

**3rd
Quarter
Report**

IDEAL SPINNING MILLS LIMITED



IdealGroup

**CONDENSED INTERIM
FINANCIAL INFORMATION**

**3rd Quarter Report
(UN-AUDITED)
31 March , 2020**



COMPANY INFORMATION

CHAIRMAN:	Mr. Mohammad Saeed
CHIEF EXECUTIVE OFFICER:	Mr. Amjad Saeed
DIRECTORS:	Mrs. Robina Amjad Mr. Omer Saeed Mr. Ahsan Saeed Mr. Khizer Saeed Mr. Muhammad Asif (Nominee NIT)
AUDIT COMMITTEE:	
CHAIRMAN	Mr. Ahsan Saeed
MEMBER	Mr. Muhammad Saeed
MEMBER	Mr. Muhammad Asif
H.R. & REMUNERATION COMMITTEE:	
CHAIRMAN	Mr. Ahsan Saeed
MEMBER	Mr. Muhammad Saeed
MEMBER	Mr. Khizer Saeed
CHIEF FINANCIAL OFFICER:	Mr. Muhammad Kashif Zahur
COMPANY SECRETARY:	Mr. Muhammad Nadeem
SHARE REGISTRAR:	F. D. Registrar Services (SMC-Pvt.) Ltd. 17 th Floor, Saima Trade Tower-A, I.I.Chundrigar Road, Karachi.
AUDITORS:	M/s Riaz Ahmad & Company Chartered Accountants
BANKERS:	Bank Alfalah Limited Al-Baraka Bank (Pakistan) Ltd. Bank Al-Habib Ltd. Habib Metropolitan Bank Ltd. The Bank of Punjab
REGISTERED OFFICE :	Room No 404 & 405, 4 th Floor, Business Centre, Mumtaz Hassan Road, Karachi. www.idealsm.com
FACTORY:	35-K.M Sheikhupura Road, Tehsil Jaranwala, Distt. Faisalabad.

DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

Your Directors feel pleasure in submitting unaudited financial statements of your Company for the Third Quarter ended 31 March 2020.

FINANCIAL RESULTS	31.03. 2020	31.03. 2019
	(RUPEES IN THOUSAND)	
REVENUE	3,108,811	2,388,722
COST OF SALES	(2,669,090)	(2,123,066)
GROSS PROFIT	439,721	265,656
DISTRIBUTION COST	(66,777)	(41,349)
ADMINISTRATIVE EXPENSES	(147,045)	(107,847)
OTHER EXPENSES	(15,207)	(2,314)
OTHER INCOME	9,267	25,857
FINANCE COST	(91,744)	(87,849)
PROFIT BEFORE TAXATION	128,215	52,154
TAXATION	(36,711)	(11,900)
PROFIT AFTER TAXATION	91,504	40,254
EARNING PER SHARE-BASIC AND DILUTED (RUPEES)	9.22	4.06

By the Blessings of Almighty ALLAH your company achieved Revenue growth of 30.14%, resulting in to after Tax Profit of Rs.91.504 million as compared to Rs.40.254 Million in comparative with corresponding period of last year.

BUSINESS OUTLOOK:

Textile industry is under pressure due to rising cost of raw material, energy costs, minimum wage rates and high inflation rates and covid 19 is an emerging threat.

PERFORMANCE REVIEW:

With the Almighty ALLAH's blessings, financial performance of the company is promising. Earnings per share has increased to Rs.9.22 from Rs.4.06 per share as compared to last year. Company achieved gross profit of 14.14% as compared to 11.12%, which is very good considering the facts cited above. Operational performance of the company was admirable and achieved production targets with exceptional Quality.

FURTHER EXPANSION

With Almighty ALLAH'S blessings management has planned to increase spindles in-sha-Allah.

ACKNOWLEDGEMENT

The Board offers thanks to our shareholders and bankers for their continued support and trust in the company. The Board acknowledges the efforts and devotion of staff and workers which led to achieve milestones and hope these will continue in upcoming years.

