

# INSPIRED

## Half Yearly Report

For the period ended December 31, 2016



J.K. SPINNING MILLS LIMITED





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## Company Information

Chairman	Mr. Jawed Anwar
Chief Executive	Mr. Faiq Jawed
Directors	Mr. Shaiq Jawed Mr. Rehan Ashfaq Mrs. Farhat Jehan Mrs. Nageen Faiq Mrs. Mahwish Shaiq Mrs. Sadaf Aamir Arshad
Audit Committee	
Chairman	Mr.Rehan Ashfaq
Members	Mrs.Farhat Jehan Mrs.Sadaf Aamir Arshad
HR Committee	
Chairperson	Mrs.Sadf Aamir Arshad
Members	Mr.Shaiq Jawed Mrs.Nageen Faiq
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 (A member of Nexia International) Faisalabad
Legal Advisor	Atif & Atif Law Associates Advocates
Registrar's and Share Registration office	M/s Orient Software Management Services (pvt.) Ltd. 35-Z, Ameer Plaza, Opposite Mujahid Hospital, Commercial Centre, Madina Town, Faisalabad
Bankers	Standard Chartered Bank (Pakistan) Limited The Bank of Punjab National Bank of Pakistan Askari Bank Limited NIB Bank Limited The Bank of Khyber Summit Bank Meezan Bank Limited
Head Office & Mills	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, 2016.

### Financial Results and Operational Performance

The summarized financial results of the company for the half year ended December 31, 2016 are as under:

Particulars	Rupees in Millions	
	December 31, 2016	December 31, 2015
Sales	4,497.141	4,119.194
Cost of Sales	4,193.152	3,798.436
Gross Profit	303.989	320.758
Operating Expenses	247.121	235.357
Other Income	49.511	9.408
Profit from Operations	106.379	94.809
Finance cost	62.504	37.967
Profit before taxation	43.875	56.842
Taxation	16.422	33.542
Profit After taxation	27.453	23.300
Earnings per share – Rupee	0.45	0.38

Sales for the period under review increased to Rupees 4,497.141 million from Rupees 4,119.194 millions of the corresponding period and accordingly raw material consumed increased as compared to corresponding period. Salaries and wages cost increased due to increase in minimum wage rate while fuel and power cost increased due to increase in spinning capacity and higher production. Stores and spares and loose tools consumed, packing material and processing and other overhead cost decreased in view of better cost reduction strategy. Operating expenses increased due to inflationary trend. Financial cost increased in view of increase in long term and short term borrowings.

Your company has earned profit after tax of Rupees 27.453 million during the half year ended on December 31, 2016 against Rupees 23.300 million of the same period of last year.

In view of recession on textile industry, The Board of Directors has not recommended any interim cash dividend.

The production of yarn converted into 20/5 for the period under review was 15.253 million Kgs against 14.261 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. During the period under review, your company has added eight draw frames, one simplex machine, three Ring frames comprising 3,024 spindles and two Generation sets in existing facilities while letters of credits are likely to be opened in next couple of months for addition of nine breaker draw frames, six finisher draw frames, twenty one ring frames comprising 24,192 spindles and eight auto cone machines. civil works are in progress for spinning expansion plans.

### Future Outlook

Oil prices are showing upward trend in view of curtailment of crude oil production by OPEC countries. The increase in oil price would raise the fuel and power cost of the industry. Government of Pakistan has also announced textile incentive through textile package for textile industry and also imposed regulatory duty on fine yarn counts. These both steps would make the local industry more competitive in the region and would help to boost the export of the country which is showing decline in the past 3 years.

## Directors' Report

Although Pakistan cotton sowing area reduced for cotton season 2016-17 but cotton production projections are better than last year's cotton crop production. Management of your company is keenly watching the cotton market to procure the cotton at lowest rates and is making efforts to procure cotton for the whole period of financial year ending June 30, 2017 and first quarter of next financial year. On announcement of textile package and imposition of duty on fine yarn counts, yarn prices has improved and looking stable and resultantly will improve the bottom line of the company. Your company is also focusing on improving efficiencies and minimizing costs by enhancing spinning capacity to achieve the better financial results of remaining period of financial year ending June 30, 2017.

