

J.K. SPINNING  
MILLS LIMITED



December 31,  
**2020**  
Half Yearly Report

Lighting the  
Way to  
Financial  
Well-Being





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## Company Information

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

## Directors' Report

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

### Dear Shareholders,

The Directors' of your company feel pleasure to submit Un-audited Financial Statements of the company for the half year ended December 31, 2020.

### Financial Results and Operational Performance

The summarized financial results of the company for the half year ended December 31, 2020 are as under:

Particulars	Rupees in Millions	
	Half Year Ended	
	31 December, 2020	31 December, 2019
Revenue from contracts with customers	7,866.697	7,276.712
Cost of sales	6,551.280	6,004.049
Gross Profit	1,315.417	1,272.663
Operating expenses	405.941	410.769
Other income	16.607	11.661
Operating Profit	926.083	873.555
Finance cost	114.122	250.863
Profit before taxation	811.961	622.692
Taxation – net	129.227	114.884
Profit after taxation	682.734	507.808
Earnings per share – basic and diluted ( Rupees)	6.67	4.96

Sales for the period under review increased to Rupees 7,866.697 million from Rupees 7,276.712 million of the corresponding period. Raw material consumed percentage to sale decreased to 54.50% from 59.68% of corresponding period. Salaries and wages cost increased due to increase in minimum wage rate. Fuel and power cost increased by 5.92% in view of increase in capacity. Cost of Stores and spares and loose tools consumed, packing material, processing and conversion charges and other overheads increased in view of increase in volume and inflationary impact. Operating expenses remained at previous year's level. Financial cost decreased in view of decreased in Kibor rates.

Your company has earned profit after tax of Rupees 682.734 million during the half year ended on December 31, 2020 against Rupees 507.808 million of the same period of last year.

In view of increasing requirements of working capital and expansion plans, the Board of Directors did not approve any interim cash dividend.

The production of yarn converted into 20/S for the period under review was 19.803 million Kgs against 18.335 million Kgs of corresponding period of last year. Your company's management believes on continuing policy of Balancing Modernization and Replacement (BMR) of machinery and equipments of its production facilities. Civil work has been completed for setting up a processing unit which is likely to start commercial production by end of March 2021. Company is also planning to add spinning project of 50,000 spindles and weaving project of 144 air jet looms in its existing facilities.

### Future Outlook

Pakistan's textile exports seem to have largely recovered from the Covid-19 pandemic shocks and are still growing. The textile clothing export shipments are back on growth track both in terms of their quantity and dollar value. Spinning sector is performing better than the value added textile products in terms of profit margins.

State Bank of Pakistan has reduced interest rates by 625bps, approved refinancing of wages to prevent layoffs during lockdown period and deferred payments of the principal amount of loans as part of the debt restructuring to businesses, provided relief under the Export Financing Scheme (EFS) and the Long-Term Financing Facility (LTFF). Furthermore,

## Directors' Report

the State Bank has also launched a long-term concessionary temporary economic recovery refinance facility (TERF) for boosting investments in new capacity expansion and up-gradation of technology.

Cotton crop production has fallen by 45% from target of 15 million bales. Management of your company is importing cotton from other countries to meet its requirements and has procured cotton till first quarter of next financial year.

Management of your company is focusing efforts on minimizing cost by enhancing capacity, improving efficiencies to achieve the favorable financial results for remaining period of financial year ending June 30, 2021.

### 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 the Board

Faisalabad  
February 24, 2021



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive

## ڈائریکٹرز رپورٹ برائے حصص یافتگان:

لاک ڈاون کے دوران لے آف کروانے کے لیے آئٹم کی ادائیگی کے لیے سسٹم ریٹ پر فنانسنگ مہیا کی ہے۔ اسٹیٹ بینک نے اس کے علاوہ EFS اور LTFF فنانسنگ میں بھی ریلیف دیا ہے۔ مزید برآں اسٹیٹ بینک نے پیداواری صلاحیت بڑھانے اور ٹیکنالوجی میں بہتری لانے کے لیے TERF فنانسنگ مہیا کی ہے۔

کائن کی فصل اپنے 15 ملین بھڑے ہدف سے 45% گر چکی ہے کمپنی کی انتظامیہ اپنی ضروریات پوری کرنے کے لیے کائن دیگر ممالک سے درآمد کر رہی ہے اور اگلے مالی سال کے پہلے کو آئٹم کائن خرید چکی ہے۔