Faisalabad
April 30, 2020

On behalf of the Board,



(Anjad Baeed)

Chief Executive Officer

حصہ داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کے ڈائریکٹرز 31 مارچ 2020 کو ختم ہونے والے 9 ماہ کے لئے آپ کی کمپنی کے غیر آڈٹ شدہ نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔
مالیاتی نتائج

31-03-2020 **31-03-2019**
(رقم ہزاروں میں)

3,108,811	2,388,722	ریونٹو
<u>(2,669,090)</u>	<u>(2,123,066)</u>	کاسٹ آف سیل
439,721	265,656	گراس منافع
(66,777)	(41,349)	ڈسٹری بیوشن اخراجات
<u>(147,045)</u>	<u>(107,847)</u>	انتظامی اخراجات
(15,207)	(2,314)	متفرق اخراجات
9,267	25,857	دیگر آمدن
<u>(91,744)</u>	<u>(87,849)</u>	فنانس اخراجات
28,215	(52,154)	ٹیکس کے بغیر منافع
<u>(36,711)</u>	<u>(11,900)</u>	ٹیکس
<u>91,504</u>	<u>40,254</u>	خالص منافع ٹیکس کے بعد
<u>9.22</u>	<u>4.06</u>	منافع فی حصہ بنیادی

اللہ تعالیٰ کی مہربانی سے آپ کی کمپنی کے حاصل میں 30.14% بڑھوتری ہوئی ٹیکس کی ادائیگی کے بعد 91,504 ملین روپے کا منافع ہوا۔ جبکہ گزشتہ سال کے اسی عرصہ کا منافع 40,254 ملین تھا مستقبل میں آپ کی انتظامیہ اس سے بھی بہتر نتائج حاصل کرنے کے لئے پُر امید ہے۔

پرنس آؤٹ لک:

کاروبار کرنے میں ٹیکنیکل انڈسٹری بڑے پیمانے پر دشواریوں کا سامنا کر رہی ہے کیونکہ ان پٹ کی لاگت روزانہ بڑھ رہی ہے۔ گزشتہ سال کے مقابلے میں روٹی اور پولیسٹر فائبر کی قیمتیں بہت زیادہ ہیں COVID-19 کی شرح بڑھنے کے باعث مالیاتی اخراجات میں اضافہ ہوا ہے۔ کم سے کم معاوضہ میں اضافہ فراڈز کی شرح میں اضافہ کمپنی کے منافع کو متاثر کر سکتا ہے۔

کارکردگی کا جائزہ:

رب تعالیٰ کے فضل و کرم سے کمپنی کی مالی کارکردگی قابل تعریف ہے۔ آمدنی فی حصہ 4.06 روپے سے بڑھ کر 9.22 روپے فی حصہ ہوئی ہے۔ اوپر بیان کیے گئے عوامل کے باوجود کمپنی نے 14.14 فی صد خام منافع حاصل کیا ہے۔ جو کہ گزشتہ سال کے اسی عرصہ میں 11.12 فی صد تھا۔ کمپنی کی آپریشنل کارکردگی قابل قدر ہے اور بہترین معیار کے ساتھ پیداواری اہداف حاصل کیے ہیں۔

تاہم حکومت کی طرف سے توانائی کی قیمتوں میں جو رعانت دی گئی ہے اس سے انڈسٹری کو کافی مدد حاصل ہوئی ہے۔

پروجیکٹ میں توسیع:

اللہ تعالیٰ کے فضل و کرم سے انتظامیہ کی جانب سے سپنڈل بڑھانے کا منصوبہ زیر غور ہے۔

کارڈوں کا اعتراف

بورڈ آف ڈائریکٹرز اپنے حصے داروں، بیکرز اور مالیاتی اداروں کے اعتماد اور مسلسل سپورٹ کا شکریہ ادا کرتا ہے۔ بورڈ کمپنی کے سٹاف اور ورکرز کی انتھک کوشش کا اعتراف کرتا ہے جن کی وجہ سے کمپنی نے موجودہ کامیابیاں حاصل کیں۔ ہمیں امید ہے کہ کامیابیاں کا یہ سلسلہ آنے والے سالوں میں بھی جاری رہے گا۔

