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# ANNUAL REPORT

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2017-18



J.K. SPINNING MILLS LIMITED





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## Company Information

<b>Chairman</b>	Mr. Jawed Anwar
<b>Chief Executive</b>	Mr. Faiq Jawed
<b>Directors</b>	Mr. Shaiq Jawed Mr. Rehan Ashfaq Mr. Mamoor Ijaz Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad
<b>Audit Committee</b>	
<b>Chairman</b>	Mr. Rehan Ashfaq
<b>Members</b>	Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad
<b>HR Committee</b>	
<b>Chairperson</b>	Mrs. Sadaf Aamir Arshad
<b>Members</b>	Mr. Shaiq Jawed Mr. Mamoor Ijaz
<b>Company Secretary</b>	Syed Hussain Shahid Mansoor Naqvi
<b>Chief Financial Officer</b>	Mr. Ghulam Muhammad
<b>Head of Internal Audit</b>	Mr. Amjad Ali
<b>Auditors</b>	M/s EY Ford Rhodes, Chartered Accountants
<b>Legal Advisor</b>	Mahfooz Ahmad Khan Advocates
<b>Registrar's and Share Registration office</b>	CORPTEC Associates (Pvt.) Ltd., 503 - E, Johar Town, Lahore
<b>Bankers</b>	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
<b>Head Office &amp; Mills</b>	29-KM, Sheikhpura Road, khurrianwala Faisalabad.





# 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



Jawed Anwar  
Chairman

It is my pleasure to present 32<sup>nd</sup> Annual Report of the Company for the year ended June 30, 2018.





## Overview of Economy and Industry

Pakistan is a developing country and is one of the eleven countries that have a potential to be among the world's large economies in the 21st century. The economy is semi-industrialized; with centers of growth along Primary export commodities include textiles, leather goods, sports goods, chemicals, carpets/rugs and medical instruments.

The Pakistan textile industry contributes more than 60 percent to the country's total exports. However, currently this industry is facing great hurdles in its growth rate. These hurdles include internal security concerns, high energy costs and liquidity crunch in view of delay in tax refunds etc. Additionally rising inflation, climbing interest rates and high cost of imported inputs as a result of Pak Rupee devaluation are also effecting the growth of textile industry. Pakistan's textile industry can be brought back on winning track if government takes serious actions in removing or normalizing the above mentioned hurdles. Purchasing new machinery or enhancing the quality of the existing machinery and introducing new technology can also be very useful in increasing the research & development (R & D) related activities that in the modern era are very important for increasing the industrial growth of country.

The near term outlook for economic growth is broadly favorable supported by improved power supply, investment relating to the China Pakistan Economic Corridor (CPEC), strong consumption growth and ongoing recovery in agriculture. Apart from these positive developments, risks/challenges remain on domestic and external fronts, particularly the unfavorable BOP position due to a widening Current Account Deficit (CAD) along with less than expected foreign inflows and a decline in exports in the last two to three years. The fiscal year 2018 has seen continued exports growth in all 9 months. Exports increased by 12 percent while imports have slowed down to 16.6 percent as compared to 48 percent at the start of current financial year.

## Financial and operational performance

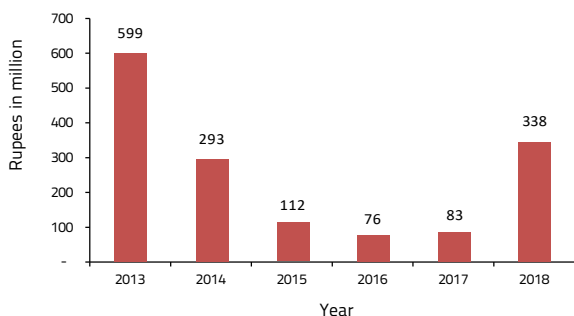
First half of financial year 2017-18 remained challenging for textile sector like past two years. Margin improved in Second half of financial year 2017-18 in view of increase in sale prices and impact of Pak Rupee devaluation. During the year ending June 30, 2018 your company's profit after taxation stood at Rs. 337.928 million as compared to profit of Rs. 82.769 million in the corresponding year. Company's Sales revenue for the year 2018 stood Rs. 9,901.857 million against Rs. 9,049.707 million in 2017. During the year under review average cotton prices increased to Rs. 6600 per mound as compared to Rs. 6300 per mound in 2017. Fuel and power cost increased in view of upward trend in oil prices while salaries and wages expenses increased due to increase in minimum wage rate. Stores, spare parts, and loose tools, processing and conversion charges increased in view of increase in spinning capacity and volume. Financial cost increased to Rs. 202.495 million in the year 2018 from Rs. 134.378 million in 2017 in view of maintaining higher level of raw material inventories as compared to corresponding year and delay in getting duty drawback refunds and income tax refunds.

Management of Your company is constantly focusing on Balancing Modernization and Replacement (BMR) of its plant and machinery and enhancement of spinning capacity of existing spinning units. During the year under review, your company have imported two Draw frame machines, one Lap Former machine, four Comber Machines, two Simplex machines, thirteen Ring Frames machines comprising 23,712 spindles and thirteen Auto Cone machines which have been commissioned during the year under review. Two COMPLETE GE JENBACHER NATURAL GAS GEN SETS MODEL JMS 616 of 2.679 MW each has been imported during last quarter of financial year ending June 30, 2018 which are likely to be commissioned by in mid of second quarter of forthcoming financial year. Civil works are also in progress to enhance spinning capacity by 14,592 spindles in next financial year.

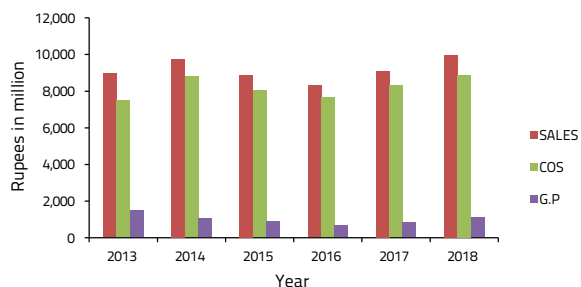
The production of yarn converted into 20s for the year ended June 30, 2018 stood at 31.848 million Kgs

# Chairman's Review

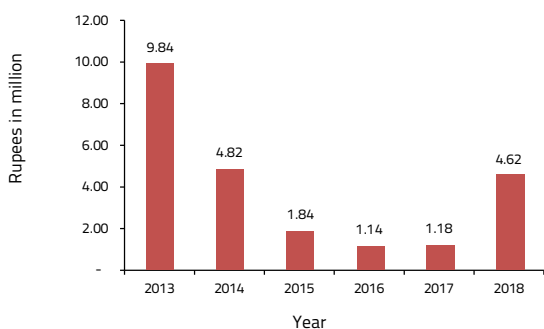
Profit after taxation



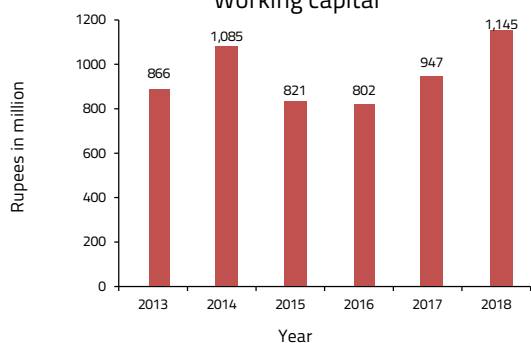
Sales, Cost and G.P



EPS- basic



Working capital



against 29.693 million kgs of corresponding year while fabric production stood 4.319 million sq meters ( 2017:3.008 million sq Meters)

## Financial Strength

Balance Sheet footing is showing constant sign of improvement over past six years. Total assets of the company stood at Rs.7,593.824 million in financial year 2018 as compared to Rs. 6,084.848 million in corresponding year.

Liquidity of the company is good enough with current ratio of 1.40. The Debt equity ratio stood at 25:75 in 2018 against 13:87 in 2017 while leverage of the company stood at 0.95 in 2018. Breakup value of a Rs. 10 share is Rs. 49.46 against Rs. 45.33 in last year. All balance sheets ratios are showing symptom of growth of the company.

## Human Resource

Human Resource Management is fundamental aspect for existence of an entity and for success of its business. We strongly believe that delivery of our growth ambitions is contingent on the quality of our people. Therefore, we remain determined in our motivation of attracting, developing and retaining the best talent while cultivating an enabling environment conducive to innovation and high performance and transforming our people into leaders of tomorrow. We have developed an open and effective environment for our employees where they are given an opportunity to express their ideas which are heard, valued and respected. These ideas lead to innovation, process improvement and ultimately enhance the growth of the company.

## Review report on the overall performance of the board

Board of directors, Audit Committee and human resource committee's meetings were regularly held during the year. Board as a whole is playing full and constructive part in the development and determination of the company's strategies and policies, and decisions taken by the Board are in the company's best interests and fairly reflect Board's consensus. Strategies and policies agreed by the Board are being effectively implemented by the Chief Executive



and the management. Board has established good corporate governance practices and procedures and promotes the highest standards of integrity and corporate governance throughout the company and particularly at Board level.

### Future Outlook

We have a clear strategy and our focus for the year ahead remains on expanding our position in the textile sector with ongoing investment in textile sector businesses as we continue to build pathways toward future, sustainable and long-term growth.

The textile outlook is favorable;



at uniform rates across the Pakistan to make the textile industry competitive in the region.

cost by enhancing capacity, improving efficiencies to achieve the favorable financial results of forthcoming financial year.



Cotton production is estimated to fall 25 percent short of its target of 14.37 million bales in the current season as water shortage and pest attacks have squeezed the crop yields signaling hard time ahead for the already struggling economy that is heavily reliant on fiber .Management of your company is closely watching the cotton outlook to procure cotton at minimum rates and is focusing efforts on minimizing



**Jawed Anwar**  
Chairman

Faisalabad  
October 01, 2018

however, sustained growth requires consistent reforms. An educated Pakistan, energy and water security, alongside permanent improvement in security is critical to economic growth in Pakistan. Operational readiness to manage the skills gap, regional security conditions, and local political conditions could also affect the pace of progress on key milestones.

Newly formed government has taken right steps to supply Gas /RLNG to textile industry



# Directors' Report to the Shareholders

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



Chief Executive Officer

## 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, 2018.

## Financial Highlights

The financial highlights of the company for the year ended June 30, 2018 are summarized as under:

	2018	2017
	Rupees in Thousands	
Sales	9,901,857	9,049,707
Gross Profit	1,046,665	757,547
Profit before Taxation	429,835	151,771
Taxation	91,907	69,002
Profit after taxation	337,928	82,769

## Dividend:

Board of Directors in their meeting held on October 01 2018 approved final cash dividend @ 10% ( 1 Rupee per share) for the financial year 2018 (2017: 5%-0.50 Rupee per share).

## Earnings Per Share

Earnings per share for the year ended June 30, 2018 stood at Rs. 4.62 per share as compared to Rs. 1.18 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 of the code of corporate governance applicable for the period ended on June 30, 2018.

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.



Managing Director

- 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. The system is continuously monitored by internal audit and through other monitoring procedures. The process of monitoring internal control will continue as ongoing process with objective to further strengthen the controls and bring improvement in the system.
- There are no significant doubts upon the company's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- Detail of significant changes in company's operations during the current year as compared to last year and significant plans and decisions for the future prospects of profits are stated in the Chairman's review as endorsed by directors.
- There is no information and explanation in regard to any contents of modification in the auditor's report;
- There is no default in payment of any debt during the year.
- No material changes and commitments affecting the financial position of the company have been occurred between the end of financial year of the company to which the financial statement relates and the date of report.
- Information about outstanding taxes and levies is given in notes to the accounts.
- Main trends and factors likely to affect the future development, performance and position of the company are stated in chairman's review.
- Company is not carrying out any business activity affecting the environment.
- 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.



- The number of employees as at June 30, 2018 were 2328 (2017: 2262)
- Value of investment of provident fund trust based on audited accounts as on June 30, 2017 is Rs.217.779 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, 2018 is annexed in new form set out in the code of corporate governance.
- There was no change in terms and conditions of Chief Executive and other Directors.

### Risk Management

The company is conducting business in a challenging environment. Its activities expose it to number of risks including raw material sourcing/pricing, currency risk, credit risk, liquidity and interest rate risks, Gas and power outage risk and human resource retention and recruitment.

### Raw material Risk

Cotton is main raw material of a textile spinning. Inability to procure raw material and increase in prices may adversely influence the operation and profitability of the company. The company aims to use its purchasing power and manage to procure cotton at the

start of harvesting season to minimize this risk.

### Currency Risk

Exchange rate fluctuation may have impact on financial results. The company mitigates these risks through hedging tools and monitoring payable and receivable in foreign currencies.

### Credit Risk

The company's credit exposure to credit risk and impairment relates to its trade debts. This risk is mitigated by the fact that majority of our customers have a strong financial standings and we have a long standing relations with all our customers. We do not expect non performance by these counter parties, hence credit risk is minimal.

### Cost and Availability of Funds

It is one of our objectives to safeguard the company's ability as a going concern. Collapse in steady availability of funds and interest rates may adversely affect the liquidity and overall financial conditions. The significant portion of working capital requirements of the company is arranged through short term financing. The company has secured sufficient financing facilities to meet these requirements to mitigate capital risk. We manage the capital structure on the basis of leverage ratio at low level. Interest rates risk is managed through alternative financing.

### Power and Gas outage

Smooth operation may get affected due to Gas outage. The company has mitigated this risk

through standby arrangements of power supply from FESCO and diesel generators.

### Employee Recruitment and Retention

Failure to attract and retain the right peoples may adversely affect the achievement of company goals and plans. A strong emphasis is placed on the company human resource and its skills. We operate the best talent management and human resource instrument to attract, retain, motivate, educate and encourage personnel and staff.

### Corporate Social responsibility

The company is contributing handsome amount of charity and donations to various institution and reputed healthcare non-profit organizations serving the community.

### Health, safety and Environment

The company is committed to conducting its business in a responsible manner to protect its stakeholders and the environment in which it operates by providing safe and effective products having a low impact on the environment and employing safe and sustainable technologies, energy sources and operating procedures.

The company encourages its employees to identify potential hazardous, incorporates health and safety considerations into their daily activities and provides training on work safety and sound environmental practices.



### Name of Director and Board 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	04
Mr. Shaiq Jawed	04
Mr. Rehan Ashfaq	05
Mrs. Farhat Jahan	05
Mrs. Sadaf Aamir Arshad	05
Mrs. Nageen Faiq	02
Mrs. Mahwish Shaiq	03
Mr. Mammor Ijaz	02

### Audit Committee

The Audit Committee held six meetings during the year, to review the financial statements, internal audit reports and compliance of the corporate governance requirements etc. The composition of Audit committee is as under:

Mr. Rehan Ashfaq (Chairman)  
Mrs. Farhat Jahan  
Mrs Sadaf Aamir Arshad

### Human Resource Committee

Two meetings of HR committee were held during the year which were attended by all the committee members. The composition of Human Resource committee is as under:

Mrs. Sadaf Aamir Arshad (Chairperson)  
Mr. Shaiq Jawed  
Mr. Mammor Ijaz

### Directors Training

One director's of the company participated and completed all the requirements of Directors Training Program conducted

by Institute of Chartered Accountants of Pakistan in March, 2016 and got certification of Certified Directors to fulfill the requirements of directors training program as required by Code of Corporate Governance. Four directors are exempted due to more than 14 years of education and 16 years of experience on board of listed company. Two new directors will participate in Directors Training Program within next couple of months.

### Composition of Board and Name of Directors

Election of board of directors was held on march 28, 2018. The board consists of 5 male and 2 female Directors with following composition:

Independent Director	2
Non – Executive Director	3
Executive Director	2
Total number of Director	7

### Name of Directors are as under

Mr. Jawed Anwar  
Mr. Faiq Jawed  
Mr. Shaiq Jawed  
Mr. Rehan Ashfaq  
Mrs. Farhat Jahan  
Mrs. Sadaf Aamir Arshad  
Mr. Mammor Ijaz

### Remuneration Policy of non Executive Director

The remuneration of non – Executive Directors including chairman of board and independent directors is determined by the Board of Directors.

### Auditors:

The Auditors M/SEY Ford Rhodes, Chartered Accountants, stand retired and being eligible, offer

themselves for re-appointment for the next financial year ending on 30-06-2019.

### Chairman's Review

The accompanied Chairman's Review deals with principal activities, major business developments and performance of the company during the year under review and future outlook. The directors of the company endorse the contents of review.

### Events After Reporting Period

There was no significant event after reporting period 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. The company Acknowledges and thanks all stakeholders for the confidence reposed.