آپ کی کمپنی سٹنگ کی صلاحیت بہتر کرنے اور خرچے کم کرنے اور کارکردگی بہتر کرنے پر توجہ دے رہی ہے تاکہ سال 2021,30 کے باقی عرصہ کے مالی نتائج بہتر حاصل کیے جاسکیں۔

### اعتراف:

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے گاہکوں اور بکریز 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 پُراعتماد سپورٹس کا اقرار کرتی ہے اور شکرگزار بھی ہے۔



فائق چاؤدھری  
چیف ایگزیکٹو



جاوید انوار  
چیرمین

منجانب بورڈ آف ڈائریکٹرز:  
فیصل آباد: فروری۔ 2021,24

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

معزز حصص یافتگان،

آپ کی کمپنی کے ڈائریکٹرز سال کی پہلی ششماہی کے اختتام 31 دسمبر 2020 کے مالیاتی حسابات پیش کرنے میں خوشی محسوس کرتے ہیں۔

مالیاتی نتائج:

مالیاتی سال کی پہلی ششماہی کے نتائج کی تفصیل درج ذیل ہیں:

ملین روپے	ملین روپے	تفصیلات
اختتام ششماہی	اختتام ششماہی	
31 دسمبر 2019	31 دسمبر 2020	
7,276.712	7,866.697	سیلز
6,004.049	6 551 280	سیلز کے اخراجات
1,272.663	1,315.417	خام منافع
410.769	405.941	آپریٹنگ اخراجات
11.661	16.607	دیگر آمدن
873.555	926.083	آپریٹنگ منافع
250.863	114.122	مالی لاگت
622.692	811.961	منافع قبل از ٹیکس
114.884	129.227	ٹیکس
507.808	682 734	منافع بعد از ٹیکس
4.96	6.67	فی ہئیر آمدنی

مالی سال کی پہلی ششماہی کے دوران یہ مہینہ فروخت 7,276.712 ملین روپے سے بڑھ کر 7,866.697 ملین روپے ہوئی ہے۔ اسی طرح خام مال کے استعمال کی سیلو سے شرح تناسب 59.68% سے کم ہو کر 54.50% تک ہو گئی ہے۔ نچو اہوں کے اخراجات کم از کم اہرت میں اضافہ کی وجہ سے بڑھے ہیں۔ توانائی کے اخراجات 5.92% بڑھنے کی وجہ سے پیداواری صلاحیت میں اضافہ ہے۔ سٹورز، پارٹس اور اوزاروں، پیکنگ میٹریل، پروسیسنگ، کوریجن اور دوسرے ادور ہیڈز کے خرچے پیداواری حجم اور مہنگائی کی وجہ سے بڑھ گئے ہیں۔ اس پہلی ششماہی کے آپریٹنگ اخراجات تقریباً پچھلے سال کے برابر ہیں جبکہ مالی اخراجات کا نمبر ریٹ میں کمی کی وجہ سے کم ہوئے ہیں۔

آپ کی کمپنی نے پہلی ششماہی کے اختتام 31 دسمبر 2020 میں 682.734 ملین روپے خالص منافع کمایا ہے جبکہ پچھلے سال کا منافع 507.808 ملین روپے تھا۔

توسیع کے منصوبوں میں اضافے اور ورکنگ کپٹل کی ضروریات بڑھنے کی وجہ سے ڈائریکٹرز نے کوئی عبوری ڈیویڈنڈ منظور نہیں کیا ہے۔

اس مالی سال کے 6 ماہ کے دوران دھانگے کی پیداوار 201/s کے حساب سے 19.803 ملین کلو گرام رہی جبکہ پچھلے سال کی پیداوار 18.335 ملین کلو گرام تھی۔ آپ کی کمپنی کی انتظامیہ نے پرانی مشینری کو جدید مشینری سے بدلنے کی پالیسی اختیار کی ہوئی ہے۔ پروسیسنگ یونٹ لگانے کے لیے سول ورک مکمل ہو چکا ہے جو کہ مارچ 2021 تک کام کرنا شروع کر دے گا۔ کمپنی اپنی موجودہ صلاحیت میں 50,000 ہینڈلز کا سٹیٹنگ پروڈیکٹ اور 114.4 اڑیجٹ لومز کا ویونگ پروڈیکٹ کے اضافہ کرنے کا پلان کر رہی ہے۔

