



# Half Yearly Report

---

For the Half Year ended December 31, 2014



SERVICE AND  
COMPETENCE  
YOU CAN RELY ON

---

J.K. SPINNING MILLS LIMITED





## Index

|    |  |
|----|--|
| 02 | Company Information  |
| 03 | Directors' Report  |
| 05 | Auditors' Report To The Members On Review Of Condensed Interim Financial Information |
| 06 | Condensed Interim Balance Sheet (Un-Audited)   |
| 08 | Condensed Interim Profit And Loss Account (Un-Audited)                               |
| 09 | Condensed Interim Statement of Comprehensive Income (Un-Audited)                     |
| 10 | Condensed Interim Cash Flow Statement (Un-Audited)                                   |
| 11 | Condensed Interim Statement Of Changes In Equity (Un-Audited)                        |
| 12 | Selected Notes To The Condensed Interim Financial Information (Un-Audited)           |



## Company Information

|                         |  |
|-------------------------|--|
| Chief Executive         | Mr. Jawed Anwar  |
| Directors               | Mr. Faiq Jawed<br>Mr. Shaiq Jawed<br>Mrs. Farhat Jehan<br>Syed Hussain Shahid Mansoor Naqvi<br>Mr. Ghulam Muhammad<br>Mr. Qayyum Mohsin Malik  |
| Audit Committee         |  |
| Chairman                | Mr. Shaiq Jawed  |
| Members                 | Mrs. Farhat Jehan<br>Syed Hussain Shahid Mansoor Naqvi   |
| HR Committee            |  |
| Chairman                | Mr. Faiq Jawed   |
| Members                 | Syed Hussain Shahid Mansoor Naqvi<br>Mr. Qayyum Mohsin Malik   |
| Company Secretary       | Syed Hussain Shahid Mansoor Naqvi  |
| Chief Financial Officer | Mr. Ghulam Muhammad  |
| Head of Internal Audit  | Mr. Amjad Ali  |
| Auditors                | M/s Riaz Ahmad & Company, Chartered Accountants<br>(A member of Nexia International)<br>Faisalabad   |
| Legal Advisor           | Atif & Atif Law Associates Advocates   |
| Bankers                 | Standard Chartered Bank (Pakistan) Limited<br>The Bank of Punjab<br>National Bank of Pakistan<br>Askari Bank Limited<br>United Bank Limited<br>NIB Bank Limited<br>The Bank of Khyber<br>Summit Bank |
| Head Office & Mills     | 29-KM, Sheikhpura Road,<br>Faisalabad.   |

## Directors' Report

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

Dear Shareholders,

The Directors' of your company feel pleasure to submit Un-audited Financial Statements of the company for the half year ended December 31, 2014.

### Financial Results and Operational Performance

The summarized financial results of the company for the half year ended December 31, 2014 are as under:

| Particulars                | Rupees in Millions  |                     |
|----------------------------|---------------------|---------------------|
|                            | Half year ended     |                     |
|                            | 31 December<br>2014 | 31 December<br>2013 |
| SALES                      | 4,575.928           | 4,760.948           |
| COST OF SALES              | 4,164.264           | 4,096.668           |
| GROSS PROFIT               | 411.664             | 664.280             |
| OPERATING EXPENSES         | 292.262             | 296.330             |
| OTHER INCOME               | 1.081               | 43.735              |
| PROFIT FROM OPERATIONS     | 120.483             | 411.685             |
| FINANCE COST               | 80.725              | 106.412             |
| PROFIT BEFORE TAXATION     | 39.758              | 305.273             |
| TAXATION                   | 25.291              | 52.838              |
| PROFIT AFTER TAXATION      | 14.467              | 252.435             |
| TOTAL COMPREHENSIVE INCOM  | 35.020              | 271.631             |
| EARNINGS PER SHARE - RUPEE | 0.24                | 4.14                |

Sales for the period under review decreased to Rupees 4,575.928 million from Rupees 4,760.948 millions of the corresponding period and accordingly raw material consumed decreased as compared to corresponding period in view of decreasing trend of raw material prices. Conversion cost including salaries and wages, stores, spare parts and loose tools cost, packing material, processing and conversion charges and other overhead cost increased due to inflationary trend while fuel and power cost increased due to increase in power tariff. Operating expenses decreased to Rupees 292.262 million in first half of period under review from Rs. 296.330 million of corresponding period while Financial Cost decreased in view of decrease in kibar and export refinance rates.

