executive Directors have been taken by the Board/Share holders.

Statement of Compliance with the Best Practices of Corporate Governance

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. The Board arranged an orientation/Training Program for its Directors during the year.
10. The Board has approved appointment of Chief Financial Officer (CFO) and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises three members, one of them is Non-Executive and two members including Chairman are Executive Directors.
16. The Meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an H.R and Remuneration Committee. It comprises three members as Executive Directors including Chairman of the Committee.
18. The Board has set-up an effective Internal Audit Function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. 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 (ICAP).
20. 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.
21. The "Closed Period" prior to the announcement of the interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material /price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

Jawed Anwar
Chief Executive

Faiq Jawed
Director

FAISALABAD
Date: October 08, 2012

Review Report to the members

on Statement of Compliance with the Best Practices of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of J.K. SPINNING MILLS LIMITED ("the Company") for the year ended 30 June 2012, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:

Liaqat Ali Panwar

FAISALABAD

Date: October 08, 2012

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 26TH ANNUAL GENERAL MEETING OF THE MEMBERS OF J. K. SPINNING MILLS LIMITED WILL BE HELD ON WEDNESDAY 31ST OCTOBER, 2012 AT 10.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT 3-1/A, PEOPLES COLONY, JARANAWALA ROAD, FAISALABAD TO TRANSACT THE FOLLOWING BUSINESS:

1. To confirm the minutes of the 25th Annual General Meeting and Extra Ordinary General Meeting held on 30th November, 2011 and 28th March, 2012 respectively.
2. To receive, consider and approve the Annual Audited Accounts along with the Directors' and Auditors' Reports of the company for the year ended 30th June, 2012.
3. To consider and approve the payment of Final Cash Dividend at Rs.2.5 per share @ 25 % to Ordinary Share Holders except Directors, CEO & their Spouses and Associates etc. for the year ended 30th June, 2012 as recommended by the Board of Directors.
4. To approve the perquisites of Chief Executive Officer & increase in Director's salaries.
5. To appoint the Auditors for the year 2012-2013 and fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company., Chartered Accountants, being eligible offer themselves for reappointment.
6. To transact any other business or businesses with the permission of the Chairman.

BY THE ORDER OF THE BOARD

FAISALABAD:

Dated: 08.10.2012

SYED HUSSAIN SHAHID MANSOOR NAQVI
DIRECTOR / COMPANY SECRETARY

NOTES:

- I. The share transfer books of the Company will remain closed from 27th October, 2012 to 2nd November, 2012 (both days inclusive)
- II. A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf at the meeting. Proxies, in order to be valid, must be received by the company at the registered office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.
- III. Any individual beneficial owner of Central Depository System entitled to attend and vote at this meeting, must bring his / her original Computerized National Identity Card or original passport to provide his / her identity and in case of proxy must enclose an attested copy of his / her CNIC or Passport. Representative of corporate members should bring their usual documents required for such purpose.
- IV. Shareholders are requested to promptly notify the company of any change in their address, if any.
- V. A proxy form is enclosed herewith.

Financial Statements

For the year ended June 30, 2012

Auditors' Report to the Members

We have audited the annexed balance sheet of J.K. SPINNING MILLS LIMITED as at 30 June 2012 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. The financial statements of the company as of 30 June 2011 were audited by another firm of Chartered Accounts whose report dated 05 November 2011, expressed unmodified opinion with an emphasis of matter paragraph regarding pending certified copy of the order of the Honorable Lahore High Court relating to merger of J.K. Fibre Mills Limited and Abid Faiq Textile Mills Limited with and into J.K. Spinning Mills Limited.

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 account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in Note 2.8 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:

Liaqat Ali Panwar

FAISALABAD

Date: October 08, 2012

Balance Sheet

As at June 30, 2012

	NOTE	2012 (RUPEES IN THOUSAND)	2011
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
96 000 000 (2011: 25 000 000)			
ordinary shares of Rupees 10 each	3	960,000	250,000
Issued, subscribed and paid up share capital	4	609,033	183,750
Reserves	5	1,154,623	1,255,536
Total equity		1,763,656	1,439,286
Surplus on revaluation of operating fixed assets - net of deferred income tax	6	966,759	1,044,140
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	7	194,163	65,080
Directors' loan	8	300,000	300,000
Liabilities against assets subject to finance lease	9	-	5,980
Deferred income tax liability	10	264,216	258,452
		758,379	629,512
CURRENT LIABILITIES			
Trade and other payables	11	227,006	306,054
Accrued mark-up	12	34,491	46,739
Short term borrowings	13	1,032,246	1,192,112
Current portion of non-current liabilities	14	125,561	56,245
Provision for taxation		72,112	97,595
		1,491,416	1,698,745
TOTAL LIABILITIES		2,249,795	2,328,257
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		4,980,210	4,811,683

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

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Balance Sheet

As at June 30, 2012

	NOTE	2012 (RUPEES IN THOUSAND)	2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,841,761	2,623,342
Long term investments	17	-	-
Long term loans	18	392	-
Long term deposits and prepayments	19	675	8,280
		2,842,828	2,631,622
CURRENT ASSETS			
Stores, spare parts and loose tools	20	37,082	35,226
Stock-in-trade	21	1,278,678	1,249,430
Trade debts	22	451,143	528,745
Loans and advances	23	62,553	36,358
Short term deposits and prepayments	24	11,260	17,554
Other receivables	25	68,935	9,729
Tax refunds due from the Government	26	182,514	242,729
Cash and bank balances	27	45,217	60,290
		2,137,382	2,180,061
TOTAL ASSETS		4,980,210	4,811,683

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Profit & Loss Account

For the Year ended June 30, 2012

	NOTE	2012 (RUPEES IN THOUSAND)	2011 (RUPEES IN THOUSAND)
SALES	28	7,193,895	9,097,849
COST OF SALES	29	(6,176,622)	(7,713,396)
GROSS PROFIT		1,017,273	1,384,453
DISTRIBUTION COST	30	(291,775)	(396,088)
ADMINISTRATIVE EXPENSES	31	(120,263)	(111,228)
OTHER OPERATING EXPENSES	32	(25,772)	(39,833)
		(437,810)	(547,149)
		579,463	837,304
OTHER OPERATING INCOME	33	26,161	2,417
PROFIT FROM OPERATIONS		605,624	839,721
FINANCE COST	34	(241,545)	(322,852)
PROFIT BEFORE TAXATION		364,079	516,869
TAXATION	35	(82,494)	(152,463)
PROFIT AFTER TAXATION		281,585	364,406
			Restated
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	36	4.62	5.98

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

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Statement of Comprehensive Income

For the Year ended June 30, 2012

	2012	2011
	(RUPEES IN THOUSAND)	
PROFIT AFTER TAXATION	281,585	364,406
OTHER COMPREHENSIVE INCOME		
TRANSFER FROM SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS ON ACCOUNT OF INCREMENTAL DEPRECIATION - NET OF DEFERRED INCOME TAX	43,883	43,144
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	325,468	407,550

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

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Cash Flow Statement

For the Year ended June 30, 2012

	NOTE	2012 (RUPEES IN THOUSAND)	2011 (RUPEES IN THOUSAND)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilized in) operations	37	678,534	(424,817)
Finance cost paid		(250,967)	(240,085)
Income tax paid		(63,568)	(78,649)
Workers' profit participation fund paid		(29,375)	(21,503)
Net decrease in long term deposits		7,605	1,965
NET CASH GENERATED FROM / (UTILIZED IN) OPERATING ACTIVITIES			
		342,229	(763,089)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(414,518)	(172,945)
Proceeds from sale of property, plant and equipment		26,900	4,814
Net increase in long term loans		(392)	-
NET CASH USED IN INVESTING ACTIVITIES			
		(388,010)	(168,131)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		248,667	(43,758)
Repayment of long term financing		(23,940)	-
Proceeds from directors' loan		-	103,607
Repayment of liabilities against assets subject to finance lease		(32,308)	(35,326)
Short term borrowings - net		(159,866)	958,918
Dividend paid		(1,845)	(16,385)
NET CASH FROM FINANCING ACTIVITIES			
		30,708	967,056
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
		(15,073)	35,836
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
		60,290	24,454
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 27)			
		45,217	60,290

