WHAT'S NEXT.

2019 Annual Report

J.K. SPINNING MILLS LIMITED

بسم الله الرحمن الرحيم

Contents

Company Information

Chairman	Mr. Jawed Anwar
Chief Executive	Mr. Faiq Jawed
Directors	Mr. Shaiq Jawed
	Mr. Rehan Ashfaq
	Mrs. Farhat Jehan
	Mrs. Sadaf Aamir Arshad
	Mr.Mammor Ijaz
Audit Committee	
Chairman	Mr.Rehan Ashfaq
Members	Mrs.Farhat Jehan
	Mrs.Sadaf Aamir Arshad
HR Committee	
Chairman	Mr.Mammor Ijaz
Members	Mr.Shaiq Jawed
	Mrs.Sadaf Aamir Arshad
Company Secretary	Syed Hussain Shahid Mansoor Naqvi
Chief Financial Officer	Mr. Ghulam Muhammad
Head of Internal Audit	Mr. Amjad Ali
Auditors	M/s EY Ford Rhodes, Chartered Accountants
Legal Advisor	Mahfooz Ahmad khan Advocates
Registrar's and Share Registration office	CORPTEC Associates (Pvt.) Ltd., 503-E, Johar Town, Lahore
Bankers	Standard Chartered Bank (Pakistan) Limited The Bank of Punjab National Bank of Pakistan Askari Bank Limited MCB Bank Limited The Bank of Khyber Summit Bank Habib Bank Limited Meezan Bank Limited
Registered office	34-Falcon Enclave, Tufail Road, Lahore Cantt. Lahore.
Head Office & Mills	29-KM, Sheikhupura 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 33rd Annual Report of the Company for the year ended June 30, 2019.

Overview of Economy and Industry

Pakistan is facing significant economic, governance and security challenges. The macroeconomic stability is a fundamental pre-requisite for sustained economic growth. Pakistan's economy has experienced frequent boom and bust cycles. Typically, each cycle comprised of 3-4 years of relatively higher growth followed by a macroeconomic crisis which necessitates the stabilization programs. The inability to achieve sustained and rapid economic growth is due to structural issues which require effective monetary and fiscal measures to achieve macroeconomic stability. The outgoing five-year plan has seen an average growth of 4.7 percent against the target of 5.4 percent. This growth can be characterized as a consumption led growth. The unplanned borrowing from different sources increased both private and public consumption resulting in higher debt repayment liabilities, which created severe macroeconomic imbalances. The investment did not pick up as higher demand was met primarily through imports leading to enormous rise in external imbalances. Due to low growth in revenues and the unplanned and unproductive expenditures, the fiscal deficit widened. The persistence of large fiscal and current account deficits and associated build up of public and external debt became the major source of macroeconomic imbalance. IMF approves bailout package of US$ 6 billion to avail Extended Fund Facility for achieving macroeconomic stability. The outgoing fiscal year 2018-19 witnessed a muted growth of 3.29 percent against the ambitious target of 6.2 percent. The target was based upon sectoral growth projections for agriculture, industry, and services at 3.8 percent, 7.6 percent and 6.5 percent respectively. The actual sectoral growth turned out to be 0.85 percent for agriculture, 1.4 percent for industry and 4.7 percent for services. Some of the major crops witnessed negative growth as production of cotton, rice and sugarcane declined by 17.5 percent, 3.3 percent and 19.4 percent respectively. The crops showing positive growth include wheat and maize which grew at the rate of 0.5 percent and 6.9 percent respectively. Other crops have shown growth of 1.95 percent mainly due to increase in production of pulses and oil seeds. Cotton ginning declined by 12.74 percent due to a decline in production of cotton crop. Livestock sector has shown a growth of 4.0 percent. The growth recorded for the forestry is 6.47 percent.

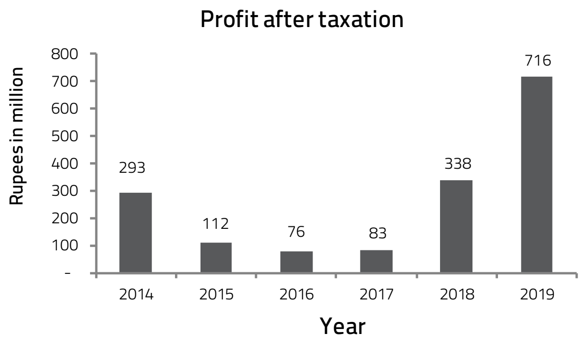
The Pakistan textile industry is major contributory of country's total exports but it is currently facing various obstacles in its growth rate. These obstacles include internal security concerns, high energy costs and liquidity crunch in view of delay in tax refunds etc. Additionally, rising inflation, 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 right track if government takes serious actions for removing or normalizing the above mentioned obstacles.

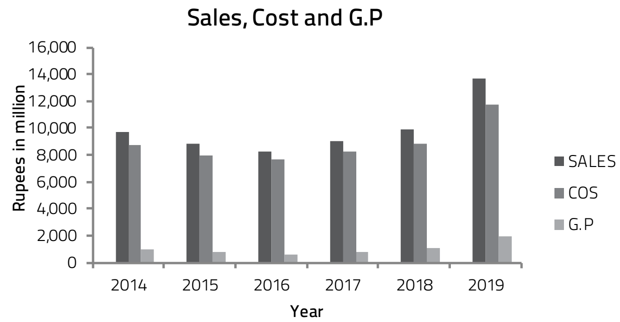
Financial and operational performance

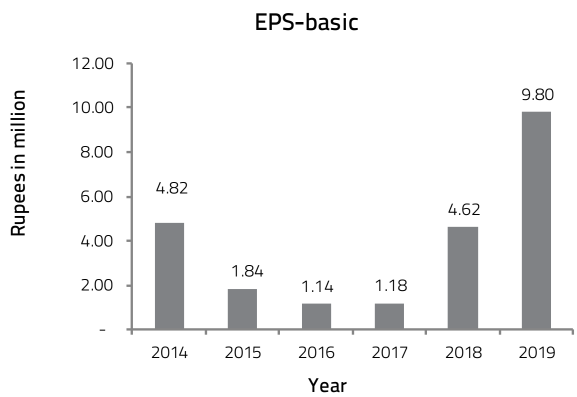
Your company achieved good financial results for the financial year 2018-19 in view of increase in sale prices and impact of Pak Rupee devaluation. During the year ending June 30,2019 your company's profit after taxation stood at Rs. 716.350 million as compared to profit of Rs. 337.928 million in the corresponding year. Company's Sales revenue for the year 2018-19 stood at Rs.13,687.117 million against Rs. 9,900.084 million in the year 2017-18. During the year under review average cotton prices increased to Rs. 8500 per mound as compared to Rs. 6600 per mound in 2018. Fuel and power cost increased slightly to 926.608 million in 2018-19 from Rupees 900.434 million in 2017-18 while salaries and wages expenses increased due to increase in minimum wage rate. Stores, spare parts and loose tools, packing material, processing and conversion charges increased in view of increase in spinning capacity and volume.

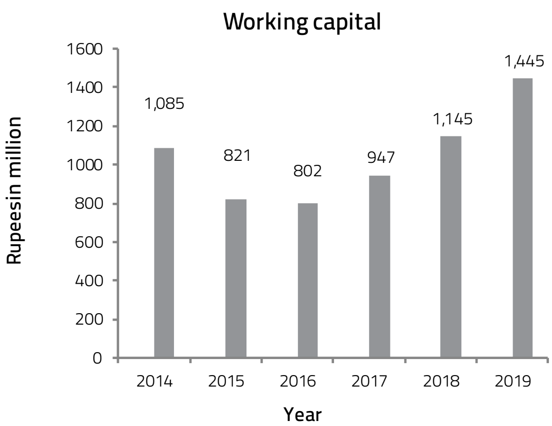
Distribution cost increased in view of increase in volume and inflationary trend while administrative cost increased in view of inflationary trend. Financial cost increased to Rs. 386.484 million in the year 2018-19 from Rs. 202.494 million in 2017-18 in view of higher level of inventories and increase in KIBOR rates.
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. . Two COMPLETE GE JENBACHER NATURAL GAS GEN SETS MODEL JMS 616 of 2.679 MW each imported during last quarter of financial year ending June 30, 2018 commissioned in mid of second quarter of period under review. Eight ring frames comprising 14,592 spindles and eight Savio auto cone machines commissioned at the end of last quarter of financial year ending

Chairman's Review









June 30, 2019. Management of your company is planning to add processing unit to process 36 million meters of fabric annually.
The production of yarn converted into 20s for the year ended June 30, 2019 stood at 36.755 million Kgs against 31.848 million Kgs of corresponding year while fabric production stood at 12.038 million sq meters (2017-18: 4.319 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. 9,495.493 million in financial year 2018-19 as compared to Rs. 7,593.824 million in corresponding year. Liquidity of the company is good enough with current ratio of 1.39. The Debt equity ratio stood at 27:73 in 2018-19 against 25:75 in 2017-18 while leverage of the company stood at 1.02. Breakup value of a Rs.10 share is Rs.55.19 against Rs.46.38 in last year. All balance sheets ratios are showing symptom of growth of the company.

Human Resource

Performing competitively in the evolving business landscape requires empowered and competent people working safely together across the company. We strive to recruit and develop our people with an aim to organize our business effectively. We understand that positive attitude, strong skills and creative abilities of our people will create value by enabling greater organizational performance and productivity and that our people are essential to meeting our strategic goals. Our aim is to align the aspirations of our people with those of the Company, encouraging a performance-oriented culture and a place where people love to work.

Review report on the overall performance of the board

Board of directors, Audit Committee and human source 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

Although domestically the government is following stabilization process, however globally, rising trade tensions posed a risk to the global growth outlook in FY 2019-20. After a strong growth in last one and half year, global economic activity slowed noticeably in the second

half of last year, reflecting a confluence of factors affecting major economies. This is the reason IMF has revised downward real GDP growth for almost all countries in World Economic Outlook.

The Pakistan Textile industry is facing pressure from factors including high energy prices, non serious attitude of unorganized sector of textile industry for documentation of economy, pending refunds and tough competition from India,

Bangladesh, Vietnam, Thailand and others in foreign market. The depreciation of Pak rupee that significantly raised the cost of imported inputs, rise in inflation and high cost of financing are seriously affecting growth in textile industry. In addition to the introduction of sales tax refunds bonds for export oriented Companies, it is hoped that government will come up with some other plan for the textile sector including but not limited to the resolution of GIDC matter, timely release of tax and DLTL refunds to dilute the impact of the abolition of tax credits on capital investment & increase in turnover tax. This will hopefully boost the confidence of the textile sector and to allow the textile industry to compete in the global market.

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.

Cotton crop production is estimated at 15 million cotton bales for cotton season 2019-20 and in view of pest attacks, there is rare chance of achieving the target. Management of your company is closely watching the cotton outlook to procure cotton at minimum rates and is focusing efforts on minimizing cost by enhancing capacity, improving efficiencies to achieve the favorable financial results of forthcoming financial year.

Jawed Anwar
Chairman

Faisalabad
October 02, 2019

Director's Report

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

Dear Shareholders,

The Directors' of your company feel pleasure in presenting the annual report together with audited financial statements of the company for the Year Ended June 30, 2019.

Financial Highlights

The financial highlights of the company for the year ended June 30, 2019 are summarized as under:

	2019	2018
	Rupees in Thousands	
Sales	13,687,117	9,900,084
Gross Profit	1,914,209	1,044,892
Profit before Taxation	893,536	429,835
Taxation	177,186	91,907
Profit after taxation	716,350	337,928

Dividend:

Board of Directors in their meeting held on October 02, 2019 approved final cash dividend @ 20% (Rupees 2 per share) for the financial year 2018-19. (2017-18: 10%, Rupees 1.00 per share)

Earnings Per Share

Earnings per share for the year ended June 30, 2019 stood at Rupees 9.80 per share as compared to Rupees 4.62 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, 2019.

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

Auditors qualified Compliance Report on corporate governance as under:

"Chairman of the board of directors is not a non-executive director as per section-181 and 192 of companies Act 2017".
In view of directors, chairman of the board is a non-executive director as he is not participating to manage operations and affair

of the company.

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

- The financial statements prepared by the management of J.K. Spinning Mills Limited present fairly its state of affair, the results of its operations, cash flow and statement of changes in equity.
- Proper books of accounts of J.K. Spinning Mills Limited have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. 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 profit s 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 30,2019 were 2497 (30 June 2018: 2328)
- Value of investment of provident fund trust based on audited accounts as on June 30, 2018 is Rs.232.691 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 except Mrs.Sadaf Aamir Arshad, director who purchased 7500 @28.41 during the year.
- The Statement of pattern of shareholding of the company as at June 30, 2019 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

IIt 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 Meeting

During the year under review, four 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	04
Mr. Faiq Jawed	04
Mr. Shaiq Jawed	03
Mr. Rehan Ashfaq	04
Mrs. Farhat Jahan	04
Mrs Sadaf Aamir Arshad	04
Mr. Mammor Ijaz	04

Audit Committee

The Audit Committee held five meetings during the year under review to review the financial statements, internal audit reports and compliance of the corporate governance requirements which were attended by all committee members. The composition of Audit Committee is as under:

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

Human Resource Committee

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

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

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

The board consists of 5 male and 2 female Directors with following composition:

Independent Director	02
Non – executive Director	03
Executive Director	02
Total number of Director	07

Name 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/S EY Ford Rhodes, Chartered Accountants, stand retired and being eligible, offer themselves for re-appointment for the next financial year ending on 30-06-2020.

