



# IDEAL

SPINNING MILLS LIMITED

31st Annual Report 2019



**CONTENTS****PAGE NO.**

COMPANY INFORMATION _____	2
VISION & MISSION _____	3
NOTICE OF MEETING _____	4-7
CHAIRMAN'S REVIEW _____	8-9
DIRECTOR'S REPORT _____	10-15
STATEMENT OF COMPLIANCE _____	16-17
KEY OPERATING AND FINANCIAL DATA _____	18
REVIEW REPORT _____	19-20
AUDITOR'S REPORT _____	21-28
BALANCE SHEET _____	29
PROFIT AND LOSS ACCOUNT _____	30
STATEMENT OF COMPREHENSIVE INCOME _____	31
STATEMENT OF CHANGES IN EQUITY _____	32
CASH FLOW STATEMENT _____	33
NOTES TO THE ACCOUNTS _____	34-64
PATTERN OF SHAREHOLDINGS _____	65-67
REQUEST FOR E-TRANSMISSION OF ANNUAL REPORT _____	68
ELECTRONIC CREDIT MANDATE FORM _____	69
PROXY FORM _____	71-72

## VISION

*To deliver innovation and quality to our customers by following a progressive and on time approach and further the cause of a sustainable future by promoting an eco friendly approach in all our operations.*

## MISSION

*To be a foremost Company receptive to the needs of our customers, acknowledge for consistently providing fine quality products and services by understanding the customers behaviours and preparing fully to meet the challenges of global market and to maximize profit by making best efforts in production planning, quality of products and making strategies.*

## COMPANY INFORMATION

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

## IDEAL SPINNING MILLS LIMITED

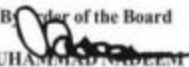
### NOTICE OF ANNUAL MEETING

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Shareholders of IDEAL SPINNING MILLS LIMITED will be held at 404/5, Business Centre 4th Floor Mumtaz Hasan Road Near "SBP" Karachi on Saturday, October 26, 2019 at 3:00 p.m. to transact the following business:-

1. To confirm Minutes of the Annual General Meeting held on 27th October, 2018.
2. To receive, consider and adopt the audited accounts of the Company for the year ended on 30th June, 2019 together with the Directors' Report and Auditors' Report thereon.
3. To approve and declare final cash dividend of Rs. 1.20 per share i.e. @ 12.00 % as recommended by the Board of Directors for the year ended June 30, 2019.
4. To appoint Auditor for the year 2019-2020 and to fix their remuneration. The present auditors M/s. Riaz Ahmed & Co., Chartered Accountants, retire and being eligible have offered themselves for reappointment.
5. To transact any other business with the permission of the chair.

**Karachi**

**Dated: September 30, 2019**

By   
**MUHAMMAD NADIM**  
 Company Secretary

#### NOTES:

1. The Share Transfer Books of the Company will remain closed from 19th October 2019 to 26th October 2019 (both days inclusive). Transferred received at the Share Registrar office M/s. F.D Registrar Services (SMC-Pvt) Ltd, 17th Floor Saima Trade Tower -A, I.I. Chundrigar Road Karachi 74000 at the close business on 18th October 2019 be treated in time.
2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend the meeting and vote instead of him/her. The proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & 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 Regulations, shall authenticate his/her identity by showing his/her original Computerized 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 of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of 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, address and CNIC Numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her 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.

#### C: Zakat Declaration Certificate

3. Members who desire for non-deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law (if not submitted earlier).

#### SPECIAL NOTES TO THE SHAREHOLDERS:

##### D. Submission of CNIC Copy (MANDATORY)

4. Pursuant to the directives of the Securities & Exchange Commission of Pakistan, CNIC number is mandatory required to be Submitted and updated. Shareholders are therefore requested to submit copy of their valid CNIC (only Physical Shareholders) if not provided earlier to the M/s. F.D Registrar Services (SMC-Pvt) Ltd (The Share Registrar). The Corporate Entities are requested to provide their National Tax Number (NTN). Please quote Folio Number with the copy of CNIC/NTN details. In case of non-receipt of valid CNIC the Company would be unable to comply with SRO 831(I)/2012 dated July 5, 2012 of SECP read with SRO 19(1)/2014 dated January 10, 2014. Please note that no dividend will be payable unless CNIC number is updated with the Share Registrar, failure to provide the same would constrained the Company to withhold the payment of dividend warrants.

##### E. PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE (MANDATORY)

5. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Dividend Mandate Form available on Company's website i.e. <http://www.idealism.com> and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. F.D Registrar Services (SMC) -Pvt) Ltd 17th Floor, Saima Trade Tower-A, I.I.Chundrigar Road, Karachi during working hours. Ph: 0092-21-32271905 Email: [fdregistrar@yahoo.com](mailto:fdregistrar@yahoo.com) in case of physical shares. In case shares are held in CDC then Dividend Mandate Form must be submitted directly to shareholder's broker participant/CDC account services. In case of non-submission of an IBAN, the Company will withhold the payment of dividends under Companies (Distribution of Dividends) Regulations, 2017.

##### F. Change of Address and quote folio No. in correspondence

6. Members are also requested to notify any change in address immediately. The shareholders are further requested to quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.

##### G. Unclaimed Dividends And Shares (Important & Mandatory)

7. Shareholders of the Company are hereby informed that as per the record, there are some unclaimed/ uncollected /unpaid dividends and shares. Shareholders who could not collect their dividends/shares are advised to contact our Share Registrar M/s. F.D Registrar Services (SMC)-Pvt) Ltd 17th Floor, Saima Trade Tower-A, I.I.Chundrigar Road, Karachi during working hours. Ph: 0092-21-32271905 Email: [fdregistrar@yahoo.com](mailto:fdregistrar@yahoo.com) to collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, of three(3) years or more from the date due and payable, shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan (SECP).

**H. Circulation of Annual Financial Statements through Email**

8. SECP through its Notification SRO 787(I)/2014 dated September 8, 2014, has allowed the circulation of Audited Financial Statements along with the Notice of Annual General Meeting to the shareholders of the Company through email. Therefore, shareholders who wish to receive the soft copy of Annual Report are requested to send their email address. The consent form for electronic transmission can be downloaded from the Company's website. The Company shall, however, continue to provide hard copy of the Audited Financial Statements to its shareholders, on request, free of cost, within seven days of receipt of such request.

**I. Placement of Financial Accounts on Website**

9. Pursuant to the notification of the SECP (SRO 634(I)/2014) dated: 10th July 2014 the financial statements of the Company have been placed on Company's website at www.idealsm.com

**J. Withholding Tax on Dividend**

10. Government of Pakistan through Finance Act, 2019, has made certain amendments in withholding tax provision by substituting the definition of "Filers" with "Active Taxpayer List" (ATL), whereby the company is required to collect tax on dividend under Section 150 of the Income Tax Ordinance, 2001 from the person not appearing in the ATL at the rates specified in the Ordinance as increased by 100%. These tax rates are as under:

**(a) For persons appearing in Active Taxpayer List 15.0% (b) For persons not appearing in Active Taxpayer List 30.0%**

Shareholders who are filers, are advised to make sure that their names are entered into latest ATL provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as person not appearing in ATL and tax on their cash dividend will be deducted at the rate of 30% instead of 15%.

**J.1 For Joint Shareholders**

For shareholders holding their shares jointly as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately as per status of their names appearing in the ATL for principal shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar in writing as follows:

Folio / CDC Ac# No.	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC	Shareholding Proportion (No. of Shares)	Name and CNIC	Shareholding Proportion (No. of Shares)

• The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or our Share Registrar M/s. F.D Registrar Services (SMC) -Pvt) Ltd. The shareholders while sending NTN or NTN certificate, as the case may be, must quote company name and their respective folio numbers.

**K. E-VOTING**

11. Pursuant to SECPS.R.O. No. 43(I)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment by the Intermediary as a Proxy.

**L. For Video Conference:**

12. Further to SECP Circular No.10 of 2014 dated 21st May, 2014 clause 1(b) "The Company may provide video conference facility to its members for attending the general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members: Provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of meeting the company shall arrange video conference facility in that city subject to availability of such facility in that city". The company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

**Consent form for Video Conference Facility**

I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of the Ideal Spinning Mills Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Register CDC/ Folio no. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.





## CHAIRMAN'S REVIEW

FOR THE YEAR ENDED JUNE 30, 2019.

On behalf of the Board of Directors I am pleased to present performance of the company for the year ended 30th June 2019:

Textile Industry of Pakistan remained under pressure due to all time high Dollar parity which further inflated cost of inputs, highest cotton prices ever, higher energy cost, non release of refunds and drawbacks under textile package.

### PERFORMANCE REVIEW:

By the Grace of Almighty ALLAH, despite above factors, operational performance of the company was admirable and achieved production targets with exceptional quality. In the year under review company increased exports of yarn, fabric and socks.

Financial performance of the company was also very good. Company achieved gross profit of 11.56 % as compared to 9.87%. Earnings per share increased to Rs.5.96 from Rs.0.53 per share. After Tax Profit is Rs.59.115 million with 29.20 % increase in sale revenue.

### FURTHER EXPANSION

With Almighty ALLAH's blessings management has planed further CAPEX to Increase production Capacity by installing new spindles with modern compact system, looms and socks machines. Purchase of gas engine is also part of planning to manage electric load.

### FUTURE OUTLOOK

By the Grace of Almighty ALLAH above stated facts give a promising outlook, therefore management of the Company foresees profitability for the coming year if other factor remain positive.

The Board offers thanks to its bankers and financial institutions for providing support, as solicited. The Board also appreciates the dedicated services rendered by the employees and the management which is contributing positively towards the goals and objectives of the Company.

Lastly, I would also like to thank our shareholder for their continued support and trust in the company.

For and on behalf of the Board of Directors.

Faisalabad  
September 30, 2019



Muhammad Saeed  
Chairman

## چیسر مین کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے سال 30 جون 2019 کے اختتام پر کمپنی کی کارکردگی کو فروغ دینے میں خوش ہوں: پاکستان کی ٹیکسٹائل انڈسٹری شدید وباؤں میں رہی، جس کی وجہ ڈالر کی شرح میں بے پناہ اضافہ، کپاس توانائی کی قیمتوں میں اضافہ اور ٹیکس ریفرنڈ (Refund) کی عدم وصولی ہے۔

### کارکردگی کا جائزہ

بفصلی الٹی مندرجہ بالا عوامل کے باوجود کمپنی کی آپریشنل کارکردگی قابل قدر تھی اور غیر معمولی معیار کے ساتھ پیداوار کے اہداف حاصل کیے گئے۔ اس سال میں آپ کی کمپنی نے دھاگے، کپڑے اور جرابوں کی برآمدات میں اضافہ کیا۔ کمپنی کی مالی کارکردگی بھی بہت اچھی تھی۔ کمپنی نے گراس منافع %11.56 حاصل کیا۔ جو کہ پچھلے سال %9.87 تھا آمدنی فی حصص 5.96 روپے ہے جو کہ پچھلے سال 0.53 فی حصص تھا۔ آمدنی میں %29.20 اضافہ ہوا۔ 59.115 ملین کانٹیکس کے بعد خالص منافع ہوا۔

### پروجیکٹ میں توسیع

اللہ تعالیٰ کی برکتوں کے ساتھ جدید کمپیکٹ سسٹم کے ساتھ نئے سپنڈر، بلوز اور ساکس مشینیں لگانے کا پروگرام ہے۔ لوڈ کے مسائل کے لئے ایک عدد گیس انجن خریدنے کا منصوبہ زیر غور ہے

### مستقبل کی آواز

اللہ تعالیٰ کے فضل سے مندرجہ بالا حقائق واضح کرتے ہیں کہ کمپنی کا آنے والا سال منافع بخش ہوگا۔ اگر دوسرے عوامل مثبت رہیں۔ ڈائریکٹرز اپنے ڈیٹنگرز اور مالیاتی ادارے کے تعاون سے فراہم کرنے کا شکر یا ادا کرتی ہے۔ بورڈ نے ملازمتوں اور انتظام کے ذریعہ فراہم کی جانے والے وقف کردہ خدمات کی بھی تعریف کی ہے۔ جو کمپنی کے اہداف اور مقاصد کی طرف سے مثبت کردار ادا کرتی ہیں۔

آخر میں، میں اپنے شیئر ہولڈرز کو کمپنی میں ان کی مسلسل حمایت اور اعتماد کے لیے شکر یا ادا کرنا چاہتا ہوں۔

بورڈ آف ڈائریکٹرز کی جانب سے

Head Sargent  
محمد سعید

چیسر مین

30 ستمبر 2019

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors feel pleasure in submitting audited financial statements of your Company for the year ended 30<sup>th</sup> June 2019.

