



WHAT'S NEXT.

2019-20 First Quarter Report



J.K. SPINNING MILLS LIMITED



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Company Information

| | |
|--|--|
| Chairman | Mr. Jawed Anwar |
| Chief Executive | Mr. Faiq Jawed |
| Directors | Mr. Shaiq Jawed Mr. Rehan Ashfaq Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad Mr. Mammor Ijaz |
| Audit Committee | |
| Chairman | Mr. Rehan Ashfaq |
| Members | Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad |
| HR Committee | |
| Chairman | Mr. Mammor Ijaz |
| Members | Mr. Shaiq Jawed Mrs. Sadaf Aamir Arshad |
| Company Secretary | Syed Hussain Shahid Mansoor Naqvi |
| Chief Financial Officer | Mr. Ghulam Muhammad |
| Head of Internal Audit | Mr. Amjad Ali |
| Auditors | M/s Zahid Jamil & Co, Chartered Accountants A member of Prime Global |
| Legal Advisor | Mahfooz Ahmad Khan Advocates |
| Registrar's and Share Registration office | CORPTEC Associates (Pvt.) Ltd., 503-E, Johar Town, Lahore |
| Bankers | Standard Chartered Bank (Pakistan) Limited The Bank of Punjab National Bank of Pakistan Askari Bank Limited MCB Bank Limited The Bank of Khyber Summit Bank Habib Bank Limited Meezan Bank Limited |
| Registered office | 34-Falcon Enclave, Tufail Road, Lahore Cantt. Lahore. |
| Head Office & Mills | 29-KM, Sheikhpura Road, khurrianwala Faisalabad. |

Directors' Report

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

Dear Shareholders,

The Directors' of your company feel pleasure to submit Un-audited Financial Statements of the company for the quarter ended September 30, 2019.

Financial Results and Operational Performance

The summarized financial results of the company for the quarter ended September 30, 2019 are as under:

| Particulars | Rupees in Millions | |
|---|-----------------------|-----------------------|
| | Quarter Ended | |
| | September 30, 2019 | September 30, 2018 |
| Revenue from contracts with customers | 3,578.210 | 2,772.228 |
| Cost of Revenue | 2,981.388 | 2,340.794 |
| Gross Profit | 596.822 | 431.434 |
| Operating Expenses-net | 219.207 | 129.147 |
| Operating profit | 377.615 | 302.287 |
| Finance costs | 121.213 | 64.930 |
| Profit for the period | 206.422 | 192.283 |
| Earnings per share – Basic and Diluted (Rupees) | 2.82 | 2.63 |

Your directors have not recommended any interim dividend.

Sales for the period under review increased to Rupees 3,578.210 million from Rupees 2,772.228 million of the corresponding period and accordingly raw material consumed also increased as compared to corresponding period. Fuel and power cost increased in view of increase in volume and fuel prices while salaries, wages and other benefit expenses increased due to increase in minimum wage rate. All other components of conversion cost increased due to impact of Pak Rupee devaluation and inflationary factor. Operating expenses net of other income for the quarter ended September 30, 2019 increased to Rupees 219.207 million from Rupees 129.147 million of corresponding period of last year while finance costs increased to Rupees 121.213 million from Rupees 64.930 million of corresponding period in view of increase in long term and short term borrowings and increase in kibar rates.

Your company has earned profit after taxation of Rupees 206.422 million during the quarter ended September 30, 2019 against Rupees 192.283 million of corresponding period of last year.

Production of yarn converted into 20/5 for the period under review was 8.603 million Kgs against 8.775 million Kgs of corresponding period. Your company's management believes on continuing policy of Balancing Modernization and Replacement (BMR) of machinery and equipment of its production facilities. Your company is planning to add a processing unit in its facilities.

Future Outlook

Pakistan textile sector will remain challenging due to uncertain economic conditions in the country and slowdown in growth of global economies and impact of trade war. The withdrawal of SRO-1125 and resultant imposition of sales tax on entire textile chain has dramatically impacted the industry. If the promise of timely sales tax refunds is not materialized the export sector will face serious working capital implications. Textile sector is unable to recover its dwindling share in the international market due to increase in cost of production, which is making it less competitive than other major textile exporting countries. This fact is evident from the value of our textile exports, which is hovering around US\$ 13 billion for last ten years.

Directors' Report

Cotton crop production is estimated at 15 million cotton bales for cotton season 2019-20 but cotton arrival figures are less by 27% as compared to last season in view of pest attacks. Management of your company is closely watching the cotton outlook to procure cotton at minimum rates.

The company is focusing on improving efficiencies and minimizing costs by enhancing spinning capacity to achieve the better financial results of financial year ending June 30, 2020.

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. The company Acknowledges and thanks all stakeholders for the confidence reposed.