### 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 24, 2017



Faiq Jawed  
Chief Executive

## ڈائریکٹرز رپورٹ برائے حصص یافتگان:

اگرچہ پاکستان میں کپاس کی کاشت کے پیداواری رقبے میں 2016-17 سال میں کمی ہوئی ہے لیکن کپاس کی پیداوار میں پچھلے سال کے مقابلے میں اضافہ متوقع ہے۔ آپ کی کمپنی کی انتظامیہ کاٹن مارکیٹ کا بغور جائزہ لے رہی ہے اور کم از کم نرخ پر مالی سال 2016-17 اور اگلے سال کے پیپل کوارٹر کے لئے کاٹن خریدنے کی کوشش کر رہی ہے۔ یکسائل تکچ کے اعلان اور عمدہ دھاگے کاؤنٹ پر ریگولیٹری ڈپوٹی لگانے کے بعد دھاگے کی قیمتوں میں اضافہ اور استحکام آیا ہے جس کی وجہ سے خالص منافع میں بہتری آئے گی۔ آپ کی کمپنی کی انتظامیہ پیداواری صلاحیت بڑھا کر اور اخراجات کم کر کے اور کارکردگی میں بہتری لا کر مالی سال 2017 کے بقیہ عرصے کے خالص منافع میں بہتری لانے کی کوشش کر رہی ہے۔

### اعتراف:

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے گاہکوں اور نمکداری کا کمپنی کے کاروبار میں تعاون پر شکرگزار ہیں ڈائریکٹرز کمپنی کے سٹاف اور مزدوروں کی محنت اور کوششوں کو بھی سراہتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز:

فائق جاوید  
چیف ایگزیکٹو

فیصل آباد

فروری 24، 2017

## 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 مالیاتی سال کے پہلے آدھے سال کے اختتام 31 دسمبر 2016 کے مالیاتی حسابات پیش کرنے میں خوشی محسوس کرتے ہیں۔

### مالیاتی نتائج:

مالیاتی سال کے پہلے آدھے سال کے نتائج کی تفصیل درج ذیل ہیں:

ملین روپے		تفصیلات
اختتام کواریٹر		
31 دسمبر 2015	31 دسمبر 2016	
4,119.194	4,497.141	سیلز
3798.436	4193.152	سیلز کے اخراجات
320.758	303.989	خام منافع
235.357	247.121	آپریٹنگ اخراجات
94.809	106.379	آپریٹنگ منافع
37.967	62.504	مالی لاگت
23.300	27.453	منافع بعد از ٹیکس
0.38	0.45	فی شیئر آمدنی

مالی سال کے پہلے آدھے حصے کے دوران یہ میں فروخت 4119.194 ملین روپے سے بڑھ کر 4497.141 ملین روپے ہوئی ہے۔ اسی طرح خام مال کے اخراجات بھی اسی نسبت سے بڑھ گئے ہیں۔ تنخواہوں کے اخراجات کم از کم اُجرت میں اضافہ کی وجہ سے بڑھے ہیں جبکہ توانائی کی لاگت کے اخراجات زیادہ پیداوار کی وجہ سے بڑھ گئے ہیں۔ سٹور اور اوزاروں کے اخراجات، بیکنگ مال اور پروسیسنگ اور دوسرے اخراجات کمپنی کی بہتر انتظامی پالیسی کی وجہ سے پچھلے سال کے اسی دورانیہ کے مقابلے میں کم ہو گئے ہیں۔ آپریٹنگ اخراجات مہنگائی کی وجہ سے بڑھ گئے ہیں۔ مالی اخراجات پچھلے سال کے اسی دورانیہ کے مقابلے میں چھوٹے اور لمبے عرصے کے قرضہ جات میں اضافہ کی وجہ سے بڑھ گئے ہیں۔

آپ کی کمپنی نے پہلے آدھے سال کے اختتام پر 31 دسمبر 2016 میں 27.453 ملین روپے خالص منافع کمایا ہے جبکہ اسی دورانیہ کے پچھلے سال میں خالص منافع 23.300 ملین روپے تھا۔ ٹیکسٹائل صنعت میں مندرجہ کی وجہ سے بورڈ آف ڈائریکٹرز نے کوئی عبوری کیش ڈیویڈنڈ کی سفارش نہ کی ہے۔