<b>FINANCIAL RESULTS</b>	<b><u>30.06.2019</u></b>	<b><u>30.06.2018</u></b>
	<b>(RUPEES IN THOUSAND)</b>	
Revenue	3,512,935	2,718,918
Cost of sales	<u>(3,106,728)</u>	<u>(2,450,575)</u>
Gross profit	406,207	268,343
Distribution cost	(59,642)	(28,502)
Administrative expenses	(154,626)	(116,730)
Other expenses	(5,588)	(1,277)
Other income	30,040	6,421
Finance cost	<u>(120,352)</u>	<u>(104,073)</u>
Profit before taxation	96,039	24,182
Taxation	<u>(36,924)</u>	<u>(18,963)</u>
Profit after taxation	<u>59,115</u>	<u>5,219</u>
Earnings per share-basic and diluted (Rupees)	<u>5.96</u>	<u>0.53</u>

By the Blessings of Almighty Allah your company achieved revenue growth of 29.20% After Tax Profit of Rs.59.115 million as compared to profit of Rs. 5.219 million.

The decision of the Company in the future is largely to be guided by the next textile policy, where no confirmation as to its dissemination has come as of yet. Also, external factors like the trade war between China and US are likely to impact the profitability of the company.

### Chairman's Review:

Directors hereby endorse the Chairman's review report on performance of the company.

### OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are nominal and routine nature.

### RETIREMENT BENEFITS FUNDS

The Company operates un-funded gratuity scheme for its employees as reflected in the financial statements.

### AUDITORS

The present auditor M/S RIAZ AHMAD & CO. Chartered Accountants, being eligible offered themselves for re-appointment for the year 2019-2020.

### PATERN OF SHAREHOLDING

Pattern of shareholding as on 30 June, 2019 is annexed.

### RELATED PARTY TRANSACTIONS

All transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable un-controlled price method. The company has complied with best practices on transfer pricing as contained in listing regulations of Stock Exchanges of Pakistan.

### Board Changes:

No changes on the board during the year.

### NO. OF BOARD MEETING HELD

During the year under review (4) meetings of Board of Directors held. Attendance by each director is appended here under:

<b>Name of Directors</b>	<b>Attendance</b>
Mr. Muhammad Saeed	4
Mr. Amjad Saeed	4
Mrs. Rubina Amjad	4
Mr. Omer Saeed	4
Mr. Ahsan Saeed	4
Mr. Khizer Saeed	4
Mr. Muhammad Asif	4

- Directors who did not attend the above meetings were granted leave of absence by the Board of Directors.

### AUDIT COMMITTEE

The Board in compliance with the Code of Corporate Governance has established an audit committee comprising the following members:

Mr. Ahsan Saeed	Chairman
Mr. Muhammad Saeed	Member
Mr. M.ASIF (NIT)	Member

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board in compliance with the Code of Corporate Governance has established a human resource and remuneration committee comprising the following members:

Mr. Ahsan Saeed	Chairman
Mr. Muhammad Saeed	Member
Mr. Khizer Saeed	Member

### APPROPRIATIONS:

The Board of Directors recommended Final Cash Dividend of Rs.1.20 per share i.e (12 %) for its shareholders proposed by NIT director and seconded by other Directors.

### Code of Corporate Governance:

Our Company takes Corporate Governance seriously. The Company keeps close co-ordination with the Securities and Exchange Commission of Pakistan and the Pakistan Stock Exchange and complies with the Code of Good Corporate Governance in the letter and spirit. The statement of compliance of best practices of Corporate Governance is annexed.

**CORPORATE AND FINANCIAL REPORTING FRAME WORK**

In compliance with listing regulations of stock exchange and as required under the Companies Act, 2017. Your directors are pleased to state as under:

1. The financial statements prepared by the management of your company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
5. There is no doubt upon the company's ability to continue as a going concern.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
7. Key operating and financial data of last six years in summarized form is annexed.

**ACKNOWLEDGEMENT**

The Board places on record its appreciation for loyalty and devotion to work, by staff and workers for the company. The relationship between management and workers remained very cordial and we hope that these will further improve in the years to come.

Faisalabad  
September 30, 2019

On behalf of the Board



(Amjad Saeed)  
Chief Executive Officer

شیئر ہولڈرز کیلئے ڈائریکٹری رپورٹ

آپ کے ڈائریکٹرز 30 جون 2019 کی آڈٹ شدہ تفصیلات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

<u>30-06-2019</u>	<u>30-06-2018</u>	مالیاتی نتائج
	(رقم ہزاروں میں)	
3,512,935	2,718,918	ریونیو
<u>(3,106,728)</u>	<u>(2,450,575)</u>	کاسٹ آف سیل
406,207	268,343	گراس منافع
(59,642)	(28,502)	ڈسٹری بیوٹن اخراجات
(154,626)	(116,730)	انتظامی اخراجات
(5,588)	(1,277)	متفرق اخراجات
30,040	6,421	دیگر آمدن
<u>(120,352)</u>	<u>(104,073)</u>	تفصیلات اخراجات
96,039	(24,182)	ٹیکس کے بغیر منافع
<u>(36,924)</u>	<u>(18,963)</u>	ٹیکس
<u>59,115</u>	<u>5,219</u>	خالص منافع ٹیکس کے بعد
<u>5.96</u>	<u>0.53</u>	منافع فی حصہ بنیادی

اللہ تعالیٰ کی مہربانی سے آپ کی کمپنی کے محاصل میں 29.20% اضافہ ہوا۔ ٹیکس کے بعد 59.115 ملین روپے کا خالص منافع ہوا۔ جو کہ پچھلے سال میں 5.219 ملین کا منافع تھا۔ آپ کی کمپنی کی انتظامیہ مستقبل میں مزید بہتر نتائج کیلئے ہمدرد امید ہے۔

چیئر مین کی جائزہ رپورٹ۔

ڈائریکٹرز کمپنی کی کارکردگی پر چیئر مین کی جائزہ رپورٹ کی تائید کرتے ہیں۔

آڈٹ شدہ منافع کی رپورٹ۔

تمام آڈٹ شدہ منافع ادا کیے گئے ہیں اور معمول کے مطابق ہیں۔

ریٹائرمنٹ بینیفٹ فنڈز۔

کمپنی اپنے ملازمین کے لیے آن فنڈز رجسٹرڈ کی اسکیم چلا رہی ہے۔ جو تفصیلات سنٹنٹ سے بھی ظاہر ہے۔

آڈیٹرز۔

موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس جو اس کام کے اہل ہیں نے دوبارہ خود کو 2019-2020 کے لیے آڈیٹرز کے لیے پیش کیا۔

شیئر ہولڈنگ کی ترتیب۔

شیئر ہولڈنگ کی ترتیب برطانیہ 30 جون 2019 لطف ہے۔

متعلقہ پارٹی ٹرانزیکشن۔

متعلقہ پارٹیوں سے تمام ٹرانزیکشن میں قیمتوں کا تعین قابلِ تامل ان کنٹرولڈ پرائس طریقہ کار کے تحت کیا گیا۔ کمپنی نے لسٹنگ ریگولیشنز آف سٹاک ایکچینج آف پاکستان کی تدوین شدہ بیسٹ پریکٹسز آف ٹرانسفر پرائسنگ پر عمل کیا۔

منصفانہ ہونے والی بورڈ میٹنگز کی تعداد۔

زیر مطالعہ سال کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگز ہوئیں۔ ہر ڈائریکٹر نے جتنی میٹنگز میں شرکت کی ان کی تفصیل لف ہے۔

ڈائریکٹر کا نام	حاضری
مسٹر محمد سعید	04
مسٹر احمد سعید	04
مسز روبینہ امجد	04
مسٹر عمر سعید	04
مسٹر احسن سعید	04
مسٹر مختصر سعید	04
مسٹر محمد آصف	04

جو ڈائریکٹرز ان میٹنگز میں شرکت نہ کر سکے ان کی عدم حاضری کی اجازت بورڈ آف ڈائریکٹرز نے دے دی تھی۔

آڈٹ کمیٹی۔

کوڈ آف کارپوریت گورننس کی تعمیل میں بورڈ میں مندرجہ ذیل ممبران پر مشتمل آڈٹ کمیٹی قائم کی۔

مسٹر احسن سعید	چیئر مین
مسٹر محمد سعید	ممبر
مسٹر محمد آصف (این آئی ٹی)	ممبر

افراد کی قوت اور معاوضہ کمیٹی۔

بورڈ نے کوڈ آف کارپوریت گورننس کی تعمیل کرتے ہوئے مندرجہ ذیل ممبران پر مشتمل افرادی قوت اور معاوضہ کمیٹی قائم کی ہے۔

مسٹر احسن سعید	چیئر مین
مسٹر محمد سعید	ممبر
مسٹر مختصر سعید	ممبر

اپروپرائیشن (appropriations)

بورڈ آف ڈائریکٹرز نے ایک روپیہ 20 پیسے فی حصیر یعنی 12% ڈیویڈنڈ دینے کی تجویز این آئی ٹی کے ڈائریکٹرز نے پیش کی جس کو باقی ڈائریکٹرز نے بھی تائید کی ہے۔

کارپوریت گورننس۔

کارپوریت گورننس کی بیسٹ پریکٹسز کی تعمیل ہمارے شیڈولڈ لف ہے۔

کارپوریت اور فنڈنگ اور فنڈنگ کا فریم ورک۔


لسٹنگ ریگولیشنز آف سٹاک ایکچینج کی تعمیل اور کمپنیز ایکٹ 2017 کے تحت آپ کے ڈائریکٹرز کو مندرجہ ذیل بیان دیتے ہوئے خوشی محسوس ہو رہی ہے۔

- 01- کمپنی کی انتظامیہ کی طرف سے تیار کردہ فنانشل شیٹمنٹ اس کے حالات، اس کے آپریشنز کے نتائج، کیش فلو اور اکوینٹی میں تبدیلی کو درست طریقے سے ظاہر کرتی ہے۔
- 02- کمپنی نے اکاؤنٹس کی کتابوں کو درست طریقے سے تیار کیا۔
- 03- مناسب اکاؤنٹنگ پالیسیوں کو مسلسل اختیار کیا گیا اور تخمینہ جات مناسب اور منطقی برحقانق انداز پر مشتمل ہیں۔
- 04- مالی شیٹمنٹ کی تیاری میں پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ شیڈز کو اختیار کیا گیا ہے۔ ڈیزائن کے حوالہ سے اندرونی کنٹرول سسٹم قابل بھروسہ ہے اور اس کو موثر طور پر نافذ اور مانیٹر کیا گیا ہے۔
- 05- کمپنی کی ترقی کرنے کی صلاحیت پر کوئی شک و شبہ نہیں۔
- 06- کسی جگہ پر بھی کارپوریٹ گورننس جس کا اندراج لسٹنگ ریگولیشنز میں ہے سے انحراف نہیں کیا گیا۔
- 07- گزشتہ چھ برسوں کا اہم آپریشننگ اور فنانشل ڈیٹا اختصار کے ساتھ لف ہے۔

#### اعتراضات۔

بورڈ سٹاف اور ورکرز کی اپنے کام سے لگن اور وفاداری کو سراہتا ہے۔ انتظامیہ اور ورکرز کے درمیان تعلقات انتہائی خوشوار رہے اور ہمیں توقع ہے کہ آنے والے سالوں میں یہ تعلقات مزید بہتر ہوں گے۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
 امجد سعید  
 چیف ایگزیکٹو آفیسر

فیصل آباد

30 ستمبر 2019

**Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017**  
**For the year ended 30 June 2019**

Ideal Spinning Mills Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017 ("the Regulations") in the following manner:

1. The total number of directors is seven as per the following.
  - a. Male: Six
  - b. Female: One
2. The composition of the Board of Directors ("the Board") is as follows:

<b>Category</b>	<b>Name</b>
Independent Director	Mr. Muhammad Asif
Executive Directors	Mr. Amjad Saeed Mr. Omer Saeed
Non-Executive Directors	Mr. Muhammad Saeed Mrs. Rubina Amjad Mr. Ahsan Saeed Mr. Khizer Saeed

3. Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. 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 along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and these Regulations.
7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. The Board has already arranged Directors' Training program for three of the directors to comply with the relevant provisions of the Regulations.
10. The Board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. The Company has not appointed Chief Financial Officer during the year due to non availability of suitable person for the post. However, the Company shall appoint Chief Financial Officer in the next financial year.