For and on behalf of Board of Directors



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive

Faisalabad
October 28, 2019

ڈائریکٹرز رپورٹ برائے حصص یافتگان:

کمپنی سپنگ صلاحیت کو بڑھا کر کارکردگی کو بہتر اور کاسٹ کو کم کر رہی ہے تاکہ مالی سال کے اختتام 30 جون 2020 کو بہتر مالی نتائج حاصل کر سکے۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے گاہکوں اور بیکرز کے کمپنی کے کاروبار میں تعاون پر شکرگزار ہیں ڈائریکٹرز کمپنی کے سٹاف اور مزدوروں کی محنت اور کوششوں کو بھی سراہتے ہیں۔ کمپنی سٹیک ہولڈرز کے پُر اعتماد سپورٹس کا اقرار کرتی ہے اور شکرگزار بھی ہے۔

منجانب بورڈ آف ڈائریکٹرز:



جاوید انوار
چیرمین



فائق جاوید
چیف ایگزیکٹو

فیصل آباد

اکتوبر 28، 2019

ڈائریکٹرز رپورٹ برائے حصص یافتگان:
شروع اللہ کے نام سے جو نہایت مہربان اور رحم والا ہے۔

معروضہ حصص یافتگان،

آپ کی کمپنی کے ڈائریکٹرز سال کے پہلے کوارٹر کے اختتام 30 ستمبر 2019 کے بغیر آڈٹ کے مالیاتی حسابات پیش کرنے میں خوشی محسوس کرتے ہیں۔

مالیاتی نتائج:

مالیاتی سال کے پہلے کوارٹر کے نتائج کے تفصیل درج ذیل ہیں:

| ملین روپے | | تفصیلات |
|---------------|---------------|-------------------|
| اختتام کوارٹر | | |
| 30 ستمبر 2019 | 30 ستمبر 2018 | |
| 3,578.210 | 2,772.228 | سیلز |
| 2,981.388 | 2,340.794 | سیلز کے اخراجات |
| 596.822 | 431.434 | خام منافع |
| 219.207 | 129.147 | آپریٹنگ اخراجات |
| 377.615 | 302.287 | آپریٹنگ منافع |
| 121.213 | 64.930 | مالی لاگت |
| 206.422 | 192.283 | منافع بعد از ٹیکس |
| 2.82 | 2.63 | نی ٹیئر آمدنی |

آپ کی کمپنی کے ڈائریکٹرز نے درمیانے عرصے کا دیویڈنڈ تجویز نہیں کیا۔

مالی سال کے پہلے کوارٹر کے دوران یہ میں فروخت 2,772.228 ملین روپے سے بڑھ کر 3,578.210 ملین روپے ہوئی ہے۔ اسی طرح خام مال کے اخراجات بھی اسی نسبت سے بڑھے ہیں۔ ایندھن اور پاور کے حجم میں اضافہ اور ایندھن کی قیمت بھی بڑھی ہے۔ تنخواہوں کے اخراجات کم از کم اُجرت میں اضافہ کی وجہ سے بڑھے ہیں۔ افرایا ز اور روپے کی قدر میں کمی کے عوامل کی وجہ سے نوریجن کاسٹ کے عوامل میں اضافہ ہوا۔ اس کوارٹر کے آپریٹنگ اخراجات پچھلے سال کے اخراجات 129.147 ملین روپے سے بڑھ کر 219.207 ملین روپے ہو گئے ہیں جبکہ مالی اخراجات پچھلے سال کے اخراجات 64.930 ملین روپے سے بڑھ کر 121.213 ملین روپے ہو گئے ہیں۔ ان اخراجات کے بڑھنے کی وجہ لے عرصے اور چھوٹے عرصے کے فرقہ جات میں اضافہ اور سود کے ریٹ بڑھنے کی وجہ سے ہے۔ آپ کی کمپنی نے کوارٹر اختتام 30 ستمبر 2019 میں 206.422 ملین روپے خالص منافع کمایا ہے جبکہ پچھلے سال کا منافع 192.283 ملین روپے تھا۔ اس کوارٹر کے دوران یہ میں 20/س دھاگے کی پیداوار پچھلے سال کی پیداوار 8.775 ملین کلوگرام سے کم ہو کر 8.603 ملین کلوگرام ہو گئی۔

مستقبل کا نظریہ نظر:

عالمی سطح پر سست معاشی حالات اور تجارتی جنگ کی وجہ سے پاکستانی ٹیکسٹائل سیکٹر چیلنجنگ رہے گا۔ پوری ٹیکسٹائل چین پر سیلز ٹیکس لگانے اور SRO-1125 کی واپسی انڈسٹری پر بُرا اثر ڈال سکتی ہے۔ اگر وقت پر سیلز ٹیکس ریفرنڈم نہ دیئے گئے تو اس کا کمپنی کے ورکنگ کپینٹل پر بُرا اثر پڑ سکتا ہے۔ پہلے ہی کاسٹ آف پروڈکشن بڑھنے کی وجہ سے ٹیکسٹائل سیکٹر دوسرے صنعتی ممالک سے مقابلہ کرنے سے قاصر ہے۔ جس کا ثبوت یہ ہے کہ پچھلے دس سال سے ہماری اکانومی 13 بلین ڈالر کے گرد گھوم رہی ہے۔

