

J.K. SPINNING
MILLS LIMITED



2020

ANNUAL REPORT

Lighting the
Way to
Financial
Well-Being





Contents

02	Company Information
04	Vision & Mission
06	Chairman's Review
10	Directors' Report
19	Directors' Report urdu
20	Vertical Analysis & Horizontal Analysis Based on Year 2016
21	Key Operating and Financial Results
23	Statement of Compliance
25	Review Report to the Members
26	Notice of Annual General Meeting
29	Auditors' Report to the Members
34	Statement of Financial Position
36	Statement of Profit or Loss
37	Statement of Comprehensive Income
38	Statement of Cash Flows
39	Statement of Changes in Equity
40	Notes to the Financial Statements
87	Pattern of Shareholding
91	Proxy Form

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. Mamoor Ijaz
Audit Committee	
Chairman	Mr. Rehan Ashfaq
Members	Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad
HR Committee	
Chairman	Mr. Mamoor 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	Zahid Jamil & Co. 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 Habib Bank Limited National Bank of Pakistan Askari Bank Limited The Bank of Khyber Summit Bank Meezan Bank Limited
Registered office	34-Falcon Enclave, Tufail Road, Lahore Cantt. Lahore.
Head Office & Mills	29-KM, Sheikhpura Road, Khurrianwala Faisalabad.





VISION

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

MISSION

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

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

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





Chairman's Review



Jawed Anwar
Chairman

It is my pleasure to present 34th Annual Report of the Company for the year ended June 30, 2020.



Overview of Economy and Industry

Fiscal year 2020 ended with various burning tribulations including attempt to amend Hong Kong's repatriation law triggered the worst crisis in the Asia's biggest financial center, United Kingdom's exit from EU, which was mutually agreed, changed EU forever, Trade war between the US and China, which started in July 2018, grown in FY2020 and oil prices crashed drastically on the back of increased supplies and lowering demands due to the global economic slowdown. While the world players were trying to balance of above disruptions, a novel virus, (COVID-19), emerged in Wuhan, China, and WHO on March 11 declared COVID-19 a pandemic. Since then, the virus has crushed the entire world, disrupting the supply chains and paralyzing the continents. The pandemic is not only inflicting unprecedented damage to human lives but it has also taken a heavy toll on global economic activity. Consequently, countries are now facing multiple crises comprising a health crisis, a financial crisis, and a collapse in commodity prices. On one hand, the pandemic has put the whole world in a Lockdown and changed the dynamics of ongoing and future economic activities, while on the otherhand, the pandemic wiped out any mentionable economic performance of any economy. "The Lockdown", is shaping up into the worst crisis since The Great Depression of 1930s. The economic impact of COVID-19 depends on the pathway of the pandemic, the effectiveness of containment measures, the magnitude of supply disruptions, the impact of tightening in global financial market conditions, changes in spending patterns, behavioral changes and unstable

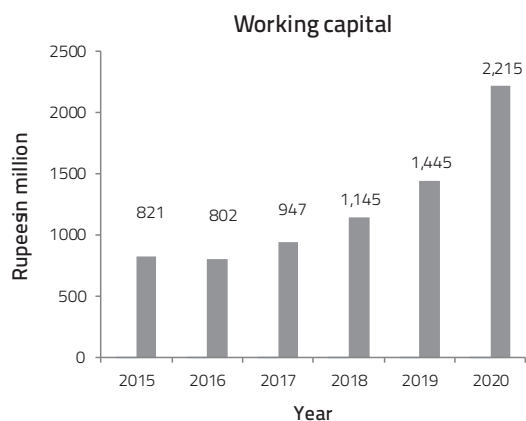
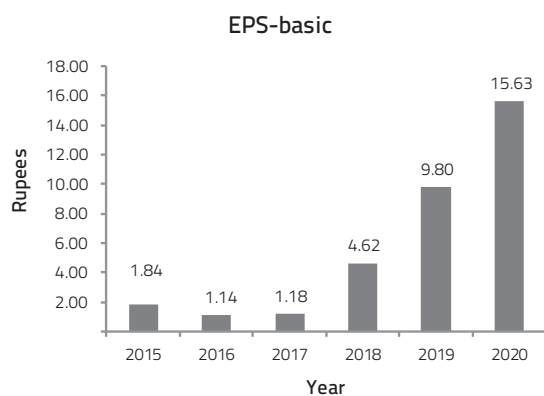
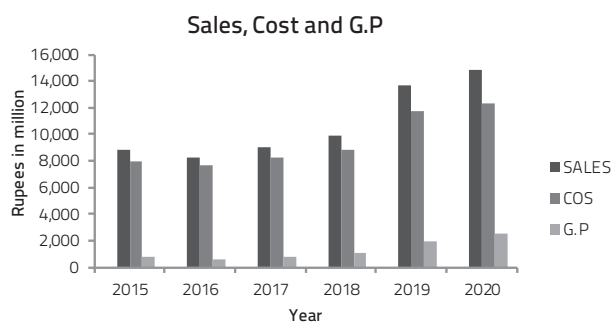
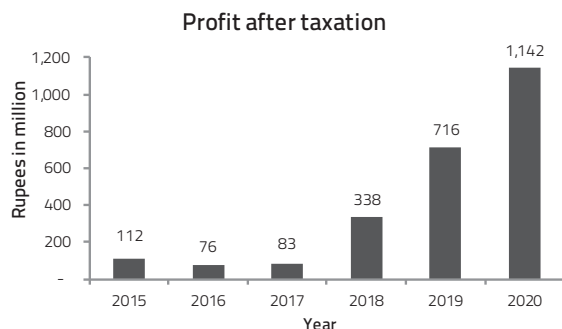
commodity prices. The World Economic Outlook 2020 projects global growth to contract sharply by -3 percent in 2020 and the loss to global GDP over 2020 and 2021 could be around 9 trillion dollars due to the pandemic crisis. The global growth is projected to rebound in 2021. However, growth outcomes will be depending on the path of pandemic force chart and there is possibility of much worse. In the advanced economies, most of the countries are experiencing widespread outbreaks and responding with tough containment measures. As a result, their growth is being projected at negative 6.1 percent in 2020. A sharp contraction in economic growth is expected in countries like United States, Japan, United Kingdom, Germany, France, Italy and Spain excluding China. Within emerging markets and developing economies, the growth rate is projected to contract by negative 1.0 percent in 2020. The economic growth in Emerging Asia is projected to be positive one percent in 2020. Pakistan's GDP growth rate for FY2020 is estimated at negative 0.38 percent in view of Covid-19. To stimulate the growth, the government announced Rs 1.24 trillion relief package. The SBP has also taken various steps including reduction in interest rate to 7 percent, refinancing schemes for medical centers and various incentives for export-oriented industries etc. There has been considerable support from the international lenders. Pakistan's LSM sector was not able to withstand constrained economic environment triggered by exchange rate depreciation and contractionary monetary and fiscal policies. The distress continued during the whole current fiscal year, the LSM growth plunged to negative 5.4 percent during fiscal 2020 compared to negative 2.34

percent during last fiscal year. The major contributing sub-sectors including Textile sector have experienced negative growth.

Financial and operational performance

Your company achieved ever highest financial results for the Financial year 2019-20. Your company's profit after taxation for the year ended June 30, 2020 stood at Rs.1,141.972 million as compared to profit of Rs. 716.350 million in the corresponding year. Company's Sales revenue for the year 2020 stood Rs. 14,827.225 million against Rs. 13,687.117 million in 2019. During the year under review average Pakistani cotton prices stood Rs. 8517 per mound as compared to Rs. 8626 per mound in 2019. Fuel and power cost increased to 1038.085 million in 2020 from Rupees 926.608 million in 2019 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 inflation and volume. Distribution cost decreased in view of decrease in cost of commission and brokerage while administrative cost increased in view of inflationary trend. Financial cost increased to Rs. 396.618 million in the year 2020 from Rs. 386.484 million in 2019 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. One COMPLETE GE JENBACHER NATURAL GAS GEN SETS MODEL JMS 616 of

Chairman's Review



2,679 MW commissioned during the last quarter of FY 2020 while another Generation set of same specification has arrived on port which will be commissioned in second quarter of next financial year. Three high speed Ring frames comprising 3,024 spindles has also been added in existing spinning capacity in first quarter of next financial year. Civil work has been started for setting up a processing unit which is likely to start commercial production in third quarter of next financial year. Management of your company is planning to add 142 air jet looms and a spinning unit comprising 51,072 spindles in its existing production facilities. Your company is also installing 3MW green energy (solar power) project on roof of mills building. The production of yarn converted into 20s for the year ended June 30, 2020 stood at 37.051 million Kgs against 36.755 million kgs of corresponding year while fabric production stood 14.934 million sq meters (2019: 12.038 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. 11,251.715 million in financial year 2020 as compared to Rs. 9,495.493 million in corresponding year. Liquidity of the company is good enough with current ratio of 1.50. The Debt equity ratio stood at 23:77 in 2020 against 28:72 in 2019 while leverage of the company stood at 0.93. Breakup value of a Rs. 10 share is Rs. 68.81 against Rs. 55.42 in last year. All balance sheets ratios are showing symptom of growth of the company.

Human Resource

Strategic management plays a vital role to take competitive advantage in the growing business landscape and requires empowered and competent people working safely together across the company. We endeavor 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 passion 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

Outbreak of corona virus pandemic and lock down of cities globally is hitting demand of textile products and deferment of export orders. All countries of the world are facing similar



situation of lock down of cities to minimize the spreading of Corona virus pandemic. Second wave of the virus started far earlier than expected and could be compounded by an adverse alteration, a new threat looms over the world's economies. The IMF has given a one-year relief to Pakistan during the pandemic and a US\$1.386 billion were given under the Rapid Financing Instrument to address the economic impact of the COVID-19. Aid packages from Asian Development and the World Bank, along with debt relief program by G-20, will enable the economy to greatly make up for the projected loss. As the economy slowly reopens, it is expected that the adverse impact of COVID-19 will be bottoming out. However, the framework for recovery will depend on various factors like extent of adverse impact on various sectors, duration as well as severity of lockdowns and the associated risks. The outlook therefore carries challenges due to uncertainties associated with it. GDP of the world's most advanced countries shrunk by 7.6% to 24%. However, Pakistan textile sector is likely to perform well in first quarter of forthcoming financial year. Management of your company

has clear strategy and focusing for the years ahead on expanding the position in the textile sector with ongoing investment in textile sector businesses as we endure to build pathways toward future for sustainable and long-term growth. The 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
September 29, 2020

Director's Report

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



Chief Executive Officer

Dear Shareholders,

The Directors' of your company feel pleasure in presenting the annual report together with audited financial statements of the company for the Year Ended June 30, 2020.

Financial Highlights

The financial highlights of the company for the year ended June 30, 2020 are summarized as under:

	2020	2019
	Rupees in Thousands	
Revenue from contracts with customers	14,827,225	13,687,117
Gross Profit	2,498,629	1,914,209
Profit before Taxation	1,306,892	893,536
Taxation	164,920	177,186
Profit after taxation	1,141,972	716,350

Dividend:

Board of Directors in their meeting held on September 29, 2020 approved final cash dividend @ 10% (Rupees 1 per

share) and bonus shares @ 40% (4 shares against every 10 shares held) for the financial year 2020 (2019: 20% Dividend : Rupees 2.00 per share).

Earnings Per Share

Earnings per share for the year ended June 30, 2020 stood at Rs. 15.63 per share as compared to Rs. 9.80 per share in corresponding year.

Authorized Capital

Shareholders of the company in their extraordinary general meeting dated September 14, 2020 approved increase

in authorized capital of the Company to Rupees 2 billion.

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, 2020.

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



Managing Director

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 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 30,2020 were 2,448 (2019: 2,497).
- Value of investment of provident fund trust based on audited accounts as on June 30, 2019 is Rs.269.646 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 inter transfer of 1,000,000/- shares within family members and Mr. Shaiq Jawed (director of the company) purchased 23,500 shares after reporting period.
- The Statement of pattern of shareholding of the company as at June 30, 2020 is annexed in new form set out in the code of corporate governance.
- There was no change in terms and conditions of Chief Executive and other

Directors.

Risk Management

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

Raw material Risk

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

Currency Risk

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

Credit Risk

The company's credit exposure to credit risk and impairment relates to its trade debts. This risk is mitigated by the fact

that majority of our customers have a strong financial standings and we have a long standing relations with all our customers. We do not expect non performance by these counter parties, hence credit risk is minimal.

Cost and Availability of Funds

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

Power and Gas outage

Smooth operation may get affected due to Gas outage. The company has mitigated this risk through standby arrangements of power supply from FESCO.



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 is also planning for a project of green energy (solar power) for safety of environment

and cheaper energy mix.

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	No. of Meetings Attended
Mr. Jawed Anwar	04
Mr. Faiq Jawed	04
Mr. Shaiq Jawed	04
Mr. Rehan Ashfaq	05
Mrs. Farhat Jahan	04
Mrs Sadaf Aamir Arshad	05
Mr. Mamoor Ijaz	05

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

Two 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. Mamoor 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 existing independent Directors will stand retired in coming election of Board of Directors and will be replaced by new independent directors to be elected from data bank of independent directors.

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

Composition of Board and

Name of Directors

Names of Directors are as under:

Mr. Jawed Anwar
Mr. Faiq Jawed
Mr. Shaiq Jawed
Mr. Rehan Ashfaq
Mrs. Farhat Jahan
Mrs Sadaf Aamir Arshad
Mr. Mamoor 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 Zahid Jamil & Co., Chartered Accountants, stand retired and being eligible, offer themselves for re-appointment.