11. CEO and acting CFO duly endorsed the financial statements before approval of the board.
12. The Board has formed committees comprising of members given below:
- a) Audit Committee
- |                    |            |
|--------------------|------------|
| Mr. Ahsan Saeed    | (Chairman) |
| Mr. Muhammad Saeed | (Member)   |
| Mr. Muhammad Asif  | (Member)   |
- b) HR and Remuneration Committee
- |                    |            |
|--------------------|------------|
| Mr. Ahsan Saeed    | (Chairman) |
| Mr. Muhammad Saeed | (Member)   |
| Mr. Khizer Saeed   | (Member)   |
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
- a) Audit Committee: Four meetings during the financial year ended 30 June 2019
- b) HR and Remuneration Committee: One meeting was held during the financial year ended 30 June 2019
15. The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



**Signatures**

**(MUHAMMAD SAEED)**

**Chairman Date: September 30, 2019.**

**KEY OPERATING & FINANCIAL DATA  
FOR LAST SIX YEARS**

<b>PARTICULARS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>(Rupees in Millions)</b>					
<b><u>FINANCIAL POSITION</u></b>						
Paid up capital	99.200	99.200	99.200	99.200	99.200	99.200
Fixed assets at cost	1,941,467	1,970,104	1,725,353	1,487,173	1,293,655	1,190,969
Fixed assets (Lease) at cost	-	-	-	-	-	-
Accumulated depreciation	852,366	882,118	810,784	787,983	727,884	666,864
Current assets	965,143	707,269	567,733	516,494	445,661	431,919
Current liabilities	1,152.62	888.029	710.435	579.177	459.719	425.248
<b><u>INCOME</u></b>						
Sales	3,512,935	2,718,918	2,202,691	2,378,758	2,368,403	2,282,646
Other income	30.04	6.421	3.654	1.416	0.724	0.387
Pre tax Profit/(loss)	96.039	24.182	(114.562)	(110.704)	-49.237	16.722
Taxation	(36.924)	(18.963)	(2.776)	44.876	14.150	(12.540)
<b><u>STATISTICS AND RATIOS</u></b>						
Pre tax profit/(loss) to sales %	2.734	0.89	(5.200)	(4.650)	(2.08)	0.73
Pre tax profit/(loss) to capital %	96.81	24.37	(115.486)	(111.590)	(49.63)	16.86
Current ratio	1:84	1:80	1:80	1:89	1:97	1:1.02
Paid up value per share (Rs.)	10	10.00	10.00	10.00	10.00	10.00
Earnings after tax per share (Rs.)	5.96	0.53	(11.828)	(6.640)	-3.54	0.42
Cash dividend %	12	7.5	-	-	-	-
Break up value per share (Rs.)	55.36	50.92	40.950	30.780	27.27	26.08

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Ideal Spinning Mills Limited**

### **Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Ideal Spinning Mills Limited ("the Company") for the year ended 30 June 2019 in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

<b>Paragraph Reference</b>	<b>Description</b>
10	Company has not appointed Chief Financial Officer during the year.
11	As Chief Financial Officer (CFO) is not appointed, therefore, acting CFO endorsed the financial statements before approval of Board of Directors.
12	Independent director is not appointed as Chairman of the Audit Committee.
12	Independent director is not appointed as a member of HR and Remuneration Committee.

*Riaz Ahmad & Co.*

**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**Faisalabad**

**Date: September 30, 2019.**

## INDEPENDENT AUDITOR'S REPORT

**To the members of Ideal Spinning Mills Limited**

**Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the annexed financial statements of Ideal Spinning Mills Limited ('the Company'), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ('the Code') and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were

addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

<b>Sr. No.</b>	<b>Key audit matters</b>	<b>How the matter was addressed in our audit</b>
<b>1</b>	<p><b>Inventory existence and valuation</b> Inventories as at 30 June 2019 amounting to Rupees 481.475 million represented a material position in the statement of financial position, break up of which is as follows:</p> <ul style="list-style-type: none"> <li>- Stores, spare parts and loose tools of Rupees 52.030 million</li> <li>- Stock-in-trade of Rupees 429.445 million</li> </ul> <p>The business is characterized by high volume serial production and the valuation and existence of inventories are significant to the business. Therefore, considered as one of the key audit matters.</p> <p>Inventories are stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in Note 2.6 to the financial statements.</p> <p>At year end, the valuation of inventories is reviewed by management and the cost of inventories is reduced where it is forecasted to be sold below cost.</p> <p>Usable stores, spare parts and loose tools are valued at moving average cost, raw</p>	<p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.</li> <li>• For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.</li> <li>• We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded invoice.</li> <li>• On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any.</li> <li>• In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents.</li> </ul>

Sr. No.	Key audit matters	How the matter was addressed in our audit
	<p>materials are valued at weighted average cost whereas, costing of work-in-process and finished goods is considered to carry more significant risk as the cost of material, labor and manufacturing overheads is allocated on the basis of complex formulas and involves management judgment.</p> <p>The determination of whether inventories will be realized for a value less than cost requires management to exercise judgment and apply assumptions. Management undertake the following procedures for determining the level of write down required:</p> <ul style="list-style-type: none"> <li>• Use inventory ageing reports together with historical trends to estimate the likely future salability of slow moving and older inventory items.</li> <li>• Perform a line-by-line analysis of remaining inventories to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized, if required.</li> </ul> <p>For further information on inventories, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Inventories (Note 2.6 to the financial statements).</li> </ul>	<ul style="list-style-type: none"> <li>• We also made inquiries from management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</li> <li>• We also assessed the adequacy of the disclosures made in respect of the accounting policies and related notes to the financial statements.</li> </ul>

Sr. No.	Key audit matters	How the matter was addressed in our audit
	<p>- Stores, spare parts and loose tools (Note 15) and Stock-in-trade (Note 16) to the financial statements.</p>	
2	<p><b>Capital expenditure</b></p> <p>The Company is investing significant amounts in its operations and there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among others, the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Company's strategy.</p> <p>We focused on this area since the amounts have a significant impact on the financial position of the Company and there is significant management judgment required that has significant impact on the reporting of the financial position for the Company. Therefore, considered as one of the key audit matters.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Property, Plant, Equipment and Deprecation (Note 2.2 to the financial statements).</li> <li>- Property, Plant and Equipment (Note 12 to the financial statements).</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature.</li> <li>• We evaluated the appropriateness of capitalization policies and depreciation rates.</li> <li>• We performed tests of details on costs capitalized.</li> <li>• We verified the accuracy of management's calculation used for the impairment testing.</li> </ul>

Sr. No.	Key audit matters	How the matter was addressed in our audit
3	<p><b>Revenue recognition</b></p> <p>The Company recognized revenue of Rupees 3,512.935 million for the year ended 30 June 2019.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information on revenue recognition, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Revenue recognition (Note 2.17 to the financial statements).</li> <li>- Revenue (Note 22 to the financial statements).</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;</li> <li>• We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents;</li> <li>• We compared a sample of revenue transactions recorded around the year- end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period;</li> <li>• We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers';</li> <li>• We compared the detail of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation.</li> </ul> <p>We also considered the appropriateness of disclosures in the financial statements.</p>

## **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law

or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditor's report is Liaqat Ali Panwar.

*Riaz Ahmad & Co.*

**RIAZ AHMAD & COMPANY**

**Chartered Accountants**

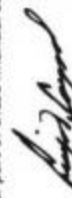
**Faisalabad**

**Date: September 30, 2019.**

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	NOTE	2019 (RUPEES IN THOUSAND)	2018 (RUPEES IN THOUSAND)
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital		200,000	200,000
20 000 000 (2018: 20 000 000) ordinary shares of Rupees 10 each			
Issued, subscribed and paid up share capital		99,200	99,200
9 920 000 (2018: 9 920 000) ordinary shares of Rupees 10 each fully paid in cash			
<b>Sponsors' loans</b>	3	241,800	241,800
<b>Capital reserves</b>			
Equity portion of shareholders' loans		121,209	121,209
Surplus on revaluation of freehold land	4	100,577	100,577
<b>Accumulated loss</b>		(13,581)	(57,608)
<b>Total equity</b>		549,205	505,178
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	5	275,672	341,816
Deferred income tax liability	6	5,375	3,278
Staff retirement gratuity	7	79,809	62,187
		360,856	407,281
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	283,738	224,691
Unclaimed dividend		690	464
Accrued mark-up	9	26,058	13,561
Short term borrowings	10	709,312	425,447
Current portion of long term financing	5	97,726	208,769
Provision for taxation		35,100	15,097
		1,152,624	888,029
<b>TOTAL LIABILITIES</b>		1,513,480	1,295,310
<b>CONTINGENCIES AND COMMITMENTS</b>	11		
<b>TOTAL EQUITY AND LIABILITIES</b>		2,062,685	1,800,488
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	1,095,451	1,092,789
Long term loans	13	175	97
Long term deposits and prepayments	14	1,916	1,822
		1,097,542	1,094,708
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	15	52,030	41,158
Stock-in-trade	16	429,445	323,286
Trade debts	17	178,986	110,003
Loans and advances	18	95,707	82,482
Short term deposit and prepayments	19	665	419
Other receivables	20	170,296	142,049
Cash and bank balances	21	38,014	6,383
		965,143	705,780
<b>TOTAL ASSETS</b>		2,062,685	1,800,488

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



**AMJAD SAEED**  
CHIEF EXECUTIVE OFFICER



**OMER SAEED**  
DIRECTOR



**MUHAMMAD KASHIF ZAHUR**  
CHIEF FINANCIAL OFFICER  
(ACTING)

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2019 (RUPEES IN THOUSAND)	2018
REVENUE	22	3,512,935	2,718,918
COST OF SALES	23	<u>(3,106,728)</u>	<u>(2,450,575)</u>
GROSS PROFIT		406,207	268,343
DISTRIBUTION COST	24	(59,642)	(28,502)
ADMINISTRATIVE EXPENSES	25	(154,626)	(116,730)
OTHER EXPENSES	26	(5,588)	(1,277)
OTHER INCOME	27	30,040	6,421
FINANCE COST	28	(120,352)	(104,073)
PROFIT BEFORE TAXATION		<u>96,039</u>	<u>24,182</u>
TAXATION	29	(36,924)	(18,963)
PROFIT AFTER TAXATION		<u><u>59,115</u></u>	<u><u>5,219</u></u>
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	30	<u>5.96</u>	<u>0.53</u>

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

  
 AMJAD SAEED  
 CHIEF EXECUTIVE OFFICER

  
 OMER SAEED  
 DIRECTOR

  
 MUHAMMAD KASHIF ZAHUR  
 CHIEF FINANCIAL OFFICER  
 (ACTING)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2018</b>
	<b>(RUPEES IN THOUSAND)</b>	
PROFIT AFTER TAXATION	59,115	5,219
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Reamusements of staff retirement gratuity	1,133	(2,268)
Deferred income tax related to remeasurements	(272)	588
	861	(1,680)
Surplus on revaluation of freehold land	-	15,411
	861	13,731
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year - net of deferred income tax	861	13,731
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>59,976</b>	<b>18,950</b>

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

  
**AMJAD SAEED**  
 CHIEF EXECUTIVE OFFICER

  
**OMER SAEED**  
 DIRECTOR

  
**MUHAMMAD KASHIF ZAHUR**  
 CHIEF FINANCIAL OFFICER  
 (ACTING)

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019

	SHARE CAPITAL	SPONSORS' LOANS	CAPITAL RESERVES			ACCUMULATED LOSS	TOTAL EQUITY
			Equity portion of shareholders' loan	Surplus on revaluation of freehold land	Sub total		
-----RUPEES IN THOUSAND-----							
<b>Balance as at 30 June 2017</b>	99,200	161,800	121,209	85,166	206,375	(61,147)	406,228
Profit for the year	-	-	-	-	-	5,219	5,219
Other comprehensive income / (loss) for the year	-	-	-	15,411	15,411	(1,680)	13,731
Total comprehensive income for the year	-	-	-	15,411	15,411	3,539	18,950
Sponsors' loans received during the year	-	80,000	-	-	-	-	80,000
<b>Balance as at 30 June 2018</b>	99,200	241,800	121,209	100,577	221,786	(57,608)	505,178
Adjustment on adoption of IFRS 9 (Note 2.12)	-	-	-	-	-	(14,706)	(14,706)
<b>Adjusted total equity as at 01 July 2018</b>	99,200	241,800	121,209	100,577	221,786	(72,314)	490,472
Transaction with owners - Final dividend for the year ended 30 June 2018 at the rate of Rupee 0.75 per share	-	-	-	-	-	(1,243)	(1,243)
Profit for the year	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	59,115	59,115
Total comprehensive income for the year	-	-	-	-	-	861	861
<b>Balance as at 30 June 2019</b>	99,200	241,800	121,209	100,577	221,786	(13,581)	549,205

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



AMJAD SAEED  
CHIEF EXECUTIVE OFFICER



OMER SAEED  
DIRECTOR



MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER  
(ACTING)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2019	2018
<b>(RUPEES IN THOUSAND)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	31	169,493	151,454
Finance cost paid		(87,161)	(65,736)
Income tax paid		(29,185)	(20,288)
Staff retirement gratuity paid		(7,886)	(11,652)
Net (increase) / decrease in long term loans		(78)	176
Workers' profit participation fund paid		(1,371)	-
Net (increase) / decrease in long term deposits and prepayments		(94)	86
<b>Net cash generated from operating activities</b>		43,718	54,040
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(119,515)	(94,750)
Proceeds from disposal of property, plant and equipment		21,999	8,356
<b>Net cash used in investing activities</b>		(97,516)	(86,394)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		(197,419)	(72,042)
Sponsors' loans obtained		-	80,000
Dividend paid		(1,017)	(21)
Short term borrowings - net		283,865	22,134
<b>Net cash from financing activities</b>		85,429	30,071
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		31,631	(2,283)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		6,383	8,666
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 21)</b>		38,014	6,383

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

  
**AMJAD SAEED**  
 CHIEF EXECUTIVE OFFICER

  
**OMER SAEED**  
 DIRECTOR

  
**MUHAMMAD KASHIF ZAHUR**  
 CHIEF FINANCIAL OFFICER  
 (ACTING)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**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.