بورڈ آف ڈائریکٹرز کی جانب سے

محمد سعید

محمد سعید

فیصل آباد

30 اپریل 2020ء

چیف ایگزیکٹو آفیسر

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	NOTE	Un-Audited 31 March 2,020 (RUPEES IN THOUSAND)	Audited 30 June 2019 (RUPEES IN THOUSAND)	NOTE	Un-Audited 31 March 2,020 (RUPEES IN THOUSAND)	Audited 30 June 2019 (RUPEES IN THOUSAND)
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Authorized share capital		200,000	200,000			
20,000,000 (30 June 2019; 20,000,000) ordinary shares of Rupees 10 each						
Issued, subscribed and paid up share capital		99,200	99,200			
9,920,000 (30 June 2019; 9,920,000) ordinary shares of Rupees 10 each fully paid in cash						
Sponsors' loans		241,800	241,800			
Capital reserves						
Equity portion of shareholders' loans		121,209	121,209			
Surplus on revaluation of freehold land		100,577	100,577			
Unappropriated profit / (accumulated loss)		66,019	(13,581)			
TOTAL EQUITY		628,805	549,205			
LIABILITIES						
NON-CURRENT LIABILITIES						
Long term financing	3	239,128	275,672		69,746	52,030
Deferred income tax liability		-	5,375		515,487	429,445
Staff retirement gratuity		93,069	79,809		197,919	178,986
		332,197	360,856		160,024	95,707
CURRENT LIABILITIES						
Trade and other payables		311,807	283,738		2,323	665
Undeclared dividend		691	690		161,126	170,296
Accrued mark-up		23,893	26,058			
Short term borrowings		731,799	709,312			
Current portion of long term financing	3	73,974	97,726			
Provision for taxation		77,152	35,100			
		1,219,316	1,152,624		1,118,453	965,143
		1,551,513	1,513,480			
TOTAL LIABILITIES		2,180,318	2,062,685		2,180,318	2,062,685
CONTINGENCIES AND COMMITMENTS						
TOTAL EQUITY AND LIABILITIES		2,180,318	2,062,685		2,180,318	2,062,685

ASSETS**NON-CURRENT ASSETS**

Property, plant and equipment	5	1,054,318	1,095,451
Intangible asset		5,533	-
Long term loans	6	226	175
Long term deposits and prepayments		1,788	1,916
		1,061,865	1,097,542

CURRENT ASSETS

Stores, spare parts and loose tools		69,746	52,030
Stock-in-trade		515,487	429,445
Trade debts		197,919	178,986
Loans and advances		160,024	95,707
Short term deposits and prepayments		2,323	665
Other receivables		161,126	170,296
Cash and bank balances		11,828	38,014
		1,118,453	965,143

TOTAL ASSETS


AMJAD SAEED
CHIEF EXECUTIVE OFFICER


OMER SAEED
DIRECTOR


MUHAMMAD KASHIF ZAHUR
CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)
FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

	NOTE	THIRD QUARTER ENDED		QUARTER ENDED	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
------(RUPEES IN THOUSAND)-----					
REVENUE		3,108,811	2,388,722	1,033,110	865,508
COST OF SALES	6	(2,669,090)	(2,123,066)	(872,022)	(764,363)
GROSS PROFIT		439,721	265,656	161,088	101,145
DISTRIBUTION COST		(66,777)	(41,349)	(26,086)	(14,084)
ADMINISTRATIVE EXPENSES		(147,045)	(107,847)	(47,272)	(39,762)
OTHER EXPENSES		(15,207)	(2,314)	(1,455)	(515)
OTHER INCOME		9,267	25,857	(3,986)	10,930
FINANCE COST		(91,744)	(87,849)	(30,927)	(37,360)
PROFIT BEFORE TAXATION		128,215	52,154	51,362	20,354
TAXATION		(36,711)	(11,900)	(13,964)	(11,365)
PROFIT AFTER TAXATION		91,504	40,254	37,398	8,989
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		9.22	4.06	3.77	0.91

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


AMJAD SAAD
CHIEF EXECUTIVE OFFICER


OMER SAAD
DIRECTOR


MUHAMMAD KASHIF ZAHUR
CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

	THIRD QUARTER ENDED		QUARTER ENDED	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	----- (RUPEES IN THOUSAND) -----			
PROFIT AFTER TAXATION	91,504	40,254	37,398	8,989
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>91,504</u>	<u>40,254</u>	<u>37,398</u>	<u>8,989</u>

