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# 3<sup>rd</sup> Quarter REPORT

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**2018-19**



**J.K. SPINNING MILLS LIMITED**



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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 Mr. Mamoor Ijaz Mrs. Farhat Jehan Mrs. Sadaf Aamir Arshad
<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>Chairperson</b>	Mrs. Sadaf Aamir Arshad
<b>Members</b>	MR. Shaiq Jawed Mr. Mamoor Ijaz
<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>	M/s EY Ford Rhodes, 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 National Bank of Pakistan Askari Bank Limited MCB Bank Limited The Bank of Khyber Summit Bank Habib Bank Limited Meezan Bank Limited
<b>Head Office &amp; Mills</b>	29-KM, Sheikhpura Road, Khurrianwala, Faisalabad.

## Directors' Report to the Shareholders

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 period ended March 31, 2019.

## Financial Results and Operational Performance

The summarized financial results of the company for the period ended March 31, 2019 are as under:

PARTICULARS	For Nine Months ended	
	31-Mar-19	31-Mar-18
	Rupees in Million	
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	10,070.19	7,140.18
<b>COST OF SALES</b>	8,660.99	6,476.56
<b>GROSS PROFIT</b>	1,409.20	663.625
<b>OPERATING EXPENSES</b>	525.443	414.435
<b>OTHER INCOME</b>	60.144	23.443
<b>OPERATING PROFIT</b>	943.904	272.633
<b>FINANCE COST</b>	263.076	136.438
<b>PROFIT BEFORE TAXATION</b>	680.828	136.195
<b>TAXATION – NET</b>	156.208	-6.149
<b>PROFIT FOR THE PERIOD</b>	524.62	142.344
<b>EARNINGS PER SHARE (BASIC AND DILUTED) - RUPEE</b>	7.18	1.95

Sales for the period under review increased to Rupees 10,070.190 million from Rupees 7,140.183 million of the corresponding period and accordingly raw material consumed increased as compared to corresponding period. 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. Fuel and power cost increased due to increase in tariff and increase in spinning capacity while salaries and wages cost increased due to increase in minimum wage rate. Operating expenses increased due to increase in volume and inflationary trend. Finance cost increased in view of increase in long term and short term borrowings and increase in mark up rates.

Your company has earned profit after tax of Rupees 524.620 million during the nine months period ended on March 31, 2019 against Rupees 142.344 million of the same period of last financial year.

In view of increasing requirements of working capital as a result of devaluation of Pak Rupee, 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 26.416 million Kgs against 22.491 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. Two COMPLETE GE JENBACHER NATURAL GAS GEN SETS MODEL JMS 616 of 2.679 MW each imported during last quarter of financial year ending June 30, 2018 commissioned in mid of second quarter of the period under review. Civil works are also in progress to enhance spinning capacity by 14,592 spindles in current financial year. Letter of credit has opened for import of eight ring frames comprising 14,592 spindles and eight Savio auto cone machines during the period under review which is likely to be commissioned partially by the end of June 30, 2019 and partially in next financial year.

### Future Outlook

New Government has taken decision to supply gas to five zero rated sectors including textile, jute, carpets, leather, sports and surgical goods on a blend of domestic gas and imported RLNG on a 50:50 basis at an weighted average cost of about \$6.5 per MMBTU. The government has reduced electricity tariff for industry to 7.5 cent/kwh. It will help to make the textile industry competitive in the region.

Cotton production is estimated to fall 30 percent short of its target of 14.370 million bales in the current season as water shortage and pest attacks have squeezed the crop yields signaling hard time ahead for the already struggling economy that is heavily reliant on fiber. Management of your company is closely watching the cotton outlook and has procured cotton till peak of next cotton season and 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, 2019.


### Acknowledgement

The Directors wish to express their gratitude to our valued clients and bankers for the cooperation extended by them during the course of business activities. The Directors also wish to place on record their appreciation for the hard work and devoted services demonstrated by the staff members and the workers of the company. The company acknowledges and thanks all stakeholders for the confidence reposed.

For and on behalf of Board of Directors

Faisalabad  
April 25, 2019

  
Jawed Anwar  
Chairman

  
Faiq Jawed  
Chief Executive Officer

ڈائریکٹر پورٹ برائے حصص یافتگان:

شروع اللہ کے نام سے جو نہایت مہربان اور رحم والا ہے۔

معزز حصص یافتگان،

آپ کی کمپنی کے ڈائریکٹرز 9 ماہ کے اختتام 31 مارچ 2019 کے مالیاتی حسابات پیش کرنے میں خوش محسوس کرتے ہیں۔  
مالیاتی نتائج:

مالیاتی سال کے پہلے 9 ماہ کے نتائج کے تفصیل درج ذیل ہیں:

### اختتام نو ماہ

ملین روپے		تفصیلات
31 مارچ 2018	31 مارچ 2019	
7,140.183	10,070.190	سیلز
6,476.558	8,660.987	سیلز کے اخراجات
663.625	1,409.203	خام منافع
414.435	525.443	آپریٹنگ اخراجات
23.443	60.144	دیگر آمدن
272.633	943.904	آپریٹنگ منافع
136.438	263.076	مالی لاگت
136.195	680.828	منافع قبل از ٹیکس
(6.149)	156.208	ٹیکس
142.344	524.620	منافع بعد از ٹیکس
1.95	7.18	فی شیئر آمدنی

