

Half Yearly Report | December 31, 2013



27

Years of Excellence



J.K. SPINNING MILLS LIMITED





... we rise to the  
challenge

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# Company Information

## Board of Directors

Chief Executive	Mr. Jawed Anwar
Directors	Mr. Faiq Jawed
	Mr. Shaiq Jawed
	Mrs. Farhat Jehan
	Syed Hussain Shahid Mansoor Naqvi
	Mr. Ghulam Muhammad
	Mr. Qayyum Mohsin Malik

## Audit Committee

Chairman	Mr. Shaiq Jawed
Members	Mrs. Farhat Jehan
	Syed Hussain Shahid Mansoor Naqvi

## HR Committee

Chairman	Mr. Faiq Jawed
Members	Syed Hussain Shahid Mansoor Naqvi
	Mr. Qayyum Mohsin Malik

## Company Secretary

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

Bankers Standard Chartered Bank (Pakistan) Limited  
The Bank of Punjab  
National Bank of Pakistan  
Askari Bank Limited  
United Bank Limited  
Al-Baraka Bank (Pakistan) Limited  
Summit Bank

Head Office & Mills 29-KM, Sheikhpura Road, 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, 2013.

### Financial Results and Operational Performance

The summarized financial results of the company for the half year ended December 31, 2013 are as under:

Particulars	Rupees in Millions	
	Half Year Ended	
	December 31, 2013	December 31, 2012
Sales	4,760.948	4,673.366
Cost of Sales	4,096.668	3,893.006
Gross Profit	664.280	780.360
Operating Expenses-net	252.595	342.211
Operating Profit	411.685	438.149
Financial charges	106.412	99.616
Profit After Taxation	252.435	281.910
Total Comprehensive income	271.631	307.923
Earnings per share basic and diluted (Rupees)	4.14	4.63

Sales for the period under review increased to Rupees 4,760.948 million from Rupees 4,673.366 millions of the corresponding period and accordingly raw material consumed also increased as compared to corresponding period. 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 substantial increase in power tariff. Operating expenses net of other income decreased to Rupees 252.595 million in first half of period under review from Rupees 342.211 million of corresponding period while Financial charges slightly increased in view of increase in kibar rates.

Your company has earned profit after taxation of Rupees 252.435 million during the half year ended December 31, 2013 against Rupees 281.910 million of the same period of last financial year, while comprehensive income for the period attributed to equity stood at Rupees 271.631 million against comprehensive income of Rupees 307.923 million of the corresponding period.

The production of yarn converted into 20/S for the period under review was 12.512 million Kgs against 12.058 million Kgs of corresponding period of last financial year. Your company's management believes on enduring policy of Balancing Modernization and Replacement of machinery and equipment of its production facilities. Fourteen Ring Machines of latest technology imported last year have started commercial production during the period under review. Three card machines, two draw frames, one simplex machine and one comber machine have been imported in subsequent quarter and are in process of commissioning to balance the back process of spinning division. Keeping in view of future expansion plans, the company has got approval of FESCO for enhancement of sanctioned load of electricity. These expansion plans are likely to be implemented in next financial year.

# Directors' Report

## Future Outlook

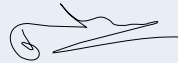
Sourcing of low cost energy is a big challenge for Pakistan to relief the industry and other consumers from higher power tariff. Increasing fuel and power tariffs and devaluation of Pak Rupee are cause of concern for escalation in cost of our products and are making our products costlier in the region and are hurting our textile industry.

Management of your company has procured sufficient cotton for the whole period of financial year ending June 30, 2014. Currently Yarn demand in Local and foreign market is still going sluggish and is reducing 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, 2014.

## 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



Jawed Anwar

Chief Executive

Faisalabad

February 26, 2014

# 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 2013 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 (herein-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 2013 and 31 December 2012 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 2013.

