



IdealGroup



IDEAL

SPINNING MILLS LIMITED

28th Annual Report 2016

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COMPANY INFORMATION

CHAIRMAN:	MR. MOHAMMAD SAEED
CHIEF EXECUTIVE OFFICER:	MR. AMJAD SAEED
DIRECTORS:	MRS. ROBINA AMJAD MR. OMER SAEED MR. AHSAN SAEED MR. KHIZER SAEED MR. MUHAMMAD ASIF (NOMINEE NIT)
AUDIT COMMITTEE:	
CHAIRMAN	MR. MUHAMMAD SAEED
MEMBER	MR. AHSAN SAEED
MEMBER	MR. MUHAMMAD ASIF
H.R. & REMUNERATION COMMITTEE:	
CHAIRMAN	MR. AHSAN SAEED
MEMBER	MR. MUHAMMAD SAEED
MEMBER	MR. KHIZER SAEED
CHIEF FINANCIAL OFFICER:	MR. ADIL AZEEM
COMPANY SECRETARY:	MR. MUHAMMAD NADEEM
SHARE REGISTRAR:	F. D. Registrar Services (SMC-Pvt.) Limited 17 th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi.
AUDITORS:	M/S RIAZ AHMAD & COMPANY. CHARTERED ACCOUNTANTS
BANKERS:	BANK AL-FALAH LIMITED ALBARAKA BANK (PAKISTAN) LTD BANK AL-HABIB LTD HABIB METROPOLITAN BANK LIMITED THE BANK OF PUNJAB
REGISTERED OFFICE :	ROOM NO 404 & 405, 4 TH FLOOR, BUSINESS CENTRE, MUMTAZ HASSAN ROAD, KARACHI. www.idealsm.com
FACTORY:	35-K.M SHEIKHUPURA ROAD, TEHSIL JARANWALA, DISTT. FAISALABAD.

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.

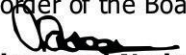
NOTICE OF MEETING

Notice is hereby given that the 28th Annual General Meeting of **IDEAL SPINNING MILLS LIMITED** will be held at **ARTS COUNCIL OF PAKISTAN** M.R. Kayani Road Karachi-74200. on Monday, October 31, 2016 at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 27th Annual General Meeting held on October 31, 2015.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2016 together with the Auditors' and Directors' Reports there on.
3. To appoint the auditors for the year 2016-2017 and to fix their remuneration. The present auditors M/S Riaz Ahmad & CO. Chartered Accountants, being eligible have offered themselves for re-appointment.
4. To transact any other business with the permission of the chair.

By order of the Board


Muhammad Nadeem
(Company Secretary)

Karachi

Dated: September 29, 2016

Notes:

1. The Share Transfer Books of the Company will remain closed from October 22, 2016 to November 01, 2016 (both days inclusive). Transfers received at Shares Registrar M/S F.D. Registrar Services (SMC-Pvt) Ltd., 1705, 17th Floor Saima Trade Tower-A-, I.I.Chundrigar Road Karachi-74000 at the close of business hours on October 21, 2016 will be treated in time.
2. A member entitled to attend and vote at this general meeting is entitled to appoint another member as proxy. Proxies must be received in order to effective at the registered office of the Company not less than 48 hours before the time for the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to notify the change in their addresses if any, immediately.
5. **Submission of copy of CINC (Mandatory)**

The Securities and Exchange Commission of Pakistan (SECP) vide their SRO 779(i) 2011 dated August 18, 2011 has directed the company to print your CINC number on you dividend warrants and if your CINC number is not available in our records, your dividend warrant will not be issued/dispatched to you. In order to comply with the regulatory requirement, you are requested to kindly send photocopy of you CNIC to your Participant/ Investor Account Services or to us (in case of physical shareholding) immediately to Company's Shares Registrar, M/S F.D. Registrar Services (SMC-Pvt) Ltd., 1705, 17th Floor Saima Trade Tower-A-, I.I.Chundrigar Road Karachi-74000

6. **Transmission of Annual Financial Statements through E-Mail:**

SECP vide SRO 787(1)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through email. Hence, members who hold shares in physical form and are interested in receiving the annual reports electronically in future are required to submit their e-mail addresses and consent for electronic transmission to the Shares Registrar of the Company, CDC shareholders are requested to submit their email address and consent directly to their broker (Participant)/ CDC investor Account Services.

7. In compliance with SECP notification No.634(1)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for year ended June 30, 2016 are being placed on the Company's website: www.idealsm.com for the information and review of shareholders.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors feel pleasure in presenting 28th Annual report with Audited Financial Statements of the company for the year ended 30 June 2016.

FINANCIAL RESULTS	2016	2015
	(RUPEES IN THOUSAND)	
SALES	2,378,758	2,367,982
COST OF SALES	(2,312,767)	(2,268,785)
GROSS PROFIT	65,991	99,197
DISTRIBUTION COST	(25,496)	(19,329)
ADMINISTRATIVE EXPENSES	(93,393)	(84,172)
OTHER EXPENSES	(2,356)	(2,792)
OTHER INCOME	1,416	1,145
FINANCE COST	(56,866)	(43,286)
LOSS BEFORE TAXATION	(110,704)	(49,237)
TAXATION	44,876	(14,150)
LOSS AFTER TAXATION	(65,828)	(35,087)
LOSS PER SHARE BASIC AND DILUTED 3. (RUPEES)	(6.64)	(3.54)

The Overall performance of textile sector of financial year 2015-16 was sluggish. Textile exports of the country recorded a declining trend. Poor show by textile industry is mainly attributed to the high cost of doing business as compared to their competitors in international markets. Textile industry in Pakistan is facing problems like energy shortage, heavy taxes and constant increase in minimum wages.