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

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Statement of Changes in Equity

For the Year ended June 30, 2012

	SHARE CAPITAL	RESERVES				TOTAL	TOTAL EQUITY
		CAPITAL			REVENUE		
		Share capital reserve	Merger reserve	Sub total	Unappropriated profit		
----- (RUPEES IN THOUSAND) -----							
Balance as at 30 June 2010	175,000	-	-	-	158,864	158,864	333,864
Final dividend for the year ended 30 June 2010 at the rate of Rupees 2 per ordinary share	-	-	-	-	(2,092)	(2,092)	(2,092)
Interim dividend at the rate of Rupees 1 per ordinary share	-	-	-	-	(14,955)	(14,955)	(14,955)
Bonus shares issued at the rate of 5%	8,750	-	-	-	(8,750)	(8,750)	-
Share capital reserve created under the scheme of merger	-	425,283	-	425,283	-	425,283	425,283
Merger reserve created under the scheme of merger	-	-	289,636	289,636	-	289,636	289,636
Profit for the year after taxation	-	-	-	-	364,406	364,406	364,406
Transferred from surplus on revaluation of operating fixed assets on account of incremental depreciation - net of deferred income tax	-	-	-	-	43,144	43,144	43,144
Total comprehensive income for the year	-	-	-	-	407,550	407,550	407,550
Balance as at 30 June 2011	183,750	425,283	289,636	714,919	540,617	1,255,536	1,439,286
Final dividend for the year ended 30 June 2011 at the rate of Rupees 1 per ordinary share	-	-	-	-	(1,098)	(1,098)	(1,098)
Share capital issued under the scheme of merger	459,476	(425,283)	-	(425,283)	-	(425,283)	34,193
Share capital cancelled under the scheme of merger	(34,193)	-	-	-	-	-	(34,193)
Profit for the year after taxation	-	-	-	-	281,585	281,585	281,585
Transferred from surplus on revaluation of operating fixed assets on account of incremental depreciation - net of deferred income tax	-	-	-	-	43,883	43,883	43,883
Total comprehensive income for the year	-	-	-	-	325,468	325,468	325,468
Balance as at 30 June 2012	609,033	-	289,636	289,636	864,987	1,154,623	1,763,656

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

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Notes to the Financial Statements

For the Year ended June 30, 2012

1. THE COMPANY AND ITS ACTIVITIES

J.K. Spinning Mills Limited (the Company) is public limited company incorporated in Pakistan on 07 January 1987 under the Companies Ordinance, 1984. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges in Pakistan. The Company is engaged in business of textile manufacturing comprising of ginning, spinning, stitching, buying, selling and otherwise dealing in yarn, fabrics and other goods. Registered office of the Company is situated at 3-1/A, Peoples Colony, Faisalabad. The mill is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except certain operating fixed assets measured at revalued amounts.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Notes to the Financial Statements

For the Year ended June 30, 2012

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2011:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the International Accounting Standards Board (IASBs) comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. However, this amendment has no material impact on these financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. However, this amendment has no material impact on these financial statements.

e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2012 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

Notes to the Financial Statements

For the Year ended 30 June 2012

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is not expected to have a material impact on the Company's financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment is not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial Instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

Notes to the Financial Statements

For the Year ended 30 June 2012

2.2 Employees retirement benefits

The Company operates a recognized provident fund for all its permanent employees. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 8.33 percent of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred. Employees are eligible under the scheme on completion of prescribed qualifying period of service.

2.3 Provisions

Provisions are recognized when the Company has a legal or constructive as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.4 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.5 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates after taking into account rebates and tax credits, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

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

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

2.6 Property, plant and equipment and depreciation

a) Owned

All operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Capital work-in-progress is stated at cost less any recognized impairment loss.

Notes to the Financial Statements

For the Year ended 30 June 2012

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 the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to profit and loss account. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to profit and loss account) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit / (accumulated loss). All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation.

b) Leased

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

c) Depreciation

Depreciation on assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed of. Depreciation is charged to profit and loss account on reducing balance method to write off the cost of operating fixed assets over their expected useful lives at the rates mentioned in Note 16.1. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

d) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit and loss account in the year the asset is derecognized.

2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in an associate, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

Notes to the Financial Statements

For the Year ended 30 June 2012

2.7.1 Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

2.7.2 Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

2.7.3 Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

The investments that do not have a quoted market price in an active market and whose fair value can not be reliably measured, subsequent to initial recognition are carried at cost less impairment loss, if any.

2.7.4 Investment in an associate

The Company's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. The profit and loss account reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

2.8 Inventories

Inventories, except for stock in transit and waste materials, are stated at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make such sale. Cost is determined as follows:

Notes to the Financial Statements

For the Year ended 30 June 2012

Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued at moving average cost, while items considered obsolete are carried at nil value. Items-in-transit are stated at invoice amount plus other charges paid thereon.

Stock-in-trade

Cost of raw materials is measured using the moving average cost formula.

Cost of work-in-process and finished goods comprises of average manufacturing cost including a portion of production overheads.

Stock-in-transit are stated at cost comprising invoice values plus other charges paid thereon. Stock of waste materials is stated at net realizable value.

Change in accounting policy

During the year ended 30 June 2012, the Company has changed its accounting policy for measurement of cost of raw material of spinning segment. Previously, cost of raw material of spinning segment was measured using annual average cost formula. Now, it is measured using moving average cost formula. This change in accounting policy has been accounted for prospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', due to non availability of relevant data to restate corresponding figures.

Had there been no change in this accounting policy, profit for the year ended 30 June 2012 would be higher by Rupees 21.519 million, stock-in-trade as at 30 June 2012 would be higher by Rupees 23.114 and earning per share - basic and diluted would be higher by Rupees 0.35 per ordinary share.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.10 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.
- Rental income is recognized when rent is accrued.

2.11 Financial instruments

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

Notes to the Financial Statements

For the Year ended 30 June 2012

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

a) Borrowings

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

b) Trade and other receivables

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

c) Trade and other payables

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

2.12 Borrowing cost

Interest, mark-up and other charges on long term finances are capitalized upto the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are charged to profit and loss account.

2.13 Impairment

a) Non - financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

b) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Notes to the Financial Statements

For the Year ended 30 June 2012

2.14 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

2.15 Off setting

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

2.16 Foreign currencies

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

2.17 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres), Home Textile (Manufacturing of home textile articles), and Fabric (Buying yarn, fabric and selling after conversion).

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

Notes to the Financial Statements

For the Year ended 30 June 2012

3. AUTHORIZED SHARE CAPITAL

2012 (NUMBER OF SHARES)		2011 (RUPEES IN THOUSAND)	
96 000 000	25 000 000	Ordinary shares of Rupees 10 each	960,000 250,000
3.1 Movement during the year			
25 000 000	25 000 000	Opening balance	250,000 250,000
71 000 000	-	Increase in authorized share capital under the scheme of merger with J.K. Fibre Mills Limited and Abid Faiq Textile Mills Limited	710,000 -
96 000 000	25 000 000		960,000 250,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012 (NUMBER OF SHARES)		2011 (RUPEES IN THOUSAND)	
14 243 500	17 500 000	Ordinary shares of Rupees 10 each fully paid in cash	142,435 175,000
45 947 600	-	Ordinary shares of Rupees 10 each issued to shareholders of J.K. Fibre Mills Limited and Abid Faiq Textile Mills Limited under the scheme of merger	459,476 -
712 175	875 000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	7,122 8,750
60 903 275	18 375 000		609,033 183,750