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


 AMJAD SAEED
 CHIEF EXECUTIVE OFFICER


 OMER SAEED
 DIRECTOR


 MUHAMMAD KASHIF ZAHUR
 CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE THIRD QUARTER ENDED 31 MARCH 2020

	SHARE CAPITAL	SPONSORS' LOANS	RESERVES CAPITAL			(ACCUMULATED LOSS) / UNAPPROPRIATED PROFIT	TOTAL EQUITY
			Equity portion of shareholders' loan	Surplus on revaluation of freehold land	Sub total		
(RUPEES IN THOUSAND)							
Balance as at 30 June 2018 - (Audited)	99,200	241,800	121,209	100,577	221,786	505,178	
Adjustment on adoption of IFRS 9	-	-	-	-	-	(57,608)	
Adjusted total equity as at 01 July 2018	99,200	241,800	121,209	100,577	221,786	(14,706)	
Transaction with owners - Final dividend for the year ended 30 June 2018 at the rate of Rupee 0.75 per share	-	-	-	-	-	(72,314)	
Profit for the period	-	-	-	-	-	(1,243)	
Other comprehensive income for the period	-	-	-	-	-	40,254	
Total comprehensive income for the period	-	-	-	-	-	40,254	
Balance as at 31 March 2019 - (Un-audited)	99,200	241,800	121,209	100,577	221,786	529,483	
Profit for the period	-	-	-	-	-	18,861	
Other comprehensive income for the period	-	-	-	-	-	861	
Total comprehensive income for the period	-	-	-	-	-	19,722	
Balance as at 30 June 2019 - (Audited)	99,200	241,800	121,209	100,577	221,786	(13,581)	
Transaction with owners - Final dividend for the year ended 30 June 2019 at the rate of Rupees 1.20 per share	-	-	-	-	-	(11,904)	
Profit for the period	-	-	-	-	-	91,504	
Other comprehensive income for the period	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	-	91,504	
Balance as at 31 March 2020 - (Un-audited)	99,200	241,800	121,209	100,577	221,786	628,805	

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


AMJAD SAEED
CHIEF EXECUTIVE OFFICER


OMER SAEED
DIRECTOR


MUHAMMAD KASHIF ZAHUR
CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)
FOR THIRD QUARTER ENDED 31 MARCH 2020**

	Third Quarter ended	
	31 March 2020	31 March 2019
	(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from /(used in) operations	8	206,456
Finance cost paid		(50,907)
Income tax paid		(83,934)
Staff retirement gratuity paid		(58,359)
Net decrease in long term deposits and prepayments		(42,599)
Net (increase) / decrease in long term loans		(11,864)
		128
		60
		(51)
		97
Net cash generated from /(used in) operating activities		68,136
		(133,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	30	2,070
Capital expenditure on property, plant, equipment and intangible asset	(34,665)	(98,473)
Net cash used in investing activities	(34,635)	(96,403)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(70,271)	(80,913)
Dividend paid	(11,903)	(1,238)
Short term borrowings - net	22,487	332,958
Net cash (used in) / from financing activities	(59,687)	250,807
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(26,186)	20,750
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	38,014	6,383
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11,828	27,133

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



AMJAD SAEED
CHIEF EXECUTIVE OFFICER



OMER SAEED
DIRECTOR



MUHAMMAD KASHIF ZAHUR
CHIEF FINANCIAL OFFICER

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE QUARTER ENDED 31 MARCH 2020**

1. THE COMPANY AND ITS OPERATIONS

Ideal Spinning Mills Limited (the Company) is a public limited company incorporated in Pakistan on 08 June 1989 under the Companies Ordinance, 1984 (Now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn, cloth and hosiery products. The Company's registered office is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

a) Statement of compliance

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

- International Accounting Standard (IAS) 34 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

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

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- ii) These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2019. These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and section 237 of the Companies Act, 2017.

b) Accounting policies and computation methods

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2019 except for the new accounting policy adopted as given in Note 2.3. The Company has adopted International Financial Reporting Standard (IFRS) 16 from 01 July 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. IFRS 16 is not applicable on short-term leases and leases of low-value assets. The Company has only short-term operating leases, hence, the adoption of IFRS 16 does not have any impact on the amounts recognised in prior period and is not expected to significantly affect the current or future periods.

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2019.

2.3 INTANGIBLE ASSET AND AMORTIZATION

Intangible asset represents the cost of computer software acquired and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to the statement of profit or loss on straight line basis so as to write off the cost of asset over its estimated useful life. Amortization is charged from the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed of. Intangible asset is amortized over a period of 5 years.