However, spinning and weaving sectors in Pakistan could not register positive performance in current financial year. Exporters of these sectors have been relying on China for last many years and due to economy slowdown in China, yarn and greige fabric exports from Pakistan have declined significantly. Poor cotton crop, reduced demand of cotton yarn and greige fabric from China coupled with ongoing energy high cost and high rates of taxes that significantly added to the cost of doing business have rendered textile exports of these sectors uncompetitive in the world market. We expect that the business environment of these sectors will continue to remain challenging in Pakistan in future also because of continued power shortages and ever increasing cost of doing business.

FUTURE PROSPECTS

The company has changed its back process and finishing with new state of the art efficient machinery which will help to save power and labour cost. We are planning to convert our unit production strategy to fine count to minimize our cost of production by utilizing new machinery set up. This will help us to lead for better prospects. The fluctuation in price of fine count is very lesser as compare to course count.

Considering the facts cited above the management of the Company has an opinion that financial results for the coming year will be better as compared to this year.

The Company planned to make a fixed capital expenditure during the year 2016-17 on expansion and BMR of its business segments. The management of the Company believes that enhancement and improvement in the operational capabilities is the guarantee of future profitability 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 2016-2017.

PATERN OF SHAREHOLDING

Pattern of share holding as on 30 June, 2016 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.

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:

Name of Directors	Attendance
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. Muhammad Saeed	Chairman
Mr. Ahsan 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 nil dividend for its shareholders due to tight liquidity position.

CORPORATE GOVERNANCE

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 exchanges and as required under the Companies Ordinance, 1984. 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 Financial Reporting 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.

On Behalf of the Board



Amjad Saeed
Chief Executive Officer
September 29, 2016

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in chapter 5.19 of Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (The Board). At present the Board includes:

Independent Director

i) Mr. Muhammad Asif

Executive Directors

i) Mr. Amjad Saeed

ii) Mr. Omer Saeed

Non-Executive Directors

i) Mr. Muhammd Saeed

ii) Mrs. Rubina Amjad

iii) Mr. Ahsan Saeed

iv) Mr. Khizer Saeed

The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

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

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a Broker of a Stock Exchange has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year ended 30 June 2016.

5. 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.

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


7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive and non-executive directors, have been taken by the Board / shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for that purpose. The Board met at least once in each quarter during the year ended 30 June 2016. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Mr. Ahsan Saeed, Mr. Omer Saeed and Mr. Khizer Saeed attended Directors' Training Program (DTP) conducted by the Institute of Chartered Accountants of Pakistan this year.

10. The Board has approved the terms of appointment and remuneration including terms and conditions of employment of Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and it fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.
13. The Directors, CEO and Executive do not hold any interest in the shares of the Company, other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and one is independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of 3 members, all of them are non-executive directors.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), 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.
20. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

By order of the Board



Amjad Saeed
Chief Executive Officer
Date: September 29, 2016

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

PARTICULARS	2016	2015	2014	2013	2012	2011
	----- (Rupees in Millions) -----					
<u>FINANCIAL POSITION</u>						
Paid up capital	99.200	99.200	99.200	99.200	99.200	99.200
Fixed assets at cost	1,487.173	1293.655	1190.969	1,131.876	1,074.401	976.467
Fixed assets (Lease) at cost		-	-	-	-	65.15
Accumulated depreciation	787.983	727.884	666.864	616.867	566.967	524.937
Current assets	516.494	445.661	431.919	362.242	316.139	350.218
Current liabilities	579.177	459.719	425.248	364.785	324.926	357.044
<u>INCOME</u>						
Sales	2,378.758	2,368.403	2,282.646	1,981.874	2,015.151	2,374.878
Other income	1.416	0.724	0.387	1.436	4.23	1.66
Pre tax Profit/(loss)	(110.704)	(49.237)	16.722	44.723	44.29	178.00
Taxation	44.876	14.150	(12.540)	(13.969)	(15.76)	(84.84)
<u>STATISTICS AND RATIOS</u>						
Pre tax profit/(loss) to sales %	(4.650)	(2.08)	0.73	2.26	2.20	7.50
Pre tax profit/(loss) to capital %	(111.590)	(49.63)	16.86	45.08	44.64	179.43
Current ratio	1:89	1:97	1:1.02	1:0.99	1:0.97	1:0.98
Paid up value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Earnings after tax per share (Rs.)	(6.640)	(3.54)	0.42	3.10	2.88	9.39
Cash dividend %	-	-	-	-	-	7.50
Break up value per share (Rs.)	22.200	27.27	26.08	25.92	22.82	20.13

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH
BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of IDEAL SPINNING MILLS LIMITED ("the Company") for the year ended 30 June 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited, where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2016.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Name of engagement partner:
Liaqat Ali Panwar
Date: September 29, 2016
FAISALABAD

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **IDEAL SPINNING MILLS LIMITED** ("the Company") as at 30 June 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in Note 2.2 to the financial statements with which we concur:
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Name of engagement partner:
Liaqat Ali Panwar
Date: September 29, 2016.
FAISALABAD

BALANCE SHEET AS AT 30 JUNE 2016

	NOTE	2016 (RUPEES IN THOUSAND)	2015 (RUPEES IN THOUSAND)	NOTE	2016 (RUPEES IN THOUSAND)	2015 (RUPEES IN THOUSAND)
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Authorized share capital						
20 000 000 (2015: 20 000 000) ordinary shares						
of Rupees 10 each		200,000	200,000			
Issued, subscribed and paid up share capital						
9 920 000 (2015: 9 920 000) ordinary shares						
of Rupees 10 each fully paid in cash						
Reserves	3	99,200	99,200			
Total equity		121,002	171,327			
		220,202	270,527			
Surplus on revaluation of freehold land		85,166	-			
LIABILITIES						
NON-CURRENT LIABILITIES						
Long term financing	4	327,485	247,987			
Deferred income tax liability	5	-	62,791			
Staff retirement gratuity	6	44,708	27,126			
CURRENT LIABILITIES						
Trade and other payables	7	372,193	337,904			
Accrued mark-up	8	153,752	144,198			
Short term borrowings	9	7,992	9,469			
Current portion of long term financing	4	358,735	252,337			
Provision for taxation		42,584	39,576			
		16,114	14,139			
TOTAL LIABILITIES		579,177	459,719			
		951,370	797,623			
CONTINGENCIES AND COMMITMENTS	10					
TOTAL EQUITY AND LIABILITIES		1,256,738	1,068,150			