For and on behalf of  
Board of Directors

**FAIQ JAWED**  
Chief Executive  
Officer

**JAWED ANWAR**  
Chairman

Faisalabad  
October 01, 2018

## ڈائریکٹر رپورٹ برائے حصص یافتگان:

ہیومن ریسورس کمیٹی؛

مجوزہ سال کے اندر اس کمیٹی کی دو میٹنگز ہوئیں جن میں تمام ممبرز حاضر تھے۔ ہو مین ریسورس کمیٹی کے نام مندرجہ ذیل ہیں؛

مسز صدف عامر ارشد (چیئرمین)

مسٹر شائق جاوید

مسٹر مامور اعجاز

آڈیٹرز؛

آپ کی کمپنی کے موجودہ آڈیٹرز میسرز؛

EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹ ریٹائر

ہو رہے ہیں اور اہلیت کی بنیاد پر آنے والے مالیاتی سال

30 جون 2019 کے لئے خود کو دوبارہ انتخاب کے لئے پیش کیا ہے۔

ڈائریکٹرز ٹریننگ؛

آپ کی کمپنی کے ایک ڈائریکٹرز نے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس کے ٹریننگ پروگرام برائے ڈائریکٹرز منعقدہ مارچ 2016 میں حصہ لیا اور سرٹیفکیٹ حاصل کئے۔ کمپنی کے چار ڈائریکٹرز چودہ سال کی تعلیم اور سولہ سال کے تجربہ کی وجہ سے ٹریننگ پروگرام سے مستثنیٰ ہیں۔ دو نئے ڈائریکٹرز اگلے چند مہینوں میں ڈائریکٹرز ٹریننگ پروگرام میں حصہ لیں گے۔

چیئرمین کا جائزہ؛

چیئرمین کی جائزہ رپورٹ میں کمپنی کی ترقیاتی سرگرمیوں اور آئندہ حالات کا جائزہ پیش کیا گیا ہے۔ آپ کے ڈائریکٹرز اس جائزہ رپورٹ کو سپورٹ کرتے ہیں۔

کمپوزیشن آف بورڈ اور ڈائریکٹرز کے نام؛

بورڈ آف ڈائریکٹرز کا ایکشن 28 مارچ 2018 کو منعقد ہوا تھا۔ پانچ مرد اور دو خواتین ڈائریکٹرز پر مشتمل بورڈ کی کمپوزیشن مندرجہ ذیل ہے؛

2 انڈینڈنٹ ڈائریکٹرز

3 نان ایگزیکٹو ڈائریکٹرز

2 ایگزیکٹو ڈائریکٹرز

کل ڈائریکٹرز کی تعداد 7

ڈائریکٹرز کے نام درج ذیل ہیں؛

جاوید انوار

فاق جاوید

شائق جاوید

رحمان اشفاق

فرحت جہاں

صدف عامر ارشد

مامور اعجاز

اعتراف؛

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے گاہکوں اور بکٹرز کے کمپنی کے کاروبار میں تعاون پر شکر گزار ہیں ڈائریکٹرز کمپنی کے سٹاف اور مزدوروں کی محنت اور کوششوں کو بھی سراہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز؛

فیصل آباد: اکتوبر 01، 2018

جاوید انوار

چیئرمین

فاق جاوید

چیئرمین





## ڈائریکٹر رپورٹ برائے حصص یافتگان:

- کمپنی کے ڈائریکٹرز، سی ای او، سی ایف او، سیکریٹری اور ان کے سپاؤسز اور کم عمر بچوں نے کمپنی کے حصص میں کوئی کام نہیں کیا۔
- کمپنی میں حصص رکھنے کا انداز اسٹیٹمنٹ برائے ختم شدہ سال 30 جون 2018 کوڈ آف کارپوریٹ گورننس کے نئے فارم میں لف ہذا ہے۔
- چیف ایگزیکٹو اور دوسرے ڈائریکٹرز کی شرائط و ضوابط میں کوئی تبدیلی نہیں آئی ہے۔

### رہسک منجمنٹ:

آپ کی کمپنی مقابلاتی ماحول میں کاروبار کر رہی ہے۔ کمپنی کے کاروبار میں بہت سے خطرات بشمول خام مال لینے کا خطرہ، اس کی قیمتوں میں تبدیلی کا خطرہ، کرنسی میں تبدیلی کا خطرہ، ادھار مال دینے کا خطرہ، بجلی، سود کے ریٹ کا خطرہ، گیس کی کمی کا خطرہ اور ملازمین کے چھوڑ جانے کا خطرہ وغیرہ وغیرہ شامل ہیں۔

### خام مال کا خطرہ:

کاٹن خام مال کے طور پر سپڈنگ انڈسٹری میں استعمال ہوتی ہے۔ اگر آپ اس کو بر وقت اور اچھی قیمت پر نہ لے سکیں تو کمپنی کا منافع اثر انداز ہو سکتا ہے۔

کمپنی اپنی استعداد کے مطابق کاٹن سیزن کے دوران کاٹن خرید لیتی ہے اور اس کی قیمت میں اضافہ کے خطرہ کو کم کر لیتی ہے۔

### کرنسی کا خطرہ:

کرنسی کی قدر میں کمی اور بیشی کمپنی کے منافع پر اثر انداز ہوتی ہے۔ کمپنی جھنگ ٹول اور بیرونی کرنسی لین دین کو استعمال کر کے اس خطرے کو کم کرتی ہے۔

### ادھار کا خطرہ:

کمپنی کاروبار میں ادھار پر مال فروخت کرتی ہے اور اس کی وصولیوں کا خطرہ لاحق ہوتا ہے۔ کمپنی

ان گاہکوں کے ساتھ کام کرتی ہے جن کی ساکھ اچھی ہو اور وہ بہت سالوں سے کمپنی کے ساتھ کاروبار کر رہے ہوں اس طرح کمپنی یہ خطرہ کم کر لیتی ہے۔

### فنڈز کی عدم دستیابی اور کاسٹ کا خطرہ:

یہ کمپنی کے مقاصد میں شامل ہے کہ وہ مسلسل چلتی رہے۔ فنڈز کی عدم دستیابی اور اس کے سود کے ریٹ میں اضافہ کا خطرہ ہوتا ہے جو کمپنی کے آپریشنز پر اثر انداز ہو سکتا ہے۔ کمپنی اپنے فنڈز مختلف بینکوں سے چھوٹے عرصے کے لئے ادھار لے کر پورا کرتی ہے۔ کمپنی نے بہت سے بینکوں سے چھوٹے عرصے کی بہت سی لمٹس لی ہوئی ہیں جو اس خطرے کو کم کر دیتی ہیں۔ ہم اپنے کمیٹیٹل کی ساخت کو لیورج کا تناسب کم رکھ کر کنٹرول کرتے ہیں۔ سود زیادہ ہونے کے خطرہ کو متبادل فنڈنگ کے ذریعہ کنٹرول کیا جاتا ہے۔

### بجلی اور گیس کی کمی کا خطرہ:

گیس کی کمی اور بندش کمپنی کی روانی سے چلنے کی صلاحیت پر اثر انداز ہوتی ہے۔ اس خطرہ کو آپ کی کمپنی نے فیکو کے اسٹینڈ بائی کنٹریکٹس سے اور ڈیزل جزیئر سے حل کیا ہوا ہے۔

### ملازمین کی ریکروٹمنٹ اور ساتھ رکھنا:

اچھے ملازمین کمپنی کا سرمایہ ہوتے ہیں انہی کی وجہ سے کمپنی اپنے مقاصد حاصل کرتی ہے۔ کمپنی اپنے ملازمین کی صلاحیتوں کو بہتر کرنے پر زور دیتی ہے۔ کمپنی کی کوشش ہوتی ہے کہ وہ اچھے ملازمین کو رکھے اُن کے ٹریننگ دے اور اُن کی حوصلہ افزائی کرے۔ اس طریقے سے کمپنی اچھے ملازمین کے چھوڑ جانے کے خطرہ کو کم کرتی ہے۔

### سماجی ذمہ داری:

کمپنی کیونٹی کی خدمت کے لئے ہر سال اچھے اداروں اور صحت عامہ کے غیر منافع والے اداروں کو خیراتی فنڈز دے کر اپنی سماجی ذمہ داری پوری کرتی ہے۔

### صحت سلامتی اور ماحول:

کمپنی ماحول پر کم اثرات مرتب کرنے والی محفوظ اور موثر پروڈکٹس کی فراہمی اور محفوظ اور ماحول دوست ٹیکنالوجیز، توانائی کے ذرائع اور طریقہ کار کے استعمال کے ذریعے اپنے اسٹیک ہولڈرز اور ماحول کی حفاظت کے لئے ذمہ دارانہ طریقے سے کاروبار کرنے کے عہد پر عمل پیرا ہے۔ کمپنی مضر خطرات کی نشاندہی کے لئے اپنے ملازمین کی حوصلہ افزائی کرتی ہے اور انہیں درکنگ انوارمنٹ کو محفوظ بنانے کی تربیت بھی دیتی ہے۔

### ڈائریکٹرز کے نام اور بورڈ میٹنگز:

اس سال کے دوران بورڈ کی پانچ میٹنگز ہوئیں۔ ان میٹنگز میں حاضری کی پوزیشن درج ذیل ہے:

نام	میٹنگز میں حاضری
جاوید انوار	05
فائق جاوید	04
شائق جاوید	04
ریحان اشفاق	05
فرحت جہاں	05
صدف عامر ارشد	05
نگین فائق	02
مہوش شائق	03
مامور اعجاز	02

### آڈٹ کمیٹی:

سال کے دوران آڈٹ کمیٹی کی چھ میٹنگز ہوئیں، جن میں فنانشل سٹیٹمنٹ، اندرونی آڈٹ کی جائزہ رپورٹ اور کارپوریٹ گورننس پر عمل درآمد کا جائزہ لیا گیا۔

آڈٹ کمیٹی کے نام مندرجہ ذیل ہیں:

مسٹر ریحان اشفاق (چیئرمین)

مسز فرحت جہاں

مسز صدف عامر ارشد

## ڈائریکٹر رپورٹ برائے حصص یافتگان:

شروع اللہ کے نام سے جو نہایت مہربان اور رحم والا ہے

### معزز حصص یافتگان،

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2018 کی ختم ہونے والے سال کے آڈٹ شدہ مالیاتی حسابات کے ساتھ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

### مالیاتی شہ سُرخیان۔

مالیاتی سال 30 جون 2018 کا جائزہ حسب ذیل ہے:

- کمپنی کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی اسٹیٹمنٹ شفافیت کے ساتھ کمپنی کے اسٹیٹمنٹ آف افیئرز، آپریشنز کے نتائج، کیش کا بہاؤ اور ایکویٹی کی تبدیلیوں کو پیش کرتی ہے۔
- کمپنی اکاؤنٹس کی کتب کو باقاعدہ برقرار رکھتی ہے۔
- مالیاتی اسٹیٹمنٹ کی تیاری کے لئے مناسب

میں بڑی تبدیلیاں، بڑے پلان اور آنے والے دنوں کے منافع کے منصوبے چیئرمین کی جائزہ رپورٹ میں بیان کئے گئے ہیں۔

• آڈیٹرز کی رپورٹ میں کوئی بے ضابطگی کی اطلاع نہیں ہے۔

• کمپنی نے سال کے دوران اپنی ادائیگیوں میں کوئی ڈفالٹ نہیں کیا ہے۔

• کمپنی کے مالیاتی سال کے اختتام سے لے کر اس رپورٹ کے شائع ہونے تک کمپنی کی مالیاتی حیثیت میں کوئی تبدیلی نہ آئی ہے۔

• واجب الادا ٹیکسز اور ڈیوٹیوں کی تفصیلات اکاؤنٹس کے نوٹس میں درج ہیں۔

• بنیادی رجحانات اور عوامل جو کمپنی کی مستقبل میں ترقی، صلاحیت اور پوزیشن کو اثر انداز کر سکتے ہیں وہ چیئرمین کی جائزہ رپورٹ میں بیان کر دیئے گئے ہیں۔

• کمپنی کا کوئی بھی کاروبار ماحولیاتی تبدیلیوں پر برا اثر نہیں ڈال رہا۔

• چھ سال کے بڑے آپریٹنگ نتائج اور مالیاتی اعداد و شمار لف ہذا ہیں۔

• سٹیٹ بینک آف پاکستان کے سرکلر نمبر ایف ای 25 فنانسنگ پر ایکٹیو ریٹ میں نفع و نقصان کتابوں میں شامل ہے۔

• سال 2018 کے اختتام پر کمپنی کے ملازمین کی تعداد 2328 ہے جبکہ پچھلے سال یہ تعداد 2262 تھی۔

• پراویڈنٹ فنڈ کی انوسٹمنٹ کی قدر آڈٹ شدہ مالیاتی سال 2017 کے اختتام پر 224.228 ملین روپے تھی۔

تفصیلات		2017	2018
		روپے ہزار میں	
فروخت		9,049,707	9,901,857
مجموعی نتائج		757,547	1,046,665
نٹس از ٹیکس منافع		151,771	429,835
ٹیکس		69,002	91,907
بعد از ٹیکس منافع		82,769	337,928

### ڈیویڈنڈ؛

بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منعقدہ 01 اکتوبر 2018 میں 10% حتمی نقد ڈیویڈنڈ (1 روپیہ فی شیئر) برائے مالیاتی سال 2018 منظور کیا ہے۔

### آمدنی فی شیئر؛

فی شیئر آمدنی برائے مالیاتی سال 30 جون 2018 میں 4.62 روپے فی شیئر رہی۔ مقابلاً پچھلے سال کی فی شیئر آمدن 1.18 روپے فی شیئر تھی۔

### کارپوریٹ گورننس سے ہم آہنگی؛

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے سٹاک ایکسچینج کے ضابطہ کار کے ذریعے کارپوریٹ گورننس کا ضابطہ بنایا ہے۔ آپ کی کمپنی کے ڈائریکٹرز نے کارپوریٹ گورننس کے تمام اصولوں کو 30 جون 2018 کی مدت کے اختتام تک اپنایا ہے۔

کوڈ آف کارپوریٹ گورننس پر آڈیٹرز کی جائزہ شدہ رپورٹ لف ہذا ہے۔

کمپنی کے ڈائریکٹرز اس بات کی خوشی محسوس کرتے ہیں کہ لسٹنگ ریگولیشنز کی بنائی ہوئی بیسٹ پریکٹسز کی پوری تعمیل کی ہے۔

• اکاؤنٹنگ پالیسیاں مسلسل لاگو کی گئی اور اکاؤنٹنگ اسٹیٹمنٹس معقول اور دانشمندانہ انداز وں اور فیصلوں پر مبنی ہیں۔

• پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کا مالیاتی اسٹیٹمنٹس کی تیاری میں عمل درآمد کیا گیا ہے اور جہاں لاگو نہیں ہوتے وہاں ان کو ظاہر کر دیا گیا ہے۔

• اندرونی کنٹرول کا نظام بہترین انداز میں مرتب اور لاگو کیا گیا ہے اور ساتھ ساتھ اس کی اندرونی آڈٹ کے ذریعے باقاعدہ نگرانی بھی کی جاتی ہے تاکہ یہ اندرونی کنٹرول اور زیادہ مطبوع ہوں۔

• کمپنی کے مسلسل چلنے کی اہلیت پر کوئی شک نہیں کیا جا سکتا۔

• کارپوریٹ گورننس کی بہترین مشقیں جو لسٹنگ ریگولیشنز میں بیان کی گئی ہیں ان کی کوئی خلاف ورزی نہیں کی گئی۔

• پچھلے سال کے مقابلے میں کمپنی کے آپریشنز



## Vertical Analysis

	2018		2017		2016		2015		2014	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
<b>BALANCE SHEET</b>										
TOTAL EQUITY	3,614,508	48%	3,313,122	54%	3,032,098	54%	2,931,496	60%	2,880,464	56%
NON-CURRENT LIABILITIES	1,100,872	14%	434,955	7%	524,618	9%	191,472	4%	524,271	10%
CURRENT LIABILITIES	2,878,444	38%	2,336,771	38%	2,069,515	37%	1,770,692	36%	1,774,742	34%
<b>TOTAL LIABILITIES</b>	<b>3,979,316</b>	<b>52%</b>	<b>2,771,726</b>	<b>46%</b>	<b>2,594,133</b>	<b>46%</b>	<b>1,962,164</b>	<b>40%</b>	<b>2,299,013</b>	<b>44%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,593,824</b>	<b>100%</b>	<b>6,084,848</b>	<b>100%</b>	<b>5,626,231</b>	<b>100%</b>	<b>4,893,660</b>	<b>100%</b>	<b>5,179,477</b>	<b>100%</b>
<b>ASSETS</b>										
NON-CURRENT ASSETS	3,570,629	47%	2,801,490	46%	2,755,096	49%	2,302,278	47%	2,320,164	45%
CURRENT ASSETS	4,023,195	53%	3,283,358	54%	2,871,135	51%	2,591,382	53%	2,859,313	55%
<b>TOTAL ASSETS</b>	<b>7,593,824</b>	<b>100%</b>	<b>6,084,848</b>	<b>100%</b>	<b>5,626,231</b>	<b>100%</b>	<b>4,893,660</b>	<b>100%</b>	<b>5,179,477</b>	<b>100%</b>
<b>PROFIT AND LOSS ACCOUNT</b>										
SALES	9,901,857	100.00%	9,049,707	100.00%	8,289,147	100.00%	8,813,412	100.00%	9,734,861	100.00%
COST OF SALES	8,855,192	89.43%	8,292,160	91.63%	7,638,258	92.15%	7,971,024	90.44%	8,765,635	90.04%
GROSS PROFIT	1,046,665	10.57%	757,547	8.37%	650,889	7.85%	842,388	9.56%	969,226	9.96%
DISTRIBUTION COST	276,327	2.79%	269,522	2.98%	275,913	3.33%	325,709	3.70%	343,996	3.53%
ADMINISTRATIVE EXPENSES	273,656	2.76%	230,731	2.55%	212,147	2.56%	199,301	2.26%	179,530	1.84%
OTHER OPERATING EXPENSES	40,378	0.41%	50,490	0.56%	11,948	0.14%	18,342	0.21%	31,780	0.33%
	590,361	5.96%	550,743	6.09%	500,008	6.03%	543,352	6.17%	555,306	5.70%
	456,304	4.61%	206,804	2.29%	150,881	1.82%	299,036	3.39%	413,920	4.25%
OTHER OPERATING INCOME	176,025	1.78%	79,345	0.88%	32,375	0.39%	24,594	0.28%	158,196	1.63%
PROFIT FROM OPERATIONS	632,329	6.39%	286,149	3.16%	183,256	2.21%	323,630	3.67%	572,116	5.88%
FINANCE COST	202,494	2.05%	134,378	1.48%	96,484	1.16%	147,701	1.68%	221,186	2.27%
PROFIT BEFORE TAXATION	429,835	4.34%	151,771	1.68%	86,772	1.05%	175,929	2.00%	350,930	3.60%
PROVISION FOR TAXATION	91,907	0.93%	69,002	0.76%	11,026	0.13%	63,994	0.73%	57,668	0.59%
PROFIT AFTER TAXATION	337,928	3.41%	82,769	0.91%	75,746	0.91%	111,935	1.27%	293,262	3.01%