اس مالی سال کے آدھے سال کے دورانیہ میں دھاگے کی پیداوار پچھلے سال کی پیداوار 2015 کے حساب سے پچھلے سال کی پیداوار 14.261 ملین کلوگرام سے بڑھ کر 15.253 ملین کلوگرام ہو گئی ہے۔ آپ کی کمپنی کی انتظامیہ نے پرانی مشینری کو جدید مشینری سے بدلنے کی پالیسی اختیار کی ہوئی ہے۔ اس مالی سال کے جائزہ دورانیہ میں آپ کی کمپنی نے 8 ڈرافٹریز، ایک سیمپلس مشین، 3,024 سپنڈلز پر مشتمل 3 رنگ فریزر، اور 2 بجلی کے جزیرہ کا اضافہ بخود سہولیات میں کیا ہے جبکہ اگلے کچھ مہینوں میں 9 بریکڈرائف فریزر، 6 فٹس ڈرافٹریز، 24,192 سپنڈلز پر مشتمل 21 رنگ فریزر، 8 آلکون مشینز اور چار میگاواٹ کا بجلی کا جزیرہ کے لیٹر آف کریٹ کھولے جائیں گے۔ سپنگ ملز کی پیداواری صلاحیت بڑھانے کیلئے تعمیراتی کام جاری و ساری ہے۔

### مستقبل کا نقطہ نظر:

آئل کی قیمتیں اوپیک ملکوں کی آئل کی پیداوار میں کٹوتی کی وجہ سے اوپر کو بڑھ رہی ہیں۔ آئل کی قیمتوں میں اضافے کی وجہ سے صنعت کی توانائی کے اخراجات میں اضافے کا امکان ہے۔ پاکستان کی گورنٹ نے ٹیکسٹائل انڈسٹری کو بہتر کرنے کے لئے ٹیکسٹائل پیکیج کا اعلان کیا ہے اور عمدہ دھاگے کے کاؤنٹ پر ریگولیٹری ڈیوٹی لگا دی ہے۔ ان دونوں اقدام کی وجہ سے ٹیکسٹائل کی لوکل صنعت اس خطے میں بہتر مقابلے کی پوزیشن میں آگئی ہے اور اس سے ٹیکسٹائل کی برآمدات میں بہتری میں مدد ملے گی جو کہ پچھلے تین سال سے مسلسل گرتی جا رہی تھیں۔



## 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 2016 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 2016 and 31 December 2015 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 2016.

### 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 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



RIAZ AHMAD & COMPANY  
Chartered Accountants

Name of engagement partner:  
Mubashar Mehmood

Faisalabad  
February 24, 2017

# Condensed Interim Balance Sheet (Un-Audited)

As At 31 December 2016

	NOTE	Un-audited 31 December 2016 (RUPEES IN THOUSAND)	Audited 30 June 2016
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
96 000 000 (30 June 2016: 96 000 000) ordinary shares of Rupees 10 each		960,000	960,000
Issued, subscribed and paid up share capital		609,033	609,033
Deposit for shares		179,859	-
Reserves		2,241,432	2,244,431
Total equity		3,030,324	2,853,464
Surplus on revaluation of freehold land		178,634	178,634
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	5	370,707	358,291
Liabilities against assets subject to finance lease		-	7,158
Deferred income on sale and lease back		104	792
Deferred income tax liability		126,627	145,824
		497,438	512,065
<b>CURRENT LIABILITIES</b>			
Trade and other payables		474,783	413,212
Accrued mark-up		26,103	16,254
Short term borrowings		2,104,787	1,517,083
Current portion of non-current liabilities		177,269	135,519
Provision for taxation		31,256	33,564
		2,814,198	2,115,632
<b>TOTAL LIABILITIES</b>		3,311,636	2,627,697
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		6,520,594	5,659,795

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



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Shaiq Jawed  
Director

## Condensed Interim Balance Sheet (Un-Audited)

As At 31 December 2016

	NOTE	Un-audited 31 December 2016 (RUPEES IN THOUSAND)	Audited 30 June 2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	2,805,709	2,748,664
Long term investment		-	-
Long term deposits and prepayments		493	6,432
		<u>2,806,202</u>	<u>2,755,096</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		83,652	65,643
Stock in trade		2,261,104	1,756,108
Trade debts		687,743	513,799
Loans and advances		33,356	50,197
Short term deposits and prepayments		15,707	13,880
Other receivables		11,399	41,684
Tax refunds due from the Government		362,890	395,028
Short term investment		150	123
Cash and bank balances		258,391	68,237
		<u>3,714,392</u>	<u>2,904,699</u>
<b>TOTAL ASSETS</b>		<u><b>6,520,594</b></u>	<u><b>5,659,795</b></u>