Geographical location and addresses of all business units of the Company are as follows:

**Offices and manufacturing units Address**

Head Office	1088, Jail Road, Faisalabad
Spinning and Weaving Units	32-KM Sheikhpura Road, Tehsil Jaranwala, District Faisalabad
Socks Unit	Bawa Chak Seim Nala, Nalka Kohala, Sargodha Road, Faisalabad
Socks Unit	22-KM Ferozepur Road, Gajumata Rohi Nala, Marium Park, Lahore
Socks Unit	5-KM Canal Road, Shorkot City
Regional Office	506-D, 5th Floor, City Tower, 6-K, Main Boulevard, Gulberg-II, Lahore

**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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**b) Accounting convention**

These financial statements have been prepared under the historical cost convention, except for the recognition of staff retirement gratuity at present value and freehold land which is carried at its fair value.

**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, 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**

The estimate for revalued amount of freehold land is based on valuation performed by external professional valuer. Further, the Company reviews the value of the assets for possible impairment on an annual basis. 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. Any change in the estimates in future years might affect the carrying amounts of the respective items 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.

### Income tax

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.

### Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, based on the Company's experience of actual credit loss in past years.

### Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

### Staff retirement gratuity

Certain actuarial assumptions have been adopted as disclosed in Note 7 to the financial statements for determination of present value of staff retirement gratuity. Any change in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

### d) Standards, interpretation and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to IFRSs: 2014 – 2016 Cycle

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9. These are disclosed in Note 2.12. Most of the other amendments listed above except for IFRS 9 and IFRS 15 (as disclosed in Note 2.14) did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

### e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2018 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 approved accounting 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 2019 or later periods:

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard in the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the Solely Payments of Principal and Interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

IAS 19 (Amendments), 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period, and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs', relevant to the Company. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the IASB has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRSs. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

**g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2019 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 Property, plant, equipment and depreciation**

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss, while capital work-in-progress is stated at cost less any identified impairment loss. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the construction / erection period of qualifying assets and other directly attributable cost of bringing the assets to working condition.

Increases in the carrying amounts arising on revaluation of freehold land are recognized in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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 the statement of profit or loss during the period in which they are incurred.

**Depreciation**

Depreciation on property, plant and equipment is charged to the statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 12.1. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions upto the month preceding the disposal when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

**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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is de-recognized.

### 2.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

### 2.4 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

### 2.5 Borrowing cost

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset.

### 2.6 Inventories

Inventories, except for stock in transit and waste stock, are stated at lower of cost and net realizable value. Cost is determined as follows:

#### Stores, spare parts and loose tools

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

#### Stock-in-trade

Cost of raw materials, work-in-process and finished goods is determined as follows:

(i) For raw materials:	Weighted average cost.
(ii) For work-in-process and finished goods:	Average manufacturing cost including a portion of production overheads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock is valued at 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.

### 2.7 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.

### 2.8 Staff retirement benefit

The Company operates defined benefit plan - unfunded gratuity scheme for its permanent employees, who have completed the minimum qualifying period of service as defined under the scheme. The liabilities relating to defined benefit plan are determined through actuarial valuation using the Projected Unit Credit Method. Latest actuarial valuation has been carried on 30 June 2019. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of the benefit, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in Note 7.4 to these financial statements.

Remeasurements changes which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

### 2.9 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 can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### 2.10 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 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 reporting date. Deferred tax is charged or credited in the statement of profit or loss, 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.

### 2.11 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 it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

### 2.12 IFRS 9 'Financial Instruments'

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'Expected Credit Loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measure expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

#### i) Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

#### ii) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, Fair Value Through Profit or Loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, FVTPL and Fair Value Through Other Comprehensive Income (FVTOCI).

##### a) Classification

From 01 July 2018, the Company classifies its financial assets at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

##### b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments at amortized cost. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

## Financial liabilities

### Classification and measurement

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities, and therefore no change in the classification and measurement of financial liabilities.

#### iii) Impairment of financial assets

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

#### iv) De-recognition

##### Financial assets

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

##### Financial liabilities

The Company de-recognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expired.

#### v) Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a 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.

#### vi) Impacts of adoption of IFRS 9 on these financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

##### Financial assets (01 July 2018)

	Loans and receivables (RUPEES IN THOUSAND)	Amortised cost (RUPEES IN THOUSAND)
Opening balance	122,089	-
Adjustments due to adoption of IFRS 9:		
Adjustment on adoption of IFRS 9 by reclassifying financial instruments designated as 'Loans and Receivables' to 'Amortised Cost'	(122,089)	122,089
Recognition of expected life time credit losses on trade debts	-	(14,706)
Opening balance (after reclassification)	<u>-</u>	<u>107,383</u>

The impact of these changes on the Company's accumulated loss and equity is as follows:

	Effect on accumulated loss (RUPEES IN THOUSAND)	Effect on total equity (RUPEES IN THOUSAND)
Opening balance (before classification)	(57,608)	505,178
Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade	(14,706)	(14,706)
Opening balance (after reclassification)	<u>(72,314)</u>	<u>490,472</u>

## 2.13 Borrowings

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

## 2.14 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts overdue by 365 days.

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

## 2.15 Trade and other payables

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

## 2.16 Functional and presentation currency along with foreign currency transactions and translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

## 2.17 Revenue from contracts with customers

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfill a contract can, subject to certain criteria, be capitalized as an asset and amortized over the contract period. These are further elaborated hereunder:

### i) Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

### Sale of goods

Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Related Government grant is recognized when there is reasonable assurance that Company will comply with the conditions attached to it and grant will be received.

### Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

### Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

**ii) Contract assets**

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

**iii) Customer acquisition costs**

Customer acquisition costs are capitalized as an asset where such costs are incremental to obtain a contract with a customer and are expected to be recovered. Customer acquisition costs are amortized on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

**iv) Customer fulfilment costs**

Customer fulfilment costs are capitalized as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Company that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortized on a straight-line basis over the term of the contract.

**v) Right of return assets**

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

**vi) Contract liabilities**

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

**vii) Refund liabilities**

Refund liabilities are recognized where the Company receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Company does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

The Company has assessed that significant performance obligations in contracts with customers are closely related and therefore are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard. Moreover there was no impact on the figures of statement of financial position as at 01 July 2018 due to adoption of IFRS 15.

**2.18 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), Weaving (Producing different quality of greige fabric using yarn) and Socks (Manufacturing socks from yarn, elastic and other ancillary materials).

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.

**2.19 Earnings per share**

The Company presents Earnings Per Share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

## 2.20 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

## 2.21 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

	2019	2018
	(RUPEES IN THOUSAND)	
<b>3. SPONSORS' LOANS</b>		
Balance as at 01 July	241,800	161,800
Loans obtained during the year	-	80,000
Balance as at 30 June	<u>241,800</u>	<u>241,800</u>
<b>3.1</b> These loans are interest free and payable at the discretion of the Company.		
<b>4. SURPLUS ON REVALUATION OF FREEHOLD LAND</b>		
Balance as at 01 July	100,577	85,166
Surplus arised during the year	-	15,411
Balance as at 30 June	<u>100,577</u>	<u>100,577</u>
<b>5. LONG TERM FINANCING</b>		
<b>Secured</b>		
From banking companies (Note 5.1)	195,052	297,471
<b>Unsecured</b>		
From sponsor directors / shareholders (Note 5.2)	178,346	253,114
	<u>373,398</u>	<u>550,585</u>
Less: Current portion shown under current liabilities	97,726	208,769
	<u>275,672</u>	<u>341,816</u>

## 5.1 From banking companies

LENDER	2019	2018	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
The Bank of Punjab	-	21,473	3 Month KIBOR + 2%	Last installment has been repaid on 04 April 2019.	Quarterly	Quarterly	First joint pari passu charge for Rupees 570 million over present and future fixed assets of the Company including land, building and machinery out of total first joint pari passu charge for Rupees 1,018 million. Second charge over specific plant and machinery of the Company for Rupees 20 million and personal guarantee of the Chief Executive Officer of the Company.
The Bank of Punjab	131,425	179,216	3 Month KIBOR + 2%	Sixteen equal quarterly installments commenced on 31 March 2018 and ending on 31 December 2021.	Quarterly	Quarterly	First joint pari passu charge for Rupees 267 million on all present and future current assets of the Company along with the personal guarantee of the Chief Executive Officer of the Company.
Bank Alfalah Limited	23,752	42,671	3 Month KIBOR + 2%	Sixteen equal quarterly installments commenced on 29 June 2016 and ending on 29 March 2020.	Quarterly	Quarterly	First joint pari passu charge over fixed assets of the Company for Rupees 268 million with the personal guarantee of Chief Executive Officer and one Director of the Company.
Bank Alfalah Limited	14,150	19,810	3 Month KIBOR + 2%	Twenty equal quarterly installments commenced on 28 February 2017 and ending on 28 November 2021.	Quarterly	Quarterly	
Bank Alfalah Limited	25,725	34,301	3 Month KIBOR + 2%	Twenty equal quarterly installments commenced on 19 August 2017 and ending on 18 May 2022.	Quarterly	Quarterly	
		<b>195,052</b>					
		<b>297,471</b>					

**2019**                      **2018**  
**(RUPEES IN THOUSAND)**

**5.2 From sponsor directors / shareholders**

Opening balance	253,114	215,364
Add: Fair value adjustment (Note 28)	<u>20,232</u>	<u>37,750</u>
	273,346	253,114
Less: Repaid during the year	95,000	-
Closing balance	<u>178,346</u>	<u>253,114</u>

**5.2.1** These represent unsecured interest free loans obtained from sponsor directors / shareholders of the Company. The loan of Rupees 203.565 million is repayable in one bullet installment on 30 June 2021. The loan of Rupees 95.000 million was repayable on 30 June 2019 and has been completely repaid. These loans along with the sponsors' loan shown in Note 3 are subordinated to bank borrowings amounting to Rupees 306.616 million. Fair value of these loans were estimated at the present value of future cash flows discounted at effective rate at 8.14% (2018: 8.05% to 9.01%) per annum.

**6. DEFERRED INCOME TAX LIABILITY**

**Taxable temporary difference**

Difference in tax and accounting bases of operating fixed assets	107,035	116,098
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**Deductible temporary differences**

Staff retirement gratuity	(19,189)	(16,132)
Unused tax losses	(78,825)	(64,582)
Minimum tax	-	(32,106)
Allowance for expected credit losses	<u>(3,646)</u>	<u>-</u>
	(101,660)	(112,820)
	<u>5,375</u>	<u>3,278</u>

**7. STAFF RETIREMENT GRATUITY**

Opening balance	62,187	50,666
Provision for the year (Note 7.2)	26,641	20,905
Retirement benefit paid	(7,886)	(11,652)
Remeasurements (Note 7.3)	(1,133)	2,268
Closing balance	<u>79,809</u>	<u>62,187</u>

**7.1 Movement in the net liability recognized**

Opening balance	62,187	50,666
Add: Provision for the year (Note 7.2)	26,641	20,905
Remeasurements (Note 7.3)	(1,133)	2,268
	<u>87,695</u>	<u>73,839</u>
Less: Paid during the year	7,886	11,652
	<u>79,809</u>	<u>62,187</u>

**7.2 Provision for the year**

Current service cost	21,399	17,430
Interest cost	5,242	3,475
	<u>26,641</u>	<u>20,905</u>

	2019 (RUPEES IN THOUSAND)	2018
<b>7.3 Remeasurements</b>		
Actuarial loss from changes in financial assumptions	1,406	281
Experience adjustments	(2,539)	1,987
	(1,133)	2,268
<b>7.4 Principal actuarial assumptions used</b>	<b>2019</b>	<b>2018</b>
Discount rate for interest cost in profit or loss charge (per annum)	9.00%	7.75%
Discount rate for year end obligation (per annum)	14.25%	9.00%
Expected rate of increase in salary (per annum)	13.25%	8.00%
Average duration of the benefit	6	6
Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
Withdrawal rate	Age based	Age based

**7.5** The estimated expenses to be charged to the statement of profit or loss for the year ending on 30 June 2020 is Rupees 34.553 million.