کاٹن کی پیداوار اپنے ہدف 15 ملین کانٹھوں سے 27% کم رہی جس کی وجہ پائی کی کمی اور کیٹروں کے حملے ہیں جو کہ اکانومی کے لئے جس کا زیادہ تر انحصار فاسبر ہے کے لئے مشکل وقت کی نشاندہی کرتی ہے۔ کمپنی کی انتظامیہ کیا اس کو کم سے کم ریٹ پر خریدنے کی کوشش کر رہی ہے اور کوشش کر رہی ہے کہ قیمت کم ہو، حجم بڑھے اور قابلیت میں اضافہ ہوتا کہ اس کے مالی سال میں مالی نتائج سازگار ہوں۔

Financial Statements

For The Quarter Ended 30 September 2019

Condensed Interim Statement of Financial Position (Un-Audited)

As At 30 September 2019

| | NOTE | Un-audited 30 September 2019 (RUPEES IN THOUSAND) | Audited 30 June 2019 |
|--|------|--|----------------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | | | |
| 96 000 000 (30 June 2019: 96 000 000) ordinary shares of Rupees 10 each | | 960,000 | 960,000 |
| Issued, subscribed and paid up share capital | 5 | 730,839 | 730,839 |
| Reserves | | | |
| Capital reserves | | 575,171 | 575,171 |
| Revenue reserves - unappropriated profit | | 3,158,186 | 2,951,764 |
| | | 3,733,357 | 3,526,935 |
| Total equity | | 4,464,196 | 4,257,774 |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | 6 | 1,145,736 | 1,191,883 |
| Liabilities against assets subject to finance lease | | 37,785 | 41,777 |
| Long term deposits | | 32,462 | 26,233 |
| Deferred tax liability | 7 | 279,640 | 274,815 |
| | | 1,495,623 | 1,534,708 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 809,727 | 661,942 |
| Contract liabilities | | 95,046 | 64,592 |
| Accrued mark-up | | 82,595 | 75,916 |
| Short term borrowings | | 3,540,118 | 2,644,848 |
| Unclaimed dividend | | 472 | 472 |
| Current portion of non-current liabilities | | 278,530 | 255,241 |
| | | 4,806,488 | 3,703,011 |
| TOTAL EQUITY AND LIABILITIES | | 10,766,307 | 9,495,493 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 8 | - | - |

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Ghulam Muhammad
Chief Financial Officer

Condensed Interim Statement of Financial Position (Un-Audited)

As At 30 September 2019

| | NOTE | Un-audited 30 September 2019 (RUPEES IN THOUSAND) | Audited 30 June 2019 |
|---|------|--|----------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | | |
| Operating fixed assets | 9 | 4,105,276 | 4,173,329 |
| Capital work-in-progress | 10 | 163,029 | 148,434 |
| | | 4,268,305 | 4,321,763 |
| Long term investment | | - | - |
| Long term deposits and advances | | 27,809 | 25,726 |
| | | 4,296,114 | 4,347,489 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | | 76,950 | 86,635 |
| Stock in trade | | 4,473,521 | 3,746,854 |
| Trade debts | | 1,305,278 | 786,273 |
| Advances | | 10,745 | 35,123 |
| Trade deposits and short term prepayments | | 31,111 | 7,243 |
| Other receivables | | 72,802 | 56,667 |
| Tax refunds due from the Government | 11 | 369,318 | 303,869 |
| Short term investments | | 50,610 | 51,593 |
| Cash and bank balances | | 79,858 | 73,747 |
| | | 6,470,193 | 5,148,004 |
| TOTAL ASSETS | | 10,766,307 | 9,495,493 |



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Ghulam Muhammad
Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-Audited)

For The Quarter Ended 30 September 2019

| | NOTE | Quarter ended | |
|---|------|----------------------|----------------------|
| | | 30 September 2019 | 30 September 2018 |
| (RUPEES IN THOUSAND) | | | |
| Revenue from contracts with customers | 12 | 3,578,210 | 2,772,228 |
| Cost of revenue | 13 | (2,981,388) | (2,340,794) |
| Gross Profit | | 596,822 | 431,434 |
| Distribution expenses | | (65,038) | (69,393) |
| Administrative expenses | | (95,001) | (67,173) |
| Other operating expenses | 14 | (59,672) | (16,326) |
| | | (219,711) | (152,892) |
| Other Income | 15 | 377,111 | 278,542 |
| | | 504 | 23,745 |
| Operating profit | | 377,615 | 302,287 |
| Finance costs | | (121,213) | (64,930) |
| Profit Before Taxation | | 256,402 | 237,357 |
| Taxation | | (49,980) | (45,074) |
| Profit After Taxation | | 206,422 | 192,283 |
| Earnings per Share-Basic and Diluted (Rupees) | | 2.82 | 2.63 |

