Annual Report

For the year ended June 30, 2014

SERVICE AND
COMPETENCE
YOU CAN RELY ON

J.K. SPINNING MILLS LIMITED

بسم الله الرحمن الرحيم

Index

Company Information

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	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
Bankers	Standard Chartered Bank (Pakistan) Limited
	The Bank of Punjab
	National Bank of Pakistan
	Askari Bank Limited
	United Bank Limited
	NIB Bank Limited
	The Bank of Khyber
	Summit Bank
Head Office & Mills	29-KM, Sheikhupura Road,
	Faisalabad.

Vision

To enter into global economy accepting the challenge of barrier free trade as a dynamic force.

Mission

To turn around performance of company into sustainable growth for the benefit of its stake holders.

To stand the test of expectations of our valued customers redefining excellence with craft, creativity, professionalism and quality control.

To strive hard for boosting exports of country to earn more foreign exchange to rebuild economy.

Chairman's Review

It is my pleasure to present 28th Annual Report of the Company for the year ended June 30, 2014.

Overview of Economy and Industry

Though structural issues continue to restrict Pakistan's growth, the country's economic health has started to show some signs of emerging recovery during the fiscal year 2013-14. The new government's efforts to tackle the chronicle energy crisis and improve security situation has driven better growth numbers as compared to the preceding 5 years. Refurbishment in foreign exchange reserves, appreciation in foreign exchange rates, stability in prices despite adjustment of increase in power tariff, better industrial growth rate on account of improved energy supply, increase in foreign remittances, historical height of local bourses are indicator of economic recovery of Pakistan Economy. Continuation of concrete efforts is required to encourage investment that is essential for sustainable economic growth.

China and Pakistan entered into a thorough plan to create an economic corridor between the two nations. The corridor is likely to serve as driver for connectivity between South Asia and East Asia. These new trade linkages are expected to increase and Pakistan will benefit from key export markets and hope for bright future of Pakistan Economy.

The outgoing year witnessed global economic recovery and the global outlook indicates some optimism activities. The world economy after witnessing a moderate growth of 2.1 percent in 2013 experiencing 3.0 percent growth in 2014 and outlook is even stable with 3.3 percent growth.

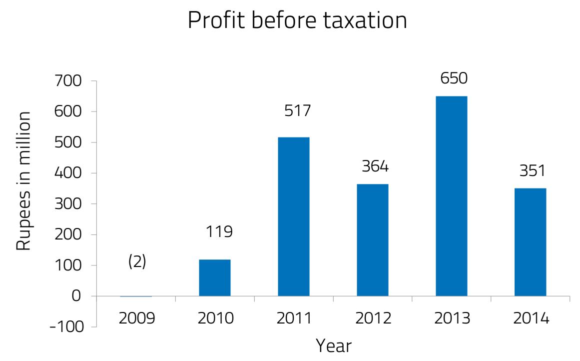
The textile industry of Pakistan is the most important sector of the country. It is the second largest employment generating sector in Pakistan. This industry contributes incredibly to the GDP and provides employment to about 15 million people. During 2013-14, Textile industry continues to face energy crisis which had affected the loss of production resulting increase of cost of production. Demand of yarn and fabric from China has immensely decreased which ultimately reduced the sale margin of yarn and fabric. Pakistan has gained access to European markets by getting GSP plus status which would likely enable the Pakistan to increase its export of value added goods by more than $1 billion.

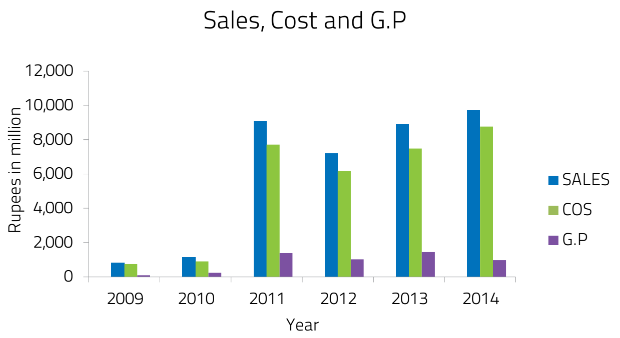
Financial and operational performance

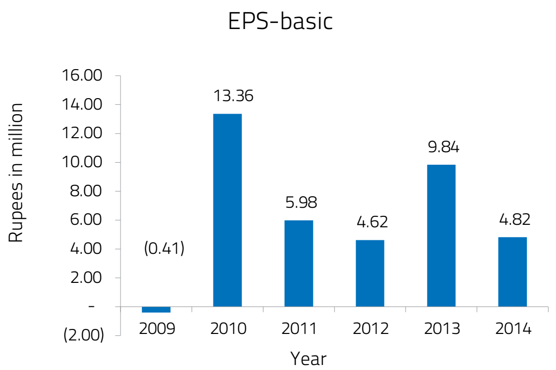
Your Company has earned profit after taxation of Rs. 293.262 million for the year ended June 30, 2014 as compared to profit after taxation of Rs. 599.355 million in the last year.

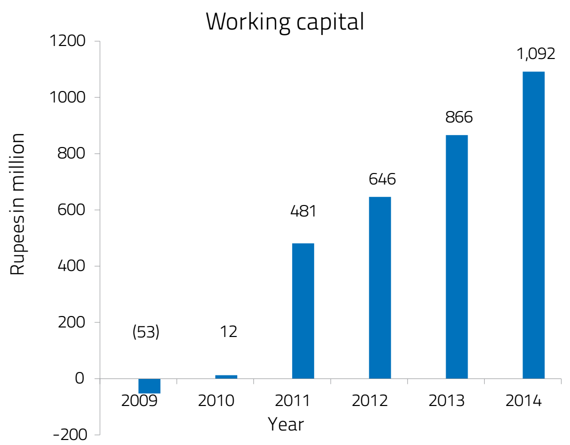
Sales revenue for the year 2014 stood Rs. 9,734.861 million against Rs. 8,918.973 million in 2013. During the year under review average cotton prices increased to Rs. 6,900 per maund as compared to Rs. 5900 per maund in 2013. Second half of financial year, 2014 remained stressed in view of decreasing trend of cotton prices resulting dull demand of textile products. Stores, spare parts and loose tools, processing and conversion charges, and salaries and wages costs increased in view of inflationary trend. Fuel and power cost increased by 38.90% due to raise in gas and power tariff. Financial cost increased to Rs. 221.186 million in the year 2014 from Rs. 216.220 million in 2013 in view of higher level of inventories.

Chairman's Review









Following continuance policy for Balancing Modernization and Replacement (BMR) of its plant and machinery, your Company has added, three Card Machines, two Finisher Draw Frames, one Simplex Machines, one Combing Machines and fourteen Ring Machines comprising 12,768 spindles in its existing spinning facilities during the financial year under review while two Savio Auto Cone Machines were imported during the year to enhance auto cone winding capacity which commissioned in July, 2014.

The Company has planned capex of Rs. 500 million approximately for the forthcoming year for upgrading of Blow Room, Cards and Ring Sections by replacing exiting outdated machines with latest model.

To enhance the cotton warehousing capacity, construction of 20 cotton warehouses is in progress which is likely to be completed in first quarter of forthcoming financial year.

The production of yarn converted into 20s for the year ended June 30, 2014 stood at 25.664 million Kgs against 24.013 million Kgs of corresponding year.
The Company faced shut down of 39 days during the year under review in view of power and Gas outage resulting loss of Rs. 150 million approximately.

Financial Strength

Balance Sheet footing is showing constant increase over past five years. Total assets of the Company stood at Rs. 5,669.409

million in financial years 2014 as compared to Rs. 5,462.892 million in corresponding year.

Liquidity of the Company is good enough with current ratio of the company improved to the level of 1.62 in 2014 from 1.49 in 2013. Debt equity ratio stood at 14:86 in 2014 against 18:82 in 2013 while leverage of the Company also improved to 0.60 in 2014 from last year level of 0.72. Breakup value of share is Rs. 44.89 against Rs. 39.41 in last year. All balance sheets ratios are showing improvement and are symptom of growth of the Company.

Human Resource

Human resource is central and fundamental aspect of our existence as an enterprise and the success of our business. We endeavor to engage our people through recognition to enhance skills development and motivate a passion for challenge. Over the years we have observed that our people have grown personally and professionally. Our approach on talent multipliers rests on core principles to lead, coach, drive and inspire. These principles define how we reach our individual and collective potential. Managers are role models who inspire their teams, live the passion of our products and promote creative environments for innovative thinking and relevant work.

Future Outlook

Though government is making all efforts to handle the energy crisis but no significant improvement observed in constant power supply to the textile industry during the financial 2013-14. Despite increase in power tariff, circular debt is again escalating and recovery in industrial growth is still looming. Current political instability would further deteriorate the energy crisis conditions for coming years.

We foresee bumper cotton crop for the season 2014-15 in India and Pakistan and cotton price is likely to remain in the range of 5300 to 5800 per maund despite damage of cotton crop by recent floods. Currently yarn sale margins are depressed. However, Lower cotton prices may attract yarn demand of Chinese buyers and better home textile orders from European Union in view of GSP plus status. Any increase in power load shedding would negatively affect the textile industry. Management of your Company is focusing efforts on minimizing cost to achieve the favorable financial results of forthcoming financial year.

Jawed Anwar
Chairman

Faisalabad
27 September 2014

Director's Report

In the Name of Almighty Allah The Most Gracious, The Beneficent, The Merciful

Dear Shareholders,

The Directors' of your Company feel pleasure in presenting the annual report together with audited financial statements of the Company for the year ended June 30, 2014.

Financial Highlights

The financial highlights of the Company for the year ended June 30, 2014 are summarized as under:

	2014	2013
	Rupees in Thousands	
Net Sales	9,734,861	8,918,973
Gross Profit	969,226	1,442,705
Profit before Taxation	350,930	650,492
Taxation	57,668	51,137
Net profit for the year	293,262	599,355
Other Comprehensive Income	45,671	39,781
Total comprehensive income for the year	338,933	639,136

Dividend:

In view of future Balancing, Modernization, Replacement (BMR) and expansion plan, the Board of Directors have decided not to declare any cash dividend for the year.

Earnings Per Share

Earnings per share for the year ended June 30, 2014 stood at Rs. 4.82 per share as compared to Rs. 9.84 per share in corresponding year.

CORPORATE AND FINANCIAL REPORTING FRAME WORK:

Security and Exchange Commission of Pakistan framed a code of corporate governance, which was incorporated through the listing regulations of all Stock Exchanges of the country. The Director of your Company has ensured implementation of all provisions of the code of corporate governance applicable for the period ended on June 30, 2014.

The review report on Statement of Compliance with the code of corporate governance of Auditors is annexed with this report.

The Directors of the Company are pleased to confirm that there is no material departure from the best practices as detailed in the listing regulations.

- The financial statements prepared by the management of J.K. Spinning Mills Limited present fairly its state of affair, the results of its operations, cash flow and statement of changes in equity.

- Proper books of accounts of J.K. Spinning Mills Limited have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- The International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the company's ability to continue as going concern.

- Information about outstanding taxes and levies is given in notes to the accounts.

- Key operating results and financial data of last six years in summarized form is annexed.

- The gain/ (loss) arising out due to exchange rate fluctuations and financing under State Bank of Pakistan Circular No. F.E. 25 has been appropriately accounted for as on the date of balance sheet.

- Value of investment of provident fund trust based on audited accounts as on June 30, 2013 is Rs. 133.116 million.

- No trade in shares of the Company was carried out during the year by its Directors, CEO, CFO, Company Secretary and their spouses and minor children.

- The Statement of pattern of shareholding of the Company as at June 30, 2014 is annexed in new form set out in the code of corporate governance.

- Abstract of terms of directors is annexed herewith as required under clause (b) of sub-section 1 of section 218 of the Companies Ordinance 1984.

Risk Management

The company is conducting business in a challenging environment. Its activities expose it to number of risks including raw material sourcing/ pricing, currency risk, credit risk, liquidity and interest rate risk, gas and power outage risk and human resource retention and recruitment.

Raw material Risk

Cotton is main raw material of a textile company. Inability to procure raw material and increase in prices may adversely influence the operation and profitability of the company. The Company aims to use its purchasing power and manage to procure cotton at the start of harvesting season to minimize this risk.

Currency Risk

Exchange rate fluctuation may have impact on financial results. The Company mitigates these risks through hedging tools and monitoring payable and receivable in foreign currencies.