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

Sadaf Aamir

FAIQ JAWED
Chief Executive Officer

SADAF AAMIR ARSHAD
Director

Faisalabad
October 02, 2019

نان ایگزیکٹوڈایئریکٹرز کے معاوضے کی پالیسی:

نان ایگزیکٹوڈایئریکٹرزبشمول چیئرمین اورانڈیپنڈنٹ ڈایئریکٹرز کے معاوضے کاتعین بورڈ آف ڈائیریکٹرز نے کیا ہے۔

آڈیٹرز:

آ پکی کمپنی کے موجودہ آڈیٹرز میسرز: EY Ford Rhodes، چارٹرڈاکاؤنٹنٹ ریٹائرہورہے ہیں اوراہلیت کی بنیاد پرآنے والے مالیاتی سال 30جون2020 کے لئے خودکودوبارہ انتخاب کے لئے پیش کیا ہے۔

چیئرمین کاجائزہ:

چیئرمین کی جائزہ رپورٹ میں کمپنی کی ترقیاتی سرگرمیوں اورآئندہ حالات کاجائزہ پیش کیا گیا ہے۔آپ کے ڈائریکٹرزاس جائزہ رپورٹ کوسپورٹ کرتے ہیں۔

جائزہ رپورٹ کے بعد کے واقعات:

مالیاتی سال کےاختتام کے بعدایسا کوئی واقعہ نہیں ہے جس کوڈایئریکٹرزکی رپورٹ میں پیش کیا جائے۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرزکمپنی کے گاہکوں اوربنکرز کے کمپنی کے کاروبار میں تعاون پر شکرگزار ہیں ڈائریکٹرزکمپنی کے سٹاف اور مزدوروں کی محنت اورکوششوں کوبھی سراہتے ہیں۔کمپنی سٹیک ہولڈرز کے پُراعتمادرسپونس کااقرارکرتی ہےاورشکرگزاربھی ہے۔

منجانب بورڈآف ڈائریکٹرز:

فائق جاوید	صدف عامرارشد
چیف ایگزیکٹو	ڈایئریکٹر

فیصل آباد: اکتوبر02، 2019

آڈٹ کمیٹی:

سال کے دوران آڈٹ کمیٹی کی پانچ میٹنگز ہوئیں، جن میں فنانشل سٹیٹمنٹ، اندرونی آڈٹ کی جائزہ رپورٹ اور کارپوریٹ گورنینس 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

ہیومن ریسورس کمیٹی:

مجوزہ سال کے اندر اس کمیٹی کی تین میٹنگز ہوئیں جن میں تمام ممبرز حاضر تھے۔ ہومین ریسورس کمیٹی کے نام مندرجہ ذیل ہیں:

مسٹر ماموراعجاز (چیئرمین)

مسٹر شائق جاوید

مسز صدف عامر ارشد

ڈایئریکٹرز ٹریننگ:

آپ کی کمپنی کے ایک ڈایئریکٹرز نے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹس کے ٹریننگ پروگرام برائے ڈایئریکٹر منعقدہ مارچ 2016 میں حصہ لیا اور سرٹیفیکیٹ حاصل کیئے۔ کمپنی کے چار ڈایئریکٹرز چودہ سال کی تعلیم اور سولہ سال کے تجربہ کی وجہ سے ٹریننگ پروگرام سے مستثنٰی ہیں۔ دو نئے ڈائیریکٹرز اگلے دو مہینوں میں ڈائیریکٹرز ٹریننگ پروگرام میں حصّہ لیں گے۔

کمپوزیشن آف بورڈ اور ڈایئریکٹرز کے نام:

پانچ مرد اور دو خواتین ڈائیریکٹرز پر مشتمل بورڈ کی کمپوزیشن مندرجہ ذیل ہے:

انڈیپنڈنٹ ڈائیریکٹرز	2
نان ایگزیکٹو ڈایئریکٹرز	3
ایگزیکٹو ڈایئریکٹرز	2
کل ڈائیریکٹرز کی تعداد	7

ڈایئریکٹرز کے نام:

نمبر شمار	نام
1	مسٹر جاوید انوار
2	مسٹر فائق جاوید
3	مسٹر شائق جاوید
4	مسٹر ریحان اشفاق
5	مسز فرحت جہاں
6	مسز صدف عامر ارشد
7	مسٹر ماموراعجاز

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 ہوسکتا 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 کردیتی ہیں۔ہم اپنے کیپیٹل کی ساخت کو لیورج کا تناسب کم رکھ کر کنٹرول کرتے ہیں۔سود زیادہ ہونے کے خطرہ کو متبادل فنانسنگ 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 آپکی کمپنی نے فیسکو کے اسٹینڈ بائی کنکشن سے اور ڈیزل جنریٹر سے حل کیا ہوا ہے۔

ملازمین کی ریکروٹمنٹ اور ساتھ رکھنا:

اگر صحیح ملازمین نہ رکھے جائیں تو یہ کمپنی کے گولز اور مقاصد کو بُری طرح متاثر کرسکتے ہیں۔کمپنی اپنے ملازمین کی صلاحیتوں کو بہتر کرنے پر زور دیتی ہے۔کمپنی کی کوشش ہوتی ہے کہ وہ اچھے ملازمین کو رکھے اُن کو ٹریننگ دے اور اُن کی حوصلہ افزائی کرے۔

سماجی ذمہ داری:

کمپنی کمیونٹی 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 ورکنگ انوائرمنٹ کو محفوظ بنانے کی تربیت بھی دیتی ہے۔

ڈائیریکٹرز کے نام اور بورڈ میٹنگز:

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

نمبر شمار	نام	میٹنگز میں حاضری
1	جاوید انوار	04
2	فائق جاوید	04
3	شائق جاوید	03
4	ریحان اشفاق	04
5	فرحت جہاں	04
6	صدف عامر ارشد	04
7	ماموراعجاز	04

• کمپنی اکاؤنٹس کی کتب کو باقاعدہ برقرار رکھتی ہے۔
• مالیاتی اسٹیٹمنٹ کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی گئی اور اکاؤنٹنگ اسٹیٹمنٹس معقول اور دانشمندانہ اندازوں اور فیصلوں پر مبنی ہیں۔
• پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ 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 تا کہ یہ اندرونی کنٹرول اور زیادہ مظبوط ہوں۔
• کمپنی کے مسلسل چلنے کی اہلیت پر کوئی شک نہیں کیا جا سکتا۔
• کارپوریٹ گورنینس 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 میں بڑی تبدیلیاں، بڑے پلان اور آنے والے دِنوں 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 سکتی ہے وہ چیئرمین کی جائزہ رپورٹ میں بیان کر دیے گئے ہیں۔
• کمپنی کا کوئی بھی کاروبار ماحولیاتی تبدیلیوں پر بُرا 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 ایکسچینج ریٹ میں نفع و نقصان کتابوں میں شامل ہے۔
• سال 2019 کے اختتام پر کمپنی کے ملازمین کی تعداد 2497 ہے جبکہ پچھلے سال یہ تعداد 2328 تھی۔
• پراویڈنٹ فنڈ کی انوسٹمنٹ کی قدر آڈٹ شدہ مالیاتی سال 2018 کے اختتام پر 232.691 ملین روپے تھی۔
• 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 سوائے ڈائریکٹر مسز صدف عامر ارشد کے جنہوں نے 7500@ 28.41 کے حساب سے حصص خریدے ہیں۔
• کمپنی میں حصص رکھنے کا انداز اسٹیٹمنٹ برائے ختم شدہ سال 30 جون 2019 کوڈ آف کارپوریٹ گورنینس کے نئے فارم میں لف ہذا ہے۔
• چیف ایگزیکٹو اور دوسرے ڈایئریکٹر کی شرائط و ضوابط میں کوئی تبدیلی نہیں آئی ہے۔

رسک مینجمنٹ:

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 اور بجلی کی کمی کا خطرہ اور ملازمین کے چھوڑ جانے کا خطرہ شامل ہیں۔

خام مال کا خطرہ:

کاٹن خام مال کے طور پر سپننگ انڈسٹری میں استعمال ہوتی ہے۔ اگر آپ اس کو بروقت 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 ہجنگ ٹول، مانیٹری پے ایبل 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۔

ڈائریکٹرز 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 2019 کی ختم ہونے والے سال کے آڈٹ شدہ مالیاتی حسابات کے ساتھ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی شہ سُرخیاں:

مالیاتی سال کے 30 جون 2019 کی مالیاتی نتائج کی جھلکیاں درج ذیل ہیں:

روپے ہزار میں

تفصیلات	2018	2019
فروخت	9,900,084	13,687,117
مجموعی منافع	1,044,892	1,914,209
قبل از ٹیکس منافع	429,835	893,536
ٹیکس	91,907	177,186
بعد از ٹیکس منافع	337,928	716,350

ڈیویڈنڈ:

بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منعقدہ 02 اکتوبر 2019 میں 20% حتمی نقد ڈویڈنڈ (2 روپیہ فی شیئر) برائے مالیاتی سال 2019 منظور کیا ہے۔ مقابلتاً پچھلے سال حتمی نقد ڈویڈنڈ 1 روپیہ فی شیئر تھا۔

آمدنی فی شیئر:

فی شیئر آمدنی برائے مالیاتی سال 30 جون 2019 میں 9.80 روپے فی شیئر رہی۔ مقابلتاً پچھلے سال کی فی شیئر آمدن 4.62 روپے فی شیئر تھی۔

کارپوریٹ گورنینس سے ہم آہنگی:

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے سٹاک ایکسچینج کے ضابطہ کار کے ذریعے کارپوریٹ گورنینس کا ضابطہ بنایا ہے۔ آپ کی کمپنی کے ڈائریکٹرز نے کارپوریٹ گورنینس کے تمام اصولوں کو 30 جون 2019 کی مدت کے اختتام تک اپنایا ہے۔

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

کارپوریٹ گورنینس پر آڈٹ کوالیفائیڈ کمپلائنس رپورٹ درج ذیل ہے:

کمپنی ایکٹ 2017 کے سیکشن 181 اور 192 کے مطابق بورڈ آف ڈائریکٹر کا چیئرمین، نان ایگزیکٹو ڈائریکٹر نہیں ہے

ڈائریکٹرز کے مطابق بورڈ کا چیئرمین نان ایگزیکٹو ڈائریکٹر ہے کیونکہ وہ کمپنی کے آپریشنز اور معاملات میں حصّہ نہیں لیتا ہے۔

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

Vertical Analysis

	2019		2018		2017		2016		2015	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
BALANCE SHEET										
TOTAL EQUITY	4,257,774	45%	3,614,508	48%	3,313,122	54%	3,032,098	54%	2,931,496	60%
NON-CURRENT LIABILITIES	1,534,708	16%	1,100,872	14%	434,955	7%	524,618	9%	191,472	4%
CURRENT LIABILITIES	3,703,011	39%	2,878,444	38%	2,336,771	38%	2,069,515	37%	1,770,692	36%
TOTAL LIABILITIES	5,237,719	55%	3,979,316	52%	2,771,726	46%	2,594,133	46%	1,962,164	40%
TOTAL EQUITY AND LIABILITIES	9,495,493	100%	7,593,824	100%	6,084,848	100%	5,626,231	100%	4,893,660	100%
ASSETS										
NON-CURRENT ASSETS	4,347,489	46%	3,570,629	47%	2,801,490	46%	2,755,096	49%	2,302,278	47%
CURRENT ASSETS	5,148,004	54%	4,023,195	53%	3,283,358	54%	2,871,135	51%	2,591,382	53%
TOTAL ASSETS	9,495,493	100%	7,593,824	100%	6,084,848	100%	5,626,231	100%	4,893,660	100%
PROFIT AND LOSS ACCOUNT										
SALES	13,687,117	100.00%	9,901,857	100.00%	9,049,707	100.00%	8,289,147	100.00%	8,813,412	100.00%
COST OF SALES	11,772,908	86.01%	8,855,192	89.43%	8,292,160	91.63%	7,638,258	92.15%	7,971,024	90.44%
GROSS PROFIT	1,914,209	13.99%	1,046,665	10.57%	757,547	8.37%	650,889	7.85%	842,388	9.56%
DISTRIBUTION COST	375,200	2.74%	276,327	2.79%	269,522	2.98%	275,913	3.33%	325,709	3.70%
ADMINISTRATIVE EXPENSES	297,779	2.18%	273,656	2.76%	230,731	2.55%	212,147	2.56%	199,301	2.26%
OTHER OPERATING EXPENSES	169,759	1.24%	40,378	0.41%	50,490	0.56%	11,948	0.14%	18,342	0.21%
	842,738	6.16%	590,361	5.96%	550,743	6.09%	500,008	6.03%	543,352	6.17%
	1,071,471	7.83%	456,304	4.61%	206,804	2.29%	150,881	1.82%	299,036	3.39%
OTHER OPERATING INCOME	208,549	1.52%	176,025	1.78%	79,345	0.88%	32,375	0.39%	24,594	0.28%
PROFIT FROM OPERATIONS	1,280,020	9.35%	632,329	6.39%	286,149	3.16%	183,256	2.21%	323,630	3.67%
FINANCE COST	386,484	2.82%	202,494	2.05%	134,378	1.48%	96,484	1.16%	147,701	1.68%
PROFIT BEFORE TAXATION	893,536	6.53%	429,835	4.34%	151,771	1.68%	86,772	1.05%	175,929	2.00%
PROVISION FOR TAXATION	177,186	1.29%	91,907	0.93%	69,002	0.76%	11,026	0.13%	63,994	0.73%
PROFIT AFTER TAXATION	716,350	5.23%	337,928	3.41%	82,769	0.91%	75,746	0.91%	111,935	1.27%

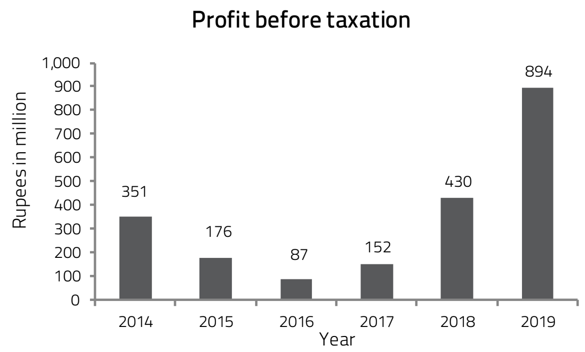
Horizontal Analysis Based on Year 2015

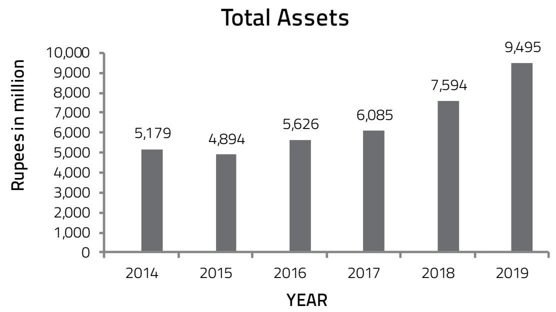
	2019		2018		2017		2016		2015	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
BALANCE SHEET										
TOTAL EQUITY	4,257,774	145%	3,614,508	123%	3,313,122	113%	3,032,098	103%	2,931,496	100%
NON-CURRENT LIABILITIES	1,534,708	802%	1,100,872	575%	434,955	227%	524,618	274%	191,472	100%
CURRENT LIABILITIES	3,703,011	209%	2,878,444	163%	2,336,771	132%	2,069,515	117%	1,770,692	100%
TOTAL LIABILITIES	5,237,719	267%	3,979,316	203%	2,771,726	141%	2,594,133	132%	1,962,164	100%
TOTAL EQUITY AND LIABILITIES	9,495,493	194%	7,593,824	155%	6,084,848	124%	5,626,231	115%	4,893,660	100%
ASSETS										
NON-CURRENT ASSETS	4,347,489	189%	3,570,629	155%	2,801,490	122%	2,755,096	120%	2,302,278	100%
CURRENT ASSETS	5,148,004	199%	4,023,195	155%	3,283,358	127%	2,871,135	111%	2,591,382	100%
TOTAL ASSETS	9,495,493	194%	7,593,824	155%	6,084,848	124%	5,626,231	115%	4,893,660	100%
PROFIT AND LOSS ACCOUNT										
SALES	13,687,117	155%	9,901,857	112%	9,049,707	103%	8,289,147	94%	8,813,412	100%
COST OF SALES	11,772,908	148%	8,855,192	111%	8,292,160	104%	7,638,258	96%	7,971,024	100%
GROSS PROFIT	1,914,209	227%	1,046,665	124%	757,547	90%	650,889	77%	842,388	100%
DISTRIBUTION COST	375,200	115%	276,327	85%	269,522	83%	275,913	85%	325,709	100%
ADMINISTRATIVE EXPENSES	297,779	149%	273,656	137%	230,731	116%	212,147	106%	199,301	100%
OTHER OPERATING EXPENSES	169,759	926%	40,378	220%	50,490	275%	11,948	65%	18,342	100%
	842,738	155%	590,361	109%	550,743	101%	500,008	92%	543,352	100%
	1,071,471	358%	456,304	153%	206,804	69%	150,881	50%	299,036	100%
OTHER OPERATING INCOME	208,549	848%	176,025	716%	79,345	323%	32,375	132%	24,594	100%
PROFIT FROM OPERATIONS	1,280,020	396%	632,329	195%	286,149	88%	183,256	57%	323,630	100%
FINANCE COST	386,484	262%	202,494	137%	134,378	91%	96,484	65%	147,701	100%
PROFIT BEFORE TAXATION	893,536	508%	429,835	244%	151,771	86%	86,772	49%	175,929	100%
PROVISION FOR TAXATION	177,186	277%	91,907	144%	69,002	108%	11,026	17%	63,994	100%
PROFIT AFTER TAXATION	716,350	640%	337,928	302%	82,769	74%	75,746	68%	111,935	100%