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Ghulam Muhammad
Chief Financial Officer

Condensed Interim Statement of Other Comprehensive Income (Un-Audited)

For The Quarter Ended 30 September 2019

| | Quarter ended | |
|--|----------------------|----------------------|
| | 30 September 2019 | 30 September 2018 |
| | (RUPEES IN THOUSAND) | |
| Profit for the period | 206,422 | 192,283 |
| Other Comprehensive income | | |
| Items not to be reclassified to profit or loss in subsequent periods: | - | - |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | - | - |
| Other comprehensive income for the period | - | - |
| Total Comprehensive Income for the Period | 206,422 | 192,283 |

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Ghulam Muhammad
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-Audited)

For The Quarter Ended 30 September 2019

| | NOTE | Quarter ended | |
|--|------|----------------------|----------------------|
| | | 30 September 2019 | 30 September 2018 |
| (RUPEES IN THOUSAND) | | | |
| Cash flows from operating activities | | | |
| Cash used in operations | 16 | (674,245) | (1,098,595) |
| Finance costs paid | | (114,534) | (59,997) |
| Income tax paid | | (19,612) | (19,263) |
| | | (134,146) | (79,260) |
| Net cash used in operating activities | | (808,391) | (1,177,855) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (69,350) | (179,330) |
| Proceeds from sale of property, plant and equipment | | 17,513 | 129 |
| Increase in long term deposits and advances | | (2,083) | - |
| Short term investments | | - | (1,161) |
| Net cash used in investing activities | | (53,920) | (180,362) |
| Cash flows from financing activities | | | |
| Proceeds from long term financing - net | | (22,547) | 62,747 |
| Repayment of Liabilities against assets subject to finance lease | | (4,301) | (2,001) |
| Short term borrowings - net | | 895,270 | 1,305,012 |
| Dividend paid | | - | 3,244 |
| Net cash flows from financing activities | | 868,422 | 1,369,002 |
| Net increase in cash and cash equivalents | | 6,111 | 10,785 |
| Cash and cash equivalents at the beginning of the period | | 73,747 | 28,035 |
| Cash and cash equivalents at the end of the period | | 79,858 | 38,820 |

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Ghulam Muhammad
Chief Financial Officer

Condensed Interim Statement of Changes In Equity (Un-Audited)

For The Quarter Ended 30 September 2019

| | RESERVES | | | | | TOTAL EQUITY |
|--|---------------|----------------------------------|----------------|---------------------------------------|-----------|--------------|
| | SHARE CAPITAL | CAPITAL | | | REVENUE | |
| | | Premium on issue of right shares | Merger reserve | Re-valuation surplus on freehold land | Sub Total | |
| ----- (RUPEES IN THOUSAND) ----- | | | | | | |
| Balance as at 01 July 2018 | 730,839 | 60,904 | 289,636 | 224,631 | 575,171 | 2,308,498 |
| Total comprehensive income for the quarter ended 30 September 2018 | - | - | - | - | - | 192,283 |
| Balance as at 30 September 2018 (Un-Audited) | 730,839 | 60,904 | 289,636 | 224,631 | 575,171 | 2,500,781 |
| Balance as at 01 July 2019 | 730,839 | 60,904 | 289,636 | 224,631 | 575,171 | 2,951,764 |
| Total comprehensive income for the quarter ended 30 September 2019 | - | - | - | - | - | 206,422 |
| Balance as at 30 September 2019 (Un-Audited) | 730,839 | 60,904 | 289,636 | 224,631 | 575,171 | 3,158,186 |

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.



Jawed Anwar
Chairman



Faiz Jawed
Chief Executive Officer



Ghulam Muhammad
Chief Financial Officer

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

1. THE COMPANY AND ITS OPERATIONS

J.K. Spinning Mills Limited (the Company) is a public limited company incorporated in Pakistan on 07 January 1987 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. 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. The registered office of the Company is situated at 34-Falcon Enclave, Tufail Road, Lahore Cantt., Lahore.

2. STATEMENT OF COMPLIANCE

2.1 During the last year, the Companies Act 2017 (the Act) was promulgated, however, Securities and Exchange Commission of Pakistan vide its Circular No. 23 of 2017 dated 04 October 2017 and subsequent clarification by Institute of Chartered Accounts of Pakistan (ICAP) through its Circular No. 17 of 2017 communicated that interim financial statements of the companies whose interim financial period ended on or before 31 December 2017 shall prepare their interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.2 Hence, this interim financial information of the Company for the quarter ended 30 September 2019 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

2.3 These condensed interim financial information is unaudited and is being submitted to shareholders, as required by section 237 of the Companies Act, 2017.

3. BASIS OF PREPARATION

3.1 The interim condensed financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 30 June 2019.

3.2 The accounting policies and computation methods adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2019 except the following standards and amendment to IFRSs which became effective have been adopted by the Company for the current period.