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Shaiq Jawed  
Director

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

For The Half Year Ended 31 December 2016

	NOTE	Half year ended		Quarter ended	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		(RUPEES IN THOUSAND)		(RUPEES IN THOUSAND)	
Sales		4,497,141	4,119,194	2,298,393	2,089,951
Cost Of Sales	8	(4,193,152)	(3,798,436)	(2,158,899)	(1,940,559)
Gross Profit		303,989	320,758	139,494	149,392
Distribution Cost		(120,578)	(126,831)	(58,332)	(49,248)
Administrative Expenses		(119,353)	(103,983)	(58,247)	(49,381)
Other Expenses		(7,190)	(4,543)	(5,052)	(2,512)
Other Income		49,511	9,408	20,132	5,495
Finance Cost		(62,504)	(37,967)	(34,750)	(21,526)
Profit Before Taxation		43,875	56,842	3,245	32,220
Taxation		(16,422)	(33,542)	6,135	(20,908)
Profit After Taxation		27,453	23,300	9,380	11,312
Earnings per Share-Basic (Rupees)		0.45	0.38	0.15	0.19
Earnings per Share-Diluted (Rupees)		0.38	-	0.13	-

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



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Shaiq Jawed  
Director

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

For The Half Year Ended 31 December 2016

	Half year ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(RUPEES IN THOUSAND)		(RUPEES IN THOUSAND)	
Profit After Taxation	27,453	Restated 23,300	9,380	Restated 11,312
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total Comprehensive income For The Period	27,453	23,300	9,380	11,312

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



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Shaiq Jawed  
Director

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

For The Half Year Ended 31 December 2016

	NOTE	Half year ended	
		31 December 2016	31 December 2015
		(RUPEES IN THOUSAND)	
Cash flows from operating activities			
Cash utilized in operations	9	(311,338)	(275,105)
Finance cost paid		(52,313)	(37,654)
Income tax paid		(39,673)	(41,540)
Workers' profit participation fund paid		(9,144)	(7,081)
Workers' welfare fund paid		-	(1,647)
Net decrease in long term deposits and prepayments		5,939	6,546
Net cash utilized in operating activities		(406,529)	(356,481)
Cash flows from investing activities			
Capital expenditure on property, plant and equipment		(190,608)	(431,195)
Proceeds from sale of property, plant and equipment		3,211	5,173
Net cash used in investing activities		(187,397)	(426,022)
Cash flows from financing activities			
Long term financing acquired		97,252	333,749
Long term financing repaid		(38,483)	-
Repayment of liabilities against assets subject to finance lease		(11,761)	(13,113)
Share deposit money received		179,859	-
Short term borrowings - net		587,704	459,783
Dividend paid		(30,491)	-
Net cash from financing activities		784,080	780,419
Net increase / (decrease) in cash and cash equivalents		190,154	(2,084)
Cash and cash equivalents at the beginning of the period		68,237	69,625
Cash and cash equivalents at the end of the period		258,391	67,541

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



Jawed Anwar  
Chairman



Faiq Jawed  
Chief Executive Officer



Shaiq Jawed  
Director

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

For The Half Year Ended 31 December 2016

	SHARE CAPITAL	DEPOSIT FOR SHARES	RESERVES			TOTAL EQUITY
			CAPITAL	REVENUE	TOTAL	
			Merger reserve	Unappropri- ated profit		
(RUPEES IN THOUSAND)						
Balance as at 30 June 2015 - (Audited) – Restated	609,033	-	289,636	1,879,049	2,168,685	2,777,718
Profit for the half year ended 31 December 2015 - Restated	-	-	-	23,300	23,300	23,300
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2015	-	-	-	23,300	23,300	23,300
Balance as at 31 December 2015 - (Un-audited) - Restated	609,033	-	289,636	1,902,349	2,191,985	2,801,018
Profit for the half year ended 30 June 2016	-	-	-	52,446	52,446	52,446
Other comprehensive income for the half year ended 30 June 2016	-	-	-	-	-	-
Total comprehensive income for the half year ended 30 June 2016	-	-	-	52,446	52,446	52,446
Balance as at 30 June 2016 - (Audited)	609,033	-	289,636	1,954,795	2,244,431	2,853,464
Transactions with owners:						
Final dividend for the year ended 30 June 2016 at the rate of Rupees 0.50 per share	-	-	-	(30,452)	(30,452)	(30,452)
Deposit for shares received against issuance of 20% right shares at the premium of Rupees 5 per share	-	179,859	-	-	-	179,859
	-	179,859	-	(30,452)	(30,452)	149,407
Profit for the half year ended 31 December 2016	-	-	-	27,453	27,453	27,453
Other comprehensive income for the half year ended 31 December 2016	-	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2016	-	-	-	27,453	27,453	27,453
Balance as at 31 December 2016 - (Un-audited)	609,033	179,859	289,636	1,951,796	2,241,432	3,030,324