Director's Report

Credit Risk

The Company's credit exposure to credit risk and impairment relates to its trade debts. This risk is mitigated by the fact that majority of our customers have a strong financial standings and we have a long standing relations with all our customers. We do not expect non performance by these counter parties, hence credit risk is minimal.

Cost and Availability of Funds

It is one of our objectives to safeguard the Company's ability as going concern. Collapse in steady availability of funds and interest rates may adversely affect the liquidity and overall financial conditions. The significant portion of working capital requirements of the Company is arranged through short term financing. The Company has secured sufficient financing facilities to meet these requirements to mitigate capital risk. We manage the capital structure on the basis of leverage ratio at low level. Interest rates risk is managed through alternative financing.

Power and Gas outage

Smooth operation may get affected due to Gas outage. The Company has mitigated this risk through standby arrangements of power supply from FESCO and diesel generators.

Employee Recruitment and Retention

Failure to attract and retain the right peoples may adversely affect the achievement of Company goals and plans. A strong emphasis is placed on the company human resource and its skills. We operate the best talent management and human resource instrument to attract, retain, motivate, educate and encourage personnel and staff.

Boards Meetings

During the year under review, four meetings of Board of Directors were held. Attendance position of Board of Directors meetings is as under:

Name of Director	No. of Meetings Attended
Mr. Jawed Anwar	04
Mr. Faiq Jawed	04
Mr. Shaiq Jawed	04
Syed Hussain Shahid Mansoor Naqvi	04
Mrs. Farhat Jahan	04
Mr. Ghulam Muhammad	04
Mr. Qayyum Mohsan Malik	04

AUDIT COMMITTEE

The Audit Committee held eight meetings during the year under review, each before the Board of Director's meeting to





review the financial statements, internal audit reports and compliance of the corporate governance requirements. These meeting included meeting with external auditors before and after completion of audit and other statutory meetings as required by the code of corporate governance.

Human Resource Committee

Two meetings of HR Committee was held during the year which was attended by all the committee members

Directors Training

Two director's of the Company participated and completed all the requirements of Directors Training Program conducted by Institute of Chartered Accountants of Pakistan in November, 2013 and got certification of Certified Directors to fulfill the requirements of directors training program as required by Code of Corporate Governance. Three directors are exempted due to more than 14 years of education and 15 years of experience on board of a listed company.

AUDITORS:

The Auditors M/S Riaz Ahmad & Company, Chartered Accountants, stand retired and being eligible, offer themselves for re-appointment for the next financial year ending on 30-06-2015.

Chairman's Review

The accompanied Chairman's Review deal with performance of the Company during the year and future outlook. The directors of the Company endorse the contents of review.

Events After Reporting Period

There was no significant event after reporting period which warrants mention in Directors' Report.

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.

For and on behalf of
Board of Directors

Jawed Anwar
Chief Executive

Faisalabad
27 September 2014

Vertical Analysis

	2014		2013		2012		2011		2010	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
BALANCE SHEET										
TOTAL EQUITY	3,298,536	58%	3,008,247	55%	2,730,415	55%	2,483,426	52%	597,641	46%
NON-CURRENT LIABILITIES	598,165	11%	690,517	13%	758,379	15%	629,512	13%	352,415	27%
CURRENT LIABILITIES	1,772,708	31%	1,764,128	32%	1,491,416	30%	1,698,745	35%	341,923	26%
TOTAL LIABILITIES	2,370,873	42%	2,454,645	45%	2,249,795	45%	2,328,257	48%	694,338	54%
TOTAL EQUITY AND LIABILITIES	5,669,409	100%	5,462,892	100%	4,980,210	100%	4,811,683	100%	1,291,979	100%
ASSETS										
NON-CURRENT ASSETS	2,805,095	49%	2,832,655	52%	2,842,828	57%	2,631,622	55%	937,726	73%
CURRENT ASSETS	2,864,314	51%	2,630,237	48%	2,137,382	43%	2,180,061	45%	354,253	27%
TOTAL ASSETS	5,669,409	100%	5,462,892	100%	4,980,210	100%	4,811,683	100%	1,291,979	100%
PROFIT AND LOSS ACCOUNT										
SALES	9,734,861	100.00%	8,918,973	100.00%	7,193,895	100.00%	9,097,849	100.00%	1,148,043	100.00%
COST OF SALES	8,765,635	90.04%	7,476,268	83.82%	6,176,622	85.86%	7,713,396	84.78%	906,703	78.98%
GROSS PROFIT	969,226	9.96%	1,442,705	16.18%	1,017,273	14.14%	1,384,453	15.22%	241,340	21.02%
TRADING PROFIT	-	0.00%	-	0.00%	-	0.00%	-	0.00%	3,097	0.27%
	969,226	9.96%	1,442,705	16.18%	1,017,273	14.14%	1,384,453	15.22%	244,437	21.29%
DISTRIBUTION COST	343,996	3.53%	404,019	4.53%	291,775	4.06%	396,088	4.35%	19,352	1.69%
ADMINISTRATIVE EXPENSES	179,530	1.84%	164,422	1.84%	120,263	1.67%	111,228	1.22%	26,664	2.32%
OTHER OPERATING EXPENSES	31,780	0.33%	45,871	0.51%	25,772	0.36%	39,833	0.44%	8,774	0.76%
	555,306	5.70%	614,312	6.89%	437,810	6.09%	547,149	6.01%	54,790	4.77%
	413,920	4.25%	828,393	9.29%	579,463	8.05%	837,304	9.20%	189,647	16.52%
OTHER OPERATING INCOME	158,196	1.63%	38,319	0.43%	26,161	0.36%	2,417	0.03%	222	0.02%
PROFIT FROM OPERATIONS	572,116	5.88%	866,712	9.72%	605,624	8.42%	839,721	9.23%	189,869	16.54%
FINANCE COST	221,186	2.27%	216,220	2.42%	241,545	3.36%	322,852	3.55%	71,254	6.21%
PROFIT BEFORE TAXATION	350,930	3.60%	650,492	7.29%	364,079	5.06%	516,869	5.68%	118,615	10.33%
PROVISION FOR TAXATION	57,668	0.59%	51,137	0.57%	82,494	1.15%	152,463	1.68%	8,024	0.70%
PROFIT AFTER TAXATION	293,262	3.01%	599,355	6.72%	281,585	3.91%	364,406	4.01%	110,591	9.63%

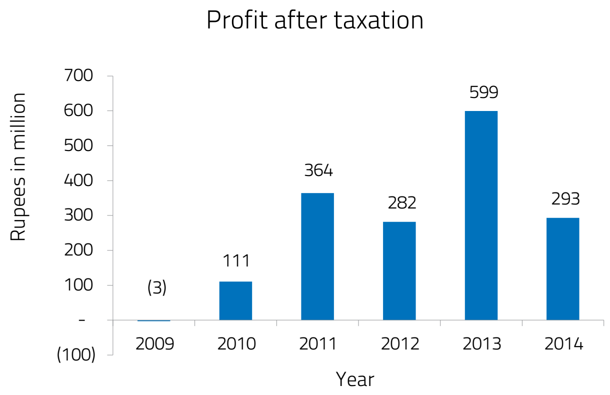
Horizontal Analysis Based on Year 2010

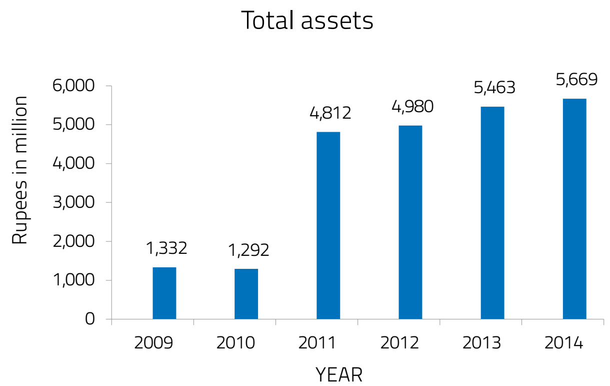
	2014		2013		2012		2011		2010	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
BALANCE SHEET										
TOTAL EQUITY	3,298,536	552%	3,008,247	503%	2,730,415	457%	2,483,426	416%	597,641	100%
NON-CURRENT LIABILITIES	598,165	170%	690,517	196%	758,379	215%	629,512	179%	352,415	100%
CURRENT LIABILITIES	1,772,708	518%	1,764,128	516%	1,491,416	436%	1,698,745	497%	341,923	100%
TOTAL LIABILITIES	2,370,873	341%	2,454,645	354%	2,249,795	324%	2,328,257	335%	694,338	100%
TOTAL EQUITY AND LIABILITIES	5,669,409	439%	5,462,892	423%	4,980,210	385%	4,811,683	372%	1,291,979	100%
ASSETS										
NON-CURRENT ASSETS	2,805,095	299%	2,832,655	302%	2,842,828	303%	2,631,622	281%	937,726	100%
CURRENT ASSETS	2,864,314	809%	2,630,237	742%	2,137,382	603%	2,180,061	615%	354,253	100%
TOTAL ASSETS	5,669,409	439%	5,462,892	423%	4,980,210	385%	4,811,683	372%	1,291,979	100%
PROFIT AND LOSS ACCOUNT										
SALES	9,734,861	848%	8,918,973	777%	7,193,895	627%	9,097,849	792%	1,148,043	100%
COST OF SALES	8,765,635	967%	7,476,268	825%	6,176,622	681%	7,713,396	851%	906,703	100%
GROSS PROFIT	969,226	402%	1,442,705	598%	1,017,273	422%	1,384,453	574%	241,340	100%
TRADING PROFIT	-	0%	-	0%	-	0%	-	0%	3,097	100%
	969,226	397%	1,442,705	590%	1,017,273	416%	1,384,453	566%	244,437	100%
DISTRIBUTION COST	343,996	1778%	404,019	2088%	291,775	1508%	396,088	2047%	19,352	100%
ADMINISTRATIVE EXPENSES	179,530	673%	164,422	617%	120,263	451%	111,228	417%	26,664	100%
OTHER OPERATING EXPENSES	31,780	362%	45,871	523%	25,772	294%	39,833	454%	8,774	100%
	555,306	1014%	614,312	1121%	437,810	799%	547,149	999%	54,790	100%
	413,920	218%	828,393	437%	579,463	306%	837,304	442%	189,647	100%
OTHER OPERATING INCOME	158,196	71259%	38,319	17261%	26,161	11784%	2,417	1089%	222	100%
PROFIT FROM OPERATIONS	572,116	301%	866,712	456%	605,624	319%	839,721	442%	189,869	100%
FINANCE COST	221,186	310%	216,220	303%	241,545	339%	322,852	453%	71,254	100%
PROFIT BEFORE TAXATION	350,930	296%	650,492	548%	364,079	307%	516,869	436%	118,615	100%
PROVISION FOR TAXATION	57,668	719%	51,137	637%	82,494	1028%	152,463	1900%	8,024	100%
PROFIT AFTER TAXATION	293,262	265%	599,355	542%	281,585	255%	364,406	330%	110,591	100%