4.1 Movement during the year

18 375 000	17 500 000	Opening balance	183,750 175,000
-	875 000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	- 8,750
45 947 600	-	Ordinary shares of Rupees 10 each issued to shareholders of J.K. Fibre Mills Limited and Abid Faiq Textile Mills Limited under the scheme of merger	459,476 -
(3 256 500)	-	Ordinary shares of Rupees 10 each fully paid in cash cancelled under the scheme of merger	(32,565) -
(162 825)	-	Ordinary shares of Rupees 10 each fully paid bonus shares cancelled under the scheme of merger	(1,628) -
60 903 275	18 375 000		609,033 183,750

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011
5. RESERVES		
Composition of reserves is as follows:		
Capital		
Share capital reserve (Note 5.1)	-	425,283
Merger reserve	289,636	289,636
	289,636	714,919
Revenue		
Unappropriated profit	864,987	540,617
	1,154,623	1,255,536
5.1 Share capital reserve		
Balance as at 01 July	425,283	-
Add: Reserve created for shares to be issued under the scheme of merger	-	425,283
Less: Shares issued during the year under the scheme of merger	425,283	-
Balance as at 30 June	-	425,283
6. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX		
Surplus on revaluation of operating fixed assets as at 01 July	1,044,140	263,777
Add:		
Transferred during the year under the scheme of merger - net of deferred income tax	-	746,926
Decrease in deferred income tax liability due to change in local sales ratio	-	21,713
Deferred income tax liability wrongly debited to surplus on revaluation of operating fixed assets	-	54,868
	-	823,507
	1,044,140	1,087,284
Less:		
Transferred to unappropriated profit in respect of incremental depreciation - net of deferred income tax	43,883	43,144
Impairment of plant and machinery - net of deferred income tax	9,277	-
Adjustment of surplus on sale of plant and machinery - net of deferred income tax	23,004	-
Increase in deferred tax liability due to change in local sales ratio	1,217	-
	77,381	43,144
	966,759	1,044,140

Notes to the Financial Statements

For the Year ended 30 June 2012

- 6.1 Freehold land, building, plant and machinery and electric installation and appliances of the Company were revalued on 30 June 2007 by an independent valuer, Messrs MYK Associates (Private) Limited, using market appraisal value method. Previously, these assets were revalued by independent valuers on 30 September 1996, 30 September 2000 and 30 September 2004.

	2012 (RUPEES IN THOUSAND)	2011 (RUPEES IN THOUSAND)
7. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 7.1)	142,079	89,019
Long term musharika (Note 7.2)	171,667	-
	313,746	89,019
Less: Current portion shown under current liabilities (Note 14)	119,583	23,939
	194,163	65,080

LENDER	2012	2011	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(RUPEES IN THOUSAND)							
7.1 Long term loans							
United Bank Limited	53,571	67,857	3 months KIBOR + 1.50%	28 equal quarterly installments commenced on 10 March 2009 and ending on 10 March 2016.	Quarterly	Quarterly	First pari passu charge of Rupees 224 million over present and future fixed assets (land, building and plant and machinery) of the Company.
Askari Bank Limited	9,275	16,696	SBP rate for LTF - EOP + 1.5%	12 equal quarterly installments commenced on 31 October 2010 and ending on 31 July 2013.	-	Quarterly	First exclusive charge of Rupees 25 million over specific gas generator of the Company and personal guarantee of four directors.
The Bank of Punjab	2,233	4,466	SBP rate for LTF - EOP + 1.5%	12 equal quarterly installments commenced on 31 December 2010 and ending on 30 September 2013.	-	Quarterly	First exclusive charge of Rupees 14.667 million over specific plant and machinery of the Company and personal guarantee of all male directors.
The Bank of Punjab	24,000	-	3 months KIBOR + 2.50%	12 equal quarterly installments commenced on 30 September 2011 and ending on 30 June 2014.	Quarterly	Quarterly	First exclusive charge of Rupees 43 million over specific plant and machinery of the Company.
The Bank of Punjab	32,000	-	3 months KIBOR + 2.50%	12 equal quarterly installments commenced on 30 June 2012 and ending on 31 March 2015.	Quarterly	Quarterly	First exclusive charge over specific plant and machinery of the Company with 25% margin.
The Bank of Punjab	21,000	-	3 months KIBOR + 2.50%	12 equal quarterly installments commenced on 30 September 2012 and ending on 30 June 2015.	Quarterly	Quarterly	First exclusive charge over specific plant and machinery of the Company with 25% margin.
	142,079	89,019					

7.2 Long term musharika							
Standard Chartered Bank (Pakistan) Limited	171,667	-	1 month KIBOR + 2.00%	12 equal quarterly installments commenced on 10 April 2012 and ending on 10 January 2015.	Monthly	Monthly	Specific charge over plant and machinery with 25% margin and personal guarantee of three directors.
	171,667	-					

Notes to the Financial Statements

For the Year ended 30 June 2012

8. DIRECTORS' LOAN

This represents unsecured interest free loan obtained from directors of the Company having no defined repayment terms but is not repayable within next twelve months, hence has been classified as non-current.

	2012 (RUPEES IN THOUSAND)	2011
Future minimum lease payments	5,989	40,585
Less: Un-amortized finance charge	11	2,299
Present value of future minimum lease payments	5,978	38,286
Less: Current portion shown under current liabilities (Note 14)	5,978	32,306
	-	5,980

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

9.1 These represent plant and machinery and vehicles acquired under finance lease agreement. The implicit interest rate used to arrive at the present value of minimum lease payments ranges from 15% to 19.66% (2011: 12% to 19%) per annum. Taxes, repairs and insurance costs are to be borne by the Company. The purchase option is available to the Company on payment of last installment and surrender of security deposit paid under the agreement. These are secured against the leased assets.

9.2 Minimum lease payments and their present values are regrouped as under:

	2012		2011	
	Not later than one year	Later than one year and not later than five years	Not later than one year	Later than one year and not later than five years
	----- (RUPEES IN THOUSAND) -----			
Future minimum lease payments	5,989	-	34,592	5,993
Less: Un-amortized finance charge	11	-	2,286	13
Present value of future minimum lease payments	5,978	-	32,306	5,980

	2012 (RUPEES IN THOUSAND)	2011
Taxable temporary differences		
Accelerated tax depreciation	163,110	126,795
Surplus on revaluation of operating fixed assets	157,599	171,072
	320,709	297,867
Deductible temporary differences		
Liabilities against assets subject to finance lease	(965)	(6,505)
Minimum taxation	(34,097)	(32,910)
Tax credits	(21,431)	-
	(56,493)	(39,415)
	264,216	258,452

10. DEFERRED INCOME TAX LIABILITY

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011
11. TRADE AND OTHER PAYABLES		
Creditors (Note 11.1)	105,486	98,360
Murabaha finance - secured	-	75,740
Accrued liabilities	79,519	70,588
Advances from customers	8,629	26,083
Securities / retention money - interest free	3,119	1,766
Income tax deducted at source	158	325
Unclaimed dividend	41	788
Payable to Employees Provident Fund Trust	171	-
Workers' profit participation fund (Note 11.2)	19,405	26,549
Workers' welfare fund	3,023	1,193
Other payables	7,455	4,662
	227,006	306,054

11.1 This includes amounts in aggregate of Rupees 0.154 million (2011: Rupees 0.150 million) due to related parties.

11.2 Workers' profit participation fund

Balance as on 01 July	26,549	6,358
Transferred under the scheme of merger	-	13,222
Interest for the year (Note 34)	2,826	1,205
Add: Provision for the year (Note 32)	19,405	27,267
	48,780	48,052
Less: Payments during the year	29,375	21,503
	19,405	26,549

11.2.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

12. ACCRUED MARK-UP

Long term financing	8,687	3,013
Liabilities against assets subject to finance lease	45	406
Short term borrowings	25,759	42,429
Murabaha finance	-	891
	34,491	46,739

13. SHORT TERM BORROWINGS

From banking companies - secured		
cash running finances (Note 13.1 and Note 13.2)	586,467	404,607
State Bank of Pakistan (SBP) refinance (Note 13.1 and Note 13.3)	235,000	675,347
Other short term finances (Note 13.1 and Note 13.4)	65,951	23,853
	887,418	1,103,807

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011
Unsecured		
From directors (Note 13.5)	105,969	71,825
Temporary bank overdrafts	38,859	16,480
	144,828	88,305
	1,032,246	1,192,112

13.1 These finances are obtained from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge of Rupees 2,673 million on present and future current assets, joint pari passu charge of Rupees 1,240 million on fixed assets, pledge of stock of cotton, yarn and polyester with specific margin and personal guarantee of certain directors of the Company. These form part of total credit facility of Rupees 4,587 million (2011: Rupees 5,558 million).