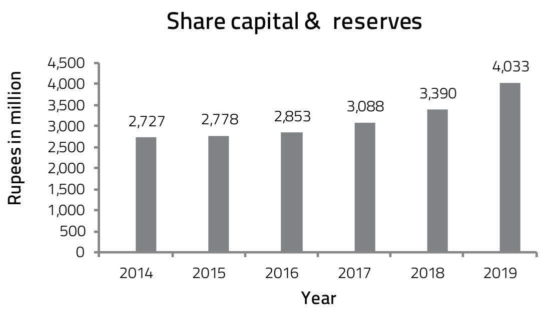
Key Operating and Financial Results

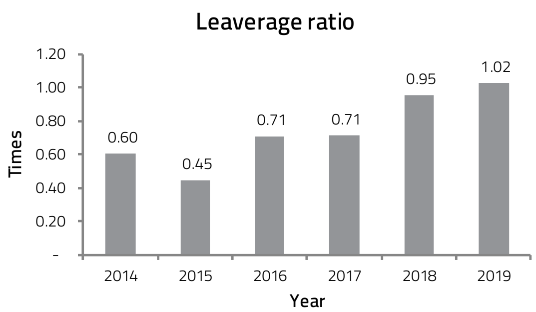
for last six years

PARTICULARS		2019	2018	2017	2016	2015	2014	2013
		RUPEES in 000						
SUMMARIZED BALANCE SHEET								
NON-CURRENT ASSETS								
Property, Plant And Equipment		4,321,763	3,529,328	2,783,776	2,745,307	2,290,022	2,302,819	2,822,964
Long Term Loans		-	-	-	-	-	1,727	387
Other Non-Current Assets		25,726	41,301	17,714	9,789	12,256	15,618	9,304
CURRENT ASSETS								
Stores, Spares And Loose Tools		86,635	95,448	73,172	65,643	65,076	61,125	44,926
Stock In Trade		3,746,854	2,461,185	1,925,999	1,756,108	1,484,015	1,647,836	1,592,021
Trade Debts		786,273	867,009	688,176	513,799	593,632	691,322	612,751
Other Current Assets		528,242	599,553	596,011	535,585	448,659	459,030	380,539
TOTAL ASSETS		9,495,493	7,593,824	6,084,848	5,626,231	4,893,660	5,179,477	5,462,892
Share Holders' Equity		4,033,143	3,389,877	3,088,491	2,853,464	2,777,718	2,726,686	2,400,047
Surplus on Revaluation of Operating Fixed Assets		224,631	224,631	224,631	178,634	153,778	153,778	608,200
NON-CURRENT LIABILITIES								
Long Term Financing		1,191,883	871,639	281,457	358,291	-	10,715	86,818
Director's Loan		-	-	-	-	-	300,000	300,000
Liabilities Against Assets Subject To Finance Lease		41,777	24,174	-	7,158	21,973	26,887	25,875
Deferred Tax		274,815	178,714	131,574	145,824	167,865	184,718	277,824
Other Non-Current Liabilities		26,233	26,345	21,924	13,345	1,634	1,951	-
CURRENT LIABILITIES								
Short Term Borrowings		2,644,848	2,097,994	1,730,524	1,517,083	1,191,193	1,202,486	1,194,856
Current Portion Of Long Term Liabilities		255,241	240,174	186,506	135,519	23,245	102,360	124,999
Other Current Liabilities		802,922	540,276	419,741	416,913	556,254	469,896	444,273
Total Equity And Liabilities		9,495,493	7,593,824	6,084,848	5,626,231	4,893,660	5,179,477	5,462,892
PROFIT & LOSS								
Sales		13,687,117	9,901,857	9,049,707	8,289,147	8,813,412	9,734,861	8,918,973
Gross Profit		1,914,209	1,046,665	757,547	650,889	842,388	969,226	1,442,705
EBITDA		1,618,191	919,136	544,646	421,945	548,337	841,572	1,011,933
Profit From Operations		1,280,020	632,329	286,149	183,256	323,630	572,116	866,712
Profit Before Tax		893,536	429,835	151,771	86,772	175,929	350,930	650,492
Profit After Tax		716,350	337,928	82,769	75,746	111,935	293,262	599,355
CASH FLOWS								
Cash Flow From Operating Activities		396,078	(17,843)	(7,742)	(113,065)	716,386	285,417	373,240
Cash Flow From Investing Activities		(1,177,132)	(1,005,947)	(304,129)	(669,963)	(184,617)	(222,047)	(437,276)
Cash Flow From Financing Activities		826,766	962,781	332,678	781,640	(489,440)	(95,088)	77,833
Changing In Cash & Cash Equivalents		45,712	(61,009)	20,807	(1,388)	42,329	(31,718)	13,797
Cash & Cash Equivalents - Year End		73,747	28,035	89,044	68,237	69,625	27,296	59,014
PROFITABILITY RATIOS								
Gross Profit	%	13.99	10.57	8.37	7.85	9.56	9.96	16.18
EBITDA To Sales	%	11.82	9.28	6.02	5.09	6.22	8.64	11.35
Pre Tax Profit	%	6.53	4.34	1.68	1.05	2.00	3.60	7.29
After Tax Profit	%	5.23	3.41	0.91	0.91	1.27	3.01	6.72
Return On Equity	%	17.76	9.97	2.68	2.65	4.03	10.76	24.97
Return On Capital Employed	%	13.71	7.93	2.46	2.36	4.03	10.71	24.10
Dividend Rate (Cash)	%	20.00	10.00	5.00	5.00	10.00	-	50.00
Leverage Ratio		1.02	0.95	0.71	0.71	0.45	0.60	0.72
LIQUIDITY RATIOS								
Current Ratio	Times	1.39	1.40	1.41	1.39	1.46	1.61	1.49
Quick Ratio	Times	0.35	0.51	0.55	0.51	0.59	0.65	0.56
Cash To Current Liabilities	Times	0.02	0.01	0.04	0.03	0.04	0.02	0.03
Cash Flows From Operation To Sales	Times	0.03	(0.00)	(0.00)	(0.01)	0.08	0.03	0.04
Debt To EBITDA	Times	2.55	3.52	4.04	4.78	2.25	1.95	1.71
EBITDA To Debt	Times	0.39	0.28	0.25	0.21	0.44	0.51	0.58
Debt Service Coverage Ratio (DSCR)	Times	2.63	2.41	2.18	4.37	2.27	2.58	3.06
Intrest Coverage Ratio (ICR)	Times	3.31	3.12	2.13	1.90	2.19	2.59	4.01


Profit before taxation
Rupees in million
1,000
900
800
700
600
500
400
300
200
100
0
351
176
87
152
430
894
2014
2015
2016
2017
2018
2019
Year


Total Assets
Rupees in million
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
5,179
4,894
5,626
6,085
7,594
9,495
2014
2015
2016
2017
2018
2019
YEAR


Share capital & reserves
Rupees in million
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2,727
2,778
2,853
3,088
3,390
4,033
2014
2015
2016
2017
2018
2019
Year


Leaverage ratio
Times
1.20
1.00
0.80
0.60
0.40
0.20
-
0.60
0.45
0.71
0.71
0.95
1.02
2014
2015
2016
2017
2018
2019
Year

Statement of Compliance

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

For the year ended June 30, 2019

Name of Company: **J. K. Spinning Mills Limited**
Year Ended: **June 30, 2019**

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

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

Gender	Number
Male	5 (Five)
Female	2 (Two)

2. The composition of Board is as follows:

Category	Names
Independent Directors	Mr. Rehan Ashfaq Mr. Mamoor Ijaz
Other 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 Companies, 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.

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

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 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. The Board has arranged Director's Training program and one director has acquired the prescribed certification, other 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 Chief Financial Officer (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. CEO and CFO duly endorsed the financial statements before approval of the Board.

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

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the Committee for compliance.

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

a.	Audit Committee	5 meetings were held during financial year ended June 30, 2019.
b.	HR and Remuneration Committee	3 meetings were held during financial year ended June 30, 2019

Statement of Compliance

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

15. The Board has set up an effective internal audit function which comprises of professionals who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures 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 Institute of Chartered Accountant of Pakistan (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	**SADAF AAMIR ARSHAD**
Chief Executive Officer	Director

Date: October 02, 2019
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 30 June 2019 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 part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal control covers all the 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.

Following instance of non-compliance with the requirement of the Regulations was observed which is not stated in the Statement of Compliance:

i- Chairman of the Board of Directors is not a Non-executive Director as per Section 181 and 192 of the Companies Act 2017.

Based on our review, except for the above instance of non-compliance, 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 30 June 2019.

Chartered Accountants
Engagement Partner: Sajjad Hussain Gill

Lahore
Date: Otober 04, 2019

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 33RD ANNUAL GENERAL MEETING OF THE MEMBERS OF J. K. SPINNING MILLS LIMITED WILL BE HELD ON MONDAYDAY 28TH OCTOBER, 2019 AT 10.00 A.M. AT 29 K.M, SHEIKHUPURA ROAD, KHURRIANWALA, FAISALABAD TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 24th May, 2019.
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, 2019.
3. To consider, approve and declare Final Cash Dividend at Rs.2/- per share @ 20 % to Ordinary Share Holders for the year ended 30th June, 2019 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2019-2020 and fix their remuneration. The present Auditors M/S EY Ford Rhodes, Chartered Accountants, being eligible offer themselves for reappointment.

SPECIAL RESOLUTION:

5. To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2019 by passing the following special resolution with or without modification:

"RESOLVED THAT the transactions conducted with Related Parties as disclosed in the note 41 of the financial statements for the year ended June 30, 2019 and specified in the Statement of Material Information under Section 134 (3) be and are hereby ratified, approved and confirmed."

6. To authorize the Board of Directors of the Company to approve transactions with Related Parties Transactions for sale and purchase of goods/ Services to / from J.K. Tech (Pvt.) Limited up to Rs: 200 Million & J.K. Agriculture Farms (Pvt.) Limited up to Rs: 100 Million - associated companies for the year ending June 30, 2020 by passing the following Special resolution with or without:

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis for the financial year ending June 30, 2020."

"RESOLVED FURTHER that these transactions by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval."

ANYOTHER BUSINESS:

7. To transact any other business with the permission of chair.

(Attached to this Notice is a Statement of Material Facts covering the above-mentioned Special Business, as required under Section 134 (3) of the Companies Act, 2017).

BY THE ORDER OF THE BOARD

FAISALABAD:
Dated: 02-10-2019

SYED HUSSAIN SHAHID MANSOOR NAQVI
COMPANY SECRETARY

NOTES:

1. The Register of Members will remain closed from October 22, 2019 to October 28, 2019 (both days inclusive). The Members whose names appear on the Register of Members as on October 21, 2019 shall be entitled to attend and vote at the AGM.

Notice of Annual General Meeting

2. A member entitled to attend. Speak and vote at the meeting shall also be entitled to appoint another member as his/her proxy to attend. Speak and vote instead of him/her and a proxy so appointed shall have such rights with respect to attending, speaking and voting at the meeting as are available to the member appointing him/her as proxy. The Instrument of Proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarized certified copy of that Power of Attorney or authority, in order to be effective must be received by the Company at least 48 hours before the meeting. A proxy need not be a member of the Company. The Form of Proxy is enclosed with this notice.

3. Any company or other body corporate which is a member of the Company may, by resolution of its Directors, or proxy signed by authorized officers, authorize any of its officials or any other person to act as its representative at the meeting and the person so authorized shall be entitled to exercise the same powers as if he/she were an individual member of the Company.

4. Since all shares issued to members are in dematerialized format in their respective Central Depository Company of Pakistan Limited [CDC] accounts, the individual members desiring to attend the meeting are requested to bring their original Computerized National Identity Cards (CNICs) along with the Investor Account or Participant ID and House Account/ Sub-Account numbers, for identification purposes, whereas, in case of corporate member, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee may preferably be provided to the Company well in advance or otherwise produced at the time of meeting.

5. Members are requested to notify the change of their registered address, if any. Immediately but before the first day of book closure, to their Participant/CDC Investor Account Services which maintains their CDC account.

6. E-Dividend
   Pursuant to Section 242 of the Companies Act, 2017 [the Act] read with relevant provisions of the Companies (Distribution of Dividends) Regulations, 2017 [the Regulations], all listed companies have been mandated to pay dividend only by way of electronic mode, directly into the bank accounts of entitled shareholders designated by them. Accordingly, all shareholders of the Company who have not yet provided their bank account details (including IBAN) to their participant/CDC Investor Account Services which maintains their CDC account are requested to provide the same at the earliest, otherwise, the Company would be constrained to withhold their amount of dividend, if any, in accordance with the requirements of the Act and the Regulations.

7. Consent for Video Conference Facility
   In term of SECP's Circular No. 10 of 2014 dated 21 May 2014 read with provisions contained under Section 134(1) (b) of the Act, members of the Company may also attend and participate in the AGM through video conference facility in a city other than Faisalabad, if members residing in the vicinity, collectively holding 10% or more shareholding, demand in writing, to participate in the AGM through video conference (as per the format appended below) at least seven (7) days prior to the date of AGM.
   After receiving the consent of members having 10% or more shareholding in aggregate, the Company will intimate members regarding venue of video conference facility at least five (5) days before the date of the AGM along with complete information necessary to enable them to access such facility.

CONTENT FOR VIDEO CONFERENCE FACILITY

I/We/Messrs, _______________________ of ____________ being a member of JK Spinning Mills Limited, holder of ____________ ordinary share (s) as per CDC participant ID & Sub Account No ________________ here by, opt for video conference facility at ________________.

____
Signature of Member (s)

(Please affix company stamp in case of corporate entity)

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

1. Item Number 5 of the notice Ratification and approval of the related party transactions carried out during the year ended June 30, 2019.

Notice of Annual General Meeting

Transactions conducted with all related parties have to be approved by the Board of Directors duly recommended by the Audit Committee on quarterly basis pursuant to clause 15 of the listed Companies (Code of Corporate Governance) Regulations, 2017. However, during the year since Company's Directors were interested in certain transactions due to their common directorships in the associated companies, therefore common directors did not participate for approval of these transactions pursuant to section 207 of the Companies Act, 2017. During the 32nd Annual General Meeting of the Company, in order to promote transparent business practices, the shareholders had authorized the Board of Directors to approve transactions with the related parties from time-to-time on case to case basis for the year ended June 30, 2019 and such transactions were deemed to be approved by the shareholders. Such transactions were to be placed before the shareholders in next AGM for their formal approval ratification.

Accordingly, these transactions are being placed before the AGM for the formal approval ratification by shareholders.

All transactions with related parties to be ratified have been disclosed in the note 41 to the financial statement for the year ended June 30, 2019. Party-wise details of such related party transactions are given below:

Name of Related Party	Relationship with the company	Transaction Type	PKR in '000'
J. K. Tech (Private) Limited	Associated Company	Service charges paid	2,168
		Rental income recovered	1,920
Employees' Provident Fund Trust	Other Related Par`ty	Company's contribution to Employees' Provident Fund Trust	23,517
Directors	Director	Loan repaid to directors - net	8,114
		Dividend paid	60,166

The company carries out transactions with its related parties on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. All transactions entered into with related parties require the approval of the Board Audit Committee of the Company, which is chaired by an independent director of the company. Upon the recommendation of the Board Audit Committee, such transactions are placed before the board of directors for approval.

Transactions entered into with the related parties include, service charges paid / Rental Income Recovered, dividends , Loan repaid to directors and investments made (in accordance with the approval of shareholders and board where applicable).

The nature of relationship with these related parties has also been indicated in the note 41 to the financial statement for the year ended June 30, 2019.The Directors are interested in the resolution only to the extent of their common directorships in such related parties.

2. Item Number 6 of the notice - Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2020.

   The Company shall be conducting transactions with its related parties during the year ending June 30, 2020 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The Directors interested in these transactions due to their common directorship in the associated companies and other related parties. In order to promote transparent business practices, the shareholders desire to authorize the Board of Directors to approve transactions with the related parties from time-to-time on case to case basis for the year ending June 30. 2020, which transactions shall be deemed to be approved by the Shareholders. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

The Directors are interested in the resolution only to the extent of their common directorships in such related parties.