Your company has earned profit after tax of Rupees 14.467 million during the half year ended on December 31, 2014 against Rupees 252.435 million of the same period of last year, while comprehensive income for the period attributed to equity stood at Rupees 35.020 million against comprehensive income of Rupees 271.631 million of the corresponding period.

The Board of Directors have recommended 10% interim cash dividend to ordinary shareholders.

The production of yarn converted into 20/5 for the period under review was 13.092 million Kgs against 12.512 million kgs of corresponding period of last year. Your company's management believes on enduring policy of Balancing Modernization and Replacement of machinery and equipments of its production facilities and is working to implement planned BMR for up-gradation of blow room, cards and ring sections of spinning division by replacing existing outdated machines with latest model. Keeping in view of future expansion plans, the company has got approval of FESCO for enhancement of sanctioned load of electricity from 9 MW to 18 MW. These expansion plans are likely to be implemented on improvement in yarn market outlook.



## Directors' Report

### Future Outlook

Though oil prices are touching five years low levels but Pakistan is still facing energy crises which is a big challenge to our country. Pakistan's spinning industry is also confronting dumping of Indian yarn in the global market.

Management of your company has procured sufficient cotton for the whole period of financial year ending June 30, 2015. Currently Yarn demand in Local and foreign market is still going sluggish with very low sale margins. The company is focusing on improving efficiencies and minimizing costs to achieve the better financial results of remaining period of financial year ending June 30, 2015.

### 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 of the staff members and workers of the company.

For and on behalf of the Board

Faisalabad

February 26, 2015



Jawed Anwar

Chief Executive

## Auditors' Report To The Members on Review of Condensed Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of J.K. SPINNING MILLS LIMITED as at 31 December 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2014 and 31 December 2013 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2014.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended 31 December 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

*Riaz Ahmad & Co*  
**RIAZ AHMAD & COMPANY**

Chartered Accountants

Name of engagement partner:

Liaqat Ali Panwar

Faisalabad  
 February 26, 2015



## Condensed Interim Balance Sheet (Un-Audited)

As At 31 December 2014

|   | NOTE | Un-audited<br>31 December<br>2014 | Audited<br>30 June<br>2014 |
|---|------|-----------------------------------|----------------------------|
| (RUPEES IN THOUSAND)  |      |                                   |                            |
| <b>EQUITY AND LIABILITIES</b>   |      |                                   |                            |
| <b>SHARE CAPITAL AND RESERVES</b>   |      |                                   |                            |
| Authorized share capital  |      |                                   |                            |
| 96 000 000 (30 June 2014: 96 000 000)<br>ordinary shares of Rupees 10 each              |      | 960,000                           | 960,000                    |
| Issued, subscribed and paid up share capital  |      | 609,033                           | 609,033                    |
| Reserves  |      | 2,159,708                         | 2,124,688                  |
| Total equity  |      | 2,768,741                         | 2,733,721                  |
| Surplus on revaluation of property, plant and<br>equipment - net of deferred income tax |      | 544,262                           | 564,815                    |
| <b>LIABILITIES</b>  |      |                                   |                            |
| <b>NON-CURRENT LIABILITIES</b>  |      |                                   |                            |
| Long term financing   | 5    | 3,572                             | 10,715                     |
| Directors' loan   |      | 300,000                           | 300,000                    |
| Liabilities against assets subject to finance lease                                     |      | 27,721                            | 26,887                     |
| Deferred income on sale and lease back  |      | 1,532                             | 1,951                      |
| Deferred income tax liability   |      | 234,861                           | 258,612                    |
|   |      | 567,686                           | 598,165                    |
| <b>CURRENT LIABILITIES</b>  |      |                                   |                            |
| Trade and other payables  |      | 466,238                           | 375,519                    |
| Accrued mark-up   |      | 34,273                            | 21,234                     |
| Short term borrowings   |      | 2,114,228                         | 1,202,486                  |
| Current portion of non-current liabilities  |      | 70,373                            | 102,360                    |
| Provision for taxation  |      | 45,759                            | 71,109                     |
|   |      | 2,730,871                         | 1,772,708                  |
| <b>TOTAL LIABILITIES</b>  |      | <b>3,298,557</b>                  | <b>2,370,873</b>           |
| <b>CONTINGENCIES AND COMMITMENTS</b>  | 6    |                                   |                            |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <b>6,611,560</b>                  | <b>5,669,409</b>           |

The annexed notes form an integral part of this condensed interim financial information.