**7.6 Sensitivity analysis for actuarial assumptions:**

The sensitivity of the defined benefit obligations as at reporting date to changes in the weighted principal assumption is:

Discount rate	1.00%	1.00%
Increase in assumption (Rupees in thousand)	(4,544)	(3,645)
Decrease in assumption (Rupees in thousand)	5,132	4,147
Future salary increase	1.00%	1.00%
Increase in assumption (Rupees in thousand)	5,360	4,341
Decrease in assumption (Rupees in thousand)	(4,835)	(3,891)

**7.7 Amounts for the current and previous four years:**

	2019	2018	2017	2016	2015
RUPEES IN THOUSAND					
Present value of defined benefit obligation	79,809	62,187	50,666	44,708	27,126
Experience adjustment on obligation	(1,133)	2,268	(2,342)	5,967	-

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit plans to significant actuarial assumptions, the same method (present value of the defined benefit plan calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year except for certain changes as given in Note 7.4.

## 7.8 Risk associated with the scheme

### a) Final salary risk (linked to inflation risk)

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

### b) Demographic risks

#### Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

#### Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2019	2018
	(RUPEES IN THOUSAND)	
<b>8. TRADE AND OTHER PAYABLES</b>		
Creditors (Note 8.1)	161,663	126,616
Accrued liabilities	95,892	67,445
Advances from customers	19,924	19,253
Income tax deducted at source	136	3,168
Sales tax deducted at source	1,063	6,936
Workers' profit participation fund (Note 8.2)	5,060	1,273
	283,738	224,691
<b>8.1</b> These include amounts due to following related parties:		
Blue Moon Filling Station	13,206	10,401
Ideal Socks	3,014	3,014
	16,220	13,415
<b>8.2 Workers' profit participation fund</b>		
Balance as on 01 July	1,273	-
Interest for the year (Note 28)	98	-
Provision for the year (Note 26)	5,060	1,273
	6,431	1,273
Less: Payments during the year	1,371	-
Balance as on 30 June	5,060	1,273

**8.2.1** 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.

**2019**                      **2018**  
**(RUPEES IN THOUSAND)**

**9. ACCRUED MARK-UP**

Long term financing	6,618	4,626
Short term borrowings	19,440	8,935
	26,058	13,561

**10. SHORT TERM BORROWINGS****From banking companies - secured**

Cash finances (Note 10.1 and 10.4)	176,969	71,642
Running finances (Note 10.2 and 10.4)	87,810	130,485
Other short term finances (Note 10.3 and 10.4)	202,446	119,020
	467,225	321,147

**Others - unsecured**

Other related parties (Note 10.5)	205,025	104,300
Temporary book overdrawn	37,062	-
	242,087	104,300
	709,312	425,447

**10.1** These form part of total credit facility of Rupees 550 million (2018: Rupees 450 million). Rates of mark-up range from 8.93% to 14.90% (2018: 8.14% to 8.43%) per annum during the year on balances outstanding.

**10.2** These form part of total credit facility of Rupees 210 million (2018: Rupees 185 million). Rates of mark-up range from 8.43% to 14.90% (2018: 7.64% to 8.47%) per annum during the year on balances outstanding.

**10.3** These form part of total credit facility of Rupees 420 million (2018: Rupees 345 million). Rates of mark-up range from 8.86% to 15.12% (2018: 7.63% to 9.27%) per annum during the year on balances outstanding.

**10.4** These finances are secured against joint pari passu charge over fixed and current assets, pledge of stocks and lien on import / export documents. These are further secured by the personal guarantee of the directors of the Company.

**10.5** These represent interest free loans from Chief Executive Officer, Directors and Sponsor of the Company which are repayable on demand.

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

i) Guarantees of Rupees 26.839 million (2018: 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 (2018: 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 financial statements in view of expected favourable outcome of the appeal.

iii) The Company is contingently liable for Rupees 4.953 million (2018: 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 financial statements in view of favourable outcome of the appeal.

iv) An appeal was filed by the Company on 29 December 2017 before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue (Appeals) for the sales tax demand of Rupees 1.768 million (2018: Rupees 1.768 million). No provision has been made in these financial statements in view of favourable outcome of the appeal.

v) 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 (2018: Rupees Nil) for the tax year 2014 is involved. No provision has been made in these financial statements in view of favourable outcome of the appeal.

vi) The Company filed an appeal subsequently after the year end 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. The management is hopeful of positive outcome of the appeal and therefore no provision has been made in these financial statements.

vii) The Company has challenged, before 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 the Lahore High Court, Lahore. Consequently, the Company has accounted for input sales tax amounting to Rupees 4.791 million (2018: Rupees 4.791 million) paid on such items as receivable balance. The Company is confident of positive outcome of the appeal, on the advice of legal counsel.

## b) Commitments

i) Letters of credit for capital expenditure are of Rupees 2.344 million (2018: Rupees 24.526 million).

ii) Letters of credit other than for capital expenditure are of Rupees 17.467 million (2018: Rupees 29.355 million).

	2019	2018
	(RUPEES IN THOUSAND)	
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets (Note 12.1)	1,089,101	1,087,986
Capital work-in-progress (Note 12.2)	6,350	4,803
	1,095,451	1,092,789

## 12.1

### OPERATING FIXED ASSETS

	Freehold land	Buildings on freehold land	Plant and machinery	Stand-by equipment	Electric installations	Factory equipment	Office equipment	Computers	Electric appliances	Furniture and fixtures	Vehicles	Total
RUPEES IN THOUSAND												
<b>At 30 June 2017</b>												
Cost / revalued amount	114,909	159,352	1,272,016	43,506	60,749	7,102	1,653	5,698	5,889	2,054	52,425	1,725,353
Accumulated depreciation	-	(102,974)	(610,771)	(25,594)	(28,834)	(4,948)	(1,117)	(5,326)	(3,908)	(1,004)	(26,307)	(810,783)
Net book value	114,909	56,378	661,245	17,912	31,915	2,154	536	372	1,981	1,050	26,118	914,570
<b>Year ended 30 June 2018</b>												
Opening net book value	114,909	56,378	661,245	17,912	31,915	2,154	536	372	1,981	1,050	26,118	914,570
Additions	-	88,633	155,247	-	3,797	104	-	-	626	23	9,424	257,854
Effect of surplus on revaluation	15,411	-	-	-	-	-	-	-	-	-	-	15,411
Disposals:												
Cost	-	-	(20,607)	-	-	-	-	-	-	-	(7,907)	(28,514)
Accumulated depreciation	-	-	15,666	-	-	-	-	-	-	-	4,646	20,312
Depreciation charge	-	(3,207)	(76,218)	(1,791)	(3,483)	(221)	(54)	(112)	(234)	(107)	(6,220)	(91,647)
Closing net book value	130,320	141,804	735,333	16,121	32,229	2,037	482	260	2,373	966	26,061	1,087,966
<b>At 30 June 2018</b>												
Cost / revalued amount	130,320	247,985	1,406,656	43,506	64,546	7,206	1,653	5,698	6,515	2,077	53,942	1,970,104
Accumulated depreciation	-	(106,181)	(671,323)	(27,385)	(32,317)	(5,169)	(1,171)	(5,438)	(4,142)	(1,111)	(27,881)	(882,118)
Net book value	130,320	141,804	735,333	16,121	32,229	2,037	482	260	2,373	966	26,061	1,087,966
<b>Year ended 30 June 2019</b>												
Opening net book value	130,320	141,804	735,333	16,121	32,229	2,037	482	260	2,373	966	26,061	1,087,966
Additions	-	20,133	83,169	-	5,258	480	641	871	664	23	6,729	117,968
Disposals:												
Cost	-	-	(142,237)	-	-	-	-	-	-	-	(4,368)	(146,605)
Accumulated depreciation	-	-	124,026	-	-	-	-	-	-	-	2,211	126,237
Depreciation charge	-	(7,281)	(78,097)	(1,612)	(3,308)	(244)	(71)	(256)	(266)	(98)	(2,157)	(85,237)
Closing net book value	130,320	154,656	722,194	14,509	34,179	2,273	1,052	875	2,771	891	25,381	1,089,101
<b>At 30 June 2019</b>												
Cost / revalued amount	130,320	268,118	1,347,588	43,506	69,804	7,686	2,294	6,569	7,179	2,100	56,303	1,941,467
Accumulated depreciation	-	(113,462)	(625,394)	(28,997)	(35,625)	(5,413)	(1,242)	(5,694)	(4,408)	(1,209)	(30,922)	(852,366)
Net book value	130,320	154,656	722,194	14,509	34,179	2,273	1,052	875	2,771	891	25,381	1,089,101
<b>Annual rate of depreciation (%)</b>	-	5	10	10	10	10	10	30	10	10	10	20

Freehold land of the Company was revalued as at 06 December 2017 by Hamid Mukhtar and Company (Private) Limited, an independent valuer using market value method. Previously the revaluation was carried out on 30 June 2016 by an independent valuer. The book value of freehold land is Rupees 29,743 million (2018: Rupees 29,743 million).

### 12.1.1

**12.1.2** Forced sale value of freehold land as per last revaluation carried out on 08 December 2017 was Rupees 104.256 million.

**12.1.3** Depreciation charge for the year has been allocated as follows:

	2019	2018
	(RUPEES IN THOUSAND)	
Cost of sales (Note 23)	86,620	84,599
Administrative expenses (Note 25)	9,865	7,048
	<u>96,485</u>	<u>91,647</u>

**12.1.4** Particulars of immovable properties (i.e. land and buildings) in the name of the Company are as follows:

Particulars	Location	Area Acres	Covered area Sq. Ft.
Manufacturing facility	32-KM Shiekhpura Road, Faisalabad	20.499	366 313
Head office (Note 12.1.5)	1088, Jail Road, Faisalabad	0.250	7 619

**12.1.5** This building is constructed and capitalized on the land which is in the name of a director of the Company.

**12.1.6** Detail of operating fixed assets, exceeding the book value of Rupees 500,000 disposed of during the year is as follows:

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers	
									Nos ----- (RUPEES IN THOUSAND) -----
<b>Plant and machinery</b>									
Schalaphorst Machine	1	12,190	9,963	2,227	2,245	18	Negotiation	Ejaz Nasir, Lahore Road, Multan	
Schalaphorst Autocone	1	12,190	9,982	2,208	2,225	17	Negotiation	Rana Abdul Hadi, Railway Road, Multan	
Draw Frame Trutzschler	1	6,955	5,275	1,680	1,700	20	Negotiation	Faraz Jahengir, Lahore Road, Raiwind	
Schalaphorst Machine	1	9,251	7,942	1,309	1,328	19	Negotiation	Shams ul Haq, Airport Road, Multan	
Roving Machine Toyoda	1	2,191	896	1,295	1,315	20	Negotiation	Kashif Bukhari, Small Estate, Gujranwala	
Roving Frame	1	3,884	2,946	938	960	22	Negotiation	Raja Noor Din, Multan Road, Lahore	
		<u>46,661</u>	<u>37,004</u>	<u>9,657</u>	<u>9,773</u>	<u>116</u>			
<b>Vehicles</b>									
Honda Civic ADX 300-2017	1	2,831	897	1,934	2,000	66	Negotiation	Muhammad Sufyan, Raja Park, Toba Tek Singh	
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 500,000		<u>97,113</u>	<u>88,336</u>	<u>8,777</u>	<u>10,226</u>	<u>1,449</u>			
		<u>146,605</u>	<u>126,237</u>	<u>20,368</u>	<u>21,999</u>	<u>1,631</u>			