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



Javed Anwar
Chairman



FAIQ JAWED
Chief Executive Officer

Faisalabad
September 29, 2020



چیئرمین کا جائزہ:

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

جائزہ رپورٹ کے بعد کے واقعات:

مالیاتی سال کے اختتام کے بعد ایسا کوئی واقعہ نہیں ہے جس کو ڈائریکٹرز کی رپورٹ میں پیش کیا جائے۔

اعتراف:

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

منجانب بورڈ آف ڈائریکٹرز:

فائق جاوید

چیف ایگزیکٹو

جاوید انوار

چیئرمین

فیصل آباد: ستمبر 29، 2020

ہیومن ریسورس کمیٹی:

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

مسٹر مامورا اعجاز (چیئر مین)

مسٹر شائق جاوید

مسز صدف عامر ارشد

ڈائریکٹر ٹریننگ:

آپ کی کمپنی کے ایک ڈائریکٹر نے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹس کے ٹریننگ پروگرام برائے ڈائریکٹر منیجمنٹ مارچ 2016 میں حصہ لیا اور سرٹیفکیٹ حاصل کئے۔ کمپنی کے چار ڈائریکٹر چودہ سال کی تعلیم اور سولہ سال کے تجربہ کی وجہ سے ٹریننگ پروگرام سے مستثنیٰ ہیں۔ دو موجودہ خود مختار ڈائریکٹر، بورڈ آف ڈائریکٹر کے آنے والے الیکشن میں ریٹائرڈ ہو جائیں گے اور تہہ ذیل ہو کر خود مختار ڈائریکٹر کے ڈیپوٹنگ سے نئے خود مختار ڈائریکٹر چنے جائیں گے۔

کمپوزیشن آف بورڈ اور ڈائریکٹر کے نام:

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

انڈیپنڈنٹ ڈائریکٹر 2

نان ایگزیکٹو ڈائریکٹر 3

ایگزیکٹو ڈائریکٹر 2

کل ڈائریکٹر کی تعداد 7

ڈائریکٹر کے نام:

نمبر شمار	نام
1	مسٹر جاوید انوار
2	مسٹر شائق جاوید
3	مسٹر شائق جاوید
4	مسٹر رحمان اشفاق
5	مسز فرحت جہاں
6	مسز صدف عامر ارشد
7	مسٹر مامورا اعجاز

نان ایگزیکٹو ڈائریکٹر کے معاوضے کی پالیسی:

نان ایگزیکٹو ڈائریکٹر بشمول چیئر مین اور انڈیپنڈنٹ ڈائریکٹر کے معاوضے کا تعین بورڈ آف ڈائریکٹر نے کیا ہے۔

آڈیٹرز:

آکسی کمپنی کے موجودہ آڈیٹرز میسرز: Zahid Jamil & Co، چارٹرڈ اکاؤنٹنٹ ریٹائر ہو رہے ہیں اور اہلیت کی بنیاد پر آنے والے مالیاتی سال 30 جون 2020 کے لئے خود کو دوبارہ انتخاب کے لئے پیش کیا 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 کنٹریکشن 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 گولڈ اور مقاصد کو بری طرح متاثر کر سکتے ہیں۔ کمپنی اپنے ملازمین کی صلاحیتوں کو بہتر کرنے پر زور دیتی ہے۔ کمپنی کی کوشش ہوتی ہے کہ وہ اچھے ملازمین کو رکھے ان کے ٹریننگ دے اور ان 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 ٹیکنالوجی، توانائی کے ذرائع اور طریقہ کار کے استعمال کے ذریعے اپنے اسٹیک ہولڈرز اور ماحول کی حفاظت کے لئے ذمہ دارانہ طریقے سے کاروبار کرنا کے عہد پر عمل پیرا ہے۔ مزید برآں کمپنی ماحول دوست شمسی توانائی پیدا کرنے کا پروگرام بھی رکھتی ہے تاکہ کمپنی مضر خطرات کی نشاندہی کے لئے اپنے ملازمین کی حوصلہ افزائی کرتی ہے اور انہیں ورکنگ انوائرنمنٹ کو محفوظ بنانے کی تربیت بھی دیتی ہے۔

ڈائریکٹرز کے نام اور بورڈ ممبران:

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

نمبر شمار	نام	ممبرانوں میں حاضری
1	جاوید انوار	04
2	فائق جاوید	04
3	شائق جاوید	04
4	ریحان اشفاق	05
5	فرحت جہاں	04
6	صدف عامر ارشد	05
7	مامورا اعجاز	05

آڈٹ کمیٹی:

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

آڈٹ کمیٹی کے نام مندرجہ ذیل ہیں:

مسٹر ریحان اشفاق (چیئرمین)

مسز فرحت جہاں

مسز صدف عامر ارشد

- پچھلے سال کے مقابلے میں کمپنی کے آپریشنز میں بڑی تبدیلیاں، بڑے پلان اور آنے والے دنوں کے منافع کے منصوبے چیئرمین کی جائزہ رپورٹ میں بیان کئے گئے ہیں۔
- آڈیٹرز کی رپورٹ میں کوئی بے ضابطگی کی اطلاع نہیں ہے۔
- کمپنی نے سال کے دوران اپنی ادائیگیوں میں کوئی ڈفالٹ نہیں کیا ہے۔
- کمپنی کے مالیاتی سال کے اختتام سے لے کر اس رپورٹ کے شائع ہونے تک کمپنی کی مالیاتی حیثیت میں کوئی تبدیلی نہ آئی ہے۔
- واجب الادا ٹیکسز اور ڈیوٹیوں کی تفصیلات اکاؤنٹس کے نوٹس میں درج ہیں۔
- بنیادی رجحانات اور عوامل جو کمپنی کی مستقبل میں ترقی، صلاحیت اور پوزیشن کو اثر انداز کر سکتی ہے وہ چیئرمین کی جائزہ رپورٹ میں بیان کر دیئے گئے ہیں۔
- کمپنی کا کوئی بھی کاروبار ماحولیاتی تبدیلیوں پر برا اثر نہیں ڈال رہا۔
- چھ سال کے بڑے آپریٹنگ نتائج اور مالیاتی اعداد و شمار لف ہڈا ہیں۔
- سٹیٹ بینک آف پاکستان کے سرکلر نمبر ایف ای 25 فناسنگ پر ایکسچینج ریٹ میں نفع و نقصان کتابوں میں شامل ہے۔
- سال 2020 کے اختتام پر کمپنی کے ملازمین کی تعداد 2448 ہے جبکہ پچھلے سال یہ تعداد 2497 تھی۔
- پراویڈنٹ فنڈ کی انویسٹمنٹ کی قدر آڈٹ شدہ مالیاتی سال 2019 کے اختتام پر 269.646 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 1,000,000 شیئرز فیملی ممبرز کے مابین منتقل ہوئے اور مسٹر شائق جاوید نے جو کہ کمپنی کے ڈائریکٹرز ہیں رپوٹنگ کی مدت کے بعد 23,500 شیئرز خریدے ہیں۔
- کمپنی میں حصص رکھنے کا اندازا اسٹیٹمنٹ برائے ختم شدہ سال 30 جون 2020 کو ڈاؤن کارپوریٹ گورننس کے نئے فارم میں لف ہڈا ہے۔
- چیف ایگزیکٹو اور دوسرے ڈائریکٹرز 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:

کائنات 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 کائنات سیزن کے دوران کائنات 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 جینگ 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۔

فنڈز کی عدم دستیابی اور کاسٹ کا خطرہ:

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



ڈائریکٹر رپورٹ برائے حصص یافتگان:

معزز حصص یافتگان،

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020 کی ختم ہونے والے سال کے آڈٹ شدہ مالیاتی حسابات کے ساتھ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی شہ سرخیاں:

مالیاتی سال کے 30 جون 2020 کی مالیاتی نتائج کی جھلکیاں درج ذیل ہیں:

روپے ہزار میں

تفصیلات	2019	2020
گاہکوں سے معاہدوں کا محصول	13,687,117	14,827,225
مجموعی منافع	1,914,209	2,498,629
قبل از ٹیکس منافع	893,536	1,306,892
ٹیکس	177,186	164,920
سال کا منافع	716,350	1,141,972

ڈیویڈنڈ:

بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منعقدہ 29 ستمبر 2020 میں 10% حتمی نقد ڈیویڈنڈ (1 روپیہ فی شیئر) اور بونس شیئر 40% (ہر 10 شیئرز کے بدلے 4 شیئرز) برائے مالیاتی سال 2020 منظور کیا ہے۔ مقابلتا پچھلے سال 20% حتمی نقد ڈیویڈنڈ 2 روپیہ فی شیئر تھا۔

آمدنی فی شیئر:

فی شیئر آمدنی برائے مالیاتی سال 30 جون 2020 میں 15.63 روپے فی شیئر رہی۔ مقابلتا پچھلے سال کی فی شیئر آمدن 9.80 روپے فی شیئر تھی۔

آ تھوراٹرز ڈیویڈنڈ کی پیمائش:

کمپنی کے شیئر ہولڈرز نے غیر معمولی جزل میٹنگ میں جو کہ 14 ستمبر 2020 کو ہوئی آ تھوراٹرز ڈیویڈنڈ کی پیمائش 2 بلین روپے سے بڑھا دیا ہے۔

کارپوریٹ گورننس سے ہم آہنگی:

سیکرٹری اینڈ ایگزیکٹو کمیشن آف پاکستان نے سٹاک ایکسچینج کے ضابطہ کار کے ذریعے کارپوریٹ گورننس کا ضابطہ بنایا ہے۔ آپ کی کمپنی کے ڈائریکٹرز یکارپوریٹ گورننس کے تمام اصولوں کو 30 جون 2020 کی مدت کے اختتام تک اپنایا ہے۔

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

کمپنی کے ڈائریکٹرز اس بات کی خوشی محسوس کرتے ہیں کہ لسٹنگ ریگولیشنز کی بنائی ہوئی میٹ پر ایکٹرز 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 ایکٹیو بیٹی کی تبدیلیوں کو پیش کرتی ہے۔

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

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

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

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

Vertical Analysis

	2020		2019		2018		2017		2016	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
BALANCE SHEET										
TOTAL EQUITY	5,424,983	48%	4,257,774	45%	3,614,508	48%	3,313,122	54%	3,032,098	54%
NON-CURRENT LIABILITIES	1,368,712	12%	1,534,708	16%	1,100,872	14%	434,955	7%	524,618	9%
CURRENT LIABILITIES	4,458,020	40%	3,703,011	39%	2,878,444	38%	2,336,771	38%	2,069,515	37%
TOTAL LIABILITIES	5,826,732	52%	5,237,719	55%	3,979,316	52%	2,771,726	46%	2,594,133	46%
TOTAL EQUITY AND LIABILITIES	11,251,715	100%	9,495,493	100%	7,593,824	100%	6,084,848	100%	5,626,231	100%
ASSETS										
NON-CURRENT ASSETS	4,578,730	41%	4,347,489	46%	3,570,629	47%	2,801,490	46%	2,755,096	49%
CURRENT ASSETS	6,672,985	59%	5,148,004	54%	4,023,195	53%	3,283,358	54%	2,871,135	51%
TOTAL ASSETS	11,251,715	100%	9,495,493	100%	7,593,824	100%	6,084,848	100%	5,626,231	100%
PROFIT AND LOSS ACCOUNT										
SALES	14,827,225	100.00%	13,687,117	100.00%	9,901,857	100.00%	9,049,707	100.00%	8,289,147	100.00%
COST OF SALES	12,328,599	83.15%	11,772,908	86.01%	8,855,192	89.43%	8,292,160	91.63%	7,638,258	92.15%
GROSS PROFIT	2,498,626	16.85%	1,914,209	13.99%	1,046,665	10.57%	757,547	8.37%	650,889	7.85%
DISTRIBUTION COST	336,092	2.27%	375,200	2.74%	276,327	2.79%	269,522	2.98%	275,913	3.33%
ADMINISTRATIVE EXPENSES	337,602	2.28%	297,779	2.18%	273,656	2.76%	230,731	2.55%	212,147	2.56%
OTHER OPERATING EXPENSES	133,636	0.90%	169,759	1.24%	40,378	0.41%	50,490	0.56%	11,948	0.14%
	807,330	5.44%	842,738	6.16%	590,361	5.96%	550,743	6.09%	500,008	6.03%
	1,691,296	11.41%	1,071,471	7.83%	456,304	4.61%	206,804	2.29%	150,881	1.82%
OTHER OPERATING INCOME	12,214	0.08%	208,549	1.52%	176,025	1.78%	79,345	0.88%	32,375	0.39%
PROFIT FROM OPERATIONS	1,703,510	11.49%	1,280,020	9.35%	632,329	6.39%	286,149	3.16%	183,256	2.21%
FINANCE COST	396,618	2.67%	386,484	2.82%	202,494	2.05%	134,378	1.48%	96,484	1.16%
PROFIT BEFORE TAXATION	1,306,892	8.81%	893,536	6.53%	429,835	4.34%	151,771	1.68%	86,772	1.05%
PROVISION FOR TAXATION	164,920	1.11%	177,186	1.29%	91,907	0.93%	69,002	0.76%	11,026	0.13%
PROFIT AFTER TAXATION	1,141,972	7.70%	716,350	5.23%	337,928	3.41%	82,769	0.91%	75,746	0.91%