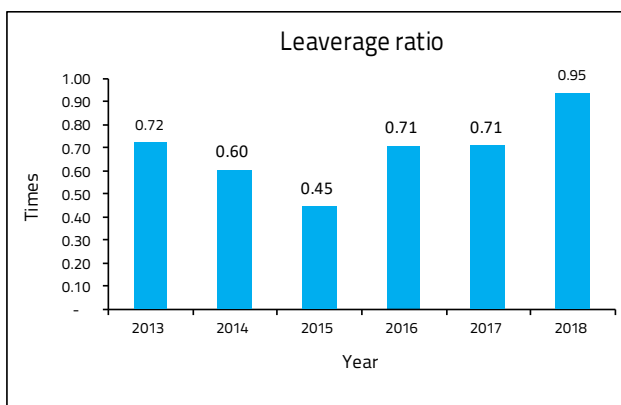
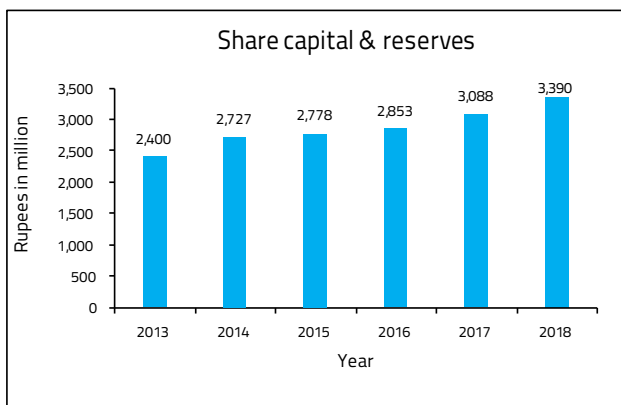
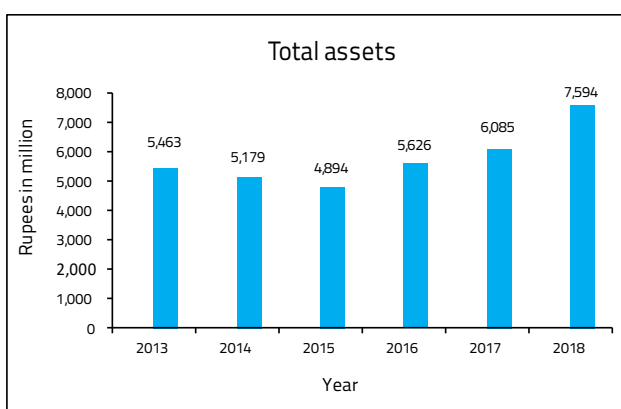
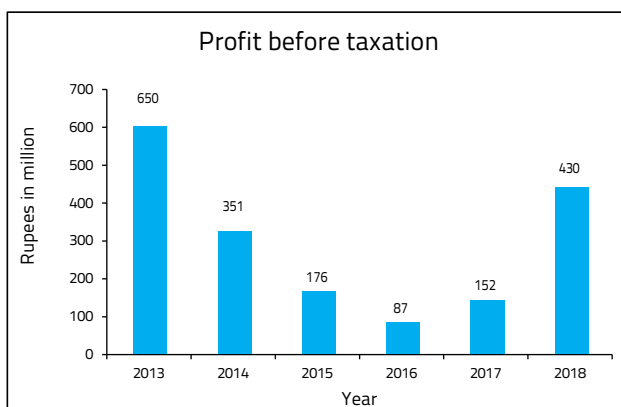
## Horizontal Analysis Based on Year 2014

	2018		2017		2016		2015		2014	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
<b>BALANCE SHEET</b>										
TOTAL EQUITY	3,614,508	125%	3,313,122	115%	3,032,098	105%	2,931,496	102%	2,880,464	100%
NON-CURRENT LIABILITIES	1,100,872	210%	434,955	83%	524,618	100%	191,472	37%	524,271	100%
CURRENT LIABILITIES	2,878,444	162%	2,336,771	132%	2,069,515	117%	1,770,692	100%	1,774,742	100%
<b>TOTAL LIABILITIES</b>	<b>3,979,316</b>	<b>173%</b>	<b>2,771,726</b>	<b>121%</b>	<b>2,594,133</b>	<b>113%</b>	<b>1,962,164</b>	<b>85%</b>	<b>2,299,013</b>	<b>100%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,593,824</b>	<b>147%</b>	<b>6,084,848</b>	<b>117%</b>	<b>5,626,231</b>	<b>109%</b>	<b>4,893,660</b>	<b>94%</b>	<b>5,179,477</b>	<b>100%</b>
<b>ASSETS</b>										
NON-CURRENT ASSETS	3,570,629	154%	2,801,490	121%	2,755,096	119%	2,302,278	99%	2,320,164	100%
CURRENT ASSETS	4,023,195	141%	3,283,358	115%	2,871,135	100%	2,591,382	91%	2,859,313	100%
<b>TOTAL ASSETS</b>	<b>7,593,824</b>	<b>147%</b>	<b>6,084,848</b>	<b>117%</b>	<b>5,626,231</b>	<b>109%</b>	<b>4,893,660</b>	<b>94%</b>	<b>5,179,477</b>	<b>100%</b>
<b>PROFIT AND LOSS ACCOUNT</b>										
SALES	9,901,857	102%	9,049,707	93%	8,289,147	85%	8,813,412	91%	9,734,861	100%
COST OF SALES	8,855,192	101%	8,292,160	95%	7,638,258	87%	7,971,024	91%	8,765,635	100%
GROSS PROFIT	1,046,665	108%	757,547	78%	650,889	67%	842,388	87%	969,226	100%
DISTRIBUTION COST	276,327	80%	269,522	78%	275,913	80%	325,709	95%	343,996	100%
ADMINISTRATIVE EXPENSES	273,656	152%	230,731	129%	212,147	118%	199,301	111%	179,530	100%
OTHER OPERATING EXPENSES	40,378	127%	50,490	159%	11,948	38%	18,342	58%	31,780	100%
	590,361	106%	550,743	99%	500,008	90%	543,352	98%	555,306	100%
	456,304	110%	206,804	50%	150,881	36%	299,036	72%	413,920	100%
OTHER OPERATING INCOME	176,025	111%	79,345	50%	32,375	20%	24,594	16%	158,196	100%
PROFIT FROM OPERATIONS	632,329	111%	286,149	50%	183,256	32%	323,630	57%	572,116	100%
FINANCE COST	202,494	92%	134,378	61%	96,484	44%	147,701	67%	221,186	100%
PROFIT BEFORE TAXATION	429,835	122%	151,771	43%	86,772	25%	175,929	50%	350,930	100%
PROVISION FOR TAXATION	91,907	159%	69,002	120%	11,026	19%	63,994	111%	57,668	100%
PROFIT AFTER TAXATION	337,928	115%	82,769	28%	75,746	26%	111,935	38%	293,262	100%

# Key Operating and Financial Results

for last six years

PARTICULARS	RUPEES in 000							
	2018	2017	2016	2015	2014	2013	2012	
<b>SUMMARIZED BALANCE SHEET</b>								
<b>NON-CURRENT ASSETS</b>								
Property, Plant And Equipment	3,529,328	2,783,776	2,745,307	2,290,022	2,302,819	2,822,964	2,841,761	
Long Term Loans	-	-	-	-	1,727	387	392	
Other Non-Current Assets	41,301	17,714	9,789	12,256	15,618	9,304	675	
<b>CURRENT ASSETS</b>								
Stores, Spares And Loose Tools	95,448	73,172	65,643	65,076	61,125	44,926	37,082	
Stock In Trade	2,461,185	1,925,999	1,756,108	1,484,015	1,647,836	1,592,021	1,278,678	
Trade Debts	867,009	688,176	513,799	593,632	691,322	612,751	451,143	
Other Current Assets	599,553	596,011	535,585	448,659	459,030	380,539	370,479	
<b>TOTAL ASSETS</b>	<b>7,593,824</b>	<b>6,084,848</b>	<b>5,626,231</b>	<b>4,893,660</b>	<b>5,179,477</b>	<b>5,462,892</b>	<b>4,980,210</b>	
<b>Share Holders' Equity</b>	<b>3,389,877</b>	<b>3,088,491</b>	<b>2,853,464</b>	<b>2,777,718</b>	<b>2,726,686</b>	<b>2,400,047</b>	<b>1,763,656</b>	
<b>Surplus on Revaluation of Operating Fixed Assets</b>	<b>224,631</b>	<b>224,631</b>	<b>178,634</b>	<b>153,778</b>	<b>153,778</b>	<b>608,200</b>	<b>966,759</b>	
<b>NON-CURRENT LIABILITIES</b>								
Long Term Financing	871,639	281,457	358,291	-	10,715	86,818	194,163	
Director's Loan	-	-	-	-	300,000	300,000	300,000	
Liabilities Against Assets Subject To Finance Lease	24,174	-	7,158	21,973	26,887	25,875	-	
Deferred Tax	178,714	131,574	145,824	167,865	184,718	277,824	264,216	
Other Non-Current Liabilities	26,345	21,924	13,345	1,634	1,951	-	-	
<b>CURRENT LIABILITIES</b>								
Short Term Borrowings	2,097,994	1,730,524	1,517,083	1,191,193	1,202,486	1,194,856	1,032,246	
Current Portion Of Long Term Liabilities	240,174	186,506	135,519	23,245	102,360	124,999	125,561	
Other Current Liabilities	540,276	419,741	416,913	556,254	469,896	444,273	333,609	
<b>Total Equity And Liabilities</b>	<b>7,593,824</b>	<b>6,084,848</b>	<b>5,626,231</b>	<b>4,893,660</b>	<b>5,179,477</b>	<b>5,462,892</b>	<b>4,980,210</b>	
<b>PROFIT &amp; LOSS</b>								
Sales	9,901,857	9,049,707	8,289,147	8,813,412	9,734,861	8,918,973	7,193,895	
Gross Profit	1,046,665	757,547	650,889	842,388	969,226	1,442,705	1,017,273	
EBITDA	919,136	544,646	421,945	548,337	841,572	1,011,933	736,629	
Profit From Operations	632,329	286,149	183,256	323,630	572,116	866,712	605,624	
Profit / (Loss) Before Tax	429,835	151,771	86,772	175,929	350,930	650,492	364,079	
Profit / (Loss) After Tax	337,928	82,769	75,746	111,935	293,262	599,355	281,585	
<b>CASH FLOWS</b>								
Cash Flow From Operating Activities	(17,843)	(7,742)	(113,065)	716,386	285,417	373,240	341,837	
Cash Flow From Investing Activities	(1,005,947)	(304,129)	(669,963)	(184,617)	(222,047)	(437,276)	(387,618)	
Cash Flow From Financing Activities	962,781	332,678	781,640	(489,440)	(95,088)	77,833	30,708	
Changing In Cash & Cash Equivalents	(61,009)	20,807	(1,388)	42,329	(31,718)	13,797	(15,073)	
Cash & Cash Equivalents - Year End	28,035	89,044	68,237	69,625	27,296	59,014	45,217	
<b>PROFITABILITY RATIOS</b>								
Gross Profit	%	10.57	8.37	7.85	9.56	9.96	16.18	14.14
EBITDA To Sales	%	9.28	6.02	5.09	6.22	8.64	11.35	10.24
Pre Tax Profit	%	4.34	1.68	1.05	2.00	3.60	7.29	5.06
After Tax Profit	%	3.41	0.91	0.91	1.27	3.01	6.72	3.91
Return On Equity	%	9.97	2.68	2.65	4.03	10.76	24.97	15.97
Return On Capital Employed	%	7.93	2.46	2.36	4.03	10.71	24.10	14.38
Dividend Rate (Cash)	%	10.00	5.00	5.00	10.00	-	50.00	25.00
Leverage Ratio		0.95	0.71	0.71	0.45	0.60	0.72	0.94
<b>LIQUIDITY RATIOS</b>								
Current Ratio	Times	1.40	1.41	1.39	1.46	1.61	1.49	1.43
Quick Ratio	Times	0.51	0.55	0.51	0.59	0.65	0.56	0.55
Cash To Current Liabilities	Times	0.01	0.04	0.03	0.04	0.02	0.03	0.03
Cash Flows From Operation To Sales	Times	(0.00)	(0.00)	(0.01)	0.08	0.03	0.04	0.05
Debt To EBITDA	Times	3.52	4.04	4.78	2.25	1.95	1.71	2.24
EBITDA To Debt	Times	0.28	0.25	0.21	0.44	0.51	0.58	0.45



# Statement of Compliance

With Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of Company: J. K. Spinning Mills Limited

Year Ended: June 30, 2018

The Company has complied with the requirements in the following manner:

1. The total number of Directors are seven (7) as per the following:

Gender	Number
Male	5
Female	2

2. The composition of the Board as at June 30, 2018 is as follows:

Category	Names
Independent Directors	Mr. Rehan Ashfaq Mr. Mamoor Ijaz
Non-Executive Directors	Mr. Jawed Anwar Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad
Executive Directors	Mr. Faiq Jawed Mr. Shaiq Jawed

3. The Directors have confirmed that none of them is serving as Director on more than Five Listed Company including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures and these have been placed on company's website.
5. The Board has delivered a vision / mission statement, overall corporate strategy and significant policies along with dates on which they were approved or amended, has been maintained.
6. All the powers of the Board were duly exercised and decision on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of Companies Act, 2017 and these Regulations.

7. 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. The Board has complied with the requirements of the Act and the regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors has formal policy and transparent procedures for remunerating of Directors in accordance with the Act and these Regulations.

9. In terms of Regulations 20 of 2017 code, one Director has acquired the prescribed certification under Director's Training program while Five Directors are exempted from the requirement of Director's Training program. One Director is elected on 28-03-2018 and will acquire certification under Director's Training Program within one year (i.e 27-03-2019).

10. The Board has already approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

Audit Committee	Mr. Rehan Ashfaq, Chairman Mrs. Farhat Jehan, Member Mrs. Sadaf Aamir Arshad, Member
HR and Remuneration Committee	Mrs. Sadaf Aamir Arshad, Chairperson Mr. Shaiq Jawed, Member Mr. Mamoor Ijaz, Member



# Statement of Compliance

## With Listed Companies (Code of Corporate Governance) Regulations, 2017

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance that have been approved by BOD in their meeting held on October 01, 2018.

14. The frequency of meetings of the committee were as per following:

a. Audit Committee	6 meetings were held during financial year ended June 30, 2018.
b. HR and Remuneration Committee	2 annual meeting held during financial year ended June 30, 2018.

15. The Board has set up an effective internal audit function of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under quality control review program of the ICAP and registered with Audit Oversight Board 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 the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirements and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

**FAIQ JAWED**  
Chief Executive Officer

**JAWED ANWAR**  
Chairman

October 01, 2018  
Faisalabad

# Independent Auditor's Review Report to the Members of J.K Spinning Mills Limited

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of J.K. Spinning Mills Limited (the Company) for the year ended 30th June, 2018 in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30th June, 2018.



Chartered Accountants

Audit Engagement Partner:  
Naseem Akbar

Lahore:  
October 02, 2018





# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 32ND ANNUAL GENERAL MEETING OF THE MEMBERS OF J. K. SPINNING MILLS LIMITED WILL BE HELD ON FRIDAY 26TH OCTOBER, 2018 AT 10.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT 29 K.M, SHEIKHUPURA ROAD, KHURRIANWALA, FAISALABAD TO TRANSACT THE FOLLOWING BUSINESS:

## ORDINARY BUSINESS:

1. To confirm the minutes of the 31st Annual General Meeting held on 30th October, 2017.
2. To receive, consider and adopt the Annual Audited Accounts along with the reports of Directors' and Auditors of the company for the year ended 30th June, 2018.
3. To consider, approve and declare Final Cash Dividend at Rs. 1/- per share @ 10 % to Ordinary Share Holders for the year ended 30th June, 2018 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2018-2019 and fix their remuneration. The present Auditors M/S EY Ford Rhodes, Chartered Accountants, being eligible offer themselves for reappointment.
5. To transact any other business or businesses with the permission of the Chairman.

## SPECIAL RESOLUTION:

6. To Authorize Chief Executive Officer of the Company to approve Related Party Transactions for sale and purchase of goods/ Services to / from J.K. Tech (Pvt.) Limited & J.K. Agriculture Farms (Pvt.) Limited - associated companies for the year ending June 30, 2019 by passing the following resolution with or without modification.

"Resolved that the Chief Executive of the Company be and is hereby authorized to approve the Related Party Transactions for sale and purchase of goods/ Services to/from J.K. Tech (Pvt.) Limited for Rs: 200 Million & to/ from J.K. Agriculture Farms (Pvt.) Limited for Rs: 100 Million – associated companies from time to time for the year ending June 30, 2019 and take any and all actions and sign any and all such documents as may be required in this regard."