	<b>2019</b>	<b>2018</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>12.2 Capital work-in-progress</b>		
Buildings on freehold land	422	422
Plant and machinery	-	2,828
Advance against vehicle	-	64
Advance against Enterprise Resource Planning	5,928	1,489
	<u>6,350</u>	<u>4,803</u>
<b>13. LONG TERM LOANS</b>		
<b>Considered good - secured:</b>		
Executive (Note 13.1)	1,200	-
Other employees	255	650
	<u>1,455</u>	<u>650</u>
Less: Current portion shown under current assets (Note 18)		
Executive	1,100	-
Other employees	180	553
	<u>1,280</u>	<u>553</u>
	<u>175</u>	<u>97</u>
<b>13.1</b> Maximum aggregate balance due from the executive at the end of any month during the year was Rupees 1.200 million (2018: Rupees Nil).		
<b>13.2</b> These represent loans given to an executive and other employees for meeting their personal expenditure. These are secured against balance to the credit of employees in the staff retirement gratuity and are recoverable in equal monthly installments.		
<b>13.3</b> The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of staff loans is not considered material and hence not recognized.		
<b>14. LONG TERM DEPOSITS AND PREPAYMENTS</b>		
Security deposits	1,789	1,789
Prepayments	441	175
	<u>2,230</u>	<u>1,964</u>
Less: Current portion shown under current assets (Note 19)	314	142
	<u>1,916</u>	<u>1,822</u>
<b>15. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	24,146	16,957
Spare parts (Note 15.1)	27,706	24,004
Loose tools	178	197
	<u>52,030</u>	<u>41,158</u>
<b>15.1</b> These include spare parts in transit of Rupees 4.542 million (2018: Rupees 2.015 million).		
<b>16. STOCK-IN-TRADE</b>		
Raw materials (Note 16.1 and Note 16.2)	302,262	180,619
Work-in-process	36,665	33,204
Finished goods (Note 16.3)	90,298	108,240
Waste	220	1,223
	<u>429,445</u>	<u>323,286</u>

- 16.1** Raw materials include stock in transit of Rupees 19.084 million (2018: Rupees 7.742 million).
- 16.2** These include stock of Rupees 2.110 million (2018: Rupees Nil) sent to outside parties for processing.
- 16.3** These include stock of Rupees 4.669 million (2018: Rupees Nil) available with outside parties after conversion.

	<b>2019</b>	<b>2018</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>17. TRADE DEBTS</b>		
<b>Considered good:</b>		
Secured against letter of credit	53,058	21,457
Unsecured	141,092	88,546
	<u>194,150</u>	<u>110,003</u>
Less: Allowance for expected credit lossess (Note 17.2)	15,164	-
	<u>178,986</u>	<u>110,003</u>

- 17.1** As at 30 June 2019, trade debts due from other than related parties amounting to Rupees 79.401 million (2018: Rupees 73.255 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:

Upto 1 month	57,033	36,505
1 to 6 months	12,722	20,388
More than 6 months	9,646	16,362
	<u>79,401</u>	<u>73,255</u>

**17.2 Allowance for expected credit losses**

Opening balance	-	-
Add:		
Recognized as on 01 July 2018	14,706	-
Recognized during the year (Note 26)	458	-
Closing balance	<u>15,164</u>	<u>-</u>

**18. LOANS AND ADVANCES**

**Considered good:**

Employees - interest free		
- Executives	1,744	678
- Other employees:		
Against expenses	937	118
Against salary	2,582	2,546
	<u>3,519</u>	<u>2,664</u>
	5,263	3,342
Current portion of long term loans (Note 13)	1,280	553
Advances to suppliers / contractors	11,853	11,543
Letters of credit	34	3,855
Income tax	77,277	63,189
	<u>95,707</u>	<u>82,482</u>

**2019**                      **2018**  
**(RUPEES IN THOUSAND)**

**19. SHORT TERM DEPOSIT AND PREPAYMENTS**

Deposit	40	40
Prepayments	311	237
Current portion of long term deposits and prepayments (Note 14)	314	142
	665	419

**20. OTHER RECEIVABLES****Considered good:**

Sales tax refundable	125,879	112,283
Export rebate and duty drawback	44,417	29,766
	170,296	142,049

**21. CASH AND BANK BALANCES****With banks:**

On current accounts	36,167	4,665
On PLS saving accounts	27	13
	36,194	4,678
<b>Cash in hand</b>	1,820	1,705
	38,014	6,383

**22. REVENUE**

Local sales (Note 22.1)	2,625,358	2,269,090
Export sales	860,463	420,466
Export rebate and duty drawback	27,114	29,362
	3,512,935	2,718,918

**22.1 Local sales**

Yarn / socks	2,107,581	1,702,000
Waste	25,355	18,316
Sizing income	20,090	21,264
Conversion income / cloth sale	472,071	506,683
Viscose / tencel / cotton	151	21,293
Others	1,464	42
	2,626,712	2,269,598
Less: Sales tax	1,354	508
	2,625,358	2,269,090

**2019**      **2018**  
**(RUPEES IN THOUSAND)**

**23. COST OF SALES**

Raw materials consumed (Note 23.1)	1,975,572	1,503,306
Cost of raw materials sold	136	22,649
Salaries, wages and other benefits (Note 23.2)	366,467	310,026
Stores, spare parts and loose tools consumed	145,402	82,510
Packing materials consumed	75,233	58,247
Sizing materials consumed	30,579	31,073
Outside processing / conversion and other charges	45,648	33,455
Repair and maintenance	1,471	4,389
Fuel and power	358,942	321,302
Insurance	3,921	3,732
Other factory overheads	1,253	412
Depreciation (Note 12.1.3)	<u>86,620</u>	<u>84,599</u>
	3,091,244	2,455,700
Work-in-process		
Opening stock	<u>33,204</u>	<u>20,110</u>
Closing stock	<u>(36,665)</u>	<u>(33,204)</u>
	(3,461)	(13,094)
Cost of goods manufactured	<u>3,087,783</u>	<u>2,442,606</u>
Finished goods		
Opening stock	<u>109,463</u>	<u>117,432</u>
Closing stock	<u>(90,518)</u>	<u>(109,463)</u>
	18,945	7,969
	<u>3,106,728</u>	<u>2,450,575</u>

**23.1 Raw materials consumed**

Opening stock	180,619	170,238
Add: Purchased during the year	2,097,215	1,513,687
	<u>2,277,834</u>	<u>1,683,925</u>
Less: Closing stock	(302,262)	(180,619)
	<u>1,975,572</u>	<u>1,503,306</u>

**23.2** Salaries, wages and other benefits include staff retirement gratuity amounting to Rupees 15.836 million (2018: Rupees 12.922 million).

**24. DISTRIBUTION COST**

Salaries and other benefits (Note 24.1)	6,544	4,619
Outward freight and handling	24,590	13,264
Commission to selling agents	26,034	8,293
Travelling and accommodation	6	10
Postage and telephone	88	94
Fee and subscription	2,205	1,813
Entertainment	-	1
Printing and stationery	7	5
Others	168	403
	<u>59,642</u>	<u>28,502</u>

**24.1** Salaries and other benefits include staff retirement gratuity amounting to Rupees 0.511 million (2018: Rupees 0.280 million).

	2019	2018
	(RUPEES IN THOUSAND)	
<b>25. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and other benefits (Note 25.1)	74,247	60,525
Directors' remuneration	4,600	3,100
Rent, rates and taxes	5,117	4,001
Legal and professional	1,466	1,325
Insurance	1,307	1,400
Travelling and conveyance	7,471	4,677
Vehicles' running	15,950	11,529
Entertainment	10,514	6,974
Auditor's remuneration (Note 25.2)	835	660
Advertisement	175	89
Postage and telephone	5,610	4,398
Electricity, gas and water	6,716	3,479
Printing and stationery	2,218	2,096
Repair and maintenance	1,662	515
Fee and subscription	4,234	3,799
Miscellaneous	2,639	1,115
Depreciation (Note 12.1.3)	9,865	7,048
	<u>154,626</u>	<u>116,730</u>

**25.1** Salaries, wages and other benefits include staff retirement gratuity of Rupees 10.294 million (2018: Rupees 7.703 million).

**25.2 Auditor's remuneration**

Audit fee	675	550
Half yearly review	110	100
Other certification	50	10
	<u>835</u>	<u>660</u>

**26. OTHER EXPENSES**

Trade debts written off	-	4
Donation (Note 26.1)	70	-
Workers' profit participation fund (Note 8.2)	5,060	1,273
Loss allowance under expected credit loss (Note 17.2)	458	-
	<u>5,588</u>	<u>1,277</u>

**26.1** None of the directors or their spouses had any interest in the donee except one director, Mrs. Rubina Amjad who is the President of Faisalabad Women Chamber Of Commerce And Industry.

**27. OTHER INCOME**

**Income from financial assets**

Profit on deposits with banks (Note 27.1)	28	2
Net exchange gain	27,802	6,265
	<u>27,830</u>	<u>6,267</u>

**Income from non-financial assets**

Gain on disposal of property, plant and equipment	1,631	154
Credit balances written back	579	-
	<u>2,210</u>	<u>154</u>
	<u>30,040</u>	<u>6,421</u>

**27.1** Rate of profit on bank deposits as disclosed in Note 21, ranges from 2.61% to 5.50% (2018: 2.16% to 2.48%) per annum.

**28. FINANCE COST**

**Mark-up on:**

Long term financing	26,524	27,848
Short term borrowings	65,964	33,058
Fair value adjustment of loans from sponsor directors / shareholders (Note 5.2)	20,232	37,750
Interest on workers' profit participation fund (Note 8.2)	98	-
Bank charges and commission	7,534	5,417
	<u>120,352</u>	<u>104,073</u>

**2019**      **2018**  
**(RUPEES IN THOUSAND)**

**29. TAXATION**

Charge for the year:		
Current (Note 29.1)	37,534	17,337
Prior year adjustment	(2,434)	(2,240)
	<u>35,100</u>	<u>15,097</u>
Deferred	1,824	3,866
	<u>36,924</u>	<u>18,963</u>

**29.1** Provision for current taxation represents the tax deducted against export sales and minimum tax on local sales under the relevant provisions of the Income Tax Ordinance, 2001. Tax losses including unabsorbed depreciation available as at 30 June 2019 are Rupees 271.811 million (2018: Rupees 222.697 million). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented in view of accumulated losses.

**29.2** Under Section 5A of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate of 5% of accounting profit before tax of the Company if it does not distribute at least 20% of its after tax profit for the year within six months of the end of the year ended 30 June 2019 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on 30 September, 2019 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

**30. EARNINGS PER SHARE - BASIC AND DILUTED**

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

		<b>2019</b>	<b>2018</b>
Profit attributable to ordinary shareholders	(Rupees in thousand)	<u>59,115</u>	<u>5,219</u>
Weighted average number of ordinary shares	(Numbers)	<u>9 920 000</u>	<u>9 920 000</u>
Earnings per share	(Rupees)	<u>5.96</u>	<u>0.53</u>

**2019**      **2018**  
**(RUPEES IN THOUSAND)**

**31. CASH GENERATED FROM OPERATIONS**

<b>Profit before taxation</b>	96,039	24,182
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	96,485	91,647
Gain on disposal of property, plant and equipment	(1,631)	(154)
Provision for staff retirement gratuity	26,641	20,905
Allowance for expected credit losses	458	-
Finance cost	120,352	104,073
Trade debts written off	-	4
Credit balances written back	(579)	-
Provision for workers' profit participation fund	5,060	-
Working capital changes (Note 31.1)	(173,332)	(89,203)
	<u>169,493</u>	<u>151,454</u>

**2019**      **2018**  
**(RUPEES IN THOUSAND)**

**31.1 Working capital changes**

(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	(10,872)	(11,188)
- Stock-in-trade	(106,159)	(15,506)
- Trade debts	(84,147)	(50,812)
- Loans and advances	863	4,913
- Short term deposit and prepayments	(246)	(50)
- Other receivables	(28,247)	(51,132)
	<u>(228,808)</u>	<u>(123,775)</u>
Increase in trade and other payables	55,476	34,572
	<u>(173,332)</u>	<u>(89,203)</u>

### 31.2 Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Long term financing	Short term borrowings	Unclaimed dividend	Total
----- (RUPEES IN THOUSAND) -----				
Balance as at 01 July 2018	550,585	425,447	464	976,496
Dividend declared	-	-	1,243	1,243
Fair value adjustment	20,232	-	-	20,232
Short term borrowings obtained - net	-	283,865	-	283,865
Repayment of financing	(197,419)	-	-	(197,419)
Dividend paid	-	-	(1,017)	(1,017)
Balance as at 30 June 2019	373,398	709,312	690	1,083,400

### 32. EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2019 of Rupees 1.20 per share i.e 12% (2018: Rupee 0.75 per share) to all the shareholders at their meeting held on 30 September, 2019. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

### 33. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

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

	Chief Executive Officer		Director		Executives	
	2019	2018	2019	2018	2019	2018
-----RUPEES IN THOUSAND-----						
<b>Managerial remuneration</b>	1,800	1,200	1,200	825	12,693	8,965
<b>Allowances</b>						
House rent	810	540	540	371	5,712	4,034
Others	90	60	60	4	635	2,321
	2,700	1,800	1,800	1,200	19,040	15,320
<b>Number of persons</b>	1	1	1	1	7	5

**33.1** Chief Executive Officer, Director and certain executives are provided with Company maintained vehicles and are entitled to reimbursement of travelling expenses and other utilities.