Jawed Anwar

Chief Executive Officer



## Condensed Interim Balance Sheet (Un-Audited)

As At 31 December 2014

|                                     | NOTE | Un-audited<br>31 December<br>2014 | Audited<br>30 June<br>2014 |
|-------------------------------------|------|-----------------------------------|----------------------------|
| (RUPEES IN THOUSAND)                |      |                                   |                            |
| <b>ASSETS</b>                       |      |                                   |                            |
| <b>NON-CURRENT ASSETS</b>           |      |                                   |                            |
| Property, plant and equipment       | 7    | 2,725,474                         | 2,787,750                  |
| Long term loans                     |      | 298                               | 1,727                      |
| Long term deposits and prepayments  |      | 16,860                            | 15,618                     |
|                                     |      | 2,742,632                         | 2,805,095                  |
| <b>CURRENT ASSETS</b>               |      |                                   |                            |
| Stores, spare parts and loose tools |      | 46,404                            | 61,125                     |
| Stock-in-trade                      |      | 2,591,017                         | 1,652,837                  |
| Trade debts                         |      | 759,601                           | 691,322                    |
| Loans and advances                  |      | 107,290                           | 83,290                     |
| Short term deposits and prepayments |      | 18,313                            | 5,578                      |
| Other receivables                   |      | 28,648                            | 79,361                     |
| Tax refunds due from the Government |      | 231,175                           | 263,505                    |
| Cash and bank balances              |      | 86,480                            | 27,296                     |
|                                     |      | 3,868,928                         | 2,864,314                  |
| <b>TOTAL ASSETS</b>                 |      | <b>6,611,560</b>                  | <b>5,669,409</b>           |



Faiq Jawed  
Director



## Condensed Interim Profit And Loss Account (Un-Audited)

For the Half Year Ended December 31, 2014

|   | NOTE | Half year ended<br>31 December<br>2014 | 31 December<br>2013 | Quarter ended<br>31 December<br>2014 | 31 December<br>2013 |
|---|------|--|---------------------|--------------------------------------|---------------------|
| (RUPEES IN THOUSAND)                            |      |  |                     |                                      |                     |
| Sales   |      | 4,575,928                              | 4,760,948           | 2,350,432                            | 2,376,211           |
| Cost Of Sales                                   | 8    | (4,164,264)                            | (4,096,668)         | (2,139,088)                          | (2,069,656)         |
| Gross Profit                                    |      | 411,664                                | 664,280             | 211,344                              | 306,555             |
| Distribution Cost                               |      | (179,731)                              | (179,452)           | (86,381)                             | (83,458)            |
| Administrative Expenses                         |      | (103,381)                              | (94,261)            | (53,049)                             | (44,885)            |
| Other Expenses                                  |      | (9,150)                                | (22,617)            | (7,376)                              | (10,162)            |
|   |      | (292,262)                              | (296,330)           | (146,806)                            | (138,505)           |
|   |      | 119,402                                | 367,950             | 64,538                               | 168,050             |
| Other Income                                    |      | 1,081                                  | 43,735              | 706                                  | 20,046              |
| Profit From Operations                          |      | 120,483                                | 411,685             | 65,244                               | 188,096             |
| Finance Cost                                    |      | (80,725)                               | (106,412)           | (50,505)                             | (61,748)            |
| Profit Before Taxation                          |      | 39,758                                 | 305,273             | 14,739                               | 126,348             |
| Taxation  |      | (25,291)                               | (52,838)            | (3,037)                              | (25,987)            |
| Profit After Taxation                           |      | 14,467                                 | 252,435             | 11,702                               | 100,361             |
| Earnings Per Share - Basic And Diluted (Rupees) |      | 0.24                                   | 4.14                | 0.19                                 | 1.65                |

The annexed notes form an integral part of this condensed interim financial information.

Jawed Anwar  
Chief Executive Officer

Faiq Jawed  
Director

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

For the Half Year Ended December 31, 2014

|   | Half year ended      |                     | Quarter ended       |                     |
|---|----------------------|---------------------|---------------------|---------------------|
|   | 31 December<br>2014  | 31 December<br>2013 | 31 December<br>2014 | 31 December<br>2013 |
|   | (RUPEES IN THOUSAND) |                     |                     |                     |
| PROFIT AFTER TAXATION   | 14,467               | 252,435             | 11,702              | 100,361             |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                      |                     |                     |                     |
| Items that will not be reclassified<br>subsequently to profit or loss:  |                      |                     |                     |                     |
| Transfer from surplus on revaluation of property,<br>plant and equipment on account of incremental<br>depreciation - net of deferred income tax | 20,553               | 19,196              | 10,238              | 7,836               |
| Items that may be reclassified<br>subsequently to profit or loss  | -                    | -                   | -                   | -                   |
| Other comprehensive income for the period   | 20,553               | 19,196              | 10,238              | 7,836               |
| <b>TOTAL COMPREHENSIVE INCOME<br/>FOR THE PERIOD</b>  | <b>35,020</b>        | <b>271,631</b>      | <b>21,940</b>       | <b>108,197</b>      |

The annexed notes form an integral part of this condensed interim financial information.