3.3 The Company has adopted the following standards and amendment to IFRSs which became effective for the current period.

Standard or Interpretation

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

The adoption of the above amendments and interpretation did not have any significant impact on these condensed interim financial statements.

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

4. ACCOUNTING POLICIES AND COMPUTATION METHODS

The preparation of this condensed interim financial information 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.

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| Un-Audited 30 September 2019 (No. of Shares) | Audited 30 June 2019 | | Un-Audited 30 September 2019 (Rupees in thousand) | Audited 30 June 2019 |
|---|----------------------------|--|--|----------------------------|
| 26,424,155 | 26,424,155 | Ordinary shares of Rupees 10 each fully. | 264,241 | 264,241 |
| 45,947,600 | 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 | 459,476 |
| 712,175 | 712,175 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares. | 7,122 | 7,122 |
| 73 083 930 | 73 083 930 | | 730,839 | 730,839 |

6. LONG TERM FINANCING

From banking companies - secured

| | | |
|---|------------------|------------------|
| Opening balance | 1,430,867 | 1,103,613 |
| Add: Obtained during the period / year | 33,872 | 554,992 |
| Less: Repaid during the period / year | 56,419 | 227,738 |
| Closing balance | 1,408,320 | 1,430,867 |
| Less: Current portion shown under current liabilities | 262,584 | 238,984 |
| | 1,145,736 | 1,191,883 |

7. DEFERRED LIABILITIES

| | | |
|------------------------|----------------|----------------|
| Deferred tax liability | 279,640 | 274,815 |
| | 279,640 | 274,815 |

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 There has been no significant change in the contingencies since the date of preceding published annual financial statements except as follows:

8.1.2 Post dated cheques of Rupees 325,625 thousand (30 June 2019: Rupees 309,202 thousand) 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.

8.2 Commitments

8.2.1 Letter of credit for capital expenditure is Nil as on 30 September 2019 (30 June 2019: Rs. 22,407 thousand).

8.2.2 Letters of credit other than for capital expenditure is Rs. 65,317 thousand as on 30 September 2019 (30 June 2019: Rs. 191,434 thousand).

| | NOTE | Un-audited 30 September 2019 (RUPEES IN THOUSAND) | Audited 30 June 2019 |
|--|-------|--|----------------------------|
| 9. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets: | | | |
| -Owned | 9.1 | 4,017,224 | 4,080,643 |
| -Leased | 9.2 | 88,052 | 92,686 |
| | | 4,105,276 | 4,173,329 |
| 9.1 Operating fixed assets - Owned | | | |
| Opening book value | | 4,080,643 | 3,200,955 |
| Add: additions during the period / year-cost | 9.1.1 | 54,755 | 1,228,117 |
| | | 4,135,398 | 4,429,072 |
| Less: deletions during the period / year | 9.1.2 | 20,922 | 20,260 |
| | | 4,114,476 | 4,408,812 |
| Less: depreciation during the period / year | | 97,252 | 328,169 |
| Book value at the end of the period / year | | 4,017,224 | 4,080,643 |

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

| | Un-audited 30 September 2019 (RUPEES IN THOUSAND) | Audited 30 June 2019 |
|--|--|----------------------------|
| 9.1.1 Cost of additions during the period / year | | |
| Freehold land | - | 16,092 |
| Buildings on freehold land | - | 248,728 |
| Plant and machinery | 40,173 | 878,950 |
| Electric installations and appliances | 7,453 | 8,876 |
| Factory equipment | - | 24,148 |
| Vehicles | 7,129 | 51,323 |
| | <u>54,755</u> | <u>1,228,117</u> |
| 9.1.2 Book value of deletions during the period / year | | |
| Plant and machinery | 16,249 | 10,772 |
| Electric installations and appliances | - | 3,473 |
| Vehicles | 4,673 | 6,015 |
| | <u>20,922</u> | <u>20,260</u> |
| 9.2 Operating fixed assets - leased | | |
| Opening book value | 92,686 | 45,228 |
| Add : additions during the period / year | - | 57,461 |
| Less : depreciation during the period / year | 4,634 | 10,003 |
| Book value at the end of the period / year | <u>88,052</u> | <u>92,686</u> |
| 10. Capital work-in-progress | | |
| Buildings on freehold land | 162,179 | 143,842 |
| Plant and machinery | 850 | 4,592 |
| | <u>163,029</u> | <u>148,434</u> |
| 11. TAX REFUNDS DUE FROM THE GOVERNMENT | | |
| Income Tax | 184,939 | 210,482 |
| Sales Tax and federal excise duty - net | 184,379 | 93,387 |
| | <u>369,318</u> | <u>303,869</u> |