مستقبل کا نقطہ نظر

پاکستان کی ٹیکسٹائل کی برآمدات کو ویڈ 19 کے وبائی مرض سے خطرات کے باوجود بہتر ہوئیں ہیں اور مزید بڑھ رہی ہیں۔ ٹیکسٹائل کی برآمدات کی ترسیل مقدار اور ڈالر دونوں میں بڑھوتی ہوئی ہے۔ سپینگ سیلر منافع کے مارجن کے لحاظ سے ویلیو ایڈڈ ٹیکسٹائل مصنوعات سے بہتر کارکردگی کا مظاہرہ کر رہا ہے۔ اسٹیٹ بینک آف پاکستان نے سود کی شرح میں 625 بی بی ایس کی کمی کر دی ہے



## Independent Auditors' Review Report

To the members of J.K. Spinning Mills Limited  
Report on review of Interim Financial Statements

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of J.K. Spinning Mills Limited as at 31 December 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

### 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 interim financial statements 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### Other Matter

The figures of condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2020 have not been reviewed as we are required to review only the cumulative figures for the half year ended 31 December 2020.

This engagement partner on the review resulting in this independent auditor's review report is Muhammad Amin (FCA).



**Zahid Jamil & Co.**  
Chartered Accountants

Faisalabad:  
February 24, 2021

## Condensed Interim Statement of Financial Position (Un-Audited)

As At 31 December 2020

		Un-audited 31 December 2020 (Rupees in thousand)	Audited 30 June 2020
<b>ASSETS</b>	<b>Note</b>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment:			
Operating fixed assets-tangible	5.	3,977,768	4,051,003
Right-of-use assets	6.	66,734	74,149
Capital work-in-progress	7.	951,068	393,688
		4,995,570	4,518,840
Long term investment	8.	-	-
Long term deposits and advances		124,417	59,890
		5,119,987	4,578,730
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		132,424	104,773
Stock-in-trade		5,048,089	4,805,601
Trade debts		1,265,639	1,267,348
Advances		184,008	61,073
Trade deposits and short term prepayments		21,907	5,408
Other receivables		61,435	32,968
Tax refunds due from the Government	9.	201,314	282,745
Short term investments		33,572	21,514
Cash and bank balances		119,470	91,555
		7,067,858	6,672,985
<b>TOTAL ASSETS</b>		12,187,845	11,251,715
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital:			
200,000,000 (30 June 2020: 96,000,000) ordinary shares of Rupees 10/- each		2,000,000	960,000
Issued, subscribed and paid up share capital	10.	1,023,175	730,839
Reserves:			
Capital		746,576	746,576
Revenue		4,264,882	3,947,568
		5,011,458	4,694,144
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	11.	1,383,063	1,087,110
Lease liabilities		15,046	25,084
Long term deposits		39,155	27,616
Deferred tax liability		237,192	228,902
		1,674,456	1,368,712
<b>CURRENT LIABILITIES</b>			
Trade and other payables		657,050	813,245
Contract liabilities		94,006	56,564
Accrued mark-up		37,747	33,359
Short term borrowings		3,168,358	3,173,375
Unclaimed dividend		617	550
Current portion of non-current liabilities		520,978	380,927
		4,478,756	4,458,020
<b>TOTAL EQUITY AND LIABILITIES</b>		12,187,845	11,251,715
<b>CONTINGENCIES AND COMMITMENTS</b>	12.	-	-

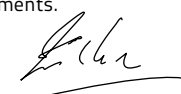
The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Ghulam Muhammad  
Chief Financial Officer

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

For The Half Year Ended 31 December 2020

	Note	Half year ended		Quarter ended	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
(Rupees in thousand)					
Revenue from contracts with customers	13.	7,866,697	7,276,712	3,782,061	3,701,313
Cost of sales	14.	6,551,280	6,004,049	3,083,543	3,022,661
Gross Profit		1,315,417	1,272,663	698,518	678,652
Distribution expenses		155,082	151,953	83,352	86,915
Administrative expenses		187,990	185,339	86,909	90,338
Other operating expenses	15.	62,869	73,477	37,671	24,878
		405,941	410,769	207,932	202,131
		909,476	861,894	490,586	476,521
Other income	16.	16,607	11,661	6,065	19,419
Operating profit		926,083	873,555	496,651	495,940
Finance cost		114,122	250,863	54,952	129,650
Profit before taxation		811,961	622,692	441,699	366,290
Taxation - net		129,227	114,884	60,935	64,904
Profit for the period		682,734	507,808	380,764	301,386
Earnings per share - basic and diluted (Rupees)	17.	6.67	4.96	3.72	2.95

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Ghulam Muhammad  
Chief Financial Officer