Horizontal Analysis Based on Year 2016

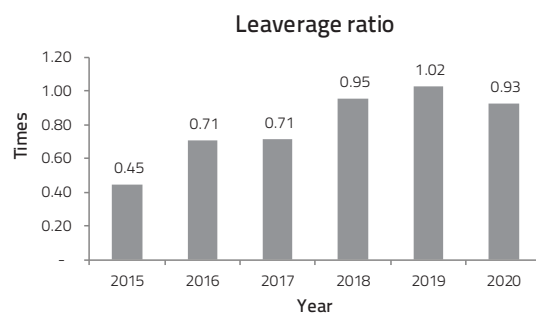
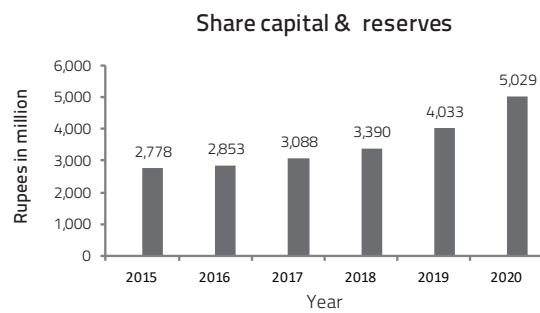
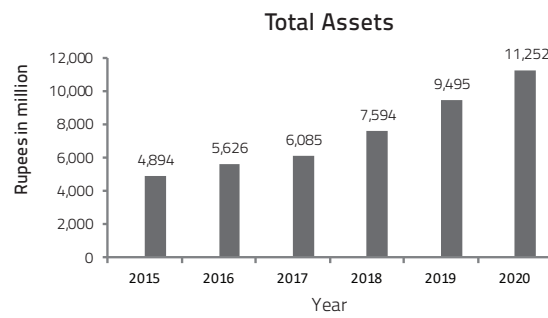
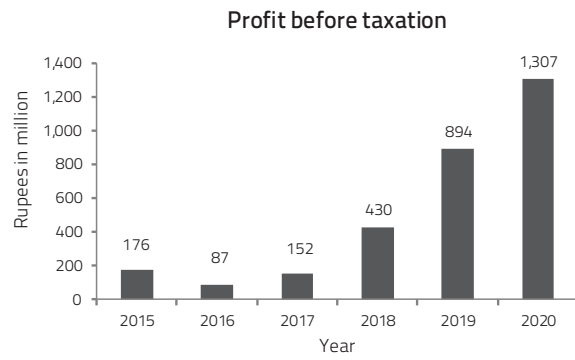
	2020		2019		2018		2017		2016	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
BALANCE SHEET										
TOTAL EQUITY	5,424,983	179%	4,257,774	140%	3,614,508	119%	3,313,122	109%	3,032,098	100%
NON-CURRENT LIABILITIES	1,368,712	261%	1,534,708	293%	1,100,872	210%	434,955	83%	524,618	100%
CURRENT LIABILITIES	4,458,020	215%	3,703,011	179%	2,878,444	139%	2,336,771	113%	2,069,515	100%
TOTAL LIABILITIES	5,826,732	225%	5,237,719	202%	3,979,316	153%	2,771,726	107%	2,594,133	100%
TOTAL EQUITY AND LIABILITIES	11,251,715	200%	9,495,493	169%	7,593,824	135%	6,084,848	108%	5,626,231	100%
ASSETS										
NON-CURRENT ASSETS	4,578,730	166%	4,347,489	158%	3,570,629	130%	2,801,490	102%	2,755,096	100%
CURRENT ASSETS	6,672,985	232%	5,148,004	179%	4,023,195	140%	3,283,358	114%	2,871,135	100%
TOTAL ASSETS	11,251,715	200%	9,495,493	169%	7,593,824	135%	6,084,848	108%	5,626,231	100%
PROFIT AND LOSS ACCOUNT										
SALES	14,827,225	179%	13,687,117	165%	9,901,857	119%	9,049,707	109%	8,289,147	100%
COST OF SALES	12,328,599	161%	11,772,908	154%	8,855,192	116%	8,292,160	109%	7,638,258	100%
GROSS PROFIT	2,498,626	384%	1,914,209	294%	1,046,665	161%	757,547	116%	650,889	100%
DISTRIBUTION COST	336,092	122%	375,200	136%	276,327	100%	269,522	98%	275,913	100%
ADMINISTRATIVE EXPENSES	337,602	159%	297,779	140%	273,656	129%	230,731	109%	212,147	100%
OTHER OPERATING EXPENSES	133,636	1118%	169,759	1421%	40,378	338%	50,490	423%	11,948	100%
	807,330	161%	842,738	169%	590,361	118%	550,743	110%	500,008	100%
	1,691,296	1121%	1,071,471	710%	456,304	302%	206,804	137%	150,881	100%
OTHER OPERATING INCOME	12,214	38%	208,549	644%	176,025	544%	79,345	245%	32,375	100%
PROFIT FROM OPERATIONS	1,703,510	930%	1,280,020	698%	632,329	345%	286,149	156%	183,256	100%
FINANCE COST	396,618	411%	386,484	401%	202,494	210%	134,378	139%	96,484	100%
PROFIT BEFORE TAXATION	1,306,892	1506%	893,536	1030%	429,835	495%	151,771	175%	86,772	100%
PROVISION FOR TAXATION	164,920	1496%	177,186	1607%	91,907	834%	69,002	626%	11,026	100%
PROFIT AFTER TAXATION	1,141,972	1508%	716,350	946%	337,928	446%	82,769	109%	75,746	100%



Key Operating and Financial Results

for last six years

PARTICULARS	RUPEES in 000							
	2020	2019	2018	2017	2016	2015	2014	
SUMMARIZED BALANCE SHEET								
NON-CURRENT ASSETS								
Property, Plant And Equipment	4,518,840	4,321,763	3,529,328	2,783,776	2,745,307	2,290,022	2,302,819	
Long Term Loans	-	-	-	-	-	-	1,727	
Other Non-Current Assets	59,890	25,726	41,301	17,714	9,789	12,256	15,618	
CURRENT ASSETS								
Stores, Spares And Loose Tools	104,773	86,635	95,448	73,172	65,643	65,076	61,125	
Stock In Trade	4,805,601	3,746,854	2,461,185	1,925,999	1,756,108	1,484,015	1,647,836	
Trade Debts	1,267,348	786,273	867,009	688,176	513,799	593,632	691,322	
Other Current Assets	495,263	528,242	599,553	596,011	535,585	448,659	459,030	
TOTAL ASSETS	11,251,715	9,495,493	7,593,824	6,084,848	5,626,231	4,893,660	5,179,477	
Share Holders' Equity	5,028,947	4,033,143	3,389,877	3,088,491	2,853,464	2,777,718	2,726,686	
Surplus on Revaluation of Operating Fixed Assets	396,036	224,631	224,631	224,631	178,634	153,778	153,778	
NON-CURRENT LIABILITIES								
Long Term Financing	1,087,110	1,191,883	871,639	281,457	358,291	-	10,715	
Director's Loan	-	-	-	-	-	-	300,000	
Liabilities Against Assets Subject To Finance Lease	25,084	41,777	24,174	-	7,158	21,973	26,887	
Deferred Tax	228,902	274,815	178,714	131,574	145,824	167,865	184,718	
Other Non-Current Liabilities	27,616	26,233	26,345	21,924	13,345	1,634	1,951	
CURRENT LIABILITIES								
Short Term Borrowings	3,173,375	2,644,848	2,097,994	1,730,524	1,517,083	1,191,193	1,202,486	
Current Portion Of Long Term Liabilities	380,927	255,241	240,174	186,506	135,519	23,245	102,360	
Other Current Liabilities	903,718	802,922	540,276	419,741	416,913	556,254	469,896	
Total Equity And Liabilities	11,251,715	9,495,493	7,593,824	6,084,848	5,626,231	4,893,660	5,179,477	
PROFIT & LOSS								
Sales	14,827,225	13,687,117	9,901,857	9,049,707	8,289,147	8,813,412	9,734,861	
Gross Profit	2,498,626	1,914,209	1,046,665	757,547	650,889	842,388	969,226	
EBITDA	2,117,946	1,618,191	919,136	544,646	421,945	548,337	841,572	
Profit From Operations	1,703,510	1,280,020	632,329	286,149	183,256	323,630	572,116	
Profit Before Tax	1,306,892	893,536	429,835	151,771	86,772	175,929	350,930	
Profit After Tax	1,141,972	716,350	337,928	82,769	75,746	111,935	293,262	
CASH FLOWS								
Cash Flow From Operating Activities	37,203	396,078	(17,843)	(7,742)	(113,065)	716,386	285,417	
Cash Flow From Investing Activities	(406,053)	(1,177,132)	(1,005,947)	(304,129)	(669,963)	(184,617)	(222,047)	
Cash Flow From Financing Activities	386,658	826,766	962,781	332,678	781,640	(489,440)	(95,088)	
Changing In Cash & Cash Equivalents	17,808	45,712	(61,009)	20,807	(1,388)	42,329	(31,718)	
Cash & Cash Equivalents - Year End	91,555	73,747	28,035	89,044	68,237	69,625	27,296	
PROFITABILITY RATIOS								
Gross Profit	%	16.85	13.99	10.57	8.37	7.85	9.56	9.96
EBITDA To Sales	%	14.28	11.82	9.28	6.02	5.09	6.22	8.64
Pre Tax Profit	%	8.81	6.53	4.34	1.68	1.05	2.00	3.60
After Tax Profit	%	7.70	5.23	3.41	0.91	0.91	1.27	3.01
Return On Equity	%	22.71	17.76	9.97	2.68	2.65	4.03	10.76
Return On Capital Employed	%	18.67	13.71	7.93	2.46	2.36	4.03	10.71
Dividend Rate (Cash)	%	10.00	20.00	10.00	5.00	5.00	10.00	-
Leverage Ratio		0.93	1.02	0.95	0.71	0.71	0.45	0.60
LIQUIDITY RATIOS								
Current Ratio	Times	1.50	1.39	1.40	1.41	1.39	1.46	1.61
Quick Ratio	Times	0.40	0.35	0.51	0.55	0.51	0.59	0.65
Cash To Current Liabilities	Times	0.02	0.02	0.01	0.04	0.03	0.04	0.02
Cash Flows From Operation To Sales	Times	0.00	0.03	(0.00)	(0.00)	(0.01)	0.08	0.03
Debt To EBITDA	Times	2.20	2.55	3.52	4.04	4.78	2.25	1.95
EBITDA To Debt	Times	0.45	0.39	0.28	0.25	0.21	0.44	0.51
Debt Service Coverage Ratio (DSCR)	Times	3.32	2.63	2.41	2.18	4.37	2.27	2.58
Intrest Coverage Ratio (ICR)	Times	4.30	3.31	3.12	2.13	1.90	2.19	2.59





Statement of Compliance

With Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended June 30, 2020

Name of Company: J. K. Spinning Mills Limited
Year Ended: June 30, 2020

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

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

Gender	Number
Male	5 (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
Female Directors	Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad

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 developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which these 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. More than 57% Directors have either completed Directors' Training program or are exempt from doing so under these regulations. However, no Directors' Training Program was arranged during the year.
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, 2020.
b. HR and Remuneration Committee	2 meetings were held during financial year ended June 30, 2020

Statement of Compliance

With Listed Companies (Code of Corporate Governance) Regulations, 2019

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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. We confirm that the company has complied with respect to all other material requirements of the regulations.

ON BEHALF OF THE BOARD OF DIRECTORS



FAIQ JAWED
Chief Executive Officer



JAWED ANWAR
Chairman

Date: September 29, 2020
Faisalabad



Independent Auditor's Review Report To the members of J.K. Spinning Mills Limited

Review Report to the members on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of J.K Spinning Mills Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations requires 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. 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020.

Zahid Jamil & Co.
Chartered Accountants
Engagement Partner: Muhammad Amin

Faisalabad
Date: September 29, 2020

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 34TH ANNUAL GENERAL MEETING OF THE MEMBERS OF J. K. SPINNING MILLS LIMITED WILL BE HELD ON WEDNESDAY 28TH OCTOBER, 2020 AT 11.00 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 14th September, 2020.
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, 2020.
3. To consider, approve and declare Final Cash Dividend at Rs.1/- per share @ 10 % to Ordinary Share Holders for the year ended 30th June, 2020 as recommended by the Board of Directors.
4. To consider and, if thought fit, to pass with or without modification(s), the resolutions appearing below as ordinary resolutions for the capitalization of free reserves to issue bonus shares as recommended by the Directors.

"RESOLVED THAT a sum of Rs. 292,335,720 be capitalized out of the free reserves of the Company and applied towards issue of 29,233,572 ordinary shares of Rs. 10 each, as 40% fully paid bonus shares i.e. in the proportion of four (4) ordinary shares for every ten (10) ordinary shares held by the members of the Company whose names appear in the Members' Register as at the close of the business on October 21, 2020".

"FURTHER RESOLVED THAT the bonus shares shall rank pari passu in all respects with the existing shares of the Company as regards the future entitlements, however, these shares shall not be eligible for final dividend declared by the Company for the year ended June 30, 2020".

"FURTHER RESOLVED THAT member's fractional entitlement, as a result of their entitlement to a fraction of a bonus share due to their respective shareholdings shall be deposited into a charity account to be proposed and approved by the Shareholders in the Annual General Meeting on October 28, 2020".

"FURTHER RESOLVED THAT the Chief Executive and Company Secretary be and are hereby jointly and/or severally authorized to give effect to these resolutions and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares and the deposit of sale proceeds of the fractions into aforementioned account".

5. To appoint Auditors for the year 2020-2021 and fix their remuneration. The present Auditors M/s. Zahid Jamil & Co, Chartered Accountants, being eligible offer themselves for reappointment.

SPECIAL RESOLUTION:

6. To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2020 by passing the following special resolution with or without modification:

"RESOLVED THAT the transactions conducted with Related Parties as disclosed in the Note 42 of the financial statements for the year ended June 30, 2020 and specified in the Statement of Material Information under Section 134 (3) be and are hereby ratified, approved and confirmed."

7. To authorize the Board of Directors of the Company to approve Transactions with Related Parties and 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, 2021 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, 2021."

"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."

ANY OTHER BUSINESS:

8. 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: 29-09-2020

SYED HUSSAIN SHAHID MANSOOR NAQVI
COMPANY SECRETARY



Notice of Annual General Meeting

NOTES:

1. The Register of Members will remain closed from October 22, 2020 to October 28, 2020 (both days inclusive). The Members whose names appear on the Register of Members as on October 21, 2020 shall be entitled to attend and vote at the AGM.
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 to 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 terms 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/Messers, _____ of _____ being a member of J.K. Spinning Mills Limited, holder of _____ ordinary share (s) as per CDC participant ID & Sub Account No. _____ hereby 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. ISSUE OF BONUS SHARES BY CAPITALIZATION OF FREE RESERVES

The Board of Directors in their meeting held on September 29, 2020, have recommended capitalization of a sum of Rs. 292,335,720 out of free reserves of the Company for issue of 29,233,572 ordinary shares of Rs. 10 each, as 40% fully paid bonus shares. The directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves.

2. The Directors of the Company have not, direct or indirect interest in this special business, except to the extent of their entitlements of bonus shares and their relatives who are also shareholders of the Company.
3. Item Number 6 of the Notice - Ratification and approval of the related party transactions carried out during the year ended June 30, 2020.

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 33rd 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, 2020 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 42 to the financial statement for the year ended June 30, 2020. 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	2,280
		Rental income recovered	1,920
Employees' Provident Fund Trust	Other Related Party	Company's contribution to Employees' Provident Fund Trust	28,900
Directors	Director	Loan repaid to directors - net	35,445
		Dividend paid	141,609

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's Audit Committee of the Company, which is chaired by an independent director of the company. Upon the recommendation of the Board's 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 42 to the financial statement for the year ended June 30, 2020. The Directors are interested in the resolution only to the extent of their common directorships in such related parties.