اس مالی سال کے 9 ماہ کے دوران میں فروخت 7,140.183 ملین روپے سے بڑھ کر 10,070.190 ملین روپے ہوئی ہے۔ اسی طرح خام مال کے اخراجات بھی اسی نسبت سے بڑھ گئے ہیں جبکہ سٹورز اور سپنرز اور زاروں، پیکنگ میٹریل اور پروسیسنگ کے خرچے اور دوسرے مالی اخراجات حجم کے بڑھنے اور افراط زر کی وجہ سے بڑھے ہیں۔ جبکہ ٹیل اورنگلی کے اخراجات پیداواری صلاحیت اور ٹیرف میں اضافہ کی وجہ سے بڑھ گئے ہیں۔ تنخواہوں کے اخراجات کم از کم اجرت میں اضافہ کی وجہ سے بڑھے ہیں۔ اس پہلی ششماہی کے آپریٹنگ اخراجات پچھلے سال کے مقابلے میں مہنگائی اور حجم کے بڑھنے کی وجہ سے بڑھ گئے ہیں جبکہ مالی اخراجات پچھلے سال کے اخراجات کے مقابلے میں لہجے عرصے اور چھوٹے عرصے کے قرضہ جات اور سود کے ریٹ میں اضافہ کی وجہ سے بڑھے ہیں۔ آپ کی کمپنی نے 9 ماہ کے اختتام 31 مارچ 2019 پر 524.620 ملین روپے خالص منافع کمایا ہے جبکہ پچھلے سال کا منافع 142.344 ملین روپے تھا۔ تقریباً زر کے نتیجے میں ورکنگ کپٹل کی ڈیمانڈ میں اضافہ ہوا اس کی وجہ سے ڈائریکٹرز نے کوئی عبوری ڈیویڈنڈ منظور نہیں کیا ہے۔

اس مالی سال کے 9 ماہ کے دوران میں 20/S دھاگے کی پیداوار پچھلے سال کی پیداوار 22.491 ملین کلوگرام سے بڑھ کر 26.416 ملین کلوگرام ہو گئی ہے۔ آپ کی کمپنی کی انتظامیہ نے مشینری کے توازن اور جدت کی پالیسی پر عمل کر کے مالی سال کے آخر میں دو جہنیا کرینچرل گیس کے 2.679 MW کے جنریٹرز درآمد کئے ہیں جو اس سال کے دوسرے کوارٹر کے درمیان میں کمیشن ہو گئے ہیں۔ 14,592 سپنڈلز سے سپنگ ڈویشن کی پیداواری صلاحیت بڑھانے کے لئے تعمیراتی کام جاری ہے۔ 14,592 سپنڈلز پر مشتمل 8 رنگ مشینز اور 8 ٹوکون مشینز امپورٹ کے لیٹر آف کریڈٹ کھول دینے گئے ہیں جو اس سال 30 جون 2019 کے اختتام اور کچھ اگلے سال میں کمیشن ہو گئے۔

#### مستقبل کا نقطہ نظر:

نئی کورنمنٹ نے پانچ زیورہڈیکٹرز بشمول نیکنائل، پٹ سن، فالین، جمنز، کھیلوں کا سامان اور آلات جراحی کی انڈسٹری کو قدرتی گیس اور درآمدی آریل این جی کو ملا کر 50:50 کے استراج سے اوسط قیمت (\$6.5) فی ایم ایم بی ٹی یو کے حساب سے سپلائی کرنے کا فیصلہ کیا ہے۔ کورنمنٹ نے انڈسٹری کے لئے بجلی کے ٹیرف میں 7.5cent/kwh میں کمی کی ہے اس سے خطے میں نیکنائل انڈسٹری کو مسابقتی رہنے میں مدد ملے گی۔

پانی کی کمی اور کیڑے کوڑوں کے حملے کی وجہ سے کائون کی پیداوار اپنے ہدف 14.370 ملین گانٹھوں سے 30 فیصد کم رہنے کی توقع ہے۔ اس وجہ سے ایسی معیشت جس کا انحصار فائبر پر ہے مشکل حالات کا سامنا کرنا پڑ سکتا ہے۔ کمپنی کی انتظامیہ کائون پیداوار کو محتاط انداز سے دیکھ رہی ہے اور اگلے کائون سیزن کے عروج تک کائون خرید چکی ہے۔ آپ کی کمپنی کی انتظامیہ خرچے کم کرنے اور کارکردگی کو بہتر بنانے پر توجہ دے رہی ہے تاکہ سال کے باقی نتائج بہتر بنائے جاسکیں۔

#### اعتراف:

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے گاہکوں اور ریکرز کمپنی کے کاروبار میں تعاون پر شکرگزار ہیں ڈائریکٹرز کمپنی کے سٹاف اور مزدوروں کی محنت اور کوششوں کو بھی سراہتے ہیں اور تمام سٹیک ہولڈرز کے کمپنی پر اعتماد کرنے پر مشکور ہیں۔