BY THE ORDER OF THE BOARD

FAISALABAD:  
Dated: 01-10-2018

**SYED HUSSAIN SHAHID MANSOOR NAQVI**  
COMPANY SECRETARY

## NOTES:

- i A member may appoint a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
- ii In case of individuals, the account holders or sub-account holders and/or the persons whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- iii In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

## FOR APPOINTING PROXIES:

- i. In case of individuals, the account holders or sub-account holders and/or the persons whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

# Notice of Annual General Meeting

- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxies shall produce their original CNIC or original passport at the time of meeting.
- v. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

## DEDUCTION OF INCOME TAX FOR FILER AND NON-FILER:

Currently Section 150 of the Income Tax Ordinance, 2001 prescribed following rates for deduction of withholding tax on the amount of dividend paid by the companies:

1.	Rate of tax deduction for filer of income tax returns	15%
2.	Rate of tax deduction for non-filer of income tax returns	20%

In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC No.	Shareholding proportion (No. of Shares)	Name & CNIC No.	Shareholding proportion (No. of Shares)

The CNIC number/NTN details are now mandatory and are required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

## EXEMPTION FROM DEDUCTION OF INCOME TAX / ZAKAT:

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate, are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be. Members desiring non-deduction of zakat are also requested to submit a valid declaration for non-deduction of zakat.

## CLOSURE OF SHARE TRANSFER BOOKS:

The share transfer books of the Company will remain closed and no transfer of shares will be accepted for registration from October 17, 2018 to October 26, 2018 (both days inclusive). Transfers received in order at the Shares Registrar's office CORPTEC Associates (Pvt.) Ltd., 503 - E, Johar Town, Lahore by the close of business on October 17, 2018 will be treated in time for the purpose of entitlement.

## TRANSMISSION OF ANNUAL REPORTS THROUGH E-MAIL:

The SECP vide SRO 787 (1)/2014 dated September 08, 2014 has provided an option for shareholders to receive audited financial statements along with notice of Annual General Meeting electronically through email. Hence, members who are interested in receiving the annual reports and notice of Annual General Meeting electronically in future are requested to send their email addresses on the consent form placed on the Company's website [www.jkggroup.net](http://www.jkggroup.net) to the Company's Share Registrar. The Company shall, however additionally provide hard copies of the annual report to such members, on request, free of cost.



# Notice of Annual General Meeting

## CHANGE OF ADDRESS:

Members are requested to promptly notify any change of address to the Company's Share Registrar.

## AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON COMPANY'S WEBSITE:

The audited financial statements of the Company for the year ended June 30, 2018 have been made available on the Company's website [www.jkgroup.net](http://www.jkgroup.net) in addition to annual and quarterly financial statements for the prior years.

## PAYMENT OF DIVIDEND THROUGH ELECTRONIC MODE (MANDATORY):

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested to fill in E-Dividend Form available on Company's website i.e. [www.jkgroup.net](http://www.jkgroup.net) and send the duly signed Form along with a copy of CNIC to the Share Registrar of the Company CORPTEC Associates (Pvt.) Ltd., 503 - E, Johar Town, Lahore, in case of physical shares. In case shares are held in CDC then E-Dividend Form must be submitted directly to shareholder's broker/ participant/ CDC account services.

In the absence of bank account details or in case of incomplete details, the Company will be constrained to withhold the payment of cash dividend of those shareholders who have not provided the same.

## STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

J.K. Tech (Pvt.) Ltd and J.K. Agriculture Farms (Pvt.) Ltd are Associated Companies of J.K. Spinning Mills Ltd by virtue of common Directorship.

J.K. Spinning Mills Ltd has investment of 450 shares in J.K. Tech (Pvt.) Ltd representing 30 % of total paid up capital of J.K. Tech (Pvt.) Ltd. & J.K. Agriculture Farms (Pvt.) Ltd has also investment of 450 shares in J.K. Tech (Pvt.) Ltd representing 30% of total paid up capital of J.K. Tech (Pvt.) Ltd

Mr. Jawed Anwar, Mr. Faiq Jawed, Mr. Shaiq Jawed and Mrs. Sadaf Aamir & Mrs. Farhat Jehan are common directors of J.K. Spinning Mills Ltd, having following share holdings in J.K. Agriculture Farms (Pvt.) Ltd:

	Name	% of shareholding
1.	Mr. Jawed Anwar, Director	65%
2.	Mr. Faiq Jawed, Director	10%
3.	Mr. Shaiq Jawed, Director	10%
4.	Mrs. Sadaf Aamir, Director	05%
5.	Mrs. Farhat Jehan, Spouse	10%

Transactions with related parties (Associated Companies) are carried out in normal course of business and at "Arm's Length Basis".

The Directors, Sponsors and majority shareholders have no interest, directly or indirectly in J.K. Agriculture Farms (Pvt.) Ltd except to the extent of their / Spouse's shareholding as disclosed above. Nominee Director, Mr. Jawed Anwar has no interest, directly or indirectly in J.K. Tech (Pvt.) Ltd.

# Financial Statements

For the year ended 30 june 2018



# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF J.K. SPINNING MILLS LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed financial statements of J.K. Spinning Mills Limited (the Company), which comprise the statement of financial position as at 30 June 2018, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

Following are the key audit matters:

## Key Audit Matters

## How the matter was addressed in our audit

### 1. Existence and valuation of stock in trade:

As disclosed in note 22 to the accompanying financial statements, the stock in trade balance constitutes 32.41 % of total assets of the Company. The cost of work in process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads.

We focused on stock in trade as it is a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.

We performed a range of audit procedures with respect to inventory items including, amongst others physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with the applicable accounting standards. We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads.

We also assessed the adequacy of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Company at the year end.

### 2. Financing obligations and compliance with related covenant requirements

As at June 30, 2018, the Company has outstanding long term financing facilities amounting to Rs. 1,103,613 thousand including Rs. 822,157 thousand obtained during the current year, which constitutes 27.73 % of total liabilities of the Company at the year end.

The Company's key operating / performance indicators including liquidity, gearing and finance cost are directly influenced by the additions to its portfolio of borrowings. Further, new financing arrangements entails additional financial and non-financial covenants in addition to the covenants the Company is subject to compliance for.

The significance of new financings obtained during the year along with the sensitivity of the compliance with underlying loan covenants are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.

Among others, we performed the following key audit procedures:

- We reviewed the terms and conditions of financing agreements entered into by the Company with the banks;
- We circularised balance confirmations to the financing banks. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities;
- We assessed the status of compliance with the financing covenants and also inquired from the management with respect to their ability to ensure future compliance of the covenants; and
- We tested the calculation of finance cost recognized in the statement of profit of loss account. We also assessed the adequacy of the disclosures made in respect of the long / short term financing obligations in the financial statements.



# INDEPENDENT AUDITOR'S REPORT

## 3. Preparation of financial statements under Companies Act, 2017

As referred to in note 3 to the accompanying financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.

The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as referred to in note 3 to the financial statements.

Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 6 to the financial statements.

The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.

Our key audit procedures to address this risk included the following:

- We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act;
- We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements;
- We evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements; and
- In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to in note 6 to the financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Company.

## Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





## INDEPENDENT AUDITOR'S REPORT

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Naseem Akbar.

### Other Matter

The financial statements of the Company for the year ended 30 June 2017 and six months period ended 31 December 2016 were audited and reviewed respectively by another auditors whose reports, dated 23 September 2017 and 24 February 2017, expressed unqualified opinion / conclusion on those statements.

Chartered Accountants

Audit Engagement Partner:  
Naseem Akbar

Lahore:  
October 02, 2018

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTE	2018	2017	As at 01 July 2016
		----- (RUPEES IN THOUSAND) -----		
		----- (Re-stated) -----		
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorized share capital 96 000 000 (2017: 96 000 000) ordinary shares of Rs. 10/- each		960,000	960,000	960,000
Issued, subscribed and paid up share capital	7	730,839	730,839	609,033
Reserves				
- Capital reserves		350,540	350,540	289,636
- Revenue reserves - unappropriated profit		2,308,498	2,007,112	1,954,795
	8	2,659,038	2,357,652	2,244,431
Revaluation surplus on freehold land	8.2	224,631	224,631	178,634
		3,614,508	3,313,122	3,032,098
<b>Non-current liabilities</b>				
Long term financing	9	871,639	281,457	358,291
Liabilities against assets subject to finance lease	10	24,174	-	7,158
Long term deposits		26,345	21,889	12,553
Deferred income on sale and leaseback		-	35	792
Deferred tax liability	11	178,714	131,574	145,824
		1,100,872	434,955	524,618
<b>Current liabilities</b>				
Trade and other payables	12	501,988	402,278	400,242
Accrued mark-up	13	37,898	17,061	16,254
Short term borrowings	14	2,097,994	1,730,524	1,517,083
Unclaimed dividend		390	402	417
Current portion of non-current liabilities	15	240,174	186,506	135,519
		2,878,444	2,336,771	2,069,515
<b>CONTINGENCIES AND COMMITMENTS</b>				
	16	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,593,824</b>	<b>6,084,848</b>	<b>5,626,231</b>

The annexed notes from 1 to 52 form an integral part of these financial statements.



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Ghulam Muhammad  
Chief Financial Officer



# STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTE	2018	2017	As at 01 July 2016
		----- (RUPEES IN THOUSAND) -----		
		----- (Re-stated) -----		
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment:				
Operating fixed assets	17	3,246,183	2,611,702	2,516,291
Capital work in progress	18	283,145	172,074	229,016
		3,529,328	2,783,776	2,745,307
Long term investment	19	-	-	-
Long term deposits, advances and prepayments	20	41,301	17,714	9,789
		3,570,629	2,801,490	2,755,096
<b>Current assets</b>				
Stores, spare parts and loose tools	21	95,448	73,172	65,643
Stock-in-trade	22	2,461,185	1,925,999	1,756,108
Trade debts	23	867,009	688,176	513,799
Advances	24	83,625	41,640	50,197
Trade deposits and short term prepayments	25	6,594	11,541	13,880
Other receivables	26	106,913	103,280	41,684
Derivative financial asset		3,343	-	-
Tax refunds due from the Government	27	339,766	317,233	361,464
Short term investments	28	31,277	33,273	123
Cash and bank balances	29	28,035	89,044	68,237
		4,023,195	3,283,358	2,871,135
<b>TOTAL ASSETS</b>		<b>7,593,824</b>	6,084,848	5,626,231

  
Jawed Anwar  
Chairman

  
Faiq Jawed  
Chief Executive Officer

  
Ghulam Muhammad  
Chief Financial Officer

# STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	NOTE	2018 (RUPEES IN THOUSAND)	2017 (RUPEES IN THOUSAND)
Sales - net	30	9,901,857	9,049,707
Cost of sales	31	(8,855,192)	(8,292,160)
<b>Gross profit</b>		<b>1,046,665</b>	<b>757,547</b>
Distribution cost	32	(276,327)	(269,522)
Administrative expenses	33	(273,656)	(230,731)
Other operating expenses	34	(40,378)	(50,490)
		(590,361)	(550,743)
Other income	35	176,025	79,345
<b>Operating profit</b>		<b>632,329</b>	<b>286,149</b>
Finance cost	36	(202,494)	(134,378)
<b>Profit before taxation</b>		<b>429,835</b>	<b>151,771</b>
TAXATION	37	(91,907)	(69,002)
<b>Profit for the year</b>		<b>337,928</b>	<b>82,769</b>
<b>Earnings per share - basic and diluted (Rupees)</b>	38	<b>4.62</b>	<b>1.18</b>

The annexed notes from 1 to 52 form an integral part of these financial statements.

  
**Jawed Anwar**  
 Chairman

  
**Faiq Jawed**  
 Chief Executive Officer

  
**Ghulam Muhammad**  
 Chief Financial Officer



# STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 (RUPEES IN THOUSAND)	2017 (Re-stated)
Profit after taxation	337,928	82,769
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Surplus on revaluation of freehold land	-	45,997
Other comprehensive income for the year	-	45,997
<b>Total comprehensive income for the year</b>	<b>337,928</b>	<b>128,766</b>

The annexed notes from 1 to 52 form an integral part of these financial statements.

  
Jawed Anwar  
Chairman

  
Faiq Jawed  
Chief Executive Officer

  
Ghulam Muhammad  
Chief Financial Officer

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	NOTE	2018 (RUPEES IN THOUSAND)	2017 (RUPEES IN THOUSAND)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operations	39	290,832	215,143
Finance cost paid		(181,523)	(133,229)
Income tax paid		(103,979)	(86,697)
Workers' profit participation fund paid		(3,411)	(9,144)
Workers' welfare fund paid		(631)	-
Net (increase)/decrease in long term deposits, advances and prepayments		(23,587)	6,185
Increase in long term deposits		4,456	-
		(308,675)	(222,885)
<b>Net cash used in operating activities</b>		<b>(17,843)</b>	<b>(7,742)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,013,326)	(297,457)
Proceeds from sale of property, plant and equipment		15,016	29,194
Investments made		(23,709)	(102,824)
Proceeds from sale of investments		16,072	66,958
<b>Net cash used in investing activities</b>		<b>(1,005,947)</b>	<b>(304,129)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		822,157	97,253
Repayment of long term financing		(179,351)	(115,523)
Repayment of liabilities against assets subject to finance lease		(10,941)	(14,735)
Short term borrowings - net		367,470	213,441
Proceeds from issuance of right shares		-	182,710
Dividend paid		(36,554)	(30,468)
<b>Net cash flows from financing activities</b>		<b>962,781</b>	<b>332,678</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(61,009)</b>	<b>20,807</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>89,044</b>	<b>68,237</b>
<b>Cash and cash equivalents at end of the year</b>		<b>28,035</b>	<b>89,044</b>

The annexed notes from 1 to 52 form an integral part of these financial statements.



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Ghulam Muhammad  
Chief Financial Officer



# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	SHARE CAPITAL	Capital reserves			Sub Total	Revenue reserve	Total
		Premium on issue of right shares	Merger reserve	Revaluation surplus on freehold land		Unappropriated profit	
----- (RUPEES IN THOUSAND) -----							
Balance as at 01 July 2016	609,033	-	289,636	-	289,636	1,954,795	2,853,464
Adjustment due to change in accounting policy note 6	-	-	-	178,634	178,634	-	178,634
Balance as at 01 July 2016 - restated	609,033	-	289,636	178,634	468,270	1,954,795	3,032,098
Profit for the year	-	-	-	-	-	82,769	82,769
Other comprehensive income	-	-	-	45,997	45,997	-	45,997
Total comprehensive income for the year-restated	-	-	-	45,997	45,997	82,769	128,766
Final dividend for the year ended 30 June 2016 at the rate of Rs. 0.50 per share	-	-	-	-	-	(30,452)	(30,452)
Issue of 20% right shares at premium of Rs. 5 per share	121,806	60,904	-	-	60,904	-	182,710
	121,806	60,904	-	-	60,904	(30,452)	152,258
Balance as at 30 June 2017 - restated	730,839	60,904	289,636	224,631	575,171	2,007,112	3,313,122
Profit for the year	-	-	-	-	-	337,928	337,928
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	337,928	337,928
Final dividend for the year ended 30 June 2017 at the rate of Rs. 0.50 per share	-	-	-	-	-	(36,542)	(36,542)
Balance as at 30 June 2018	730,839	60,904	289,636	224,631	575,171	2,308,498	3,614,508

The annexed notes from 1 to 52 form an integral part of these financial statements.

Jawed Anwar  
Chairman

Faiq Jawed  
Chief Executive Officer

Ghulam Muhammad  
Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 1. LEGAL STATUS AND NATURE OF BUSINESS

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 (Repealed with the enactment of the Companies Act, 2017), and listed on Pakistan Stock Exchange Limited. Its registered office is situated at 29-Kilometers, Sheikhpura Road, Faisalabad where the factory premises of the Company are also located. The Company is engaged in business of textile manufacturing comprising of spinning, weaving, stitching, buying, selling and otherwise dealing in yarn, fabrics and other goods.

## 2. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Acquired plant and machinery of Rs. 773,550 thousand (note 17). Subsequently to this addition, spinning capacity of company now is 38,707 thousand kg (2017:31,286 thousand kg) per annum (note 44).  
To finance addition in plant and machinery, the Company obtained significant amount of long term loans
- during the current year. As a result, total long term loan outstanding at 30 June 2018 is Rs. 1,013,613 thousand (2017: Rs. 460,807 thousand)(note 9).  
The accounting policies for surplus on revaluation of property, plant and equipment was changed during
- the year due to enactment of the Companies Act, 2017. Consequently, some of the amounts reported in the prior years have been restated (note 6).  
Due to the first time application of financial reporting requirements under the Companies Act, 2017,
- including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified (note 51).  
Devaluation of Pak Rupee during the year ended 30 June 2018 resulted in exchange gain amounting to
- Rs. 114,743 thousand (2017: Rs. 59,128 thousand) on receivables denominated in US Dollar and EURO (note 35).
- For a detailed discussion about the Company's performance please refer to the Directors' report.

## 3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRS standards, the provisions of and directives issued under the Act have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of presentation and measurement of surplus on revaluation of property plant and equipment as fully explained in note 6 of these financial statements, change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (note 17.5), management assessment of sufficiency of tax provision in the financial statements (refer note 37.2), change in threshold for identification of executives (note 40.3), additional disclosure requirements for related parties (note 4) etc.





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for valuation of certain financial instruments at fair value and freehold land at revalued amount.

### 4.1 Functional and presentation currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

### 4.2 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires 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, including expectation 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:

	Note
Useful lives of property, plant and equipment	5.6
Provision for stores, spares and loose tools, and stock in trade	5.9 and 5.10
Provision for doubtful debts	5.11 and 5.12
Provision for taxation	5.5
Provisions and contingencies	5.24

## 5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of financial statements of the Company are consistent with previous year except as discussed in Note 6 to these financial statements and are as follows:

### 5.1 New, amended standards and interpretations become effective

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year.