- Item Number 6 of the Notice - Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2021.

The Company shall be conducting transactions with its related parties during the year ending June 30, 2021 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, 2021, 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.



Independent Auditors' Report

To the members of J.K. SPINNING MILLS LIMITED
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of J.K. Spinning Mills Limited ("the Company"), which comprise the statement of financial position as at 30 June 2020 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 2020 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. Valuation of stocks	
As disclosed in Note 11 to the accompanying Financial statements, the stock in trade constitutes 42.71% of total assets of the Company as at 30 June 2020.	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.
The cost of closing stock is determined at weighted average rate on the closing units including a proportion of production overheads.	We tested valuation methods and their appropriateness in accordance with the applicable accounting standards.

Independent Auditors' Report

Key Audit Matters	How the matter was addressed in our audit
<p>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 judgment in determining an appropriate costing basis and assessing its valuation.</p>	<p>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.</p> <p>We performed physical verification of inventory at year end.</p> <p>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.</p>
Key Audit Matters	How the matter was addressed in our audit
<p>2. Financing obligations and compliance with related covenant requirements</p>	
<p>As at June 30, 2020, the Company has outstanding financing facilities amounting to Rs. 4,623,796 thousands, which constitutes 79.35 % of total liabilities of the Company at the year end. The Company's key operating / performance indicators including liquidity, gearing and finance cost are directly influenced by the additions to its portfolio of borrowings. Further, new financing arrangements entails additional financial and nonfinancial covenants in addition to the covenants the Company is subject to compliance for. The significance of new financings obtained during the year along with the sensitivity of the compliance with underlying loan covenants are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.</p>	<p>Among others, we performed the following key audit procedures:</p> <ul style="list-style-type: none"> ▪ We reviewed the terms and conditions of financing agreements entered into by the Company with the banks; ▪ We circularized balance confirmations to the financing banks. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities; ▪ We assessed the status of compliance with the financing covenants and also inquired from the management with respect to their ability to ensure future compliance of the covenants; and ▪ We tested the calculation of finance cost recognized in the statement of profit of loss account. We also assessed the adequacy of the disclosures made in respect of the long / short term financing obligations in the financial statements.
Key Audit Matters	How the matter was addressed in our audit
<p>3. Revenue recognition</p>	
<p>Refer notes 4.19 and 29 to the financial statements relating to revenue recognition. The Company generates revenue from sale of goods to domestic as well as export customers. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not being recognized in the appropriate period.</p>	<p>Our key audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> ▪ We obtained an understanding of, assessed and tested the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; ▪ We assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; ▪ We compared, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and ▪ We inspected credit notes issued to record sales returns subsequent to year end, if any.



Independent Auditors' Report

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 misstatement 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.

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

Independent Auditors' Report

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 Muhammad Amin (FCA).

Other Matter

The financial statements of the Company for the year ended 30 June, 2019 and six months period ended 31 December, 2018 were audited and reviewed respectively by another auditors whose reports, dated 4 October, 2019 and 25 February, 2019, expressed unqualified opinion / conclusion on those statements.



Zahid Jamil & Co.

Chartered Accountants

Engagement Partner: Muhammad Amin

Faisalabad

Date: September 29, 2020

Financial Statements

For the Year Ended June 30, 2020

Statement of Financial Position

As at June 30, 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019 (RUPEES IN THOUSAND)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	4,051,003	4,173,329
Right-of-use assets	6	74,149	-
Capital work in progress	7	393,688	148,434
Long term investment	8	-	-
Long term deposits and advances	9	59,890	25,726
		4,578,730	4,347,489
CURRENT ASSETS			
Stores, spare parts and loose tools	10	104,773	86,635
Stock in trade	11	4,805,601	3,746,854
Trade debts	12	1,267,348	786,273
Advances	13	61,073	35,123
Trade deposits and short term prepayments	14	5,408	7,243
Other receivables	15	32,968	56,667
Tax refunds due from the Government	16	282,745	303,869
Short term investments	17	21,514	51,593
Cash and bank balances	18	91,555	73,747
		6,672,985	5,148,004
TOTAL ASSETS		11,251,715	9,495,493


Javed Anwar
Chairman


Faiq Jawed
Chief Executive Officer


Ghulam Muhammad
Chief Financial Officer



Statement of Financial Position

As at June 30, 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
96 000 000 (2019: 96 000 000) ordinary shares of Rupees 10 each		960,000	960,000
Issued, subscribed and paid up share capital	19	730,839	730,839
Reserves			
Capital reserves	20	746,576	575,171
Revenue reserves - unappropriated profit		3,947,568	2,951,764
		4,694,144	3,526,935
		5,424,983	4,257,774
NON-CURRENT LIABILITIES			
Long term financing	21	1,087,110	1,191,883
Lease liabilities	22	25,084	41,777
Long term deposits		27,616	26,233
Deferred tax liability	23	228,902	274,815
		1,368,712	1,534,708
CURRENT LIABILITIES			
Trade and other payables	24	813,245	661,942
Contract liabilities		56,564	64,592
Accrued mark-up	25	33,359	75,916
Short term borrowings	26	3,173,375	2,644,848
Unclaimed dividend		550	472
Current portion of non current liabilities	27	380,927	255,241
		4,458,020	3,703,011
CONTINGENCIES AND COMMITMENTS	28	-	-
TOTAL EQUITY AND LIABILITIES		11,251,715	9,495,493

The annexed notes from 1 to 51 form an integral part of these financial statements.


Javed Anwar
Chairman


Faiq Jawed
Chief Executive Officer


Ghulam Muhammad
Chief Financial Officer

Statement of Profit or Loss

For the Year ended June 30, 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
Revenue from contracts with customers	29	14,827,225	13,687,117
Cost of revenue	30	(12,328,596)	(11,772,908)
Gross profit		2,498,629	1,914,209
Distribution cost	31	(336,092)	(375,200)
Administrative expenses	32	(337,602)	(297,779)
Other operating expenses	33	(133,639)	(169,759)
		(807,333)	(842,738)
Other income	34	12,214	208,549
Operating profit		1,703,510	1,280,020
Finance cost	35	(396,618)	(386,484)
Profit before taxation		1,306,892	893,536
Taxation	36	(164,920)	(177,186)
Profit for the year		1,141,972	716,350
Earnings per share - basic and diluted (rupees)	37	15.63	9.80

The annexed notes from 1 to 51 form an integral part of these financial statements.


Javed Anwar
Chairman


Faiq Jawed
Chief Executive Officer


Ghulam Muhammad
Chief Financial Officer



Statement of Comprehensive Income

For the Year ended June 30, 2020

	2020 (RUPEES IN THOUSAND)	2019
PROFIT FOR THE YEAR	1,141,972	716,350
OTHER COMPREHENSIVE INCOME:		
Items not to be reclassified to profit or loss in subsequent periods Surplus on revaluation of freehold land	171,405	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	-	-
Other comprehensive income for the year	171,405	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,313,377	716,350

The annexed notes from 1 to 51 form an integral part of these financial statements.

Javed Anwar
Chairman

Faiq Jawed
Chief Executive Officer

Ghulam Muhammad
Chief Financial Officer

Statement of Cash Flows

For the Year ended June 30, 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019 (RUPEES IN THOUSAND)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	657,821	887,777
Finance cost paid		(436,016)	(347,484)
Income tax paid		(121,005)	(120,603)
Workers' profit participation fund paid		(50,704)	(23,612)
Workers' Welfare Fund paid		(12,890)	-
		(620,615)	(491,699)
Net cash generated from operating activities		37,206	396,078
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Operating fixed assets		(221,335)	(1,150,868)
Addition in Capital work in progress		(245,254)	-
Proceeds from sale of property, plant and equipment		25,843	16,607
Settlement of derivative financial instruments		-	(9,692)
Short term investment		(3,481)	(34,912)
Proceeds from sale of investment		3,258	1,733
Proceeds from redemption of government issued bonds		34,913	-
NET CASH USED IN INVESTING ACTIVITIES		(406,056)	(1,177,132)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - net		19,555	327,254
Lease liabilities - net		(15,334)	25,660
Short term borrowings - net		528,527	546,854
Dividend paid		(146,090)	(73,002)
NET CASH GENERATED FROM FINANCING ACTIVITIES		386,658	826,766
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,808	45,712
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		73,747	28,035
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		91,555	73,747

The annexed notes from 1 to 51 form an integral part of these financial statements.


Javed Anwar
Chairman


Faiq Jawed
Chief Executive Officer


Ghulam Muhammad
Chief Financial Officer



Statement of Changes in Equity

For the Year ended June 30, 2020

	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 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 Rs. 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
Profit for the year	-	-	-	-	-	1,141,972	1,141,972
Other comprehensive income	-	-	-	171,405	171,405	-	171,405
Total comprehensive income for the year	-	-	-	171,405	171,405	1,141,972	1,313,377
Final dividend for the year ended 30 June 2019 at the rate of Rs. 2 per share	-	-	-	-	-	(146,168)	(146,168)
Balance as at 30 June 2020	730,839	289,636	60,904	396,036	746,576	3,947,568	5,424,983

The annexed notes from 1 to 51 form an integral part of these financial statements.


Javed Anwar
Chairman


Faiq Jawed
Chief Executive Officer


Ghulam Muhammad
Chief Financial Officer

Notes to the Financial Statements

For the Year ended 30 June 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 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 34-Falcon enclave, Tufail road, Lahore cantt. Lahore. The head office and factory premises of the Company is also located at 29-Kilometers, Sheikhpura road, Faisalabad. 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.

1.2 Impact Of COVID-19

The Novel Coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020 the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak "Public Health Emergency of International Concern". Sales and production activities of the Company were suspended during the Lockdowns for a few days, however, the operations started again after the implementation of SOPs issued by the Government and obtaining necessary permissions to complete export sales orders and providing essential services. The Company remained up to date in all its financial commitments. As of release date of these financial statements, there has been no specifically material quantifiable impact of Covid-19 on the Company's financial condition or results of operations.

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
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan notified under the Companies Act, 2017.
- 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 where specifically stated.

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 accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



Notes to the Financial Statements

For the Year ended 30 June 2020

The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about the judgments made by the management in the application of the accounting policies, that have the most significant effect on the amount recognised in these financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of asset and liabilities in the next year are described in the following notes.

	<u>Note</u>
Useful lives of property, plant and equipment	4.6.
Trade debts	4.11
Stores, spare parts and loose tools	4.9
Stock in trade	4.10
Impairment of assets	4.11, 4.20
Provision for taxation	4.5
Provisions and contingencies	4.3

4. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

4.1 Standards, interpretations and amendments to published approved accounting standards.

- 4.1.1 The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from annual periods beginning on or after 01 January 2019 and the key changes to the Company's accounting policies resulting from adoption of IFRS 16 are summarized in Note no. 4.6 & Note no. 4.7:

IFRS 16 has introduced a single, on-balance sheet accounting model for lessees. As a result, the entity, as a lessee has recognized right-of-use asset representing its rights to use the underlined assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach the Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The Company have only vehicles leases arrangement therefore, adoption of IFRS 16 at 1 July 2019 did not have an effect on the financial statements of the Company except the reclassification of leased assets as Right-of-use assets.

- 4.1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

IAS 1 - Presentation of financial statements (Amendments)	01 January 2020
IAS 8 - Accounting policies, changes in accounting estimates and errors (Amendments)	01 January 2020
IAS 16 - Property, Plant and Equipment (Amendments)	01 January 2022
IAS 37- Provisions, Contingent Liabilities and Contingent Assets (Amendments)	01 January 2022
IAS 39- Financial Instruments: Recognition and Measurement (Amendments)	01 January 2020
IAS 41- Agriculture (Amendments)	01 January 2020
IFRS 3 - Business combinations (Amendments)	01 January 2020
IFRS 4 - Insurance contracts (Amendments)	01 January 2023
IFRS 7 - Financial instruments: disclosures (Amendments)	01 January 2020
IFRS 9 - Financial instruments (Amendments)	01 January 2020

Notes to the Financial Statements

For the Year ended 30 June 2020

The management anticipates that adoption of above amendments in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

- 4.1.3 Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan;

IFRS 1 - First-time Adoption of International Financial Reporting Standards
IFRS 7 - Insurance contracts

- 4.1.4 The following interpretation issued by the IASB has been waived of by SECP:

IFRIC 12 - Service concession arrangement

- 4.2 **Employees retirement benefit**

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

- 4.3 **Provisions**

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

- 4.4 **Dividend and other appropriations**

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

- 4.5 **Taxation**

Current

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



Notes to the Financial Statements

For the Year ended 30 June 2020

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.

4.6 Property, plant and equipment

Owned

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

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.

Right-of-use assets

Right of use assets are initially measured at cost being the present value of lease payments, initial direct costs, any lease payments made at or before the commencement of the lease as reduced by any incentives received. These are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged on straight line basis over the shorter of the lease term or the useful life of the asset. Where the ownership of the asset transfers to the Company at the end of the lease term or if the cost of the asset reflects that the Company will exercise the purchase option, depreciation is charged over the useful life of asset.

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.

Notes to the Financial Statements

For the Year ended 30 June 2020

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 5.

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.

4.7 Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used. Subsequently these are increased by interest, reduced by lease payments and remeasured for lease modifications, if any.

Liabilities in respect of short term and low value leases are not recognised and payments against such leases are recognised as expense in profit or loss.

4.8 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 recognized at cost. The carrying amount of the investment is adjusted to recognize 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 recognized directly in the equity of the associate, the Company recognizes 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.



Notes to the Financial Statements

For the Year ended 30 June 2020

After application of the equity method, the Company determines whether it is necessary to recognize 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 recognizes the loss in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognizes 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 recognized in profit or loss.

4.9 Stores, spare parts and loose tools

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

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

4.10 Stock in trade

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

Cost is determined on the following basis :-

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

4.11 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).

4.11.1 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.

4.12 Other receivables

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

Notes to the Financial Statements

For the Year ended 30 June 2020

4.13. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks 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.

4.14. Trade and other payables

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

4.15. 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.

4.16 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.

4.17 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.

4.18 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.

4.19. Revenue recogniion

Revenue from contracts with customers for sale of yarn, fabric and madeups:



Notes to the Financial Statements

For the Year ended 30 June 2020

The Company recognizes 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.

d) 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.