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

For The Half Year Ended 31 December 2020

	Half year ended		Quarter ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	----- (Rupees in thousand) -----			
Profit for the period	682,734	507,808	380,764	301,386
Other comprehensive income:				
Items not to be reclassified to profit or loss in subsequent periods:	-	-	-	-
Items to be reclassified to profit or loss in subsequent periods	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	682,734	507,808	380,764	301,386

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Ghulam Muhammad  
Chief Financial Officer

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

For The Half Year Ended 31 December 2020

	RESERVES					TOTAL	TOTAL EQUITY
	CAPITAL		REVALUA- TION SURPLUS ON FREEHOLD LAND	REVENUE			
	ISSUED, SUBSCRIB-ED AND PAID UP SHARE CAPITAL	PREMIUM ON ISSUE OF RIGHT SHARES		MERGER RESERVE	UNAPPR- OPRIATED PROFIT		
<b>Balance as at 01 July 2019</b>	730,839	60,904	289,636	224,631	2,951,764	3,526,935	4,257,774
Final dividend for the year ended 30 June 2019 @ Rs. 2/- per share	-	-	-	-	(146,168)	(146,168)	(146,168)
Total comprehensive income for the half year ended 31 December 2019	-	-	-	-	507,808	507,808	507,808
<b>Balance as at 31 December 2019</b>	730,839	60,904	289,636	224,631	3,313,404	3,888,575	4,619,414
<b>Balance as at 01 July 2020</b>	730,839	60,904	289,636	396,036	3,947,568	4,694,144	5,424,983
Issue of fully paid ordinary shares of Rs.10 each, as bonus shares	292,336	-	-	-	(292,336)	(292,336)	-
Final dividend for the year ended 30 June 2020 @ of Rs. 1/- per share	-	-	-	-	(73,084)	(73,084)	(73,084)
Total comprehensive income for the half year ended 31 December 2020	-	-	-	-	682,734	682,734	682,734
<b>Balance as at 31 December 2020</b>	1,023,175	60,904	289,636	396,036	4,264,882	5,011,458	6,034,633

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

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

  
Jawed Anwar  
Chairman

  
Faiq Jawed  
Chief Executive Officer

  
Ghulam Muhammad  
Chief Financial Officer

## Condensed Interim Statement of Cash Flows (Un-Audited)


For The Half Year Ended 31 December 2020

	Note	Half year ended	
		31 December 2020	31 December 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	18	646,414	(185,739)
Finance cost paid		(108,078)	(257,724)
Income tax paid		(62,243)	(57,377)
Workers' profit participation fund paid		(70,820)	(50,704)
Increase in long term deposits		11,539	7,290
Net (increase) in long term deposits and advances		(64,527)	(7,844)
		(294,129)	(366,359)
<b>Net cash generated from / (used in) operating activities</b>		<b>352,285</b>	<b>(552,098)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition in property, plant and equipment		(673,215)	(109,152)
Proceeds from short term investments		(405)	34,891
Proceeds from disposal of property, plant and equipment		1,318	19,017
<b>Net cash used in investing activities</b>		<b>(672,302)</b>	<b>(55,244)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		629,963	33,872
Repayment of long term financing		(195,113)	(119,126)
Repayment of liabilities against right to use assets		(8,884)	(7,430)
Short term borrowings - net		(5,017)	850,761
Dividend paid		(73,017)	(146,168)
<b>Net cash generated from financing activities</b>		<b>347,932</b>	<b>611,909</b>
<b>Net increase in cash and cash equivalents</b>		<b>27,915</b>	<b>4,567</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>91,555</b>	<b>73,747</b>
<b>Cash and cash equivalents at end of the period</b>		<b>119,470</b>	<b>78,314</b>

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Ghulam Muhammad  
Chief Financial Officer

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

For The Half Year Ended 31 December 2020

### 1. THE COMPANY AND ITS OPERATIONS

J.K. Spinning Mills Limited (the Company) is a public limited company incorporated in Pakistan on 07 January 1987 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and listed on Pakistan Stock Exchange Limited.

The registered office of the Company is situated at 29-KM, 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

#### 2.1. Statement of compliance

This condensed interim financial information is unaudited but subject to the limited scope review by auditors and is being submitted to the shareholders as required under Section 237 of the Companies Act, 2017.

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.
- Provisions of and directives issued under the Companies Act, 2017; and
- Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2. Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for the recognition of certain staff retirement benefits at present value. This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

#### 2.3. Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THEREIN

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 30 June 2020.