The Company assesses at each reporting date that whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such asset is reviewed to assess whether it is recorded in excess of its recoverable amount. When carrying value exceeds the respective recoverable amount, asset is written down to its recoverable amount and resulting impairment is recognized in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. When an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Un-audited	Audited
31 March 2020	30 June 2019

(RUPEES IN THOUSAND)

3. LONG TERM FINANCING

Opening balance	373,398	550,585
Add: Fair value adjustment	9,975	20,232
	383,373	570,817
Less: Repaid during the period / year	70,271	197,419
	313,102	373,398
Less: Current portion shown under current liabilities	73,974	97,726
	239,128	275,672

4. CONTINGENCIES AND COMMITMENTS**a) Contingencies**

- i) Guarantees of Rupees 26.839 million (30 June 2019: Rupees 26.839 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and to Faisalabad Electric Supply Company Limited against electricity connection.
- ii) The Company is contingently liable for Rupees 2.812 million (30 June 2019: Rupees 2.812 million) on account of Sindh infrastructure cess not acknowledged in view of pending appeal before appellate authorities since 07 July 2014. The related provision is not made in these condensed interim financial statements in view of expected favourable outcome of the appeal.
- iii) The Company is contingently liable for Rupees 4.953 million (30 June 2019: Rupees 4.953 million) on account of appeal filed in Lahore High Court, Lahore dated 09 April 2018 against cost of supply of Re-Gasified Liquefied Natural Gas (RLNG) by SNGPL. The related provision is not made in these condensed interim financial statements in view of favourable outcome of the appeal.
- iv) The Company filed an appeal on 30 January 2019 before Commissioner Inland Revenue (Appeals) Faisalabad against order passed under section 221 (1) of the Income Tax Ordinance, 2001. Tax demand of Rupees 3.325 million (2019: Rupees 3.325 million) for the tax year 2014 is involved. No provision has been made in these condensed interim financial statements in view of favourable outcome of the appeal.
- v) vi) The Company filed an appeal on 23 July 2019 before Commissioner Inland Revenue (Appeals) against the sales tax order in original No.33/2009 dated 15 May 2019 made by the Assistant Commissioner Inland Revenue to pay further tax amounting to Rupees 7.454 million under section 3 (1A) of the Sales Tax Act, 1990 on supplies made to unregistered persons during the period from 1 July 2017 to 30 June 2018. This appeal was rejected on 29 October 2019. Against this decision, the Company filed an appeal on 07 December 2019 before Appellate Tribunal Inland Revenue which is pending for decision. The management is hopeful of positive outcome of the appeal and therefore no provision has been made in these condensed interim financial statements.

- vi) The Company received show cause notice from Assistant Commissioner Inland Revenue dated 16 December 2019 for further tax not paid amounting to Rupees 11.957 million on sale to unregistered persons from 01 July 2018 to 30 June 2019 along with default surcharge and penalty under section 34(1) and section 33 of Sales Tax Act, 1990 respectively. No provision has been made in these condensed interim financial statements as the tax advisor of the Company foresees that this show cause notice will be withdrawn from the Assistant Commissioner Inland Revenue on the basis of legal grounds.
- vii) The Company has challenged, before Honorable Lahore High Court, Lahore, the provisions of SRO 491(1)/2016 dated 30 June 2016 issued under section 8(1)(b) of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(1) / 2011 dated 31 December 2011, claim of input sales tax in respect of packing material has been disallowed. The Company filed a Writ Petition No. 96551/2017 dated 03 November 2017 before Lahore High Court, Lahore. Consequently, the Company has accounted for input sales tax amounting to Rupees 4.791 million (30 June 2019: Rupees 4.791 million) paid on such items as receivable balance. The Company is confident on positive outcome of the appeal, on the advice of legal counsel and therefore, no provision has been made in these condensed interim financial statements.

b) Commitments

- i) Letters of credit for capital expenditure are of Rupees 0 million (30 June 2019: Rupees 2.344 million).
- ii) Letters of credit other than for capital expenditure are of Rupees 120.013 million (30 June 2019: Rupees 17.467 million).

Un-audited 31 March 2,020	Audited 30 June 2019
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(RUPEES IN THOUSAND)

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 5.1)	1,051,890	1,089,101
Capital work-in-progress (Note 5.2)	2,428	6,350
	<u>1,054,318</u>	<u>1,095,451</u>

5.1 Operating fixed assets

Opening net book value	1,089,101	1,087,986
Add: Cost of additions during the period / year (Note 5.1.1)	32,659	117,968
	<u>1,121,760</u>	<u>1,205,954</u>
Less: Book value of deletions during the period / year	28	20,368
	<u>1,121,732</u>	<u>1,185,586</u>
Less: Depreciation charged during the period / year	69,842	96,485
	<u>1,051,890</u>	<u>1,089,101</u>