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

| | (Un-audited) | |
|--|----------------------|----------------------|
| | Quarter ended | |
| | 30 September 2019 | 30 September 2018 |
| (RUPEES IN THOUSAND) | | |
| 12. REVENUE FROM CONTRACTS WITH CUSTOMERS | | |
| Export | 1,573,505 | 1,162,177 |
| Local | 1,929,419 | 1,545,877 |
| Waste | 75,286 | 64,174 |
| | 3,578,210 | 2,772,228 |
| 13. COST OF REVENUE | | |
| Raw materials consumed | 2,056,650 | 1,880,977 |
| Stores, spare parts and loose tools consumed | 55,994 | 39,810 |
| Packing materials consumed | 49,606 | 40,822 |
| Processing, sizing and conversion charges | 240,745 | 220,766 |
| Fuel and power | 272,516 | 251,432 |
| Salaries, wages and other benefits | 190,439 | 148,546 |
| Repair and maintenance | 11,440 | 4,473 |
| Insurance | 4,537 | 3,869 |
| Other factory overheads | 12,168 | 9,898 |
| Depreciation | 91,507 | 73,963 |
| | 2,985,602 | 2,674,556 |
| Work-in-process: | | |
| Opening stock | 477,200 | 518,715 |
| Closing stock | (587,444) | (500,676) |
| | (110,244) | 18,039 |
| Cost of goods manufactured | 2,875,358 | 2,692,595 |
| Finished goods: | | |
| Opening stock | 769,005 | 466,793 |
| Closing stock | (662,975) | (818,594) |
| | 106,030 | (351,801) |
| | 2,981,388 | 2,340,794 |
| 14. OTHER OPERATING EXPENSES | | |
| Workers' profit participation fund | 14,724 | 12,652 |
| Workers' welfare fund | 1,932 | 719 |
| Donations | 1,012 | 630 |
| Loss on sale of property, plant and equipment | 3,409 | - |
| Exchange loss | 37,614 | - |
| Unrealized loss on remeasurement of investment at fair value through profit or loss | 981 | 2,325 |
| | 59,672 | 16,326 |

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

| | NOTE | (Un-audited) | |
|---|------|----------------------|----------------------|
| | | Quarter ended | |
| | | 30 September 2019 | 30 September 2018 |
| (RUPEES IN THOUSAND) | | | |
| 15. OTHER INCOME | | | |
| Income from financial assets | 15.1 | 24 | 23,199 |
| Income from non-financial assets | 15.2 | 480 | 546 |
| | | 504 | 23,745 |
| 15.1 Income from financial assets | | | |
| Exchange gain - net | | - | 23,171 |
| Dividend income | | 24 | 28 |
| | | 24 | 23,199 |
| 15.2 Income from non-financial assets | | | |
| Gain on sale of property, plant and equipment | | - | 66 |
| Rental income | | 480 | 480 |
| | | 480 | 546 |
| 16. CASH USED IN OPERATIONS | | | |
| Profit before taxation | | 256,402 | 237,357 |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation | | 101,886 | 81,793 |
| Finance costs | | 121,213 | 64,930 |
| Provision for workers' welfare fund | | 1,932 | 719 |
| Provision for workers' profit participation fund | | 14,724 | 12,652 |
| Loss/(gain) on sale of property, plant and equipment | | 3,409 | (66) |
| Unrealised loss on remeasurement of investment at fair value through profit or loss | | 981 | 2,325 |
| Working capital changes | 16.1 | (1,174,792) | (1,498,305) |
| | | (674,245) | (1,098,595) |

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

| | | (Un-audited) | |
|------|---|----------------------|----------------------|
| | | Quarter ended | |
| | | 30 September 2019 | 30 September 2018 |
| | | (RUPEES IN THOUSAND) | |
| 16.1 | Working capital changes | | |
| | (Increase) / decrease in current assets: | | |
| | Stores, spare parts and loose tools | 9,685 | 22,604 |
| | Stock in trade | (726,667) | (1,349,881) |
| | Trade debts | (519,005) | (166,886) |
| | long term deposit | 6,229 | 5,362 |
| | Loans and advances | 24,378 | 14,497 |
| | Trade deposits and short term prepayments | (23,868) | (10,954) |
| | Other receivables | (16,135) | (18,298) |
| | Tax refunds due from the Government | (90,992) | (55,907) |
| | | (1,336,375) | (1,559,463) |
| | Increase in trade and other payables | 161,583 | 61,158 |
| | | (1,174,792) | (1,498,305) |

17. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, staff retirement fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions and balances with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| Relationship with the Company | Nature of transactions | | |
|---|------------------------|----------------------|---------|
| Associated companies | Service charges | 15 | 1,172 |
| | Rental income | 480 | 480 |
| Chief Executive Officer, Directors and Executives | Remuneration | 18,193 | 15,319 |
| Employees' Provident Fund Trust | Amount contributed | 7,241 | 5,431 |
| Directors | Loans repayment - net | 15,509 | 1,605 |
| | | (Un-audited) | Audited |
| | | 30 September | 30 June |
| | | 2019 | 2019 |
| | | (RUPEES IN THOUSAND) | |

| Relationship with the Company | Nature of balances | | |
|-------------------------------|--------------------|-------|--------|
| ii) Period end balances | | | |
| Directors | Short term loan | 6,041 | 21,550 |