The accounting policies and method of computation adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020 as notified by Securities and Exchange Commission of Pakistan (SECP). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial statements 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. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of the estimation are the same as those that applied to the financial statements for the year ended 30 June 2020.

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

For The Half Year Ended 31 December 2020

		Un-audited 31 December 2020	Audited 30 June 2020
		(Rupees in thousand)	
<b>5. OPERATING FIXED ASSETS - TANGIBLE</b>	<b>Note</b>		
Opening book value		4,051,003	4,080,643
Add: additions during the period / year-cost	<b>5.1.</b>	115,835	392,740
		4,166,838	4,473,383
Less: disposals during the period / year	<b>5.2.</b>	(775)	(26,481)
		4,166,063	4,446,902
Less: depreciation during the period / year		(188,295)	(395,899)
Book value at the end of the period / year		3,977,768	4,051,003
<b>5.1. Additions during the period / year - cost</b>			
Freehold land		-	172,646
Buildings on freehold land		23,150	79,971
Plant and machinery		64,351	96,973
Electric installations and appliances		7,868	8,498
Factory equipment		123	-
Furniture and fixture		-	1,368
Vehicles		20,343	33,284
		115,835	392,740
<b>5.2. Book value of assets disposed off during the period / year</b>			
Plant and machinery		-	18,576
Vehicles		775	7,905
		775	26,481
<b>6. RIGHT-OF-USE ASSETS</b>			
<b>Vehicles:</b>			
<b>Cost</b>			
Opening balance		110,779	-
Impact of initial application of IFRS 16		-	110,779
Closing balance		110,779	110,779
<b>Accumulated depreciation</b>			
Opening balance		36,630	-
Impact of initial application of IFRS 16		-	18,093
<b>Add:</b> charge during the year at the rate of 20%		7,415	18,537
Closing balance		44,045	36,630
		66,734	74,149
<b>7. CAPITAL WORK-IN-PROGRESS</b>			
Buildings on freehold land		273,458	189,619
Plant and machinery		677,610	204,069
		951,068	393,688
<b>8. LONG TERM INVESTMENT</b>			
<b>Investment in associate</b>			
<b>J.K. Tech (Private) Limited - unquoted</b>	<b>8.1.</b>		
450 (30 June 2020: 450) ordinary shares of Rupees 10 each		5	5
Less: Accumulated impairment		(5)	(5)
		-	-

**8.1.** The Company holds 30% (30 June 2020: 30%) shares in J.K. Tech (Private) Limited, a private limited company incorporated in Pakistan and has its principal place of business in the province of Punjab. The principal activity of J.K. Tech (Private) Limited is to provide 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.



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

For The Half Year Ended 31 December 2020

	Note	Un-audited 31 December 2020 (Rupees in thousand)	Audited 30 June 2020
<b>9. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Income tax		62,247	120,941
Sales tax		248,262	270,999
		310,509	391,940
Less: Provision for doubtful tax refunds due from the Government		(109,195)	(109,195)
		<u>201,314</u>	<u>282,745</u>

### 10. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Un-Audited 31 December 2020 (No. of Shares)	Audited 30 June 2020		Un-Audited 31 December 2020 (Rupees in thousand)	Audited 30 June 2020
26,424,155	26,424,155	Ordinary shares of Rupees 10 each fully paid in cash	264,241	264,241
45,947,600	45,947,600	Ordinary shares of Rupees 10 each issued to shareholders of J.K. Fiber Mills Limited and Abid Faiq Textile Mills Limited under the scheme of merger.	459,476	459,476
<u>29,945,747</u>	<u>712,175</u>	Ordinary shares of Rupees 10 each issued as fully paid bonus shares (10:1)	299,458	7,122
<u>102,317,502</u>	<u>73,083,930</u>		<u>1,023,175</u>	<u>730,839</u>

- 10.1.** The shareholder of the company, vide an Extraordinary General Meeting, on September 29, 2020 approved the increase in paid up share capital of the company from Rs. 1,023,175,020 divided into 102,317,502 ordinary shares of Rs. 10 each, by the issuance of 29,233,572 bonus shares of face value of Rs. 10 each.

### 11. LONG TERM FINANCING

#### From banking Companies - secured:

Opening balance	1,450,421	1,430,867
Add: Obtained during the period / year	629,963	260,534
Less: Repaid during the period / year	(195,113)	(240,980)
	1,885,271	1,450,421
Less: Current portion shown under current liabilities	(502,208)	(363,311)
Closing balance	<u>1,383,063</u>	<u>1,087,110</u>

### 12. CONTINGENCIES AND COMMITMENTS

#### 12.1. Contingencies

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

- 12.1.2.** Post dated cheques of Rs. 356,737 thousand (30 June 2020: Rupees 463,712 thousand) are issued to custom authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be cashable.