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

CURRENT ASSETS			
Stores, spare parts and loose tools	14	32,352	29,226
Stock-in-trade	15	250,087	229,141
Trade debts	16	122,300	117,215
Loans and advances	17	49,099	30,013
Short term deposit and prepayments	18	145	298
Other receivables	19	32,596	15,092
Cash and bank balances	20	29,915	24,676
		516,494	445,661

TOTAL ASSETS		1,256,738	1,068,150
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AMJAD SAEED
 CHIEF EXECUTIVE OFFICER


OMER SAEED
 DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016**

	NOTE	2016 (RUPEES IN THOUSAND)	2015
SALES	21	2,378,758	2,367,982
COST OF SALES	22	<u>(2,312,767)</u>	<u>(2,268,785)</u>
GROSS PROFIT		65,991	99,197
DISTRIBUTION COST	23	(25,496)	(19,329)
ADMINISTRATIVE EXPENSES	24	(93,393)	(84,172)
OTHER EXPENSES	25	(2,356)	(2,792)
OTHER INCOME	26	1,416	1,145
FINANCE COST	27	(56,866)	(43,286)
LOSS BEFORE TAXATION		<u>(110,704)</u>	<u>(49,237)</u>
TAXATION	28	44,876	14,150
LOSS AFTER TAXATION		<u><u>(65,828)</u></u>	<u><u>(35,087)</u></u>
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	29	<u><u>(6.64)</u></u>	<u><u>(3.54)</u></u>

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


AMJAD SAEED
CHIEF EXECUTIVE OFFICER


OMER SAEED
DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	(RUPEES IN THOUSAND)	
LOSS AFTER TAXATION	(65,828)	(35,087)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Experience adjustment on defined benefit plan	(5,967)	-
Deferred income tax related to experience adjustment	1,780	-
Surplus on revaluation of freehold land (i)	-	-
	(4,187)	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year - net of deferred income tax	(4,187)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(70,015)</u>	<u>(35,087)</u>

(i) Surplus on revaluation of freehold land is presented under separate head below equity in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

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


AMJAD SAEED
CHIEF EXECUTIVE OFFICER


OMER SAEED
DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016**

	NOTE	2016 (RUPEES IN THOUSAND)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	30	(20,651)	55,395
Finance cost paid		(43,795)	(42,891)
Income tax paid		(21,120)	(14,945)
Staff retirement gratuity paid		(8,396)	(5,899)
Workers' profit participation fund paid		-	(1,008)
Net (increase) / decrease in long term loans		(102)	678
Net decrease / (increase) in long term deposits and prepayments		816	(87)
Net cash used in from operating activities		(93,248)	(8,757)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(96,034)	(123,344)
Proceeds from sale of property, plant and equipment		475	1,610
Net cash used in investing activities		(95,559)	(121,734)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		121,857	144,931
Repayment of long term financing		(34,209)	(59,858)
Short term borrowings - net		106,398	37,888
Net cash from financing activities		194,046	122,961
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		5,239	(7,530)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		24,676	32,206
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 20)		29,915	24,676

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


AMJAD SAEED
CHIEF EXECUTIVE OFFICER


OMER SAEED
DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	SHARE CAPITAL	RESERVES		TOTAL	TOTAL EQUITY
		CAPITAL	REVENUE		
		EQUITY PORTION OF SHAREHOLDERS' LOAN	UNAPPROPRIATED PROFIT		
-----RUPEES IN THOUSAND-----					
Balance as at 30 June 2014	99,200	-	159,607	159,607	258,807
Loss for the year	-	-	(35,087)	(35,087)	(35,087)
Other comprehensive loss for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(35,087)	(35,087)	(35,087)
Equity portion of shareholder's loan	-	46,807	-	46,807	46,807
Balance as at 30 June 2015	99,200	46,807	124,520	171,327	270,527
Loss for the year	-	-	(65,828)	(65,828)	(65,828)
Other comprehensive loss for the year	-	-	(4,187)	(4,187)	(4,187)
Total comprehensive loss for the year	-	-	(70,015)	(70,015)	(70,015)
Equity portion of shareholders' loans	-	19,690	-	19,690	19,690
Balance as at 30 June 2016	99,200	66,497	54,505	121,002	220,202

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


AMJAD SAEED
CHIEF EXECUTIVE OFFICER


OMER SAEED
DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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 and listed on Pakistan Stock Exchanges Limited. Its registered office is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. The factory is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab. The principal activity of the Company is manufacturing and sale of yarn, cloth and hosiery products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for the recognition of staff retirement gratuity on the basis of actuarial valuation.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Taxation

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

Provision for doubtful debts

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

Employees retirement benefit

Certain actuarial assumptions have been adopted as disclosed in Note 6 to the financial statements for determination of present value of staff retirement gratuity. Any change in these assumption in future years might affect the current and remeasurement gains and losses in those years.

d) Standard that is effective in current year and is relevant to the Company

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

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

There are other standards and amendments to the published standards that are mandatory for accounting periods beginning on or after 01 July 2015 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 and amendments to published standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2016 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to

have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

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

On 25 September 2014, IASB issued Annual Improvements to IFRSs: 2012 – 2014 Cycle, incorporating amendments to four IFRSs more specifically in IAS 19 'Employee Benefits' and IAS 34 'Interim Financial Reporting', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2016. The amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

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

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant to the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Property, plant, equipment and depreciation

Change in accounting policy

Previously, property, plant and equipment except freehold land and capital work-in-progress were stated at cost less accumulated depreciation and any identified impairment loss. While freehold land and capital work-in-progress were stated at cost less any identified impairment loss. Now, freehold land is stated at revalued amount less any identified impairment loss. Other property, plant and equipment except capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss.