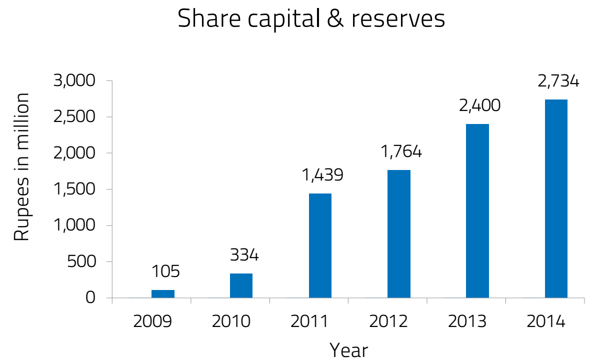
Key Operating and Financial Results

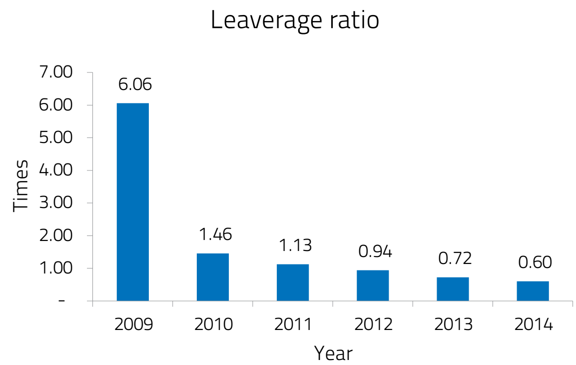
for last six years

PARTICULARS		2014	2013	2012	2011	2010	2009
		RUPEES in 000					
SUMMARISED BALANCE SHEET							
NON-CURRENT ASSETS							
Property, Plant And Equipment		2,787,750	2,822,964	2,841,761	2,623,342	927,481	928,541
Long Term Loans		1,727	387	392	-	-	-
Other Non-Current Assets		15,618	9,304	675	8,280	10,245	23,467
CURRENT ASSETS							
Stores, Spares And Loose Tools		61,125	44,926	37,082	35,226	8,204	4,271
Stock In Trade		1,652,837	1,592,021	1,278,678	1,249,430	207,017	107,406
Trade Debts		691,322	612,751	451,143	528,745	73,766	150,406
Other Current Assets		459,030	380,539	370,479	366,660	65,266	118,407
TOTAL ASSETS		5,669,409	5,462,892	4,980,210	4,811,683	1,291,979	1,332,498
Share Holders' Equity		2,733,721	2,400,047	1,763,656	1,439,286	333,864	104,901
Surplus on Revaluation of Operating Fixed Assets		564,815	608,200	966,759	1,044,140	263,777	316,442
NON-CURRENT LIABILITIES							
Long Term Financing		10,715	86,818	194,163	65,080	-	-
Director's Loan		300,000	300,000	300,000	300,000	196,391	301,392
Liabilities Against Assets Subject To Finance Lease		26,887	25,875	-	5,980	22,275	73,710
Deferred Tax		258,612	277,824	264,216	258,452	101,252	71,354
Other Non-Current Liabilities		1,951	-	-	-	32,497	31,453
CURRENT LIABILITIES							
Short Term Borrowings		1,202,486	1,194,856	1,032,246	1,192,112	216,714	201,730
Current Portion Of Long Term Liabilities		102,360	124,999	125,561	56,245	51,338	58,666
Other Current Liabilities		467,862	444,273	333,609	450,388	73,871	172,850
Total Equity And Liabilities		5,669,409	5,462,892	4,980,210	4,811,683	1,291,979	1,332,498
PROFIT & LOSS							
Sales		9,734,861	8,918,973	7,193,895	9,097,849	1,148,043	835,155
Gross Profit		969,226	1,442,705	1,017,273	1,384,453	241,340	91,687
EBITDA		844,572	1,011,933	736,629	969,805	235,366	117,489
Profit From Operations		572,116	866,712	605,624	839,721	189,869	70,185
Profit / (Loss) Before Tax		350,930	650,492	364,079	516,869	118,615	(1,593)
Profit / (Loss) After Tax		293,262	599,355	281,585	364,406	110,591	(2,869)
CASH FLOWS							
Cash Flow From Operating Activities		285,417	373,240	341,837	(763,089)	102,124	40,183
Cash Flow From Investing Activities		(222,047)	(437,276)	(387,618)	(168,131)	(42,912)	(14,417)
Cash Flow From Financing Activities		(95,088)	77,833	30,708	937,056	(39,958)	(41,318)
Changing In Cash & Cash Equivalents		(31,718)	13,797	(15,073)	5,836	19,254	(15,552)
Cash & Cash Equivalents - Year End		27,296	59,014	45,217	60,290	24,454	5,200
PROFITABILITY RATIOS							
Gross Profit	%	9.96	16.18	14.14	15.22	21.02	10.98
EBITDA To Sales	%	8.68	11.35	10.24	10.66	20.50	14.07
Pre Tax Profit	%	3.60	7.29	5.06	5.68	10.33	(0.19)
After Tax Profit	%	3.01	6.72	3.91	4.01	9.63	(0.34)
Return On Equity	%	10.73	24.97	15.97	25.32	33.12	(2.73)
Return On Capital Employed	%	10.69	24.10	14.38	24.22	33.12	(2.73)
Dividend Rate (Cash)	%	-	50.00	25.00	20.00	20.00	-
Leverage Ratio		0.60	0.72	0.94	1.13	1.46	6.06
LIQUIDITY RATIOS							
Current Ratio	Times	1.62	1.49	1.43	1.28	1.04	0.88
Quick Ratio	Times	0.65	0.56	0.55	0.53	0.41	0.62
Cash To Current Liabilities	Times	0.02	0.03	0.03	0.04	0.07	0.01
Cash Flows From Operation To Sales	Times	0.03	0.04	0.05	(0.08)	0.09	0.05


Profit after taxation
Rupees in million
700
600
500
400
300
200
100
-
(100)
(3)
111
364
282
599
293
2009
2010
2011
2012
2013
2014
Year


Total assets
Rupees in million
6,000
5,000
4,000
3,000
2,000
1,000
0
1,332
1,292
4,812
4,980
5,463
5,669
2009
2010
2011
2012
2013
2014
YEAR


Share capital & reserves
Rupees in million
3,000
2,500
2,000
1,500
1,000
500
0
105
334
1,439
1,764
2,400
2,734
2009
2010
2011
2012
2013
2014
Year


Leaverage ratio
Times
7.00
6.00
5.00
4.00
3.00
2.00
1.00
-
6.06
1.46
1.13
0.94
0.72
0.60
2009
2010
2011
2012
2013
2014
Year

Statement of Compliance with the Best Practices Code of Corporate Governance

For the Year Ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in the Chapter XI, Regulation No. 35 of Listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Board of Directors of J.K. Spinning Mills Ltd has always encouraged and reconfirmed its Commitments for continued support and implementation of the highest standard of Corporate Governance at all time. The company will encourage representation of Independent Director / Non-Executive Directors and Directors representing the minority interest on Board.

At present the Board of Directors includes:-

Category	Names
Executive Directors	Mr. Jawed Anwar Mr. Faiq Jawed Mr. Shaiq Jawed Syed Hussain Shahid Mansoor Naqvi Mr. Ghulam Muhammad Mr. Qayyum Mohsin Malik
Non-Executive Director	Mrs. Farhat Jehan

2. The Directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company.

3. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI), or a Non-Banking Financial Institution (NBFI) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy was occurred on the board during the period under report.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company and circulated by the board of directors to establish a standard of conduct for directors and employees.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended, has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors have been taken by the Board / Share holders.

8. An effective and sound system of internal control has been established and implemented at all levels within the listed company. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated seven days before the date of meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged for its 2 Directors to attend orientation / Training Program apprise them of their duties and responsibilities.

10. The Board has approved appointment of Chief Financial Officer (CFO) and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer (CEO). However there was no new appointment during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

Statement of Compliance with the Best Practices Code of Corporate Governance

For the Year Ended June 30, 2014

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises three members, one of them is non-executive and two members including Chairman are Executive Directors.
16. The Meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed Human Resource and Remuneration Committee called the Board Compensation Committee. It comprises three members as Executive Directors including Chairman of the Committee.
18. The Board has set-up an effective Internal Audit Function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed Period" prior to the announcement of the interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to Directors, Employees and Stock Exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles in the Code of Corporate Governance have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

JAWED ANWAR	FAIQ JAWED
CHIEF EXECUTIVE	DIRECTOR

FAISALABAD

Date: 27 September 2014

Review Report to the Members

on Statment of Complaince with the Best Practices of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of J.K. SPINNING MILLS LIMITED ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulations of the respective Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Liaqat Ali Panwar

Date: 27 September 2014

FAISALABAD

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT 28TH ANNUAL GENERAL MEETING OF THE MEMBERS OF J. K. SPINNING MILLS LIMITED WILL BE HELD ON THURSDAY 23RD OCTOBER, 2014 AT 10.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT 29 K.M, SHEIKHUPURA ROAD, KHURRIANWALA, FAISALABAD TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To confirm the minutes of the 27th Annual General Meeting held on 31st October, 2013.
2. To receive, consider and adopt the Annual Audited Accounts together with the Directors' and Auditors' Reports of the company for the year ended 30th June, 2014.
3. To appoint Auditors for the year 2014-2015 and fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company., Chartered Accountants, being eligible offer themselves for reappointment.
4. To transact any other business or businesses with the permission of the Chairman.

BY THE ORDER OF THE BOARD

FAISALABAD:
Dated: 27-09-2014

SYED HUSSAIN SHAHID MANSOOR NAQVI
DIRECTOR / COMPANY SECRETARY

NOTES:

I. The share transfer books of the Company will remain closed from 15th October, 2014 to 23rd October, 2014 (both days inclusive).

II. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be a member. Proxy in order to be effective must be duly signed, witnessed and deposited at the office of the company's Shares Department not less than 48 hours before the meeting.

III. The shareholder/proxy shall produce his/her original CNIC or passport at the time of the meeting.

IV. Shareholders are requested to promptly notify the office of the company's Shares Department of any change in their address.

V. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.

ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For appointing proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport, of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

VI. Members who have not yet provided valid CNIC/NTN (as the case may be) are requested to kindly provide the same at the earliest to the Company's Shares Department at the address mentioned-above in compliance with the directives issued by the Securities and Exchange Commission of Pakistan and/or Federal Board of Revenue from time to time.

VII. Form of proxy is enclosed herewith.

Financial Statements

For the year ended June 30, 2014

Auditors' Report to the Members

We have audited the annexed balance sheet of J.K. SPINNING MILLS LIMITED as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Liaqat Ali Panwar

Date: 27 September 2014

FAISALABAD

Balance Sheet

As at June 30, 2014

	NOTE	2014	2013
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
96 000 000 (2013: 96 000 000) ordinary shares of Rupees 10 each		960,000	960,000
Issued, subscribed and paid up share capital	3	609,033	609,033
Reserves	4	2,124,688	1,791,014
Total equity		2,733,721	2,400,047
Surplus on revaluation of property, plant and equipment - net of deferred income tax	5	564,815	608,200
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	10,715	86,818
Directors' loan	7	300,000	300,000
Liabilities against assets subject to finance lease	8	26,887	25,875
Deferred income on sale and lease back		1,951	-
Deferred income tax liability	9	258,612	277,824
		598,165	690,517
CURRENT LIABILITIES			
Trade and other payables	10	375,519	385,151
Accrued mark-up	11	21,234	28,777
Short term borrowings	12	1,202,486	1,194,856
Current portion of non-current liabilities	13	102,360	124,999
Provision for taxation		71,109	30,345
		1,772,708	1,764,128
TOTAL LIABILITIES		2,370,873	2,454,645
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		5,669,409	5,462,892

The annexed notes form an integral part of these financial statements.

Jawed Anwar
Chief Executive Officer

Balance Sheet

As at June 30, 2014

	NOTE	2014	2013
		(RUPEES IN THOUSAND)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,787,750	2,822,964
Long term investments	16	-	-
Long term loans	17	1,727	387
Long term deposits and prepayments	18	15,618	9,304
		2,805,095	2,832,655
CURRENT ASSETS			
Stores, spare parts and loose tools	19	61,125	44,926
Stock-in-trade	20	1,652,837	1,592,021
Trade debts	21	691,322	612,751
Loans and advances	22	83,290	84,397
Short term deposits and prepayments	23	5,578	5,915
Other receivables	24	79,361	17,955
Tax refunds due from the Government	25	263,505	213,258
Cash and bank balances	26	27,296	59,014
		2,864,314	2,630,237
TOTAL ASSETS		5,669,409	5,462,892

Faiq Jawed
Director

Profit and Loss Account

For the Year ended June 30, 2014

	NOTE	2014	2013
		(RUPEES IN THOUSAND)	
SALES	27	9,734,861	8,918,973
COST OF SALES	28	(8,765,635)	(7,476,268)
GROSS PROFIT		969,226	1,442,705
DISTRIBUTION COST	29	(343,996)	(404,019)
ADMINISTRATIVE EXPENSES	30	(179,530)	(164,422)
OTHER EXPENSES	31	(31,780)	(45,871)
		(555,306)	(614,312)
		413,920	828,393
OTHER INCOME	32	158,196	38,319
PROFIT FROM OPERATIONS		572,116	866,712
FINANCE COST	33	(221,186)	(216,220)
PROFIT BEFORE TAXATION		350,930	650,492
TAXATION	34	(57,668)	(51,137)
PROFIT AFTER TAXATION		293,262	599,355
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	35	4.82	9.84

The annexed notes form an integral part of these financial statements.