Auditors’ Report to the Members

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 2019** and the statement of profit or loss, the statement of 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, the statement of profit or loss, the statement of 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 2019 and of the profit, total 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 year. 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.

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
1. First time adoption of IFRS 9 - Financial Instruments	
As referred to in Note 4.2 to the accompanying financial statements, the Company has adopted IFRS 9 with effect from 1 July 2018. The new standard requires the Company to make provision for financial assets using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Company. Determination of ECL provision for financial assets requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.	Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to financial assets. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates. Further, we assessed the completeness, accuracy and quality of the data used for ECL computation based on the accounting records and information system of the Company as well as the related external sources as used for this purpose.

Auditors' Report to the Members

Key Audit Matters	How the matter was addressed in our audit
We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.	We tested the mathematical accuracy of the ECL model by performing recalculation on test basis. In addition to above, we assessed the adequacy of disclosures in the financial statements of the Company regarding application of IFRS 9 as per the requirements of the above standard.
2. Valuation of Stock in trade	
As disclosed in Note 20 to the accompanying financial statements, the stock in trade constitutes 40% of total assets of the Company as at 30 June 2019. The cost of closing stock is determined at weighted average rate on the closing units including a proportion of production overheads. We focused on the stock in trade and considered it to be key audit matter 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 which included, amongst others obtaining understanding of Company's valuation process including internal controls in place at transaction level. We tested valuation methods and their appropriateness in accordance with the applicable accounting standards. We tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads. We performed physical verification of inventory at year end. 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.

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 concluded that there is material mis-statement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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.

Auditors' Report to the Members

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 auditor's 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 auditor's 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 auditor's 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.

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 auditor's 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, the statement of 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 Sajjad Hussain Gill.

Chartered Accountants
Engagement Partner: Sajjad Hussain Gill

Lahore:
Otober 04, 2019

Financial Statements

For the Year Ended June 30, 2019

Statement of Financial Position

As at June 30, 2019

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
96 000 000 (2018: 96 000 000) ordinary shares of Rupees 10 each		960,000	960,000
Issued, subscribed and paid up share capital	5	730,839	730,839
Reserves			
Capital reserves	6	575,171	575,171
Revenue reserves - unappropriated profit		2,951,764	2,308,498
		3,526,935	2,883,669
		4,257,774	3,614,508
NON-CURRENT LIABILITIES			
Long term financing	7	1,191,883	871,639
Liabilities against assets subject to finance lease	8	41,777	24,174
Long term deposits		26,233	26,345
Deferred tax liability	9	274,815	178,714
		1,534,708	1,100,872
CURRENT LIABILITIES			
Trade and other payables	10	661,942	470,210
Contract liabilities		64,592	31,778
Accrued mark-up	11	75,916	37,898
Short term borrowings	12	2,644,848	2,097,994
Unclaimed dividend		472	390
Current portion of long term liabilities	13	255,241	240,174
		3,703,011	2,878,444
TOTAL EQUITY AND LIABILITIES		9,495,493	7,593,824
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 50 form an integral part of these financial statements.

Faiq Jawed	Sadaf Aamir Arshad	Ghulam Muhammad
Chief Executive Officer	Director	Chief Financial Officer

Statement of Financial Position

As at June 30, 2019

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	15	4,173,329	3,246,183
Capital work in progress	16	148,434	283,145
		4,321,763	3,529,328
Long term investment	17	-	-
Long term deposits and advances	18	25,726	41,301
		4,347,489	3,570,629
CURRENT ASSETS			
Stores, spare parts and loose tools	19	86,635	95,448
Stock-in-trade	20	3,746,854	2,461,185
Trade debts	21	786,273	867,009
Advances	22	35,123	83,625
Trade deposits and short term prepayments	23	7,243	6,594
Other receivables	24	56,667	106,913
Derivative financial asset		-	3,343
Tax refunds due from the Government	25	303,869	339,766
Short term investments	26	51,593	31,277
Cash and bank balances	27	73,747	28,035
		5,148,004	4,023,195
TOTAL ASSETS		9,495,493	7,593,824

Faiq Jawed
Chief Executive Officer

Sadaf Aamir Arshad
Director

Ghulam Muhammad
Chief Financial Officer

Statement of Profit or Loss

For the Year ended June 30, 2019

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
Revenue from contracts with customers	28	13,687,117	9,900,084
Cost of revenue	29	(11,772,908)	(8,855,192)
Gross profit		1,914,209	1,044,892
Distribution cost	30	(375,200)	(276,327)
Administrative expenses	31	(297,779)	(273,656)
Other operating expenses	32	(169,759)	(40,378)
		(842,738)	(590,361)
Other income	33	208,549	177,798
Operating profit		1,280,020	632,329
Finance costs	34	(386,484)	(202,494)
Profit before taxation		893,536	429,835
Taxation	35	(177,186)	(91,907)
Profit for the year		716,350	337,928
Earnings per share - basic and diluted (rupees)	36	9.80	4.62

The annexed notes from 1 to 50 form an integral part of these financial statements.

Faiq Jawed	Sadaf Aamir Arshad	Ghulam Muhammad
Chief Executive Officer	Director	Chief Financial Officer

Statement of Other Comprehensive Income

For the Year ended June 30, 2019

	2019	2018
	(RUPEES IN THOUSAND)	
PROFIT FOR THE YEAR	716,350	337,928
OTHER COMPREHENSIVE INCOME:		
Items not to be reclassified to profit or loss in subsequent periods	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	-	-
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	716,350	337,928

The annexed notes from 1 to 50 form an integral part of these financial statements.

Faiq Jawed
Chief Executive Officer

Sadaf Aamir Arshad
Director

Ghulam Muhammad
Chief Financial Officer

Statement of Cash Flows

For the Year ended June 30, 2019

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	887,777	271,701
Finance cost paid		(347,484)	(181,523)
Income tax paid		(120,603)	(103,979)
Workers' profit participation fund paid	10.2	(23,612)	(3,411)
Workers' Welfare Fund paid		-	(631)
		(491,699)	(289,544)
Net cash generated from / (used in) operating activities		396,078	(17,843)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,150,868)	(1,013,326)
Proceeds from sale of property, plant and equipment	15.4	16,607	15,016
Settlement of derivative financial instruments		(9,692)	-
Short term investments		(34,912)	(23,709)
Proceeds from sale of investments		1,733	16,072
NET CASH USED IN INVESTING ACTIVITIES		(1,177,132)	(1,005,947)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing - net		327,254	642,806
Repayment of liabilities against assets subject to finance lease		25,660	(10,941)
Short term borrowings - net		546,854	367,470
Dividend paid		(73,002)	(36,554)
NET CASH FLOWS FROM FINANCING ACTIVITIES		826,766	962,781
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		45,712	(61,009)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		28,035	89,044
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		73,747	28,035

The annexed notes from 1 to 50 form an integral part of these financial statements.

Faiq Jawed
Chief Executive Officer

Sadaf Aamir Arshad
Director

Ghulam Muhammad
Chief Financial Officer

Statement of Changes in Equity

For the Year ended June 30, 2019

	Issued, subscribed and paid up share capital	CAPITAL RESERVES				REVENUE RESERVE	Total
		Merger reserve	Premium on issue of right shares	Revaluation surplus on freehold land	Sub Total	Unappropriated profit	
	---- (RUPEES IN THOUSAND) ----						
Balance as at 01 July 2017	730,839	289,636	60,904	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	289,636	60,904	224,631	575,171	2,308,498	3,614,508
Profit for the year	-	-	-	-	-	716,350	716,350
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	716,350	716,350
Final dividend for the year ended 30 June 2018 at the rate of Re. 1 per share						(73,084)	(73,084)
Balance as at 30 June 2019	730,839	289,636	60,904	224,631	575,171	2,951,764	4,257,774

The annexed notes from 1 to 50 form an integral part of these financial statements.

Faiq Jawed
Chief Executive Officer

Sadaf Aamir Arshad
Director

Ghulam Muhammad
Chief Financial Officer

Notes to the Financial Statements

For the Year ended 30 June 2019

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, Sheikhupura Road, Faisalabad where the factory premises of the Company is also located. The Company is engaged in business of textile manufacturing which comprises spinning, weaving, stitching, buying, selling and otherwise dealing in yarn, fabrics and other goods.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

3. Basis of preparation

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.

3.1 Functional and presentation currency

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

3.2 Significant accounting judgments and critical accounting estimates / assumptions

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	4.7
Impairment of assets	4.2 and 4.7
Provision for taxation	4.6
Provisions and contingencies	4.4

4. Summary of 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 4.1 to these financial statements as follows:

4.1 Standards, interpretations and amendments to published approved accounting standards effective during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

IFRS 15 - Revenue from Contracts with Customers
IFRS 9 - Financial Instruments
IFRIC 22 - Foreign Currency Transactions and Advance Consideration
IAS 40 - Transfers of Investment Property (Amendments)
IFRS 2 - Classification and Measurement of Share Based Payment Transactions

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material impact on the financial statements.

4.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

4.2.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company is in the business to manufacture and sale yarn and fabric locally and also in the international markets. Yarn, fabric and madeups are sold both on their own in separately identifiable contracts.

The management reviewed and assessed the Company's existing contracts with the customers in accordance with the guidance included in IFRS 15. There is normally one performance obligation and the revenue recognition meets the criteria for recognition at a point in time. Hence there is no material impact on the revenue recognition of the Company.

Changes in accounting policies resulting from application of IFRS 15

i) **Revenue Recognition**
Revenue from contracts with customers for sale of yarn, fabric and madeups:
The Company recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step-1 Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step-2 Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step-3 Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step-4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step-5 Recognise revenue when (or as) the Company satisfies a performance obligation.

Mentioned below are different revenue streams of the Company and their terms of recognition of revenue after satisfying all the five steps of revenue recognition in accordance with IFRS 15.

a) **Sale of goods**
The Company's contracts with customers for the sale of goods generally include one performance obligation and recognized at a point of time. Revenue is recognized when goods are dispatched to customers and bill of lading is prepared for local sales and exports sales respectively. It is the time when control (significant risk and rewards) relating to ownership of goods and control over these goods has been transferred to the buyer.

b) **Dividend**
Dividend income is recognized when the Company's right to receive payment is established.

c) **Interest income**
Interest income is recognized using effective interest rate method.

Impact of adoption of IFRS 15 on the financial statements

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any significant impact on the revenue recognition of the Company because there is mostly one performance obligation and revenue is recognized at a point in time except for the terminologies that are to be used in accordance with IFRS 15 as mentioned in respective note to the financial statements and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is nil.

ii) **Presentation and disclosure requirements**

As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company has also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

4.2.2 IFRS 9 Financial Instruments

Changes in accounting policies resulting from application of IFRS 9

Financial instruments: assets

The Company applied IFRS 9 effective from 01 July 2018. All comparative numbers for financial year 2018 were prepared under IAS 39. This is the first year of IFRS 9 adoption and comparatives have not been restated.

i) **Classification and measurement of financial instruments**

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities and replaces IAS 39.

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects; the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet the solely payments of principal and interest ('SPPI') test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The Company determines the classification at initial recognition.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company does not have any financial asset designate fair value through other comprehensive income.

Financial assets at fair value through profit or loss

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test. Derivatives are classified as FVTPL as they do not meet the SPPI criteria.

A financial asset can be classified in this category by choice if so designated by management at inception. This designation is because the relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair value basis.

The Company defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company has designated all of its quoted equity investments at fair value through profit or loss (Note 26).

ii) **Initial recognition**

At initial recognition, an entity shall measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

iii) **Subsequent measurement**

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of debt instruments classified as fair value through other comprehensive income are recognised as other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised as other comprehensive income is recognised in the statement of profit or loss. Any premium or discount paid on the purchase of securities held at amortised cost is amortised through the statement of profit or loss using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Company establishes fair value by using appropriate valuation techniques.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has either transferred substantially all of the risks and rewards of ownership or the Company deems that it no longer retains control of the risks and rewards of ownership.

The Company has no modified financial instruments.

iv) **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. IFRS 9 requires impairment assessment on all of the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments measured at amortised cost or FVTOCI
- lease receivables; and
- loan commitments and financial guarantee contracts issued.

Under IFRS 9, no impairment loss is recognised on equity investments. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month Expected Credit Loss (ECL) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade debts have been grouped based on days overdue.

Financial instruments: liabilities

i) **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

ii) **Subsequent measurement**

Financial liabilities are subsequently measured at amortised cost.

iii) **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impacts of adoption of IFRS 9 on the financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9. The management has reviewed and assessed the Company's existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and has incorporated the same in the financial statements of the Company. The management has also concluded that the impact of impairment of these financial assets under IFRS 9 is insignificant for the Company's financial statements of prior year and accordingly no adjustment has been made to the figures reported in previous year. In addition to this, in the current year, management has assessed and concluded that impact of ECL is not material for the Company's financial statements. Therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is nil.

4.3 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.

4.4 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.

4.5 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.

4.6 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.

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.

4.7 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.

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 statement of profit or loss 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 in revaluation surplus in respect of same assets. The revaluation reserve is not available for distribution to the Company's shareholders.

Leased

Leased assets in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Leased assets are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of lease, less accumulated depreciation and any identified impairment loss.

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. Financial charges element of the rental is charged to statement of profit or loss.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned assets.

Capital work in progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

Capital work-in-progress is stated at cost less any impairment loss.

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 15.

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.

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.

4.8 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.

4.9 Investment in 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.

4.10 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.

4.11 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

4.12 Trade debts

Trade debts are initially measured at their transaction price under IFRS 15 and subsequently measured at amortised cost less any allowance for expected credit losses (ECL).

4.12.1 Allowance for expected credit losses (ECL)

Allowance for expected credit losses (ECLs) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

4.13 Other receivables

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

4.14 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 in current, savings 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.

4.15 Trade and other payables

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

4.16 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 statement of profit or loss as and when incurred.

4.17 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 reporting date. All resulting differences are taken to the statement of profit or loss. The Company do not translate Non-monetary assets and liabilities at the end of financial year.

4.18 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.

4.19 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 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 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.

4.20 Standards, Interpretations and Amendments to 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:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	01 January 2020
IFRS 3 - Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 July 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments)	01 July 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 11 - Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16 - Leases	01 January 2019
IAS 1 & IAS 8 - Definition of Material (Amendments)	01 January 2020
IAS 12 - Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalization	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	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.

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 do not have any impact on the Company's financial statements in the period of initial application.

The International Accounting Standards Board (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.

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

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

The Company expects that adoption of above new standards will not have any material impact on the Company's financial statements in the period of initial application.

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2019 (NUMBER OF SHARES)	2018		2019 (RUPEES IN THOUSAND)	2018
26,424,155	26,424,155	Ordinary shares of Rs. 10 each fully paid in cash	264,241	264,241
45,947,600	45,947,600	Ordinary shares of Rs. 10 each issued to shareholders of J.K. Fibre Mills Limited and Abid Faiq Textile Mills Limited under the scheme of merger	459,476	459,476
712,175	712,175	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	7,122	7,122
73,083,930	73,083,930		730,839	730,839

5.1 Movement during the year

73,083,930	60,903,275	Opening balance	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	Closing balance	730,839	730,839

	NOTE	2019 (RUPEES IN THOUSAND)	2018
6. CAPITAL RESERVES			
Composition of reserves is as follows:			
Capital reserve			
Merger reserve	(6.1)	289,636	289,636
Premium on issue of right shares	(6.1)	60,904	60,904
Revaluation surplus on freehold land	(6.2)	224,631	224,631
		575,171	575,171

6.1 This reserve can be utilized by the Company only for the purposes specified in Section 81 of the Companies Act, 2017.

6.2 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.