#### منجانب بورڈ آف ڈائریکٹرز:

جاوید انوار  
چیئرمین



فائق جاوید  
چیف ایگزیکٹو



فیصل آباد: اپریل 25، 2019

# Financial Statements

For the Nine Months Ended 31 March 2019



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Un-Audited)**


AS AT 31 MARCH 2019

		Un-audited 31 March 2019	Audited 30 June 2018
<b>EQUITY AND LIABILITIES</b>		(Rupees in thousand)	
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital:</b>			
96,000,000 (30 June 2018: 96,000,000)		960,000	960,000
ordinary shares of Rupees 10/- each			
Issued, subscribed and paid up share capital	5	730,839	730,839
<b>Reserves:</b>			
Capital reserve		350,540	350,540
Revenue reserve		2,760,034	2,308,498
		3,110,574	2,659,038
Revaluation surplus on freehold land		224,631	224,631
<b>TOTAL EQUITY</b>		<b>4,066,044</b>	<b>3,614,508</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	6	890,997	871,639
Liabilities against assets subject to finance lease		18,042	24,174
Long term deposits		26,190	26,345
Deferred tax liability		226,911	178,714
		1,162,140	1,100,872
<b>CURRENT LIABILITIES</b>			
Trade and other payables		694,794	501,988
Accrued mark-up		70,028	37,898
Short term borrowings		3,717,352	2,097,994
Unclaimed dividend		390	390
Derivative financial liability		638	-
Current portion of non-current liabilities		236,856	240,174
		4,720,058	2,878,444
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,948,242</b>	<b>7,593,824</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	-	-


The annexed notes from 1 to 26 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 FINANCIAL POSITION (Un-Audited)**


AS AT 31 MARCH 2019

<b>ASSETS</b>	<b>Note</b>	<b>Un-audited 31 March 2019 (Rupees in thousand)</b>	<b>Audited 30 June 2018</b>
<b>NON-CURRENT ASSETS</b>			
<b>Property, plant and equipment:</b>			
Operating fixed assets - tangible	8	3,174,706	3,200,955
Asset subject to finance lease	9	38,444	45,228
Capital work-in-progress	10	577,430	283,145
		3,790,580	3,529,328
Long term investment	11	-	-
Long term deposits, advances and prepayments		85,766	41,301
		3,876,346	3,570,629
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		57,659	95,448
Stock-in-trade		4,353,927	2,461,185
Trade debts		1,069,179	867,009
Advances		45,685	83,625
Trade deposits and short term prepayments		11,471	6,594
Other receivables		135,927	106,913
Derivative financial asset		-	3,343
Tax refunds due from the Government	12	356,289	339,766
Short term investments	13	21,543	31,277
Cash and bank balances		20,216	28,035
		6,071,896	4,023,195
<b>TOTAL ASSETS</b>		<b>9,948,242</b>	<b>7,593,824</b>


The annexed notes from 1 to 26 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 NINE MONTHS ENDED 31 MARCH 2019

	Note	Nine Months ended		Quarter ended	
		31 March	31 March	31 March	31 March
		2019	2018	2019	2018
----- (Rupees in thousand) -----					
Revenue from contracts with customers	14	10,070,190	7,140,183	3,980,097	2,590,483
Cost of sales	15	8,660,987	6,476,558	3,405,244	2,281,059
Gross Profit		1,409,203	663,625	574,853	309,424
Distribution expenses		251,794	184,277	105,521	58,916
Administrative expenses		215,987	206,849	75,867	76,150
Other operating expenses	16	57,662	23,309	15,557	11,239
		525,443	414,435	196,945	146,305
		883,760	249,190	377,908	163,119
Other income	17	60,144	23,443	2,828	5,932
Operating profit		943,904	272,633	380,736	169,051
Finance costs		263,076	136,438	97,790	65,206
Profit before taxation		680,828	136,195	282,946	103,845
Taxation - net		156,208	(6,149)	69,897	(6,583)
Profit for the period		524,620	142,344	213,049	110,428
Earnings per share:					
Basic earnings per share		7.18	1.95	2.92	1.51
Diluted earnings per share		7.18	1.95	2.92	1.51

The annexed notes from 1 to 26 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 NINE MONTHS ENDED 31 MARCH 2019

	Nine Months ended		Quarter ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	(Rupees in thousand)			
Profit for the period	524,620	142,344	213,049	110,428
Other comprehensive (loss) / income:				
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
<i>Items to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
Total other comprehensive income/ (loss)	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>524,620</b>	<b>142,344</b>	<b>213,049</b>	<b>110,428</b>

The annexed notes from 1 to 26 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 NINE MONTHS ENDED 31 MARCH 2019

Share capital	Reserves						Total equity
	Capital			Revenue		Total	
	Premium on issue of right shares	Merger reserve	Revaluation surplus on freehold land	Sub Total	Unappropriated profit		
730,839	60,904	289,636	224,631	575,171	2,007,112	2,582,283	3,313,122
-	-	-	-	-	(36,542)	(36,542)	(36,542)
-	-	-	-	-	142,344	142,344	142,344
730,839	60,904	289,636	224,631	575,171	2,112,914	2,688,085	3,418,924
730,839	60,904	289,636	224,631	575,171	2,308,498	2,883,669	3,614,508
-	-	-	-	-	(73,084)	(73,084)	(73,084)
-	-	-	-	-	524,620	524,620	524,620
730,839	60,904	289,636	224,631	575,171	2,760,034	3,335,205	4,066,044

(Rupees in thousand)