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Statement of Comprehensive Income

For the Year ended June 30, 2014

	2014	2013
	(RUPEES IN THOUSAND)	
PROFIT AFTER TAXATION	293,262	599,355
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	45,671	39,781
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year	45,671	39,781
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	338,933	639,136

The annexed notes form an integral part of these financial statements.

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Cash Flow Statement

For the Year ended June 30, 2014

	NOTE	2014	2013
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	635,336	696,445
Finance cost paid		(223,760)	(220,419)
Income tax paid		(78,992)	(73,242)
Workers' profit participation fund paid		(39,513)	(20,920)
Net (increase) / decrease in long term loans		(1,340)	5
Net increase in long term deposits and prepayments		(6,314)	(8,629)
NET CASH GENERATED FROM OPERATING ACTIVITIES		285,417	373,240
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(300,255)	(484,108)
Proceeds from sale of property, plant and equipment		78,208	46,832
NET CASH USED IN INVESTING ACTIVITIES		(222,047)	(437,276)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(105,458)	(114,355)
Finance lease liabilities - net		7,728	32,323
Short term borrowings - net		7,630	162,610
Dividend paid		(4,988)	(2,745)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES		(95,088)	77,833
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(31,718)	13,797
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		59,014	45,217
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 26)		27,296	59,014

The annexed notes form an integral part of these financial statements.

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Statement of Changes in Equity

For the Year ended June 30, 2014

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL RESERVE	REVENUE RESERVE	TOTAL	
		Merger reserve	Unappropriated profit		
	---------------------- (RUPEES IN THOUSAND) ----------------------				
Balance as at 30 June 2012	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 Rupee 2.50 per share	-	-	(2,745)	(2,745)	(2,745)
Profit for the year	-	-	599,355	599,355	599,355
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	39,781	39,781	39,781
Total comprehensive income for the year	-	-	639,136	639,136	639,136
Balance as at 30 June 2013	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 Rupee 5.00 per share	-	-	(5,259)	(5,259)	(5,259)
Profit for the year	-	-	293,262	293,262	293,262
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	45,671	45,671	45,671
Total comprehensive income for the year	-	-	338,933	338,933	338,933
Balance as at 30 June 2014	609,033	289,636	1,835,052	2,124,688	2,733,721

The annexed notes form an integral part of these financial statements.

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Notes to the Financial Statements

For the Year ended 30 June 2014

1. THE COMPANY AND ITS ACTIVITIES

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, Sheikhupura 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain operating fixed assets measured at revalued amounts.

c) Critical accounting estimates and judgments

The preparation of 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. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Notes to the Financial Statements

For the Year ended 30 June 2014

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Amendments to published approved standards that are effective in current year and are relevant to the Company

Following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The IASB has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Standards, interpretation and amendments to published standards that are effective in current year but not relevant to the Company

There are other standards, new interpretation and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretation and amendments to published standards that are not yet effective but relevant to the Company

Following standards, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

Notes to the Financial Statements
For the Year ended 30 June 2014

Amendments to IFRS 12 (effective for annual periods beginning on or after 01 January 2015) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IFRS 13 'Fair Value Measurement', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

Notes to the Financial Statements

For the Year ended 30 June 2014

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Company's financial statements.

g) Standard and amendments to published standards that are not yet effective and not considered relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employees retirement benefits

The Company operates a recognized provident fund for all its permanent employees. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 8.33 percent of the basic salary. Obligation for contributions to defined contribution plan is recognized as an expense in the profit and loss account as and when incurred. Employees are eligible under the scheme on completion of prescribed qualifying period of service.

2.3 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.4 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.5 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Notes to the Financial Statements

For the Year ended 30 June 2014

2.6 Property, plant and equipment and depreciation

a) Owned

All operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Capital work-in-progress is stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to profit and loss account. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to profit and loss account) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation.

b) Leased

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term. Gain on sale and lease back of operating fixed assets is deferred and amortized over the lease term and loss on sale and lease back of operating fixed assets is recognized in profit and loss account.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

c) Depreciation

Depreciation on property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is de-recognized. Depreciation is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their expected useful lives at the rates mentioned in Note 15.1. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

Change in accounting estimate

During the year, 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 - owned	5%	10%
Stand-by equipment	5%	10%
Electric installations and appliances	5%	10%
Office equipment	10%	30%
Plant and machinery - leased	5%	10%

Notes to the Financial Statements

For the Year ended 30 June 2014

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 recognized in these financial statements would have been different as follows:

	RUPEES IN THOUSAND
Net book value of property, plant and equipment would have been higher by	127,508
Stock-in-trade would have been lower by	646
Deferred income tax liability would have been higher by	19,425
Profit after tax for the year ended 30 June 2014 would have been higher by	107,437
Earnings per share would have been higher by (Rupees)	1.76

d) De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit and loss account in the year the asset is de-recognized.

2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in an associate, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

2.7.1 Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

2.7.2 Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

2.7.3 Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available for sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Notes to the Financial Statements
For the Year ended 30 June 2014

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

The investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, subsequent to after initial recognition are carried at cost less any identified impairment loss.

2.7.4 Investment in an associate

The Company's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. The profit and loss account reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

2.8 Inventories

Inventories, except for stock in transit and waste materials, are stated at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make a sale. Cost is determined as follows:

Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued at moving average cost, while items considered obsolete are carried at nil value. Items in transit are stated at invoice amount plus other charges paid thereon.

Stock-in-trade

Cost of raw materials is measured using the moving average cost formula.

Cost of work-in-process and finished goods comprises of average manufacturing cost including a portion of production overheads.

Stock-in-transit is valued at cost comprising invoice values plus other charges paid thereon. Waste materials are stated at net realizable value.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.10 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.

Notes to the Financial Statements

For the Year ended 30 June 2014

- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

- Rental income is recognized when rent is accrued.

2.11 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, liabilities against assets subject to finance lease, short term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized at the time the Company becomes a party to contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.12 Borrowing cost

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.13 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.14 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.15 Borrowing cost

Interest, mark-up and other charges on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.16 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Notes to the Financial Statements

For the Year ended 30 June 2014

b) Non - financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.17 Derivative financial instruments

Derivative that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

2.18 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.19 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.20 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments. Spinning (Producing different quality of yarn using natural and artificial fibres), Fabric (Buying yarn, fabric and selling after conversion) and Home Textile (Manufacturing of home textile articles).

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

Notes to the Financial Statements
For the Year ended 30 June 2014

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2014	2013		2014	2013
(NUMBER OF SHARES)			(RUPEES IN THOUSAND)	
14 243 500	14 243 500	Ordinary shares of Rupees 10 each fully paid in cash	142,435	142,435
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
60 903 275	60 903 275		609,033	609,033

3.1 No ordinary shares of the Company are held by any related party (2013: 100 000 ordinary shares held by J.K. Spinning Mills Limited - Employees' Provident Fund Trust - a related party).

	2014	2013
	(RUPEES IN THOUSAND)	
4. RESERVES		
Composition of reserves is as follows:		
Capital reserve		
Merger reserve	289,636	289,636
Revenue reserve		
Unappropriated profit	1,835,052	1,501,378
	2,124,688	1,791,014
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX		
Surplus on revaluation of operating fixed assets as at 01 July	608,200	966,759
Add:		
Decrease in deferred income tax liability due to change in local sales ratio and corporate tax rate	2,902	3,946
	611,102	970,705
Less:		
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred income tax	45,671	39,781
Net decrease in surplus on revaluation of property, plant and equipment	-	305,440
Adjustment of surplus on sale of plant and machinery - net of deferred income tax	616	17,284
	46,287	362,505
	564,815	608,200

Notes to the Financial Statements

For the Year ended 30 June 2014

5.1 Freehold land, buildings on freehold land, plant and machinery, stand-by equipment and electric installations and appliances of the Company were revalued on 29 June 2013 by an independent valuer, Messrs Harvestor Services (Private) Limited, using depreciated replacement values. Previous revaluations were made by independent valuers on 30 September 1996, 30 September 2000 and 30 September 2004 and 30 June 2007.

	2014	2013
	(RUPEES IN THOUSAND)	
6. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 6.1)	47,115	90,149
Long term musharika (Note 6.2)	46,818	109,242
	93,933	199,391
Less: Current portion shown under current liabilities (Note 13)	83,218	112,573
	10,715	86,818

	LENDER	2014	2013	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
		(RUPEES IN THOUSAND)						
6.1	Long term loans							
	United Bank Limited	25,031	39,286	3 months KIBOR + 1.50%	28 equal quarterly install-ments commenced on 10 March 2009 and ending on 30 March 2016.	Quarterly	Quarterly	'First joint pari passu charge over present and future fixed assets (land, building and plant and machinery) of the Company for Rupees 171.429 million.
	The Bank of Punjab	-	447	SBP rate for LTF - EOP + 1.50%	This finance has been completely repaid on 30 September 2013.	-	Quarterly	First exclusive charge of Rupees 14.667 million over specific plant and machinery of the Company.
	The Bank of Punjab	2,667	13,333	3 months KIBOR + 2.50%	12 equal quarterly install-ments commenced on 30 September 2011 and ending on 30 June 2014.	Quarterly	Quarterly	First exclusive charge of Rupees 43 million over specific plant and machinery of the Company with 25% margin and personal guarantee of three directors.
	The Bank of Punjab	10,667	21,333	3 months KIBOR + 2.50%	12 equal quarterly install-ments commenced on 30 June 2012 and ending on 31 March 2015.	Quarterly	Quarterly	First exclusive charge of Rupees 44 million over specific plant and machinery of the Company and personal guarantee of three directors.
	The Bank of Punjab	8,750	15,750	3 months KIBOR + 2.50%	12 equal quarterly install-ments commenced on 30 September 2012 and ending on 30 June 2015.	Quarterly	Quarterly	First exclusive charge of Rupees 28 million over specific plant and machinery of the Company and personal guarantee of three directors.
		47,115	90,149					
6.2	Long term musharika							
	Standard Chartered Bank (Pakistan) Limited	46,818	109,242	1 month KIBOR + 2.00%	12 equal quarterly install-ments commenced on 10 April 2012 and ending on 10 January 2015.	Monthly	Monthly	Specific charge over plant and machinery of Rupees 250 million with 25% security margin and personal guarantee of three directors.

Notes to the Financial Statements

For the Year ended 30 June 2014

7. DIRECTORS' LOAN

This represents unsecured interest free loan obtained from the directors of the Company having no defined repayment terms but is not repayable within next twelve months, hence has been classified as non-current. The entire loan is subordinated to the bank borrowings.

	2014	2013
	(RUPEES IN THOUSAND)	
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Future minimum lease payments	50,684	43,492
Less: Un-amortized finance charge	4,655	5,191
Present value of future minimum lease payments	46,029	38,301
Less: Current portion shown under current liabilities (Note 13)	19,142	12,426
	26,887	25,875

8.1 These represent plant, machinery and vehicles acquired under finance lease agreement from Standard Chartered Leasing Limited and Askari Bank Limited. The implicit interest rate used to arrive at the present value of minimum lease payments range from 11.34% to 12.39% (2013: 11.67%) per annum. Taxes, repairs and insurance costs are to be borne by the Company. The purchase option is available to the Company on payment of last installment and surrender of security deposit paid under the agreement. These are secured against the leased assets.