4.20 IFRS 9 Financial Instruments

Financial instruments: assets

i) Classification and measurement of financial instruments

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.

Notes to the Financial Statements

For the Year ended 30 June 2020

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 no. 34).



Notes to the Financial Statements

For the Year ended 30 June 2020

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.

Notes to the Financial Statements

For the Year ended 30 June 2020

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.

4.21. Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.22. Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised until their realisation become virtually certain.

4.23. Asset held under Ijarah financing

Assets held under ijarah financing are accounted for using the guidelines of islamic financial accounting standard-2 (IFAS 2), "Ijarah". The assets are not recognized on the company's statement of financial position and payments made under ijarah financing are recognized in the statement of profit or loss on a straight line basis over the term of the ijarah.

	NOTE	2020 (RUPEES IN THOUSAND)	2019
5. OPERATING FIXED ASSETS			
Operating fixed assets:			
- Owned		4,051,003	4,080,643
- Leased		-	92,686
		4,051,003	4,173,329



Notes to the Financial Statements

For the Year ended 30 June 2020

5.1 Owned	Particulars	2020				2019				Net book value as at 30 June 2020
		Cost		Rate (%)	As at 01 July 2019	Depreciation		As at 30 June 2020		
	As at 01 July 2019	Addition	Disposal			Transfer to right-of-use assets	As at 30 June 2020		For the year	Disposal
	Freehold land									
	- Cost	83,492	1,241	-	-	-	-	-	-	84,733
	- Revaluation surplus	224,631	171,405	-	-	-	-	-	-	396,036
		308,123	172,646	-	-	-	-	-	-	480,769
	Buildings on freehold land	1,001,800	79,971	-	-	1,081,771	-	-	-	584,047
	Plant and machinery	4,458,003	96,973	(86,431)	-	4,468,545	(67,855)	-	1,884,267	2,584,278
	Stand-by equipment	234,698	-	-	-	234,698	-	-	119,214	115,484
	Electric installations and appliances	318,718	8,498	-	-	327,216	-	-	205,108	122,108
	Factory equipment	85,415	-	-	-	85,415	-	-	39,326	46,089
	Furniture and fixtures	15,132	1,368	-	-	16,500	-	-	8,523	7,977
	Office equipment	29,664	-	-	-	29,664	-	-	27,633	2,031
	Vehicles	194,351	33,284	(24,622)	-	203,013	(16,717)	-	94,793	108,220
		6,645,904	392,740	(111,053)	-	6,927,591	(84,572)	-	2,876,588	4,051,003
5.2	Leasehold									
		110,779	-	-	(110,779)	-	-	(18,093)	-	-
	Vehicles	110,779	-	-	(110,779)	-	-	(18,093)	-	-

(RUPEES IN THOUSAND)

Notes to the Financial Statements

For the Year ended 30 June 2020

	2019				2018						
	Cost		Depreciation		Cost		Depreciation				
	As at 01 July 2018	Addition	Disposal	Transfer from/(to) leased assets	As at 30 June 2019	Rate (%)	For the year	Disposal	Transfer from/(to) leased assets	As at 30 June 2019	Net book value as at 30 June 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	44,711	-	-	440,976	560,824
Plant and machinery	3,603,647	878,950	(24,594)	-	4,458,003	10	228,811	(13,822)	-	1,669,116	2,788,887
Stand-by equipment	234,698	-	-	-	234,698	10	14,257	-	-	106,382	128,316
Electric installations and appliances	326,955	8,876	(17,113)	-	318,718	10	13,766	(13,640)	-	191,609	127,109
Factory equipment	61,267	24,148	-	-	85,415	10	3,917	-	-	34,205	51,210
Furniture and fixtures	15,132	-	-	-	15,132	10	820	-	-	7,751	7,381
Office equipment	29,664	-	-	-	29,664	30	1,244	-	-	26,763	2,901
Vehicles	156,037	51,323	(13,009)	-	194,351	20	20,643	(6,994)	-	88,459	105,892
	5,472,503	1,228,117	(54,716)	-	6,645,904		328,169	(34,456)	-	2,565,261	4,080,643
Leasehold											
Vehicles	53,318	57,461	-	-	110,779	20	10,003	-	-	18,093	92,686
	53,318	57,461	-	-	110,779		10,003	-	-	18,093	92,686



Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
5.3 Depreciation charge for the year has been allocated as follows:			
Cost of revenue		371,206	305,462
Administrative expenses		24,693	22,706
		395,899	328,168

5.4 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									
Carding frame MK5D	16	38,886	30,014	8,873	4,775	(4,098)	Negotiation	S.S.Q textile traders	Third party
Carding frame MK5D	2	3,963	3,245	717	833	116	Negotiation	Dynamic textiles	Third party
Simplex frame FL16	2	10,503	9,044	1,459	1,979	520	Negotiation	Tuseef brothers	Third party
Autocone	5	29,403	24,203	5,200	4,362	(838)	Negotiation	Awais traders	Third party
Single needle lock stitch machine	59	1,032	719	314	440	126	Negotiation	Muhammad riaz	Third party
Safety over lock I-32	22	689	462	227	164	(63)	Negotiation	Muhammad riaz	Third party
Double needle lock stitch machine	10	128	33	94	75	(19)	Negotiation	Muhammad riaz	Third party
Fabric cutter machine	3	90	63	27	22	(5)	Negotiation	Muhammad riaz	Third party
Safety machine	109	997	25	972	351	(621)	Negotiation	Muhammad riaz	Third party
Singer sewing machine	49	448	11	437	261	(176)	Negotiation	Muhammad riaz	Third party
End cutter machine	1	15	10	5	7	2	Negotiation	Muhammad riaz	Third party
Strapping machine	1	56	20	36	7	(29)	Negotiation	Muhammad riaz	Third party
Snap button machine	10	92	2	89	75	(14)	Negotiation	Muhammad riaz	Third party
Flate lock machine	2	18	0	18	15	(3)	Negotiation	Muhammad riaz	Third party
Bland machine	2	18	0	18	15	(3)	Negotiation	Muhammad riaz	Third party
Feedo machine	4	37	1	36	22	(14)	Negotiation	Muhammad riaz	Third party
Brata machine	5	46	1	45	37	(8)	Negotiation	Muhammad riaz	Third party
Pocket lock machine	1	9	0	9	7	(2)	Negotiation	Muhammad riaz	Third party
		86,431	67,855	18,576	13,450	(5,129)			
Vehicles type: Cars									
Fork lifter truck	2	5,708	4,970	738	1,083	345	Negotiation	Al-madina enterprises	Third party
Toyota Hilux FDA 921	1	3,181	2,554	626	2,200	1,574	Negotiation	Mahfooz ahmad khan	Third party
Toyota corolla FDA 4114	1	1,796	1,640	156	1,115	959	Negotiation	Hafiz huzaifa yousaf	Third party
Honda civic DT 727	1	2,431	1,605	826	1,260	434	Negotiation	Sheikh moeen azeem	Third party
Toyota corolla LEB 1472	1	2,321	1,464	857	797	(60)	Company Policy	Syed hussain naqvi	Employee
Suzuki swift FD 187	1	1,096	719	377	587	210	Negotiation	Muhammad atta ur rehman	Third party
Honda civic LEF 3960	1	2,506	1,679	827	821	(6)	Company Policy	Ghulam muhammad	Employee
Suzuki mehran LEH 7995	1	693	406	287	315	28	Company Policy	Abdul razzaq	Employee
Toyota corola FD 737	1	1,627	518	1,109	1,227	118	Company Policy	Humayun jamil	Employee
Honda civic LEF 1472	1	2,640	840	1,800	2,640	840	Company Policy	Syed hussain naqvi	Employee
		23,997	16,394	7,603	12,045	4,442			
Vehicles type: Motorcycle									
Honda FDQ 423 CG-125	1	107	65	42	42	-	Company Policy	Khadim hussain	Employee
Honda FDW 9841 Pridor-100	1	89	52	37	49	12	Company Policy	Shoukat ali	Employee
Honda FDW 9851 CD-70	1	66	39	27	26	(1)	Company Policy	Muhammad khalid	Employee
Honda FDM 1253 CD-70	1	66	39	27	26	(1)	Company Policy	Irshad ali	Employee
Honda FDQ 7303 CD-70	1	64	36	28	64	36	Company Policy	Tahir parvaiz	Employee
Honda FDO 7897 CD-70	1	64	26	38	35	(3)	Company Policy	Umer arshad	Employee
Honda FDY 7175 CG-125	1	106	40	66	66	-	Company Policy	Zohaib waheed alvi	Employee
Honda FDW 3515 CD-70	1	64	26	37	40	3	Company Policy	Muhammad shakoor	Employee
		625	322	302	348	46			
		111,053	84,571	26,481	25,843	(641)			

Notes to the Financial Statements

For the Year ended 30 June 2020

5.5 Forced sale value of freehold land as per the last revaluation report as of June 30, 2020 was Rs. 387,156 thousand.

5.6 Particulars of immovable assets of the Company are as follows:

Location and address	Usage of immovable property	Land area (kanal)	Coverage area (sq. ft.)
29 KM, Sheikhpura road, Faisalabad	Head office and plant	439.05	1,975,725
Main bazar, Montgomery road, near clock tower, opposite Habib Bank Limited, Faisalabad	Sales office	0.05	225
Dost street, Maqbool road, Faisalabad	Godown	6.24	28,080
Chak 74, Jaranwala road, Faisalabad	Processing unit	19.13	86,085
		464.47	2,090,115

	NOTE	2020 (RUPEES IN THOUSAND)	2019 (RUPEES IN THOUSAND)
6.	RIGHT-OF-USE ASSETS		
	Vehicles:		
	Cost		
	Opening balance	-	-
	Impact of initial application of IFRS 16	110,779	-
	Closing balance	110,779	-
	Accumulated depreciation		
	Opening balance	-	-
	Impact of initial application of IFRS 16	18,093	-
	Add: charge during the year at the rate of 20%	18,537	-
	Closing balance	36,630	-
		74,149	-

6.1 The depreciation is charged to administrative expenses

7.	CAPITAL WORK IN PROGRESS			
	Buildings on freehold land	7.1	189,619	143,842
	Plant and machinery	7.1	204,069	4,592
			393,688	148,434

	Building		PLANT AND MACHINERY		
	2020 (RUPEES IN THOUSAND)	2019 (RUPEES IN THOUSAND)	2020 (RUPEES IN THOUSAND)	2019 (RUPEES IN THOUSAND)	
7.1	Movement in capital work in progress is as follows:				
	Opening balance	143,842	109,729	4,592	173,416
	Additions during the year	125,748	282,841	200,544	144,197
	Capitalized during the year	(79,971)	(248,728)	(1,067)	(313,021)
		189,619	143,842	204,069	4,592



Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
8. LONG TERM INVESTMENT			
Investment in associate			
J.K. Tech (Private) Limited - unquoted	8.1		
450 (2019: 450) ordinary shares of Rs. 10 each		5	5
Less: Accumulated impairment		(5)	(5)
		-	-
8.1	The Company holds 30% (2019: 30%) shares in J.K. Tech (Pvt) Ltd, 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 (Pvt) Ltd. has negative equity at year end.		
8.2	Cumulative unrecognized share of losses, both for the period and cumulatively, amount to Rs. 2,825 thousand (2019: Rs. 2,802 thousand).		
9. LONG TERM DEPOSITS AND ADVANCES			
Deposits		170	170
Ijarah deposit		23,200	-
Advance:			
Against vehicles		18,500	25,556
Against purchase of land		18,020	-
		59,890	25,726
10. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		72,293	59,778
Spare parts		31,433	25,991
Loose tools		1,047	866
		104,773	86,635
11. STOCK-IN-TRADE			
Raw materials			
- In hand		2,739,199	2,382,329
- In transit		361,534	118,320
		3,100,733	2,500,649
Work-in-process			
- In hand		73,732	267,712
- With third parties		330,021	209,488
		403,753	477,200
Finished goods			
- In hand		1,145,062	568,580
- With third parties		136,708	180,391
		1,281,770	748,971
Waste		19,345	20,034
		4,805,601	3,746,854

Notes to the Financial Statements

For the Year ended 30 June 2020

11.1 Stock-in-trade of Rs. 8,810 thousand (2019: Rs. 17,324 thousand) is being carried at net realizable value.

	NOTE	2020 (RUPEES IN THOUSAND)	2019
12. TRADE DEBTS			
Foreign, considered good:			
- secured		264,932	220,549
- unsecured		193,911	174,445
		458,843	394,994
Local, considered good:			
- unsecured		811,443	393,073
Less: Allowance for expected credit losses		(2,938)	(1,794)
		808,505	391,279
		1,267,348	786,273

12.1 The aging of trade debts at statement of financial position date was:

Age analysis of trade debts - not impaired			
Not past due		911,220	325,678
Up to 1 month		311,171	281,089
1 to 6 months		42,449	172,876
More than 6 months		2,508	6,630
		1,267,348	786,273

12.2 As at 30 June 2020, trade debts of Rs. 1,362 thousands (2019: Rs. 98 thousands) 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.

13. ADVANCES

Advance to staff			
Employees:			
- against expenses		370	3,675
- against salary		979	2,404
	13.1	1,349	6,079
Advance to suppliers against goods and services- considered good			
- unsecured		39,242	25,807
- secured		20,482	3,237
		59,724	29,044
		61,073	35,123

13.1 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 2020

	2020 (RUPEES IN THOUSAND)	2019
14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Deposits	3,017	3,017
Prepayments	2,391	4,226
	5,408	7,243
15. OTHER RECEIVABLES		
Considered good:		
Drawback of local taxes and levies	8,591	31,091
Export rebate	12,985	12,366
Miscellaneous	11,392	13,210
	32,968	56,667
16. TAX REFUNDS DUE FROM THE GOVERNMENT		
Income tax refundable	120,941	210,482
Sales tax and federal excise duty refundable	270,999	202,582
	391,940	413,064
Less: Provision for doubtful tax refunds due from the Government	(109,195)	(109,195)
	282,745	303,869
16.1 Provision for doubtful tax refunds due from the Government		
Balance as at 01 July	109,195	30,858
Add: Provision for the year	-	78,337
Balance as at 30 June	109,195	109,195
17. SHORT TERM INVESTMENTS		
Securities held at fair value through profit or loss	21,514	16,680
Investment in Government Bonds - Refund Payment Orders	-	34,913
	21,514	51,593

17.1 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 Repayment Orders issued in the name of the Company. However, these were redeemed during the year.