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

18. SEGMENT INFORMATION

| | Spinning | Fabric Division | Total Segments | Adjustments and Eliminations | Total Company |
|----------------------------------|-------------|-----------------|----------------|------------------------------|---------------|
| ----- (RUPEES IN THOUSAND) ----- | | | | | |
| Quarter ended 30 September 2019 | | | | | |
| Revenue | | | | | |
| External | 2,149,097 | 1,429,113 | 3,578,210 | - | 3,578,210 |
| Intersegment | - | - | - | - | - |
| Cost of revenue | (1,800,638) | (1,180,750) | (2,981,388) | - | (2,981,388) |
| Gross profit | 348,459 | 248,363 | 596,822 | - | 596,822 |
| Distribution cost | (10,617) | (54,421) | (65,038) | - | (65,038) |
| Administrative expenses | (69,828) | (25,173) | (95,001) | - | (95,001) |
| | (80,445) | (79,594) | (160,039) | - | (160,039) |
| Segment profit | 268,014 | 168,769 | 436,783 | - | 436,783 |
| Total assets | 7,823,292 | 2,573,697 | 10,396,989 | - | 10,396,989 |
| Total liabilities | 4,513,485 | 1,492,330 | 6,005,815 | - | 6,005,815 |
| Quarter ended 30 September 2018 | | | | | |
| Revenue | | | | | |
| External | 1,817,836 | 1,014,755 | 2,832,591 | - | 2,832,591 |
| Intersegment | 60,363 | - | 60,363 | (60,363) | - |
| Cost of revenue | (1,586,464) | (875,056) | (2,461,520) | 60,363 | (2,401,157) |
| Gross profit | 291,735 | 139,699 | 431,434 | - | 431,434 |
| Distribution cost | (19,464) | (49,929) | (69,393) | - | (69,393) |
| Administrative expenses | (47,150) | (20,023) | (67,173) | - | (67,173) |
| | (66,614) | (69,952) | (136,566) | - | (136,566) |
| Segment profit | 225,121 | 69,747 | 294,868 | - | 294,868 |
| Year ended 30 June 2019-Audited | | | | | |
| Total assets | 8,340,551 | 851,073 | 9,191,624 | - | 9,191,624 |
| Total liabilities | 4,047,883 | 858,646 | 4,906,529 | - | 4,906,529 |

18.1 Adjustments and eliminations

Finance income and costs, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries. Inter-segment revenues are eliminated on consolidation.

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

| | | (Un-audited) | |
|------|-------------------------------------|----------------------|----------------------|
| | | Quarter ended | |
| | | 30 September 2019 | 30 September 2018 |
| | | (RUPEES IN THOUSAND) | |
| 18.2 | Reconciliation of profit | | |
| | Segment profit | | |
| | Other expenses | 436,783 | 294,868 |
| | Other income | (59,672) | (16,326) |
| | Finance cost | 504 | 23,745 |
| | Taxation | (121,213) | (64,930) |
| | Profit after taxation | (49,980) | (45,074) |
| | | 206,422 | 192,283 |
| | | (Un-audited) | Audited |
| | | 30 September | 30 June |
| | | 2019 | 2019 |
| | | (RUPEES IN THOUSAND) | |
| 18.3 | Reconciliation of assets | | |
| | Segment operating assets | 10,396,989 | 9,191,624 |
| | Tax refunds due from the Government | 369,318 | 303,869 |
| | Total assets as per balance sheet | 10,766,307 | 9,495,493 |
| 18.4 | Reconciliation of liabilities | | |
| | Segment operating liabilities | 5,958,270 | 4,906,529 |
| | Deferred income tax liability | 279,640 | 274,815 |
| | Workers' profit participation fund | 62,269 | 47,545 |
| | Workers' welfare fund | 1,932 | 8,830 |
| | | 6,302,111 | 5,237,719 |

Inter-segment sales and purchases have been eliminated from the total.

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

19. FINANCIAL INSTRUMENTS

19.1 Financial risk factors

Financial instruments comprise long term financing, liabilities against assets subject to finance lease, accrued markup, short term borrowings, trade and other payables, trade debts, loans to employees, other receivables, cash and bank balances, short term and long term deposits, short term investments.

The Company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

There is no change in the company's objectives, policies, procedures for measuring and managing the above risks including capital management risk, since the preceding annual financial year ended as at 30 June 2019.