8.2 Minimum lease payments and their present values are regrouped as under:

	2014		2013	
	Not later than one year	Later than one year and not later than five years	Not later than one year	Later than one year and not later than five years
	(RUPEES IN THOUSAND)			
Future minimum lease payments	22,535	28,149	15,638	27,854
Less: Un-amortized finance charge	3,393	1,262	3,212	1,979
Present value of future minimum lease payments	19,142	26,887	12,426	25,875

	2014	2013
	(RUPEES IN THOUSAND)	
9. DEFERRED INCOME TAX LIABILITY		
Taxable temporary differences		
Accelerated tax depreciation	191,731	198,749
Surplus on revaluation of property, plant and equipment	73,895	85,118
	265,626	283,867
Deductible temporary differences		
Liabilities against assets subject to finance lease	(7,014)	(6,043)
	258,612	277,824

Notes to the Financial Statements

For the Year ended 30 June 2014

		2014	2013
		(RUPEES IN THOUSAND)	
10.	TRADE AND OTHER PAYABLES		
	Creditors	125,696	161,690
	Accrued liabilities	193,100	147,248
	Advances from customers	18,102	20,744
	Securities / retention money - interest free	5,685	3,657
	Income tax deducted at source	302	204
	Sales tax deducted at source	-	651
	Unclaimed dividend	312	41
	Workers' profit participation fund (Note 10.1)	18,856	34,544
	Workers' welfare fund	2,336	7,343
	Other payables	11,130	9,029
		375,519	385,151
10.1	Workers' profit participation fund		
	Balance as on 01 July	34,544	19,405
	Interest for the year (Note 33)	4,969	1,515
	Provision for the year (Note 31)	18,856	34,544
		58,369	55,464
	Less: Payments during the year	39,513	20,920
		18,856	34,544

10.1.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

		2014	2013
11.	ACCRUED MARK-UP		
	Long term financing	1,794	2,690
	Liabilities against assets subject to finance lease	45	59
	Short term borrowings	19,395	26,028
		21,234	28,777
12.	SHORT TERM BORROWINGS		
	From banking companies - secured		
	Cash and running finances (Note 12.1 and Note 12.2)	380,997	378,328
	State Bank of Pakistan (SBP) refinance (Note 12.1 and Note 12.3)	362,000	425,000
	Other short term finances (Note 12.1 and Note 12.4)	413,310	328,953
		1,156,307	1,132,281
	Unsecured		
	From directors (Note 12.5)	46,179	62,575
		1,202,486	1,194,856

Notes to the Financial Statements

For the Year ended 30 June 2014

12.1 These finances are obtained from banking companies under mark up arrangements and are secured against joint pari passu hypothecation charge of Rupees 2,673 million (2013: Rupees 2,673 million) on present and future current assets, joint pari passu charge of Rupees 1,240 million (2013: Rupees 1,240 million) on fixed assets, pledge of stock of cotton, yarn and polyester with specific margin and personal guarantee of certain directors of the Company. These form part of total credit facility of Rupees 5,575 million (2013: Rupees 4,925 million).

12.2 The rates of mark-up range from 10.56% to 11.82% (2013: 10.81% to 14.49%) per annum on the balance outstanding.

12.3 The rates of mark up range from 8.65% to 9.40% (2013: 8.65% to 9.50%) per annum on the balance outstanding.

12.4 The rates of mark up on Pak Rupee finances and US Dollar finances range from 10.45% to 11.68% (2013: 10.81% to 13.49%) per annum and 3.20% to 3.39% (2013: 3.50% to 4.50%) per annum respectively on the balance outstanding.

12.5 This represents interest free loan obtained from directors of the Company.

	2014	2013
	(RUPEES IN THOUSAND)	
13. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Current portion of long term financing (Note 6)	83,218	112,573
Current portion of liabilities against assets subject to finance lease (Note 8)	19,142	12,426
	102,360	124,999

14. 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 (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 these financial statements in view of possible favourable outcome of the appeal.

ii) The Company has filed an appeal before Appellate Tribunal, Inland Revenue, Lahore against order in original 13/2003 dated 29 April 2003 for Rupees 3.063 million (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 these financial statements in view of possible favourable outcome of the appeal.

iii) The Company has filed an appeal before Commissioner (Appeals), Inland Revenue, Faisalabad against assessment order issued under section 161 and section 205 of the Income Tax Ordinance, 2001 for tax year 2012 where tax liability of Rupees 28.285 million (2013: Rupees Nil) was raised by the department. The Company considers that its stance is based on reasonable legal grounds and appeal is likely to succeed. Hence, no provision has been recognized in these financial statements.

iv) The Company has filed appeals with Appellate Tribunal, Inland Revenue, Lahore for the revision of assessment orders issued under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2005 to 2009 where tax liability of Rupees 3.352 million (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 recognized in these financial statements.

v) The Company has filed an appeal before Commissioner (Appeals), Inland Revenue, Faisalabad against orders in original 17/2014 and 18/2014 dated 28 April 2014 against the recovery of Rupees 10.573 million and Rupees 28.245 million respectively (2013: Rupees Nil) along with default surcharge and penalty equivalent to the principal amount imposed under section 33(11) of the Sales Tax Act, 1990. The related provision is not made in these financial statements in view of possible favourable outcome of the appeal.

Notes to the Financial Statements

For the Year ended 30 June 2014

vi) The Company has filed an appeal before Commissioner (Appeals), Inland Revenue, Lahore against order in original 07/2013 dated 28 June 2013 for Rupees 0.937 million (2013: Rupees 0.937 million) along with default surcharge and penalty imposed amounting to Rupees 0.658 million (2013: Rupees 0.658 million) under section 33(5) of the Sales Tax Act, 1990. The related provision is not made in these financial statements in view of possible favourable outcome of the appeal.

vii) Guarantees of Rupees 44.253 million (2013: Rupees 43.185 million) are given by the banks of the Company to Sui Northern Gas Pipeline Limited against gas connections and to Punjab Power Development Board for installing electricity generation facility.

viii) Post dated cheques of Rupees 125.794 million (2013: Rupees 70.247 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 5.156 million (2013: Rupees Nil).

ii) Letters of credit other than for capital expenditure are of Rupees Nil as at 30 June 2014 (2013: Rupees 43.597 million).

iii) Ijarah (operating lease) commitments - Company as lessee

The Company obtained vehicles through sale and leaseback arrangement under ijarah (operating lease) agreement. The lease term is three years. The Company has given undertaking to purchase the leased vehicles on agreed purchase price at maturity.

The future aggregate minimum lease payments under ijarah (operating lease) are as follows:

	2014	2013
	(RUPEES IN THOUSAND)	
Not later than one year	4,984	4,395
Later than one year and not later than five years	7,060	8,423
	12,044	12,818

15. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
Operating fixed assets (Note 15.1)		
-Owned	2,624,831	2,601,962
-Leased	57,769	40,336
Capital work-in-progress (Note 15.2)	105,150	180,666
	2,787,750	2,822,964

Notes to the Financial Statements

For the Year ended 30 June 2014

15.1 OPERATING FIXED ASSETS

	OWNED ASSETS										LEASED ASSETS		
	Freehold land	Buildings on freehold land	Plant and machinery	Stand-by equipment	Electric installations and appliances	Factory equipment	Furniture and fixtures	Office equipment	Vehicles	Total	Plant and machinery	Vehicles	Total
	(RUPEES IN THOUSAND)												
At 30 June 2012													
Cost / revalued amount	183,770	494,940	1,962,084	372,456	201,163	27,277	4,784	20,444	102,733	3,369,651	32,797	3,994	36,791
Accumulated depreciation	-	(88,817)	(385,849)	(96,199)	(56,004)	(14,977)	(2,024)	(11,421)	(49,222)	(704,513)	(8,406)	(2,657)	(11,063)
Impairment loss	-	-	(11,061)	-	-	-	-	-	-	(11,061)	-	-	-
Net book value	183,770	406,123	1,565,174	276,257	145,159	12,300	2,760	9,023	53,511	2,654,077	24,391	1,337	25,728
Year ended 30 June 2013													
Opening net book value	183,770	406,123	1,565,174	276,257	145,159	12,300	2,760	9,023	53,511	2,654,077	24,391	1,337	25,728
Additions	21,880	53,805	281,762	-	16,308	-	3,329	1,305	43,030	421,419	43,979	-	43,979
Transfer:													
Cost	-	-	32,797	-	-	-	-	-	3,994	36,791	(32,797)	(3,994)	(36,791)
Accumulated depreciation	-	-	(8,421)	-	-	-	-	-	(2,665)	(11,086)	8,421	2,665	11,086
	-	-	24,376	-	-	-	-	-	1,329	25,705	(24,376)	(1,329)	(25,705)
Deletions:													
Cost / revalued amount	-	-	(45,854)	-	-	-	-	-	(21,810)	(67,664)	-	-	-
Accumulated depreciation	-	-	10,640	-	-	-	-	-	7,526	18,166	-	-	-
	-	-	(35,214)	-	-	-	-	-	(14,284)	(49,498)	-	-	-
Effect of revaluation as at 29 June 2013:													
Increase in revaluation	5,966	202,030	-	-	-	-	-	-	-	207,996	-	-	-
Decrease in revaluation:													
Revalued amount	-	-	(425,636)	(171,559)	(62,213)	-	-	-	-	(659,408)	-	-	-
Accumulated depreciation	-	-	84,338	44,314	17,320	-	-	-	-	145,972	-	-	-
	-	-	(341,298)	(127,245)	(44,893)	-	-	-	-	(513,436)	-	-	-
Depreciation charge	-	(21,976)	(83,440)	(13,230)	(7,886)	(1,054)	(450)	(950)	(15,315)	(144,301)	(912)	(8)	(920)
Impairment loss	-	-	-	-	-	-	-	-	-	-	(2,746)	-	(2,746)
Closing net book value	211,616	639,982	1,411,360	135,782	108,688	11,246	5,639	9,378	68,271	2,601,962	40,336	-	40,336

Notes to the Financial Statements

For the Year ended 30 June 2014

	OWNED ASSETS										LEASED ASSETS		
	Freehold land	"Buildings on freehold land"	Plant and machinery	Stand-by equipment	Electric installations and appliances	Factory equipment	Furniture and fixtures	Office equipment	Vehicles	Total	Plant and machinery	Vehicles	Total
At 30 June 2013													
Cost / revalued amount	211,616	750,775	1,794,092	200,897	155,258	27,277	8,113	21,749	127,947	3,297,724	43,979	-	43,979
Accumulated depreciation	-	(110,793)	(382,732)	(65,115)	(46,570)	(16,031)	(2,474)	(12,371)	(59,676)	(695,762)	(897)	-	(897)
Impairment loss	-	-	-	-	-	-	-	-	-	-	(2,746)	-	(2,746)
Net book value	211,616	639,982	1,411,360	135,782	108,688	11,246	5,639	9,378	68,271	2,601,962	40,336	-	40,336
Year ended 30 June 2014													
Opening net book value	211,616	639,982	1,411,360	135,782	108,688	11,246	5,639	9,378	68,271	2,601,962	40,336	-	40,336
Additions	-	32,654	225,439	-	3,085	15,042	88	419	76,044	352,771	-	23,000	23,000
Deletions:													
Cost / revalued amount	-	-	(8,028)	-	-	-	-	-	(90,975)	(99,003)	-	-	-
Accumulated depreciation	-	-	297	-	-	-	-	-	32,693	32,990	-	-	-
	-	-	(7,731)	-	-	-	-	-	(58,282)	(66,013)	-	-	-
Depreciation charge	-	(65,296)	(155,759)	(13,578)	(11,132)	(1,251)	(566)	(2,898)	(13,409)	(263,889)	(4,034)	(1,533)	(5,567)
Closing net book value	211,616	607,340	1,473,309	122,204	100,641	25,037	5,161	6,899	72,624	2,624,831	36,302	21,467	57,769
At 30 June 2014													
Cost / revalued amount	211,616	783,429	2,011,503	200,897	158,343	42,319	8,201	22,168	113,016	3,551,492	41,233	23,000	64,233
Accumulated depreciation	-	(176,089)	(538,194)	(78,693)	(57,702)	(17,282)	(3,040)	(15,269)	(40,392)	(926,661)	(4,931)	(1,533)	(6,464)
Net book value	211,616	607,340	1,473,309	122,204	100,641	25,037	5,161	6,899	72,624	2,624,831	36,302	21,467	57,769
Annual rate of depreciation (%)	-	5, 10	5, 10	5, 10	5, 10	10	10	10, 30	20		5, 10	20	

Notes to the Financial Statements

For the Year ended 30 June 2014

15.1.1 Had there been no revaluation, the cost, accumulated depreciation and book value of the revalued assets as at 30 June 2014 would have been as follows:

	Cost	Accumulated Depreciation	Net book value
	(RUPEES IN THOUSAND)		
Freehold land	57,837	-	57,837
Buildings on freehold land	547,780	266,810	280,970
Plant and machinery	2,182,730	850,840	1,331,890
Stand-by equipment	154,568	36,861	117,707
Electric installations and appliances	227,560	139,564	87,996
2014	3,170,475	1,294,075	1,876,400
2013	2,916,599	1,102,489	1,814,110