13.2 The rates of mark-up range from 12.67% to 16.03% (2011: 13.79% to 16.62%) per annum on the balance outstanding.

13.3 The rates of mark up range from 10.25% to 11.00% (2011: 10.25% to 11.00%) per annum on the balance outstanding.

13.4 The rates of mark up on Pak Rupee finances and US Dollar finances range from 10.00% to 16.25% (2011: 13.79% to 16.28%) per annum and 1.50% to 4.50% (2011: 3.00% to 4.00%) per annum respectively on the balance outstanding.

13.5 This represents interest free loan obtained from directors of the Company.

14. CURRENT PORTION OF NON-CURRENT LIABILITIES

Current portion of long term financing (Note 7)	119,583	23,939
Current portion of liabilities against assets subject to finance lease (Note 9)	5,978	32,306
	125,561	56,245

15. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) The Company has filed an appeal before Appellate Tribunal, Inland Revenue, Lahore against order in original 02/2007 dated 03 May 2007 for Rupees 11.002 million (2011: Rupees 11.002 million) alongwith default surcharge under section 34 of Sales Tax Act, 1990 and penalty at the rate of 30 percent. The related provision is not made in these financial statements in view of possible favourable outcome of the appeal.

ii) The Company has filed appeal before Appellate Tribunal, Inland Revenue, Lahore against order in original 13/2003 dated 29 April 2003 for Rupees 3.063 million (2011: 3.063 million) alongwith additional tax and default surcharge under sections 36(3) and 34 respectively of Sales Tax Act, 1990 and penalty at the rate of 3 percent. The related provision is not made in these financial statements in view of possible favourable outcome of the appeal.

iii) The Company has filed appeals with Appellate Tribunal, Inland Revenue for the revision of assessment orders issued under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2005 to 2009 where tax liability of Rupees 21.793 million raised by the department. The Company considers that its stance is based on reasonable grounds and appeals are likely to succeed. Hence, no provision has been recognized in these financial statements.

Notes to the Financial Statements

For the Year ended 30 June 2012

- iv) Letters of guarantee of Rupees 43.185 million (2011: Rupees 50.329 million) are given by the banks of the Company to Sui Northern Gas Pipeline Limited against gas connections.
- v) Post dated cheques of Rupees 5.700 million (2011: Rupees 50.457 million) are issued to custom authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- b) **Commitments**
- i) There is no capital commitment as at 30 June 2012 (2011: Nil).
- ii) Letters of credit for other than capital expenditure amounting to Rupees 68.525 million as at 30 June 2012 (2011: 17.981 million).

	2012	2011
	(RUPEES IN THOUSAND)	
16. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 16.1)		
- Owned	2,654,077	2,501,144
- Leased	25,728	84,581
Capital work-in-progress (Note 16.2)	161,956	37,617
	2,841,761	2,623,342

Notes to the Financial Statements

For the Year ended 30 June 2012

16.1 OPERATING FIXED ASSETS

	OWNED										LEASED				
	Freehold Land	Buildings on freehold land	Plant and machinery	Electric installations and appliances	Factory equipment	Furniture and fixtures	Office equipment	Vehicles	Total	Plant and machinery	Electric installations	Vehicles	Total		
------(RUPEES IN THOUSAND D)-----															
At 01 July 2010															
Cost / revalued amount	50,850	136,636	608,298	29,702	9,573	1,002	3,652	19,678	859,391	198,604	-	2,477	201,081		
Accumulated depreciation	-	(19,452)	(80,616)	(5,867)	(6,538)	(696)	(2,061)	(10,655)	(125,885)	(33,976)	-	(1,165)	(35,141)		
Net book value	50,850	117,184	527,682	23,835	3,035	306	1,591	9,023	733,506	164,628	-	1,312	165,940		
Year ended 30 June 2011															
Opening net book value	50,850	117,184	527,682	23,835	3,035	306	1,591	9,023	733,506	164,628	-	1,312	165,940		
Additions	-	33,395	78,736	24,278	116	190	1,282	23,498	161,495	-	-	-	-		
Additions due to merger	-	-	-	-	-	-	-	-	-	-	-	-	-		
Cost	132,920	283,846	1,250,658	142,370	16,988	1,789	14,807	44,876	1,888,254	81,251	1,149	13,229	956,299		
Accumulated depreciation	-	(30,738)	(177,311)	(34,838)	(6,333)	(1,091)	(7,455)	(19,321)	(277,147)	(28,505)	(205)	(8,230)	(36,940)		
Net book value	132,920	253,108	1,073,347	107,532	10,595	698	7,352	25,555	1,611,107	52,746	944	4,999	58,689		
Transfer:															
Cost	-	-	166,712	-	-	-	-	474	167,186	(166,712)	-	(474)	(167,186)		
Accumulated depreciation	-	-	(36,680)	-	-	-	-	(279)	(36,959)	36,680	-	279	36,959		
Net book value	-	-	130,032	-	-	-	-	195	130,227	(130,032)	-	(195)	(130,227)		
Deletions:															
Cost / revalued amount	-	-	(16,715)	-	-	-	-	(3,665)	(20,380)	-	-	-	-		
Accumulated depreciation	-	-	3,316	-	-	-	-	2,136	5,452	-	-	-	-		
Net book value	-	-	(13,399)	-	-	-	-	(1,529)	(14,928)	-	-	-	-		
Depreciation charge	-	(18,654)	(83,479)	(7,455)	(903)	(113)	(942)	(8,717)	(120,263)	(8516)	(47)	(1,258)	(98,211)		
Closing net book value	183,770	385,033	1,712,919	148,190	12,843	1,081	9,283	48,025	2,501,144	78,826	897	4,858	84,581		
At 30 June 2011															
Cost / revalued amount	183,770	453,877	2,067,689	196,350	26,677	2,981	19,741	84,861	3,055,946	113,143	1,149	15,232	1,295,249		
Accumulated depreciation	-	(68,844)	(374,770)	(48,160)	(13,834)	(1,900)	(10,458)	(36,836)	(554,802)	(34,317)	(252)	(10,374)	(44,943)		
Net book value	183,770	385,033	1,712,919	148,190	12,843	1,081	9,283	48,025	2,501,144	78,826	897	4,858	84,581		
Year ended 30 June 2012															
Opening net book value	183,770	385,033	1,712,919	148,190	12,843	1,081	9,283	48,025	2,501,144	78,826	897	4,858	84,581		
Additions	-	41,063	2,14,314	3,664	600	1,803	703	28,032	290,179	-	-	-	-		
Transfer:															
Cost	-	-	80,346	1,149	-	-	-	11,238	92,733	(80,346)	(1,149)	(11,238)	(92,733)		
Accumulated depreciation	-	-	(27,195)	(252)	-	-	-	(8,051)	(35,498)	27,195	252	8,051	35,498		
Net book value	-	-	53,151	897	-	-	-	3,187	57,235	(53,151)	(897)	(3,187)	(57,235)		
Deletions:															
Cost / revalued amount	-	-	(47,809)	-	-	-	-	(21,398)	(69,207)	-	-	-	-		
Accumulated depreciation	-	-	9,842	-	-	-	-	5,332	15,174	-	-	-	-		
Net book value	-	-	(37,967)	-	-	-	-	(16,066)	(54,033)	-	-	-	-		
Depreciation charge	-	(19,973)	(89,925)	(7,592)	(1,143)	(124)	(963)	(9,667)	(129,387)	(1,284)	-	(334)	(1,618)		
Impairment loss	-	-	(11,061)	-	-	-	-	-	(11,061)	-	-	-	-		
Closing net book value	183,770	406,123	1,841,431	145,159	12,300	2,760	9,023	53,511	2,654,077	24,391	1,337	4,524	25,728		
At 30 June 2012															
Cost / revalued amount	183,770	494,940	2,354,540	201,163	27,277	4,784	20,444	102,733	3,369,651	32,797	-	3,994	36,791		
Accumulated depreciation	-	(88,817)	(492,048)	(56,004)	(14,977)	(2,024)	(11,421)	(49,222)	(704,513)	(8,406)	-	(2,657)	(11,063)		
Impairment loss	-	-	(11,061)	-	-	-	-	-	(11,061)	-	-	-	-		
Net book value	183,770	406,123	1,841,431	145,159	12,300	2,760	9,023	53,511	2,654,077	24,391	1,337	4,524	25,728		
Annual rate of depreciation (%)	-	5	5	5	10	10	10	20	20	5	5	20	20		