## 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 2013 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:  
Liaqat Ali Panwar

Faisalabad  
February 26, 2014

# Condensed Interim Balance Sheet (Un-Audited)

As at December 31, 2013

	NOTE	Un-audited 31 December 2013	Audited 30 June 2013
(RUPEES IN THOUSAND)			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
96 000 000 (30 June 2013: 96 000 000) ordinary shares of Rupees 10 each		960,000	960,000
Issued, subscribed and paid up share capital		609,033	609,033
Reserves		2,057,386	1,791,014
Total equity		2,666,419	2,400,047
Surplus on revaluation of property, plant and equipment - net of deferred income tax		588,657	608,200
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	5	39,630	86,818
Directors' loan		300,000	300,000
Liabilities against assets subject to finance lease		14,791	25,875
Deferred income tax liability		279,400	277,824
		633,821	690,517
<b>CURRENT LIABILITIES</b>			
Trade and other payables		414,515	385,151
Accrued mark-up		34,433	28,777
Short term borrowings		2,043,164	1,194,856
Current portion of non-current liabilities		124,267	124,999
Provision for taxation		51,262	30,345
		2,667,641	1,764,128
<b>TOTAL LIABILITIES</b>		<b>3,301,462</b>	<b>2,454,645</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,556,538</b>	<b>5,462,892</b>

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



Jawed Anwar

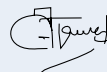
Chief Executive Officer



# Condensed Interim Balance Sheet (Un-Audited)

As at December 31, 2013

	NOTE	Un-audited 31 December 2013	Audited 30 June 2013
(RUPEES IN THOUSAND)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	2,749,528	2,822,964
Long term investment	8	-	-
Long term loans		188	387
Long term deposits and prepayments		9,199	9,304
		2,758,915	2,832,655
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		53,845	44,926
Stock in trade		2,589,786	1,592,021
Trade debts		690,435	612,751
Loans and advances		149,093	84,397
Short term deposits and prepayments		10,414	5,915
Other receivables		20,344	17,955
Tax refunds due from the Government		205,384	213,258
Cash and bank balances		78,322	59,014
		3,797,623	2,630,237
<b>TOTAL ASSETS</b>		<b>6,556,538</b>	<b>5,462,892</b>



Faiq Jawed  
Director

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

For the Half Year Ended December 31, 2013

	NOTE	Half year ended		Quarter ended	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
(RUPEES IN THOUSAND)					
Sales		4,760,948	4,673,366	2,376,211	2,370,663
Cost Of Sales	9	(4,096,668)	(3,893,006)	(2,069,656)	(1,944,526)
Gross Profit		664,280	780,360	306,555	426,137
Distribution Cost		(179,452)	(247,935)	(83,458)	(152,481)
Administrative Expenses		(94,261)	(75,232)	(44,885)	(38,430)
Other Expenses		(22,617)	(25,202)	(10,162)	(9,398)
		(296,330)	(348,369)	(138,505)	(200,309)
		367,950	431,991	168,050	225,828
Other Income		43,735	6,158	20,046	6,158
Profit From Operations		411,685	438,149	188,096	231,986
Finance Cost		(106,412)	(99,616)	(61,748)	(54,740)
Profit Before Taxation		305,273	338,533	126,348	177,246
Taxation		(52,838)	(56,623)	(25,987)	(20,932)
Profit After Taxation		252,435	281,910	100,361	156,314
Earnings Per Share - Basic And Diluted (Rupees)		4.14	4.63	1.64	2.57

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, 2013

	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
(RUPEES IN THOUSAND)				
PROFIT AFTER TAXATION	252,435	281,910	100,361	156,314
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	19,196	26,013	7,836	16,399
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period	19,196	26,013	7,836	16,399
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>271,631</b>	<b>307,923</b>	<b>108,197</b>	<b>172,713</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, 2013