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

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

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 5.2 Employees retirement benefit

The Company operates a recognized provident fund for all of 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 statement of profit or loss as and when incurred. Employees are eligible under the scheme on completion of prescribed qualifying period of service.

## 5.3 Provisions

Provisions are recognized in the statement of financial position when the Company has legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

## 5.4 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.

## 5.5 Taxation

### Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

### Deferred tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax asset is recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each statement of financial position date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset will be realized or the liability will be settled, based on the tax rates, that have been enacted or subsequently enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## 5.6 Property, plant and equipment

### Owned

All operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land and capital work-in-progress. Freehold land is stated at revalued amount less any recognized 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.

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 or loss account during the period in which they are incurred.

A revaluation surplus is recorded in other comprehensive income (OCI) and presented as a separate part of equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognised in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets. The revaluation reserve is not available for distribution to the Company's shareholders.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

### Depreciation

Depreciation on property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is de-recognized. Depreciation is charged to statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their expected useful lives at the rates mentioned in Note 17.1.

Residual value and the useful life of assets are reviewed at each financial year end and if expectations differ from previous estimates the change is accounted for as change in accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## De-recognition

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

## Impairment

The Company assesses at each statement of financial position date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the statement of profit or loss.

## 5.7 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss. Gain on sale and lease back of operating fixed assets is deferred and amortized over the lease term and loss on sale and lease back of operating fixed assets is recognized in statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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.

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 statement of profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 5.8 Investments and other financial assets

### 5.8.1 Associated undertaking

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but do not have control or joint control over those policies.

The Company's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of investee is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 5.8.2 Others

Financial assets in the scope of IAS 39 : "Financial Instruments - Recognition and Measurement", are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets are subsequently measured at fair value or cost as the case may be. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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 associate, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

#### 5.8.2.1 Investments at fair value through profit or loss

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Financial assets classified as held-for-trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and are effective hedging instruments. Gains or losses on investments held for trading are recognized in statement of profit or loss.

## 5.8.2.2 Held-to-maturity

Non-derivative financial assets 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 and are initially measured at cost. 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, such as bonds, 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. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in statement of profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

## 5.8.2.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in statement of profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

## 5.8.2.4 Available-for-sale financial assets

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.

Investments classified as available-for-sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

At each statement of financial position date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of 'available-for-sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in statement of profit or loss, is removed from equity and recognized in the statement of profit or loss. Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

## 5.9 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and net realizable value, except items in transit, which are stated at invoice amount plus other charges paid thereon. Provision for slow moving, damaged and obsolete items are charged to statement of profit or loss. Value of items is reviewed at each statement of financial position date to record provision for any slow moving items, damaged and obsolete items.

Net realizable value signifies the selling price in the ordinary course of business less estimated cost necessarily to be incurred in order to make the sale, which is generally equivalent to the estimated replacement cost.

## 5.10 Stock in trade

These are valued at lower of cost and net realizable value.

Cost is determined on the following basis :-

- Raw and packing material - on average cost
- Goods in transit - at invoice value plus other charges incurred thereon.
- Work in process - at estimated manufacturing cost including appropriate production overheads
- Finished goods - at average manufacturing cost including appropriate production overheads
- Scrap - at net realizable value

## 5.11 Trade debts

Trade debts are recognized at its invoice value less provision for uncollectible amounts. Provision for doubtful debts is based on management's assessment of customer's credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

## 5.12 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in the future.

## 5.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## 5.14 Trade and other payables

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 5.15 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be measured reliably. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies, on following basis:

- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer. This is usually at the point of dispatch of goods to customers.
- Related Government grant is recognized when there is reasonable assurance that the Company will comply with the conditions attached to it and grant will be received.
- Interest income is recognized as and when accrued.
- Dividend on equity investments is recognized when right to receive the dividend is established, which is generally when shareholders approve the dividend.
- Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.
- Other revenues are accounted for on accrual basis.

## 5.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit or loss account whenever incurred.

## 5.17 Foreign currency translation

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency rates of exchange prevailing at the statement of financial position date. All resulting differences are taken to the statement of profit or loss.

## 5.18 Financial instruments

Financial assets and liabilities are recognized at the time the Company becomes a party to the contractual provisions of the instruments. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control over 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 derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the statement of profit or loss currently.





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 5.19 Offsetting financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off set.

## 5.20 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 statement of profit or loss over the period of the borrowings using the effective interest method.

## 5.21 Impairment

### a) Financial assets

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

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 group that share similar credit risk characteristics.

All impairment losses are recognized in the statement of profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognized.

### b) Non-financial assets

The carrying amounts of the Company's assets are reviewed at each statement of financial position 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 statement of profit or loss. 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 or loss account.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. 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 or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

## 5.22 Derivative financial instruments

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

## 5.23 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 cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has two reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibers), Fabric (Buying yarn, fabric and selling after conversion, and manufacturing of home textile articles).

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.

## 5.24 Provisions and contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

## 5.25 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 - Share-based Payments – Classification and Measurement of Share- based Payments Transactions (Amendments)	01 January 2018
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 9 – Financial Instruments	01 July 2018
IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 16 – Leases	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2019
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application. However, for IFRS 15 and IFRS 9 Company's expectation is based on an initial assessment made by the management.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

"The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

## 6. CHANGE IN ACCOUNTING POLICY

During current year, the Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IFRS are being followed by the Company. The new accounting policy is explained under note 5.6 above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information and the Company has presented its statement of financial position as at the beginning of the earliest comparative period i.e., July 01, 2016, and related notes in accordance with requirement of IAS 1 — Presentation of Financial Statements (Revised) (IAS 1). Had the accounting policy not been changed, the surplus on revaluation of freehold land would have been shown as a separate line item (below equity in the statement of financial position) amounting to Rs. 224,631 thousand and Rs. 178,634 thousand for the year ended 30 June 2017 and 2016 respectively.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

As at 01 July 2016			As at 30 June 2017		
As previously reported	Adjustments	As restated (Restated)	As previously reported	Adjustments	As restated (Restated)

(RUPEES IN THOUSAND)

## Effect on statement of financial position:

Surplus on revaluation of land (below equity)	178,634	-	(178,634)	224,631	-	(224,631)
Capital reserves	-	178,634	178,634	-	224,631	224,631

## Effect on statement of changes in equity:

Capital reserves	-	178,634	178,634	-	224,631	224,631
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For the year ended 30 June 2017		
As previously reported	Adjustments	As restated (Restated)

(RUPEES IN THOUSAND)

## Effect on statement of other comprehensive income:

Gain on revaluation of land	-	45,997	45,997
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## 7. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2018 (NUMBER OF SHARES)		2017 (NUMBER OF SHARES)		2018 (RUPEES IN THOUSAND)		2017 (RUPEES IN THOUSAND)	
26,424,155	26,424,155	45,947,600	45,947,600	264,241	264,241	459,476	459,476
45,947,600				459,476			
712,175	712,175			7,122	7,122		
73,083,930	73,083,930			730,839	730,839		

### 7.1 Movement during the year

73,083,930	60,903,275	As at 01 July	730,839	609,033
-	12,180,655	Ordinary shares of Rupees 10 each issued during the year as fully paid right shares	-	121,806
73,083,930	73,083,930	As at 30 June	730,839	730,839

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>8. RESERVES</b>			
Composition of reserves is as follows:			
<b>Capital reserves</b>			
Merger reserve		289,636	289,636
Premium on issue of right shares	(8.1)	60,904	60,904
		<b>350,540</b>	350,540
<b>Revenue reserve</b>			
Unappropriated profit		2,308,498	2,007,112
		<b>2,659,038</b>	2,357,652
<b>Revaluation surplus on freehold land</b>	(8.2)	<b>224,631</b>	224,631
<b>8.1</b>	This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.		
<b>8.2</b>	<b>Revaluation surplus on freehold land:</b>		
Surplus on revaluation of freehold land as at 01 July		224,631	178,634
Add: Increase in surplus on revaluation	(9.2.1)	-	45,997
		<b>224,631</b>	224,631
<b>8.2.1</b>	Freehold land of the Company has been revalued on 30 June 2017 by an independent valuer, Messrs Harvester Services (Private) Limited using market value method. Previous revaluations were carried out by independent valuers on 30 June 2016.		
<b>9. LONG TERM FINANCING</b>			
Loans from banking companies - secured	(9.1)	1,103,613	460,807
Less: Current portion	(15)	231,974	179,350
		<b>871,639</b>	281,457

9.1	Banking Companies	Limit (million)	Loan Amount				Rate of interest	Re-payment Commencement date	Maturity date
			Opening	Received	(Repaid)	Closing			
			-----Rupees in thousand-----						
	Standard Chartered Bank (Pakistan) Limited (note 9.2)	350	231,000	-	(132,000)	99,000	SBP rate for LTFF + 1.25%	November 2016	February 2019
	Askari Bank Limited (note 9.3)	188.35	82,828	-	(24,856)	57,972	SBP rate / 3 months Kibor for LTFF +1.25%	August 2016	June 2021
	The Bank of Punjab (note 9.4)	800	146,979	224,226	(22,495)	348,710	SBP rate for LTFF + 1.25% to 2.00%	September 2017	May 2024
	National Bank of Pakistan (note 9.5)	600	-	597,931	-	597,931	SBP rate for LTFF + 1.25%	October 2018	April 2024
			460,807	822,157	(179,351)	1,103,613			



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

- 9.2** Purpose of this facility is to finance the capital expenditure of the Company and retire various LCs established through SCB for import of plant and machinery and was availed in two trenches. As per terms of the agreement, the tenor of loan is three years with six months grace period. The principal shall be repaid in ten, consecutive, quarterly installments. It is secured against first specific charge of Rupees 267 million and 178 million over specific plant and machinery and personal guarantee of three directors of the Company.
- 9.3** Purpose of this facility is to finance expansion and BMR of spinning unit and was availed in two trenches. At present, sanctioned limit of these facilities is Rs. 188.35 million. As per terms of the agreement, the tenor of loan is five years with six months grace period. The principal shall be repaid in eighteen, consecutive, quarterly installments. This facility is secured against first specific charge of Rs. 267 million over imported machinery inclusive of 25% margin and personal guarantee of three directors of the Company. At present first specific charge of Rs. 133 million has been registered against availed facility.
- 9.4** This facility was obtained for retirement of spinning machinery LCs established through BOP. Current balance payable is aggregate of nine trenches. As per terms of the agreement, the tenor of loan is six years with one year grace period. The principal shall be repaid in twenty, consecutive, quarterly installments. This facility is secured against first specific charge of Rs. 303.643 million over plant and machinery inclusive of 25% margin, charge of Rs. 215 million over fixed assets and personal guarantee of three directors of the Company. In case of further drawdown of this facility, company is required make charge over imported machinery with 25% margin.
- 9.5** This facility was obtained in financial year 2017 to finance import of new machinery through retirement of Import LCs opened at NBP. Current balance is aggregate of sixteen trenches. As per terms of the agreement, the tenor of loan is for six years with one year grace period. The principal shall be repaid in twenty, consecutive, quarterly installments. This facility has been secured by the way of specific hypothecation charge of Rs. 800 million and personal guarantee of three directors of the Company.
- 9.6** As per the financing documents, the Company is required to comply with certain financial covenants which mainly include current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, minimum gross profit margin and maximum leverage ratio. Further, the Company is required to comply with certain conditions imposed by the providers of finance to make dividend payment or change ownership structure and directorship.

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Future minimum lease payments		37,496	7,186
Less: Un-amortized finance charge		5,122	30
Present value of future minimum lease payments		32,374	7,156
Less: Current portion	(15)	8,200	7,156
		<b>24,174</b>	-

- 10.1** These represent vehicles acquired under finance lease agreement from Askari Bank Limited. The implicit interest rate used to arrive at the present value of minimum lease payments range from 7.90 % to 8.00 % (2017: 7.78% to 7.90%) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

	2018		2017	
	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	10,518	26,978	7,186	-
Less: Un-amortized finance charge	2,318	2,804	30	-
Present value of future minimum lease payments	8,200	24,174	7,156	-

	2018	2017
	(RUPEES IN THOUSAND)	

## 11. DEFERRED INCOME TAX LIABILITY

The following are the major deferred tax liabilities and assets recognized by the Company, alongwith movements thereon, during the current and prior reporting year:

Deferred tax liability on taxable temporary differences arising in respect of:		
- Accelerated tax depreciation	244,578	210,772
Deferred tax asset on deductible temporary differences arising in respect of:		
- Liabilities against assets subject to finance lease	(5,551)	(1,220)
- Unrealized export trade debts	3,740	-
- Minimum tax	(58,176)	(72,719)
- Unused tax losses	(586)	-
- Provision for doubtful tax refunds due from the Government	(5,291)	(5,259)
	(65,864)	(79,198)
	178,714	131,574
11.1 Movement in deferred tax balances is as follows:		
At beginning of the year	131,574	145,824
Recognized as deferred tax expense / (income) in profit and loss account:		
- Accelerated tax depreciation	33,806	7,635
- Liabilities against assets subject to finance lease	(4,331)	2,354
- Unrealized export trade debts	3,740	-
- Minimum tax	14,543	(25,976)
- Provision for doubtful tax refunds due from the Government	(32)	(5,259)
- Unused tax losses	(586)	6,996
	47,140	(14,250)
	178,714	131,574





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>12. TRADE AND OTHER PAYABLES</b>			
Trade creditors		157,634	128,226
Accrued liabilities		269,203	212,116
Advances from customers - unsecured		31,778	26,149
Securities / retention money - interest free	(12.1)	4,587	3,628
Income tax deducted at source		645	476
Sales tax deducted at source		1,622	2,333
Provision for workers' profit participation fund	(12.2)	22,630	3,277
Provision for workers' welfare fund	(12.3)	-	631
Other payables		13,889	25,442
		<b>501,988</b>	<b>402,278</b>

**12.1** This amount utilized for the purpose of the business from the Security deposit in accordance with the requirements of written agreements, in terms of Section 217 of the Companies Act.

## 12.2 Workers' Profit Participation Fund

Balance as on 01 July		3,277	8,802
Interest for the year	(36)	134	342
Provision for the year	(34)	22,630	3,277
Payments during the year		(3,411)	(9,144)
Closing balance		<b>22,630</b>	<b>3,277</b>

**12.2.1** 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.

## 12.3 Workers' Welfare Fund

Opening balance		631	-
Provision for the year		-	631
Paid during the year		(631)	-
Closing balance		<b>-</b>	<b>631</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>13. ACCRUED MARK-UP</b>			
Long term financing		9,615	6,586
Liabilities against assets subject to finance lease		-	5
Short term borrowings		28,283	10,470
		<b>37,898</b>	17,061
<b>14. SHORT TERM BORROWINGS</b>			
<b>From banking companies - secured</b>			
Export refinance	(14.1)	805,000	825,000
Short term running finance	(14.2)	107,699	124,234
Cash finance	(14.3)	942,140	378,188
Other short term finance	(14.4)	220,000	-
Export finance under FE-25	(14.5)	-	371,853
	(14.6)	<b>2,074,839</b>	1,699,275
<b>Unsecured</b>			
From directors	(14.7)	23,155	31,249
		<b>2,097,994</b>	1,730,524

**14.1** Rate of markup is 3.00% (2017: 3.00%) per annum on the balance outstanding.

**14.2** Rate of markup is 6.90% to 8.00% (2017: 6.94% to 7.62%) per annum on the balance outstanding.

**14.3** Rate of markup is 6.89% to 7.87% (2017: 6.94% to 7.62%) per annum on the balance outstanding.

**14.4** Rate of markup is 6.91% to 8.53% (2017: N/A) per annum on the balance outstanding.

**14.5** Rate of markup is 4.23% (2017: 2.00% to 3.06%) per annum on the balance outstanding.

**14.6** These finances are obtained from banking companies under mark-up arrangements and are secured against joint pari passu hypothecation charge on present and future current assets and joint pari passu charge on fixed assets, pledge of stock of cotton, yarn and polyester with specific margin, lien over import / export documents, letter of indemnity and personal guarantee of certain directors of the Company. Aggregate sanctioned limit is Rs. 6,475 million (2017:6,583 million). Aggregate limit for opening letter of credits/guarantees/hedge is Rs. 2,350 million out of which, Rs. 1,967 million is sublimit of facilities mentioned earlier.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

14.7 This represents interest free loans, to meet working capital requirements, obtained from directors of the Company which are repayable on demand.