Notes to the Financial Statements

For the Year ended 30 June 2012

16.1.1 If the freehold land, buildings on freehold land, plant and machinery and electric installations and appliances were measured using the cost model, the carrying amount would be as follows:

	2012			2011		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated Depreciation	Net book value
	(RUPEES IN THOUSAND)			(RUPEES IN THOUSAND)		
Freehold land	35,957	-	35,957	35,957	-	35,957
Buildings on freehold land	461,321	225,068	236,253	420,258	213,764	206,494
Plant and machinery	1,850,456	753,143	1,097,313	1,569,064	679,157	889,907
Electric installations and appliances	208,167	125,565	82,602	203,354	121,013	82,341
	2,555,901	1,103,776	1,452,125	2,228,633	1,013,934	1,214,699

	2012 (RUPEES IN THOUSAND)	2011 (RUPEES IN THOUSAND)
--	------------------------------	------------------------------

16.1.2 Depreciation charge for the year has been allocated as follows:

Cost of sales (Note 29)		
-Owned assets	118,633	110,491
-Leased assets	1,284	8,563
	119,917	119,054
Administrative expenses (Note 31)		
-Owned assets	10,754	9,772
-Leased assets	334	1,258
	11,088	11,030
	131,005	130,084

16.1.3 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

Description	Qty.	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers	
	Nos							
			------(RUPEES IN THOUSAND)-----					
Plant and Machinery								
Murata Machine Coner	1	10,200	2,100	8,100	3,350	Negotiation	Multi National Textile Company, Lahore	
Comber	6	26,700	5,496	21,204	1,225	Negotiation	SSQ Textile Traders, Faisalabad	
Carding Machine	8	10,909	2,246	8,663	5,200	Negotiation	Multi National Textile Company, Lahore	
		47,809	9,842	37,967	9,775			
Vehicles								
Audi HH-008	1	17,524	2,534	14,990	16,000	Negotiation	Mr. Amjad Ali, Lahore	
Toyota Corolla LZZ-1472	1	1,005	725	280	280	Company policy	Mr. Hussain Shahid (Company Employee)	
Toyota Corolla FDZ-5789	1	1,199	1,043	156	298	Company policy	Mr. Shahid Naeem, (Company Employee)	
Toyota Corolla LED-4515	1	974	581	393	337	Company policy	Mr. Nadeem Fiaz (Company Employee)	
Santro FSA-8443	1	511	335	176	164	Company policy	Mr. Ehsan Ullah (Company Employee)	
		21,213	5,218	15,995	17,079			
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000		185	114	71	46			
		69,207	15,174	54,033	26,900			

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011
16.2 Capital work-in-progress		
Building	42,897	37,617
Plant and machinery	119,059	-
	161,956	37,617

17. LONG TERM INVESTMENT

Investment in an associate

J.K. Tech (Private) Limited - unquoted 750 (2011: 750) ordinary shares of Rupees 10 each (Note 17.1)	8	8
Less: Accumulated Impairment	(8)	(8)
	-	-

17.1 The Company holds 50% (2011: 50%) shares in J.K. Tech (Private) Limited, an unquoted private limited company involved in providing services of electricity transmission. The summarized financial information of J.K. Tech (Private) Limited is as follows:

	Un-audited (RUPEES IN THOUSAND)	Audited
Associate's balance sheet:		
Current assets	2,907	3,049
Non-current assets	13,109	14,754
Current liabilities	(18)	(1,982)
Non-current liabilities	(13,968)	(13,893)
Net assets	2,030	1,928
Associate's revenue and profit:		
Revenue	2,518	2,181
Profit / (loss) before taxation for the year	102	(1,043)
Profit / (loss) after taxation for the year	62	(1,134)
	2012 (RUPEES IN THOUSAND)	2011

18. LONG TERM LOANS

Considered good:

Employees	1,033	-
Less: Current portion shown under current assets (Note 23)	641	-
	392	-

Notes to the Financial Statements

For the Year ended 30 June 2012

- 18.1 These represent personal loans to employees, recoverable in equal monthly installments. Interest on long term loans charged at the rate of 16% per annum. These are secured against balance standing to the credit of employees in the provident fund trust account.

	2012 (RUPEES IN THOUSAND)	2011
19. LONG TERM DEPOSITS AND PREPAYMENTS		
Security deposits	5,305	8,280
Prepayments	1,154	-
	6,459	8,280
Less: Current portion shown under current assets (Note 24)	5,784	-
	675	8,280

20. STORES, SPARE PARTS AND LOOSE TOOLS

Stores	26,827	27,475
Spare parts	9,947	7,728
Loose tools	308	23
	37,082	35,226

- 20.1 Stores and spare parts include items which may result in fixed capital expenditure but are not distinguishable at this stage.

21. STOCK-IN-TRADE

Raw materials	774,191	589,711
Work in process	234,250	112,164
Finished goods (Note 21.1 and Note 21.2)	250,788	515,113
Waste	19,449	32,442
	1,278,678	1,249,430

- 21.1 Finished goods include stock in transit of Rupees 28.217 million (2011: Rupees Nil).

- 21.2 Finished goods of Rupees 32.738 million (2011: Rupees Nil) is being carried at net realizable value.

- 21.3 The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 7.000 million (2011: Rupees Nil).

22. TRADE DEBTS

Considered good:		
Secured (against letters of credit)	190,750	335,911
Unsecured	260,393	192,834
	451,143	528,745

- 22.1 As at 30 June 2012, trade debts of Rupees 17.942 million (2011: Rupees 72.485 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011
Upto 1 month	17,640	6,408
1 to 6 months	302	61,610
More than 6 months	-	4,467
	17,942	72,485

22.2 As at 30 June 2012, trade debts of Rupees 0.264 million (2011: 1.258 million) were impaired and written off. The aging of these trade debts was more than three years.

23. LOANS AND ADVANCES

Considered good:

Employees		
Against expenses	1,444	191
Against salary	943	3,536
	2,387	3,727
Current portion of long term loans (Note 18)	641	-
Advances to suppliers	59,157	14,316
Letters of credit	368	18,169
Others	-	146
	62,553	36,358

24. SHORT TERM DEPOSITS AND PREPAYMENTS

Deposits	3,042	10,160
Short term prepayments	2,434	7,394
Current portion of long term deposits and prepayments (Note 19)	5,784	-
	11,260	17,554

25. OTHER RECEIVABLES

Considered good:

Export rebate	8,893	8,739
Insurance claim	57,963	-
Miscellaneous	2,079	990
	68,935	9,729

26. TAX REFUNDS DUE FROM THE GOVERNMENT

Considered good:

Income tax	93,274	126,922
Sales tax	85,902	112,929
Federal / special excise duty	3,338	2,878
	182,514	242,729

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011
27. CASH AND BANK BALANCES		
With banks on:		
Current accounts including US\$ 7,129 (2011: US\$ 9,306)	44,392	59,273
Saving accounts (Note 27.1)	371	685
	44,763	59,958
Cash in hand	454	332
	45,217	60,290