**33.2** Aggregate amount charged in the financial statements for meeting fee to one director (2018: one director) was Rupees 100,000 (2018: Rupees 100,000).

**33** No remuneration was paid to non-executive directors of the Company.

**2019                      2018**

### 34. NUMBER OF EMPLOYEES

Number of employees as on 30 June	1 007	917
Average number of employees during the year	1 017	1 067

**35. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies / undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements is as follows:

Name	Basis of relationship	Nature of transactions	(RUPEES IN THOUSAND)	
			2019	2018
<b>Associated companies / undertakings:</b>				
Blue Moon Filling Station	Director of the Company is the member of Board of Trustees	Fuel purchased	2,805	1,667
Waqas Spinning Mills (Private) Limited	Common directorship	Purchase of goods	-	1,348
Ideal Socks	Directors of the Company are the members of Board of Trustees	Rental expense	2,000	1,800
<b>Other related parties</b>				
Directors and sponsors	Members of board of directors, key management personnel and sponsors	Loans obtained from directors/sponsor-net	5,725	179,800

**35.1** Detail of compensation to key management personnel comprising of Chief Executive Officer, Director and Executives is disclosed in Note 33.

**36. PLANT CAPACITY AND ACTUAL PRODUCTION**

		2019	2018
<b>Spinning</b>			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2018: 1 095 shifts)	(Kgs.)	17 788 155	11 726 004
Actual production converted to 20s count based on 3 shifts per day for 1 095 shifts (2018: 1 095 shifts)	(Kgs.)	15 485 593	10 443 215
<b>Weaving</b>			
100 % plant capacity at 60 picks based on 3 shifts per day for 1 095 shifts (2018: 1 095 shifts)	(Sq.Mtr.)	24 014 170	24 014 170
Actual production converted to 60 picks based on 3 shifts per day for 1 095 shifts (2018: 1 095 shifts)	(Sq.Mtr.)	20 404 612	20 171 903

**Hosiery:**

Capacity of such unit cannot be determined due to nature of its operations.

**36.1 REASON FOR LOW PRODUCTION**

Under utilization of available capacity is mainly due to periodical scheduled maintenance and installation period of BMR activities carried out during the year.

## 37. SEGMENT INFORMATION

	Spinning		Weaving		Socks		Elimination of Inter-segment transactions		Total - Company	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue										
External	2,180,666	1,769,979	664,365	580,689	667,904	368,250	-	-	3,512,935	2,718,918
Inter segment	289,936	110,175	-	-	-	-	(289,936)	(110,175)	-	-
Cost of sales	2,470,602	1,880,154	664,365	580,689	667,904	368,250	(289,936)	(110,175)	3,512,935	2,718,918
Gross profit	(2,238,080)	(1,703,110)	(577,047)	(520,049)	(581,537)	(337,591)	289,936	110,175	(3,106,728)	(2,450,575)
Distribution cost	232,522	177,044	87,318	60,640	86,367	30,659	-	-	406,207	268,343
Administrative expenses	(8,777)	(5,722)	(8,222)	(4,732)	(42,643)	(18,048)	-	-	(59,642)	(28,502)
Other income	(81,449)	(64,638)	(29,129)	(26,532)	(44,048)	(25,560)	-	-	(154,626)	(116,730)
Finance cost	1,752	257	3,124	87	25,164	6,077	-	-	30,040	6,421
Profit / (loss) before taxation and unallocated expenses	(100,403)	(80,036)	(8,711)	(19,183)	(11,238)	(4,854)	-	-	(120,352)	(104,073)
Unallocated expenses:										
Other expenses	43,645	26,905	44,380	10,280	13,602	(11,726)	-	-	101,627	25,459
Taxation									(5,588)	(1,277)
Profit after taxation									(36,924)	(18,963)
									59,115	5,219

## 37.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Socks		Total - Company	
	2019	2018	2019	2018	2019	2018	2019	2018
Total assets for reportable segments	1,381,252	1,264,031	359,600	333,105	321,833	203,352	2,062,685	1,800,488
Total liabilities for reportable segments	1,023,845	883,165	142,612	208,024	306,548	185,746	1,473,005	1,276,935
Unallocated liabilities:								
Deferred income tax liability							5,375	3,278
Provision for taxation							35,100	15,097
Total liabilities as per statement of financial position							1,513,480	1,295,310

## 37.2 Geographical Information

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

	Spinning		Weaving		Socks		Total - Company	
	2019	2018	2019	2018	2019	2018	2019	2018
Europe	-	-	185,026	51,017	282,609	64,357	467,635	115,374
Asia and Australia	59,723	36,842	-	-	570	684	60,293	37,526
America	-	-	-	9,529	359,650	287,399	359,650	296,928
Pakistan	2,120,943	1,733,137	479,339	520,143	25,075	15,810	2,625,357	2,269,090
	2,180,666	1,769,979	664,365	580,689	667,904	368,250	3,512,935	2,718,918

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

#### 37.4 Revenue from major customers

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

### 38. FINANCIAL RISK MANAGEMENT

#### 38.1 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 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, investment of excess liquidity and use of non-derivative financial instruments.

#### (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 United States Dollar (USD) and Euro. Currently the Company's foreign exchange risk exposure is restricted to the amount receivable from the foreign entities. The Company's exposure to currency risk was as follows:

	2019	2018
Trade debts - USD	779,213	485,031
Trade debts - Euro	11,865	-
Loans and advances - USD	-	4,776
Trade and other payables - USD	-	(1,776)
Net Exposure - USD	779,213	488,031
Net Exposure - Euro	11,865	-

Following exchange rates were applied during the year:

##### Rupees per US Dollar

Average rate	129.99	110.73
Reporting date rate	159.75	121.40

##### Rupees per Euro

Average rate	159.10	-
Reporting date rate	178.00	141.33

##### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 5.913 million (2018: Rupees 2.814 million) and Rupees 0.100 million (2018: Rupees Nil) 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.

##### (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's interest rate risk arises from long term financing, short term borrowings and bank balances in saving accounts. Financial instruments 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 reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018
	(RUPEES IN THOUSAND)	
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - saving accounts	27	13
<b>Financial liabilities</b>		
Long term financing	195,052	297,471
Short term borrowings	467,225	321,147

#### 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 reporting 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 6.291 million (2018: Rupees 5.877 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

#### (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:

Loans and advances	5,781	3,874
Deposits	1,829	1,829
Trade debts	178,986	110,003
Bank balances	36,194	4,678
	<u>222,790</u>	<u>120,384</u>

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			2019	2018
	Short term	Long term	Agency	(RUPEES IN THOUSAND)	
<b>Banks</b>					
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	41	12
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	107	52
Meezan Bank Limited	A-1+	AA+	VIS	5,828	2,450
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	11,046	-
MCB Bank Limited	A1+	AAA	PACRA	4,412	346
Allied Bank Limited	A1+	AAA	PACRA	1,176	22
United Bank Limited	A-1+	AAA	VIS	20	7
Faysal Bank Limited	A1+	AA	PACRA	163	5
National Bank of Pakistan	A-1+	AAA	VIS	370	777
Habib Bank Limited	A-1+	AAA	VIS	1,740	100
Askari Bank Limited	A1+	AA+	PACRA	2,387	7
Bank Alfalah Limited	A1+	AA+	PACRA	5	6
Bank Al-Habib Limited	A1+	AA+	PACRA	2	2
The Bank of Punjab	A1+	AA	PACRA	8,477	866
Soneri Bank Limited	A1+	AA-	PACRA	395	1
The Bank of Khyber	A1	A	PACRA	25	25
				<u>36,194</u>	<u>4,678</u>

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, 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.

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 2019, the Company had Rupees 712.775 million (2018: Rupees 658.853 million) available borrowing limits from financial institutions and Rupees 38.014 million (2018: Rupees 6.383 million) cash and bank balances. Management believes the liquidity risk to be low. Followings are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the tables are undiscounted cash flows.

#### Contractual maturities of financial liabilities as at 30 June 2019:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
----- RUPEES IN THOUSAND -----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	373,398	403,715	54,640	39,684	275,871	33,520
Trade and other payables	257,555	257,555	257,555	-	-	-
Unclaimed dividend	690	690	690	-	-	-
Accrued mark-up	26,058	26,058	26,058	-	-	-
Short term borrowings	672,250	745,578	745,578	-	-	-
	<u>1,329,951</u>	<u>1,433,596</u>	<u>1,084,521</u>	<u>39,684</u>	<u>275,871</u>	<u>33,520</u>

#### Contractual maturities of financial liabilities as at 30 June 2018:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
----- RUPEES IN THOUSAND -----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	550,585	638,959	65,381	152,602	86,377	334,599
Trade and other payables	194,061	194,061	194,061	-	-	-
Unclaimed dividend	464	464	464	-	-	-
Accrued mark-up	13,561	13,561	13,561	-	-	-
Short term borrowings	425,447	432,674	432,674	-	-	-
	<u>1,184,118</u>	<u>1,279,719</u>	<u>706,141</u>	<u>152,602</u>	<u>86,377</u>	<u>334,599</u>

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 5 and Note 10 to these financial statements.

Carrying amount of long term financing as at 30 June 2019 includes overdue installments of principal amounting to Rupees 17.412 million (2018: Rupees 17.316 million).

### 38.2 Financial instruments by categories

	2019 (RUPEES IN THOUSAND)	2018 (RUPEES IN THOUSAND)
	<b>At amortized cost</b>	<b>Loans and receivables</b>
<b>Assets as per statement of financial position</b>		
Loans and advances	5,781	3,874
Deposits	1,829	1,829
Trade debts	178,986	110,003
Cash and bank balances	38,014	6,383
	<u>224,610</u>	<u>122,089</u>
	<b>At amortized cost</b>	
	<b>2019 2018</b>	
	<b>(RUPEES IN THOUSAND)</b>	
<b>Liabilities as per statement of financial position</b>		
Long term financing	373,398	550,585
Trade and other payables	257,555	194,061
Unclaimed dividend	690	464
Accrued mark-up	26,058	13,561
Short term borrowings	672,250	425,447
	<u>1,329,951</u>	<u>1,184,118</u>

### 38.3 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

### 38.4 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 represents long term financing (except subordinated loans) and short term borrowings obtained by the Company as referred to in Note 5 and Note 10 respectively. Equity represents 'total equity' as shown in the statement of financial position and the portion of loans from sponsor directors / shareholders which are subordinated to long term financing as referred in Note 5.2.1. Total capital employed includes 'total equity' plus 'borrowings'. The Company's strategy remained unchanged from last year.

		2019	2018
Borrowings	(Rupees in thousand)	1,017,894	911,216
Total equity	(Rupees in thousand)	614,021	569,994
Total capital employed	(Rupees in thousand)	<u>1,631,915</u>	<u>1,481,210</u>
Gearing ratio	(Percentage)	<u>62.37</u>	<u>61.52</u>

### 39. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

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

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

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

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

#### (i) Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
-----RUPEES IN THOUSAND-----				
<b>At 30 June 2019</b>				
Freehold land	-	130,320	-	130,320
<b>At 30 June 2018</b>				
Freehold land	-	130,320	-	130,320

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

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

## (ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuation for its freehold land (classified as property, plant and equipment) at least after every three years. The management updates the assessment of the fair value of freehold land, taking into account the most recent independent valuation. The management determines freehold land's value within a range of reasonable fair value estimates. The best evidence of fair value of freehold land is current prices in an active market for similar lands.

### Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land at least after every three years. The latest valuation of freehold land has been performed by Messrs Hamid Mukhtar and Company (Private) Limited as at 08 December 2017.

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

## 41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 30, 2019 by the Board of Directors of the Company.

## 42. CORRESPONDING FIGURES

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

Reclassification from statement of financial position	Reclassification to statement of financial position	Rupees in thousand
Loans and advances	Property, plant and equipment	1,489

- Chief Financial Officer (CFO) of the Company has resigned since 30 July 2017. However Acting CFO performed the duties of CFO during the year.