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>15. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Current portion of long term financing	(9)	231,974	179,350
Current portion of liabilities against assets subject to finance lease	(10)	8,200	7,156
		<b>240,174</b>	<b>186,506</b>

## 16. CONTINGENCIES AND COMMITMENTS

### 16.1 Contingencies

#### Tax Contingencies:

- i) Additional Commissioner Inland Revenue (ADCIR) amended the assessment for tax year 2012, vide assessment order dated 21 March 2017, by amending the Company's apportionment of expenses, disallowing certain expenses and tax credits under section 65B and created a tax demand of Rs. 29,860 thousand. Being aggrieved with the order, the Company preferred an appeal before the Commissioner Inland Revenue, Appeals CIR(A) which is pending for adjudication.
- ii) Assistant Commissioner Inland Revenue (ACIR), after withholding proceedings relating to tax year 2015 under section 161/205 of the Income Tax Ordinance (the Ordinance), created tax demand of Rs. 27,303 thousand vide assessment order dated 25 January 2017. The Company filed appeal CIR(A), who partially remanded the case back for the verification of the ACIR and upheld the remaining issues. Being aggrieved with the order of the CIR(A), the company filed an appeal before the ATIR which is pending adjudication.
- iii) ACIR, after withholding proceedings relating to tax year 2016 under section 161/205 of the Ordinance, created tax demand of Rs. 35,177 thousand vide assessment order dated 10 August 2018. Being aggrieved with the order, the Company filed appeal before CIR(A) which is pending adjudication.
- iv) ACIR, after withholding proceedings under section 161/205 of the Ordinance, created tax demand of Rs. 3,042 thousand and 1,429 thousand for the tax years 2017 and 2018 respectively vide assessment orders dated 31 July 2018. Being aggrieved with the order, the Company filed appeal before CIR(A) which is pending adjudication.
- v) Collector Sales Tax and Federal Excise passed impugned Order-in-Original No.02/2007 dated 03 July 2007 for Rs. 11,002 thousand along with default surcharge under section 36(3) and 34 respectively of Sales Tax Act, 1990 and penalty @ 30%. The Company filed appeal to Appellate Tribunal and upon rejection filed a sales tax reference No.03/2009 before Lahore High Court. This reference is still pending for adjudication.
- vi) Deputy Commissioner Inland Revenue passed Order-in-Original No.60/2016 dated 11.04.2016 for the recovery of Rs.7,904 thousand along with default surcharge and penalty Rs.398 thousand under section 34 & 33 of the Sales Tax Act, 1990. The Company filed appeal before Commissioner, I-R (Appeals), RTO, Faisalabad who passed Order in Appeal No.465/2016 dated 12 July 2016 and reduced amount to the extent of Rs.3,107 thousand. Being aggrieved with decision, the Company has filed before Appellate Tribunal Inland Revenue Lahore who remanded back the case to Commissioner Appeals vide Order STA.No85/LB/17 dated 28 March 2018. Case is still pending for adjudication before Commissioner Inland Revenue (Appeals) RTO Faisalabad.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

- vii) Additional Collector Sales Tax and Federal Excise passed impugned Order-in-Original No.28/2015 dated 05 March 2015 for Rs. 2,133 thousand and penalty of Rs. 50 thousand under DTRE rules 307G(2) for violation of Rule, 307A & 307A(2)(e) of SRO450(I)/2001 dated 18 June 2001. Being aggrieved with decision, the Company has filed before Appellate Tribunal (Customs Excise & Sales Tax Bench, Lahore and is pending for adjudication.

The management, based on opinion of its tax consultant and lawyers, believes that there is a reasonable probability that these matters will be decided in favor of the company. Pending the outcome of the matter, no provision has been made in these financial statements.

## Other Contingencies

- i) Guarantees of Rs. 126,055 thousand (2017: Rs. 126,055 thousand) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and Faisalabad Electric Supply Company Limited against electricity connection.
- ii) Post dated cheques of Rs. 236,755 thousand (2017: Rs. 206,675 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.

## 16.2 Commitments

- i) Letters of credit for capital expenditure are of Rs. 45,188 thousand (2017: Rs. 282,030 thousand).
- ii) Letters of credit other than for capital expenditure are of Rs. 201,923 thousand (2017: Rs. 101,551 thousand).
- iii) Outstanding foreign currency forward contracts are of Rs. 44,095 thousand (2017: Rs. 621,030 thousand).

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>17. OPERATING FIXED ASSETS</b>	(17.1)		
Operating fixed assets:			
-Owned		3,200,955	2,598,982
-Leased		45,228	12,720
		<b>3,246,183</b>	<b>2,611,702</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 17.1 Operating fixed assets

Particulars	Cost			Rate (%)	Depreciation			Net book value as at 30 June 2018
	As at 1st July 2017	Addition	(Disposal)		Transfer from/(to)	As at 30 June 2018	For the year	
<b>Owned:</b>								
Freehold land								
- Cost	59,466	7,934	-	-	-	-	-	67,400
- Revaluation surplus	224,631	-	-	-	-	-	-	224,631
	284,097	7,934	-	-	-	-	-	292,031
Buildings on freehold land	663,062	90,010	-	10	363,945	32,320	-	356,807
Plant and machinery	2,863,532	773,550	(33,435)	10	1,288,135	192,968	(26,976)	2,149,520
Stand-by equipment	234,698	-	-	10	76,284	15,841	-	142,573
Electric installations and appliances	319,832	7,123	-	10	176,744	14,739	-	135,472
Factory equipment	61,267	-	-	10	26,846	3,442	-	30,979
Furniture and fixtures	15,132	-	-	10	6,020	911	-	8,201
Office equipment	29,664	-	-	30	23,743	1,776	-	25,519
Vehicles	152,677	57,630	(20,085)	20	63,262	18,922	(15,722)	81,227
							(2,280)	
<b>Leasehold:</b>								
Vehicles	4,623,961	936,247	(53,520)		2,024,979	280,919	(42,698)	3,200,955
	22,500	2,167	-	20	9,780	6,658	-	45,228
							(10,628)	
	22,500	2,167	-		9,780	6,658	(8,348)	45,228
	4,646,461	938,414	(53,520)		2,034,759	287,577	(42,698)	3,246,183

\* This includes loss on sales and leaseback transaction amounting to Rs. 5,534 thousand.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 17.1 Operating fixed assets (continued)

Particulars	Cost			Rate (%)	Depreciation			Net book value as at 30 June 2017
	As at 1st July 2016	Addition	(Disposal)		Transfer from/(to)	As at 30 June 2017	For the year	
(Rupees in thousand)								
<b>Owned:</b>								
Freehold land								
- Cost	57,838	1,628	-	-	-	-	-	59,466
- Revaluation surplus	178,634	45,997	-	-	-	-	-	224,631
	236,472	47,625	-	-	-	-	-	284,097
Buildings on freehold land	638,617	24,445	-	10	332,091	31,854	-	299,117
Plant and machinery	2,719,603	163,964	(20,035)	10	1,133,866	167,537	(13,268)	1,575,397
Stand-by equipment	160,608	74,090	-	10	60,055	16,229	-	158,414
Electric installations and appliances	294,725	25,107	-	10	162,737	14,007	-	143,088
Factory equipment	61,267	-	-	10	23,022	3,824	-	34,421
Furniture and fixtures	15,099	33	-	10	5,008	1,012	-	9,112
Office equipment	29,251	413	-	30	21,336	2,407	-	23,743
Vehicles	131,225	50,609	(52,157)	20	62,100	17,073	(26,546)	63,262
	4,286,867	386,286	(72,192)		1,800,215	253,943	(39,814)	2,598,982
<b>Leasehold:</b>								
Vehicles	45,500	-	-	20	15,861	4,554	(10,635)	9,780
	45,500	-	-		15,861	4,554	(10,635)	12,720
	4,332,367	386,286	(72,192)		1,816,076	258,497	(39,814)	2,611,702



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>17.2</b> Depreciation charge for the year has been allocated as follows:	(31)		
Cost of sales			
-Owned assets		259,310	233,451
-Leased assets		-	-
		<b>259,310</b>	<b>233,451</b>
Administrative expenses	(33)		
-Owned assets		21,609	20,492
-Leased assets		6,658	4,554
		<b>28,267</b>	<b>25,046</b>
		<b>287,577</b>	<b>258,497</b>

17.3 Detail of operating fixed assets disposed of during the year is as follows:

Description	Qty.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars	
Nos.		------(RUPEES IN THOUSAND)-----							
<b>Plant and machinery</b>									
<b>Third parties:</b>									
Mach Corner Auto Cone Machine 7- II	4	24,900	20,147	4,753	2,395	(2,358)	Negotiation	Awais Traders	
Comber Frame CM-100	7	8,535	6,829	1,706	1,261	(445)	Negotiation	Muhammad Asif Malik	
		33,435	26,976	6,459	3,656	(2,803)			
<b>Vehicles</b>									
<b>Employees:</b>									
Toyota Corolla GLI (SJ-568)	1	1,489	1,156	333	469	136	Company Policy	Nasir Mehmood	
Suzuki Cultus VXRI	1	892	685	207	295	88	Company Policy	Inam Ul Haq	
Toyota Corolla XLI (LEE-4729)	1	1,555	1,050	505	509	4	Company Policy	Khalid Mahmood	
Toyota Corolla GLI (LE-3433)	1	1,690	1,180	510	804	294	Company Policy	Shahid Rafique	
Suzuki Cultus SF410 VXR (FDA- 565)	1	1,000	681	319	333	14	Company Policy	Amjad Ali	
Suzuki Cultus (FDA-1573)	1	877	615	262	410	148	Company Policy	Arshad Jawed	
Honda City (LEB-2033)	1	1,488	969	519	819	300	Company Policy	Muhammad Aslam	
Suzuki Cultus SF410 VXR (FDA-833)	1	980	656	324	321	(3)	Company Policy	Humayun Jamil	
Suzuki Mehran VX (FDA-640)	1	560	415	145	282	137	Company Policy	Muzaffar Hussain	
Honda CD-70 (FDO-5596)	1	68	46	22	28	6	Company Policy	Shamraiz Majeed	
Honda CD-70 (FDO-5593)	1	68	44	24	35	11	Company Policy	Muhammad Asim	
Honda CG-125 (FDQ-2425)	1	103	61	42	42	-	Company Policy	Khalid Mehmood	
<b>Third parties:</b>									
Suzuki Swift DLX (FDA-1557)	1	999	824	175	760	585	Negotiation	Safdar Ali	
Toyota Land Cruiser Wagon VX Turbo (NU-770)	1	8,225	7,293	932	6,200	5,268	Negotiation	Shahbaz Khan	
Honda CG-125 (FDN-1997)	1	91	47	44	53	9	Negotiation	Tahir Rouf	
		20,085	15,722	4,363	11,360	6,997			
<b>Sale and leaseback:</b>									
Land Cruiser (AFZ-733)	1	25,639	-	25,639	22,320	(3,319)	Sale and leaseback	Askari Leasing	
Land Cruiser (ADW-414)	1	18,133	2,065	16,068	15,300	(768)	Sale and leaseback	Askari Leasing	
Mercedes Benz E 200 Sedan	1	12,913	215	12,698	11,250	(1,448)	Sale and leaseback	Askari Leasing	
		56,685	2,280	54,405	48,870	(5,535)			
		110,205	44,978	65,227	63,886	(1,341)			

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

**17.4** Forced sale value of freehold land as per the last revaluation report as of June 30, 2017 is Rs. 230,000 thousand. This amount does not include value of freehold land capitalized between 01 July 2017 to 30 June 2018.

**17.5** Particulars of immovable assets of the Company are as follows:

Location and address	Usage of immovable property	Land area (kanal)	Coverage area (sqr.Ft)
29 KM, Sheikhpura Road, Faisalabad	Head office and plant	439.05	1,033,452
Main Bazar, Montgomery Road, Near Clock Tower, Opposite Habib Bank Limited, Faisalabad	Sales office	0.05	294
Dost Street, Maqbool Road, Faisalabad	Godown	6.24	23,595
		<b>445.34</b>	<b>1,057,341</b>

	2018 (Rupees in thousand)	2017
<b>18 CAPITAL WORK IN PROGRESS</b>		
Buildings on freehold land	109,729	147,499
Plant and machinery	173,416	24,575
	<b>283,145</b>	<b>172,074</b>

	Building		Plant and machinery	
	2018	2017	2018	2017
	----- (Rupees in thousand) -----			
<b>18.1</b> Movement in capital work in progress is as follows:				
Opening balance	147,499	103,912	24,575	110,437
Additions during the year	52,240	68,032	204,897	24,035
Capitalized during the year	(90,010)	(24,445)	(56,056)	(109,897)
	<b>109,729</b>	<b>147,499</b>	<b>173,416</b>	<b>24,575</b>





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>19 LONG TERM INVESTMENT</b>			
<b>Investment in associate</b>			
<b>J.K. Tech (Private) Limited - unquoted</b>	(19.1)		
450 (2017: 750) ordinary shares of Rupees 10 each		5	8
Less: Accumulated impairment		(5)	(8)
		-	-

- 19.1** The Company holds 30% (2017: 50%) shares in J.K. Tech (Private) Limited, a private limited company incorporated in Pakistan and holding its principal place of business in the Province of Punjab. The principal activity of J.K. Tech (Private) Limited is providing services of electricity transmission. This is a strategic investment of the Company for vertical integration. The summarized financial information of J.K. Tech (Private) Limited is as follows:

	Un-audited 2018 (Rupees in thousand)	Audited 2017
Associate's balance sheet:		
Current assets	819	830
Non-current assets	3,812	3,823
Current liabilities	(75)	(150)
Non-current liabilities	(13,887)	(13,888)
Net assets	(9,331)	(9,385)
Reconciliation to carrying amounts:		
Net assets as at 1st July	(9,385)	(7,107)
Profit/(loss) for the year	54	(2,278)
Net assets as at 30 June	(9,331)	(9,385)
Associate's revenue and loss:		
Revenue	2,223	287
Profit / (loss) before taxation for the year	82	(2,275)
Profit / (loss) after taxation for the year	54	(2,278)

- 19.2** Cumulative unrecognised share of losses, both for the period and cumulatively, amount to Rs. 4,676 thousand (2017: Rs. 4,693 thousand).
- 19.3** There are no contingent liabilities or commitments relating to the Company's interest in J.K. Tech (Private) Limited (2017: Rs. Nil).
- 19.4** Investments in associated company has been made in accordance with the requirements under the Companies Act 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>20</b>	<b>LONG TERM DEPOSITS, ADVANCES AND PREPAYMENTS</b>		
Deposits		105	5,730
Prepayments		-	998
Advances against vehicles		41,196	17,467
		<b>41,301</b>	24,195
Less: Current portion	(25)	-	6,481
		<b>41,301</b>	17,714
<b>21</b>	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	(21.1)	66,612	56,668
Spare parts	(21.2)	28,606	16,179
Loose tools		230	325
		<b>95,448</b>	73,172

21.1 These include stores in transit of Rs. Nil (2017: Rs. 3,241 thousand).

21.2 These include spare parts in transit of Rs. Nil (2017: Rs. 597 thousand).

<b>22</b>	<b>STOCK-IN-TRADE</b>		
Raw materials			
- In hand		1,475,677	1,062,318
- In transit		-	63,558
		<b>1,475,677</b>	1,125,876
Work-in-process			
- In hand		303,907	138,365
- With third parties		214,808	259,282
		<b>518,715</b>	397,647
Finished goods			
- In hand		185,151	275,911
- With third parties		245,083	84,923
		<b>430,234</b>	360,834
Waste		36,559	41,642
		<b>2,461,185</b>	1,925,999

22.1 Stock-in-trade of Rs. 24,244 thousand (2017: Rs. 14,579 thousand) is being carried at net realizable value.

22.2 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rs. 15,228 thousand (2017: Rs. 1,150 thousand).



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	(Rupees in thousand)	
<b>23. TRADE DEBTS</b>		
Foreign, considered good:		
- secured	267,847	110,126
- unsecured	106,147	180,543
	373,994	290,669
Local - unsecured, considered good	493,015	397,507
	867,009	688,176

**23.1** The amount of export sales in respect of outstanding trade debts alongwith their foreign jurisdiction is mentioned below:

	2018		2017	
	Debtor balance	Sale	Debtor balance	Sale
	----- (Rupees in thousand) -----			
Against letter of credit:				
- Europe	135,153	1,442,517	42,297	778,659
- America	43,302	311,281	19,891	332,476
- Asia, Africa and Australia	89,392	419,871	47,938	416,274
	267,847	2,173,669	110,126	1,527,409
Cash against documents:				
- Europe	90,743	1,040,361	172,877	1,326,496
- America	13,476	44,197	7,666	14,834
- Asia, Africa and Australia	1,928	11,928	-	-
	106,147	1,096,486	180,543	1,341,330
	373,994	3,270,155	290,669	2,868,739

None of the foreign debtors defaulted during the current year.

**23.2** As at 30 June 2018, trade debts of Rs. 204,624 thousand (2017: Rs. 239,149 thousand) 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:

Upto 1 month	185,129	191,611
1 to 6 months	16,189	42,519
More than 6 months	3,306	5,019
	204,624	239,149

**23.3** As at 30 June 2018, trade debts of Rs.101 thousand (2017: Rs. 25 thousand) were impaired and written off. The aging of these trade debts was more than two years. These trade debts do not include amounts due from related parties.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>24 ADVANCES</b>			
<b>Advance to staff - secured, considered good</b>	(24.1)		
Executives:			
- against expenses		-	784
- against salary		219	467
		219	1,251
Other employees:			
- against expenses	(24.2)	3,521	2,983
- against salary		823	454
		4,344	3,437
		4,563	4,688
<b>Advance to suppliers against goods and services- considered good</b>			
- unsecured		39,306	34,808
- secured		39,756	2,144
		79,062	36,952
		83,625	41,640

**24.1** Advances to staff are provided to meet business expenses are settled as and when the expenses are incurred. Advances to staff are interest free and settled against immediate salary. Any outstanding advance due from an employee at the time of leaving the service of the Company is adjustable against final settlement of staff provident fund.