**Balance as at 01 July 2017**Final dividend for the year ended 30 June 2017  
@ Re. 0.50/- per shareTotal comprehensive income for the nine months  
ended 31 March 2018**Balance as at 31 March 2018****Balance as at 01 July 2018**Final dividend for the year ended 30 June 2018  
@ of Re. 0.50/- per shareTotal comprehensive income for the nine months  
ended 31 March 2019**Balance as at 31 March 2019**

The annexed notes from 1 to 26 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 NINE MONTHS ENDED 31 MARCH 2019

	Note	Nine Months ended	
		31 March 2019	31 March 2018
(Rupees in thousand)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilized in operations	18	(654,279)	(1,514,004)
Finance costs paid		(229,992)	(110,528)
Income tax paid		(108,011)	(78,373)
Workers' profit participation fund paid		(23,584)	(3,411)
Net decrease in long term deposits and prepayments		(44,465)	(14,519)
		(406,052)	(206,831)
<b>Net cash used in operating activities</b>		<b>(1,060,331)</b>	<b>(1,720,835)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(516,280)	(752,665)
Proceeds from investment at fair value through profit and loss		1,570	(13,054)
Proceeds from disposal of property, plant and equipment		11,195	8,951
Net decrease in long term deposits		(155)	(17,495)
<b>Net cash used in investing activities</b>		<b>(503,670)</b>	<b>(774,263)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		191,380	659,656
Repayment of long term financing		(175,555)	(133,482)
Lease finance obtained		-	48,870
Repayment of liabilities against assets subject to finance lease		(5,917)	(9,005)
Short term borrowings - net		1,619,358	1,923,858
Dividend paid		(73,084)	(36,542)
<b>Net cash flows from financing activities</b>		<b>1,556,182</b>	<b>2,453,355</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(7,819)</b>	<b>(41,743)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>28,035</b>	<b>89,044</b>
<b>Cash and cash equivalents at end of the period</b>		<b>20,216</b>	<b>47,301</b>


The annexed notes from 1 to 26 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 INFORMATION

FOR THE NINE MONTHS ENDED 31 MARCH 2019

### 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. STATEMENT OF COMPLIANCE

2.1 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
- Provisions of and directives issued under the Companies Act, 2017.
- 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.

### 3. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

3.1 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 2018.

3.2 The accounting policies and method of computation adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018 as notified by Security 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.

The Company applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the condensed interim financial statements of the Company.

#### 3.2.1 IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires Companies to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company is in the business of selling yarn and grieg fabric locally and also in the international markets. Yarn and grieg fabric are sold both on their own in separately identified contracts with customers and together as a bundled package of goods.

**a) Sales of goods:**

The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the recognition of local and export sales.

**b) Presentation and disclosure requirements**

As required for the interim financial statements, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. (Refer to Note 14).

**3.2.2 IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The effect of adopting IFRS 9 is, as follows:

**Impact on the statement of financial position (increase/(decrease)) for the nine months ended 31 March 2019**

<b>Current Assets</b>	<b>Rupees in thousand</b>
Short term investments:	
- Held for trading	(21,543.00)
- Equity instruments at fair value through profit and loss	21,543.00
	<u>-</u>

There is no material impact on the statement of profit or loss, the statement of comprehensive income, statement of cash flows and the basic and diluted EPS.

**a) Classification and measurement**

Except for certain trade receivables, under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The new classification and measurement of the Company's equity instruments are, as follows:

**b) Fair value through profit or loss (FVTPL):**

Financial assets at fair value through profit or loss (FVTPL) comprise derivative instruments and quoted equity instruments which the Company had not irrevocably elected, at initial recognition or transition, to classify at fair value through other comprehensive income (FVTOCI). This category would also include debt instruments whose cash flow characteristics fail the 'solely payments of principal and interest' (SPPI) criterion or are not held within a business model whose objective is either to collect contractual



The assessment of the Company's business model was made as of the date of initial application i.e. 01 July 2018, and then applied cumulative catch up approach to those financial assets that were not derecognized before 01 July 2018.

The accounting for the company's financial liabilities remain largely the same as it was under IAS-39.

### c) Impairment

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime ECL.

Furthermore, the management has conducted the exercise to assess the impairment of its financial assets using historical data and forward looking information. Based on such exercise, the Company has concluded that it is in compliance with the requirements of the new accounting standards and the impact of impairment on its financial assets (if any) is immaterial to these condensed interim financial

### 3.2.3 Standards, Interpretations and Amendments to Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 16 – Leases	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

#### 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.

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

Un-Audited 31 March 2019 (No. of Shares)	Audited 30 June 2018 (No. of Shares)		Un-Audited 31 March 2019 (Rupees in thousand)	Audited 30 June 2018 (Rupees in thousand)
26,424,155	26,424,155	Ordinary shares of Rupees 10 each fully	264,241	264,241
45,947,600	45,947,600	Ordinary shares of Rupees 10 each issued to shareholders of J.K. Fibre Mills Limited and Abid Faiq Textile Mills Limited under the scheme of merger.	459,476	459,476
712,175	712,175	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	7,122	7,122
<u>73,083,930</u>	<u>73,083,930</u>		<u>730,839</u>	<u>730,839</u>

#### 6. LONG TERM FINANCING

##### From banking Companies - secured:

Opening balance	1,103,613	460,807
Add: Obtained during the period / year	191,380	822,157
Less: Repaid during the period / year	175,555	179,351
	<u>1,119,438</u>	<u>1,103,613</u>
Less: Current portion shown under current liabilities	228,441	231,974
Closing balance	<u>890,997</u>	<u>871,639</u>

#### 7. CONTINGENCIES AND COMMITMENTS

##### 7.1 Contingencies

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

7.1.2 Guarantees of Rs. 126,055 thousand (30 June 2018: Rs. 126,055 thousand) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and Faisalabad Electric Supply Company Limited against electricity connection.