	NOTE	Half year ended	
		31 December 2013	31 December 2012
(RUPEES IN THOUSAND)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilized in operations	10	(538,038)	(597,274)
Finance cost paid		(100,756)	(100,116)
Income tax paid		(30,346)	(36,649)
Workers' profit participation fund paid		(34,544)	(20,820)
Workers' welfare fund paid		(7,343)	(1,830)
Net decrease / (increase) in long term deposits and prepayments		105	(3,920)
Net decrease in long term loans		199	191
<b>NET CASH UTILIZED IN OPERATING ACTIVITIES</b>		<b>(710,723)</b>	<b>(760,418)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(58,948)	(105,500)
Proceeds from sale of property, plant and equipment		4,935	11,260
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(54,013)</b>	<b>(94,240)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		(52,968)	(60,941)
Liabilities against assets subject to finance lease - net		(6,037)	38,000
Short term borrowings - net		848,308	910,585
Dividend paid		(5,259)	(2,745)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>784,044</b>	<b>884,899</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<b>19,308</b>	<b>30,241</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>59,014</b>	<b>45,217</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>78,322</b>	<b>75,458</b>

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



**Jawed Anwar**  
Chief Executive Officer



**Faiq Jawed**  
Director

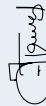
## Condensed Interim Statement Of Changes In Equity (Un-Audited)

For the Half Year Ended December 31, 2013

	SHARE CAPITAL		RESERVES		TOTAL EQUITY
	CAPITAL Merge reserve	MERGER reserve	REVENUE		
			Unappropriated profit	TOTAL	
----- (RUPEES IN THOUSAND) -----					
Balance as at 30 June 2012 - Audited	609,033	289,636	864,987	1,154,623	1,763,656
Transaction with owners - Final dividend for the year ended 30 June 2012 at the rate of Rupees 2.50 per share	-	-	(2,745)	(2,745)	(2,745)
Profit for the half year ended 31 December 2012	-	-	281,910	281,910	281,910
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	26,013	26,013	26,013
<b>Total comprehensive income for the half year ended 31 December 2012</b>	-	-	<b>307,923</b>	<b>307,923</b>	<b>307,923</b>
Balance as at 31 December 2012 - Un-audited	609,033	289,636	1,170,165	1,459,801	2,068,634
Profit for the half year ended 30 June 2013	-	-	317,445	317,445	317,445
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	13,768	13,768	13,768
<b>Total comprehensive income for the half year ended 30 June 2013</b>	-	-	<b>331,213</b>	<b>331,213</b>	<b>331,213</b>
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
<b>Total comprehensive income for the half year ended 31 December 2013</b>	-	-	<b>271,631</b>	<b>271,631</b>	<b>271,631</b>
Balance as at 31 December 2013 - Un-audited	609,033	289,636	1,767,750	2,057,386	2,566,419

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

  
Jawed Anwar  
Chief Executive Officer



Faiq Jawed  
Director

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

For the Half Year Ended December 31, 2013

## 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 2013 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 2013.

## 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 2013 except for the change in accounting estimate given in Note 3.1.

- 3.1 During the period, the Company changed depreciation rates of various operating fixed assets as a result of review of their useful lives. Previous and current depreciation rates of these operating fixed assets are given below:

	RATE	
	PREVIOUS	CURRENT
Buildings on freehold land	5%	10%
Plant and machinery	5%	10%
Stand-by equipment	5%	10%
Electric installations and appliances	5%	10%
Office equipment	10%	30%

This change in accounting estimate has been applied prospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting estimate, the figures recognised in this condensed interim financial information would have been different as follows:

	RUPEES IN THOUSAND
Net book value of property, plant and equipment would have been higher by	62,386
Deferred income tax liability would have been higher by	9,638
Profit after tax for the half year ended 31 December 2013 would have been higher by	52,748
Earnings per share would have been higher by (Rupees)	0.87