Had there been no change in this accounting policy, the figure of property, plant and equipment and surplus on revaluation of operating fixed assets would have been lower by Rupees 85.166 million.

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

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 11.1. 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.

Change in accounting estimate

Previously, depreciation on buildings on freehold land was being charged at the rate of 10 percent per annum. Now the Company has changed its accounting estimate to charge depreciation at the rate of 5 percent per annum as a result of annual review of useful lives of assets. The change in accounting estimate has been applied prospectively in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting estimate, the figures recognized in these financial statements would have been different as follows:

	RUPEES IN THOUSAND
Net book value of property, plant and equipment would have been lower by	3,082
Deferred income tax liability would have been lower by	919
Loss after taxation would have been higher by	2,163
Loss per share would have been higher by (Rupees)	0.22

De-recognition

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

2.3 Impairment

a) Financial assets

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

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

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

b) Non-financial assets

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

2.4 Borrowing cost

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

2.5 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. Items-in-transit are stated 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.

2.6 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.

2.7 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 respective scheme. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by the employees using Projected Unit Credit Actuarial Cost Method. Latest actuarial valuation has been made carried on 30 June 2016.

2.8 Provisions

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

2.9 Taxation

Current

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

Deferred

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

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

2.10 Dividend and other appropriations

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

2.11 Financial instruments

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

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

2.12 Borrowings

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

2.13 Trade and other receivables

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

2.14 Trade and other payables

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

2.15 Offsetting

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.

2.16 Foreign currencies

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

2.17 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Sizing and conversion income is recognized on dispatch of goods.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

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 incomes, 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 two reportable business segments: Spinning (Producing different quality of yarn using natural and artificial fibres) and Weaving (Producing different quality of greige fabric using yarn).

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.

2016 2015 (RUPEES IN THOUSAND)

3. RESERVES

Composition of reserves is as follows:

Capital reserve

Equity portion of shareholders' loans (Note 3.1)	66,497	46,807
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Revenue reserve

Unappropriated profit	54,505	124,520
	<u>121,002</u>	<u>171,327</u>

2016	2015
(RUPEES IN THOUSAND)	

3.1 Equity portion of shareholders' loans

Opening balance	46,807	-
Gain on recognition of shareholders' loans at fair value (Note 4.2)	19,690	46,807
Closing balance	<u>66,497</u>	<u>46,807</u>

3.1.1 Fair value of shareholders' loans have been estimated at the present value of future cash flows discounted at effective interest rates ranging from 8.05% to 9.01% (2015: 9.01%) per annum.

4. LONG TERM FINANCING

Secured

From banking companies (Note 4.1)	123,453	130,805
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Unsecured

From sponsor directors / shareholders (Note 4.2)	246,616	156,758
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	<u>370,069</u>	<u>287,563</u>
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Less: Current portion shown under current liabilities	42,584	39,576
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	<u>327,485</u>	<u>247,987</u>
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4.1 From banking companies

LENDER	2016	2015	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	SECURITY
(RUPEES IN THOUSAND)					
Bank Alfalah Limited	-	5,000	3 Month KIBOR + 2%	This loan has been fully repaid on 10 February 2016.	First joint pari passu charge over fixed assets of the Company for Rupees 162 million.
The Bank of Punjab	64,420	85,894	3 Month KIBOR + 2%	Sixteen equal quarterly installments commenced on 30 June 2015 and ending on 31 March 2019.	First joint pari passu charge for Rupees 303 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 645 million. Exclusive first 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	-	3,799	3 Month KIBOR + 2%	This loan has been fully repaid on 30 September 2015.	First joint pari passu charge over present and future fixed assets of the Company including land, building and machinery out of total first joint pari passu charge for Rupees 645 million and personal guarantee of the Chief Executive Officer of the Company.
Bank Alfalah Limited	59,033	36,112	3 Month KIBOR + 2%	Sixteen equal quarterly installments to be commenced on 29 June 2016 and ending on 29 March 2020.	First joint pari passu charge over fixed assets of the Company for Rupees 162 million.
4.2 From sponsor directors / shareholders					
	2016	2015	(RUPEES IN THOUSAND)		
	123,453	130,805			
Opening balance	156,758	172,765			
Loan obtained during the year	95,000	30,800			
	<u>251,758</u>	<u>203,565</u>			
Add: Fair value adjustment (Note 27)	14,548	-			
Less: Gain on recognition of shareholders' loans at fair value	19,690	46,807			
Closing balance	<u>246,616</u>	<u>156,758</u>			

4.2.1 These represent unsecured interest free loans obtained from sponsor directors / shareholders of the Company. Loans obtained during the year are repayable in one bullet installment on 30 June 2019. While remaining loans are repayable in one bullet installment on 30 June 2018.

5. DEFERRED INCOME TAX LIABILITY

This comprises of the following:

Taxable temporary difference

Differences in tax and accounting bases of operating fixed assets	99,713	103,819
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Deductible temporary differences

Staff retirement gratuity	(13,337)	(8,427)
Tax losses	(43,559)	(32,601)
Minimum tax	(67,638)	-
	(124,534)	(41,028)
Deferred income tax (asset) / liability	(24,821)	62,791
Deferred income tax asset not recognized (Note 5.1)	24,821	-
	-	62,791

- 5.1** The deferred income tax asset has not been recognized as the management expects that it is not probable that sufficient taxable profits / taxable temporary differences would be available in near future against which the deferred income tax asset can be recognized.