7.1.3 Post dated cheques of Rs. 296,250 thousand (30 June 2018: Rupees 236,755 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 encashable.

##### 7.2 Commitments

7.2.1 Letter of credit for capital expenditure amounts to Rs. 379,236 thousand (30 June 2018: Rs. 45,188 thousand).

7.2.2 Letters of credit other than for capital expenditure amounts to Rs. 338,323 thousand (30 June 2018: Rs. 201,923 thousand).

7.2.3 Outstanding foreign currency forward contracts amounts to Rs. 107,551 thousand (30 June 2018: Rs. 44,095 thousand).

		Un-audited 31 March 2019	Audited 30 June 2018
<b>8. OPERATING FIXED ASSETS - TANGIBLE</b>		(Rupees in thousand)	
	Note		
Opening book value		3,200,955	2,593,448
Add: additions during the period / year-cost	8.1	221,995	936,247
Add: book value of assets transferred from leasehold assets		-	11,872
Less: book value of assets transferred to leasehold assets		-	48,871
		<u>3,422,950</u>	<u>3,492,696</u>
Less: disposals during the period / year	8.2	15,378	10,822
		<u>3,407,572</u>	<u>3,481,874</u>
Less: depreciation during the period / year		232,866	280,919
Book value at the end of the period / year		<u>3,174,706</u>	<u>3,200,955</u>
<b>8.1 Additions during the period / year - cost</b>			
Freehold land		-	7,934
Buildings on freehold land		19,099	90,010
Plant and machinery		137,987	773,550
Electric installations and appliances		3,369	7,123
Factory equipment		24,148	
Vehicles		37,392	57,630
		<u>221,995</u>	<u>936,247</u>
<b>8.2 Book value of assets disposed during the period / year</b>			
Plant and machinery		10,772	6,459
Vehicles		4,606	4,363
		<u>15,378</u>	<u>10,822</u>
<b>9. ASSETS SUBJECT TO FINANCE LEASE</b>			
Opening book value		45,228	12,720
Add : additions during the period / year		-	2,167
Add : book value of assets transferred from operating fixed assets		-	48,871
Less : book value of assets transferred to operating fixed assets		-	11,872
Less : depreciation during the period / year		6,784	6,658
Book value at the end of the period / year		<u>38,444</u>	<u>45,228</u>
<b>10. CAPITAL WORK-IN-PROGRESS</b>			
Buildings on freehold land		245,258	109,729
Advance against improvement on land		50,720	-
Plant and machinery		281,452	173,416
		<u>577,430</u>	<u>283,145</u>
<b>11. LONG TERM INVESTMENTS</b>			
<b>Investment in associate</b>			
<b>J.K. Tech (Private) Limited - unquoted</b>			
450 (30 June 2018: 450) ordinary shares of Rupees 10 each	11.1	-	5
Less: Accumulated impairment		-	(5)
		<u>-</u>	<u>-</u>
<b>11.1</b> The Company holds 30% (30 June 2018: 30%) shares in J.K. Tech (Private) Limited, a private limited company incorporated in Pakistan and holding its principal place of business in the Province of Punjab. The principal activity of J.K. Tech (Private) Limited is providing services of electricity transmission. This is a strategic investment of the Company for vertical integration.			
<b>12. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Income tax		141,194	170,547
Sales tax		245,953	200,077
		<u>387,147</u>	<u>370,624</u>
Less: Provision for doubtful tax refunds due from the Government		(30,858)	(30,858)
		<u>356,289</u>	<u>339,766</u>
<b>13. SHORT TERM INVESTMENTS</b>			
This represents investment in equity instruments classified as fair value through profit and loss as per IFRS-9, previously classified as held for trading as per IAS -39.			

**14. 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.

Note	Un-Audited					
	Nine Months ended 31 March 2019			Nine Months ended 31 March 2018		
	Spinning	Fabric Division	Total	Spinning	Fabric Division	Total
	(Rupees in thousand)					
Local	6,082,935	105,138	6,188,073	4,341,226	75,206	4,416,432
Exports	305,278	3,717,904	4,023,182	463,791	2,429,648	2,893,439
Export rebate	5,505	46,028	51,533	562	47,483	48,045
Inter segments	(192,598)	-	(192,598)	(217,733)	-	(217,733)
<b>14.1</b>	<b>6,201,120</b>	<b>3,869,070</b>	<b>10,070,190</b>	<b>4,587,846</b>	<b>2,552,337</b>	<b>7,140,183</b>

**14.1 Disaggregation of revenue based on :**

Segments	Nine Months ended 31 March 2019		
	Spinning	Fabric Division	Total
	( Rupees in thousand )		
Sale of yarn	6,201,077	26,338	6,227,415
Sale of fabric	-	3,769,583	3,769,583
Sale of waste	187,136	27,121	214,257
Export rebate	5,505	46,028	51,533
Inter-segment eliminations	(192,598)	-	(192,598)
	<b>6,201,120</b>	<b>3,869,070</b>	<b>10,070,190</b>