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

For the Half Year Ended December 31, 2013

### 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 2013.

	Un-audited 31 December 2013	Audited 30 June 2013
(RUPEES IN THOUSAND)		
<b>5. LONG TERM FINANCING</b>		
From banking companies - secured		
Opening balance	199,391	313,746
Less: Repaid during the period / year	52,968	114,355
Closing balance	146,423	199,391
Less: Current portion shown under current liabilities	106,793	112,573
	<u>39,630</u>	<u>86,818</u>

### 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 2013: 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 appeal before Appellate Tribunal, Inland Revenue, Lahore against order in original 13/2003 dated 29 April 2003 for Rupees 3.063 million (30 June 2013: 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 appeals with Appellate Tribunal, Inland Revenue 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 2013: 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 made in this condensed interim financial information.
- iv) The Company has filed appeal before Commissioner (Appeals), Inland Revenue against order in original 07/2013 dated 28 June 2013 for Rupees 0.937 million (30 June 2013: Rupees 0.937 million) along with default surcharge and penalty imposed amounting to 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.

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

For the Half Year Ended December 31, 2013

- v) Letters of guarantee of Rupees 44.253 million (30 June 2013: Rupees 43.185 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and to Punjab Power Development Board for installing electricity generation facility.
- vi) Post dated cheques of Rupees 78.544 million (30 June 2013: Rupees 70.247 million) are issued to customs authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports will not be provided on due dates, cheques issued as security shall be encashable.
- b) **Commitments**
- i) Letters of credit for capital expenditure are of Rupees 57.741 million as at 31 December 2013 (30 June 2013: Rupees Nil).
- ii) Letters of credit other than for capital expenditure are of Rupees 760.836 million as at 31 December 2013 (30 June 2013: Rupees 43.597 million).
- iii) Ijarah (operating lease) commitments are of Rupees 10.665 million. (30 June 2013: Rupees 12.818 million)

	Un-audited 31 December 2013	Audited 30 June 2013
	(RUPEES IN THOUSAND)	
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets:		
- Owned (Note 7.1)	2,673,906	2,601,962
- Leased (Note 7.2)	38,319	40,336
Capital work-in-progress (Note 7.3)	37,303	180,666
	<u>2,749,528</u>	<u>2,822,964</u>
<b>7.1 Operating fixed assets - Owned</b>		
Opening book value	2,601,962	2,654,077
Add:		
Cost of additions during the period / year (Note 7.1.1)	210,396	421,419
Book value of leased assets transferred	-	25,705
Effect of revaluation as at 29 June 2013	-	207,996
	<u>2,812,358</u>	<u>3,309,197</u>
Less:		
Book value of deletions during the period / year (Note 7.1.2)	8,085	49,498
Decrease in revaluation	-	513,436
	<u>8,085</u>	<u>562,934</u>
	<u>2,804,273</u>	<u>2,746,263</u>
Less: Depreciation charged during the period / year	130,367	144,301
	<u>2,673,906</u>	<u>2,601,962</u>
<b>7.1.1 Cost of additions during the period / year</b>		
Freehold land	-	21,880
Buildings on freehold land	22,191	53,805
Plant and machinery	162,082	281,762
Electric installations and appliances	2,799	16,308
Furniture and fixtures	-	3,329
Office equipment	388	1,305
Vehicles	22,936	43,030
	<u>210,396</u>	<u>421,419</u>



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

For the Half Year Ended December 31, 2013

	Un-audited 31 December 2013	Audited 30 June 2013
	(RUPEES IN THOUSAND)	

### 7.1.2 Book value of deletions during the period / year

Plant and machinery	3,456	35,214
Vehicles	4,629	14,284
	8,085	49,498

### 7.2 Operating fixed assets - Leased

Opening book value	40,336	25,728
Additions during the period / year	-	43,979
	40,336	69,707

Less:

Book value of assets transferred to owned operating fixed assets	-	25,705
Impairment loss charged during the period / year	-	2,746
	-	28,451
	40,336	41,256

Less: Depreciation charged during the period / year	2,017	920
	38,319	40,336

### 7.3 Capital work-in-progress

Buildings on freehold land	22,285	24,536
Plant and machinery	13,477	156,130
Electric installations and appliances	1,541	-
	37,303	180,666

## 8. LONG TERM INVESTMENTS

The investment of 750 (30 June 2013: 750) ordinary shares in J.K. Tech (Private) Limited, an associate, has been fully impaired in previous years.