6. STAFF RETIREMENT GRATUITY

Opening balance	27,126	18,907
Provision for the year (Note 6.2)	20,011	14,118
Retirement benefit paid	(8,396)	(5,899)
Experience adjustment recognized in other comprehensive income	5,967	-
Closing balance	44,708	27,126

6.1 Movement in the net liability recognized

Opening balance	27,126	18,907
Add: Provision for the year (Note 6.2)	20,011	14,118
Experience adjustment recognized in other comprehensive income	5,967	-
	53,104	33,025
Less: Paid during the year	8,396	5,899
	44,708	27,126

6.2 Provision for the year

Current service cost	16,973	12,075
Interest cost	3,038	2,043
	20,011	14,118

6.3 Principal actuarial assumptions used

	2016	2015
Discount rate for interest cost in profit and loss charge (per annum)	13.25%	13.25%
Discount rate for year end obligation (per annum)	7.25%	13.25%
Expected rate of increase in salary (per annum)	6.25%	12.25%
Average duration of the benefit	6	5
Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
Withdrawal rate	Age based	Age based
Retirement assumption	Age 60	Age 60

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)	(2,462)	(868)
Decrease in assumption (Rupees in thousand)	2,805	980
Future salary increase	1.00%	1.00%
Increase in assumption (Rupees in thousand)	2,955	1,045
Decrease in assumption (Rupees in thousand)	(2,648)	(944)

6.4 Amounts for the current and previous four years:

	2016	2015	2014	2013	2012
	-----RUPEES IN THOUSAND-----				
Present value of defined benefit obligation	44,708	27,126	18,907	9,571	8,165
Experience adjustment on obligation	(5,967)	-	(3,509)	(302)	(2,028)

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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

	2016 (RUPEES IN THOUSAND)	2015
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	94,987	81,371
Accrued liabilities	46,583	48,663
Advances from customers	9,572	12,883
Income tax deducted at source	1,586	212
Sales tax deducted at source	539	584
Unclaimed dividend	485	485
	<u>153,752</u>	<u>144,198</u>

- 7.1 This includes amounts in aggregate of Rupees 11.211 million (2015: Rupees 6.023 million) due to associated undertakings.

8. ACCRUED MARK-UP

Long term financing	1,563	2,434
Short term borrowings	6,429	7,035
	<u>7,992</u>	<u>9,469</u>

9. SHORT TERM BORROWINGS

From banking companies - secured

Cash finances (Note 9.1 and 9.4)

Running finances (Note 9.2 and 9.4)

Other short term finances (Note 9.3 and 9.4)

169,603	115,570
109,924	101,731
71,908	35,036
351,435	252,337

Others - unsecured

Other related parties (Note 9.5)

7,300	-
<u>358,735</u>	<u>252,337</u>

9.1 These form part of total credit facility of Rupees 475 million (2015: Rupees 400 million). Rates of mark-up range from 7.85% to 9.01% (2015: 10.00% to 12.16%) per annum.

9.2 These form part of total credit facility of Rupees 70 million (2015: Rupees 90 million). Rates of mark-up range from 7.85% to 9.01% (2015: 9.95% to 12.19%) per annum.

9.3 These form part of total credit facility of Rupees 410 million (2015: Rupees 395 million). Rates of mark-up range from 3.50% to 10.26% (2015: 8.76% to 13.19%) per annum.

9.4 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.

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

10. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) Guarantees of Rupees 18.605 million (2015: Rupees 18.605 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and to Faisalabad Electric Supply Company against electricity connection.

ii) The Company is contingently liable for Rupees 2.379 million (2015: Rupees 0.601 million) on account of Sindh infrastructure cess not acknowledged in view of pending appeal before appellate authorities. The related provision is not made in these financial statements in view of expected favourable outcome of the appeal.

iii) Post dated cheque of Rupees 0.176 million (2015: Rupees Nil) is issued to customs authorities in respect of duties on imported material availed on the basis of consumption and of Rupees 15.066 million (2015: Rupees Nil) is issued to Sitara Energy Limited as security for one month electricity bill. If documents / bill are not provided / paid on due dates, cheques issued as security shall be encashable.

b) Commitments

i) Letters of credit for capital expenditure are of Rupees 56.862 million (2015: Rupees 30.462 million).

ii) Letters of credit other than for capital expenditure are of Rupees 75.832 million (2015: Rupees 39.691 million).

11. PROPERTY PLANT AND EQUIPMENT

Operating fixed assets (Note 11.1)

Capital work-in-progress (Note 11.2)