Notes to the Financial Statements

For the Year ended 30 June 2020

17.2 SHORT TERM INVESTMENTS

	2020			2019		
	Carrying value	Fair value adjustment	Market value	Carrying value	Fair value adjustment	Market value
------(RUPEES IN THOUSAND)-----						
Investments at fair value through profit or loss as per IFRS 9						
Shares in listed companies:						
Attock Refinery Limited 17,500 (2019: 17,500) fully paid ordinary shares of Rupees 10 each	1,352	211	1,563	3,014	(1,662)	1,352
D.G. Khan Cement Company Limited 10,000 (2019: 10,000) fully paid ordinary shares of Rupees 10 each	565	288	853	1,145	(581)	565
National Refinery Limited 1,000 (2019: 1,000) fully paid ordinary shares of Rupees 10 each	113	(6)	107	443	(330)	113
Oil and gas dev. co 1,000 (2019: Nil) fully paid ordinary shares of Rupees 10 each	102	7	109	-	-	-
Pakistan State Oil Company Limited 35,920 (2019: 21,600) fully paid ordinary shares of Rupees 10 each	5,990	(309)	5,681	5,729	(2,066)	3,663
Akzo Nobel Pakistan Limited Nil (2019: 12,000) fully paid ordinary shares of Rupees 10 each	-	-	-	2,241	(1,041)	1,200
Habib Bank Limited 13,200 (2019: 13,200) fully paid ordinary shares of Rupees 10 each	1,495	(216)	1,279	2,197	(702)	1,495
Ghandhara Industries Limited 12,000 (2019: 12,000) fully paid ordinary shares of Rupees 10 each	1,048	404	1,452	4,240	(3,192)	1,048
The Searle Company Limited 16,900 (2019: 6,900) fully paid ordinary shares of Rupees 10 each	2,872	495	3,367	2,037	(1,026)	1,011
United Bank Limited 5,000 (2019: 5,000) fully paid ordinary shares of Rupees 10 each	737	(220)	517	845	(108)	737
International Steels Limited 5,000 (2019: 5,000) fully paid ordinary shares of Rupees 10 each	199	59	258	509	(310)	199
Lucky Cement Limited 12,950 (2019: 12,950) fully paid ordinary shares of Rupees 10 each	4,927	1,050	5,977	6,578	(1,651)	4,927
Dost Steels Limited 75,000 (2019: 75,000) fully paid ordinary shares of Rupees 10 each	259	(30)	229	594	(335)	259
	21,679	1,733	21,393	31,591	(13,004)	16,569
Certificates in closed end mutual fund:						
NBP NAFA Stock Fund 9,273 (2019: 9,273) units held	110	1	111	136	(25)	111
Al meezan investment management ltd 201 (2019: Nil) units held	11	(1)	10	-	-	-
	21,800	1,733	21,514	31,727	(13,029)	16,680



Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
18. CASH AND BANK BALANCES			
Cash in hand		3,871	13,715
Balance with banks:			
- Current accounts	18.1	75,793	58,396
- Saving accounts	18.2	11,891	1,636
		87,684	60,032
		91,555	73,747

18.1 It includes USD 70,624 (2019: USD 12,634) held in foreign currency.

18.2 Rate of profit on bank deposits is 10% (2019: 10.25% to 11%) per annum.

19. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2020 (NUMBER OF SHARES)	2019 (NUMBER OF SHARES)		2020	2019
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	

20. CAPITAL RESERVES

Composition of reserves is as follows:

Capital reserve				
Merger reserve	20.1	289,636	289,636	
Premium on issue of right shares	20.1	60,904	60,904	
Revaluation surplus on freehold land	20.2	396,036	224,631	
		746,576	575,171	

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

20.2 First revaluation of 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. Second revaluation of freehold land of the Company has been revalued on 30 June 2020 by an independent valuer, MYK Associates Private limited using full scope method.

21. LONG TERM FINANCING

Loans from banking companies - secured	21.1	1,450,421	1,430,867
Less: Current portion	27	(363,311)	(238,984)
		1,087,110	1,191,883

Notes to the Financial Statements

For the Year ended 30 June 2020

21.1 Loans from banking companies

Banking Companies	Note	Limit (Rupees in million)	Loan Amount				Rate of interest	Repayment commence- ment date	Maturity date
			Opening	Received	(Repaid)	Closing			
(RUPEES IN THOUSAND)									
Askari Bank Limited	21.2.	138	125,977	-	(40,183)	85,794	SBP rate / 3 months Kibor for LTFF +1.25%	August 2016	October 2023
The Bank of Punjab	21.3.	817	704,563	33,872	(81,211)	657,224	SBP rate for LTFF + 1.25% to 2.00%	September 2017	May 2025
National Bank of Pakistan	21.4.	536	532,231	-	(119,586)	412,645	SBP rate for LTFF + 1.25%	October 2018	January 2024
Habib bank limited	21.5.	199	-	118,494	-	118,494	SBP rate for TF 2%	January 2021	October 2022
Meezan Bank Limited	21.6.	300	68,096	108,168	-	176,264	SBP rate for LTFF + 1.25% and 2.00%	September 2020	May 2025
			<u>1,430,867</u>	<u>260,534</u>	<u>(240,980)</u>	<u>1,450,421</u>			

- 21.2 Purpose of this facility is to finance expansion and Balancing Modernization and Replacement (BMR) of spinning unit. Current balance payable is aggregate of four trenches. At present, sanctioned limit of these facilities is Rs. 138.00 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 installments. This facility is secured against first specific charge of Rs. 267 million over imported machinery inclusive of 25% margin and personal guarantee of three Directors of the Company. At present first specific charge of Rs. 133 million has been registered against availed facility.
- 21.3 This facility is obtained for retirement of spinning machinery letter of credits established through BOP. Current balance payable is aggregate of nineteen 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 installments. 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.
- 21.4 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 payable 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 installments. This facility is secured by way of specific hypothecation charge of Rs. 800 million and personal guarantee of three Directors of the Company.
- 21.5 This facility was obtained in financial year 2020 to finance wages and salaries (excluding bonuses, sales incentives, employee benefit plans, staff retirement benefit, gratuity etc.) of permanent, contractual, daily wagers as well as outsourced employees (collectively the "Employees") for the month of April 2020, May 2020 & June 2020. As per terms of the agreement, the principal is to be repaid in 8, consecutive, quarterly installments. This facility is secured by way of JPP charge over fixed assets of the company amounting PKR 267 M.
- 21.6 This facility was obtained to finance generator / spinning machinery of the Company along with spares parts. Current balance payable is aggregate of three trenches. 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 installments. This facility is secured against generator and spinning machinery and advance rental of 25%.
- 21.7 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.



Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019 (RUPEES IN THOUSAND)
22. LEASE LIABILITIES			
Vehicles:			
Opening balance as at July 1st, 2019/2018		58,034	32,374
Obtained during the year		-	33,579
Interest accrued		9,515	3,289
		67,549	69,242
Paid during the year		(24,849)	(11,208)
		42,700	58,034
Current portion		(17,616)	(16,257)
Closing balance as at June 30,		25,084	41,777

22.1 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 11.88% to 15.36% (2019: 8.43% to 14.18%) per annum. Taxes, repairs and insurance costs are to be borne by the Company. The purchase option is available to the Company on payment of last installment and surrender of security deposit paid under the agreement. These are secured against the leased assets.

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

	2020		2019	
	Within one year	Within two to five years	Within one year	Within two to five years
	----- (RUPEES IN THOUSAND) -----			
Future minimum lease payments	22,499	28,521	23,008	49,349
Less: Future finance charges	(4,883)	(3,437)	(6,751)	(7,572)
Present value of future minimum lease payments	17,616	25,084	16,257	41,777

	2020 (RUPEES IN THOUSAND)	2019 (RUPEES IN THOUSAND)
23. DEFERRED TAX LIABILITY		
Deferred tax liability on taxable temporary differences arising in respect of:		
- Accelerated tax depreciation	254,496	300,205
Deferred tax asset on deductible temporary differences arising in respect of:		
- Liabilities against assets subject to finance lease	(6,955)	(10,182)
- Unrealized export trade debts	-	3,950
- Provision for doubtful debts	(852)	-
- Minimum tax	-	-
- Unused tax losses	-	-
- Provision for doubtful tax refunds due from the Government	(17,787)	(19,158)
	(25,594)	(25,390)
	228,902	274,815

Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
23.1	Movement in deferred tax balances is as follows:		
At beginning of the year		274,815	178,714
Recognized as deferred tax expense / (income) in profit and loss account:			
- Accelerated tax depreciation		(45,709)	55,627
- Liabilities against assets subject to finance lease		3,227	(4,631)
- Unrealized export trade debts		(3,950)	210
- Provision for doubtful debts		(852)	-
- Minimum tax		-	58,176
- Provision for doubtful tax refunds due from the Government		1,371	(13,867)
- Unused tax losses		-	586
		(45,913)	96,101
		228,902	274,815

24. TRADE AND OTHER PAYABLES

Trade creditors	24.1.	321,264	219,315
Accrued liabilities		388,332	360,757
Securities - interest free	24.2.	1,500	684
Retention money		6,571	8,034
Income tax deducted at source		1,349	1,062
Provision for Workers' Profit Participation Fund payable	24.3.	69,164	47,545
Provision for Workers' Welfare Fund payable		-	8,830
Books overdrawn		4,198	-
Other payables		20,867	15,715
		813,245	661,942

24.1 This amount includes related party balance of Rs. 87.611 thousands (2019: Nil) payable to J.K. Tech (Pvt) Ltd.

24.2 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.

24.3 Workers' Profit Participation Fund

Opening balance		47,545	22,630
Interest for the year		3,159	982
Provision for the year		69,164	47,545
Payments during the year		(50,704)	(23,612)
Closing balance	24.4	69,164	47,545

24.4 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.



Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
25. ACCRUED MARK-UP			
Long term financing		12,143	12,873
Liabilities against assets subject to finance lease		91	130
Short term borrowings		21,125	62,913
		33,359	75,916
26. SHORT TERM BORROWINGS			
From banking companies - secured			
Export refinance	26.1	1,358,000	780,000
Short term running finance	26.2	111,605	26,410
Cash finance	26.3	440,775	896,194
Loan against Import	26.4	1,137,550	762,204
Other short term finance	26.5	90,000	164,999
	26.6	3,137,930	2,629,807
Unsecured			
From directors	26.7	35,445	15,041
		3,173,375	2,644,848
26.1	Rate of markup is 3% (2019: 3.50%) per annum on the balance outstanding.		
26.2	Rate of markup ranges from 8% to 15.27% (2019: 8.42% to 12.49%) per annum on the balance outstanding.		
26.3	Rate of markup ranges from 8% to 14.68% (2019: 7.63% to 13.89%) per annum on the balance outstanding.		
26.4	Rate of markup ranges from 8% to 14.99% (2019: 7.63% to 13.89%) per annum on the balance outstanding.		
26.5	Rate of markup ranges from 8.25% to 15.09% (2019: 7.16% to 14.15%) per annum on the balance outstanding.		
26.6	These finances are obtained from banking companies under mark-up arrangements and are secured against joint pari passu hypothecation charge on present and future current assets and joint pari passu charge on fixed assets, pledge of stock of cotton, yarn and polyester with specific margin, lien over import / export documents, letter of indemnity and personal guarantee of three Directors of the Company. Aggregate sanctioned limit is Rs. 8,150 million (2019: 6,475 million). The unavailed credit limit is Rs. 4,747 million. Aggregate limit for opening letter of credits / guarantees / hedge is Rs. 3,200 million out of which, Rs. 2,600 million is sublimit of facilities mentioned above.		
26.7	These represent interest free loans, to meet working capital requirements, obtained from Directors of the Company which are repayable on demand.		
27. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term financing	21	363,311	238,984
Current portion of liabilities against assets subject to finance lease	22	17,616	16,257
		380,927	255,241

Notes to the Financial Statements

For the Year ended 30 June 2020

28. CONTINGENCIES AND COMMITMENTS

28.1 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. 31,659 thousand vide assessment order dated 10 August 2018. Being aggrieved with the order, the Company filed appeal before CIR(A) which is pending adjudication.
- iv) ACIR, after withholding proceedings under section 161/205 of the Ordinance, created tax demand of Rs. 2,738 thousand and Rs. 1,286 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) ACIR, after withholding proceedings under section 161/205 of the Ordinance, created tax demand of Rs. 2,020 thousand for the tax years 2018 vide assessment orders dated 05 November 2019. Being aggrieved with the order, the Company filed appeal before CIR(A) which is pending adjudication.
- viii) 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.
- ix) 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.
- x) 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.
- xi) 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.