	(Un-audited)			
	Half year ended	Quarter ended		
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	(RUPEES IN THOUSAND)			

### 9. COST OF SALES

Raw materials consumed	3,471,930	3,192,719	1,706,730	1,559,115
Stores, spare parts and loose tools consumed	83,546	61,647	45,832	31,083
Packing materials consumed	38,282	36,106	21,422	17,250
Processing and conversion charges	154,154	99,663	89,147	39,364
Doubling charges	-	983	-	477
Fuel and power	357,054	252,459	197,213	120,583
Salaries, wages and other benefits	200,095	166,543	105,595	86,713
Repair and maintenance	8,089	5,981	3,247	4,371

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

For the Half Year Ended December 31, 2013

	(Un-audited)			
	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
(RUPEES IN THOUSAND)				
Insurance	6,895	5,714	4,245	2,775
Other factory overheads	24,697	19,363	12,642	10,428
Depreciation	123,294	63,506	63,102	32,028
	<u>4,468,036</u>	<u>3,904,684</u>	<u>2,249,175</u>	<u>1,904,187</u>
Work-in-process:				
Opening stock	311,908	234,250	300,866	301,548
Closing stock	(334,279)	(267,376)	(334,279)	(267,376)
	<u>(22,371)</u>	<u>(33,126)</u>	<u>(33,413)</u>	<u>34,172</u>
Cost of goods manufactured	<u>4,445,665</u>	<u>3,871,558</u>	<u>2,215,762</u>	<u>1,938,359</u>
Finished goods:				
Opening stock	343,863	270,237	546,754	254,956
Closing stock	(709,620)	(248,789)	(709,620)	(248,789)
	<u>(365,757)</u>	<u>21,448</u>	<u>(162,866)</u>	<u>6,167</u>
Cost of sale - purchased for resale	<u>16,760</u>	<u>-</u>	<u>16,760</u>	<u>-</u>
	<u>4,096,668</u>	<u>3,893,006</u>	<u>2,069,656</u>	<u>1,944,526</u>

	(Un-audited)	
	Half year ended	
	31 December 2013	31 December 2012
(RUPEES IN THOUSAND)		
<b>10. CASH UTILIZED IN OPERATIONS</b>		
Profit before taxation	305,273	338,533
Adjustments for non-cash charges and other items:		
Depreciation	132,384	70,092
Finance cost	106,412	99,616
Provision for workers' profit participation fund	16,389	18,262
Provision for workers' welfare fund	6,227	6,940
(Gain) / Loss on sale of property, plant and equipment	(4,935)	65
Working capital changes (Note 10.1)	<u>(1,099,788)</u>	<u>(1,130,782)</u>
	<u>(538,038)</u>	<u>(597,274)</u>

### 10.1 Working capital changes

(Increase) / decrease in current assets:

Stores, spare parts and loose tools  
 Stock in trade  
 Trade debts  
 Loans and advances  
 Short term deposits and prepayments  
 Other receivables  
 Tax refunds due from the Government

(8,919)	(6,433)
(997,765)	(1,160,414)
(77,684)	(129,695)
(64,696)	(5,808)
(4,499)	(12,261)
(2,389)	54,974
7,874	(22,362)
<u>(1,148,078)</u>	<u>(1,281,999)</u>