699,190	565,771
39,091	54,041
<u>738,281</u>	<u>619,812</u>

11.1

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												
At 30 June 2014												
Cost	3,372	158,597	885,447	40,309	44,230	7,102	1,653	5,474	5,033	1,247	38,505	1,190,969
Accumulated depreciation	-	(90,099)	(505,629)	(19,187)	(22,836)	(4,146)	(917)	(4,370)	(2,549)	(878)	(16,353)	(666,864)
Net book value	3,372	68,498	379,818	21,122	21,394	2,956	736	1,104	2,484	369	22,152	524,105
Year ended 30 June 2015												
Opening net book value	3,372	68,498	379,818	21,122	21,394	2,956	736	1,104	2,484	369	22,152	524,105
Additions	-	-	92,250	3,197	-	-	-	-	526	-	8,849	104,822
Disposals:												
Cost	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(6,850)	(44,096)	(2,206)	(2,139)	(296)	(74)	(331)	(278)	(37)	(5,885)	(62,192)
Closing net book value	3,372	61,648	428,072	22,113	19,255	2,660	662	773	2,732	332	24,152	565,771
At 30 June 2015												
Cost	3,372	158,597	977,697	43,506	44,230	7,102	1,653	5,474	5,559	1,247	45,218	1,293,655
Accumulated depreciation	-	(96,949)	(549,625)	(21,393)	(24,975)	(4,442)	(991)	(4,701)	(2,827)	(915)	(21,066)	(727,884)
Net book value	3,372	61,648	428,072	22,113	19,255	2,660	662	773	2,732	332	24,152	565,771
Year ended 30 June 2016												
Opening net book value	3,372	61,648	428,072	22,113	19,255	2,660	662	773	2,732	332	24,152	565,771
Additions	26,371	-	76,740	-	3,089	-	-	164	87	102	4,431	110,984
Effect of surplus on revaluation	85,166	-	-	-	-	-	-	-	-	-	-	85,166
Disposals:												
Cost	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(3,083)	(48,722)	(2,211)	(2,042)	(266)	(66)	(489)	(280)	(42)	(5,160)	(62,361)
Closing net book value	114,909	58,565	456,090	19,902	20,302	2,394	596	448	2,539	392	23,053	699,190
At 30 June 2016												
Cost / revalued amount	114,909	158,597	1,054,437	43,506	47,319	7,102	1,653	5,638	5,646	1,349	47,017	1,487,173
Accumulated depreciation	-	(100,032)	(598,347)	(23,604)	(27,017)	(4,708)	(1,057)	(5,190)	(3,107)	(957)	(23,964)	(787,983)
Net book value	114,909	58,565	456,090	19,902	20,302	2,394	596	448	2,539	392	23,053	699,190
Annual rate of depreciation (%)	-	5.10	10	10	10	10	10	30	10	10	20	-

11.1.1 Freehold land of the Company was revalued as at 30 June 2016 by Hamid Mukhtar and Company (Private) Limited, an independent valuer using market value method. Had there been no revaluation on that date, the book value of freehold land would have been Rupees 29,743 million.

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

	2016	2015
	(RUPEES IN THOUSAND)	
Cost of sales (Note 22)	53,343	55,865
Administrative expenses (Note 24)	9,018	6,327
	<u>62,361</u>	<u>62,192</u>

11.1.3 Detail of operating fixed assets disposed of during the year is as follows:

Description	Quantity	Nos					Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
Vehicles													
(RUPEES IN THOUSAND)													
Honda Civic VTI LEE-8300	1		1,513	1,269	244	275	31	Negotiation	Muhammad Ahmed, Kamal Pur, Faisalabad				
Suzuki Cultus LWK-6020	1		628	559	69	100	31	Negotiation	Muhammad Usman Ali, Abdullah Pur, Faisalabad				
Daihatsu Cuore LWG-9020	1		491	434	57	100	43	Negotiation	Muhammad Tahir Javaid, Peoples Colony No. 2, Faisalabad.				
			2,632	2,262	370	475	105						
			2016	2015		(RUPEES IN THOUSAND)							
Capital work-in-progress													
Buildings on freehold land			32,154	17,712									
Plant and machinery			6,937	36,329									
			39,091	54,041									

12. LONG TERM LOANS

Considered good - secured:

Employees	473	141
Less: Current portion shown under current assets (Note	320	90
	<u>153</u>	<u>51</u>

12.1 These represent loans given to employees for meeting their personal expenditure and are secured against balance to the credit of employees in the staff retirement gratuity. These are recoverable in equal monthly installments.

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

13. LONG TERM DEPOSITS AND PREPAYMENTS

Security deposits	1,789	2,539
Prepayments	126	321
	<u>1,915</u>	<u>2,860</u>
Less: Current portion shown under current assets (Note 18)	105	234
	<u>1,810</u>	<u>2,626</u>

14. STORES, SPARE PARTS AND LOOSE TOOLS

Stores	14,189	16,016
Spare parts	17,971	13,080
Loose tools	192	130
	<u>32,352</u>	<u>29,226</u>

15. STOCK-IN-TRADE

Raw materials (Note 15.1)	121,462	123,161
Work-in-process	19,719	18,174
Finished goods	108,906	87,806
	<u>250,087</u>	<u>229,141</u>

15.1 Raw materials include stock in transit of Rupees Nil (2015: Rupees 14.107 million).

15.2 Stock-in-trade of Rupees 1.063 million (2015: Rupees 0.663 million) is being carried at net realizable value.

16. TRADE DEBTS

Considered good:

Secured	16,902	16,412
Unsecured (Note 16.1)	105,398	100,803
	<u>122,300</u>	<u>117,215</u>

- 16.1** As at 30 June 2016, trade debts due from other than related parties of Rupees 31.938 million (2015: Rupees 66.490 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:

	2016 (RUPEES IN THOUSAND)	2015
Upto 1 month	24,714	26,039
1 to 6 months	5,009	36,678
More than 6 months	2,215	3,773
	<u>31,938</u>	<u>66,490</u>

- 16.2** As at 30 June 2016, trade debts of Rupees 1.839 million (2015: Rupees 2.651 million) were impaired and written off. The ageing of these trade debts was more than three years. These trade debts do not include amounts due from related parties.

17. LOANS AND ADVANCES

Considered good:

Employees - interest free

– Executives	147	424
– Other employees:		
Against expenses	1,052	97
Against salary	2,422	1,424
	<u>3,474</u>	<u>1,521</u>
	3,621	1,945

Current portion of long term loans (Note 12)	320	90
Advances to suppliers / contractors (Notes 17.1)	14,619	4,699
Letters of credit	629	329
Income tax	29,910	22,950
	<u>49,099</u>	<u>30,013</u>

- 17.1** These include Rupees Nil (2015: Rupees 0.139 million) due from Ideal Rice Industries (Private) Limited, a related party.