**24.2** These include advance exceeding Rs.1 million to Mr. Saqib Razzaq at terms stated in note 24.1.

<b>25 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Deposit		3,017	3,017
Prepayments		3,577	2,043
Current portion of long term deposits, advances, and prepayments	(20)	-	6,481
		6,594	11,541

<b>26 OTHER RECEIVABLES</b>			
Considered good:			
Drawback of local taxes and lavies		77,549	76,751
Export rebate		19,955	18,416
Miscellaneous		9,409	8,113
		106,913	103,280



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>27. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Income tax		170,547	111,335
Sales tax and federal excise duty		200,077	236,756
		370,624	348,091
Less: Provision for doubtful tax refunds due from the Government	(27.1)	(30,858)	(30,858)
		339,766	317,233
<b>27.1 Provision for doubtful tax refunds due from the Government</b>			
Balance as at 01 July		30,858	-
Add: Provision for the year	(34)	-	30,858
Balance as at 30 June		30,858	30,858

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 28. SHORT TERM INVESTMENTS

	2018			2017		
	Carrying value	Un-realized (loss) / gain	Market value	Carrying value	Un-realized (loss) / gain	Market value
------(RUPEES IN THOUSAND)-----						
<b>Investments at fair value through profit or loss</b>						
<b>Shares in listed companies:</b>						
Attock Refinery Limited 14 000 (2017: 10 000) fully paid ordinary shares of Rupees 10 each	5,253	(2,239)	3,014	4,483	(657)	3,826
D.G. Khan Cement Company Limited 10 000 (2017: 10 000) fully paid ordinary shares of Rupees 10 each	2,132	(987)	1,145	2,372	(240)	2,132
National Refinery Limited 1 000 (2017: 1 000) fully paid ordinary shares of Rupees 10 each	726	(283)	443	893	(167)	726
Pakistan State Oil Company Limited 18 000 (2017: 15 000) fully paid ordinary shares of Rupees 10 each	5,860	(131)	5,729	7,188	(1,378)	5,810
Akzo Nobel Pakistan Limited 12 000 (2017: 6 000) fully paid ordinary shares of Rupees 10 each	2,755	(514)	2,241	1,534	(94)	1,440
Habib Bank Limited 13 200 (2017: 10 000) fully paid ordinary shares of Rupees 10 each	3,502	(1,305)	2,197	2,811	(120)	2,691
Gandhara Industries Limited 6 000 (2017: 5 000) fully paid ordinary shares of Rupees 10 each	4,064	176	4,240	4,384	(1,134)	3,250
Engro Corporation Limited 5 000 (2017: 5 000) fully paid ordinary shares of Rupees 10 each	1,630	(61)	1,569	1,901	(271)	1,630
The Searle Company Limited 6 000 (2017: 5 000) fully paid ordinary shares of Rupees 10 each	2,575	(538)	2,037	3,142	(582)	2,560
United Bank Limited 5 000 (2017: 5 000) fully paid ordinary shares of Rupees 10 each	1,178	(333)	845	1,198	(20)	1,178
International Steels Limited 5 000 (2017: 5 000) fully paid ordinary shares of Rupees 10 each	639	(130)	509	779	(140)	639
Lucky Cement Limited 12 950 (2017: 8 000) fully paid ordinary shares of Rupees 10 each	10,155	(3,577)	6,578	7,250	(560)	6,690
Dost Steels Limited 75 000 (2017: 50 000) fully paid ordinary shares of Rupees 10 each	875	(281)	594	698	(147)	551
	41,344	(10,203)	31,141	38,633	(5,510)	33,123
<b>Certificates in closed end mutual fund</b>						
NBP NAFA Stock Fund 9,273 (2017: 9,267) units held (Note 29.1)	150	(14)	136	132	18	150
	41,494	(10,217)	31,277	38,765	(5,492)	33,273

28.1 Dividend income of Rs. 0.0892 thousand (2017: Rs. 18 thousand) has been included in this amount.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>29. CASH AND BANK BALANCES</b>			
Cash in hand		1,224	5,771
Balance with banks:			
- Current accounts	(29.1)	26,786	83,273
- Saving accounts	(29.2)	25	-
		26,811	83,273
		28,035	89,044

29.1 Includes USD 26,036 (2017: USD 23,007).

29.2 Rate of profit on bank deposits was 3.00% to 4.50% (2017: 3.00% to 4.00%) per annum.

<b>30. SALES - net</b>			
Export sales		3,967,264	3,583,275
Local sales	(30.1)	5,855,803	5,375,951
Export rebate and duty drawback		78,790	90,481
		9,901,857	9,049,707

## 30.1 Local sales

Sales		5,659,197	5,265,317
Waste		199,939	112,684
		5,859,136	5,378,001
Less: Sales tax		(3,333)	(2,050)
		5,855,803	5,375,951

## 31. COST OF SALES

Raw materials consumed	(31.1)	6,185,444	5,755,896
Stores, spare parts and loose tools consumed		147,679	126,959
Packing materials consumed		131,284	130,547
Processing and conversion charges		809,085	639,358
Fuel and power		900,434	782,996
Salaries, wages and other benefits	(31.2)	561,106	506,189
Repair and maintenance		23,959	29,438
Insurance		10,959	10,568
Other factory overheads		11,317	8,532
Depreciation	(17.2)	259,310	233,451
		9,040,577	8,223,934

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
Work-in-process			
Opening stock		397,647	308,806
Closing stock		(518,715)	(397,647)
		(121,068)	(88,841)
Cost of goods manufactured		8,919,509	8,135,093
Finished goods			
Opening stock		402,476	544,914
Closing stock		(466,793)	(402,476)
		(64,317)	142,438
		8,855,192	8,277,531
Cost of sales - purchased for resale		-	14,629
		8,855,192	8,292,160

## 31.1 Raw materials consumed

Opening stock		1,125,876	902,388
Add: Purchased during the year		6,535,245	5,979,384
		7,661,121	6,881,772
Closing stock		(1,475,677)	(1,125,876)
		6,185,444	5,755,896

31.2 Salaries, wages and other benefits include provident fund contribution of Rs. 14,242 thousand (2017: Rs. 13,735 thousand) by the Company.

## 32. DISTRIBUTION COST

Salaries and other benefits	(32.1)	13,205	11,529
Ocean freight		100,875	92,736
Commission and brokerage		98,654	92,910
Travelling and conveyance		12,173	25,852
Local freight		22,084	23,814
Shipping expenses		13,609	9,303
Export development surcharge		9,393	8,219
Fee and subscription		291	418
Advertisement		3,906	1,529
Business promotion		1,068	2,080
Insurance		1,044	597
Miscellaneous		25	535
		276,327	269,522

32.1 Salaries and other benefits include provident fund contribution of Rs. 921 thousand (2017: Rs. 801 thousand) by the Company.





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>33. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	(33.1)	130,166	122,872
Legal and professional		719	1,133
Insurance		3,428	2,806
Travelling and conveyance		55,835	26,360
Vehicles' running		11,489	14,144
Entertainment		4,306	3,678
Auditors' remuneration	(33.2)	1,600	1,325
Advertisement		516	138
Communication		6,685	6,236
Utilities		175	172
Printing and stationery		1,817	1,583
Repair and maintenance		1,905	1,528
Fee and subscription		10,274	7,380
Depreciation	(17.2)	28,267	25,046
Other charges		16,474	16,330
		<b>273,656</b>	<b>230,731</b>

**33.1** Salaries and other benefits include provident fund contribution of Rs. 4,951 thousand (2017: Rs. 4,817 thousands) by the Company.

**33.2 Auditors' remuneration:**

Audit fee		1,525	1,250
Other certifications including half yearly review		75	75
		<b>1,600</b>	<b>1,325</b>

**34. OTHER OPERATING EXPENSES**

Donations	(34.1)	1,896	6,039
Loss on sale of property, plant and equipment		-	3,184
Loss on sale and leaseback transaction		5,534	-
Unrealized loss on re-measurement of investment at fair value through profit or loss	(28)	10,217	5,492
Trade debts written off	(23.3)	101	25
Loans and advances written off		-	984
Provision for doubtful tax refunds due from Government	(27.1)	-	30,858
Workers' profit participation fund	(12.2)	22,630	3,277
Workers' welfare fund	(12.3)	-	631
		<b>40,378</b>	<b>50,490</b>

**34.1** There is no interest of any director or his / her spouse in donees' fund.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>35. OTHER INCOME</b>			
Income from financial assets	(35.1)	119,876	62,151
Income from non-financial assets	(35.2)	56,149	17,194
		<b>176,025</b>	<b>79,345</b>
<b>35.1 Income from financial assets</b>			
Net exchange gain		114,743	59,128
Dividend income on investments at fair value through profit or loss		1,220	247
Gain on forward rate agreement		3,343	-
Gain on sale of investments at fair value through profit or loss		570	2,776
		<b>119,876</b>	<b>62,151</b>
<b>35.2 Income from non-financial assets</b>			
Gain on sale of property, plant and equipment		4,194	-
Amortization of deferred income on sale and leaseback	(35.3)	35	757
Credit balances written back		50,000	14,517
Rental income		1,920	1,920
		<b>56,149</b>	<b>17,194</b>
<b>35.3</b>			
The Company entered into sale and leaseback arrangement of operating fixed assets. Excess of sales proceeds over carrying amount of operating fixed assets is deferred and being amortized over the lease term.			
<b>36. FINANCE COSTS</b>			
<b>Mark up on:</b>			
- Long term financing		36,467	20,986
- Liabilities against assets subject to finance lease		1,358	502
- Short term borrowings		142,311	90,741
		<b>180,136</b>	<b>112,229</b>
Interest on workers' profit participation fund	(12.2)	134	342
Bank charges and commission		22,224	21,807
		<b>202,494</b>	<b>134,378</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 (RUPEES IN THOUSAND)	2017
<b>37. TAXATION</b>		
<b>Income tax:</b>		
Current	45,282	78,888
Prior year adjustment	(515)	4,364
	44,767	83,252
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	60,320	(8,233)
Relating to change in tax rate	(13,180)	(6,017)
	47,140	(14,250)
	91,907	69,002

**37.1** The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime. The total amount of current tax has been set off against the tax credit amounting to Rs. 63,811 thousand (2017: Rs. 10,569 thousand) under section 65(B) of Income Tax Ordinance, 2001 on balancing, modernization and replacement of plant and machinery.

**37.2** As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	2016	2015
	(RUPEES IN THOUSAND)		
Provision as per financial statement	78,888	33,564	77,558
Tax assessment	78,373	37,927	77,545

**37.3** Under Section 5A of the Income Tax Ordinance, 2001 (the Ordinance), a tax shall be imposed on accounting profit before tax of the Company if it does not distribute, upto a minimum required limit as per the Ordinance, its after tax profit for the year within six months of the end of the year ended 30 June 2018 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on October 01, 2018 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

	2018 (RUPEES IN THOUSAND)	2017
<b>38. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit attributable to ordinary shareholders	337,928	82,769
Weighted average number of ordinary shares (Numbers)	73 083 930	70 275 752
Earnings per share (Rupees)	4.62	1.18

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
<b>39. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		429,835	151,771
Adjustment for:			
Depreciation		287,577	258,497
Amortization of deferred income on sale and leaseback		(35)	(757)
Trade debts written off		101	25
Loans and advances written off		-	984
Credit balances written back		(50,000)	(14,517)
Finance cost		202,494	134,378
Provision for workers' profit participation fund		22,630	3,277
Provision for workers' welfare fund		-	631
Provision for doubtful tax refunds due from Government		-	30,858
(Gain) / loss on sale of property, plant and equipment		(4,194)	3,184
Loss on sale and leaseback transaction		5,534	-
Gain on forward rate agreement		(3,343)	-
Gain on sale of investments at fair value through profit or loss		(570)	(2,776)
Unrealized loss on re-measurement of investments at fair value through profit or loss		10,203	5,492
Working capital changes	(39.1)	(609,400)	(355,904)
		<b>290,832</b>	<b>215,143</b>
<b>39.1 Working capital changes</b>			
Decrease / (increase) in current assets:			
Stores, spare parts and loose tools		(22,276)	(7,529)
Stock-in-trade		(535,186)	(169,891)
Trade debts		(178,934)	(174,402)
Loans and advances		(41,985)	7,573
Short term deposits and prepayments		4,947	2,339
Other receivables		(3,633)	(61,596)
Tax refunds due from the Government		36,679	16,818
		<b>(740,388)</b>	<b>(386,688)</b>
<b>Increase / (decrease) in current liabilities:</b>			
Trade and other payables		130,988	30,784
		<b>(609,400)</b>	<b>(355,904)</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 40. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	----- (RUPEES IN THOUSAND) -----					
<b>Managerial remuneration</b>						
<b>Allowances</b>	<b>8,400</b>	8,400	<b>18,000</b>	18,000	<b>40,295</b>	27,241
- utilities	1,557	1,644	3,824	3,233	-	-
- others	2,885	2,478	6,406	4,980	-	-
Contribution to provident fund	467	467	1,000	1,000	2,200	1,514
	<b>13,309</b>	12,989	<b>29,230</b>	27,213	<b>42,495</b>	28,755
Number of persons	<b>1</b>	1	<b>2</b>	2	<b>21</b>	11

40.1 Chief Executive Officer, Directors and certain Executives of the Company are provided with Company maintained vehicles.

40.2 No remuneration was paid to non-executive directors of the Company.

40.3 As per revised requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

## 41. PROVIDENT FUND RELATED DISCLOSURES

Following information is based on the Employees' Provident Fund Trust's un-audited financial statements for the year ended 30 June 2018 and audited financial statements for the year ended 30 June 2017:

	Un-Audited 2018	Audited 2017
	(RUPEES IN THOUSAND)	
Size of the fund - Total assets	239,864	224,228
Cost of investments out of provident fund	232,691	217,779
Percentage of investments out of provident fund	97.01%	97.12%
Fair value of investments out of provident fund (Note 41.1)	232,436	217,854

41.1 The break-up of fair value of investments is as follows:

	2018 PERCENTAGE	2017		
Bank balances	50%	53%	115,564	114,437
Investment in listed debt collective investment schemes	49%	46%	114,634	100,847
Investment in listed equity securities	1%	1%	2,238	2,570
	<b>100%</b>	100%	<b>232,436</b>	217,854

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

- 41.2 The above investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	2018 (NUMBER OF PERSONS)	2017
<b>42. NUMBER OF EMPLOYEES</b>		
Total number of employees as at reporting date	2,328	2,262
Average number of employees during the year	2,335	2,279
Total number of factory employees as at reporting date	2,184	2,121
Average number of factory employees during the year	2,194	2,137

## 43. 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 with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

		2018 (RUPEES IN THOUSAND)	2017
<b>Relationship with the Company</b>	<b>Nature of transaction</b>		
<b>Associated company</b>			
J.K. Tech (Private) Limited	Service charges paid	2,223	287
	Rental income recovered	1,920	1,920
<b>Other related parties</b>			
Employees' Provident Fund Trust	Company's contribution to Employees' Provident Fund Trust	20,114	19,354
Directors	Loan repaid to directors - net	8,094	196,455
	Dividend paid	35,725	29,907

- 43.1 Transactions with key management personnel under the terms of employment are excluded from related party transactions.

- 43.2 Balances with related parties are mentioned in respective notes to the financial statements.

### 43.3 Details Of Related Parties Of The Company:

Name of related party	Basis of relationship	Equity interest
J.K. Tech (Private) Limited	Associate	30%
J.K. Agriculture Farms (Private) Limited)	Common Directorship	-
J.K. Power (Private) Limited	Common Directorship	-
Fine Fabrics (Private) Limited	Common Directorship	-
Mughanum (Private) Limited	Common Directorship	-



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

		2018	2017
		(FIGURES IN THOUSAND)	
<b>44.</b>	<b>PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
	<b>Spinning</b>		
	100 % plant capacity converted to 20s count based on 3 shifts per day for 1,093 shifts (2017: 1,095 shifts)	(Kgs.) <b>38,707</b>	31 286
	Actual production converted to 20s count based on 3 shifts per day for 1,093 shifts (2017: 1,093 shifts)	(Kgs.) <b>31,848</b>	29,693
	<b>Weaving</b>		
	100% plant capacity at 50 picks based on 3 shifts per day for 1,062 shifts (2017: 681 shifts)	(Sq. Mtr.) <b>7,234</b>	3,394
	Actual production converted to 50 picks based on 3 shifts per day for 669 shifts (2017: 669 shifts)	(Sq. Mtr.) <b>4,319</b>	3,008

#### Fabric and Home Textile

The plant capacity of these divisions is indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

#### 44.1 REASON FOR LOW PRODUCTION

##### Spinning

Under utilization of available capacity is primarily due to shifting/erecting of machinery during the year. Production from this newly erected/shifted machinery started in last quarter.