Increase in trade and other payables

48,290	151,217
<u>(1,099,788)</u>	<u>(1,130,782)</u>

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

For the Half Year Ended December 31, 2013

### 11. 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:

	(Un-audited)			
	Half year ended 31 December 2013	31 December 2012	Quarter ended 31 December 2013	31 December 2012
(RUPEES IN THOUSAND)				
i) Transactions				
Associated companies				
Service charges	1,952	1,407	1,168	827
Purchases	-	295	-	-
Other related parties				
Remuneration paid to Chief Executive Officer, Directors and Executives	19,519	16,399	9,760	8,200
Contribution to Employees' Provident Fund Trust	6,156	4,503	3,206	2,576
Dividend paid	500	-	500	-
Office rent	-	270	-	135
Loans repaid to directors	10,741	20,117	10,741	20,117
			Un-audited 31 December 2013	Audited 30 June 2013
(RUPEES IN THOUSAND)				
ii) Period end balances				
Trade and other payables			967	-
Short term borrowings			51,834	62,575
Loans and advances			-	126

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

For the Half Year Ended December 31, 2013

## 12. SEGMENT INFORMATION

12.1

	Spinning		Fabric		Home Textile		Elimination of inter-segment transactions		Total - Company	
	(Un-audited) Half year ended 31 December 2013	(Un-audited) Half year ended 31 December 2012	(Un-audited) Half year ended 31 December 2013	(Un-audited) Half year ended 31 December 2012	(Un-audited) Half year ended 31 December 2013	(Un-audited) Half year ended 31 December 2012	(Un-audited) Half year ended 31 December 2013	(Un-audited) Half year ended 31 December 2012	(Un-audited) Half year ended 31 December 2013	(Un-audited) Half year ended 31 December 2012
Sales	3,056,990	2,954,698	824,372	1,205,098	969,357	545,470	(189,772)	(31,900)	4,760,947	4,673,366
Cost of sales	(2,403,720)	(2,406,342)	(731,280)	(1,066,319)	(851,439)	(452,245)	89,772	31,900	(4,096,667)	(3,893,006)
Gross profit	453,270	548,356	93,092	138,779	117,918	93,225	-	-	664,280	780,360
Distribution cost	(82,730)	(126,052)	(42,587)	(84,582)	(54,138)	(37,301)	-	-	(179,452)	(247,935)
Administrative expenses	(68,100)	(50,744)	(11,519)	(16,794)	(14,642)	(7,694)	-	-	(94,261)	(75,232)
	(150,830)	(176,796)	(54,106)	(101,376)	(68,777)	(44,995)	-	-	(273,713)	(323,167)
Profit before taxation and unallocated income and expenses	302,440	371,560	38,986	37,403	49,141	48,230	-	-	390,567	457,193
Unallocated income and expenses										
Other expenses									(22,617)	(25,202)
Other income									43,735	6,158
Finance cost									(106,412)	(99,616)
Taxation									(52,838)	(56,623)
Profit after taxation									252,435	281,910

## 12.2. Reconciliation of reportable segment assets and liabilities:

	Spinning		Fabric		Home Textile		Total - Company	
	Un-audited 31 December 2013	Audited 30 June 2013	Un-audited 31 December 2013	Audited 30 June 2013	Un-audited 31 December 2013	Audited 30 June 2013	Un-audited 31 December 2013	Audited 30 June 2013
Total assets for reportable segments	5,015,023	4,188,329	902,303	701,092	397,982	320,164	6,315,308	5,209,585
Unallocated assets							241,230	253,307
Total assets as per balance sheet							6,556,538	5,462,892
All segment assets are allocated to reportable segments other than those directly relating to corporate.								
Total liabilities for reportable segments	2,012,710	1,455,501	589,351	414,853	346,122	234,235	2,948,183	2,104,589
Unallocated liabilities							353,279	350,056
Total liabilities as per balance sheet							3,301,462	2,454,645
All segment liabilities are allocated to reportable segments other than provision for taxation, deferred income tax liability and other corporate liabilities.								

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

For the Half Year Ended December 31, 2013

### 13. 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 2013.

### 14. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved and authorized for issue on February 26, 2014 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

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