**Jawed Anwar**  
Chief Executive Officer



**Faiq Jawed**  
Director



## Condensed Interim Cash Flow Statement (Un-Audited)

For the Half Year Ended December 31, 2014

|  | NOTE | Half year ended     |                     |
|--|------|---------------------|---------------------|
|  |      | 31 December<br>2014 | 31 December<br>2013 |
| (RUPEES IN THOUSAND)   |      |                     |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |      |                     |                     |
| Cash utilized in operations  | 9    | (623,529)           | (538,038)           |
| Finance cost paid  |      | (67,686)            | (100,756)           |
| Income tax paid  |      | (31,571)            | (30,346)            |
| Workers' profit participation fund paid                                |      | (18,856)            | (34,544)            |
| Workers' welfare fund paid   |      | (2,336)             | (7,343)             |
| Net (increase) / decrease in long term deposits and prepayments        |      | (1,242)             | 105                 |
| Net decrease in long term loans  |      | 1,429               | 199                 |
| <b>NET CASH UTILIZED IN OPERATING ACTIVITIES</b>                       |      | <b>(743,791)</b>    | <b>(710,723)</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            |      |                     |                     |
| Capital expenditure on property, plant and equipment                   |      | (72,485)            | (58,948)            |
| Proceeds from sale of property, plant and equipment                    |      | 2,014               | 4,935               |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                           |      | <b>(70,471)</b>     | <b>(54,013)</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            |      |                     |                     |
| Repayment of long term financing                                       |      | (49,886)            | (52,968)            |
| Liabilities against assets subject to finance lease - net              |      | 11,590              | (6,037)             |
| Short term borrowings - net  |      | 911,742             | 848,308             |
| Dividend paid  |      | -                   | (5,259)             |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>                              |      | <b>873,446</b>      | <b>784,044</b>      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS<br/>DURING THE PERIOD</b> |      | <b>59,184</b>       | <b>19,308</b>       |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>BEGINNING OF THE PERIOD</b>    |      | <b>27,296</b>       | <b>59,014</b>       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>              |      | <b>86,480</b>       | <b>78,322</b>       |

The annexed notes form an integral part of this condensed interim financial information.

Jawed Anwar  
Chief Executive Officer

Faiq Jawed  
Director

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

For the Half Year Ended December 31, 2014

|   | SHARE CAPITAL                    |         | RESERVES                            |           | TOTAL | TOTAL EQUITY |
|---|----------------------------------|---------|-------------------------------------|-----------|-------|--------------|
|   | CAPITAL<br>Merger<br>reserve     |         | REVENUE<br>Unappropriated<br>profit |           |       |              |
|   | ----- (RUPEES IN THOUSAND) ----- |         |                                     |           |       |              |
| Balance as at 30 June 2013 - Audited  | 609,033                          | 289,636 | 1,501,378                           | 1,791,014 |       | 2,400,047    |
| Transaction with owners - Final dividend for the year ended 30 June 2013 at the rate of Rupees 5 per share                                | -                                | -       | (5,259)                             | (5,259)   |       | (5,259)      |
| Profit for the half year ended 31 December 2013   | -                                | -       | 252,435                             | 252,435   |       | 252,435      |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | -                                | -       | 19,196                              | 19,196    |       | 19,196       |
| Total comprehensive income for the half year ended 31 December 2013   | -                                | -       | 271,631                             | 271,631   |       | 271,631      |
| Balance as at 31 December 2013 - Un-audited   | 609,033                          | 289,636 | 1,767,750                           | 2,057,386 |       | 2,666,419    |
| Profit for the half year ended 30 June 2014   | -                                | -       | 40,827                              | 40,827    |       | 40,827       |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | -                                | -       | 26,475                              | 26,475    |       | 26,475       |
| Total comprehensive income for the half year ended 30 June 2014   | -                                | -       | 67,302                              | 67,302    |       | 67,302       |
| Balance as at 30 June 2014 - Audited  | 609,033                          | 289,636 | 1,835,052                           | 2,124,688 |       | 2,733,721    |
| Profit for the half year ended 31 December 2014   | -                                | -       | 14,467                              | 14,467    |       | 14,467       |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | -                                | -       | 20,553                              | 20,553    |       | 20,553       |
| Total comprehensive income for the half year ended 31 December 2014   | -                                | -       | 35,020                              | 35,020    |       | 35,020       |
| Balance as at 31 December 2014 - Un-audited   | 609,033                          | 289,636 | 1,870,072                           | 2,159,708 |       | 2,768,741    |