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



Jawed Anwar  
Chairman



Faiz Jawed  
Chief Executive Officer



Shaiq Jawed  
Director

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

For The Half Year Ended 31 December 2016

### 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 Pakistan Stock Exchange Limited. Its registered office is situated at 29-kilometers, Sheikhpura Road, Faisalabad where the factory premises of the Company are also located. The Company is engaged in business of textile manufacturing comprising of 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 2016 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 preceding audited annual published financial statements of the Company for the year ended 30 June 2016.

### 3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computation adopted 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 2016.

### 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 2016.



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

For The Half Year Ended 31 December 2016

	Un-audited 31 December 2016 (RUPEES IN THOUSAND)	Audited 30 June 2016
<b>5. LONG TERM FINANCING</b>		
From banking companies - secured		
Opening balance	479,077	-
Add: Obtained during the period / year	97,252	479,077
Less: Repaid during the period / year	38,483	-
	537,846	479,077
Less: Current portion shown under current liabilities	167,139	120,786
	370,707	358,291
<b>6. CONTINGENCIES AND COMMITMENTS</b>		
<b>a) Contingencies</b>		
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 2016: Rupees 11.002 million) along with default surcharge under section 34 of Sales Tax Act, 1990 and penalty at the rate of 30 percent. Appellate Tribunal, Inland Revenue, Lahore passed order against appeal of the Company. Afterwards the Company filed reference against the decision of Appellate Tribunal, Inland Revenue, Lahore before Honourable Lahore High Court, Lahore. The related provision is not made in this condensed interim financial information in view of favourable outcome of the reference.		
ii) The Company has filed an appeal before Customs Appellate Tribunal, Lahore against the order in original 28/2015 dated 05 March 2015 for the recovery of Rupees 2.133 million (30 June 2016: Rupees 2.133 million) along with additional tax and penalty under section 156 of the Customs Act, 1969. The related provision is not made in this condensed interim financial information in view of favourable outcome of the reference.		
iii) The Company has filed an appeal before Appellate Tribunal, Inland Revenue, Lahore against the impugned order in appeal No. 465/2016 dated 12 July 2016 of Honourable Commissioner, Inland Revenue (Appeals), Faisalabad for the recovery of Rupees 3.108 million (30 June 2016: Rupees 7.904 million) along with default surcharge and penalty under section 34 and 33 of Sales Tax Act, 1990 respectively. The related provision is not made in this condensed interim financial information in view of favourable outcome of the reference.		
iv) Sui Northern Gas Pipelines Limited (SNGPL) is charging Late Payment Surcharge (LPS) on the Company amounting to Rupees 97.313 million (30 June 2016: Rupees 84.669 million). This late payment surcharge is due to non-payment of Gas Infrastructure Development Cess (GIDC) as required to pay under GIDC Act, 2015 but the Company has made provision of Rupees 43.413 million (30 June 2016: Rupees 43.413 million). However, the Company has filed an appeal before Honourable Lahore High Court against the LPS charged by SNGPL. The Honourable Lahore High Court has issued directions to suspend payment of LPS till final decision. Therefore, the Company has not incorporated provision of remaining amount of Rupees 53.900 million (30 June 2016: Rupees 41.256 million) in this condensed interim financial information due to favourable outcome of the appeal.		

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

For The Half Year Ended 31 December 2016

- v) Guarantees of Rupees 98.595 million (30 June 2016: Rupees 82.710 million) are given by the banks of the Company to SNGPL against gas connections, Punjab Power Development Board for installing electricity generation facility and Faisalabad Electric Supply Company against electricity connection.
- vi) Post dated cheques of Rupees 235.045 million (30 June 2016: Rupees 116.430 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 2016: Rupees 98.410 million).
- ii) Letters of credit other than for capital expenditure are of Rupees 587.123 million (30 June 2016: Rupees 73.192 million).