27.1 Rate of profit on bank deposits ranges from 5% to 8% per annum (2011: 8% to 12% per annum).

28. SALES

Export	3,860,690	5,101,984
Local (Note 28.1)	3,321,111	3,988,005
Export rebate and duty drawback	12,094	7,860
	7,193,895	9,097,849

28.1 Local

Sales	3,175,120	3,894,094
Waste	148,973	93,911
	3,324,093	3,988,005
Less: Sales tax	2,982	-
	3,321,111	3,988,005

29. COST OF SALES

Raw material consumed (Note 29.1)	4,213,492	6,298,051
Stores, spare parts and loose tools consumed	97,251	79,159
Packing material consumed	90,492	87,858
Processing and conversion charges	685,903	639,906
Doubling charges	1,902	20,056
Fuel and power	389,840	338,663
Salaries, wages and other benefits (Note 29.2)	278,799	242,252
Repair and maintenance	8,640	5,584
Insurance	10,852	9,938
Depreciation (Note 16.1.2)	119,917	119,054
Other factory overheads	24,796	22,964
	5,921,884	7,863,485

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011
Work-in-process:		
Opening stock	112,164	8,190
Transferred under the scheme of merger	-	101,522
Closing stock	(234,250)	(112,164)
	(122,086)	(2,452)
Cost of goods manufactured	5,799,798	7,861,033
Finished goods:		
Opening stock	547,555	66,030
Transferred under the scheme of merger	-	326,629
Closing stock	(270,237)	(547,555)
	277,318	(154,896)
	6,077,116	7,706,137
Cost of sale - purchased for resale	99,506	7,259
	6,176,622	7,713,396

29.1 Raw material consumed

Opening stock	589,711	132,797
Add:		
Purchased during the year	4,468,835	6,392,822
Transferred under the scheme of merger	-	362,143
	4,468,835	6,754,965
Less:		
Cotton lost due to fire	(70,863)	-
Closing stock	(774,191)	(589,711)
	(845,054)	(589,711)
	4,213,492	6,298,051

29.2 Salaries, wages and other benefits include provident fund contribution of Rupees 6.573 million (2011: Rupees 5.163 million) by the Company.

30. DISTRIBUTION COST

Salaries, wages and other benefits (Note 30.1)	5,175	4,080
Ocean freight	94,003	137,382
Commission and brokerage	120,168	148,311
Travelling and conveyance	9,858	4,643
Local freight	28,138	16,945
Shipping expenses	12,579	6,625
Export development surcharge	9,408	12,061
Advertisement	2,024	13,947
Business promotion	7,122	48,262
Miscellaneous	3,300	3,832
	291,775	396,088

30.1 Salaries, wages and other benefits include provident fund contribution of Rupees 0.383 million (2011: Rupees 0.323 million) by the Company.

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011
31. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits (Note 31.1)	53,679	53,904
Rent, rates and taxes	1,848	2,278
Legal and professional	2,186	1,954
Insurance	2,088	2,445
Traveling and conveyance	16,640	8,475
Vehicles' running	8,824	7,952
Entertainment	2,915	2,879
Auditors' remuneration (Note 31.2)	1,200	1,200
Advertisement	190	-
Communication	5,387	4,295
Utilities	3,026	1,644
Printing and stationery	971	1,134
Repair and maintenance	1,881	1,256
Fee and subscription	5,738	5,016
Depreciation (Note 16.1.2)	11,088	11,030
Other charges	2,602	5,766
	120,263	111,228
31.1 Salaries, wages and other benefits include provident fund contribution of Rupees 2.350 million (2011: Rupees 2.110 million) by the Company.		
31.2 Auditors' remuneration:		
Riaz Ahmad and Company		
Audit fee	1,150	-
Half yearly review	50	-
	1,200	-
Zahid Jamil and Company		
Audit fee	-	1,150
Half yearly review	-	50
	-	1,200
32. OTHER OPERATING EXPENSES		
Donations (Note 32.1)	4,273	-
Loss on sale of property, plant and equipment	-	10,115
Trade debts written off	264	1,258
Workers' profit participation fund (Note 11.2)	19,405	27,267
Workers' welfare fund	1,830	1,193
	25,772	39,833

Notes to the Financial Statements

For the Year ended 30 June 2012

32.1 The directors and their spouses have no interest in donations made by the Company during the year.

	2012 (RUPEES IN THOUSAND)	2011
33. OTHER OPERATING INCOME		
Income from financial assets		
Exchange gain	25,465	905
Mark-up on saving accounts	105	38
Others	290	-
	25,860	943
Income from non-financial assets		
Gain on sale of property, plant and equipment	301	-
Sale of empties and scrap	-	1,474
	301	1,474
	26,161	2,417

34. FINANCE COST		
Mark up on:		
Long term financing	23,816	13,321
Liabilities against assets subject to finance lease	2,446	6,268
Short term borrowings	165,627	264,959
Workers' profit participation fund (Note 11.2)	2,826	1,205
Bank charges and commission	46,830	37,099
	241,545	322,852

35. TAXATION		
Charge for the year:		
Current tax (Note 35.1)	72,112	97,595
Prior year adjustment	(377)	-
	71,735	97,595
Deferred income tax (Note 35.2)	10,759	54,868
	82,494	152,463

Notes to the Financial Statements

For the Year ended 30 June 2012

- 35.1** Provision for current taxation represents the tax deducted against export sales, minimum tax on local sales under the relevant provisions of the Income Tax Ordinance, 2001. Minimum taxation and tax credits available as at 30 June 2012 are Rupees 55.528 million (2011: Rupees 32.910 million). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented, being impracticable.

	2012 (RUPEES IN THOUSAND)	2011
35.2 Deferred income tax effect due to:		
Accelrated tax depreciation	163,110	126,795
Minimum taxation	(34,097)	(32,910)
Tax credits	(21,431)	-
Liabilities against assets subject to finance lease	(965)	(6,505)
Surplus on revaluation of operating fixed assets	157,599	171,072
	264,216	258,452
Opening balance as at 01 July	(258,452)	(101,252)
Transferred under the scheme of merger	-	(178,914)
Related to surplus on revaluation of operating fixed assets	(1,217)	76,582
Adjustment of deferred tax liability on sale and impairment of plant and machinery	6,212	-
	(253,457)	(203,584)
	10,759	54,868

36. EARNING PER SHARE - BASIC AND DILUTED

Restated

There is no dilutive effect on the basic earnings per share which is based on:		
Profit attributable to ordinary shareholders (Rupees in thousand)	281,585	364,406
Weighted average number of ordinary shares (Numbers)	60 903 275	60 903 275
Earnings per share (Rupees)	4.62	5.98

- 36.1** Weighted average number of ordinary shares and earnings per share - basic and diluted for the year ended 30 June 2011 have been restated after taking the effect of further issue of share capital under the scheme of merger.

37. CASH GENERATED FROM / (UTILIZED IN) OPERATIONS

Profit before taxation	364,079	516,869
Adjustments for non-cash charges and other items:		
Depreciation	131,005	130,084
Finance cost	241,545	322,852
Provision for workers' profit participation fund	19,405	27,267
Bad debts written off	264	-
(Gain) / loss on sale of property, plant and equipment	(301)	10,115
Working capital changes (Note 37.1)	(77,463)	(1,432,004)
	678,534	(424,817)

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011 (RUPEES IN THOUSAND)
37.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(1,856)	(27,023)
Stock in trade	(29,248)	(1,042,412)
Trade debts	77,338	(454,979)
Loans and advances	(26,195)	(33,241)
Short term deposits and prepayments	6,294	(3,635)
Other receivables	(59,206)	(9,729)
Tax refunds due from the Government	26,567	(100,565)
	(6,306)	(1,671,584)
(Decrease) / increase in trade and other payables	(71,157)	239,580
	(77,463)	(1,432,004)

38. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for the year for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	----- (RUPEES IN THOUSAND) -----					
Managerial remuneration	2,272	2,309	5,540	4,377	16,705	12,776
Allowances						
House rent	1,022	758	1,810	1,437	2,573	3,833
Others	114	341	192	646	-	1,278
Contribution to provident fund	-	-	143	84	1,392	1,064
	3,408	3,408	7,685	6,544	20,670	18,951
Number of persons	1	1	5	3	21	20

38.1 Chief executive officer, directors and certain executives of the Company are provided with Company maintained vehicles. Chief executive officer is provided with free utilities and one director is also provided with free housing facility.