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
7. LONG TERM FINANCING			
Loans from banking companies - secured	(7.1)	1,430,867	1,103,613
Less: Current portion	(13)	238,984	231,974
		1,191,883	871,639

7.1 Loans from banking companies

Banking Companies	Note	Limit (Rupees in million)	Loan Amount Opening	Received	(Repaid)	Closing	Rate of interest	Repayment commence-ment date	Maturity date
			(RUPEES IN THOUSAND)						
Standard Chartered Bank (Pakistan) Limited (SCB)	7.2	350	99,000	-	(99,000)	-	SBP rate for LTFF +1.25%	November 2016	February 2019
Askari Bank Limited (AKBL)	7.3	188	57,972	93,972	(25,967)	125,977	SBP rate / 3 months Kibor for LTFF +1.25%	August 2016	June 2021
The Bank of Punjab (BOP)	7.4	800	348,710	392,924	(37,071)	704,563	SBP rate for LTFF +1.25% to 2.00%	September 2017	May 2024
National Bank of Pakistan (NBP)	7.5	600	597,931	-	(65,700)	532,231	SBP rate for LTFF +1.25%	October 2018	April 2024
Meezan Bank Limited	7.6	200	-	68,096	-	68,096	SBP rate for LTFF +1.25%	June 2019	June 2024
			1,103,613	554,992	(227,738)	1,430,867			

7.2 Purpose of this facility was to finance the capital expenditure of the Company and retire various letter of credits 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 was three years with six months grace period. The principal was to be repaid in ten, consecutive, quarterly instalments. It was secured against first specific charge of Rs. 267 million and 178 million over specific plant and machinery and personal guarantee of three Directors of the Company.

7.3 Purpose of this facility is to finance expansion and Balancing Modernization and Replacement (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 is to be repaid in eighteen, consecutive, quarterly instalments. 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.

7.4 This facility is obtained for retirement of spinning machinery letter of credits 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 is to be repaid in twenty, consecutive, quarterly instalments. This facility is secured against first specific charge of Rs. 303 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.

7.5 This facility was obtained in financial year 2017 to finance import of new machinery through retirement of import letter of credits 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 is to be repaid in twenty, consecutive, quarterly instalments. This facility is secured by way of specific hypothecation charge of Rs. 800 million and personal guarantee of three Directors of the Company.

7.6 This facility was obtained to finance generator / spinning machinery of the Company along with spares parts. As per terms of the agreement, principal is to be repaid on quarterly basis in five years with one year grace period. Only profit component will be paid in first four quarters. After expiry of grace period, facility will be repaid in 16 equal instalments. This facility is secured against generator and spinning machinery and advance rental of 25%.

7.7 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	2019	2018
		(RUPEES IN THOUSAND)	
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Future minimum lease payments		72,357	37,496
Less: Future finance charges		14,323	5,122
Present value of future minimum lease payments		58,034	32,374
Less: Current portion	(13)	16,257	8,200
		41,777	24,174

8.1 These relate to 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 ranges from 8.43% to 14.18% (2018: 7.90% to 8.00%) 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 instalment and surrender of security deposit paid under the agreement. These are secured against the leased assets.

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

	2019		2018	
	Within one year	Within two to five years	Within one year	Within two to five years
	(RUPEES IN THOUSAND)			
Future minimum lease payments	23,008	49,349	10,518	26,978
Less: Future finance charges	6,751	7,572	2,318	2,804
Present value of future minimum lease payments	16,257	41,777	8,200	24,174

		NOTE	2019	2018
			(RUPEES IN THOUSAND)	
9.	DEFERRED TAX LIABILITY			
	Deferred tax liability on taxable temporary differences arising in respect of:			
	- Accelerated tax depreciation		300,205	244,578
	Deferred tax asset on deductible temporary differences arising in respect of:			
	- Liabilities against assets subject to finance lease		(10,182)	(5,551)
	- Unrealized export trade debts		3,950	3,740
	- Minimum tax		-	(58,176)
	- Unused tax losses		-	(586)
	- Provision for doubtful tax refunds due from the Government		(19,158)	(5,291)
			(25,390)	(65,864)
			274,815	178,714
9.1	Movement in deferred tax balances is as follows:			
	At beginning of the year		178,714	131,574
	Recognized as deferred tax expense / (income) in profit and loss account:			
	- Accelerated tax depreciation		55,627	33,806
	- Liabilities against assets subject to finance lease		(4,631)	(4,331)
	- Unrealized export trade debts		210	3,740
	- Minimum tax		58,176	14,543
	- Provision for doubtful tax refunds due from the Government		(13,867)	(32)
	- Unused tax losses		586	(586)
			96,101	47,140
			274,815	178,714
10.	TRADE AND OTHER PAYABLES			
	Trade creditors		219,315	157,634
	Accrued liabilities		360,757	269,203
	Securities - interest free	(10.1)	684	672
	Retention money		8,034	3,915
	Income tax deducted at source		1,062	645
	Provision for Workers' Profit Participation Fund payable	(10.2)	47,545	22,630
	Provision for Workers' Welfare Fund payable		8,830	-
	Other payables		15,715	15,511
			661,942	470,210

10.1. This amount is utilized for the purpose of the business in accordance with the requirements of written agreements, in terms of Section 217 of the Companies Act, 2017.

		NOTE	2019	2018
10.2	Workers' Profit Participation Fund			
	Opening balance		22,630	3,277
	Interest for the year	(34)	982	134
	Provision for the year	(32)	47,545	22,630
	Payments during the year		(23,612)	(3,411)
	Closing balance	(10.2.1)	47,545	22,630

10.2.1 The Company retains Workers' Profit Participation Fund on 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.

		NOTE	2019	2018
			(RUPEES IN THOUSAND)	
11.	ACCRUED MARK-UP			
	Long term financing		8,350	9,615
	Liabilities against assets subject to finance lease		130	-
	Short term borrowings		67,436	28,283
			75,916	37,898
12.	SHORT TERM BORROWINGS			
	From banking companies - secured			
	Export refinance	(12.1)	780,000	805,000
	Short term running finance	(12.2)	26,410	107,699
	Cash finance	(12.3)	1,658,398	942,140
	Other short term finance	(12.4)	164,999	220,000
		(12.5)	2,629,807	2,074,839
	Unsecured			
	From directors	(12.6)	15,041	23,155
			2,644,848	2,097,994

12.1 Rate of markup is 3.00% (2018: 3.00%) per annum on the balance outstanding.

12.2 Rate of markup ranges from 8.42% to 12.49% (2018: 6.90% to 8.00%) per annum on the balance outstanding.

12.3 Rate of markup ranges from 7.63% to 13.89% (2018: 6.89% to 7.87%) per annum on the balance outstanding.

12.4 Rate of markup ranges from 7.16% to 14.15% (2018: 6.91% to 8.53%) per annum on the balance outstanding.

12.5 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 three Directors of the Company. Aggregate sanctioned limit is Rs. 6,475 million (2018: 6,475 million). Aggregate limit for opening letter of credits / guarantees / hedge is Rs. 3,000 million out of which, Rs. 2,520 million is sublimit of facilities mentioned above.

12.6 These represent interest free loans, to meet working capital requirements, obtained from Directors of the Company which are repayable on demand.

13.	CURRENT PORTION OF LONG TERM LIABILITIES			
	Current portion of long term financing	(7)	238,984	231,974
	Current portion of liabilities against assets subject to finance lease	(8)	16,257	8,200
			255,241	240,174

14. CONTINGENCIES AND COMMITMENTS

14.1 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. 31,600 thousand vide assessment order dated 10 August 2018. Being aggrieved with the order, the Company ffiled 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. 2,738 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) ACIR amended the assessment under section 122(5A) of the Ordinance by amending the Company's apportionment of expenses, disallowing certain expenses and created tax demand of Rs. 204,429 thousand for the tax year 2013 vide order dated 12 February 2019. Being aggrieved, the Company submitted application on 24 April 2019 for rectification and simultaneously filed an appeal with CIR(A) which is pending adjudication.

vi) Additional Commissioner Inland Revenue after re-assessment under section 122(5A) of the Ordinance by amending the Company's apportionment of expenses, disallowing certain expenses, created tax demand of Rs. 178,887 thousand for the tax year 2015 vide order dated 7 January 2019. Being aggrieved, the Company filed an appeal with CIR(A) which is pending adjudication.

vii) 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.

viii) Deputy Commissioner Inland Revenue passed Order-in-Original No.60/2016 dated 11 April 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 CIR(A), 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 ATIR Lahore who remanded back the case to CIR(A) vide Order STA.No85/LB/17 dated 28 March 2018. Case is still pending for adjudication.

ix) 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.

x) Inland Revenue Audit Officer passed Order-in-Original No.69/2019 dated 27 June 2019 for the recovery of inadmissible input tax Rs.3,377 thousand stands recoverable under section 11(2) of the Sales Tax Act,1990 along with default surcharge (to be calculated at the date of actual payment/recovery) under section 34(1) of the Act. The Company filed appeal before Commissioner, I-R (Appeals), RTO, Faisalabad which is pending for adjudication.

xi) Assistant Commissioner Inland Revenue passed Order-in-Original No.34/2019 dated 16.05.2019 for the recovery further tax of Rs.39,483 thousand at the rate prescribed under section 3(1A) of the Sales Tax Act,1990 (i.e. @2%) against supplies made to unregistered person is held recoverable from the registered person under section 11(2) of the Sales Tax Act,1990 along with default surcharge under section 34(1) and penalty under section 33(19) of the Sales Tax Act, 1990.The Company filed appeal before Commissioner, I-R (Appeals), RTO, Faisalabad which 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 amounting to Rs. 241,001 thousand (2018: Rs. 126,055 thousand) are given by the banks of the Company to Sui Northern Gas Pipelines Limited and Faisalabad Electric Supply Company Limited against gas connections and electricity connection respectively.

ii) Post dated cheques of Rs. 309,202 thousand (2018: Rs. 236,755 thousand) have been 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 can be encashed by the Custom authorities.

14.2 Commitments

i) Letters of credit for capital expenditure are of Rs. 22,407 thousand (2018: Rs. 45,188 thousand).

ii) Letters of credit other than for capital expenditure are of Rs. 191,434 thousand (2018: Rs. 201,923 thousand).

iii) Outstanding foreign currency forward contracts are of Rs. Nil (2018: Rs. 44,095 thousand).

		NOTE	2019 (RUPEES IN THOUSAND)	2018
15.	OPERATING FIXED ASSETS			
	Operating fixed assets:			
	- Owned	(15.1)	4,080,643	3,200,955
	- Leased	(15.2)	92,686	45,228
			4,173,329	3,246,183

Notes to the Financial Statements

For the Year ended 30 June 2019

15.1 Owned

Particulars	Cost: As at 01 July 2018	Cost: Addition	Cost: Disposal	Cost: Transfer from/(to) leased assets	Cost: As at 30 June 2019	Rate (%)	Depreciation: As at 01 July 2018	Depreciation: For the year	Depreciation: Disposal	Depreciation: Transfer from/(to) leased assets	Depreciation: As at 30 June 2019	Net book value as at 30 June 2019
	2019											
	---------- (RUPEES IN THOUSAND) ----------											
Freehold land												
- Cost	67,400	16,092	-	-	83,492		-	-	-	-	-	83,492
- Revaluation surplus	224,631	-	-	-	224,631		-	-	-	-	-	224,631
	292,031	16,092	-	-	308,123		-	-	-	-	-	308,123
Buildings on freehold land	753,072	248,728	-	-	1,001,800	10	396,265	44,711	-	-	440,976	560,824
Plant and machinery	3,603,647	878,950	(24,594)	-	4,458,003	10	1,454,127	228,811	(13,822)	-	1,669,116	2,788,887
Stand-by equipment	234,698	-	-	-	234,698	10	92,125	14,257	-	-	106,382	128,316
Electric installations and appliances	326,955	8,876	(17,113)	-	318,718	10	191,483	13,766	(13,640)	-	191,609	127,109
Factory equipment	61,267	24,148	-	-	85,415	10	30,288	3,917	-	-	34,205	51,210
Furniture and fixtures	15,132	-	-	-	15,132	10	6,931	820	-	-	7,751	7,381
Office equipment	29,664	-	-	-	29,664	30	25,519	1,244	-	-	26,763	2,901
Vehicles	156,037	51,323	(13,009)	-	194,351	20	74,810	20,643	(6,994)	-	88,459	105,892
	5,472,503	1,228,117	(54,716)	-	6,645,904		2,271,548	328,169	(34,456)	-	2,565,261	4,080,643

15.2 Leased

Particulars	Cost: As at 01 July 2018	Cost: Addition	Cost: Disposal	Cost: Transfer from/(to) leased assets	Cost: As at 30 June 2019	Rate (%)	Depreciation: As at 01 July 2018	Depreciation: For the year	Depreciation: Disposal	Depreciation: Transfer from/(to) leased assets	Depreciation: As at 30 June 2019	Net book value as at 30 June 2019
Vehicles	53,318	57,461	-	-	110,779	20	8,090	10,003	-	-	18,093	92,686

Owned

2018

Particulars	Cost					Rate (%)	Depreciation					Net book value as at 30 June 2018
	As at 01 July 2017	Addition	Disposal	Transfer from/(to) leased assets	As at 30 June 2018		As at 01 July 2017	For the year	Disposal	Transfer from/(to) leased assets	As at 30 June 2018	
	(RUPEES IN THOUSAND)											
Freehold land												
- Cost	59,466	7,934	-	-	67,400		-	-	-	-	-	67,400
- Revaluation surplus	224,631	-	-	-	224,631		-	-	-	-	-	224,631
	284,097	7,934	-	-	292,031		-	-	-	-	-	292,031
Buildings on freehold land	663,062	90,010	-	-	753,072	10	363,945	32,320	-	-	396,265	356,807
Plant and machinery	2,863,532	773,550	(33,435)	-	3,603,647	10	1,288,135	192,968	(26,976)	-	1,454,127	2,149,520
Stand-by equipment	234,698	-	-	-	234,698	10	76,284	15,841	-	-	92,125	142,573
Electric installations and appliances	319,832	7,123	-	-	326,955	10	176,744	14,739	-	-	191,483	135,472
Factory equipment	61,267	-	-	-	61,267	10	26,846	3,442	-	-	30,288	30,979
Furniture and fixtures	15,132	-	-	-	15,132	10	6,020	911	-	-	6,931	8,201
Office equipment	29,664	-	-	-	29,664	30	23,743	1,776	-	-	25,519	4,145
Vehicles	152,677	57,630	(20,085)	22,500	156,037	20	63,262	18,922	(15,722)	10,628	74,810	81,227
				(56,685)						(2,280)		
	4,623,961	936,247	(53,520)	(34,185)	5,472,503		2,024,979	280,919	(42,698)	8,348	2,271,548	3,200,955
Leased												
Vehicles	22,500	2,167	-	51,151 *	53,318	20	9,780	6,658	-	2,280	8,090	45,228
				(22,500)						(10,628)		
	22,500	2,167	-	28,651	53,318		9,780	6,658	-	2,280	8,090	45,228

* 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 2019

	NOTE	2019 (RUPEES IN THOUSAND)	2018
15.3 Depreciation charge for the year has been allocated as follows:			
Cost of revenue			
- Owned assets		305,462	259,310
Administrative expenses			
- Owned assets		22,706	21,609
- Leased assets		10,003	6,658
	(31)	32,709	28,267
		338,171	287,577