19.2 Fair values of financial assets and liabilities

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

19.3 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into following three levels. An explanation of each level follows underneath the table:

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|---------|---------|--------|
| | (RUPEES IN THOUSAND) | | | |
| Recurring fair value measurement At 30 September 2019 | | | | |
| Financial assets | | | | |
| At fair value through profit or loss | 50,610 | - | - | 50,610 |
| Financial liabilities | | | | |
| Derivative financial liabilities | - | - | - | - |
| Recurring fair value measurement At 30 June 2019 | | | | |
| At fair value through profit or loss | 51,593 | - | - | 51,593 |
| Financial liabilities | | | | |
| Derivative financial liabilities | - | - | - | - |

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short-term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

20. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

20.1 Fair value hierarchy

Judgements and estimates are made in determining the fair values of the non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels:

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|----------------------|---------|---------|---------|
| | (RUPEES IN THOUSAND) | | | |
| At 30 September 2019 | | | | |
| Freehold land | - | 308,123 | - | 308,123 |
| Total non-financial assets | - | 308,123 | - | 308,123 |
| At 30 June 2019 | | | | |
| Freehold land | - | 308,123 | - | 308,123 |
| Total non-financial assets | - | 308,123 | - | 308,123 |

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

20.2 Valuation techniques used to determine level 2 fair values

At the end of each reporting period, the management updates the assessment of the fair value of each property, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar properties.

The level 2 fair value of land has been derived using the market value approach. The key inputs under this approach are the market price per kanal determined by using independent market inquires and comparing prices of similar land in the area (location and size).

20.3 Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land. As at 30 June 2017, the fair value of freehold land has been determined by Messrs Harvester Services (Private) Limited.

Changes in fair values are analyzed at each reporting date during the annual valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

20.4 Financial instrument by categories and fair value hierarchy

| | Carrying Amount | | Fair Value | | | | |
|--------------------------------|-----------------------|--------------------------------------|---|---------|---------|---------|-----------|
| | Loans and receivables | At fair value through profit or loss | Financial liabilities at amortized cost | Level 1 | Level 2 | Level 3 | Total |
| (RUPEES IN THOUSAND) | | | | | | | |
| 30 September 2019 (Un-audited) | | | | | | | |
| Financial assets | | | | | | | |
| Investment | - | 50,610 | - | 50,610 | - | - | 50,610 |
| Loans and advances | 2,715 | - | - | - | - | - | 2,715 |
| Deposits | 3,187 | - | - | - | - | - | 3,187 |
| Trade debts | 1,305,278 | - | - | - | - | - | 1,305,278 |
| Other receivables | 72,802 | - | - | - | - | - | 72,802 |
| Cash and bank balances | 79,858 | - | - | - | - | - | 79,858 |
| | 1,463,840 | 50,610 | - | 50,610 | - | - | 1,514,450 |
| Financial liabilities | | | | | | | |
| Long term financing | - | - | 1,408,320 | - | - | - | 1,408,320 |
| Liabilities against assets | - | - | - | - | - | - | - |
| subject to finance lease | - | - | 53,730 | - | - | - | 53,730 |
| Accrued mark-up | - | - | 82,595 | - | - | - | 82,595 |
| Short term borrowings | - | - | 3,540,118 | - | - | - | 3,540,118 |
| Trade and other payables | - | - | 745,526 | - | - | - | 745,526 |
| | - | - | 5,830,289 | - | - | - | 5,830,289 |
| 30 June 2019 (Audited) | | | | | | | |
| Financial assets | | | | | | | |
| Short term Investments | - | 51,593 | - | 51,593 | - | - | 51,593 |
| Loans to employees | 2,623 | - | - | - | - | - | 2,623 |
| Deposits | 3,187 | - | - | - | - | - | 3,187 |
| Derivative financial asset | - | - | - | - | - | - | - |
| Trade debts | 786,273 | - | - | - | - | - | 786,273 |
| Other receivables | 13,210 | - | - | - | - | - | 13,210 |
| Cash and bank balances | 60,032 | - | - | - | - | - | 60,032 |
| | 865,325 | 51,593 | - | 51,593 | - | - | 916,918 |
| Financial liabilities | | | | | | | |
| Long term financing | - | - | 1,430,867 | - | - | - | 1,430,867 |
| Liabilities against assets | - | - | - | - | - | - | - |
| subject to finance lease | - | - | 58,034 | - | - | - | 58,034 |
| Accrued mark-up | - | - | 75,916 | - | - | - | 75,916 |
| Short term borrowings | - | - | 2,644,848 | - | - | - | 2,644,848 |
| Trade and other payables | - | - | 603,821 | - | - | - | 603,821 |
| | - | - | 4,813,486 | - | - | - | 4,813,486 |

Selected Notes to the Condensed Interim Financial Information (Un-Audited)

For The Quarter Ended 30 September 2019

21. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual financial statements of the Company for the year ended 30 June 2019.

22. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved and authorized for issue on 28 October 2019 by the Board of Directors of the Company.

23. CORRESPONDING FIGURES

23.1 In order to comply with the requirements of IAS 34, the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

23.2 Corresponding figures have been re-arranged, wherever necessary, for better and fair presentation. However, no significant reclassifications / restatements have been made except as follows:

24. GENERAL

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



Jawed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Ghulam Muhammad
Chief Financial Officer



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