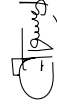
Balance as at 30 June 2013 - Audited  
Transaction with owners - Final dividend for the year ended 30 June 2013 at the rate of Rupees 5 per share

Profit for the half year ended 31 December 2013  
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax  
Total comprehensive income for the half year ended 31 December 2013

Balance as at 31 December 2013 - Un-audited  
Profit for the half year ended 30 June 2014  
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax  
Total comprehensive income for the half year ended 30 June 2014

Balance as at 30 June 2014 - Audited  
Profit for the half year ended 31 December 2014  
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax  
Total comprehensive income for the half year ended 31 December 2014

Balance as at 31 December 2014 - Un-audited  
The annexed notes form an integral part of this condensed interim financial information.



Faiz Jawed  
Director



Faiz Anwar  
Chief Executive Officer



## Selected Notes To The Condensed Interim Financial Information (Un-Audited) For the Half Year Ended December 31, 2014

### 1. THE COMPANY AND ITS OPERATIONS

J.K. Spinning Mills Limited (the Company) is a public limited company incorporated in Pakistan on 07 January 1987 under the Companies Ordinance, 1984 and listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is situated at 29-kilometers, Sheikhpura Road, Faisalabad where the factory premises of the Company are also located. The Company is engaged in business of textile manufacturing comprising of ginning, spinning, stitching, buying, selling and otherwise dealing in yarn, fabrics and other goods

### 2. BASIS OF PREPARATION

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the half year ended 31 December 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the Company for the year ended 30 June 2014.

### 3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computation for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2014.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2014.

|  | Un-audited<br>31 December<br>2014 | Audited<br>30 June<br>2014 |
|--|-----------------------------------|----------------------------|
|--|-----------------------------------|----------------------------|

(RUPEES IN THOUSAND)

### 5. LONG TERM FINANCING

#### From banking companies - secured

|   |        |         |
|---|--------|---------|
| Opening balance                                       | 93,933 | 199,391 |
| Less: Repaid during the period / year                 | 49,886 | 105,458 |
| Closing balance                                       | 44,047 | 93,933  |
| Less: Current portion shown under current liabilities | 40,475 | 83,218  |
|   | 3,572  | 10,715  |