	Un-audited 31 December 2016	Audited 30 June 2016
	(RUPEES IN THOUSAND)	
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets:		
Owned (Note 7.1)	2,588,796	2,486,652
Leased (Note 7.2)	15,685	29,639
Capital work-in-progress (Note 7.3)	201,228	232,373
	<u>2,805,709</u>	<u>2,748,664</u>
<b>7.1 Operating fixed assets - Owned</b>		
Opening book value	2,486,652	2,150,729
Add:		
Cost of additions during the period / year (Note 7.1.1)	221,753	515,789
Book value of assets transferred from leased assets to owned assets (Note 7.2)	12,364	31,039
Effect of revaluation surplus	-	24,856
	<u>2,720,769</u>	<u>2,722,413</u>
Less:		
Book value of deletions during the period / year (Note 7.1.2)	8,074	6,115
	<u>2,712,695</u>	<u>2,716,298</u>
Less:		
Depreciation charged during the period / year	123,899	229,646
	<u>2,588,796</u>	<u>2,486,652</u>

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

For The Half Year Ended 31 December 2016

	Un-audited 31 December 2016 (RUPEES IN THOUSAND)	Audited 30 June 2016
<b>7.1.1 Cost of additions during the period / year</b>		
Buildings on freehold land	19,963	3,861
Plant and machinery	111,364	453,570
Stand-by equipment	74,090	-
Electric installations and appliances	6,347	19,999
Factory equipment	-	19,696
Furniture and fixtures	34	-
Office equipment	22	1,182
Vehicles	9,933	17,481
	<u>221,753</u>	<u>515,789</u>
<b>7.1.2 Book value of deletions during the period / year</b>		
Plant and machinery	6,767	4,985
Vehicles	1,307	1,130
	<u>8,074</u>	<u>6,115</u>
<b>7.2 Operating fixed assets - Leased</b>		
Opening book value	29,639	69,721
Less:		
Book value of assets transferred to owned assets from leased assets (Note 7.1)	12,364	31,039
	<u>17,275</u>	<u>38,682</u>
Depreciation charged during the period / year	1,590	9,043
	<u>15,685</u>	<u>29,639</u>
<b>7.3 Capital work-in-progress</b>		
Buildings on freehold land	132,010	103,912
Plant and machinery	45,345	110,437
Electric installations and appliances	20,261	14,667
Advances against vehicles	3,612	3,357
	<u>201,228</u>	<u>232,373</u>

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

For The Half Year Ended 31 December 2016

(Un-audited)				
	Half year ended		Quarter ended	
	31 December 2016 (RUPEES IN THOUSAND)	31 December 2015 (RUPEES IN THOUSAND)	31 December 2016 (RUPEES IN THOUSAND)	31 December 2015 (RUPEES IN THOUSAND)
		Restated		Restated
<b>8. COST OF SALES</b>				
Raw materials consumed	2,864,637	2,800,554	1,496,898	1,432,178
Stores, spare parts and loose tools consumed	81,666	89,232	38,250	49,120
Packing materials consumed	40,508	41,350	20,717	20,926
Processing and conversion charges	152,048	174,932	67,067	93,612
Fuel and power	389,749	367,011	197,649	185,513
Salaries, wages and other benefits	254,731	241,530	125,754	121,447
Repair and maintenance	14,290	7,861	9,652	3,952
Insurance	5,529	5,693	2,646	3,026
Other factory overheads	11,528	15,125	5,712	8,058
Depreciation	113,333	98,346	57,987	51,150
	3,928,019	3,841,634	2,022,332	1,968,982
Work-in-process:				
Opening stock	308,806	239,180	200,416	269,688
Closing stock	(256,579)	(310,287)	(256,579)	(310,287)
	52,227	(71,107)	(56,163)	(40,599)
Cost of goods manufactured	3,980,246	3,770,527	1,966,169	1,928,383
Finished goods:				
Opening stock	544,914	514,383	566,142	531,657
Closing stock	(389,178)	(519,481)	(389,178)	(519,481)
	155,736	(5,098)	176,964	12,176
	4,135,982	3,765,429	2,143,133	1,940,559
Cost of sales - purchased for resale	57,170	33,007	15,766	-
	4,193,152	3,798,436	2,158,899	1,940,559

- 8.1 As mentioned in Note 2.6 to the preceding annual audited financial statements of the Company, the Company has changed its accounting policy regarding measurement of buildings on freehold land, plant and machinery, stand-by equipment and electric installations and appliances from revaluation model to cost model. Therefore corresponding period figures of profit and loss account, statement of comprehensive income, earnings per share and related notes to this condensed interim financial information have been restated accordingly.