**Geographic markets**

Asia	5,968,250	127,609	6,095,859
Australia	-	21,564	21,564
Europe	139,111	2,901,346	3,040,457
North America	-	639,458	639,458
South America	-	179,093	179,093
Africa	93,759	-	93,759
	<b>6,201,120</b>	<b>3,869,070</b>	<b>10,070,190</b>

**Timing of revenue recognition**

Goods transferred at a point in time	6,201,120	3,869,070	10,070,190
	<b>6,201,120</b>	<b>3,869,070</b>	<b>10,070,190</b>

Segments:	Nine Months ended 31 March 2018		
	Spinning	Fabric Division	Total
	( Rupees in thousand )		
Sale of yarn	4,672,783	13,268	4,686,051
Sale of fabric	-	2,474,289	2,474,289
Sale of waste	132,234	17,297	149,531
Export rebate	562	47,483	48,045
Inter-segment eliminations	(217,733)	-	(217,733)
	<b>4,587,846</b>	<b>2,552,337</b>	<b>7,140,183</b>

Nine Months ended 31 March 2018		
Spinning	Fabric	Total

**Geographic markets:**

	( Rupees in thousand )		
Asia	4,234,550	75,206	<b>4,309,756</b>
Australia	-	75,480	<b>75,480</b>
Europe	69,404	2,055,332	<b>2,124,736</b>
North America	-	270,198	<b>270,198</b>
South America	-	76,121	<b>76,121</b>
Africa	283,892	-	<b>283,892</b>
	<b>4,587,846</b>	<b>2,552,337</b>	<b>7,140,183</b>

**Timing of revenue recognition:**

Goods transferred at a point in time	4,587,846	2,552,337	<b>7,140,183</b>
	<b>4,587,846</b>	<b>2,552,337</b>	<b>7,140,183</b>

Un-Audited			
Nine Months ended		Quarter ended	
31 March	31 March	31 March	31 March
2019	2018	2019	2018

**15. COST OF SALES**

Note

	(Rupees in thousand)			
Raw materials consumed	6,878,917	4,832,288	2,429,212	1,799,719
Stores, spare parts and loose tools consumed	203,931	141,342	78,934	56,771
Packing materials consumed	68,961	57,996	23,027	20,251
Processing and conversion charges	303,072	236,920	121,305	95,198
Fuel and power	698,857	661,762	166,740	241,487
Salaries, wages and other benefits	477,522	400,322	167,953	138,128
Repair and maintenance	15,752	18,902	6,249	4,036
Insurance	11,429	8,012	3,898	3,298
Other factory overheads	34,250	21,431	12,274	8,079
Depreciation	216,570	184,049	74,336	67,765
	<b>8,909,261</b>	<b>6,563,024</b>	<b>3,083,928</b>	<b>2,434,732</b>
Work-in-process:				
Opening stock	518,715	397,647	709,769	355,013
Closing stock	(609,793)	(415,668)	(609,793)	(415,668)
	<b>(91,078)</b>	<b>(18,021)</b>	<b>99,976</b>	<b>(60,655)</b>
Cost of goods manufactured	<b>8,818,183</b>	<b>6,545,003</b>	<b>3,183,904</b>	<b>2,374,077</b>
Finished goods:				
Opening stock	466,793	402,476	845,329	377,903
Closing stock	(623,989)	(470,921)	(623,989)	(470,921)
	<b>(157,196)</b>	<b>(68,445)</b>	<b>221,340</b>	<b>(93,018)</b>
	<b>8,660,987</b>	<b>6,476,558</b>	<b>3,405,244</b>	<b>2,281,059</b>

**16. OTHER OPERATING EXPENSES**

Workers' Profit Participation Fund	34,975	7,303	13,602	5,591
Workers' Welfare Fund	8,390	2,775	192	2,602
Donations	1,950	1,110	690	630
Unrealized loss on remeasurement of investments				
at fair value through profit or loss	8,164	9,748	2,531	-
Loss / (Gain) on disposal of property, plant and equipment	4,183	2,373	(1,458)	2,416
	<b>57,662</b>	<b>23,309</b>	<b>15,557</b>	<b>11,239</b>

		Un-Audited			
		Nine Months ended		Quarter ended	
		31 March	31 March	31 March	31 March
		2019	2018	2019	2018
		(Rupees in thousand)			
<b>17. OTHER INCOME</b>	<b>Note</b>				
Income from financial assets	17.1	58,704	22,868	2,348	5,753
Income from assets other than financial assets	17.2	1,440	575	480	180
		<b>60,144</b>	<b>23,443</b>	<b>2,828</b>	<b>5,932</b>
<b>17.1 Income from financial assets</b>					
Exchange gain - net		58,053	21,797	2,168	5,658
Dividend income on investment at fair value through profit and loss		651	1,071	180	95
		<b>58,704</b>	<b>22,868</b>	<b>2,348</b>	<b>5,753</b>
<b>17.2 Income from other than financial assets</b>					
Amortization of deferred income on sale and leaseback		-	35	-	-
Rental income		1,440	540	480	180
		<b>1,440</b>	<b>575</b>	<b>480</b>	<b>180</b>