#### 12.2. Commitments

- 12.2.1.** Letter of credit for capital expenditure amounts to Rs. 50,018 thousand (30 June 2020: Rs. 115,454 thousand).
- 12.2.2.** Letters of credit other than for capital expenditure amounts to Rs. 43,093 thousand (30 June 2020: Rs. 83,700 thousand).
- 12.2.3.** Company has entered into Ijarah lease agreement with Meezan bank limited in respect of vehicle. The commitments against such facility are as follows:

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

For The Half Year Ended 31 December 2020

	Note	Un-audited 31 December 2020 (Rupees in thousand)	Audited 30 June 2020
Lease installments payable:			
within 1 year		9,564	8,730
within 2 to 5 years		24,327	30,556
		33,891	39,286

### 13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below, is the reconciliation of the revenue from contract with customers with the amount disclosed in segment information.

	Un-Audited					
	Half year ended			Half year ended		
	31 December 20			31 December 19		
	Spinning	Fabric division	Total	Spinning	Fabric division	Total
<b>Note</b>	----- (Rupees in thousand) -----					
<b>SALES - net</b>						
Local	4,293,262	84,360	4,377,622	4,497,385	68,678	4,566,063
Export	1,396,247	2,628,760	4,025,007	247,808	2,840,899	3,088,707
Export rebate	-	38,585	38,585	-	26,547	26,547
Inter segments	(574,517)	-	(574,517)	(404,605)	-	(404,605)
<b>13.1.</b>	5,114,992	2,751,705	7,866,697	4,340,588	2,936,124	7,276,712

#### 13.1. Disaggregation of revenue based on :

	Half year ended 31 December 2020		
	Spinning	Fabric	Total
	( Rupees in thousand )		
<b>Segments</b>			
Sale of yarn	5,532,278	-	5,532,278
Sale of fabric	-	2,689,286	2,689,286
Sale of waste	157,231	23,834	181,065
Export rebate	-	38,585	38,585
Inter-segment eliminations	(574,517)	-	(574,517)
	5,114,992	2,751,705	7,866,697
<b>Geographic markets</b>			
Asia	5,027,866	139,024	5,166,890
Australia	-	89,789	89,789
Europe	79,248	1,894,951	1,974,199
Africa	7,878	14,972	22,850
North America	-	573,574	573,574
South America	-	39,395	39,395
	5,114,992	2,751,705	7,866,697
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	5,114,992	2,751,705	7,866,697
	Half year ended 31 December 2019		
	Spinning	Fabric	Total
	( Rupees in thousand )		
<b>Segments:</b>			
Sale of yarn	4,600,338	10,215	4,610,553
Sale of fabric	-	2,876,530	2,876,530
Sale of waste	144,855	22,832	167,687
Export rebate	-	26,547	26,547
Inter-segment eliminations	(404,605)	-	(404,605)
	4,340,588	2,936,124	7,276,712

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

For The Half Year Ended 31 December 2020

Half year ended 31 December 2019		
Spinning	Fabric	Total

( Rupees in thousand )

### Geographic markets:

Asia	4,276,362	92,176	4,368,538
Australia	-	54,041	54,041
Europe	64,226	1,929,208	1,993,434
North America	-	819,003	819,003
South America	-	41,696	41,696
	4,340,588	2,936,124	7,276,712

### Timing of revenue recognition:

Goods transferred at a point in time

	4,340,588	2,936,124	7,276,712
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Un-Audited			
Half year ended		Quarter ended	
31 December 2020	31 December 2019	31 December 2020	31 December 2019