## Selected Notes To The Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended December 31, 2014

### 6. CONTINGENCIES AND COMMITMENTS

#### a) Contingencies

- i) The Company has filed an appeal before Appellate Tribunal, Inland Revenue, Lahore against order in original 02/2007 dated 03 May 2007 for Rupees 11.002 million (30 June 2014: Rupees 11.002 million) along with default surcharge under section 34 of Sales Tax Act, 1990 and penalty at the rate of 30 percent. The related provision is not made in this condensed interim financial information in view of possible favourable outcome of the appeal.
- ii) The Company has filed an appeal before Appellate Tribunal, Inland Revenue, Lahore against order in original 13/2003 dated 29 April 2003 for Rupees 3.063 million (30 June 2014: Rupees 3.063 million) along with additional tax and default surcharge under sections 36(3) and 34 respectively of Sales Tax Act, 1990 and penalty at the rate of 3 percent. The related provision is not made in this condensed interim financial information in view of possible favourable outcome of the appeal.
- iii) The Company has filed an appeal before Commissioner (Appeals), Inland Revenue, Faisalabad against assessment order issued under section 161 and section 205 of the Income Tax Ordinance, 2001 for tax year 2012 where tax liability of Rupees 28.285 million (30 June 2014: Rupees 28.285 million) was raised by the department. The Company considers that its stance is based on reasonable legal grounds and appeal is likely to succeed. Hence, no provision has been recognized in this condensed interim financial information.
- iv) The Company has filed appeals with Appellate Tribunal, Inland Revenue, Lahore for the revision of assessment orders issued under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2005 to 2009 where tax liability of Rupees 3.352 million (30 June 2014: Rupees 3.352 million) was raised by the department. The Company considers that its stance is based on reasonable grounds and appeals are likely to succeed. Hence, no provision has been recognized in this condensed interim financial information.
- v) The Company has filed an appeal before Commissioner (Appeals), Inland Revenue, Faisalabad against orders in original 17/2014 and 18/2014 dated 28 April 2014 against the recovery of Rupees 10.573 million and Rupees 28.245 million respectively (30 June 2014: Rupees 10.573 million and Rupees 28.245 million respectively) along with default surcharge and penalty equivalent to the principal amount imposed under section 33(11) of the Sales Tax Act, 1990. The related provision is not made in this condensed interim financial information in view of possible favourable outcome of the appeal.
- vi) The Company has filed an appeal before Commissioner (Appeals), Inland Revenue, Lahore against order in original 07/2013 dated 28 June 2013 for Rupees 0.937 million (30 June 2014: Rupees 0.937 million) along with default surcharge and penalty imposed amounting to Rupees 0.658 million (30 June 2014: Rupees 0.658 million) under section 33(5) of the Sales Tax Act, 1990. The related provision is not made in this condensed interim financial information in view of possible favourable outcome of the appeal.
- vii) Guarantees of Rupees 13.511 million (30 June 2014: Rupees 44.253 million) are given by the banks of the Company to Sui Northern Gas Pipeline Limited against gas connections and to Punjab Power Development Board for installing electricity generation facility.
- viii) Post dated cheques of Rupees 35.582 million (30 June 2014: Rupees 125.794 million) are issued to custom authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.

#### b) Commitments

- i) Letter of credit for capital expenditure is of Rupees Nil (30 June 2014: Rupees 5.156 million).
- ii) Letters of credit other than for capital expenditure are of Rupees 85.584 million (30 June 2014: Rupees Nil).
- iii) Ijarah (operating lease) commitments are of Rupees 9.501 million (30 June 2014: Rupees 12.044 million).



## Selected Notes To The Condensed Interim Financial Information (Un-Audited) For the Half Year Ended December 31, 2014

|   | Un-audited<br>31 December<br>2014 | Audited<br>30 June<br>2014 |
|---|-----------------------------------|----------------------------|
|   | (RUPEES IN THOUSAND)              |                            |
| <b>7. PROPERTY, PLANT AND EQUIPMENT</b>                       |                                   |                            |
| Operating fixed assets:                                       |                                   |                            |
| Owned (Note 7.1)  | 2,599,305                         | 2,624,831                  |
| Leased (Note 7.2)   | 53,807                            | 57,769                     |
| Capital work-in-progress (Note 7.3)                           | 72,362                            | 105,150                    |
|   | <u>2,725,474</u>                  | <u>2,787,750</u>           |
| <b>7.1 Operating fixed assets - Owned</b>                     |                                   |                            |
| Opening book value  | 2,624,831                         | 2,601,962                  |
| Add: Cost of additions during the period / year (Note 7.1.1)  | 105,273                           | 352,771                    |
|   | 2,730,104                         | 2,954,733                  |
| <b>Less:</b>  |                                   |                            |
| Book value of deletions during the period / year (Note 7.1.2) | 1,352                             | 66,013                     |
| Depreciation charged during the period / year                 | 129,447                           | 263,889                    |
|   | <u>130,799</u>                    | <u>329,902</u>             |
|   | <u>2,599,305</u>                  | <u>2,624,831</u>           |
| <b>7.1.1 Cost of additions during the period / year</b>       |                                   |                            |
| Buildings on freehold land                                    | 16,222                            | 32,654                     |
| Plant and machinery   | 51,559                            | 225,439                    |
| Electric installations and appliances                         | 1,259                             | 3,085                      |
| Factory equipment   | -                                 | 15,042                     |
| Furniture and fixtures  | 4,817                             | 88                         |
| Office equipment  | 290                               | 419                        |
| Vehicles  | 31,126                            | 76,044                     |
|   | <u>105,273</u>                    | <u>352,771</u>             |
| <b>7.1.2 Book value of deletions during the period / year</b> |                                   |                            |
| Plant and machinery   | -                                 | 7,731                      |
| Factory equipment   | 208                               | -                          |
| Vehicles  | 1,144                             | 58,282                     |
|   | <u>1,352</u>                      | <u>66,013</u>              |
| <b>7.2 Operating fixed assets - Leased</b>                    |                                   |                            |
| Opening book value  | 57,769                            | 40,336                     |
| Additions during the period / year                            | -                                 | 23,000                     |
|   | <u>57,769</u>                     | <u>63,336</u>              |
| <b>Less:</b> Depreciation charged during the period / year    | 3,962                             | 5,567                      |
|   | <u>53,807</u>                     | <u>57,769</u>              |