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

For The Half Year Ended 31 December 2016

	(Un-audited)	
	Half year ended	
	31 December 2016	31 December 2015
	(RUPEES IN THOUSAND)	
		Restated
<b>9. CASH UTILIZED IN OPERATIONS</b>		
Profit before taxation	43,875	56,842
Adjustments for non-cash charges and other items:		
Depreciation	125,489	111,461
Finance cost	62,504	37,967
Credit balances written back	(509)	-
Provision for workers' profit participation fund	2,327	1,639
Amortization of deferred income on sale and lease back	(688)	(160)
Loss / (gain) on sale of property, plant and equipment	4,863	(263)
Unrealised gain on remeasurement of investment at fair value through profit or loss	(27)	-
Working capital changes (Note 9.1)	(549,172)	(482,591)
	<u>(311,338)</u>	<u>(275,105)</u>
<b>9.1 Working capital changes</b>		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(18,009)	(1,710)
Stock-in-trade	(504,996)	(496,353)
Trade debts	(173,944)	42,405
Loans and advances	16,841	5,796
Short term deposits and prepayments	(1,827)	(11,467)
Other receivables	30,285	9,405
Tax refunds due from the Government	33,884	(14,168)
	<u>(617,766)</u>	<u>(466,092)</u>
Increase / (decrease) in trade and other payables	68,594	(16,499)
	<u>(549,172)</u>	<u>(482,591)</u>

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

For The Half Year Ended 31 December 2016

### 10. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, staff retirement fund, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions and balances with related parties are as follows:

	(Un-audited)			
	Half year ended		Quarter ended	
	31 December 2016 (RUPEES IN THOUSAND)	31 December 2015	31 December 2016 (RUPEES IN THOUSAND)	31 December 2015
<b>i) Transactions</b>				
<b>Associated companies</b>				
Service charges	145	1,588	38	672
Rental Income	960	960	480	480
<b>Other related parties</b>				
Remuneration paid to Chief Executive Officer, Directors and Executives	41,014	31,655	20,673	16,384
Contribution to Employees' Provident Fund Trust	9,682	8,543	4,812	3,992
Loans repaid to directors - net	159,295	22,498	156,158	9,188
Dividend paid	26,035	-	26,035	-
			Un-audited 31 December 2016 (RUPEES IN THOUSAND)	Audited 30 June 2016
<b>ii) Period end balances</b>				
<b>Associated companies and other related parties</b>				
Short term borrowings			68,409	227,704
Trade debts			-	9,006

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

For The Half Year Ended 31 December 2016

## 11. SEGMENT INFORMATION

### 11.1

	Spinning		Fabric		Home Textile		Elimination of inter-segment transactions		Total - Company	
	Un-audited 31 December 2016	Audited Half year ended 31 December 2015	Un-audited 31 December 2016	Audited Half year ended 31 December 2015	Un-audited 31 December 2016	Audited Half year ended 31 December 2015	Un-audited 31 December 2016	Audited Half year ended 31 December 2015	Un-audited 31 December 2016	Audited Half year ended 31 December 2015
<b>Sales</b>										
External	3,080,604	2,707,902	491,004	436,632	925,533	974,660	-	-	4,497,141	4,119,194
Inter-segment	171,213	81,177	-	-	-	-	(171,213)	(81,177)	-	-
	3,251,817	2,789,079	491,004	436,632	925,533	974,660	(171,213)	(81,177)	4,497,141	4,119,194
Cost of sales	(3,025,850)	(2,632,097)	(474,410)	(385,519)	(864,105)	(860,997)	(171,213)	81,177	(4,193,152)	(3,798,436)
Gross profit	225,967	156,982	16,594	50,113	61,428	113,663	-	-	303,989	320,758
<b>Distribution cost</b>										
	(50,979)	(43,909)	(23,084)	(25,648)	(46,515)	(57,274)	-	-	(120,578)	(126,831)
Administrative expenses	(81,176)	(75,144)	(12,662)	(10,604)	(25,515)	(18,235)	-	-	(119,353)	(103,983)
	(132,155)	(119,053)	(35,746)	(36,252)	(72,030)	(75,509)	-	-	(239,931)	(230,814)
<b>Profit / (loss) before taxation and unallocated income and expenses</b>										
	93,812	37,929	(19,152)	13,861	(10,602)	38,154	-	-	64,058	89,944
<b>Unallocated income and expenses</b>										
Other expenses									(7,190)	(4,543)
Other income									49,511	9,408
Finance cost									(62,504)	(37,967)
Taxation									(16,422)	(33,542)
Profit after taxation									27,453	23,300