### 14. COST OF SALES

Note

	----- (Rupees in thousand) -----			
Raw materials consumed	4,288,039	4,342,945	2,233,001	2,286,295
Stores, spare parts and loose tools consumed	120,257	116,149	63,682	60,155
Packing materials consumed	113,509	100,166	59,018	50,560
Processing and conversion charges	636,426	613,499	387,826	372,754
Fuel and power	557,692	526,533	285,856	254,017
Salaries, wages and other benefits	409,149	380,971	208,352	190,532
Repair and maintenance	11,639	16,575	4,523	5,135
Insurance	8,636	9,095	3,463	4,558
Other factory overheads	17,524	21,898	10,031	9,730
Depreciation	175,768	184,303	88,346	92,796
	6,338,639	6,312,134	3,344,098	3,326,532
Work-in-process:				
Opening stock	403,753	477,200	498,083	587,444
Closing stock	(732,862)	(695,081)	(732,862)	(695,081)
	(329,109)	(217,881)	(234,779)	(107,637)
Cost of goods manufactured	6,009,530	6,094,253	3,109,319	3,218,895
Finished goods:				
Opening stock	1,301,115	769,005	733,589	662,975
Closing stock	(759,365)	(859,209)	(759,365)	(859,209)
	541,750	(90,204)	(25,776)	(196,234)
	6,551,280	6,004,049	3,083,543	3,022,661

### 15. OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	43,177	33,314	27,254	18,590
Workers' Welfare Fund	6,744	7,108	4,018	5,176
Donations	3,344	2,124	2,422	1,112
Exchange loss	9,604	28,519	3,977	-
Loss on disposal of property, plant and equipment	-	2,412	-	-
	62,869	73,477	37,671	24,878

### 16. OTHER INCOME

Income from financial assets	11,729	6,749	3,483	16,801
Income from assets other than financial assets	4,878	4,912	2,582	2,618
	16,607	11,661	6,065	19,419

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

For The Half Year Ended 31 December 2020

	Un-Audited			
	Half year ended		Quarter ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>Note</b>	----- (Rupees in thousand) -----			
<b>16.1. Income from financial assets</b>				
Exchange gain - net	-	-	-	9,095
Unrealized gain on remeasurement of investments at held for trading	11,653	6,458	3,420	7,439
Dividend income on investment held for trading	76	291	63	267
	<u>11,729</u>	<u>6,749</u>	<u>3,483</u>	<u>16,801</u>
<b>16.2. Income from other than financial assets</b>				
Gain on disposal of property, plant and equipment	543	-	64	997
Rental income	960	960	480	480
Scrap sales	3,353	3,942	2,016	1,131
Interest income	22	10	22	10
	<u>4,878</u>	<u>4,912</u>	<u>2,582</u>	<u>2,618</u>

17. Earning per share - basic and diluted for the previous periods presented have been restated taking into consideration the corresponding effect of bonus shares issued during the period ended December 31, 2020.

	Note	(Un-audited)	
		Half year ended	
		31 December 2020	31 December 2019
<b>18. CASH UTILIZED IN OPERATIONS</b>		(Rupees in thousand)	
Profit before taxation		811,961	622,692
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		195,710	206,040
Finance cost		114,122	250,863
Exchange loss		9,604	28,519
Provision for Workers' Welfare Fund		6,744	7,108
Provision for Workers' Profit Participation Fund		43,177	33,314
(Gain) / loss on disposal of property, plant and equipment		(543)	2,412
Unrealized income on remeasurement of investments at held for trading		(11,653)	(6,458)
Working capital changes	18.1.	(522,708)	(1,330,229)
		<u>646,414</u>	<u>(185,739)</u>
<b>18.1. Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(27,651)	5,893
Stock-in-trade		(242,488)	(1,013,505)
Trade debts		(7,895)	(266,648)
Advances		(122,935)	(46,732)
Trade deposits and short term prepayments		(16,499)	(9,174)
Other receivables		(28,467)	(11,159)
Tax refunds due from the Government		22,737	(135,395)
		<u>(423,198)</u>	<u>(1,476,720)</u>
Increase in trade and other payables and contractual liabilities		(99,510)	146,491
		<u>(522,708)</u>	<u>(1,330,229)</u>

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

For The Half Year Ended 31 December 2020

### 19. TRANSACTIONS WITH RELATED PARTIES

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

		(Un-audited)	
		Half year ended	
		31 December 2020	31 December 2019
		(Rupees in thousand)	
<u>Relationship with the Company</u>	<u>Nature of transactions</u>		
<b>Associated companies:</b>			
J.K Tech (Pvt.) Ltd	Service charges	1,140	1,200
	Rental income	960	960
<b>Other related parties:</b>			
Employees' Provident Fund Trust	Amount contributed	15,528	14,194
Directors	Loans (repaid) / received - net	(35,445)	36,164
	Dividend paid	69,293	142,779
	Issue of bonus shares	286,456	-

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

19.2. The outstanding balance of such parties are as under:

		Half year ended	
		31 December 2020	31 December 2019
		(Rupees in thousand)	
<u>Relationship with the Company</u>	<u>Nature of balances</u>		
<b>Others:</b>			
Directors	Short term loan	-	113,745
Key management personnel	Remuneration payable	3,200	2,200