## Selected Notes To The Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended December 31, 2014

|                                       | Un-audited<br>31 December<br>2014 | Audited<br>30 June<br>2014 |
|---------------------------------------|-----------------------------------|----------------------------|
| (RUPEES IN THOUSAND)                  |                                   |                            |
| <b>7.3 Capital work-in-progress</b>   |                                   |                            |
| Buildings on freehold land            | 62,105                            | 57,175                     |
| Plant and machinery                   | -                                 | 37,718                     |
| Electric installations and appliances | 10,257                            | 10,257                     |
|                                       | 72,362                            | 105,150                    |

## 8. COST OF SALES

|  | (Un-audited)                           |  |                                      |                                      |
|--|--|--|--------------------------------------|--------------------------------------|
|  | Half year ended<br>31 December<br>2014 | Half year ended<br>31 December<br>2013 | Quarter ended<br>31 December<br>2014 | Quarter ended<br>31 December<br>2013 |
| (RUPEES IN THOUSAND)                         |  |  |                                      |                                      |
| Raw materials consumed                       | 3,004,099                              | 3,471,930                              | 1,481,953                            | 1,706,730                            |
| Stores, spare parts and loose tools consumed | 86,290                                 | 83,546                                 | 41,805                               | 45,832                               |
| Packing materials consumed                   | 42,923                                 | 38,282                                 | 22,960                               | 21,422                               |
| Processing and conversion charges            | 163,030                                | 154,154                                | 73,270                               | 89,147                               |
| Fuel and power                               | 391,022                                | 357,054                                | 211,213                              | 197,213                              |
| Salaries, wages and other benefits           | 212,418                                | 200,095                                | 109,852                              | 105,595                              |
| Repair and maintenance                       | 9,069                                  | 8,089                                  | 4,877                                | 3,247                                |
| Insurance                                    | 6,068                                  | 6,895                                  | 3,289                                | 4,245                                |
| Other factory overheads                      | 22,018                                 | 24,697                                 | 9,011                                | 12,642                               |
| Depreciation                                 | 120,484                                | 123,294                                | 59,149                               | 63,102                               |
|  | 4,057,421                              | 4,468,036                              | 2,017,379                            | 2,249,175                            |
| Work-in-process:                             |  |  |                                      |                                      |
| Opening stock                                | 270,065                                | 311,908                                | 297,380                              | 300,866                              |
| Closing stock                                | (298,996)                              | (334,279)                              | (298,996)                            | (334,279)                            |
|  | (28,931)                               | (22,371)                               | (1,616)                              | (33,413)                             |
| Cost of goods manufactured                   | 4,028,490                              | 4,445,665                              | 2,015,763                            | 2,215,762                            |
| Finished goods:                              |  |  |                                      |                                      |
| Opening stock                                | 721,090                                | 343,863                                | 708,641                              | 546,754                              |
| Closing stock                                | (661,262)                              | (709,620)                              | (661,262)                            | (709,620)                            |
|  | 59,828                                 | (365,757)                              | 47,379                               | (162,866)                            |
|  | 4,088,318                              | 4,079,908                              | 2,063,142                            | 2,052,896                            |
| Cost of sale - purchased for resale          | 75,946                                 | 16,760                                 | 75,946                               | 16,760                               |
|  | 4,164,264                              | 4,096,668                              | 2,139,088                            | 2,069,656                            |