Notes to the Financial Statements

For the Year ended 30 June 2020

- xii) 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.
- xiii) Commissioner Punjab Revenue Authority passed Assessment Order No.46/2020 dated 24.02.2020 determined Rs.74.137 thousand under section 52(I) read with section 60 of Punjab Sales Tax on Services Act ,2012, which are to be recovered under section70 of the Act along with default surcharge under section 49 and penalty under section 48 of the Act. Company filed appeal before Appellate Tribunal, Punjab Revenue Authority, Lahore, which is pending for adjudication.
- xiv) Assistant Commissioner Inland Revenue passed Order-in-Original No.30/2020 dated 05.03.2020 for the recovery of Sales Tax against Packing Material of Rs.2,935 thousand stand recoverable 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. 214,001 thousand (Restated 2019: Rs. 214,001 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. 463,712 thousand (2019: Rs. 309,202 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.
- iii) Foreign bills (under letter of credits) discounted with banks amount to Rs. 68,102 thousand (2019: 422,282)

28.2 Commitments

- i) Letters of credit for capital expenditure are of Rs. 401,993 thousand (2019: Rs. 22,407 million).
- ii) Letters of credit other than for capital expenditure are of Rs. 83,700 thousand (2019: Rs. 191,434 thousand).
- iii) The commitment against purchase of land (Note no. 9) as at statement of financial position date is Rs. 1,435 thousands.
- iv) During the year company has entered into Ijarah lease agreement with Meezan bank limited in respect of vehicle. The commitments against such facility are as follows:

	2020	2019
	(RUPEES IN THOUSAND)	
Ijarah lease installments payable:		
within 1 year	8,730	-
within 2 to 5 years	30,556	-
	39,286	-

Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
29. REVENUE FROM CONTRACTS WITH CUSTOMERS			
Export sales	29.1	7,530,404	5,207,495
Local sales	29.2	7,151,555	8,404,359
Export rebate and duty drawback		145,266	75,263
		14,827,225	13,687,117

29.1 These include indirect exports, taxable under section 154 (3b) of income tax ordinance, 2001, amounting to Rs. 1,138,059 thousands (2019: Nil)

29.2 Local sales			
Sales		8,129,865	8,127,703
Waste		431,808	286,520
		8,561,673	8,414,223
Less: Sales tax		(1,410,118)	(9,864)
		7,151,555	8,404,359

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

Segments	For the year ended 30 June 2020		
	Spinning	Fabric	Total
	(RUPEES IN THOUSAND)		
Revenue:			
Sale of yarn	8,200,533	-	8,200,533
Sale of fabric	-	6,276,691	6,276,691
Sale of waste	306,291	43,710	350,001
Total revenue from contracts with customers	8,506,824	6,320,401	14,827,225



Notes to the Financial Statements

For the Year ended 30 June 2020

Segments	For the year ended 30 June 2020		
	Spinning	Fabric	Total
	(RUPEES IN THOUSAND)		
Geographic markets::			
Pakistan	6,991,919	159,636	7,151,555
Australia	-	60,232	60,232
Bangladesh	86,731	-	86,731
Belgium	-	180,227	180,227
Cyprus	-	7,648	7,648
Ecuador	-	85,726	85,726
Egypt	26,436	-	26,436
Finland	-	1,706	1,706
France	-	1,245,678	1,245,678
Germany	17,008	1,150	18,158
Italy	14,886	210,850	225,736
Jamaica	-	12,070	12,070
Jordan	-	35,129	35,129
Mexico	-	138,741	138,741
Portugal	47,781	85,017	132,798
Romania	-	8,701	8,701
Spain	10,875	530,009	540,884
Turkey	173,130	-	173,130
UK	-	1,450,105	1,450,105
USA	-	1,962,509	1,962,509
Others	1,138,059	-	1,138,059
Export rebate and duty drawback	-	145,266	145,266
Total revenue from contracts with customers	8,506,825	6,320,400	14,827,225
Timing of revenue recognition			
Goods transferred at a point in time	8,506,825	6,320,400	14,827,225

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

Notes to the Financial Statements

For the Year ended 30 June 2020

Segments	For the year ended 30 June 2019		
	Spinning	Fabric	Total
	(RUPEES IN THOUSAND)		
Geographic markets:			
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

	NOTE	2020 (RUPEES IN THOUSAND)	2019 (RUPEES IN THOUSAND)
30. COST OF REVENUE			
Raw materials consumed	30.1	8,758,141	8,616,428
Stores, spare parts and loose tools consumed		179,677	157,370
Packing materials consumed		255,622	211,076
Processing, sizing and conversion charges		1,284,630	1,049,349
Fuel and power		1,038,085	926,608
Salaries, wages and other benefits	30.2	839,324	717,055
Depreciation		371,206	305,462
Repair and maintenance		31,907	19,160
Insurance		14,685	15,474
Other factory overheads		13,982	15,623
		12,787,259	12,033,605
Work-in-process			
Opening stock		477,200	518,715
Closing stock		(403,753)	(477,200)
		73,447	41,515
Cost of goods manufactured		12,860,706	12,075,120
Finished goods			
Opening stock		769,005	466,793
Closing stock		(1,301,115)	(769,005)
		(532,110)	(302,212)
		12,328,596	11,772,908



Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
30.1 Raw materials consumed			
Opening stock		2,500,649	1,475,677
Add: Purchased during the year		9,358,225	9,641,400
		11,858,874	11,117,077
Closing stock		(3,100,733)	(2,500,649)
		8,758,141	8,616,428

30.2 Salaries, wages and other benefits include provident fund contribution of Rs. 21,310 thousand (2019: Rs. 16,844 thousands) by the Company.

31. DISTRIBUTION COST

Salaries and other benefits	31.1	17,364	13,592
Ocean freight		147,683	122,846
Commission and brokerage		103,446	152,681
Travelling and conveyance		5,234	12,897
Local freight		16,354	22,941
Shipping expenses		13,037	13,165
Export development surcharge		16,045	14,237
Fee and subscription		650	467
Advertisement		2,798	6,179
Business promotion		10,107	14,126
Insurance		1,998	1,927
Miscellaneous		1,376	142
		336,092	375,200

31.1 Salaries and other benefits include provident fund contribution of Rs. 753 thousand (2019: Rs. 719 thousands) by the Company.

32. ADMINISTRATIVE EXPENSES

Salaries and other benefits	32.1	172,081	153,997
Legal and professional		521	318
Insurance		4,858	3,315
Travelling and conveyance		50,660	45,129
Vehicles' running		17,861	15,047
Entertainment		4,916	5,085
Auditors' remuneration	32.2	2,275	1,575
Advertisement		268	258
Communication		7,455	8,783
Utilities		442	468
Printing and stationery		1,760	2,115
Repair and maintenance		883	1,207
Fee and subscription		13,907	16,024
Depreciation		43,230	32,709
Ijarah rentals		4,424	-
Other charges		12,061	11,749
		337,602	297,779

Notes to the Financial Statements

For the Year ended 30 June 2020

32.1 Salaries and other benefits include provident fund contribution of Rs. 6,836 thousand (2019: Rs. 5,790 thousands) by the Company.

	NOTE	2020 (RUPEES IN THOUSAND)	2019
32.2 Auditors' remuneration:			
Statutory audit		2,000	1,300
Half yearly review and other certifications		125	125
Out of pocket expenses		150	150
		2,275	1,575

33. OTHER OPERATING EXPENSES

Donations	33.1	4,629	3,462
Loss on sale of property, plant and equipment		641	3,654
Unrealized loss on re-measurement of investment at fair value through profit or loss		-	13,004
Trade debts written off		1,362	98
Provision for expected credit losses		1,144	1,794
Provision for doubtful tax refunds due from Government		-	78,337
Loss on forward rate agreement		15,272	13,035
Net exchange loss		37,367	-
Workers' Profit Participation Fund		69,164	47,545
Workers' Welfare Fund		4,060	8,830
		133,639	169,759

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

34. OTHER INCOME

Income from financial assets	34.1	4,995	199,604
Income from non-financial assets	34.2	7,219	8,945
		12,214	208,549

34.1 Income from financial assets

Profit on saving account		25	-
Net exchange gain		-	198,600
Dividend income on investments at fair value through profit or loss		355	863
Gain on restatement of investments at fair value through profit or loss		2,551	-
Gain on sale of investments at fair value through profit or loss		2,064	141
		4,995	199,604

34.2 Income from non-financial assets

Credit balances written back		-	2,553
Rental income		1,920	1,920
Scrap sales		5,299	4,472
		7,219	8,945



Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
35. FINANCE COSTS			
Mark up on:			
- Long term financing		57,807	49,452
- Liabilities against assets subject to finance lease		9,515	3,289
- Short term borrowings		283,760	305,944
		351,082	358,685
Interest on Workers' Profit Participation Fund		3,159	982
Bank charges and commission		42,377	26,817
		396,618	386,484
36. TAXATION			
Income tax:			
Current		184,584	90,109
Prior year adjustment		26,249	(9,024)
		210,833	81,085
Deferred tax:			
Relating to origination and reversal of temporary differences		(45,913)	96,101
Relating to change in tax rate		-	-
		(45,913)	96,101
		164,920	177,186
36.1 Tax reconciliation			
Profit before taxation		1,306,892	893,536
Tax @ 29% (2019: 29%)		378,999	259,125
Effect of credit under section 65B		-	(26,167)
Tax impact of Prior Years		(26,249)	(9,024)
Others		(187,830)	(46,748)
Net tax charged		164,920	177,186
Average effective tax rate		13%	20%

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

36.3 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, up to 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 2020 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on September 29, 2020 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

Notes to the Financial Statements

For the Year ended 30 June 2020

	NOTE	2020 (RUPEES IN THOUSAND)	2019
37. EARNING PER SHARE - BASIC AND DILUTED			
Profit attributable to ordinary shareholders (Rupees in thousand)		1,141,972	716,350
Weighted average number of ordinary shares (Numbers)		73,083,930	73,083,930
Earnings per share (Rupees)		15.63	9.80
37.1	There are no dilutive potential ordinary shares outstanding as at June 30, 2020 and 2019.		
38. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,306,892	893,536
Adjustment for:			
Depreciation		414,436	338,171
Trade debts written off		1,362	98
Provision for expected credit losses		(1,144)	1,794
Credit balances written back		-	(2,553)
Finance cost		396,618	386,484
Provision for Workers' Profit Participation Fund		69,164	47,545
Provision for Workers' Welfare Fund		4,060	8,830
Loss on sale of property, plant and equipment		641	3,654
Loss on forward rate agreement		-	13,035
Gain on sale of investments at fair value through profit or loss		(2,064)	(141)
Unrealized (Gain)/loss on re-measurement of investments at fair value through profit or loss		(2,551)	13,004
Working capital changes		(1,529,593)	(815,680)
		657,821	887,777
38.1 Working capital changes			
Decrease / (increase) in current assets:			
Stores, spare parts and loose tools		(18,138)	8,813
Stock-in-trade		(1,058,747)	(1,285,669)
Trade debts		(481,293)	78,844
Advances		(25,950)	48,502
Trade deposits and short term prepayments		1,835	(649)
Other receivables		23,699	50,246
Sales tax and federal excise duty refundable		(68,417)	75,832
Net (increase)/decrease in long term deposits and advances		(34,164)	15,575
Net Increase/(decrease) in long term deposits liability		1,383	(112)
		(1,659,792)	(1,008,618)
Increase / (decrease) in current liabilities:			
Trade and other payables		138,227	160,124
Contract liabilities		(8,028)	32,814
		130,199	192,938
		(1,529,593)	(815,680)



Notes to the Financial Statements

For the Year ended 30 June 2020

39. 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	
	2020	2019	2020	2019	2020	2019
	----- (RUPEES IN THOUSAND) -----					
Managerial remuneration	8,400	8,400	18,000	18,000	52,229	32,854
Bonus - Ex gratia	-	700	-	1,500	-	5,476
Allowances						
- Utilities	2,280	2,202	5,776	5,642	-	-
- Others	2,126	2,006	4,990	4,706	-	-
Contribution to provident fund	466	466	1,000	1,000	2,896	1,763
	13,272	13,774	29,766	30,848	55,125	40,093
Number of persons	1	1	2	2	18	11

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

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

40. PROVIDENT FUND RELATED DISCLOSURES

	NOTE	Un-Audited 2020 (RUPEES IN THOUSAND)	Audited 2019
Size of the fund - Total assets		315,106	276,043
Cost of investments out of provident fund		302,177	270,368
Percentage of investments out of provident fund		95.90%	97.94%
Fair value of investments out of provident fund	40.1	301,089	269,646

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

	2020 PERCENTAGE	2019 PERCENTAGE		
Bank balances	40%	49%	122,415	131,419
Investment in listed debt securities	7%	7%	20,000	20,000
Investment in listed debt collective investment schemes	52%	43%	155,527	116,454
Investment in listed equity securities	1%	1%	3,147	1,773
	100%	100%	301,089	269,646

40.2 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.

Notes to the Financial Statements

For the Year ended 30 June 2020

	2020	2019
	(NUMBER OF PERSONS)	
41. NUMBER OF EMPLOYEES		
Total number of employees as at reporting date	2,448	2,497
Average number of employees during the year	2,451	2,505

42. 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:

		2020	2019
		(RUPEES IN THOUSAND)	
Relationship with the Company	Nature of transaction		
Associated Company			
J.K. Tech (Private) Limited	Service charges paid	2,280	2,168
	Rental income recovered	1,920	1,920
Other related parties			
Employees' Provident Fund Trust	Company's contribution to Employees' Provident Fund Trust	28,900	23,517
Directors			
	Loan obtained/repaid to directors-net	35,445	8,114
	Dividend paid	141,609	60,166

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

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

42.3 Details Of Related Parties of The Company:

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



Notes to the Financial Statements

For the Year ended 30 June 2020

		2020	2019	
		(RUPEES IN THOUSAND)		
43.	PLANT CAPACITY AND ACTUAL PRODUCTION			
	Spinning			
	100 % plant capacity converted to 20s count based on 3 shifts per day for 1,098 shifts (2019: 1,095 shifts)	(Kgs.)	44,501	41,508
	Actual production converted to 20s count based on 3 shifts per day for 1,055 shifts (2019: 1,094 shifts)	(Kgs.)	37,051	36,755
	Weaving			
	100% plant capacity at 50 picks based on 3 shifts per day for 1,098 shifts (2019: 1,095 shifts)	(Sq. Mtr.)	18,667	18,011
	Actual production converted to 50 picks based on 3 shifts per day for 1,008 shifts (2019: 1,068 shifts)	(Sq. Mtr.)	14,934	12,038

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.

43.1 REASON FOR LOW PRODUCTION

Spinning

Under utilization of available capacity is mainly due to closing of production operation due to COVID-19, during the year and actual production was sufficient to meet the market demand.

Weaving

Under utilization of available capacity is mainly due to closing of production operation due to COVID-19 during the year and actual production was sufficient to meet the market demand.