		(Un-audited)	
		Nine Months ended	
		31 March	31 March
		2019	2018
		(Rupees in thousand)	
<b>18. CASH UTILIZED IN OPERATIONS</b>	<b>Note</b>		
Profit before taxation		680,828	136,195
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		239,650	203,025
Finance costs		263,076	136,438
Unrealized exchange gain net		58,053	-
Provision for Workers' Welfare Fund		8,390	2,775
Provision for Workers' Profit Participation Fund		34,975	7,303
Amortization of deferred income on sale and lease back		-	(35)
Derivative financial liability		638	-
Loss on sale of property, plant and equipment investments at fair value through profit or loss		4,183	-
Working capital changes	18.1	(1,952,236)	(2,009,453)
		<b>(654,279)</b>	<b>(1,514,004)</b>
<b>18.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		37,789	(27,329)
Stock-in-trade		(1,892,742)	(1,495,723)
Trade debts		(260,223)	(712,782)
Loans and advances		37,940	(12,308)
Trade deposits and short term prepayments		(4,877)	4,358
Other receivables		(29,014)	3,550
Derivative financial asset		3,343	-
Tax refunds due from the Government		(16,523)	(50,970)
		<b>(2,124,307)</b>	<b>(2,291,204)</b>
Increase in trade and other payables		172,071	281,751
		<b>(1,952,236)</b>	<b>(2,009,453)</b>

**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 financial statements are as follows:

<u>Relationship with the Company</u> <u>Nature of transactions</u>		Un-Audited			
		Nine Months ended		Quarter ended	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
		(Rupees in thousand)		(Rupees in thousand)	
<b>Associated companies:</b>					
J.K Tech (Pvt) Ltd	Service charges	1,944	1,712	107	1,426
	Rental income	1,440	540	480	180
<b>Other related parties:</b>					
Employees' Provident Fund Trust	Amount contributed	17,130	14,911	5,956	5,040
Directors	Loans (repaid) / received - net	54,951	7,367	109,377	7,367
	Dividend paid	73,084	35,725	-	-

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:

Relationship with the Company Nature of balances

**Others:**

		Un-audited	Audited
		31 March 2019	30 June 2018
		(Rupees in thousand)	
Directors	Short term loan	77,581	22,630

19.3 **Details Of Related Parties Of The Company:**

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

## 20. SEGMENT INFORMATION

Nine Months ended 31 March 2019					
Spinning	Fabric Division	Total Segments	Adjustments and Eliminations	Total Company	
(Rupees in thousand)					
Revenue					
External	6,201,120	3,869,070	10,070,190	-	10,070,190
Intersegment	192,598	-	192,598	(192,598)	-
	6,393,718	3,869,070	10,262,788	(192,598)	10,070,190
Cost of sales	(5,516,494)	(3,337,091)	(8,853,585)	192,598	(8,660,987)
Gross profit	877,224	531,979	1,409,203	-	1,409,203
Distribution expenses	(60,836)	(190,958)	(251,794)	-	(251,794)
Administrative expenses	(150,068)	(65,919)	(215,987)	-	(215,987)
	(210,904)	(256,877)	(467,781)	-	(467,781)
<b>Segment profit</b>	<b>666,320</b>	<b>275,102</b>	<b>941,422</b>	<b>-</b>	<b>941,422</b>

## Unallocated income and expense

Other operating expense	(57,662)
Other income	60,144
Finance cost	(263,076)
Taxation	(156,208)
Profit after taxation	<b>524,620</b>

Nine Months ended 31 March 2018					
Spinning	Fabric Division	Total Segments	Adjustments and Eliminations	Total Company	
(Rupees in thousand)					
Revenue					
External	4,587,846	2,552,337	7,140,183	-	7,140,183
Intersegment	217,733	-	217,733	(217,733)	-
	4,805,579	2,552,337	7,357,916	(217,733)	7,140,183
Cost of sales	(4,396,984)	(2,297,307)	(6,694,291)	217,733	(6,476,558)
Gross profit	408,595	255,030	663,625	-	663,625
Distribution cost	(70,881)	(113,396)	(184,277)	-	(184,277)
Administrative expenses	(148,520)	(58,329)	(206,849)	-	(206,849)
	(219,401)	(171,725)	(391,126)	-	(391,126)
<b>Segment profit</b>	<b>189,194</b>	<b>83,305</b>	<b>272,499</b>	<b>-</b>	<b>272,499</b>

## Unallocated income and expense:

Other operating expense	(23,309)
Other income	23,443
Finance cost	(136,438)
Taxation	6,149
Profit after taxation	<b>142,344</b>



**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.

**20.2 Reconciliation of profit****Segment profit:**

	<b>Un-audited</b>	
	<b>Nine Months ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>
	<b>(Rupees in thousand)</b>	
	941,422	272,499
Other expenses	(57,662)	(23,309)
Other income	60,144	23,443
Finance cost	(263,076)	(136,438)
Taxation	(156,208)	6,149
Profit after taxation	<u>524,620</u>	<u>142,344</u>

**20.3 Reconciliation of assets**

	<b>Un-audited</b>	<b>Audited</b>
	<b>31 March</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>(Rupees in thousand)</b>	
Segment operating assets	9,591,953	7,254,058
Tax refunds due from the Government	356,289	339,766
Total assets as per balance sheet	<u>9,948,242</u>	<u>7,593,824</u>

**20.4 Reconciliation of liabilities**

Segment operating liabilities	5,611,922	3,777,972
Deferred tax liability	226,911	178,714
Workers' Profit Participation Fund	34,975	22,630
Workers' Welfare Fund	8,390	-
	<u>5,882,198</u>	<u>3,979,316</u>

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

## 21. FINANCIAL RISK MANAGEMENT

### 21.1 Financial risk factors

Financial instruments comprise long term financing, liabilities against assets subject to finance lease, accrued markup, short term borrowings, trade and other payables, trade debts, loans to employees, other receivables, cash and bank balances, short term and long term deposits, short term investments.