15.4 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 of buyer	Relation of buyer with the Company
	Nos.	----------- (RUPEES IN THOUSAND) -----------							
Plant and machinery									
Ginning Machine Sangli 15 HP	1	1,132	578	554	225	(329)	Negotiation	Symbols	Third party
Ginning Machine Separata Power 15 HP	1	262	127	135	55	(80)	Negotiation	Symbols	Third party
Ginning Machine Jhamba	1	139	68	71	29	(42)	Negotiation	Symbols	Third party
Ginning Machine Stick Machine Lummus	1	673	326	347	141	(206)	Negotiation	Symbols	Third party
Ginning Machine Suction Fan	1	645	313	332	136	(196)	Negotiation	Symbols	Third party
Ginning Machine Double Rolling Ginning 54"	25	14,122	7,211	6,911	2,820	(4,091)	Negotiation	Symbols	Third party
Ginning Machine Bale Press	1	3,806	1,943	1,863	760	(1,103)	Negotiation	Symbols	Third party
Simplex Frame Fl 16 - 9	1	3,815	3,256	559	660	101	Negotiation	Tauseef Brothers	Third party
		24,594	13,822	10,772	4,826	(5,946)			
Electric installation & appliances									
Generator Diesel Powered Power Rating 1400 KVA Speed: 1500 RPM	1	17,113	13,640	3,473	3,623	150	Negotiation	Universal Energy System	Third party
		17,113	13,640	3,473	3,623	150			
Vehicles type: Cars									
Suzuki Cultus FDA-12-674	1	980	734	246	308	62	Company Policy	Zahid Nadeem	Employee
Toyota Altis AJ-270	1	1,720	1,212	508	810	302	Company Policy	Zahir Shah	Employee
Suzuki Swift LEE-13-2629	1	1,310	924	386	433	47	Company Policy	Qayyum Mohsin Malik	Employee
Suzuki Mehran FD-741	1	630	422	208	203	(5)	Company Policy	Naeem Sajid	Employee
Suzuki Mehran FD-486	1	635	421	214	221	7	Company Policy	Abdul Waheed	Employee
Suzuki Swift FD-17-160	1	1,345	425	920	1,123	203	Insurance Claim	IGI Insurance Limited	Third party
Mini Truck - FDS-14-841	1	1,308	843	465	690	225	Negotiation	Abdul Rauf	Third party
Toyota Prius 1.8L 1800CC	1	3,800	1,246	2,554	3,800	1,246	Company Policy	Qayyum Mohsin Malik	Employee
Vehicles type: Motor Bikes									
Honda CG 125 FDM-3135	1	106	63	43	43	-	Company Policy	Shahid Ali Patwari	Employee
Honda CD-70 FDN-9292	1	73	43	30	29	(1)	Company Policy	Muhammad Shahbaz	Employee
Honda 100 Pridor FDK-743	1	89	54	35	35	-	Company Policy	Abdul Razzaq	Employee
Honda CD-70 FDV-9897	1	76	45	31	26	(5)	Company Policy	Syed Taseer Haider Shah	Employee
Honda CD-70 FDK-806	1	72	44	28	29	1	Company Policy	Anwar Sajjad	Employee
Honda CG-125 FDW-14-6665	1	106	64	42	43	1	Company Policy	Umer Farooq	Employee
Honda CG-125 FDW-14-6677	1	106	63	43	43	-	Company Policy	Salman Jawed	Employee
Honda CD 70 FDK-15-9678	1	70	41	29	29	-	Company Policy	Shabbir Hussain	Employee
Honda CG-125 FDM-15-9717	1	106	62	44	42	(2)	Company Policy	Muhammad Yousaf	Employee
Honda CD-70 FDP-4820	1	66	39	27	26	(1)	Company Policy	Malik Aziz	Employee

Notes to the Financial Statements

For the Year ended 30 June 2019

Description	Qty.	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of buyer	Relation of buyer with the Company
	Nos.	----------- (RUPEES IN THOUSAND) -----------							
Honda CD 70 FDW-14-4205	1	74	43	31	30	(1)	Company Policy	Ali Asghar	Employee
Honda 100 Pridor FDN-15-9876	1	89	52	37	35	(2)	Company Policy	Ghulam Abbas	Employee
Honda CD 70 FDP-15-9476	1	64	37	27	26	(1)	Company Policy	Khalil Ahmad	Employee
Honda CG-125 FDO-13-431	1	98	66	32	98	66	Negotiation	Muhammad Sultan	Third party
Honda 100 Pridor FDI-15-9897	1	86	50	36	36	-	Company Policy	Muhammad Shabbir	Employee
		13,009	6,993	6,016	8,158	2,142			
		54,716	34,455	20,261	16,607	(3,654)			

15.5 Forced sale value of freehold land as per the last revaluation report as of June 30, 2017 was Rs. 230,000 thousand.

15.6 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, Sheikhupura 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
Chak 74, Jarranwala, Faisalabad	Processing unit	18.49	100,678
		463.83	1,158,019

		2019	2018
		(RUPEES IN THOUSAND)	
16.	CAPITAL WORK IN PROGRESS		
	Buildings on freehold land	143,842	109,729
	Plant and machinery	4,592	173,416
		148,434	283,145

		Building		PLANT AND MACHINERY	
		2019	2018	2019	2018
		(RUPEES IN THOUSAND)		(RUPEES IN THOUSAND)	
16.1	Movement in capital work in progress is as follows:				
	Opening balance	109,729	147,499	173,416	24,575
	Additions during the year	282,841	52,240	144,197	204,897
	Capitalized during the year	(248,728)	(90,010)	(313,021)	(56,056)
		143,842	109,729	4,592	173,416

Notes to the Financial Statements

For the Year ended 30 June 2019

		NOTE	2019	2018
			(RUPEES IN THOUSAND)	
17.	LONG TERM INVESTMENT			
	Investment in associate			
	J.K. Tech (Private) Limited - unquoted	(17.1)		
	450 (2018: 450) ordinary shares of Rs. 10 each		5	5
	Less: Accumulated impairment		(5)	(5)
			-	-

17.1 The Company holds 30% (2018: 30%) shares in J.K. Tech (Private) Limited, a limited liability 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 Company has provided for the investment in full as J.K. Tech (Private) Limited has negative equity at year end.

17.2 Cumulative unrecognised share of losses, both for the period and cumulatively, amount to Rs. 2,802 thousand (2018: Rs. 4,676 thousand).

		2019	2018
18.	LONG TERM DEPOSITS AND ADVANCES		
	Deposits	170	105
	Advances against vehicles	25,556	41,196
		25,726	41,301
19.	STORES, SPARE PARTS AND LOOSE TOOLS		
	Stores	59,778	66,612
	Spare parts	25,991	28,606
	Loose tools	866	230
		86,635	95,448
20.	STOCK-IN-TRADE		
	Raw materials		
	- In hand	2,382,329	1,475,677
	- In transit	118,320	-
		2,500,649	1,475,677
	Work-in-process		
	- In hand	267,712	303,907
	- With third parties	209,488	214,808
		477,200	518,715
	Finished goods		
	- In hand	568,580	185,151
	- With third parties	180,391	245,083
		748,971	430,234
	Waste	20,034	36,559
		3,746,854	2,461,185

20.1 Stock-in-trade of Rs. 17,324 thousand (2018: Rs. 24,244 thousand) is being carried at net realizable value.

Notes to the Financial Statements

For the Year ended 30 June 2019

		NOTE	2019	2018
			(RUPEES IN THOUSAND)	
21.	TRADE DEBTS			
	Foreign, considered good:			
	- secured		220,549	267,847
	- unsecured		174,445	106,147
			394,994	373,994
	Local, considered good:			
	- unsecured		393,073	493,015
	Less: Allowance for expected credit losses		(1,794)	-
			391,279	493,015
			786,273	867,009

21.1 The ageing of trade debts at statement of financial position date was:

		2019	2018
	Age analysis of trade debts - not impaired		
	Not past due	325,678	284,186
	Upto 1 month	281,089	446,187
	1 to 6 months	172,876	133,330
	More than 6 months	6,630	3,306
		786,273	867,009

21.2 As at 30 June 2019, trade debts of Rs. 98 thousand (2018: Rs. 101 thousand) were impaired and written off. These trade debts aged more than two years. The written off trade debts do not include amounts due from related parties.

		NOTE	2019	2018
22.	ADVANCES			
	Advance to staff - secured, considered good			
	Executives:			
	- against salary		219	219
	Other employees:			
	- against expenses		3,456	3,521
	- against salary		2,404	823
			5,860	4,344
		(22.1)	6,079	4,563
	Advance to suppliers against goods and services- considered good			
	- unsecured		25,807	39,306
	- secured		3,237	39,756
			29,044	79,062
			35,123	83,625

22.1 Advances to staff 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 adjusted against final settlement of staff provident fund.

Notes to the Financial Statements
For the Year ended 30 June 2019

		NOTE	2019 (RUPEES IN THOUSAND)	2018 (RUPEES IN THOUSAND)
23.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	Deposits		3,017	3,017
	Prepayments		4,226	3,577
			7,243	6,594
24.	OTHER RECEIVABLES			
	Considered good:			
	Drawback of local taxes and levies		31,091	77,549
	Export rebate		12,366	19,955
	Miscellaneous		13,210	9,409
			56,667	106,913
25.	TAX REFUNDS DUE FROM THE GOVERNMENT			
	Income tax refundable		210,482	170,547
	Sales tax and federal excise duty refundable		202,582	200,077
			413,064	370,624
	Less: Provision for doubtful tax refunds due from the Government		(109,195)	(30,858)
			303,869	339,766
25.1	Provision for doubtful tax refunds due from the Government			
	Balance as at 01 July		30,858	30,858
	Add: Provision for the year		78,337	-
	Balance as at 30 June		109,195	30,858
26.	SHORT TERM INVESTMENTS			
	Investment in Government Bonds - Refund Payment Orders	(26.1)	34,913	-
	Securities held at fair value through profit or loss		16,680	31,277
			51,593	31,277

26.1 This represents investment in three year Government bonds issued by the Government of Pakistan at 10% simple interest rate, payable at the end of tenure, against Refund Rayment Orders issued in the name of the Company.

26.2 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 01 July 2018.

	2019	2018
Held for trading securities:		
Opening balance	31,277	33,843
Reclassified to fair value through profit or loss under IFRS 9	(31,277)	-
Purchases	-	23,709
Redemptions	-	(16,072)
Change in fair value	-	(10,203)
Closing balance	-	31,277

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
Investments at FV through profit or loss:			
Opening balance		-	-
Reclassified to fair value through profit or loss under IFRS 9		31,277	-
Purchases		-	-
Redemptions		(1,568)	-
Fair value adjustment		(13,029)	-
Closing balance		16,680	-

The Company applied IFRS 9 effective from 01 July 2018. The classification, measurement and impairment requirements were applied through modified retrospective approach by adjusting the opening statement of financial position at the date of initial application. Investments in equity instruments were previously classified as held for trading under IAS 39, and have been reclassified to fair value through profit or loss (Note 26.4 and Note 26.3, respectively) under IFRS 9.

26.3 SHORT TERM INVESTMENTS

	2019			2018		
	Carrying value	Fair value adjust-ment	Market value	Carrying value	Fair value adjust-ment	Market value
	(RUPEES IN THOUSAND)					
Investments at fair value through profit or loss as per IFRS 9						
Shares in listed companies:						
Attock Refinery Limited						
14,000 (2018: 14,000l) fully paid ordinary shares of Rupees 10 each	3,014	(1,662)	1,352	-	-	-
D.G. Khan Cement Company Limited						
10,000 (2018: 10,000) fully paid ordinary shares of Rupees 10 each	1,145	(581)	565	-	-	-
National Refinery Limited						
1,000 (2018: 1,000) fully paid ordinary shares of Rupees 10 each	443	(330)	113	-	-	-
Pakistan State Oil Company Limited						
18,000 (2018: 18,000) fully paid ordinary shares of Rupees 10 each	5,729	(2,066)	3,663	-	-	-
Akzo Nobel Pakistan Limited						
12,000 (2018: 12,000) fully paid ordinary shares of Rupees 10 each	2,241	(1,041)	1,200	-	-	-
Habib Bank Limited						
13,200 (2018: 13,200) fully paid ordinary shares of Rupees 10 each	2,197	(702)	1,495	-	-	-
Ghandhara Industries Limited						
6,000 (2018: 6,000) fully paid ordinary shares of Rupees 10 each	4,240	(3,192)	1,048	-	-	-
The Searle Company Limited						
6,000 (2018: 6,000) fully paid ordinary shares of Rupees 10 each	2,037	(1,026)	1,011	-	-	-
United Bank Limited						
5,000 (2018: 5,000) fully paid ordinary shares of Rupees 10 each	845	(108)	737	-	-	-

	2019 Carrying value	2019 Fair value adjust-ment	2019 Market value	2018 Carrying value	2018 Fair value adjust-ment	2018 Market value
	-----------------(RUPEES IN THOUSAND)-----------------					
International Steels Limited						
5,000 (2018: 5,000) fully paid ordinary shares of Rupees 10 each	509	(310)	199	-	-	-
Lucky Cement Limited						
12,950 (2018: 12,950) fully paid ordinary shares of Rupees 10 each	6,578	(1,651)	4,927	-	-	-
Dost Steels Limited						
75,000 (2018: 75,000) fully paid ordinary shares of Rupees 10 each	594	(335)	259	-	-	-
	29,572	(13,004)	16,569	-	-	-
Certificates in closed end mutual fund:						
NBP NAFA Stock Fund						
9,273 (2018: 9,273) units held	136	(25)	111	-	-	-
	29,708	(13,029)	16,680	-	-	-

26.4 SHORT TERM INVESTMENTS

	2019 Carrying value	2019 Unreal-ized (loss) / gain	2019 Market value	2018 Carrying value	2018 Unreal-ized (loss) / gain	2018 Market value
	-----------------(RUPEES IN THOUSAND)-----------------					
Held for trading under IAS 39						
Shares in listed companies:						
Attock Refinery Limited						
14,000 (2018: 14,000l) fully paid ordinary shares of Rupees 10 each	-	-	-	5,253	(2,239)	3,014
D.G. Khan Cement Company Limited						
10,000 (2018: 10,000) fully paid ordinary shares of Rupees 10 each	-	-	-	2,132	(987)	1,145
National Refinery Limited						
1,000 (2018: 1,000) fully paid ordinary shares of Rupees 10 each	-	-	-	726	(283)	443
Pakistan State Oil Company Limited						
18,000 (2018: 18,000) fully paid ordinary shares of Rupees 10 each	-	-	-	5,860	(131)	5,729
Akzo Nobel Pakistan Limited						
12,000 (2018: 12,000) fully paid ordinary shares of Rupees 10 each	-	-	-	2,755	(514)	2,241
Habib Bank Limited						
13,200 (2018: 13,200) fully paid ordinary shares of Rupees 10 each	-	-	-	3,502	(1,305)	2,197
Ghandhara Industries Limited						
6,000 (2018: 6,000) fully paid ordinary shares of Rupees 10 each	-	-	-	4,064	176	4,240

	2019 Carrying value	2019 Fair value adjust-ment	2019 Market value	2018 Carrying value	2018 Unre-alized gain	2018 Market value
	-----------------(RUPEES IN THOUSAND)-----------------					
Engro Corporation Limited						
5,000 (2018: 5,000) fully paid ordinary shares of Rupees 10 each	-	-	-	1,630	(61)	1,569
The Searle Company Limited						
6,000 (2018: 6,000) fully paid ordinary shares of Rupees 10 each	-	-	-	2,575	(538)	2,037
United Bank Limited						
5,000 (2018: 5,000) fully paid ordinary shares of Rupees 10 each	-	-	-	1,178	(333)	845
International Steels Limited						
5,000 (2018: 5,000) fully paid ordinary shares of Rupees 10 each	-	-	-	639	(130)	509
Lucky Cement Limited						
12,950 (2018: 12,950) fully paid ordinary shares of Rupees 10 each	-	-	-	10,155	(3,577)	6,578
Dost Steels Limited						
75,000 (2018: 75,000) fully paid ordinary shares of Rupees 10 each	-	-	-	875	(281)	594
	-	-	-	41,344	(10,203)	31,141
Certificates in closed end mutual fund:						
NBP NAFA Stock Fund						
9,273 (2018: 9,273) units held	-	-	-	150	(14)	136
	-	-	-	41,494	(10,217)	31,277