38.2 No remuneration was paid to non-executive director of the Company.

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, employees' provident fund trust, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follows:

Notes to the Financial Statements

For the Year ended 30 June 2012

	2012 (RUPEES IN THOUSAND)	2011 (RUPEES IN THOUSAND)
Associated Companies		
Service charges	1,631	3,656
Purchases	4,609	6,084
Other related parties		
Contribution to Employees' Provident Fund Trust	9,306	7,596
Loan received from directors - net	34,144	160,505
Office rent	1,260	1,260

40. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 098 shifts (2011: 1 095 shifts)	(Kgs.)	28 518	28 717
Actual production converted to 20s count based on 3 shifts per day for 1044 shifts (2011: 1050 shifts)	(Kgs.)	22 302	23 340

Home textile

The capacity of this division is indeterminable due to multi products involving varying processes of manufacturing.

40.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is mainly due to gas and electricity shutdowns.

41. SEGMENT INFORMATION

41.1	Spinning		Home Textile		Fabric		Elimination of Inter-segment transactions		Total - Company	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(RUPEES IN THOUSAND)									
Sales	5,104,644	-	1,019,956	-	1,529,933	-	(460,638)	-	7,193,895	-
Cost of sales	(4,380,411)	-	(902,740)	-	(1,354,109)	-	460,638	-	(6,176,622)	-
Gross profit	724,233	-	117,216	-	175,824	-	-	-	1,017,273	-
Distribution cost	(132,897)	-	(65,791)	-	(93,087)	-	-	-	(291,775)	-
Administrative expenses	(82,059)	-	(15,820)	-	(22,384)	-	-	-	(120,263)	-
	(214,956)	-	(81,611)	-	(115,471)	-	-	-	(412,038)	-
Profit before taxation and unallocated income and expenses	509,277	-	35,605	-	60,353	-	-	-	605,235	-
Unallocated income and expenses										
Other operating expenses									(25,772)	-
Other operating income									26,161	-
Finance cost									(241,545)	-
Provision for taxation									(82,494)	-
Profit after taxation									281,585	-

Notes to the Financial Statements

For the Year ended 30 June 2012

41.2 Reconciliation of reportable segment assets and liabilities:

	Spinning		Home Textile		Fabric		Total - Company	
	2012	2011	2012	2011	2012	2011	2012	2011
..... (RUPEES IN THOUSAND)								
Total assets for reportable segments	4,012,990	-	381,018	-	371,166	-	4,765,368	-
Unallocated assets							215,036	-
							4,980,210	-
All segment assets are allocated to reportable segments other than those directly relating to corporate.								
Total liabilities for reportable segments	1,506,749	-	230,574	-	153,716	-	1,891,020	-
Unallocated liabilities							358,756	-
							2,249,795	-

All segment liabilities are allocated to reportable segments other than provision for taxation and deferred income tax liabilities and other corporate liabilities.

Note: The Company is giving segment information first time and the corresponding figures have not been disclosed being impracticable.

2012
(RUPEES IN THOUSAND)

41.3 Geographical Information

41.3.1 The Company's revenue from external customers by geographical location is detailed below:

Europe	1,988,036	-
America	745,106	-
Asia, Africa, Australia	1,139,642	-
Pakistan	3,321,111	-
	7,193,895	-

41.3.2 All non-current assets of the Company as at reporting date are located and operating in Pakistan.

41.4 Revenue from major customers

The Company's revenue is earned from a large mix of customers.

42. FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

Notes to the Financial Statements

For the Year ended 30 June 2012

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2012 (RUPEES IN THOUSAND)	2011
Cash at banks - USD	7,129	9,306
Trade debts - USD	2,702,450	3,921,304
Short term borrowings - USD	(33,453)	-
Net exposure - USD	2,676,126	3,930,610

Following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	89.21	85.52
Reporting date rate	94.00	85.63

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 11.710 million (2011: Rupees 15.667 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected / forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly bases, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities / payments to assets / receipts, using source inputs in foreign currency and arranging cross currency swaps. The Company maintains foreign currency working capital lines in order to finance production of exportable goods. Proceeds from exports are used to repay / settle / rollover the Company's obligations under these working capital lines which substantially reduces exposure to currency risk in respect of such liabilities. Balances in foreign currency are also maintained in current accounts with banking companies.

Notes to the Financial Statements

For the Year ended 30 June 2012

(ii) Other price risk

Other price risk represents the 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 affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

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

The Company has no significant interest bearing assets except for long term loans and bank balances in saving accounts. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, long term loans and bank balances in saving accounts. Financial instruments obtained at variable rates expose the Company to cash flow interest rate risk. Financial instruments obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2012 (RUPEES IN THOUSAND)	2011
Fixed rate instruments		
Financial assets		
Long term loans	1,033	-
Financial liabilities		
Long term financing	11,508	21,162
Short term borrowings	235,000	675,347
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	371	685
Financial liabilities		
Long term financing	302,238	67,857
Liabilities against assets subject to finance lease	5,978	38,286
Short term borrowings	652,418	428,460

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 or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Notes to the Financial Statements

For the Year ended 30 June 2012

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 8.940 million (2011: Rupees 4.971 million) lower / higher, as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming that amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2012 (RUPEES IN THOUSAND)	2011
Loans and advances	1,976	3,682
Deposits	8,347	18,440
Trade debts	451,143	528,745
Other receivables	60,042	990
Bank balances	44,763	59,958
	566,271	611,815

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Short Term	Rating Long term	Agency	2012 (Rupees in thousand)	2011
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	-	13,768
Allied Bank Limited	A1+	AA	PACRA	138	476
Askari Bank Limited	A1+	AA	PACRA	7,458	7,084
Bank Alfalah Limited	A1+	AA	PACRA	2,253	228
Faysal Bank Limited	A1+	AA	PACRA	1,036	1,849
Habib Bank Limited	A-1+	AA+	JCR-VIS	3	125
Bank Al-Habib Limited	A1+	AA+	PACRA	99	-
MCB Bank Limited	A1+	AA+	PACRA	4	4
NIB Bank Limited	A1+	AA -	PACRA	51	583
Silkbank Limited	A-2	A-	JCR-VIS	83	1,031
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	5,121	10,312
United Bank Limited	A-1+	AA+	JCR-VIS	3,740	415
Al-Baraka Bank (Pakistan) Limited	A2	A	PACRA	406	23,314
HSBC Bank Middle East Limited	P-1	A1	Moody's	6	6
The Bank of Punjab	A1+	AA-	PACRA	24,358	394
Summit Bank Limited	A-2	A	JCR-VIS	7	369
				44,763	59,958

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 22.

Notes to the Financial Statements

For the Year ended 30 June 2012

Credit risk management

The Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by counterparties. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

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

Contractual maturities of financial liabilities including interest payments as at 30 June 2012:

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 year	More than 2 years
----- (RUPEES IN THOUSAND) -----						
Long term financing	313,746	381,261	83,766	73,759	128,985	94,751
Directors' loan	300,000	300,000	-	-	300,000	-
Liabilities against assets subject to finance lease	5,978	5,989	5,989	-	-	-
Trade and other payables	195,620	195,620	195,620	-	-	-
Accrued mark-up	34,491	34,491	34,491	-	-	-
Short term borrowings	1,032,246	1,067,508	940,808	126,700	-	-
	1,882,081	1,984,869	1,260,674	200,459	428,985	94,751

The following are the contractual maturities of financial liabilities as at 30 June 2011:

Long term financing	89,019	89,019	11,969	11,970	65,080	-
Directors' loan	300,000	300,000	-	-	300,000	-
Liabilities against assets subject to finance lease	38,286	38,286	16,152	16,153	5,981	-
Trade and other payables	251,904	251,904	251,904	-	-	-
Accrued mark-up	46,739	46,739	46,739	-	-	-
Short term borrowings	1,192,112	1,192,112	1,192,112	-	-	-
	1,918,060	1,918,060	1,518,876	28,123	371,061	-

The amounts disclosed in the table are undiscounted cash flows.