5.1.1 Cost of additions during the period / year

Buildings on freehold land	-	20,133
Plant and machinery	3,612	83,169
Electric installations	4,525	5,258
Factory equipment	2,029	480
Office equipment	-	641
Computers	2,245	871
Electric appliances	189	664
Furniture and fixtures	-	23
Vehicles	20,059	6,729
	<u>32,659</u>	<u>117,968</u>

Un-audited 31 March 2020	Audited 30 June 2019
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(RUPEES IN THOUSAND)

5.2 Capital work-in-progress

Buildings on freehold land	422	422
Advance against Enterprise Resource Planning (ERP)	2,006	5,928
	<u>2,428</u>	<u>6,350</u>

Un-audited 31 March 2020	Audited 30 June 2019
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(RUPEES IN THOUSAND)

6. INTANGIBLE ASSET**Computer software**

Opening net book value	-	-
Amount capitalized during the period / year	5,928	-
	<u>5,928</u>	<u>-</u>
Less: Amortization	395	-
Closing net book value	<u>5,533</u>	<u>-</u>
Amortization rate (per annum)	20%	-

(Un-audited)			
Third quarter ended		Quarter ended	
31 March 2020	31 March 2019	31 March 2020	31 March 2019

(RUPEES IN THOUSAND)

7. COST OF SALES

Raw materials consumed	2,012,130	1,606,819	842,372	748,545
Cost of raw material sold	22,655	-	-	-
Stores, spare parts and loose tools consumed	104,823	77,422	31,631	28,743
Salaries, wages and other benefits	325,117	264,832	107,065	93,771
Fuel and power	344,598	261,323	93,139	85,278
Sizing materials consumed	25,317	21,504	8,111	7,571
Outside processing / conversion and other charges	54,285	27,070	11,437	636
Packing materials consumed	67,391	54,189	17,569	21,512
Repair and maintenance	4,189	3,119	129	144
Insurance	3,921	3,108	1,266	974
Other factory overheads	1,858	3,211	938	2,794
Depreciation	61,573	67,119	20,990	23,585
	<u>3,027,857</u>	<u>2,389,716</u>	<u>1,134,647</u>	<u>1,013,553</u>
Work-in-process				
Opening stock	36,665	33,204	38,648	38,403
Closing stock	(47,394)	(33,523)	(47,394)	(33,523)
	<u>(10,729)</u>	<u>(319)</u>	<u>(8,746)</u>	<u>4,880</u>
Cost of goods manufactured	<u>3,017,128</u>	<u>2,389,397</u>	<u>1,125,901</u>	<u>1,018,433</u>
Finished goods				
Opening stock	90,518	109,463	184,677	121,724
Closing stock	(116,880)	(159,583)	(116,880)	(159,583)
	<u>(26,362)</u>	<u>(50,120)</u>	<u>67,797</u>	<u>(37,859)</u>
	<u>2,990,766</u>	<u>2,339,277</u>	<u>1,193,698</u>	<u>980,574</u>

(Un-audited)	
Third Quarter ended	
31 March 2,020	31 March 2,019

(RUPEES IN THOUSAND)

8. CASH GENERATED FROM / (USED IN) OPERATIONS

Profit before taxation	128,215	52,154
Adjustments for non-cash charges and other items:		
Amortization	395	-
Depreciation	69,842	71,660
Gain on disposal of property, plant and equipment	-	(70)
Allowance for expected credit losses	-	-
Provision for staff retirement gratuity	25,125	18,424
Finance cost	91,744	87,849
Credit balances written back	-	-
Working capital changes (Note 8.1)	(108,865)	(280,924)
	206,456	(50,907)

8.1 Working capital changes**Increase in current assets:**

Stores, spare parts and loose tools	(17,716)	(4,467)
Stock-in-trade	(86,042)	(343,931)
Trade debts	(18,933)	(34,233)
Loans and advances	(21,755)	(2,443)
Short term deposits and prepayments	(1,658)	(7,003)
Other receivables	9,170	(17,832)
	(136,934)	(409,909)
Increase in trade and other payables	28,069	128,985
	(108,865)	(280,924)