	NOTE	2019 (RUPEES IN THOUSAND)	2018 (RUPEES IN THOUSAND)
27. CASH AND BANK BALANCES			
Cash in hand		13,715	1,224
Balance with banks:			
- Current accounts	(27.1)	58,396	26,786
- Saving accounts	(27.2)	1,636	25
		60,032	26,811
		73,747	28,035

27.1 It includes USD 12,634 (2018: USD 26,036) held in foreign currency.

27.2 Rate of profit on bank deposits ranges from 10.25% to 11% (2018: 3.00% to 4.50%) per annum.

	NOTE	2019	2018
28. REVENUE FROM CONTRACTS WITH CUSTOMERS			
Export sales		5,207,495	3,967,264
Local sales	(28.1)	8,404,359	5,854,030
Export rebate and duty drawback		75,263	78,790
		13,687,117	9,900,084

		2019	2018
		(RUPEES IN THOUSAND)	
28.1	Local sales		
	Sales	8,127,703	5,657,424
	Waste	286,520	199,939
		8,414,223	5,857,363
	Less: Sales tax	(9,864)	(3,333)
		8,404,359	5,854,030

28.2 Set out below the disaggregation of the Company's revenue from contracts with customer.

Segments	For the year ended 30 June 2019		
	Spinning	Fabric	Total
	(RUPEES IN THOUSAND)		
Revenue:			
Sale of yarn	8,428,255	-	8,428,255
Sale of fabric	-	4,972,341	4,972,341
Sale of waste	239,667	46,854	286,521
Total revenue from contracts with customers	**8,667,922**	**5,019,195**	**13,687,117**
Geographic markets:			
Pakistan	8,248,057	157,877	8,405,934
Australia	-	21,895	21,895
Bangladesh	90,637	-	90,637
Belgium	-	73,419	73,419
Cuba	-	6,858	6,858
Cyprus	-	8,699	8,699
Ecuador	-	136,776	136,776
Egypt	175,720	-	175,720
Finland	-	1,405	1,405
France	-	1,349,475	1,349,475
Hong Kong	10,269	-	10,269
India	7,221	-	7,221
Italy	13,649	28,202	41,851
Jamaica	-	17,474	17,474
Jordan	-	12,242	12,242
Kuwait	-	10,296	10,296
Mexico	-	101,396	101,396
Poland	-	14,798	14,798
Portugal	56,435	90,403	146,838
Spain	7,567	511,695	519,262
Switzerland	-	18,285	18,285
Tunisia	-	5,871	5,871
Turkey	58,367	-	58,367
UK	-	1,703,823	1,703,823
USA	-	748,306	748,306
Total revenue from contracts with customers	**8,667,922**	**5,019,195**	**13,687,117**
Timing of revenue recognition			
Goods transferred at a point in time	**8,667,922**	**5,019,195**	**13,687,117**

Segments	For the year ended 30 June 2018		
	Spinning	Fabric	Total
	(RUPEES IN THOUSAND)		
Revenue:			
Sale of yarn	6,236,854	-	6,236,854
Sale of fabric	-	3,463,291	3,463,291
Sale of waste	182,134	17,805	199,939
Total revenue from contracts with customers	**6,418,988**	**3,481,096**	**9,900,084**
Geographic markets:			
Pakistan	5,787,171	66,860	5,854,031
Australia	-	75,783	75,783
Bangladesh	115,814	-	115,814
Belgium	-	12,799	12,799
China	20,819	-	20,819
Cuba	-	5,977	5,977
Ecuador	-	42,891	42,891
Egypt	353,203	-	353,203
Ecuador	-	14,312	14,312
France	-	921,223	921,223
Italy	10,972	33,124	44,096
Jamaica	-	17,273	17,273
Macao	31,999	-	31,999
Mexico	-	36,172	36,172
Portugal	35,814	72,425	108,239
Spain	-	357,415	357,415
Switzerland	-	14,684	14,684
Taiwan	5,368	-	5,368
Turkey	57,828	-	57,828
UK	-	1,346,060	1,346,060
USA	-	464,098	464,098
Total revenue from contracts with customers	**6,418,988**	**3,481,096**	**9,900,084**
Timing of revenue recognition			
Goods transferred at a point in time	**6,418,988**	**3,481,096**	**9,900,084**

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
29. COST OF REVENUE			
Raw materials consumed	(29.1)	8,616,428	6,185,444
Stores, spare parts and loose tools consumed		157,370	147,679
Packing materials consumed		211,076	131,284
Processing, sizing and conversion charges		1,049,349	809,085
Fuel and power		926,608	900,434
Salaries, wages and other benefits	(29.2)	717,055	561,106
Depreciation	(15.3)	305,462	259,310
Repair and maintenance		19,160	23,959
Insurance		15,474	10,959
Other factory overheads		15,623	11,317
		12,033,605	9,040,577

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For the Year ended 30 June 2019

		NOTE	2019	2018
			(RUPEES IN THOUSAND)	
	Work-in-process			
	Opening stock		518,715	397,647
	Closing stock		(477,200)	(518,715)
		(20)	41,515	(121,068)
	Cost of goods manufactured		12,075,120	8,919,509
	Finished goods			
	Opening stock		466,793	402,476
	Closing stock		(769,005)	(466,793)
		(20)	(302,212)	(64,317)
			11,772,908	8,855,192
29.1	Raw materials consumed			
	Opening stock		1,475,677	1,125,876
	Add: Purchased during the year		9,641,400	6,535,245
			11,117,077	7,661,121
	Closing stock		(2,500,649)	(1,475,677)
			8,616,428	6,185,444

29.2 Salaries, wages and other benefits include provident fund contribution of Rs. 16,844 thousand (2018: Rs. 14,242 thousand) by the Company.

		NOTE	2019	2018
30.	DISTRIBUTION COST			
	Salaries and other benefits	(30.1)	13,592	13,205
	Ocean freight		122,846	100,875
	Commission and brokerage		152,681	98,654
	Travelling and conveyance		12,897	12,173
	Local freight		22,941	22,084
	Shipping expenses		13,165	13,609
	Export development surcharge		14,237	9,393
	Fee and subscription		467	291
	Advertisement		6,179	3,906
	Business promotion		14,126	1,068
	Insurance		1,927	1,044
	Miscellaneous		142	25
			375,200	276,327

30.1 Salaries and other benefits include provident fund contribution of Rs. 719 thousand (2018: Rs. 921 thousand) by the Company.

		NOTE	2019	2018
31.	ADMINISTRATIVE EXPENSES			
	Salaries and other benefits	(31.1)	153,997	130,166
	Legal and professional		318	719
	Insurance		3,315	3,428
	Travelling and conveyance		45,129	55,835
	Vehicles' running		15,047	11,489
	Entertainment		5,085	4,306
	Auditors' remuneration	(31.2)	1,575	1,575

Notes to the Financial Statements

For the Year ended 30 June 2019

		NOTE	2019	2018
			(RUPEES IN THOUSAND)	
	Advertisement		258	516
	Communication		8,783	6,685
	Utilities		468	175
	Printing and stationery		2,115	1,817
	Repair and maintenance		1,207	1,905
	Fee and subscription		16,024	10,274
	Depreciation	(15.3)	32,709	28,267
	Other charges		11,749	16,499
			297,779	273,656

31.1 Salaries and other benefits include provident fund contribution of Rs. 5,790 thousand (2018: Rs. 4,951 thousands) by the Company.

		NOTE	2019	2018
31.2	Auditors' remuneration:			
	Statutory audit		1,300	1,300
	Half yearly review and other certifications		125	125
	Out of pocket expenses		150	150
			1,575	1,575
32.	OTHER OPERATING EXPENSES			
	Donations	(32.1)	3,462	1,896
	Loss on sale of property, plant and equipment		3,654	-
	Loss on sale and leaseback transaction		-	5,534
	Unrealized loss on re-measurement of investment at fair value through profit or loss	(26)	13,004	10,217
	Trade debts written off	(21.2)	98	101
	Provision for expected credit losses	(21)	1,794	-
	Provision for doubtful tax refunds due from Government		78,337	-
	Loss on forward rate agreement		13,035	-
	Workers' Profit Participation Fund	(10.2)	47,545	22,630
	Workers' Welfare Fund		8,830	-
			169,759	40,378

32.1 None of the Directors or their spouses has any interest in the donee.

		NOTE	2019	2018
33.	OTHER INCOME			
	Income from financial assets	(33.1)	199,604	119,876
	Income from non-financial assets	(33.2)	8,945	57,922
			208,549	177,798
33.1	Income from financial assets			
	Net exchange gain		198,600	114,743
	Dividend income on investments at fair value through profit or loss		863	1,220
	Gain on forward rate agreement		-	3,343
	Gain on sale of investments at fair value through profit or loss		141	570
			199,604	119,876

		NOTE	2019	2018
			(RUPEES IN THOUSAND)	
33.2	Income from non-financial assets			
	Gain on sale of property, plant and equipment		-	4,194
	Amortization of deferred income on sale and lease back	(33.2.1)	-	35
	Credit balances written back		2,553	50,000
	Rental income		1,920	1,920
	Scrap sales		4,472	1,773
			8,945	57,922

33.2.1 The Company had entered into sale and leaseback arrangement of operating fixed assets in the last year. Excess of sales proceeds over carrying amount of operating fixed assets was deferred and being amortized over the lease term.

		NOTE	2019	2018
34.	FINANCE COSTS			
	Mark up on:			
	- Long term financing		49,452	36,467
	- Liabilities against assets subject to finance lease		3,289	1,358
	- Short term borrowings		305,944	142,311
			358,685	180,136
	Interest on Workers' Profit Participation Fund	10.2	982	134
	Bank charges and commission		26,817	22,224
			386,484	202,494

		2019	2018
35.	TAXATION		
	Income tax:		
	Current	90,109	45,282
	Prior year adjustment	(9,024)	(515)
		81,085	44,767
	Deferred tax:		
	Relating to origination and reversal of temporary differences	96,101	60,320
	Relating to change in tax rate	-	(13,180)
		96,101	47,140
		177,186	91,907

		2019
35.1	Tax reconciliation	
	Profit before taxation	893,536
	Tax @ 29% (2018: 29%)	259,125
	Effect of expenses not allowed for tax	5,441
	Effect of credit under section 65B	(26,167)
	Tax impact of Prior Years	(9,024)
	Minimum tax credits	(71,901)
	Impact of super tax	13,750
	Others	5,962
	Net tax charged	177,186
	Average effective tax rate	20%

35.2 The numerical reconciliation between the average tax rate and applicable tax rate has not been presented for last year as the total income of the Company attracted minimum tax under section 113 of the Income Tax Ordinance, 2001.

35.3 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 2019 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on October 02, 2019 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

		2019	2018
36.	EARNING PER SHARE - BASIC AND DILUTED		
	Profit attributable to ordinary shareholders (Rupees in thousand)	716,350	337,928
	Weighted average number of ordinary shares (Numbers)	73,083,930	73,083,930
	Earnings per share (Rupees)	9.80	4.62

		NOTE	2019	2018
			(RUPEES IN THOUSAND)	
37.	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		893,536	429,835
	Adjustment for:			
	Depreciation	(15)	338,171	287,577
	Amortization of deferred income on sale and leaseback		-	(35)
	Trade debts written off		98	101
	Provision for expected credit losses	(32)	1,794	-
	Credit balances written back		(2,553)	(50,000)
	Finance cost	(34)	386,484	202,494
	Provision for Workers' Profit Participation Fund	(32)	47,545	22,630
	Provision for Workers' Welfare Fund	(32)	8,830	-
	Loss / (gain) on sale of property, plant and equipment		3,654	(4,194)
	Loss on sale and leaseback transaction		-	5,534
	Loss / (gain) on forward rate agreement	(32)	13,035	(3,343)
	Gain on sale of investments at fair value through profit or loss		(141)	(570)
	Unrealized loss on re-measurement of investments at fair value through profit or loss	(32)	13,004	10,203
	Working capital changes	(37.1)	(815,680)	(628,531)
			887,777	271,701
37.1	Working capital changes			
	Decrease / (increase) in current assets:			
	Stores, spare parts and loose tools		8,813	(22,276)
	Stock-in-trade		(1,285,669)	(535,186)
	Trade debts		78,844	(178,934)
	Loans and advances		48,502	(41,985)
	Short term deposits and prepayments		(649)	4,947
	Other receivables		50,246	(3,633)
	Sales tax and federal excise duty refundable		75,832	36,679
	Net decrease/(increase) in long term deposits and advances		15,575	(23,587)
	Net (decrease)/Increase in long term deposits liability		(112)	4,456
			(1,008,618)	(759,519)

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
Increase / (decrease) in current liabilities:			
Trade and other payables		160,124	119,239
Contract liabilities		32,814	11,749
		192,938	130,988
		(815,680)	(628,531)

38. 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	
	2019	2018	2019	2018	2019	2018
	(RUPEES IN THOUSAND)					
Managerial remuneration	8,400	8,400	18,000	18,000	32,854	40,295
Bonus - Ex gratia	700	-	1,500	-	5,476	-
Allowances						
- Utilities	2,202	1,557	5,642	3,824	-	-
- Others	2,006	2,885	4,706	6,406	-	-
Contribution to provident fund	466	467	1,000	1,000	1,763	2,200
	13,774	13,309	30,848	29,230	40,093	42,495
Number of persons	1	1	2	2	11	12

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

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

39. PROVIDENT FUND RELATED DISCLOSURES

	NOTE	Un-Audited 2019	Audited 2018
		(RUPEES IN THOUSAND)	
Size of the fund - Total assets		276,043	239,864
Cost of investments out of provident fund		270,368	232,691
Percentage of investments out of provident fund		97.94%	97.01%
Fair value of investments out of provident fund	(39.1)	269,646	232,436

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

	2019	2018	2019	2018
	PERCENTAGE			
Bank balances	49%	50%	131,419	115,564
Investment in listed debt securities	7%	0%	20,000	-
Investment in listed debt collective investment schemes	43%	49%	116,454	114,634
Investment in listed equity securities	1%	1%	1,773	2,238
	100%	100%	269,646	232,436

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39.2 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.

		2019	2018
		(NUMBER OF PERSONS)	
40.	NUMBER OF EMPLOYEES		
	Total number of employees as at reporting date	2,497	2,328
	Average number of employees during the year	2,505	2,335

41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, staff retirement fund 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:

		2019	2018
		(RUPEES IN THOUSAND)	
Relationship with the Company	Nature of transaction		
Associated Companies			
J.K. Tech (Private) Limited	Service charges paid	2,168	2,223
	Rental income recovered	1,920	1,920
Other related parties			
Employees' Provident Fund Trust	Company's contribution to Employees' Provident Fund Trust	23,517	20,114
Directors	Loan repaid to directors - net	8,114	8,094
	Dividend paid	60,166	35,725

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

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

41.3 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 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 2019

			2019	2018
			(FIGURES IN THOUSAND)	
42.	PLANT CAPACITY AND ACTUAL PRODUCTION			
	Spinning			
	100 % plant capacity converted to 20s count based on 3 shifts per day for 1,095 shifts (2018: 1,093 shifts)	(Kgs.)	41,508	38 707
	Actual production converted to 20s count based on 3 shifts per day for 1,094 shifts (2018: 1,093 shifts)	(Kgs.)	36,755	31,848
	Weaving			
	100% plant capacity at 50 picks based on 3 shifts per day for 1,095 shifts (2018: 1,062 shifts)	(Sq. Mtr.)	18,011	7,234
	Actual production converted to 50 picks based on 3 shifts per day for 1,068 shifts (2018: 1,062 shifts)	(Sq. Mtr.)	12,038	4,319

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.