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 7, Note 9 and Note 13 to these financial statements.

Liquidity risk management

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2012, the Company had Rupees 3,700 million (2011: Rupees 4,454 million) available borrowing limits from financial institutions and Rupees 45.217 million (2011: Rupees 60.290 million) cash and bank balances. Management believes the liquidity risk to be low.

Notes to the Financial Statements

For the Year ended 30 June 2012

42.2 Fair values of financial assets and liabilities

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

42.3 Financial instruments by categories

	Loans and receivables	
	2012	2011
	(RUPEES IN THOUSAND)	
Assets as per balance sheet		
Loans and advances	1,976	3,682
Deposits	8,347	18,440
Trade debts	451,143	528,745
Other receivables	60,042	990
Cash and bank balances	45,217	60,290
	566,725	612,147
	Financial liabilities at amortized cost	
	2012	2011
	(RUPEES IN THOUSAND)	
Liabilities as per balance sheet		
Long term financing	313,746	89,019
Directors' loan	300,000	300,000
Liabilities against assets subject to finance lease	5,978	38,286
Accrued mark-up	34,491	46,739
Short term borrowings	1,032,246	1,192,112
Trade and other payables	195,620	251,904
	1,882,081	1,918,060

42.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, Directors' loan, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in Note 7, Note 8, Note 9 and Note 13 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity.

		2012	2011
Borrowings	Rupees in thousand	1,651,970	1,619,417
Total equity	Rupees in thousand	1,763,656	1,439,286
Total capital employed	Rupees in thousand	3,415,626	3,058,703
Gearing ratio	Percentage	48.37	52.94

The decrease in the gearing ratio resulted primarily from increase in total equity of the Company.

Notes to the Financial Statements

For the Year ended 30 June 2012

43. NON ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on October 08, 2012 have proposed cash dividend of Rupees 2.5 per share for the year ended 30 June 2012 (2011: Rupees 1 per share) to ordinary shareholders except directors, chief executive officer, their spouses and associate). However, this event has been considered as non adjusting under IAS 10 and has not been recognized in these financial statements.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 08, 2012 by the Board of Directors of the Company and.

45. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made except for:

- Operating fixed assets and capital work-in-progress are shown as single figure in property, plant and equipment instead of showing separately at the face of balance sheet.
- Long term loans and long term deposits and prepayments are shown separately instead of showing long term advances and deposits.
- Current portion of long term financing and liabilities against assets subject to finance lease are shown as single figure as current portion of non-current liabilities at the face of balance sheet instead of showing separately.
- Provision for taxation is shown on the face of balance sheet instead of adjusting against tax refunds due from the Government.
- Provision for workers' welfare fund is grouped in trade and other payables instead of adjusting against tax refunds due from the Government.
- Temporary bank overdrafts are shown in short term borrowings instead of showing in trade and other payables as book overdrawn.
- Export rebate is grouped in sales instead of adjusting against cost of sales.
- Other operating income and other operating expenses are shown separately in profit and loss account instead of showing as other losses by netting of against each other.
- Workers' profit participation fund and workers' welfare fund are shown in other operating expenses instead of showing separately at the face of profit and loss account.
- Salaries, wages and other benefits of distribution department are clubbed in distribution cost instead of in administrative expenses.
- Trading results are clubbed in normal results instead of showing separately at the face of profit and loss account.

46. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Pattern of Shareholding

As at June 30, 2012

No. of Share Holders	Share Holding		Total Shares Held
	From	To	
46	1	100	749
34	101	500	8,232
29	501	1000	18,017
58	1,001	5,000	122,693
14	5,001	10,000	92,188
2	10,001	15,000	27,585
4	15,001	25,000	73,867
1	25,001	30,000	29,065
1	30,001	35,000	32,441
1	40,001	45,000	41,528
2	45,001	50,000	92,930
1	60,001	65,000	61,275
1	70,001	75,000	72,923
1	85,001	90,000	89,236
1	295,001	300,000	300,000
1	340,001	345,000	340,796
1	630,001	635,000	631,700
1	955,001	960,000	960,000
1	3,565,001	3,570,000	3,569,387
1	9,385,001	9,390,000	9,388,120
1	9,415,001	9,425,000	9,419,380
1	11,465,001	11,470,000	11,465,540
1	24,065,001	24,070,000	24,065,623
204			60,903,275

PATTERNS OF SHARE HOLDING

S.No.	Categories of Share Holders	No. of Share Holders	Shares Held	Percentage
1	Financial Institutions	4	450,045	0.74
2	Investment Companies	2	75,945	0.13
3	Insurance Companies	2	5,460	0.01
4	Joint Stock Companies	2	9,705	0.02
5	Modarba Companies	2	5,880	0.01
6	Directores, CEOs & Their Spouses	8	54,975,778	90.27
7	Individuals	184	5,380,462	8.82
	Total	204	60,903,275	100.00

Detail of Categories Share Holders As On June 30, 2012	No. of Share Holders	Shares Held
Financial Institutions		
National Bank of Pakistan, Trustee Deptt.	1	340,796
National Bank of Pakistan	1	32,441
The Bank of Punjab	1	72,923
National Industrial & Commercial Leasing Ltd	1	3,885
	4	450,045
Modaraba Companies		
First Prudential Modarba	1	3,255
Prudential Capital Management Ltd	1	2,625
	2	5,880
Investment Companies		
National Investment Trust Ltd	1	61,275
Industrail Development Bank of Pakistan	1	14,670
	2	75,945
Insurance Companies		
Pakistan Guarantee Insurance Company Ltd	1	4,935
Gulf Insurance Company Ltd	1	525
	2	5,460
Directores, CEOs & Their Spouses		
Mr. Jawed Anwar (Chairman / Chief Executive)	1	24,065,623
Mr. Faiq Jawed (Director)	1	11,465,540
Mr. Shaiq Jawed (Director)	1	9,388,120
Mrs. Farhat Jehan (Director)	1	9,419,380
Syed Shahid Hussain Mansoor Naqvi (Director)	1	4,415
Mr. Ghulam Muhammad (Director)	1	500
Mr. Qayyum Mohsin Malik (Director)	1	500
Mrs. Nageen Faiq (Spouse of Mr.Faiq Jawed)	1	631,700
	8	54,975,778
Joint Stock Companies		
Stock Master Securities (Pvt.) Ltd	1	9,699
Sultan Textile Mills Karachi Ltd	1	6
	2	9,705
Individuals	184	5,380,462
Grand Total	204	60,903,275

Shareholders Holding 10% Or More Voting Interest in The Company As On June 30, 2012

Directores, CEOs	Shares Held	% Age
Mr. Jawed Anwar (Chairman / Chief Executive)	24,065,623	39.51
Mr. Faiq Jawed (Director)	11,465,540	18.83
Mr. Shaiq Jawed (Director)	9,388,120	15.41
Mrs. Farhat Jehan (Director)	9,419,380	15.47

Form of Proxy

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

I / We _____

of _____

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

ordinary shares as per Registered Folio No. _____

hereby appoint _____

of _____

Shares Registered Folio No. _____ who is also

a member of J.K SPINNING MILLS LIMITED as my proxy to vote for me and on my behalf at the 26th Annual General Meeting of the Company to be held on Wednesday, the October 31st, 2012 and at any adjournment thereof.

Signed this _____ day of _____ 2012.

Witness:

1.

2.

Affix Rs. 5/- Revenue
Stamp here

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

NOTICE

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

www.jkgroup.net



Registered Office:
3-1/A, Peoples Colony, Faisalabad, Pakistan.
UAN: +92 41 111 15 15 Fax: +92 41 111 16 16 16
E-mail: jkgroup@jkgroup.net