15.1.2 Depreciation charge for the year has been allocated as follows:

	2014	2013
	(RUPEES IN THOUSAND)	
Cost of sales (Note 28)		
-Owned assets	247,016	127,586
-Leased assets	4,034	912
	251,050	128,498
Administrative expenses (Note 30)		
-Owned assets	16,873	16,715
-Leased assets	1,533	8
	18,406	16,723
	269,456	145,221

15.1.3 Detail of operating fixed assets, exceeding the book value of Rupees 50,000 disposed of during the year is as follows:

Description	Qty.	Cost / revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
	Nos.	(RUPEES IN THOUSAND)					
Plant and Machinery							
Carding Machines	4	4,000	216	3,784	2,600	Negotiation	Global Spinning Mills Limited, Faisalabad
Autocone Winding Machine	1	3,500	44	3,456	3,550	Negotiation	Azgard Nine Limited, Lahore
Safety Machines	16	368	26	342	147	Negotiation	Al-Fajar Machinery, Lahore
Needle Lock Machines	16	160	11	149	64	Negotiation	Al-Fajar Machinery, Lahore
		8,028	297	7,731	6,361		
Vehicles							
Audi A8 SJ-881	1	13,865	-	13,865	14,850	Negotiation	Mr. Wasit, Temple Road, Lahore
BMW LEA-07-730	1	8,121	6,823	1,298	4,000	Negotiation	Mr. Muhammad Faraz, Chak No. 279 R.B., Faisalabad
Toyota Camry LEC-08-1999	1	2,881	2,131	750	2,100	Negotiation	Mr. Muhammad Shakeel, Allama Iqbal Town, Lahore
Toyota GLI FDA-09-2583	1	1,354	753	601	624	Negotiation	Mr. Sarfraz Mahmood, Sector G-6, Islamabad
Audi A8 WW-880	1	18,739	3,852	14,887	18,000	Sale and leaseback	Standard Chartered Leasing Limited
Honda Civic LEB-08-1472	1	1,557	1,089	468	510	Company policy	Syed Hussain Shahid Mansoor Naqvi (Director)
Toyota Camry FDA-2202	1	3,099	2,134	965	1,015	Company policy	Mr. Qayyum Mohsin Malik (Director)
Honda Civic FSC-604	1	1,229	1,085	144	278	Company policy	Mr. Muhammad Tariq (Company's Employee)
Cuore Daihatsu CX FDA-09-2710	1	689	435	254	244	Company policy	Mr. Zahid Nadeem (Company's Employee)
Mercedes Benz FDA-07-9999	1	11,251	8,544	2,707	4,500	Negotiation	Mr. Kashif Rasheed, Muslim Town No. 1, Faisalabad
Toyota Land Cruiser ZB-881	1	21,955	1,464	20,491	23,000	Sale and leaseback	Askari Bank Limited
Suzuki Cultus VXR FDA-3433	1	620	463	157	197	Company policy	Mr. Shahid Rafique (Company's Employee)
Honda Civic VTI FDA-5018	1	1,430	1,180	250	250	Negotiation	Mrs. Samina Abid, DHA Phase-4, Lahore
Honda CD 70 FDR-9488	1	67	10	57	64	Insurance claim	Premier Insurance Limited, Lahore
Toyota Camry NS-258	1	3,657	2,444	1,213	2,010	Negotiation	Mr. Imran Anwar, Sarai-e-Alamgir, District Gujrat
		90,514	32,407	58,107	71,642		
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 50,000		461	286	175	205		
		99,003	32,990	66,013	78,208		

Notes to the Financial Statements

For the Year ended 30 June 2014

		2014	2013
		(RUPEES IN THOUSAND)	
15.2	Capital work-in-progress		
	Buildings on freehold land	57,175	24,536
	Plant and machinery	37,718	156,130
	Electric installations and appliances	10,257	-
		105,150	180,666
16.	LONG TERM INVESTMENT		
	Investment in an associate		
	J.K. Tech (Private) Limited - unquoted		
	750 (2013: 750) ordinary shares of Rupees 10 each (Note 16.1)	8	8
	Less: Accumulated Impairment	(8)	(8)
		-	-

16.1 The Company holds 50% (2013: 50%) shares in J.K. Tech (Private) Limited, a private limited company involved in providing services of electricity transmission. The summarized financial information of J.K. Tech (Private) Limited is as follows:

	Un-Audited 2014	Audited 2013
	(RUPEES IN THOUSAND)	
Associate's balance sheet:		
Current assets	865	50
Non-current assets	10,517	11,708
Current liabilities	(487)	(630)
Non-current liabilities	(11,119)	(11,042)
Net assets	(224)	86
Associate's revenue and profit:		
Revenue	3,870	2,467
Profit / (loss) before taxation for the year	59	(502)
Loss after taxation for the year	(309)	(735)

		2014	2013
		(RUPEES IN THOUSAND)	
17.	LONG TERM LOANS		
	Considered good - secured		
	Executive (Note 17.1 and Note 17.2)	720	-
	Other employees (Note 17.2)	2,744	1,080
		3,464	1,080
	Less: Current portion shown under current assets (Note 22)		
	Executive	240	-
	Other employees	1,497	693
		1,737	693
		1,727	387

Notes to the Financial Statements

For the Year ended 30 June 2014

		2014	2013
		(RUPEES IN THOUSAND)	
17.1	Reconciliation of carrying amount of loans to executives:		
	Balance as on 01 July	-	-
	Add: Disbursement	800	-
		800	-
	Less: Repayments	80	
	Balance as on 30 June	720	-

17.1.1 Maximum aggregate balance due from executive at the end of any month during the year was Rupees 0.800 million (2013: Rupees Nil).

17.2 These represent personal loans to executive and employees and are secured against balance to the credit of them in the provident fund trust. These are recoverable in equal monthly installments. Interest on long term loans was charged at the rate of 13.00% (2013: 12.70%) per annum which is deducted from their monthly salaries.

17.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

18. LONG TERM DEPOSITS AND PREPAYMENTS

	2014	2013
Deposits	15,618	9,304
Prepayments	-	203
	15,618	9,507
Less: Current portion shown under current assets (Note 23)	-	203
	15,618	9,304

19. STORES, SPARE PARTS AND LOOSE TOOLS

	2014	2013
Stores (Note 19.1)	45,124	33,681
Spare parts	15,639	10,915
Loose tools	362	330
	61,125	44,926

19.1 These include stores in transit of Rupees 1.488 million (2013: Rupees 3.035 million).

20. STOCK-IN-TRADE

	2014	2013
Raw materials	661,682	936,250
Work-in-process	270,065	311,908
Finished goods	699,969	317,215
Waste	21,121	26,648
	1,652,837	1,592,021

20.1 Stock-in-trade of Rupees 794.956 million (2013: Rupees 26.648 million) is being carried at net realizable value.

20.2 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 70.409 million (2013: Rupees Nil).

Notes to the Financial Statements
For the Year ended 30 June 2014

		2014	2013
		(RUPEES IN THOUSAND)	
21.	**TRADE DEBTS**		
	Considered good:		
	Secured (against letters of credit)	379,084	157,284
	Unsecured	312,238	455,467
		691,322	612,751

21.1 As at 30 June 2014, trade debts of Rupees 210.011 million (2013: Rupees 128.375 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2014	2013
Upto 1 month	191,466	95,574
1 to 6 months	17,695	32,472
More than 6 months	850	329
	210,011	128,375

		2014	2013
22.	**LOANS AND ADVANCES**		
	Considered good:		
	Employees - interest free:		
	Executives - against expenses	1,312	-
	Other employees:		
	Against expenses	953	1,590
	Against salary	672	1,458
		1,625	3,048
		2,937	3,048
	Current portion of long term loans (Note 17)	1,737	693
	Advances to suppliers (Note 22.1)	78,008	79,473
	Letters of credit	608	1,183
		83,290	84,397

22.1 This includes amount of Rupees Nil (2013: Rupees 0.126 million) due from J.K. Tech (Private) Limited - an associate.

		2014	2013
23.	**SHORT TERM DEPOSITS AND PREPAYMENTS**		
	Deposits	3,017	3,017
	Prepayments	2,561	2,695
	Current portion of long term deposits and prepayments (Note 18)	-	203
		5,578	5,915
24.	**OTHER RECEIVABLES**		
	Considered good:		
	Export rebate	17,249	14,885
	Insurance claim	58,796	-
	Miscellaneous	3,316	3,070
		79,361	17,955

Notes to the Financial Statements

For the Year ended 30 June 2014

		2014	2013
		(RUPEES IN THOUSAND)	
25.	TAX REFUNDS DUE FROM THE GOVERNMENT		
	Considered good:		
	Income tax	133,048	94,404
	Sales tax	127,298	115,966
	Federal / special excise duty	3,159	2,888
		263,505	213,258
26.	CASH AND BANK BALANCES		
	With banks:		
	On current accounts		
	Including US$ 35,905 (2013: US$ 68,435)	26,705	58,087
	On PLS saving accounts (Note 26.1)	16	151
		26,721	58,238
	Cash in hand	575	776
		27,296	59,014

26.1 Rate of profit on bank deposits was 7.30% (2013: 5.52% to 6.50%) per annum.

		2014	2013
27.	SALES		
	Export	5,169,948	4,846,928
	Local (Note 27.1)	4,559,629	4,060,467
	Export rebate and duty drawback	5,284	11,578
		9,734,861	8,918,973
27.1	Local		
	Sales	4,575,707	4,008,725
	Waste	75,009	80,578
		4,650,716	4,089,303
	Less: Sales tax	91,087	28,836
		4,559,629	4,060,467

Notes to the Financial Statements

For the Year ended 30 June 2014

	2014	2013
	(RUPEES IN THOUSAND)	
28. COST OF SALES		
Raw materials consumed (Note 28.1)	6,519,567	5,643,474
Stores, spare parts and loose tools consumed	137,297	135,169
Packing material consumed	130,859	71,061
Processing and conversion charges	890,016	686,756
Doubling charges	2,560	855
Fuel and power	728,355	524,363
Salaries, wages and other benefits (Note 28.2)	414,094	361,944
Repair and maintenance	21,083	16,009
Insurance	12,999	12,282
Other factory overheads	41,976	33,920
Impairment loss on leased assets	-	2,746
Depreciation (Note 15.1.2)	251,050	128,498
	9,149,856	7,617,077
Work-in-process		
Opening stock	311,908	234,250
Closing stock	(270,065)	(311,908)
	41,843	(77,658)
Cost of goods manufactured	9,191,699	7,539,419
Finished goods:		
Opening stock	343,863	270,237
Closing stock	(721,090)	(343,863)
	(377,227)	(73,626)
	8,814,472	7,465,793
Cost of finished goods lost due to fire	(64,696)	-
	8,749,776	7,465,793
Cost of sale - purchased for resale	15,859	10,475
	8,765,635	7,476,268

28.1 Raw material consumed

	2014	2013
Opening stock	936,250	774,191
Add: Purchased during the year	6,244,999	5,805,533
	7,181,249	6,579,724
Less: Closing stock	661,682	936,250
	6,519,567	5,643,474

28.2 Salaries, wages and other benefits include provident fund contribution of Rupees 9.262 million (2013: Rupees 7.628 million) by the Company.

Notes to the Financial Statements

For the Year ended 30 June 2014

		2014	2013
		(RUPEES IN THOUSAND)	
29.	DISTRIBUTION COST		
	Salaries, wages and other benefits (Note 29.1)	5,575	5,910
	Ocean freight	120,693	141,530
	Commission and brokerage	136,884	183,423
	Travelling and conveyance	14,089	13,121
	Local freight	32,277	26,747
	Shipping expenses	13,297	10,184
	Export development surcharge	11,828	11,478
	Advertisement	2,024	1,506
	Business promotion	914	4,835
	Miscellaneous	6,415	5,285
		343,996	404,019

29.1 Salaries, wages and other benefits include provident fund contribution of Rupees 0.282 million (2013: Rupees 0.326 million) by the Company.

30.	ADMINISTRATIVE EXPENSES		
	Salaries, wages and other benefits (Note 30.1)	86,954	74,698
	Rent, rates and taxes (Note 30.2)	7,373	2,475
	Legal and professional	1,414	1,977
	Insurance	2,704	2,614
	Traveling and conveyance	18,405	22,238
	Vehicles' running	12,415	11,832
	Entertainment	4,448	4,956
	Auditors' remuneration (Note 30.3)	1,300	1,200
	Advertisement	37	729
	Communication	6,522	5,641
	Utilities	4,520	2,521
	Printing and stationery	1,604	1,041
	Repair and maintenance	1,676	2,314
	Fee and subscription	4,735	4,214
	Depreciation (Note 15.1.2)	18,406	16,723
	Other charges	7,017	9,249
		179,530	164,422

30.1 Salaries, wages and other benefits include provident fund contribution of Rupees 3.423 million (2013: Rupees 2.111 million) by the Company.