The Company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

There is no change in the company's objectives, policies, procedures for measuring and managing the above risks including capital management risk, since the preceding annual financial year ended as at 30 June 2018.

### 21.2 Fair values of financial assets and liabilities

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### 21.3 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into following three levels. An explanation of each level follows underneath the table:

	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurement</b>				
<b>At 31 March 2019</b>				
<b>Financial assets</b>				
At fair value through profit or loss	21,543	-	-	21,543
<b>Financial liabilities</b>				
Derivative financial liabilities	-	638	-	638
<b>Recurring fair value measurement</b>				
<b>At 30 June 2018</b>				
Held for Trading	31,277	-	-	31,277
Derivative financial asset	-	3,343	-	3,343
<b>Financial liabilities</b>				
Derivative financial liabilities	-	-	-	-

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short-term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

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

## 22. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

### 22.1 Fair value hierarchy

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

Level 1	Level 2	Level 3	Total
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(Rupees in thousand)

#### At 31 March 2019

Freehold land	-	292,031	-	292,031
Total non-financial assets	-	292,031	-	292,031

#### At 30 June 2018

Freehold land	-	292,031	-	292,031
Total non-financial assets	-	292,031	-	292,031

The Company's policy is to recognize transfers into and transfers out of fair value

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

### 22.2 Valuation techniques used to determine level 2 fair values

At the end of each reporting period, the management updates the assessment of the fair value of each property, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar properties.

The level 2 fair value of land has been derived using the market value approach. The key inputs under this approach are the market price per kanal determined by using independent market inquires and comparing prices of similar land in the area (location and size).

### 22.3 Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land. As at 30 June 2017, the fair value of freehold land has been determined by Messrs Harvester Services (Private) Limited.

Changes in fair values are analyzed at each reporting date during the annual valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

22.4 Financial instrument by categories and fair value hierarchy

	Carrying Amount				Total	Fair Value			Total
	Loans and receivables	Cash and cash equivalents	At fair value through profit or loss / Held for trading	Financial liabilities at amortized cost		Level 1	Level 2	Level 3	
<b>31 March 2019 (Un-audited)</b>									
<b>Financial assets</b>									
Short term Investments	-	-	21,543	-	21,543	21,543	-	-	21,543
Loans to employees	-	-	-	-	-	-	-	-	-
Deposits	3,186	-	-	-	3,186	-	-	-	-
Trade debts	1,069,179	-	-	-	1,069,179	-	-	-	-
Other receivables	8,002	-	-	8,002	8,002	-	-	-	-
Cash and bank balances	-	20,216	-	-	20,216	-	-	-	-
	<b>1,080,367</b>	<b>20,216</b>	<b>21,543</b>	<b>-</b>	<b>1,122,126</b>	<b>21,543</b>	<b>-</b>	<b>-</b>	<b>21,543</b>
<b>Financial liabilities</b>									
Long term financing	-	-	-	890,997	890,997	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	26,358	26,358	-	-	-	-
Derivative financial liability	-	-	638	-	638	-	-	-	-
Short term borrowings	-	-	-	3,717,352	3,717,352	-	-	-	-
Trade and other payables	-	-	-	682,365	682,365	-	-	-	-
	<b>-</b>	<b>-</b>	<b>638</b>	<b>5,317,072</b>	<b>5,317,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2018 (Audited)</b>									
<b>Financial assets</b>									
Short term Investments	-	-	31,277	-	31,277	31,277	-	-	31,277
Loans to employees	1,042	-	-	-	1,042	-	-	-	-
Deposits	3,122	-	-	-	3,122	-	-	-	-
Derivative financial asset	3,343	-	-	-	3,343	-	-	-	-
Trade debts	867,009	-	-	867,009	867,009	-	-	-	-
Other receivables	9,409	-	-	9,409	9,409	-	-	-	-
Cash and bank balances	-	28,035	-	-	28,035	-	-	-	-
	<b>883,925</b>	<b>28,035</b>	<b>31,277</b>	<b>-</b>	<b>943,237</b>	<b>31,277</b>	<b>-</b>	<b>-</b>	<b>31,277</b>
<b>Financial liabilities</b>									
Long term financing	-	-	-	1,103,614	1,103,614	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	32,374	32,374	-	-	-	-
Short term borrowings	-	-	-	2,097,994	2,097,994	-	-	-	-
Trade and other payables	-	-	-	483,211	483,211	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,717,193</b>	<b>3,717,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**23. 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 2018.

**24. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statement was approved and authorized for issue on April 25, 2019 by the Board of Directors of the Company.

**25. CORRESPONDING FIGURES**


In order to comply with the requirements of IAS 34, the condensed interim statement 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.

**26. GENERAL**

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



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

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