44. SEGMENT INFORMATION

	Spinning	Fabric	Total Segments	Adjustments and Eliminations	Total - Company
	2020	2020	2020		2020
..... (RUPEES IN THOUSAND)					
Year ended 30 June 2020					
Revenue					
External	8,506,825	6,320,401	14,827,226	-	14,827,225
Intersegment	837,757	-	837,757	(837,757)	-
	9,344,582	6,320,401	15,664,983	(837,757)	14,827,225
Cost of sales	(7,970,708)	(5,195,645)	(13,166,353)	837,757	(12,328,597)
Gross profit	1,373,874	1,124,756	2,498,630	-	2,498,629
Distribution cost	(81,579)	(254,513)	(336,092)	-	(336,092)
Administrative expenses	(227,481)	(110,121)	(337,602)	-	(337,602)
	(309,060)	(364,634)	(673,694)	-	(673,694)
Segment profit	1,064,814	760,122	1,824,936	-	1,824,935
Total assets	8,292,365	2,676,605	10,968,970	-	10,968,970
Total liabilities	4,368,205	1,160,461	5,528,666	-	5,528,666

Notes to the Financial Statements

For the Year ended 30 June 2020

	Spinning	Fabric	Total Segments	Adjustments and Eliminations	Total - Company
	2019	2019	2019		2019
..... (RUPEES IN THOUSAND)					
Year ended 30 June 2019					
Revenue					
External	8,667,922	5,019,195	13,687,117	-	13,687,117
Intersegment	239,785	-	239,785	(239,785)	-
	8,907,707	5,019,195	13,926,902	(239,785)	13,687,117
Cost of sales	(7,676,207)	(4,336,486)	(12,012,693)	239,785	(11,772,908)
Gross profit	1,231,500	682,709	1,914,209	-	1,914,209
Distribution cost	(76,037)	(299,163)	(375,200)	-	(375,200)
Administrative expenses	(213,616)	(84,163)	(297,779)	-	(297,779)
	(289,653)	(383,326)	(672,979)	-	(672,979)
Segment profit	941,847	299,383	1,241,230	-	1,241,230
Total assets	8,340,551	851,073	9,191,624	-	9,191,624
Total liabilities	4,047,884	858,646	4,906,530	-	4,906,530

44.1 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.

	2020	2019
	(RUPEES IN THOUSAND)	(RUPEES IN THOUSAND)
44.2 Reconciliation of profit		
Segment profit	1,824,935	1,241,230
Other expenses	(133,639)	(169,759)
Other income	12,214	208,549
Finance cost	(396,618)	(386,484)
Taxation	(164,920)	(177,186)
Profit after taxation	1,141,972	716,350
44.3 Reconciliation of assets		
Segment operating assets	10,968,970	9,191,624
Tax refunds due from the Government	282,745	303,869
Total assets as per balance sheet	11,251,715	9,495,493
44.4 Reconciliation of liabilities		
Segment operating liabilities	5,528,666	4,906,530
Deferred tax liability	228,902	274,815
Workers' Profit Participation Fund Payable	69,164	47,545
Workers' Welfare Fund Payable	-	8,830
	5,826,732	5,237,720

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



Notes to the Financial Statements

For the Year ended 30 June 2020

2020
2019
(RUPEES IN THOUSAND)

44.5 Geographical Information

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

Europe	3,803,993	3,862,997
America	2,199,046	995,518
Asia, Africa and Australia	389,306	348,980
Pakistan	7,151,555	8,479,622
Others	1,283,325	-
	14,827,225	13,687,117

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

44.7 Revenue from major customers

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

45. 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.

Notes to the Financial Statements

For the Year ended 30 June 2020

Following is the gross exposure classified into separate foreign currencies:

	USD	Euro	GBP
As at 30 June 2020			
Trade debts	2,770,387	155,673	123,985
Cash at bank	70,624	-	-
Trade and other payables	(122,037)	(2,655)	-
Net exposure	2,718,974	153,018	123,985
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

Spot rate	
As at 30 June 2020	As at 30 June 2019

Significant exchange rates applied during the year were as follows:

Rupees per		
USD	167.98	160.05
Euro	188.43	182.32
GBP	206.32	203.01

Sensitivity analysis

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

	Increase / decrease in exchange rates	Effect on profit before tax (USD)	Effect on profit before tax (EURO)	Effect on profit before tax (GBP)
2020				
Pak Rupee	+5%	22,836,507	1,441,682	1,278,996
Pak Rupee	-5%	(22,836,507)	(1,441,682)	(1,278,996)
2019				
Pak Rupee	+5%	32,400,146	2,443,234	1,040,954
Pak Rupee	-5%	(32,400,146)	(2,443,234)	(1,040,954)

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



Notes to the Financial Statements

For the Year ended 30 June 2020

(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:

		2020	2019
Reporting date all index points		34,422	33,902
		Changes in PSX all Index	Effects on Profit Before Tax (Rupees in thousand)
Investments at fair value through profit or loss			
	2020	+10% -10%	2,139 (2,139)
	2019	+10% -10%	1,657 (1,657)

(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:

	2020	2019
	(Rupees in thousand)	
Fixed rate instruments:		
Financial liabilities:		
Long term financing	1,319,559	1,345,311
Short term borrowings	1,358,000	780,000
	2,677,559	2,125,311

Notes to the Financial Statements

For the Year ended 30 June 2020

	2020 (Rupees in thousand)	2019
Floating rate instruments:		
Financial assets		
Bank balances - saving accounts	11,891	1,636
Financial liabilities		
Long term financing	130,862	85,556
Lease liabilities	42,700	58,034
Short term borrowings	1,815,375	1,864,848
	1,988,937	2,008,438

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			
	2020	+1%	118.91
		-1%	(118.91)
	2019	+1%	16.36
		-1%	(16.36)
Long term financing			
	2020	+1%	1,309
		-1%	(1,309)
	2019	+1%	856
		-1%	(856)
Lease liabilities			
	2020	+1%	427
		-1%	(427)
	2019	+1%	580
		-1%	(580)
Short term borrowings			
	2020	+1%	18,154
		-1%	(18,154)
	2019	+1%	18,648
		-1%	(18,648)



Notes to the Financial Statements

For the Year ended 30 June 2020

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:

	2020	2019
	(Rupees in thousand)	
Loans and advances	979	2,623
Deposits	3,187	3,187
Trade debts	1,267,348	786,273
Other receivables	11,392	13,210
Short term investments	21,514	51,593
Bank balances	87,684	60,032
	1,392,104	916,918

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 maximum credit risk exposure at reporting date is carrying value of financial assets stated above. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate.

Banks:	Rating			2020	2019
	Short term	Long term	Agency	(Rupees in thousand)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	49	-
Allied Bank Limited	A1+	AAA	PACRA	15	6
Askari Bank Limited	A1+	AA+	PACRA	1,793	1,334
Habib Bank Limited	A-1+	AAA	JCR-VIS	6,267	15,476
Meezan Bank Limited	A-1+	AA+	JCR-VIS	17,401	7,431
MCB Bank Limited	A1+	AAA	PACRA	90	676
Standard Chartered Bank	A1+	AAA	PACRA	10,693	5,962
The Bank of Punjab	A1+	AA	PACRA	50,232	6,797
Summit Bank Limited		Suspended	JCR-VIS	1,021	8,115
The Bank of Khyber	A1	A	PACRA	86	11,560
Bank Alfalah Limited	A1+	AA+	PACRA	1	1
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	35	2,674
				87,684	60,032

Notes to the Financial Statements

For the Year ended 30 June 2020

The Company's exposure to credit risk and expected credit losses related to trade debts is disclosed in Note 12.

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 2020					
Long term financing	1,450,421	1,450,421	363,311	1,087,110	-
Trade and other payables	741,232	741,232	741,232	-	-
Short term bank borrowings	3,173,375	3,173,375	3,173,375	-	-
Accrued mark-up on loans	33,359	33,359	33,359	-	-
	5,398,387	5,398,387	4,311,277	1,087,110	-
Commitments	-	-	-	-	-
	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	-	-	-	-	-

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



Notes to the Financial Statements

For the Year ended 30 June 2020

	2020 (Rupees in thousand)	2019
45.1 Financial instruments by categories		
Assets as per statement of financial position:		
At amortized cost		
Loans and advances	979	2,623
Deposits	3,187	3,187
Trade debts	1,267,348	786,273
Other receivables	11,392	13,210
Bank balances	87,684	60,032
	1,370,590	865,325
At fair value through profit or loss		
Investments	21,514	51,593
	1,392,104	916,918
Liabilities as per statement of financial position:		
Long term financing	1,450,421	1,430,867
Trade and other payables	741,232	603,821
Short term borrowings	3,173,375	2,644,848
Accrued mark-up on loans	33,359	75,916
	5,398,387	4,755,452

45.2 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.

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'.

Long term financing	1,450,421	1,430,867
Short term borrowing	3,173,375	2,644,848
Total debt	4,623,796	4,075,715
Cash and bank balances	(91,555)	(73,747)
Net debt	4,532,241	4,001,968
Share capital	730,839	730,839
Reserves	4,694,144	3,526,935
Total Equity	5,424,983	4,257,774
Total capital employed	9,957,224	8,259,742
Gearing ratio	46%	48%

Notes to the Financial Statements

For the Year ended 30 June 2020

46. 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 2020				
Financial assets				
Investments at fair value through profit or loss	21,514	-	-	21,514
Financial liabilities				
Recurring fair value measurement At 30 June 2019				
Financial assets				
Investments at fair value through profit or loss	51,593	-	-	51,593
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.



Notes to the Financial Statements

For the Year ended 30 June 2020

47. 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 2020				
Freehold land	-	480,769	-	480,769
Total non-financial assets	-	480,769	-	480,769
At 30 June 2019				
Freehold land	-	308,123	-	308,123
Total non-financial assets	-	308,123	-	308,123

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 2020, the fair value of freehold land has been determined by MYK Associates 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.

48. NON ADJUSTING EVENT AFTER REPORTING PERIOD

48.1 The Board of Directors of the Company has proposed a cash dividend of Rs. 1 per share and bonus shares at 40% i.e. 4 shares against every 10 shares held for the year ended 30 June 2020 (2019: Cash dividend Rs. 2 per share) at their meeting held on 29 September 2020. 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.

48.2 Authorised share capital has been increased from Rs. 960,000 thousand divided into 96,000 thousand ordinary shares of Rs. 10 each to Rs. 2,000,000 thousands divided into 200,000 thousands ordinary shares of Rs. 10 each in extra ordinary general meeting held on September 14, 2020.

Notes to the Financial Statements

For the Year ended 30 June 2020

49. GENERAL

49.1 Nomenclature of the following account head have been changed in these financial statements.

Previous	Current
Liabilities against assets subject to finance lease	Lease liabilities

49.2. Following figures have been reclassified in these financial statements for better presentation.

Account head	Previous classification	Current classification
Advance to staff: Executives: -against salary (Rs. 219 thousands)	Advance: Separate line item	Advance to staff: Employees -against expenses
Loan against Import (Rs. 762 thousands)	Short term borrowings Cash finance	Short term borrowings Separate line item

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

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2020 by the Board of Directors of the Company.

51. CORRESPONDING FIGURES

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.



Javed Anwar
Chairman



Faiq Jawed
Chief Executive Officer



Ghulam Muhammad
Chief Financial Officer



Pattern of Shareholding

As on June 30, 2020

No. of Share Holders	Share Holding		Total Shares Held
	From	To	
58	1	100	931
43	101	500	12,057
42	501	1,000	29,275
67	1,001	5,000	157,732
13	5,001	10,000	90,127
5	10,001	15,000	64,701
3	15,001	20,000	50,397
3	20,001	25,000	62,400
1	25,001	30,000	27,600
1	30,001	35,000	31,157
1	40,001	45,000	40,590
2	45,001	50,000	96,410
1	55,001	60,000	57,000
1	70,001	75,000	72,500
2	120,001	125,000	250,000
1	125,001	130,000	127,134
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	1,005,001	1,010,000	1,005,166
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	26,775,001	26,780,000	26,776,248
257			73,083,930

Shareholders' Category	No. of Share Holders/Folios	No. of Shares Held	Percentage
Directors, Chief Executive Officer and their spouse :			
-Directors and Spouse	12	52,485,471	71.82
-Chief Executive Officer	3	18,077,582	24.74
Banks, Development Financial Institutions, Non Banking Financial Institutions			
	3	3,361	0.00
Insurance Companies			
	2	5,460	0.01
Modarbas			
	1	3,255	0.00
General Public:			
a. Local	228	2,462,534	3.37
b. Foreign	-	-	-
Other			
	8	46,267	0.06
Total	257	73,083,930	100.0000

Shareholders More Than 10%

Mr. Jawed Anwar	27,878,748	38.15
Mr. Faiq Jawed	18,077,582	24.74
Mr. Shaiq Jawed	11,371,627	15.56
Mrs. Farhat Jehan	11,303,256	15.47



Form of Proxy

34th 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 34th Annual General Meeting of the Company, to be held on the 28th day of October, 2020 and at any adjournment thereof.

At witness my/our hand /seal this _____ day of _____ 2020.

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

Notes:

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

چوتیسویں سالانہ اجلاس عام
میں / ہم ساکن _____ حامل کمپیوٹرائزڈ شناختی کارڈ / پاسپورٹ نمبر _____ حامل کمپیوٹرائزڈ شناختی
کارڈ / CNIC پاسپورٹ نمبر _____ اور بطور رکن بے کے سینگ ملز لمیٹڈ _____ حامل / (CNIC)
پاسپورٹ نمبر _____ یا اس کی عدم موجودگی میں _____ حامل / CNIC پاسپورٹ نمبر
کو مؤرخہ 28 اکتوبر 2020 کو منعقد ہونے والے تینتیسویں سالانہ اجلاس عام اور اس کے کسی ملتوی 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 _____ 2020 ثبت کیے گئے / کی گئی

گواہان

1- دستخط _____

نام _____

پتہ _____

کمپیوٹرائزڈ شناختی کارڈ / پاسپورٹ نمبر _____

2- دستخط _____

نام _____

پتہ _____

کمپیوٹرائزڈ شناختی کارڈ / پاسپورٹ نمبر _____

پانچ روپے کا ریونیو اسٹمپ

سی ڈی سی اکاؤنٹ نمبر

حصص یافتہ کے دستخط

نوٹس

- 1- 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
- 2- پراکسی فارم پر دو گواہان کے نام ، پتے اور شناختی کارڈ نمبر درج ہونے چاہئیں
- 3- پراکسی فارم کے ساتھ تقرر کرنے والے اور پراکسی کے حامل فرد کے شناختی کارڈ کی تصدیق شدہ نقول جمع کی جائیں گی
- 4- اجلاس کے وقت پراکسی کا حامل شخص اپنا اصل شناختی کارڈ فراہم کرے گا
- 5- کارپوریشن ادارے کی صورت میں ، ادارے کے بورڈ وف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بشمول نمونہ دستخط پراکسی فارم کے ساتھ جمع ہوگی



jkgroup.net

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