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

<u>19.3. Name of related party</u>	<u>Basis of relationship</u>	<u>Equity</u>
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	-

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

For The Half Year Ended 31 December 2020

### 20. SEGMENT INFORMATION

Half year ended 31 December 2020					
Spinning	Fabric Division	Total Segments	Adjustments and Eliminations	Total Company	
------(Rupees in thousand)-----					
<b>Revenue</b>					
External	5,114,992	2,751,705	7,866,697	-	7,866,697
Intersegment	(574,517)	-	(574,517)	574,517	-
	4,540,475	2,751,705	7,292,180	574,517	7,866,697
Cost of sales	(3,661,752)	(2,315,011)	(5,976,763)	(574,517)	(6,551,280)
Gross profit	878,723	436,694	1,315,417	-	1,315,417
Distribution expenses	(25,303)	(129,779)	(155,082)	-	(155,082)
Administrative expenses	(132,397)	(55,593)	(187,990)	-	(187,990)
	(157,700)	(185,372)	(343,072)	-	(343,072)
<b>Segment profit</b>	721,023	251,322	972,345	-	972,345
<b>Unallocated income and expense:</b>					
Other operating expense					(62,869)
Other income					16,607
Finance cost					(114,122)
Taxation					(129,227)
Profit after taxation					682,734

Half year ended 31 December 2019					
Spinning	Fabric Division	Total Segments	Adjustments and Eliminations	Total Company	
------(Rupees in thousand)-----					
<b>Revenue</b>					
External	4,340,588	2,936,124	7,276,712	-	7,276,712
Intersegment	404,605	-	404,605	(404,605)	-
	4,745,193	2,936,124	7,681,317	(404,605)	7,276,712
Cost of sales	(3,981,123)	(2,427,531)	(6,408,654)	404,605	(6,004,049)
Gross profit	764,070	508,593	1,272,663	-	1,272,663
Distribution expenses	(37,395)	(114,558)	(151,953)	-	(151,953)
Administrative expenses	(127,860)	(57,479)	(185,339)	-	(185,339)
	(165,255)	(172,037)	(337,292)	-	(337,292)
<b>Segment profit</b>	598,815	336,556	935,371	-	935,371
<b>Unallocated income and expense:</b>					
Other operating expense					(73,477)
Other income					11,661
Finance cost					(250,863)
Taxation					(114,884)
Profit after taxation					507,808

#### 20.1. Adjustments and eliminations

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

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

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

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

For The Half Year Ended 31 December 2020

	<b>Un-audited</b>	<b>Audited</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>(Rupees in thousand)</b>	
<b>20.2. Reconciliation of assets</b>		
Assets of Spinning segment	8,528,459	8,292,365
Assets of Fabric division segment	3,458,072	2,676,605
Total segment assets	11,986,531	10,968,970
<b>Unallocated assets:</b>		
Tax refunds due from the Government	201,314	282,745
Total assets as per statement of financial position	<u>12,187,845</u>	<u>11,251,715</u>
<b>20.3. Reconciliation of liabilities</b>		
Liabilities of Spinning segment	4,200,141	4,368,205
Liabilities of Fabric division segment	1,665,958	1,156,401
Total segment liabilities	5,866,099	5,524,606
<b>Unallocated liabilities:</b>		
Deferred tax liability	237,192	228,902
Workers' Profit Participation Fund	43,177	69,164
Workers' Welfare Fund	6,744	4,060
	<u>6,153,212</u>	<u>5,826,732</u>

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

### 21. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were approved and authorized for issue on February 24, 2021 by the Board of Directors of the Company.

### 22. CORRESPONDING FIGURES

- 22.1.** In order to comply with the requirements of IAS 34, the condensed interim statements of financial position 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 statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flow have been compared with the balances of comparable period of immediately preceding financial year.

### 23. GENERAL

#### 23.1. Re-classification

Reclassification of the following account balances have been made in these financial statements for better presentation:

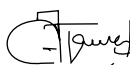
Account head	Previous classification	Current classification
Statement of profit or loss	Statement of profit or loss	Statement of profit or loss
Scrap sale (December 31, 2019: Rs.3,942,000/-)	Revenue from contract with customer	Other income

- 23.2.** Provision for taxation is based on this condensed interim financial information and is subject to adjustments in annual financial statements.

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



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Ghulam Muhammad  
Chief Financial Officer



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

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