## 43. 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  
(ACTING)

**Pattern of Shareholding  
As on June 30, 2019**

TYPE OF SHARE HOLDERS		NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD
1	100	583	49831
101	500	652	286066
501	1000	84	77277
1001	5000	91	227598
5001	10000	13	103150
10001	15000	4	49207
15001	20000	2	33599
35001	40000	2	76774
40001	45000	2	81000
50001	55000	1	52000
60001	65000	2	121676
105001	110000	2	212200
170001	175000	1	174678
365001	370000	1	366048
570001	575000	1	570598
625001	630000	1	628396
725001	730000	1	729500
745001	750000	1	747300
760001	765000	1	762200
880001	885000	1	883000
890001	895000	1	890726
930001	935000	3	2797176
<b>TOTAL =====&gt;&gt;</b>		<b>1,450</b>	<b>9,920,000</b>

**Categories of Shareholding**

As at June 30,2019

Categories of Shareholding	Numbers	Shares held	Percentage (%)
<b>Associated companies,Undertakings and Related Parties</b>			
<b>NIT and ICP</b>	3	1000	0.01
<b>Directors,Chief Executive &amp; their S spouse and Adult Children</b>			
Mr.Muhammad Saeed Sheikh ( Chairman )	2	936646	9.44
Adult Children	2	212200	2.14
Mr.Amjad Saeed (Chief Executive)	2	936878	9.44
Adult Children	1	931300	9.39
Mrs.Rubina Amjad ( Director )	2	930000	9.38
Mr.Umar Saeed ( Director )	2	935000	9.43
Mr.Khizar Saeed ( Director )	2	1682300	16.96
Mr.Ahsan Saeed ( Director )	1	930876	9.38
<b>Executives</b>			
<b>Public Sector Companies and Corporations</b>			
Banks,Development Finance Institutions,	1	369	0.00
Non - Banking Finance Institutions,			
Jont Stock Companies	6	2900	0.03
Insurance Companies,Modaraba and Mutual Funds	1	628396	6.33
Individuals	1423	1729847	17.44
Others	2	62288	0.63
<b>Total</b>	<b>1450</b>	<b>9920000</b>	<b>100.00</b>

**SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY**

Name of Shareholder	No of Sharrs held	Percentage
Mr.Muhammad Saeed Sheikh	936646	9.44
Mr.Amjad Saeed	936878	9.44
Mrs.Rubina Amjad	930000	9.38
Mr.Umar Saeed	935000	9.43
Mr.Khizar Saeed	1682300	16.96
Mr.Ahsan Saeed	930876	9.38
CDC-TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	628396	6.44

**Statement showing shares bought and sold by directors, CEO, CFO,  
Company secretary and the minor family members  
form 01 July 2018 to 30 June 2019**

S.NO	Name	Designation	Shares bought	Shares sold
1	Mr.Mohammad Saeed Sheikh	Chairman		
2	Mr.Amjad Saeed	Chief Executive		
3	Mrs.Rubina Amjad	Director		
4	Mr.Omer Saeed	Director		
5	Mr.Khizer Saeed	Director	52000 Shares Purchase From Market. On,15-10-2018	
6	Mr.Ahsan Saeed	Director		
7	Muhammad Asif	Director NIT		
8	Muhammad Kashif Zahur	Chief Financial Officer ( Acting )		
9	Mr.Muhammad Nadeem	Company Secretary		

M/S F.D.Registrar Services (SMC-Pvt) Ltd.,  
1705, 17<sup>th</sup> Floor Saima Trade Tower-A  
I.I.Chundrigar Road Karachi-74000

Dear Sir

The Share Registrar Ideal Spinning Mills Ltd  
Request for E-Transmission of Annual Report

Pursuant to S.R.O.787(1)/2014 dated September 08,2014 issued by the Securities and Exchange Commission of Pakistan (SECP), kindly note requisite information for electronic transmission of annual balance sheet and profit and loss account, auditor's report and directors report etc. ( Audited Financial Statements) along with notice of annual general meeting (Notice) {collectively referred to as 'Annual Report'} of Ideal Spinning Mills Ltd (ISM).The email address provided hereunder may please be recorded in the members' register of the Company being maintained under Section 473 of the Companies Act 2017.

Particulars	
Name of shareholder	
Folio No./ CDC ID No.	
CNIC No.	
Passport No.(for Foreign shareholder	
E-mail address	
Land line Telephone No.	
Cell No.	

It is stated that the above-mentioned information is correct and I hereby agree and give my consent for future transmission of the Company's Annual Report via email address provided above.

It is further stated that being the shareholder of Company, it my responsibility to communicate any change in the registered email address in a timely manner.

Yours Truly,

\_\_\_\_\_  
Shareholder's Signature

Complete Address -----

-----

-----  
Copy to

The Company Secretary  
Ideal Spinning Mills Ltd  
404/05, Business Centre, Mumtaz Hasan Road  
Karachi

M/S F.D.Registrar Services (SMC-Pvt) Ltd.,  
1705,17<sup>th</sup> Floor Saima Trade Tower-A-,  
I.I.Chundrigar Road Karachi-

Date: \_\_\_\_\_

Dear Sirs,

## ELECTRONIC CREDIT MANDATE FORM (MANDATORY UNDER COMPANIES ACT, 2017)

I hereby communicate to receive my future dividends directly in my bank account as detailed below:

Name of share-holder/certificate-holder : \_\_\_\_\_

Folio Number / CDC Account No. : \_\_\_\_\_ Company/Entity: \_\_\_\_\_

Cell/Contact number of shareholder : \_\_\_\_\_

E-mail address of shareholder : \_\_\_\_\_

Title of Bank Account : \_\_\_\_\_  
[Must match with name of principal shareholder]

International Bank Account No. : \_\_\_\_\_  
[IBAN - having 24 digits]

Name of Bank : \_\_\_\_\_

Bank branch name & full mailing address : \_\_\_\_\_  
\_\_\_\_\_

CNIC No./Passport No. in case of foreign  
Shareholder [Please attach a copy] : \_\_\_\_\_

NTN (in case of corporate shareholder) : \_\_\_\_\_

Registration number (in case of corporate shareholder) – copy attached \_\_\_\_\_

It is stated that the above particulars given by me are correct and to the best of my knowledge; I shall keep the Company/Modaraba informed in case of any changes in the said particulars in future.

\_\_\_\_\_  
Shareholder/Certificate-holder's Signature

### Notes and Instructions:

1. Please note that the dividend will be with-held till a valid IBAN has been provided.
2. Please provide complete International Bank Account Number [IBAN] (having 24 digits & beginning with PK), after checking with your concerned branch to enable electronic credit directly into your bank account.
3. The payment of cash dividend will be processed based on bank account number alone.  
Company/Modaraba will rely on the account number as per Shareholder/Certificate holder's instructions and shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and /or due to any event beyond the control of the Company/Modaraba.
4. Shareholders holding shares in physical certificates form must submit this form separately for each Company/ Modaraba wherein they hold their shares/Modaraba Certificates, quoting their folio number(s).
5. CDC shareholders are requested to submit their Dividend Mandate Form directly to their broker (participant)/CDC Investor Accounts Services only once quoting their CDC account(s). It is not required to file separate form for each Company/ Entity.



**FORM OF PROXY  
ANNUAL GENERAL MEETING**

I/We \_\_\_\_\_ S/o/D/o/W/o \_\_\_\_\_  
of \_\_\_\_\_ being a member  
of **IDEAL SPINNING MILLS LIMITED** and holder of \_\_\_\_\_ Ordinary Shares as per Share Register  
Folio No. \_\_\_\_\_ and/or CDC Participant ID No. \_\_\_\_\_ and Account / Sub-account \_\_\_\_\_  
No. \_\_\_\_\_ do hereby appoint Mr./Mrs./Miss \_\_\_\_\_  
\_\_\_\_\_ Folio No./CDC No. of \_\_\_\_\_ failing him/her .  
Mr./Mrs./Miss \_\_\_\_\_ Folio No./CDC No. \_\_\_\_\_ of  
\_\_\_\_\_ as my. our proxy to attend, act and vote for me/us on my/our behalf at Annual Genera  
Meeting of the Company to be held on Saturday, October 26, 2019 at 3.00 pm at **404 -405, 4<sup>th</sup> Floor**  
**Business Centre Mumtaz Hassan Road Karachi** and at any adjournment thereof in the same manner  
as I/we myself/ourselves would vote if personally present at such meeting.

\_\_\_\_\_  
Signature of Shareholder  
Folio / CDC A/C NO.

\_\_\_\_\_  
Signature of Proxy

Five Rupees  
Revenue Stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019

**WITNESS:**

- |                                                                                                            |                                                                                                           |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| <p>1. Signature -----<br/> Name -----<br/> Address -----<br/> CNIC No. -----<br/> or Passport No.-----</p> | <p>2. Signature -----<br/> Name -----<br/> Address -----<br/> CNIC No.-----<br/> or Passport No.-----</p> |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|

**Notes:**

1. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on member's behalf.
  2. If a member is unable to attend the meeting. He/She may complete and sign this form and send it to the Company's Share Registrar M/s. F.D. Registrar Service (SNC-PVT) Limited 1705 17<sup>th</sup> Floor Saima Trade Tower A, I.I. Chundrigar Road Karachi so as to reach not less than 48 hours before the time appointed for holding the Meeting.
  3. For CDC Account Holders / Corporate Entities; in addition to the above the following Requirements have to be met:
    - (a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers be stated on the form.
    - (b) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- © The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of a 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.

## آئیڈیل اسپننگ ملز لمیٹڈ

کمرہ نمبر 404-405 چوتھی منزل بزنس سینٹر ممتاز حسن روڈ، کراچی

### پراکسی فارم

31 واں سالانہ اجلاس

میں اہم

آئیڈیل اسپننگ ملز لمیٹڈ کے ممبران رجسٹرڈ فولیو نمبر اسرکا، کی آئی ڈی ای سی ڈی سی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز

رکھتے ہیں بذریعہ ہذا \_\_\_\_\_ کو تقرر کرتے ہیں۔ رجسٹرڈ فولیو نمبر اسرکا کی

آئی ڈی ای سی ڈی سی سب اکاؤنٹ نمبر \_\_\_\_\_ یا اس کے شرکت نہ کرنے کی صورت میں

رجسٹرڈ فولیو نمبر اسرکا، کی آئی ڈی ای سی ڈی سی سب اکاؤنٹ نمبر کو بطور پراکسی 26 اکتوبر 2019ء بوقت 3 بجے سے پہرہ مقام

بزنس سینٹر چوتھی منزل ممتاز حسن روڈ نزد "SBP" کراچی کینی کے منعقد ہونے والے اجلاس عام اور اس کے کسی اتوا تک میری/ہماری جانب سے ووٹ دینا اور اجلاس میں

شرکت کا حق دیتا ہوں۔

ریونیو اسٹامپ  
5/- روپے

دستخط شیئر ہولڈر	دستخط پراکسی	گواہان
تاریخ _____ ۲۰۱۹ء		دستخط _____
	گواہان	نام _____
	دستخط _____	ایڈریس _____
	نام _____	شناختی کارڈ _____
	ایڈریس _____	پاسپورٹ _____
	شناختی کارڈ _____	
	پاسپورٹ _____	

### نوٹس:

- (1) ایک رکن جو اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے اس کو حق حاصل ہے کہ وہ کسی دوسرے فرد کو بطور پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کیلئے مقرر کرے۔
- (2) اگر کوئی رکن اجلاس میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کینی کے شیئر رجسٹر اریسٹریٹس ڈی رجسٹر اریسٹریٹس (SNC-PVT) لمیٹڈ 17، 1705 فلور صائنڈ ٹریڈ مارک اور A، آئی ڈی ای سی چندر نگر روڈ کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائے۔
- (3) CDC اکاؤنٹ ہولڈرز/ کارپوریٹ انٹیکس مندرجہ بالا کے علاوہ مذکورہ شدہ پر عمل کریں۔
- (a) پراکسی فارم میں دو گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔
- (b) رکن اور پراکسی کی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقول کی فراہمی۔
- (c) پراکسی کیلئے لازم ہے کہ وہ اجلاس کے وقت اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کیلئے فراہم کرے۔ Corporate Entity کی صورت میں بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney دستخط کیساتھ (بجز اگر پہلے ہی جمع کروادی گئی ہے) پراکسی فارم کے ہمراہ کینی کے شیئر رجسٹر اریسٹریٹس کو جمع کروائے۔