### 11.2 Reconciliation of reportable segment assets and liabilities:

	Spinning		Fabric		Home Textile		Total - Company	
	Un-audited 31 December 2016	Audited 30 June 2016	Un-audited 31 December 2016	Audited 30 June 2016	Un-audited 31 December 2016	Audited 30 June 2016	Un-audited 31 December 2016	Audited 30 June 2016
<b>Total assets for reportable segments</b>								
	5,250,663	4,351,988	372,262	400,372	534,788	512,420	6,157,704	5,264,780
<b>Unallocated assets</b>								
Total assets as per balance sheet							362,890	395,015
							6,520,594	5,659,795
<b>All segment assets are allocated to reportable segments other than those directly relating to corporate.</b>								
<b>Total liabilities for reportable segments</b>								
	2,469,313	1,566,697	226,257	314,037	455,856	558,773	3,151,426	2,439,507
<b>Unallocated liabilities</b>								
Total liabilities as per balance sheet							160,210	188,190
							3,311,636	2,627,697
<b>All segment liabilities are allocated to reportable segments other than provision for taxation, deferred income tax liability and other corporate liabilities.</b>								

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

For The Half Year Ended 31 December 2016

### 12 FINANCIAL INSTRUMENTS

#### 12.1 Fair value of Financial Instruments

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into following three levels.

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

##### Level 1:

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

##### Level 2:

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

##### Level 3:

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

#### 12.2 Financial instruments by category

The table given in Note 13.3 shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.



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

For The Half Year Ended 31 December 2016

	Carrying Amount				Fair Value			
	Loans and receivables	At fair value through profit or loss	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
(RUPEES IN THOUSAND)								
31 December 2016 (Un-audited)								
Financial assets								
Investment	-	150	-	150	150	-	-	150
Loans and advances	-	1,970	-	1,970	-	-	-	-
Deposits	-	9,135	-	9,135	-	-	-	-
Trade debts	-	687,743	-	687,743	-	-	-	-
Other receivables	-	5,427	-	5,427	-	-	-	-
Cash and bank balances	-	258,391	-	258,391	-	-	-	-
	-	962,816	-	962,816	150	-	-	150
Financial liabilities								
Long term financing	-	-	537,846	537,846	-	-	-	-
Liabilities against assets subject to finance lease	-	-	10,130	10,130	-	-	-	-
Accrued mark-up	-	-	26,103	26,103	-	-	-	-
Short term borrowings	-	-	2,104,787	2,104,787	-	-	-	-
Trade and other payables	-	-	430,806	430,806	-	-	-	-
	-	-	3,109,672	3,109,672	-	-	-	-
30 June 2016 (Audited)								
Financial assets								
Investment	-	123	-	123	123	-	-	123
Loans and advances	789	-	-	789	-	-	-	-
Deposits	14,476	-	-	14,476	-	-	-	-
Trade debts	513,799	-	-	513,799	-	-	-	-
Other receivables	13,078	-	-	13,078	-	-	-	-
Cash and bank balances	68,237	-	-	68,237	-	-	-	-
	610,379	123	-	610,502	123	-	-	123
Financial liabilities								
Long term financing	-	-	479,077	479,077	-	-	-	-
Liabilities against assets subject to finance lease	-	-	21,891	21,891	-	-	-	-
Accrued mark-up	-	-	16,254	16,254	-	-	-	-
Short term borrowings	-	-	1,517,083	1,517,083	-	-	-	-
Trade and other payables	-	-	377,147	377,147	-	-	-	-
	-	-	2,411,452	2,411,452	-	-	-	-

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

For The Half Year Ended 31 December 2016

### 13. EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Company at their meeting held on 28 October 2016 has decided to issue 12,180,655 ordinary shares as right shares at Rupees 10 per share and at the premium of Rupees 5 per share in the ratio of 20 ordinary shares for every 100 ordinary shares held by the existing shareholders of the Company. The subscription money was being received at the period end and shown as deposit for shares in this condensed interim financial information. However the right shares have been issued subsequently after the period end. This event has been considered as non-adjusting event under IAS-10 'Events after the Reporting Period' and has not been adjusted 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 24, 2017 by the Board of Directors of the Company.

### 15. CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, 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  
Chairman



Faiq Jawed  
Chief Executive Officer



Shaiq Jawed  
Director





## J.K. SPINNING MILLS LIMITED

### Registered Office

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