30.2 This includes ijarah (operating lease) rentals amounting to Rupees 5.839 million (2013: Rupees 0.378 million).

30.3	Auditors' remuneration:		
	Audit fee	1,250	1,150
	Half yearly review	50	50
		1,300	1,200

Notes to the Financial Statements

For the Year ended 30 June 2014

		2014	2013
		(RUPEES IN THOUSAND)	
31.	OTHER EXPENSES		
	Donations (Note 31.1)	10,588	7,007
	Workers' profit participation fund (Note 10.1)	18,856	34,544
	Workers' welfare fund	2,336	4,320
		31,780	45,871

31.1 There is no interest of any director or his / her spouse in donees' fund.

		2014	2013
32.	OTHER INCOME		
	Income from financial assets		
	Exchange gain	147,195	20,342
	Mark-up on PLS saving accounts	30	121
		147,225	20,463
	Income from non-financial assets		
	Gain on sale of property, plant and equipment	10,413	17,856
	Amortization of deferred income on sale and lease back (Note 32.1)	558	–
		158,196	38,319

32.1 The Company entered into sale and lease back arrangement of operating fixed assets during the year ended 30 June 2014. Excess of sales proceeds over carrying amount of operating fixed assets is deferred and being amortized over the lease term.

		2014	2013
33.	FINANCE COST		
	Mark up on:		
	Long term financing	15,681	30,424
	Liabilities against assets subject to finance lease	3,815	2,575
	Short term borrowings	165,635	135,931
	Interest on workers' profit participation fund (Note 10.1)	4,969	1,515
	Bank charges and commission	31,086	45,775
		221,186	216,220
34.	TAXATION		
	Charge for the year:		
	Current tax (Note 34.1)	71,109	30,345
	Prior year adjustment	2,758	-
		73,867	30,345
	Deferred (Note 34.2)	(16,199)	20,792
		57,668	51,137

Notes to the Financial Statements

For the Year ended 30 June 2014

34.1 Provision for current taxation represents the tax deducted against export sales and current tax on local sales under the relevant provisions of the Income Tax Ordinance, 2001 adjusted by tax credits available as at 30 June 2014. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented, being impracticable.

		2014	2013
		(RUPEES IN THOUSAND)	
34.2	Deferred income tax effect due to:		
	Accelerated tax depreciation	191,731	198,749
	Liabilities against assets subject to finance lease	(7,014)	(6,043)
	Surplus on revaluation of property, plant and equipment	73,895	85,118
		258,612	277,824
	Opening balance as at 01 July	(277,824)	(264,216)
	Related to surplus on revaluation of property, plant and equipment	2,902	3,946
	Adjustment of deferred income tax liability on sale of plant and machinery	111	3,238
		(274,811)	(257,032)
		(16,199)	20,792

35. EARNING PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

	2014	2013
Profit attributable to ordinary shareholders (Rupees in thousand)	293,262	599,355
Weighted average number of ordinary shares (Numbers)	60 903 275	60 903 275
Earnings per share (Rupees)	4.82	9.84

36. CASH GENERATED FROM OPERATIONS

	2014	2013
Profit before taxation	350,930	650,492
Adjustments for non-cash charges and other items:		
Depreciation	269,456	145,221
Amortization of deferred income on sale and lease back	(558)	-
Finance cost	221,186	216,220
Provision for workers' profit participation fund	18,856	34,544
Provision for workers' welfare fund	2,336	7,343
Gain on sale of property, plant and equipment	(10,413)	(17,856)
Impairment loss on leased assets	-	2,746
Working capital changes (Note 36.1)	(216,457)	(342,265)
	635,336	696,445

Notes to the Financial Statements

For the Year ended 30 June 2014

	2014	2013
	(RUPEES IN THOUSAND)	
36.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(16,199)	(7,844)
Stock-in-trade	(60,816)	(313,343)
Trade debts	(78,571)	(161,608)
Loans and advances	1,107	(21,844)
Short term deposits and prepayments	337	5,345
Other receivables	(61,406)	50,980
Tax refunds due from the Government	(11,603)	(29,614)
	(227,151)	(477,928)
Increase in trade and other payables	10,694	135,663
	(216,457)	(342,265)

37. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for the year for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(RUPEES IN THOUSAND)					
Managerial remuneration	6,555	3,408	17,683	10,469	26,255	22,594
Allowances						
Utilities	1,772	1,243	471	300	-	-
Contribution to provident fund	267	-	834	248	1,407	1,144
	8,594	4,651	18,988	11,017	27,662	23,738
Number of persons	1	1	5	5	22	25

37.1 Chief Executive Officer, directors and certain executives of the Company are provided with Company maintained vehicles.

37.2 No remuneration was paid to non-executive director of the Company.

38. PROVIDENT FUND RELATED DISCLOSURES

Following information is based on the Employees' Provident Fund Trust's Un-Audited financial statements for the year ended 30 June 2014 and Audited financial statements for the year ended 30 June 2013:

	Un-Audited 2014	Audited 2013
	(RUPEES IN THOUSAND)	
Size of the fund - Total assets	152,502	133,340
Cost of investments	151,312	133,116
Percentage of investments	99.22%	99.83%
Fair value of investments	151,105	133,116

Notes to the Financial Statements

For the Year ended 30 June 2014

38.1 The break-up of cost of investments is as follows:

	2014	2013	Un-Audited 2014	Audited 2013
	PERCENTAGE		(RUPEES IN THOUSAND)	
Bank deposits	48%	25%	72,977	32,895
Mutual fund	47%	68%	71,246	90,732
Listed securities	5%	7%	7,089	9,489
	100%	100%	151,312	133,116

38.2 The above investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2014	2013
	(NUMBER OF PERSONS)	
39. NUMBER OF EMPLOYEES		
Number of employees as on 30 June	2 262	2 043
Average number of employees during the year	2 196	2 076

40. 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 with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2014	2013
	(RUPEES IN THOUSAND)	
Associated Companies		
Service charges	3,869	2,467
Purchases	-	328
Other related parties		
Contribution to Employees' Provident Fund Trust	12,967	10,065
Loan repaid to directors - net	(16,396)	(43,394)
Sale of operating fixed assets	1,525	-
Dividend paid	500	-
Office rent	-	315

		2014	2013
		(FIGURES IN THOUSAND)	
41. PLANT CAPACITY AND ACTUAL PRODUCTION			
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2013: 1 095 shifts)	(Kgs.)	32 898	28 440
Actual production converted to 20s count based on 3 shifts per day for 978 shifts (2013: 1017 shifts)	(Kgs.)	25 664	24 013

Fabric and Home textile

The plant capacity of these divisions is indeterminable due to multi product plants involving varying processes of manufacturing.

41.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is mainly due to gas and electricity shutdowns.

Notes to the Financial Statements

For the Year ended 30 June 2014

42. SEGMENT INFORMATION

	Spinning		Fabric		Home Textile		Elimination of Inter-segment transactions		Total - Company	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(RUPEES IN THOUSAND)									
Sales										
External	5,978,674	5,676,465	1,445,377	2,073,500	2,310,810	1,169,008	-	-	9,734,861	8,918,973
Inter segment	163,568	93,758	-	-	-	-	(163,568)	(93,758)	-	-
	6,142,242	5,770,223	1,445,377	2,073,500	2,310,810	1,169,008	(163,568)	(93,758)	9,734,861	8,918,973
Cost of sales	(5,524,829)	(4,718,966)	(1,319,925)	(1,835,378)	(2,084,449)	(1,015,682)	163,568	93,758	(8,765,635)	(7,476,268)
Gross profit	617,413	1,051,257	125,452	238,122	226,361	153,326	-	-	969,226	1,442,705
Distribution cost	(157,833)	(196,866)	(69,042)	(130,968)	(117,121)	(76,185)	-	-	(343,996)	(404,019)
Administrative expenses	(125,573)	(117,137)	(19,942)	(33,011)	(34,015)	(14,274)	-	-	(179,530)	(164,422)
	(283,406)	(314,003)	(88,984)	(163,979)	(151,136)	(90,459)	-	-	(523,526)	(568,441)
Profit before taxation and unallocated income and expenses	334,007	737,254	36,468	74,143	75,225	62,867	-	-	445,700	874,264
Unallocated income and expenses:										
Other expenses									(31,780)	(45,871)
Other income									158,196	38,319
Finance cost									(221,186)	(216,220)
Taxation									(57,668)	(51,137)
Profit after taxation									293,262	599,355

Notes to the Financial Statements

For the Year ended 30 June 2014

42.1 Reconciliation of reportable segment assets and liabilities:

	Spinning		Fabric		Home Taxtile		Total - Company	
	2014	2013	2014	2013	2014	2013	2014	2013
	(RUPEES IN THOUSAND)							
Total assets for reportable segments	4,218,070	4,188,329	807,976	701,092	345,470	320,164	5,371,516	5,209,585
Unallocated assets							297,893	253,307
Total assets as per balance sheet							5,669,409	5,462,892

All segment assets are allocated to reportable segments other than those directly relating to corporate.

	Spinning		Fabric		Home Taxtile		Total - Company	
Total liabilities for reportable segments	1,175,499	1,455,501	495,176	414,853	349,285	234,235	2,019,960	2,104,589
Unallocated liabilities							350,913	350,056
Total liabilities as per balance sheet							2,370,873	2,454,645

All segment liabilities are allocated to reportable segments other than provision for taxation, deferred income tax liability and other corporate liabilities.

42.2 Geographical Information

The Company's revenue from external customers by geographical locations is detailed below:

	2014	2013
	(RUPEES IN THOUSAND)	
Europe	2,862,725	2,580,340
America	642,177	512,631
Asia, Africa and Australia	1,670,330	1,765,535
Pakistan	4,559,629	4,060,467
	9,734,861	8,918,973

42.3 All non-current assets of the Company as at reporting date are located and operating in Pakistan.

42.4 Revenue from major customers

The Company's revenue is earned from a large mix of customers.

43. FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of non-derivative financial instruments and investment of excess liquidity.

Notes to the Financial Statements

For the Year ended 30 June 2014

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to United States Dollar (USD), Great Britain Pound (GBP) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2014	2013
Cash at banks - USD	35,905	68,435
Trade debts - USD	2,896,311	3,173,022
Trade debts - Euro	94,903	312,599
Trade debts - GBP	429,475	91,692
Trade and other payables - USD	(340,466)	(75,187)
Short term borrowings - USD	(2,847,345)	(135,540)
Short term borrowings - GBP	(69,672)	-
Net exposure - USD	(255,595)	3,166,270
Net exposure - Euro	94,903	312,599
Net exposure - GBP	359,803	91,692

Following significant exchange rates were applied during the year:

	2014	2013
Rupees per US Dollar		
Average rate	102.01	96.12
Reporting date rate	98.75	98.60
Rupees per Euro		
Average rate	139.45	125.18
Reporting date rate	134.46	128.85
Rupees per Great Britain Pound		
Average rate	164.96	149.06
Reporting date rate	167.79	150.57

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 1.175 million lower / higher (2013: Rupees 13.911 million higher / lower), Rupees 0.594 million (2013: Rupees 1.875 million) higher / lower and Rupees 2.810 million (2013: Rupees Rupees 0.643 million) higher / lower respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

Notes to the Financial Statements

For the Year ended 30 June 2014

Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected / forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly bases, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities / payments to assets / receipts, using source inputs in foreign currency and arranging cross currency swaps. The Company maintains foreign currency working capital lines in order to finance production of exportable goods. Proceeds from exports are used to repay / settle / rollover the Company's obligations under these working capital lines which substantially reduces exposure to currency risk in respect of such liabilities. Balances in foreign currency are also maintained in current accounts with banking companies.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no interest bearing assets except for long term loans and bank balances in saving accounts. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, long term loans and bank balances in saving accounts. Financial instruments obtained at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2014	2013
	(RUPEES IN THOUSAND)	
Fixed rate instruments		
Financial assets		
Long term loans	3,464	1,080
Financial liabilities		
Long term financing	-	447
Short term borrowings	362,000	425,000
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	16	151
Financial liabilities		
Long term financing	93,933	198,944
Liabilities against assets subject to finance lease	46,029	38,301
Short term borrowings	794,307	707,281

Notes to the Financial Statements

For the Year ended 30 June 2014

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 9.443 million (2013: Rupees 8.792 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming that the amounts of financial instruments outstanding at balance sheet date were outstanding for the whole year.

Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014	2013
	(RUPEES IN THOUSAND)	
Loans and advances	4,136	2,538
Deposits	18,635	12,321
Trade debts	691,322	612,751
Other receivables	62,112	3,070
Bank balances	26,721	58,238
	802,926	688,918

Notes to the Financial Statements

For the Year ended 30 June 2014

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2014	2013
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,315	1,504
Allied Bank Limited	A1+	AA+	PACRA	82	35
Askari Bank Limited	A1+	AA	PACRA	943	5,849
Bank Alfalah Limited	A1+	AA	PACRA	-	16,836
Faysal Bank Limited	A1+	AA	PACRA	14	2,422
Habib Bank Limited	A-1+	AAA	JCR-VIS	-	3
Bank Al-Habib Limited	A1+	AA+	PACRA	90	91
NIB Bank Limited	A1+	AA -	PACRA	57	51
Silkbank Limited	A-2	A-	JCR-VIS	87	638
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	2,838	19,077
United Bank Limited	A-1+	AA+	JCR-VIS	25	640
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	16	-
HSBC Bank Middle East Limited	F1+	AA-	Fitch	-	44
The Bank of Punjab	A1+	AA-	PACRA	19,468	5,058
Summit Bank Limited	A-3	A-	JCR-VIS	736	5,990
The Bank of Khyber	A1	A	PACRA	50	-
				26,721	58,238

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 21.

Credit risk management

The Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by counterparties. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Notes to the Financial Statements

For the Year ended 30 June 2014

Contractual maturities of financial liabilities as at 30 June 2014:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	(RUPEES IN THOUSAND)					
Non-derivative financial liabilities:						
Long term financing	93,933	104,114	59,994	31,184	12,936	-
Directors' loan	300,000	300,000	-	-	300,000	-
Liabilities against assets subject to finance lease	46,029	50,684	11,267	11,268	19,032	9,117
Trade and other payables	335,923	335,923	335,923	-	-	-
Accrued mark-up	21,234	21,234	21,234	-	-	-
Short term borrowings	1,202,486	1,243,134	1,207,595	35,539	-	-
	1,999,605	2,055,089	1,636,013	77,991	331,968	9,117

Contractual maturities of financial liabilities as at 30 June 2013:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
Non-derivative financial liabilities:						
Long term financing	199,391	224,899	69,552	59,972	82,266	13,109
Directors' loan	300,000	300,000	-	-	300,000	-
Liabilities against assets subject to finance lease	38,301	43,492	7,819	7,819	15,638	12,216
Trade and other payables	321,665	321,665	321,665	-	-	-
Accrued mark-up	28,777	28,777	28,777	-	-	-
Short term borrowings	1,194,856	1,197,868	921,634	276,234	-	-
	2,082,990	2,116,701	1,349,447	344,025	397,904	25,325

The amounts disclosed in the table are undiscounted cash flows.

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 6, Note 8 and Note 12 to these financial statements.

Liquidity risk management

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2014, the Company had Rupees 4,418.693 million (2013: Rupees 3,792.719 million) available borrowing limits from financial institutions and Rupees 27.296 million (2013: Rupees 59.014 million) cash and bank balances. Management believes the liquidity risk to be low.

43.2 Fair values of financial assets and liabilities

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

Notes to the Financial Statements

For the Year ended 30 June 2014

	Loans and receivables	
	2014	2013
	(RUPEES IN THOUSAND)	
43.3 Financial instruments by categories		
Assets as per balance sheet		
Loans and advances	4,136	2,538
Deposits	18,635	12,321
Trade debts	691,322	612,751
Other receivables	62,112	3,070
Cash and bank balances	27,296	59,014
	803,501	689,694

	Financial liabilities at amortized cost	
	2014	2013
	(RUPEES IN THOUSAND)	
Liabilities as per balance sheet		
Long term financing	93,933	199,391
Directors' loan	300,000	300,000
Liabilities against assets subject to finance lease	46,029	38,301
Accrued mark-up	21,234	28,777
Short term borrowings	1,202,486	1,194,856
Trade and other payables	335,923	321,665
	1,999,605	2,082,990

43.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in Note 6, Note 8 and Note 12 respectively. Equity represents 'total equity' as shown in the balance sheet and directors' loans which are subordinated to bank borrowings as referred in Note 7. Total capital employed includes 'equity' plus 'borrowings'. The Company's overall strategy remained unchanged from year 2013.

		2014	2013
Borrowings	Rupees in thousand	1,342,448	1,432,548
Total equity	Rupees in thousand	3,033,721	2,700,047
Total capital employed	Rupees in thousand	4,376,169	4,132,595
Gearing ratio	Percentage	30.68	34.66

The decrease in the gearing ratio resulted primarily from increase in total equity of the Company.

Notes to the Financial Statements

For the Year ended 30 June 2014

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 September 2014 by the Board of Directors of the Company.

45. CORRESPONDING FIGURES

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

46. GENERAL

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

Jawed Anwar
Chief Executive Officer

Faiq Jawed
Director

Pattern of Shareholding

As at June 30, 2014

No. of Share Holders	Share Holding From	Share Holding To	Total Shares Held
53	1	100	994
61	101	500	20,651
49	501	1000	38,364
89	1,001	5,000	217,735
18	5,001	10,000	130,999
8	10,001	15,000	103,326
5	15,001	20,000	89,250
3	20,001	25,000	70,000
2	31,001	40,000	71,157
2	40,001	45,000	81,028
1	45,001	50,000	46,410
1	50,001	55,000	52,000
1	81,001	85,000	84,500
1	85,001	90,000	89,236
1	295,001	300,000	300,000
1	630,001	635,000	631,700
1	965,001	970,000	967,875
1	9,385,001	9,390,000	9,388,120
1	9,415,001	9,425,000	9,419,380
1	15,034,001	15,035,000	15,034,927
1	24,065,001	24,070,000	24,065,623
301			60,903,275

Pattern of Shareholding

S.No.	Categories of Share Holders	No. of Share Holders	Shares Held	Percetnage
1	Financial Institutions	2	3,361	0.00
2	Leasing Company	1	3,885	0.01
3	Investment Companies	2	32,250	0.05
4	Insurance Companies	2	5,460	0.01
5	Joint Stock Companies	5	34,205	0.06
6	Modarba Companies	2	5,880	0.01
7	Directores, CEOs & Their Spouses	8	58,545,165	96.13
8	Individuals	279	2,273,069	3.73
	Total	301	60,903,275	100.00

Detail of Categories

Share Holders As On June 30, 2014	No. of Share Holders	Shares Held
Financial Institutions		
National Bank of Pakistan	1	191
Industrial Development Bank of Pakistan	1	3,170
	2	3,361
Leasing Company		
Pakistan Industrial & Commercial Leasing Ltd	1	3,885
	1	3,885
Modaraba Companies		
First Prudential Modarba	1	3,255
Prudential Capital Management Ltd	1	2,625
	2	5,880
Investment Companies		
Trustee-National Bank of Pakistan-Employees benevolent Fund	1	1,093
Trustee-National Bank of Pakistan-Employees Pension Fund	1	31,157
	2	32,250
Insurance Companies		
Pakistan Guarantee Insurance Company Ltd	1	4,935
Gulf Insurance Company Ltd	1	525
	2	5,460
Directores, CEOs & Their Spouses		
Mr. Jawed Anwar (Chairman / Chief Executive)	1	24,065,623
Mr. Faiq Jawed (Director)	1	15,034,927
Mr. Shaiq Jawed (Director)	1	9,388,120
Mrs. Farhat Jehan (Director)	1	9,419,380
Syed Shahid Hussain Mansoor Naqvi (Director)	1	4,415
Mr. Ghulam Muhammad (Director)	1	500
Mr. Qayyum Mohsin Malik (Director)	1	500
Mrs. Nageen Faiq (Spouse of Mr.Faiq Jawed)	1	631,700
	8	58,545,165
Joint Stock Companies		
Stock Master Securities (Pvt.) Ltd	1	9,699
Rafi Securities (Pvt.) Ltd.	1	20,000
Standard Capital Securities (Pvt.) Ltd.	1	3,000
NCC-Pre Settlement Delivery Account	1	1,500
Sultan Textile Mills Karachi Ltd	1	6
	5	34,205
Individuals	279	2,273,069
Grand Total	301	60,903,275

Shareholders Holding 10% Or More Voting Interest in The Company As On June 30, 2014

Directores, CEOs	Shares Held	% Age
Mr..Jawed Anwar (Chairman / Chief Executive)	24,065,623	39.51
Mr..Faiq Jawed (Director)	15,034,927	24.69
Mr. Shaiq Jawed (Director)	9,388,120	15.41
Mrs.Farhat Jehan (Director)	9,419,380	15.47

To: All Members of Company

Sub: Abstract under section 218 of Companies Ordinance, 1984.

Remuneration of Chief Executive Officer & Directors has been increased W.E.F 1st November, 2013 as detailed hereunder duly approved by the Board on 19-11-2013.

Particulars	Designations	Previous Monthly Remuneration (Rupees)	Proposed Monthly Increase (Rupees)	Monthly Remuneration After Increase (Rupees)
Mr. Jawed Anwar	Chief Executive Officer	284,000/=	316,000/=	600,000/=
Mr. Faiq Jawed	Director	250,000/=	250,000/=	500,000/=
Mr. Shaiq Jawed	Director	250,000/=	250,000/=	500,000/=
Syed Hussain Shahid Mansoor Naqvi	Director	88,875/=	111,125/=	200,000/=
Mr. Ghulam Muhammad	Director	152,626/=	97,374/=	250,000/=
Mr. Qayyum Mohsin Malik	Director	129,753/=	120,247/=	250,000/=

Further Mr. Jawed Anwar, Mr. Faiq Jawed and Mr. Shaiq Jawed be enrolled as member of Provident Fund and against their contribution company will subscribe its share for all of them as per Provident Fund Rules.

All other terms & conditions remain the same.

Syed Hussain Shahid Mansoor Naqvi
Director / Company Secretary

To: All Members of Company

Sub: Abstract under section 218 of Companies Ordinance, 1984.

The Income Tax on Director's Remuneration / Perquisites of following CEO & Directors will be paid by company with effect from 1st February, 2014 as duly approved in the Board meeting held on 26-02-2014

1. Mr. Jawed Anwar, CEO
2. Mr. Faiq Jawed, Director
3. Mr. Shaiq Jawed, Director

All other terms & conditions remain the same.

Syed Hussain Shahid Mansoor Naqvi
Director / Company Secretary

Form of Proxy

Folio No. ______________CDC Participants Identity Card No. ____________________ A/C No. _________________

I / We ____

of____

being a member(s) of J.K SPINNING MILLS LIMITED a holder of ____

ordinary shares as per Registered Folio No. ____

hereby appoint ____

of ____

Shares Registered Folio No. ____ who is also a member of J.K SPINNING MILLS LIMITED as my proxy to vote for me and on my behalf at the 28th Annual General Meeting of the Company to be held on Thursday, the October 23rd, 2014 and at any adjournment thereof.

Signed this _________________________________ day of ________________________________2014.

Witness:

Affix Rs. 5/- Revenue
Stamp here

1.

N.B. (Signature should agree with specimen signature registered with the Company)

2.

NOTICE

A member entitled to vote at this meeting may appoint a proxy. Proxies in order to be effective must be received at Registered Office of the Company duly stamped and signed not later than 48 hours before the time of meeting.

Second Fold

Affix Revenue Stamp

The Company Secretary

JK Spinning Mills Limited
29-KM, Sheikhupura Road, Faisalabad.

Third Fold and Tuck In

First Fold

J.K SPINING MILLS LIMITED
Registered Office:
29-km Sheikhupura Road, Drumanwala
More Khurrianwala, Faisalabad. Pakistan
PABX: +92 41 4362441 46, 5036678-80

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

www.jkgroup.net

Concept, Design & Printed by: Al-Imran www.alimranprinters.com