##### Weaving

Under utilization of available capacity is due to installation of looms during the year, 6 looms started production at the end of June 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 45. SEGMENT INFORMATION

	Spinning	Fabric Division	Total Segments	Adjustments and Eliminations	Total Company
	----- (Rupees in thousand) -----				
<b>Year ended 30 June 2018</b>					
<b>Revenue</b>					
External	6,420,761	3,481,096	9,901,857	-	9,901,857
Intersegment	286,281	-	286,281	(286,281)	-
	6,707,042	3,481,096	10,188,138	(286,281)	9,901,857
Cost of sales	(6,048,155)	(3,093,318)	(9,141,473)	286,281	(8,855,192)
Gross profit	658,887	387,778	1,046,665	-	1,046,665
Distribution cost	(111,049)	(165,278)	(276,327)	-	(276,327)
Administrative expenses	(193,659)	(79,997)	(273,656)	-	(273,656)
	(304,708)	(245,275)	(549,983)	-	(549,983)
<b>Segment profit</b>	<b>354,179</b>	<b>142,503</b>	<b>496,682</b>	<b>-</b>	<b>496,682</b>
<b>Total assets</b>	<b>6,127,234</b>	<b>1,126,825</b>	<b>7,254,058</b>	<b>-</b>	<b>7,254,058</b>
<b>Total liabilities</b>	<b>2,831,780</b>	<b>946,192</b>	<b>3,777,972</b>	<b>-</b>	<b>3,777,972</b>
<b>Year ended 30 June 2017</b>					
<b>Revenue</b>					
External	5,886,107	3,163,600	9,049,707	-	9,049,707
Intersegment	210,765	-	210,765	(210,765)	-
	6,096,872	3,163,600	9,260,472	(210,765)	9,049,707
Cost of sales	(5,606,141)	(2,896,784)	(8,502,925)	210,765	(8,292,160)
Gross profit	490,731	266,816	757,547	-	757,547
Distribution cost	(110,099)	(159,423)	(269,522)	-	(269,522)
Administrative expenses	(140,780)	(89,951)	(230,731)	-	(230,731)
	(250,879)	(249,374)	(500,253)	-	(500,253)
<b>Segment profit</b>	<b>239,852</b>	<b>17,442</b>	<b>257,294</b>	<b>-</b>	<b>257,294</b>
<b>Total assets</b>	<b>4,535,262</b>	<b>1,232,353</b>	<b>5,767,615</b>	<b>-</b>	<b>5,767,615</b>
<b>Total liabilities</b>	<b>1,837,027</b>	<b>799,217</b>	<b>2,636,244</b>	<b>-</b>	<b>2,636,244</b>

### 45.1 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.





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 (RUPEES IN THOUSAND)	2017
<b>45.2 Reconciliation of profit</b>		
Segment profit	496,682	257,294
Other expenses	(40,378)	(50,490)
Other income	176,025	79,345
Finance cost	(202,494)	(134,378)
Taxation	(91,907)	(69,002)
Profit after taxation	<b>337,928</b>	82,769
<b>45.3 Reconciliation of assets</b>		
Segment operating assets	7,254,058	5,767,615
Tax refunds due from the Government	339,766	317,233
Total assets as per balance sheet	<b>7,593,824</b>	6,084,848
<b>45.4 Reconciliation of liabilities</b>		
Segment operating liabilities	3,777,972	2,636,244
Deferred income tax liability	178,714	131,574
Workers' profit participation fund	22,630	3,277
Workers' welfare fund	-	631
	<b>3,979,316</b>	2,771,726

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

## 45.5 Geographical Information

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

Europe	2,979,087	3,029,217
America	529,569	109,569
Asia, Africa and Australia	537,398	534,970
Pakistan	5,855,803	5,375,951
	<b>9,901,857</b>	9,049,707

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

## 45.7 Revenue from major customers

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 46. FINANCIAL RISK MANAGEMENT

Financial instruments comprises of long term financing, trade and other payables, accrued mark-up, short term borrowings, long term deposits, trade debts, trade deposits, derivative financial asset, other receivables, short term investment and cash and bank balances,

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

- Market 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.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyze 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.

### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### (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.

Following is the gross exposure classified into separate foreign currencies:

	USD	Euro	GBP
	As at 30 June 2018		
Trade debts	6,204,356	377,761	170,126
Cash at bank	26,036	-	-
Trade and other payables	(186,338)	-	-
Net exposure	6,044,054	377,761	170,126



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	As at 30 June 2017		
Trade debts	2,148,724	83,763	472,559
Cash at banks	23,007	-	-
Trade and other payables	(166,607)	(3,269)	(2,629)
Short term borrowings	(899,327)	-	-
Net exposure	1,105,797	80,494	469,930

	Spot rate	
	As at 30 June 2018	As at 30 June 2017

Significant exchange rates applied during the year were as follows:

#### Rupees per

USD	121.40	104.80
Euro	141.33	119.91
GBP	159.14	136.42

#### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and GBP with all other variables held constant, as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments, the impact on profit after taxation for the year would have been as following:

	Increase / decrease in exchange rates	Effect on profit before tax (USD)	Effect on profit before tax (EURO)	Effect on profit before tax (GBP)
<b>2018</b>				
Pak Rupee	+5%	36,687,408	2,669,448	1,353,693
Pak Rupee	-5%	(36,687,408)	(2,669,448)	(1,353,693)
<b>2017</b>				
Pak Rupee	+5%	5,794,376	482,602	3,205,393
Pak Rupee	-5%	(5,794,376)	(482,602)	(3,205,393)

Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## (ii) Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is exposed to equity price risk as the Company holds investments classified as fair value through profit or loss. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

### Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange Limited (PSX) Index on the Company's profit after taxation and comprehensive income for the year. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

	2018	2017
Reporting date all index points	41,911	46,565
	Changes in PSX all Index (Rupees in thousand)	Effects on Profit Before Tax
Investments at fair value through profit or loss		
	+10%	3,114
2018	-10%	(3,114)
	+10%	3,312
2017	-10%	(3,312)

## (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 long-term interest bearing assets. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings and bank deposits. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings 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:



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 (RUPEES IN THOUSAND)	2017
<b>Fixed rate instruments:</b>		
<b>Financial liabilities:</b>		
Long term financing	1,073,058	416,363
Short term borrowings	805,000	825,000
	<b>1,878,058</b>	<b>1,241,363</b>
<b>Floating rate instruments:</b>		
<b>Financial assets</b>		
Bank balances - saving accounts	25	-
<b>Financial liabilities</b>		
Long term financing	30,555	44,444
Liabilities against assets subject to finance lease	32,374	7,156
Short term borrowings	1,292,994	874,275
	<b>1,355,923</b>	<b>925,875</b>

## 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.

## 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 changed as following:

	Changes Interest Rate	Effects on Profit Before Tax
	(RUPEES IN THOUSAND)	
Bank balances - saving accounts		
2018	+1%	0.25
	-1%	(0.25)
2017	+1%	-
	-1%	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

		Changes Interest Rate	Effects on Profit Before Tax
(RUPEES IN THOUSAND)			
Long term financing			
	2018	+1% -1%	306 (306)
	2017	+1% -1%	444 (444)
Liabilities against assets subject to finance lease			
	2018	+1% -1%	324 (324)
	2017	+1% -1%	72 (72)
Short term borrowings			
	2018	+1% -1%	12,929.94 (12,929.94)
	2017	+1% -1%	8,743 (8,743)

This analysis is prepared assuming that the amounts of financial instruments outstanding at balance sheet date were outstanding for the whole year.

## (b) Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limits to its customers.

The management monitors and limits the Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy.

The Company is exposed to credit risk on trade debts, deposits, other receivables, short term investments and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 (RUPEES IN THOUSAND)	2017
Loans and advances	1,042	921
Deposits	3,122	8,747
Trade debts - unsecured	867,009	688,176
Other receivables	9,409	8,113
Derrivative financial asset	3,343	-
Short term investments	31,277	33,273
Bank balances	26,811	83,273
	<b>942,013</b>	<b>822,503</b>

Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored.

The maximum credit risk exposure at reporting date is carrying value of financial assets stated above. 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.

Banks:	Rating			2018	2017
	Short term	Long term	Agency	(RUPEES IN THOUSAND)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	-	629
Allied Bank Limited	A1+	AAA	PACRA	4	-
Askari Bank Limited	A1+	AA+	PACRA	947	754
Habib Bank Limited	A-1+	AAA	JCR-VIS	2,456	16,682
Meezan Bank Limited	A-1+	AA+	JCR-VIS	1,700	28,755
MCB Bank Limited	A1+	AAA	PACRA	14	13
Silkbank Limited	A-2	A-	JCR-VIS	-	9
Standard Chartered Bank	A1+	AAA	PACRA	16,177	30,958
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	1	-
The Bank of Punjab	A1+	AA	PACRA	615	3,453
Summit Bank Limited	A-1	A-	JCR-VIS	40	1,924
The Bank of Khyber	A1	A	PACRA	1,655	85
Bank Alfalah Limited	A1+	AA+	PACRA	-	1
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,202	10
				<b>26,811</b>	<b>83,273</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 23.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly 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. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
----- (Rupees in thousand) -----					
<b>30 June 2018</b>					
Long term financing	1,103,614	1,103,614	231,974	871,640	-
Trade and other payables	445,313	445,313	445,313	-	-
Short term bank borrowings	2,097,994	2,110,069	2,110,069	-	-
Accrued mark-up on loans	37,898	37,898	37,898	-	-
	<b>3,684,819</b>	<b>3,696,894</b>	<b>2,825,254</b>	<b>871,640</b>	<b>-</b>
Commitments	-	-	-	-	-
<b>30 June 2017</b>					
Long term financing	460,807	495,024	195,848	299,176	-
Trade and other payables	369,412	369,412	369,412	-	-
Short term bank borrowings	1,730,524	1,747,979	1,438,980	308,999	-
Accrued mark-up on loans	17,061	17,061	17,061	-	-
	<b>2,577,804</b>	<b>2,629,476</b>	<b>2,021,301</b>	<b>608,175</b>	<b>-</b>
Commitments	-	-	-	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark up have been disclosed in respective notes to the financial statements. Management believes the liquidity risk to be low.





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 (RUPEES IN THOUSAND)	2017
<b>46.1 Financial instruments by categories</b>		
<b>Assets as per balance sheet:</b>		
Loans and advances	1,042	921
Deposits	3,122	8,747
Trade debts	867,009	688,176
Other receivables	9,409	8,113
Cash and bank balances	26,811	89,044
	<b>907,393</b>	<b>795,001</b>
<b>At fair value through profit or loss</b>		
Investments	31,277	33,273
	<b>938,670</b>	<b>828,274</b>
<b>Liabilities as per balance sheet (at amortized cost)</b>		
Long term financing	1,103,614	460,807
Trade and other payables	445,313	17,061
Short term borrowings	2,097,994	1,730,524
Accrued mark-up on loans	37,898	391,703
	<b>3,684,819</b>	<b>2,600,095</b>

## 46.2 Offsetting financial assets and financial liabilities

As on balance sheet date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

## 46.3 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 to be 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, liabilities against assets subject to finance lease and short term borrowings obtained by the Company. Total capital employed includes 'total equity' plus 'borrowings'. The Company's overall strategy remained unchanged from year 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018 (RUPEES IN THOUSAND)	2017
Long term financing	(9)	1,103,613	460,807
Short term borrowing		2,097,994	1,730,524
Total debt		3,201,607	2,191,331
Cash and bank balances	(29)	(28,035)	(89,044)
Net debt		3,173,572	2,102,287
Share capital	(7)	730,839	730,839
Reserves	(8)	2,659,038	2,357,652
Revaluation surplus on freehold land	(8)	224,631	224,631
Total Equity		3,614,508	3,313,122
Total capital employed		6,788,080	5,415,409
<b>Gearing ratio</b>		<b>47%</b>	<b>39%</b>

## 47 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

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:

Level 1	Level 2	Level 3	Total
---------	---------	---------	-------

----- (Rupees in thousand) -----

### Recurring fair value measurement 30 June 2018

#### Financial assets

At fair value through profit or loss	34,620	-	-	34,620
--------------------------------------	--------	---	---	--------

#### Financial liabilities

### Recurring fair value measurement At 30 June 2017

#### Financial assets

At fair value through profit or loss	33,273	-	-	33,273
--------------------------------------	--------	---	---	--------

#### Financial liabilities

	-	-	-	-
--	---	---	---	---



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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.

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

Level 2: other techniques for which all inputs 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.

## Valuation techniques used to determine fair values

Specific valuation technique used to value financial instruments was the use of quoted market prices.

## 48 FAIR VALUES OF NON-FINANCIAL ASSETS

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) -----			
<b>At 30 June 2018</b>				
Freehold land	-	292,031	-	292,031
<b>Total non-financial assets</b>	<b>-</b>	<b>292,031</b>	<b>-</b>	<b>292,031</b>
<b>At 30 June 2017</b>				
Freehold land	-	284,097	-	284,097
<b>Total non-financial assets</b>	<b>-</b>	<b>284,097</b>	<b>-</b>	<b>284,097</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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.

## 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).

## 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.

## 49 NON ADJUSTING EVENT AFTER REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2018 of Rs. 1 per share (2017: Rs. 0.50 per share) at their meeting held on October 01, 2018. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

## 50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 01, 2018 by the Board of Directors of the Company.

## 51 CORRESPONDING FIGURES

51.1 The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

Description	Reclassified from	Reclassified to	Note	2017 (Rupees in thousand)
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)		402



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

51.2 Corresponding figures have been re-arranged or reclassified wherever necessary, for better and fair presentation. However, no significant reclassification / rearrangement has been made except as follows:

Description	Reclassified from	Reclassified to	Note	2017 (Rupees in thousand)
Advances against vehicles	Capital work in progress	Long term advances	20	17,467
Long term deposits	Trade and other payables	Long term deposits (presented on face of statement of financial position)		21,889
Provision for taxation	Provision for taxation (presented on face of statement of financial position)	Tax refunds due from Government		78,888

These reclassifications did not have any effect on profit and loss account.

## 52. 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

## Detail of Categories

Share Holders As On June 30, 2018	No. of Share Holders	Shares Held
<b>Financial Institutions</b>		
National Bank of Pakistan	1	191
Industrial Development Bank of Pakistan (IDBP)	1	3,170
	2	3,361
<b>Leasing Company</b>		
Pakistan Industrial & Commercial Leasing Ltd	1	3,885
	1	3,885
<b>Modaraba Companies</b>		
First Prudential Modarba	1	3,255
Prudential Capital Management Ltd	1	2,625
	2	5,880
<b>Investment Companies</b>		
Trustee-National Bank of Pakistan-Employees benevolent Fund	1	1,093
Trustee-National Bank of Pakistan-Employees Pension Fund	1	31,157
	2	32,250
<b>Insurance Companies</b>		
Pakistan Guarantee Insurance Company Ltd	1	525
Gulf Insurance Company Ltd	1	4,935
	2	5,460
<b>Director's CEO's &amp; Their Spouses</b>		
Mr. Jawed Anwar (Chairman/Director)	1	28,878,748
Mr. Faiq Jawed (Chief Executive Officer/Director)	1	18,077,582
Mr. Shaiq Jawed (Director)	1	11,371,627
Mrs. Farhat Jehan (Director)	1	11,303,256
Mrs. Sadaf Aamir Arshad (Director)	1	1,164,600
Mr. Rehan Ashfaq (Director)	1	600
Mr. Mamoor Ejaz (Director)	1	500
	7	70,796,913
<b>Joint Stock Companies</b>		
Rang Commodities (Pvt.) Ltd	1	7,500
Maple Leaf Capital Ltd	1	1
Sultan Textile Mills Karachi Ltd	1	6
	3	7,507
<b>Individuals</b>	233	2,228,674
<b>Grand Total</b>	<b>252</b>	<b>73,083,930</b>

### Shareholders Holding 10% Or More Voting Interest in The Company As On June 30, 2018

Director's CEO's	Shares Held	% Age
Mr. Jawed Anwar (Chairman/Director)	28,878,748	39.51
Mr. Faiq Jawed (Chief Executive Officer)	18,077,582	24.74
Mr. Shaiq Jawed (Director)	11,371,627	15.56
Mrs. Farhat Jehan (Director)	11,303,256	15.47



## Pattern of Shareholding

As on June 30, 2018

No. of Share Holders	Share Holding		Total Shares Held
	From	To	
54	1	100	1,000
47	101	500	13,585
40	501	1000	27,370
70	1,001	5,000	160,975
15	5,001	10,000	97,433
3	13,001	15,000	41,601
3	15,001	16,000	46,622
6	20,001	37,000	171,157
3	40,001	47,000	127,834
1	56,001	63,000	57,000
1	138,001	139,000	138,500
1	139,001	140,000	140,000
1	146,001	147,000	147,000
1	355,001	360,000	360,000
1	758,001	759,000	758,040
1	1,164,001	1,165,000	1,164,600
1	11,303,001	11,305,000	11,303,256
1	11,371,001	11,372,000	11,371,627
1	18,077,001	18,078,000	18,077,582
1	28,870,001	28,880,000	28,878,748
<b>252</b>			<b>73,083,930</b>

## Pattern of Shareholding

S.No.	Categories of Share Holders	No. of Share Holders	Shares Held	Percentage
1	Financial Institutions	2	3,361	0.00
2	Leasing Company	1	3,885	0.01
3	Investment Companies	2	32,250	0.04
4	Insurance Companies	2	5,460	0.01
5	Joint Stock Companies	3	7,507	0.01
6	Modarba Companies	2	5,880	0.01
7	Directores, CEOs & Their Spouses	7	70,796,913	96.87
8	Individuals	233	2,228,674	3.05
	<b>Total</b>	<b>252</b>	<b>73,083,930</b>	<b>100.00</b>

# Form of Proxy

## J.K Spinning Mills Limited

32nd Annual General Meeting

I / We \_\_\_\_\_  
of \_\_\_\_\_  
being member(s) of J.K Spinning Limited holding \_\_\_\_\_  
ordinary shares hereby appoint Mr. / Mrs. / Miss \_\_\_\_\_  
of \_\_\_\_\_ or failing him / her  
\_\_\_\_\_ who is/are  
also member of the JKSM as my / our proxy in my / our  
absence to attend and vote for me/us and on my/our behalf, at the 32nd Annual General Meeting of the  
Company to be held on Friday, October 26, 2018 at 10:00 a.m. at 29 K.M Sheikhpura Road  
Khurrianwala, Faisalabad any adjournment thereof.

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on  
Five Rupees  
Revenue Stamp

The Signature should agree  
with the specimen registered  
with the Company

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Signature of Shareholder \_\_\_\_\_

Signature of Proxy \_\_\_\_\_

**1. WITNESS:**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC No. or     -       -   
Passport No. \_\_\_\_\_

**2. WITNESS:**

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
CNIC No. or     -       -   
Passport No. \_\_\_\_\_

**Important:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office, 29 K.M Sheikhpura Road Khurrianwala, Faisalabad not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities:  
In addition to the above the following requirements have to be met:
  - i. Attested copies of CNIC or the passport of the shareholders and the proxy shall be provided with the proxy form.
  - ii. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
  - iii. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.





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## **J.K. SPINNING MILLS LIMITED**

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