42.1 REASON FOR LOW PRODUCTION

Spinning

Under utilization of available capacity is mainly due to shifting / erection of machinery during the year , mainly production start during the last quarter.

Weaving

Under utilization of available capacity is mainly due to erection of looms during the year , full 90 looms start production at the start of November 2018.

43. SEGMENT INFORMATION

Year ended 30 June 2019	Spinning		Fabric		Total Segments		Adjustments and Eliminations		Total - Company	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(RUPEES IN THOUSAND)									
Revenue										
External	8,667,922	6,736,484	5,019,195	3,163,600	13,687,117	9,900,084	-	-	13,687,117	9,900,084
Intersegment	239,785	210,765	-	-	239,785	210,765	(239,785)	(210,765)	-	-
	8,907,707	6,947,249	5,019,195	3,163,600	13,926,902	10,110,849	(239,785)	(210,765)	13,687,117	9,900,084
Cost of sales	(7,676,207)	(6,169,173)	(4,336,486)	(2,896,784)	(12,012,693)	(9,065,957)	239,785	210,765	(11,772,908)	(8,855,192)
Gross profit	1,231,500	778,076	682,709	266,816	1,914,209	1,044,892	-	-	1,914,209	1,044,892
Distribution cost	(76,037)	(116,904)	(299,163)	(159,423)	(375,200)	(276,327)	-	-	(375,200)	(276,327)
Administrative expenses	(213,616)	(183,705)	(84,163)	(89,951)	(297,779)	(273,656)	-	-	(297,779)	(273,656)
	(289,653)	(300,609)	(383,326)	(249,374)	(672,979)	(549,983)	-	-	(672,979)	(549,983)
Segment profit	941,847	477,467	299,383	17,442	1,241,230	494,909	-	-	1,241,230	494,909
Total assets	8,340,551	6,127,234	851,073	1,126,825	9,191,624	7,254,059	-	-	9,191,624	7,254,059
Total liabilities	4,047,884	2,831,780	858,646	946,192	4,906,530	3,777,972	-	-	4,906,530	3,777,972

43.1 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 individual 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.

		2019	2018
		(RUPEES IN THOUSAND)	
43.2	Reconciliation of profit		
	Segment profit	1,241,230	494,909
	Other expenses	(169,759)	(40,378)
	Other income	208,549	177,798
	Finance cost	(386,484)	(202,494)
	Taxation	(177,186)	(91,907)
	Profit after taxation	716,350	337,928
43.3	Reconciliation of assets		
	Segment operating assets	9,191,624	7,254,058
	Tax refunds due from the Government	303,869	339,766
	Total assets as per balance sheet	9,495,493	7,593,824
43.4	Reconciliation of liabilities		
	Segment operating liabilities	4,906,529	3,777,973
	Deferred income tax liability	274,815	178,714
	Workers' Profit Participation Fund Payable	47,545	22,630
	Workers' Welfare Fund Payable	8,830	-
		5,237,719	3,979,317

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

43.5 Geographical Information

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

	2019	2018
Europe	3,862,997	2,979,087
America	995,518	529,569
Asia, Africa and Australia	348,980	537,398
Pakistan	8,479,622	5,854,030
	13,687,117	9,900,084

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

43.7 Revenue from major customers

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

44. 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 2019		
Trade debts	4,156,349	286,173	111,742
Cash at bank	12,634	-	-
Trade and other payables	(120,230)	(18,157)	(9,190)
Net exposure	4,048,753	268,016	102,552
	As at 30 June 2018		
Trade debts	6,204,356	377,761	170,126
Cash at banks	26,036	-	-
Trade and other payables	(186,338)	-	-
Net exposure	6,044,054	377,761	170,126

Significant exchange rates applied during the year were as follows:	Spot rate As at 30 June 2019	Spot rate As at 30 June 2018
Rupees per		
USD	160.05	121.40
Euro	182.32	141.33
GBP	203.01	159.14

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:

2019	Increase / decrease in exchange rates	Effect on profit before tax (USD)	Effect on profit before tax (EURO	Effect on profit before tax (GBP)
Pak Rupee	+5%	32,400,146	2,443,234	1,040,954
Pak Rupee	-5%	(32,400,146)	(2,443,234)	(1,040,954)
2018				
Pak Rupee	+5%	36,687,408	2,669,448	1,353,693
Pak Rupee	-5%	(36,687,408)	(2,669,448)	(1,353,693)

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.

(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:

	2019	2018
Reporting date all index points	33,902	41,911

		Changes in PSX all Index	Effects on Profit Before Tax (Rupees in thousand)
Investments at fair value through profit or loss			
	2019	+10%	1,657
		-10%	(1,657)
	2018	+10%	-
		-10%	-

(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 statement of financial position date, the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018
	(Rupees in thousand)	
Fixed rate instruments:		
Financial liabilities:		
Long term financing	1,345,311	1,073,058
Short term borrowings	780,000	805,000
	2,125,311	1,878,058
Floating rate instruments:		
Financial assets		
Bank balances - saving accounts	1,636	25
Financial liabilities		
Long term financing	85,556	30,555
Liabilities against assets subject to finance lease	58,034	32,374
Short term borrowings	1,864,848	1,292,994
	2,008,438	1,355,923

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 statement of financial position 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			
	2019	+1%	16.36
		-1%	(16.36)
	2018	+1%	0.25
		-1%	(0.25)
Long term financing			
	2019	+1%	856
		-1%	(856)
	2018	+1%	306
		-1%	(306)
Liabilities against assets subject to finance lease			
	2019	+1%	580
		-1%	(580)
	2018	+1%	324
		-1%	(324)
Long term financing			
	2019	+1%	18,648
		-1%	(18,648)
	2018	+1%	12,930
		-1%	(12,930)

This analysis is prepared assuming that the amounts of financial instruments outstanding at statement of financial position 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:

	2019	2018
	(Rupees in thousand)	
Loans and advances	2,623	1,042
Deposits	3,187	3,122
Trade debts - unsecured	786,273	867,009
Other receivables	13,210	9,409
Derivative financial asset	-	3,343
Short term investments	51,593	31,277
Bank balances	60,032	26,811
	916,918	942,013

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.
The Company's exposure to credit risk and expected credit losses related to trade debts is disclosed in Note 21.

	Rating			2019	2018
Banks:	Short term	Long term	Agency	(Rupees in thousand)	
Allied Bank Limited	A1+	AAA	PACRA	6	4
Askari Bank Limited	A1+	AA+	PACRA	1,334	947
Habib Bank Limited	A-1+	AAA	JCR-VIS	15,476	2,456
Meezan Bank Limited	A-1+	AA+	JCR-VIS	7,431	1,700
MCB Bank Limited	A1+	AAA	PACRA	676	14
Standard Chartered Bank	A1+	AAA	PACRA	5,962	16,177
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	-	1
The Bank of Punjab	A1+	AA	PACRA	6,797	615
Summit Bank Limited	A-1	A-	JCR-VIS	8,115	40
The Bank of Khyber	A1	A	PACRA	11,560	1,655
Bank Alfalah Limited	A1+	AA+	PACRA	1	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	2,674	3,202
				60,032	26,811

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) ----				
30 June 2019					
Long term financing	1,430,867	1,430,867	238,984	1,191,883	-
Trade and other payables	603,821	603,821	603,821	-	-
Short term bank borrowings	2,644,848	2,656,923	2,656,923	-	-
Accrued mark-up on loans	75,916	75,916	75,916	-	-
	4,755,452	4,767,527	3,575,644	1,191,883	-
Commitments	-	-	-	-	-

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
	---- (Rupees in thousand) ----				
30 June 2018					
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	-	-
	3,684,819	3,696,894	2,825,254	871,640	-
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.

	2019	2018
	(Rupees in thousand)	
44.1 Financial instruments by categories		
Assets as per statement of financial position:		
At amortized cost		
Loans and advances	2,623	1,042
Deposits	3,187	3,122
Trade debts	786,273	867,009
Other receivables	13,210	9,409
Cash and bank balances	60,032	26,811
	865,325	907,393
At fair value through profit or loss		
Investments	51,593	31,277
	916,918	938,670
Liabilities as per statement of financial position:		
Long term financing	1,430,867	1,103,614
Trade and other payables	603,821	445,313
Short term borrowings	2,644,848	2,097,994
Accrued mark-up on loans	75,916	37,898
	4,755,452	3,684,819

44.2 Offsetting financial assets and financial liabilities

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

44.3 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'.

	Note	2019	2018
		(Rupees in thousand)	
Long term financing	(7)	1,430,867	1,103,613
Short term borrowing		2,644,848	2,097,994
Total debt		4,075,715	3,201,607
Cash and bank balances	(27)	(73,747)	(28,035)
Net debt		4,001,968	3,173,572
Share capital	(5)	730,839	730,839
Reserves	(6)	3,526,935	2,883,669
Total Equity		4,257,774	3,614,508
Total capital employed		8,259,741	6,788,080
Gearing ratio		48%	47%

45 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				
At 30 June 2019				
Financial assets				
Investments at fair value through profit or loss	51,593	-	-	51,593

	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial liabilities	-	-	-	-
Recurring fair value measurement				
At 30 June 2018				
Financial assets				
At fair value through profit or loss	34,620	-	-	34,620

Financial liabilities

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

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

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

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.

46. 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)			
At 30 June 2019				
Freehold land	-	308,123	-	308,123
Total non-financial assets	-	308,123	-	308,123
At 30 June 2018				
Freehold land	-	292,031	-	292,031
Total non-financial assets	-	292,031	-	292,031

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

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

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 inquiries 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.

47. NON ADJUSTING EVENT AFTER REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2019 of Rs. 2 per share (2018: Rs. 1 per share) at their meeting held on October 02, 2019. 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.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 02, 2019 by the Board of Directors of the Company.

49. CORRESPONDING FIGURES

49.1 Corresponding figures have been rearranged or reclassified, wherever necessary, for the purposes of comparison, however no significant rearrangement / reclassification have been made in these financial statements.

50. GENERAL

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

Faiq Jawed	Sadaf Aamir Arshad	Ghulam Muhammad
Chief Executive Officer	Director	Chief Financial Officer

Pattern of Shareholding

As on June 30, 2019

No. of Share Holders	Share Holding From	Share Holding To	Total Shares Held
54	1	100	802
45	101	500	13,097
40	501	1,000	27,275
71	1,001	5,000	162,356
14	5,001	10,000	89,658
4	10,001	15,000	54,201
3	15,001	20,000	50,397
2	20,001	25,000	42,000
1	25,001	30,000	27,600
1	30,001	35,000	31,157
1	35,001	40,000	39,500
1	40,001	45,000	40,590
1	45,001	50,000	46,410
1	50,001	55,000	52,000
1	80,001	85,000	80,634
1	130,001	135,000	130,500
1	135,001	140,000	140,000
1	145,001	150,000	147,000
1	335,001	340,000	338,857
1	355,001	360,000	360,000
1	560,001	565,000	564,870
1	615,001	620,000	617,400
1	755,001	760,000	758,040
1	900,001	905,000	904,302
1	1,100,001	1,105,000	1,102,500
1	1,155,001	1,160,000	1,159,500
1	10,685,001	10,690,000	10,685,856
1	11,030,001	11,035,000	11,032,770
1	16,605,001	16,610,000	16,608,410
1	27,775,001	27,780,000	27,776,248
255			73,083,930

Shareholders' Category	No. of Share Holders	Shares Held	Percetnage
Directors, Chief Executive Officer and their spouse :			
-Directors and Spouse	14	53,485,471	73.1836
-Chief Executive Officer	1	18,077,582	24.7354
Banks, Development Financial Institutions, Non Banking Financial Institutions	3	3,361	0.0046
Insurance Companies	2	5,460	0.0075
Modarbas	1	3,255	0.0045
General Public:			
a. Local	226	1,462,534	2.0012
b. Foreign	-	-	-
Other	8	46,267	0.0633
Total	255	73,083,930	100.0000

Notes


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SECP

Form of Proxy

33rd Annual General Meeting

I/We, ________________________________of_______________, holding Computerized National Identity Card (CNIC)/Passport No.___________ and being a member of J.K. Spinning Mills Limited, hereby appoint__________________ of __________, holding CNIC/Passport No.________________________, or failing him/her hereby appoint ____________ of__________, holding CNIC/Passport No.___________________, as my/our proxy to vote for me/us and on my/our behalf at the 33rd Annual General Meeting of the Company, to be held on the 28th day of October, 2019 and at any adjournment thereof.

At witness my/our hand /seal this _______________________ day of _______________________ 2019.

Witnesses:

1. Signature _________________________

   Name ____________________________

   Address __________________________

   CNIC/Passport No. ____________________

2. Signature__________________________

   Name ____________________________

   Address __________________________

   CNIC/Passport No. ____________________

CDC Account No.

Revenue Stamps of Rs 5/-

To be signed by the above named shareholder

Note:

1. This Proxy Form, duly completed and signed, must be received at the Head Office of the Company, not less than 48 hours before the time of holding the meeting. A proxy need not to be a member of the Company.
2. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
3. Attested copies of CNIC of the appointer and the proxy-holder shall be furnished with the Proxy Form.
4. The proxy-holder shall produce his/her original CNIC at the time of the meeting.
5. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted along with Proxy Form.

پراکسی فارم

تینتیسواں سالانہ اجلاس عام

میں / ہم ____________ ساکن / (CNIC) میں / ہم ____________ ساکن ________________ حامل کمپیوٹرائزڈ شناختی کارڈ

پاسپورٹ نمبر __________________ اور بطور رکن جے کے سپننگ ملز لیمٹڈ / (CNIC) ________________ حامل کمپیوٹرائزڈ شناختی کارڈ

پاسپورٹ نمبر____________________ یا اس کی عدم موجودگی میں____________________ / CNIC________________ حامل

پاسپورٹ نمبر______________ کو مؤرخہ 28 اکتوبر 2019 کو منعقد ہونے والے تینتیسویں سالانہ اجلاس عام اور اس کے کسی ملتوی / CNIC حامل

شدہ اجلاس کے لئے میری / ہماری جانب سے ووٹ ڈالنے کے لئے بطور نمائندہ (پراکسی) تقرر کرتا ہوں / کرتی ہوں / کرتے ہیں

گواہان کی موجودگی میں میرے / ہمارے دستخط / مہر بروز ________________ 2019 ثبت کیے گئے / کی گئی

گواہان

دستخط ______________________________

نام ______________________________

پتہ ______________________________

کمپیوٹرائزڈ شناختی کارڈ / پاسپورٹ نمبر ______________________

دستخط ______________________________

نام ______________________________

پتہ ______________________________

کمپیوٹرائزڈ شناختی کارڈ / پاسپورٹ نمبر ______________________

سی ڈی سی اکاؤنٹ نمبر

پانچ روپے کا ریونیو اسٹمپ

حصص یافتہ کے دستخط

نوٹس

یہ پراکسی فارم مکمل اور دستخط شدہ کمپنی کے ہیڈ آفس میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے پہلے موصول ہونا ضروری ہے . پراکسی کا ممبر ہونا لازمی نہیں.

پراکسی فارم پر دو گواہان کے نام ، پتے اور شناختی کارڈ نمبر درج ہونے چاہئیں

پراکسی فارم کے ساتھ تقرر کرنے والے اور پراکسی کے حامل فرد کے شناختی کارڈ کی تصدیق شدہ نقول جمع کی جائیں گی

اجلاس کے وقت پراکسی کا حامل شخص اپنا اصل شناختی کارڈ فراہم کرے گا

کارپوریٹ ادارے کی صورت میں ، ادارے کے بورڈ وف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بشمول نمونہ دستخط پراکسی فارم کے ساتھ جمع ہو گی

jkgroup.net

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