## Selected Notes To The Condensed Interim Financial Information (Un-Audited) For the Half Year Ended December 31, 2014

|                      |  | (Un-audited)<br>Half year ended |                     |
|----------------------|--|---------------------------------|---------------------|
|                      |  | 31 December<br>2014             | 31 December<br>2013 |
| (RUPEES IN THOUSAND) |  |                                 |                     |
| 9.                   | <b>CASH UTILIZED IN OPERATIONS</b>                       |                                 |                     |
|                      | Profit before taxation                                   | 39,758                          | 305,273             |
|                      | <b>Adjustments for non-cash charges and other items:</b> |                                 |                     |
|                      | Depreciation   | 133,409                         | 132,384             |
|                      | Finance cost   | 80,725                          | 106,412             |
|                      | Provision for workers' profit participation fund         | 2,129                           | 16,389              |
|                      | Provision for workers' welfare fund                      | 909                             | 6,227               |
|                      | Amortization of deferred income on sale and lease back   | (419)                           | -                   |
|                      | Gain on sale of property, plant and equipment            | (662)                           | (4,935)             |
|                      | Working capital changes (Note 9.1)                       | <u>(879,378)</u>                | <u>(1,099,788)</u>  |
|                      |  | <u>(623,529)</u>                | <u>(538,038)</u>    |
| 9.1                  | <b>Working capital changes</b>                           |                                 |                     |
|                      | Decrease / (increase) in current assets:                 |                                 |                     |
|                      | Stores, spare parts and loose tools                      | 14,721                          | (8,919)             |
|                      | Stock-in-trade   | (938,180)                       | (997,765)           |
|                      | Trade debts  | (68,279)                        | (77,684)            |
|                      | Loans and advances                                       | (24,000)                        | (64,696)            |
|                      | Short term deposits and prepayments                      | (12,735)                        | (4,499)             |
|                      | Other receivables  | 50,713                          | (2,389)             |
|                      | Tax refunds due from the Government                      | (10,489)                        | 7,874               |
|                      |  | <u>(988,249)</u>                | <u>(1,148,078)</u>  |
|                      | Increase in trade and other payables                     | <u>108,871</u>                  | <u>48,290</u>       |
|                      |  | <u>(879,378)</u>                | <u>(1,099,788)</u>  |

### 10. TRANSACTIONS WITH RELATED PARTIES

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

## Selected Notes To The Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended December 31, 2014

|  | (Un-audited)    |             |               |             |
|--|-----------------|-------------|---------------|-------------|
|  | Half year ended |             | Quarter ended |             |
|  | 31 December     | 31 December | 31 December   | 31 December |
|  | 2014            | 2013        | 2014          | 2013        |
| (RUPEES IN THOUSAND)   |                 |             |               |             |
| <b>i) Transactions</b>   |                 |             |               |             |
| <b>Associated companies</b>  |                 |             |               |             |
| Service charges  | 1,431           | 1,952       | 781           | 1,168       |
| <b>Other related parties</b>   |                 |             |               |             |
| Remuneration paid to Chief Executive Officer, Directors and Executives | 29,492          | 19,519      | 15,124        | 9,760       |
| Contribution to Employees' Provident Fund Trust                        | 15,831          | 6,156       | 11,994        | 3,206       |
| Dividend paid  | -               | 500         | -             | 500         |
| Loans repaid to directors - net  | 33,898          | 10,741      | 29,608        | 10,741      |
|  |                 |             | Un-audited    | Audited     |
|  |                 |             | 31 December   | 30 June     |
|  |                 |             | 2014          | 2014        |
| (RUPEES IN THOUSAND)   |                 |             |               |             |
| <b>ii) Period end balances</b>   |                 |             |               |             |
| Directors' loan  |                 |             | 300,000       | 300,000     |
| Trade and other payables   |                 |             | 619           | -           |
| Short term borrowings  |                 |             | 12,281        | 46,179      |



## Selected Notes To The Condensed Interim Financial Information (Un-Audited)

For the Half Year Ended December 31, 2014

### 12. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual financial statements of the Company for the year ended 30 June 2014.

### 13. NON ADJUSTING EVENT AFTER REPORTING PERIOD

The Board of Directors in their meeting held on February 26, 2015 has proposed interim cash dividend @ 10% ( Rupee 1 per share) for the period ended on December 31, 2014 ( June 2014 Rupee nil) to ordinary shareholders. However, this event has been considered as non adjusting under IAS 10 and has not been recognized in this condensed interim financial information.

### 14. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved and authorized for issue on February 26, 2015 by the Board of Directors of the Company.

### 15. CORRESPONDING FIGURES

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

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

### 16. GENERAL

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



**Jawed Anwar**  
Chief Executive Officer



**Faiq Jawed**  
Director





## J.K SPINING MILLS LIMITED

Registered Office:

29-km Sheikhpura Road, Drumanwala  
More Khurrianwala, Faisalabad. Pakistan  
PABX: +92 41 4362441 46, 5036678-80

Fax:+92-41-4362447-48 ,  
UAN Tell: +92 41 111 15 15 15  
UAN Fax: +92 41 111 16 16 16  
E-mail: jkgroup@jkgroup.net

[www.jkgroup.net](http://www.jkgroup.net)