18. SHORT TERM DEPOSIT AND PREPAYMENTS

Deposit	40	40
Prepayments	-	24
Current portion of long term deposits and prepayments (Note 13)	105	234
	<u>145</u>	<u>298</u>

19. OTHER RECEIVABLES

Considered good:

Sales tax refundable	32,242	15,018
Export rebate	354	74
	<u>32,596</u>	<u>15,092</u>

20. CASH AND BANK BALANCES

With banks:

On current accounts	25,591	23,630
On PLS saving accounts (Note 20.1)	38	30
	<u>25,629</u>	<u>23,660</u>

Cash in hand	4,286	1,016
	<u>29,915</u>	<u>24,676</u>

20.1 Rate of profit on bank deposits ranges from 2.70% to 3.10% (2015: 3.10% to 3.25%) per annum.

21. SALES

Local (Note 21.1)	2,256,335	2,296,912
Export	122,143	71,039
Export rebate	280	31
	<u>2,378,758</u>	<u>2,367,982</u>

21.1 Local

Yarn	1,859,949	1,954,207
Waste	15,800	12,871
Sizing income	25,167	15,045
Conversion income	401,033	358,362
Others	18,307	1,866
	<u>2,320,256</u>	<u>2,342,351</u>
Less: Sales tax	63,921	45,439
	<u>2,256,335</u>	<u>2,296,912</u>

22. COST OF SALES

Raw materials consumed (Note 22.1)	1,622,791	1,548,468
Salaries, wages and other benefits (Note 22.2)	223,223	190,113
Stores, spare parts and loose tools consumed	60,433	58,066
Packing materials consumed	37,613	31,939
Sizing materials consumed	29,418	26,747
Outside processing / conversion charges	33,459	12,468
Repair and maintenance	3,475	4,617
Fuel and power	242,360	246,028
Insurance	2,694	3,721
Other factory overheads	354	257
Depreciation (Note 11.1.2)	53,343	55,865
	<u>2,309,163</u>	<u>2,178,289</u>

	2016 (RUPEES IN THOUSAND)	2015
Work-in-process		
Opening stock	18,174	16,547
Closing stock	(19,719)	(18,174)
	(1,545)	(1,627)
Cost of goods manufactured	2,307,618	2,176,662
Finished goods		
Opening stock	87,806	140,881
Closing stock	(108,906)	(87,806)
	(21,100)	53,075
Cost of sales - purchased for resale	26,249	39,048
	<u>2,312,767</u>	<u>2,268,785</u>

22.1 Raw materials consumed

Opening stock	123,161	77,079
Add: Purchased during the year	1,621,092	1,594,550
	<u>1,744,253</u>	<u>1,671,629</u>
Less: Closing stock	121,462	123,161
	<u>1,622,791</u>	<u>1,548,468</u>

22.2 Salaries, wages and other benefits include staff retirement gratuity amounting to Rupees 12.701 million (2015: Rupees 11.383 million).

23. DISTRIBUTION COST

Outward freight and handling	4,272	2,073
Commission to selling agents	14,895	14,431
Salaries and other benefits (Note 23.1)	3,229	229
Vehicles' running	-	6
Travelling and accommodation	15	1,978
Postage and telephone	226	117
Fee and subscription	2,332	376
Entertainment	2	2
Insurance	122	11
Printing and stationery	-	7
Others	403	99
	<u>25,496</u>	<u>19,329</u>

23.1 Salaries and other benefits include staff retirement gratuity amounting to Rupees 0.401 million (2015: Rupees Nil).

24. ADMINISTRATIVE EXPENSES

Salaries and other benefits (Note 24.1)	48,344	36,252
Directors' remuneration	3,100	3,225
Rent, rates and taxes	682	1,335
Legal and professional	999	16
Insurance	1,263	1,404
Travelling and conveyance	2,649	4,792
Vehicles' running	7,359	10,027
Entertainment	7,476	9,718
Auditors' remuneration (Note 24.2)	600	575
Advertisement	63	48
Postage and telephone	2,680	3,208
Electricity, gas and water	1,898	1,851
Printing and stationery	1,682	2,224
Repair and maintenance	280	919
Fee and subscription	2,595	1,472
Miscellaneous	2,705	779
Depreciation (Note 11.1.2)	9,018	6,327
	<u>93,393</u>	<u>84,172</u>

24.1 Salaries and other benefits include staff retirement gratuity of Rupees 6.909 million (2015: Rupees 2.735 million).

24.2 Auditors' remuneration

Audit fee	500	500
Other certifications including half yearly review	100	75
	<u>600</u>	<u>575</u>

25. OTHER EXPENSES

Trade debts written off	1,839	2,651
Loans and advances written off	165	-
Donations (Note 25.1)	352	141
	<u>2,356</u>	<u>2,792</u>

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

26. OTHER INCOME

Income from financial assets

Profit on deposits with banks	1	6
Net exchange gain	806	421
	<u>807</u>	<u>427</u>

Income from non-financial assets

Gain on sale of property, plant and equipment	105	646
Scrap sales	-	72
Credit balances written back	504	-
	609	718
	<u>1,416</u>	<u>1,145</u>

27. FINANCE COST

Mark-up on:

Long term financing	11,887	10,015
Short term borrowings	27,898	31,434
Fair value adjustment of loans from sponsor directors / shareholders (Note 4.2)	14,548	-
Interest on workers' profit participation fund	-	96
Bank charges and commission	2,533	1,741
	<u>56,866</u>	<u>43,286</u>

28. TAXATION

Charge for the year:

Current (Note 28.1)	16,114	14,139
Prior year adjustment	21	1,125
	<u>16,135</u>	<u>15,264</u>
Deferred	(61,011)	(29,414)
	<u>(44,876)</u>	<u>(14,150)</u>

- 28.1** Provision for current taxation represents minimum tax on local sales and tax deducted against export sales under the relevant provisions of the Income Tax Ordinance, 2001. Tax losses including unabsorbed depreciation available as at 30 June 2016 are Rupees 140.513 million (2015: Rupees 101.877 million). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented, being impracticable.