9.1

	Spinning		Weaving		Socks		Elimination of Inter-segment transactions		Total - Company	
	(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)	
	Third Quarter ended	31 March	Third Quarter ended	31 March	Third Quarter ended	31 March	Third Quarter ended	31 March	Third Quarter ended	31 March
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	1,819,523	1,499,511	570,432	447,602	718,856	441,609	-	-	3,108,811	2,388,722
External Inter segment	321,676	216,211	-	-	-	-	(321,676)	(216,211)	-	-
Cost of sales	2,141,199	1,715,722	570,432	447,602	718,856	441,609	(321,676)	(216,211)	3,108,811	2,388,722
Gross profit	(1,877,442)	(1,543,321)	(507,115)	(387,662)	(606,209)	(408,294)	321,676	216,211	(2,669,090)	(2,123,666)
	263,757	172,401	63,317	59,940	112,647	33,315	-	-	439,721	265,656
Distribution cost	(8,109)	(6,148)	(4,310)	(5,437)	(54,358)	(29,764)	-	-	(66,777)	(41,349)
Administrative expenses	(71,407)	(56,913)	(21,373)	(30,487)	(50,487)	(29,561)	-	-	(147,045)	(107,847)
Other income	8,353	109	1,046	25	(111)	25,723	-	-	9,267	23,857
Finance cost	(70,426)	(73,593)	(6,941)	(6,795)	(14,977)	(7,461)	-	-	(91,744)	(67,849)
Profit / (loss) before taxation and unallocated expenses	122,168	35,856	28,541	26,360	(7,287)	(7,748)	-	-	143,422	54,468
Unallocated expenses:										
Other expenses									(15,207)	(2,314)
Taxation									(36,711)	(11,900)
Profit after taxation									91,504	40,254

9.2 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Socks		Total - Company	
	(Audited)		(Audited)		(Audited)		(Audited)	
	31 March 2020	30 June 2019	31 March 2020	30 June 2019	31 March 2020	30 June 2019	31 March 2020	30 June 2019
Total assets for reportable segments as per condensed interim statement of financial position	1,413,839	1,381,252	393,714	359,600	378,209	321,833	2,184,762	2,063,685
Total liabilities for reportable segments	947,460	1,023,845	149,819	142,612	377,082	306,548	1,474,361	1,473,005
Unallocated liabilities:								
Deferred income tax liability								5,375
Provision for taxation							77,152	35,100
Total liabilities as per condensed interim statement of financial position							1,551,513	1,513,480

9.3 Geographical Information

The Company's segment wise revenue from external customers as per geographical locations is detailed below:

	Spinning		Weaving		Socks		Total - Company	
	(RUPEES IN THOUSAND)		(RUPEES IN THOUSAND)		(RUPEES IN THOUSAND)		(RUPEES IN THOUSAND)	
	2019	2018	2019	2018	2019	2018	2019	2018
Europe	-	-	112,254	74,054	280,161	97,449	392,415	171,503
Asia and Australia	-	35,387	-	-	798	713	798	36,100
America	1,216,464	925,256	267,619	215,853	189,469	162,799	1,891,489	1,627,799
Pakistan	1,216,464	960,643	379,873	289,907	479,364	272,664	1,492,999	1,152,812
							2,075,701	1,523,214

10. TRANSACTIONS WITH RELATED PARTIES

Detail of transactions and balances with related parties are as follows:

(Un-audited)			
Third quarter ended		Quarter ended	
31 March 2020	31 March 2019	31 March 2020	31 March 2019
----- (RUPEES IN THOUSAND) -----			

i) Transactions**Associated companies / undertakings**

Fuel purchased	2,650	2,027	705	843
Rental expense	4,500	1,350	1,500	450

Other related parties

Dividend paid	8,994	-	8,994	-
Loans obtained from directors - net	16,738	7,425	3,975	(12,525)
Remuneration paid to Chief Executive Officer, Director and Executives	22,936	15,495	7,213	7,235

Un-audited 31 March 2020	Audited 30 June 2019
(RUPEES IN THOUSAND)	

ii) Period end balances**Associated companies / undertakings**

Trade and other payables	23,148	16,220
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Other related parties

Sponsors' loans	241,800	241,800
Long term financing	188,321	178,346
Short term borrowings	221,763	205,025

11. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 30 June 2019.

12. DATE OF AUTHORIZATION

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issue on 30 April 2020.

13. CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made.

14. GENERAL

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



AMJAD SAEED
CHIEF EXECUTIVE OFFICER



OMER SAEED
DIRECTOR



MUHAMMAD KASHIF ZAHUR
CHIEF FINANCIAL OFFICER

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