29. LOSS PER SHARE - BASIC AND DILUTED

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

		2016	2015
Loss for the year	(Rupees in thousand)	<u>(65,828)</u>	<u>(35,087)</u>
Weighted average number of ordinary shares	(Numbers)	<u>9 920 000</u>	<u>9 920 000</u>
Loss per share	(Rupees)	<u>(6.64)</u>	<u>(3.54)</u>
		2016	2015
		(RUPEES IN THOUSAND)	

30. CASH GENERATED FROM OPERATIONS

Loss before taxation	(110,704)	(49,237)
Adjustment for non-cash charges and other items:		
Depreciation	62,361	62,192
Gain on sale of property, plant and equipment	(105)	(646)
Net exchange gain	(806)	(42)
Provision for staff retirement gratuity	20,011	14,118
Finance cost	56,866	43,286
Trade debts written off	1,839	2,651
Loans and advances written off	165	-
Credit balances added back	(504)	-
Working capital changes (Note 30.1)	(49,774)	(16,927)
	<u>(20,651)</u>	<u>55,395</u>

30.1 Working capital changes

(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	(3,126)	(5,794)
- Stock-in-trade	(20,946)	5,366
- Trade debts	(6,118)	(42,184)
- Loans and advances	(12,291)	7,241
- Short term deposit and prepayments	153	(176)
- Other receivables	(17,504)	9,586
	<u>(59,832)</u>	<u>(25,961)</u>
Increase in trade and other payables	10,058	9,034
	<u>(49,774)</u>	<u>(16,927)</u>

31. 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	
	2016	2015	2016	2015	2016	2015
-----RUPEES IN THOUSAND-----						
Managerial remuneration	1,200	1,200	825	919	13,336	8,807
Allowances						
House rent	540	540	371	414	6,514	4,478
Utilities	60	60	4	17	65	911
Medical	-	-	-	-	60	-
	1,800	1,800	1,200	1,350	19,975	14,196
Number of persons	1	1	1	1	11	9

31.1 Chief Executive Officer, Director and certain executives are provided with Company maintained vehicles and are entitled to reimbursement of travelling expenses, electricity, gas and water bills.

31.2 Aggregate amount charged in the financial statements for meeting fee to one director (2015: one director) was Rupees 100,000 (2015: Rupees 75,000).

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

2016 2015
(NUMBER OF PERSONS)

32. NUMBER OF EMPLOYEES

Number of employees as on 30 June	1 094	1 004
Average number of employees during the year	1 090	1 020

33. 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:

2016 2015
(RUPEES IN THOUSAND)

Associated companies / undertakings:

Fuel and power purchased	1,940	2,129
Purchase of goods	-	1,372
Purchase of services	31,422	12,073
Rental expense	300	-

Other related parties

Loans obtained from directors - net	102,300	30,800
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34. PLANT CAPACITY AND ACTUAL PRODUCTION

		2016	2015
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 098 shifts (2015: 1 095 shifts)	(Kgs.)	7 610 869	6 987 629
Actual production converted to 20s count based on 3 shifts per day for 1 098 shifts (2015: 1 095 shifts)	(Kgs.)	7 332 775	6 686 413
Weaving			
100 % plant capacity at 60 picks based on 3 shifts per day for 1 098 shifts (2015: 1 095 shifts)	(Sq.Mtr.)	21 466 638	21 407 986
Actual production converted to 60 picks based on 3 shifts per day for 1 098 shifts (2015: 1 095 shifts)	(Sq.Mtr.)	19 045 971	18 196 788

34.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is mainly due to periodical scheduled / unscheduled maintenance.

35. SEGMENT INFORMATION

	Spinning		Weaving		Elimination of Inter-segment transactions		Total - Company	
	2016	2015	2016	2015	2016	2015	2016	2015
..... (RUPEES IN THOUSAND)								
Sales	1,959,994	1,972,435	426,148	401,694	(7,384)	(6,147)	2,378,758	2,367,982
Cost of sales	(1,934,700)	(1,920,260)	(385,451)	(354,672)	7,384	6,147	(2,312,767)	(2,268,785)
Gross profit	25,294	52,175	40,697	47,022	-	-	65,991	99,197
Distribution cost	(20,587)	(13,573)	(4,909)	(5,756)	-	-	(25,496)	(19,329)
Administrative expenses	(73,499)	(63,854)	(19,894)	(20,318)	-	-	(93,393)	(84,172)
Other income	1,211	1,145	205	-	-	-	1,416	1,145
Finance cost	(44,991)	(39,907)	(11,875)	(3,379)	-	-	(56,866)	(43,286)
(Loss) / profit before taxation and unallocated expenses	(112,572)	(64,014)	4,224	17,569	-	-	(108,348)	(46,445)
Unallocated expenses:								
Other expenses							(2,356)	(2,792)
Taxation							44,876	14,150
Loss after taxation							(65,828)	(35,087)

35.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Total - Company	
	2016	2015	2016	2015	2016	2015
..... (RUPEES IN THOUSAND)						
Total assets for reportable segments	962,336	750,308	294,402	317,842	1,256,738	1,068,150
Total liabilities for reportable segments	752,715	543,382	182,541	177,311	935,256	720,693
Unallocated liabilities:						
Provision for taxation					16,114	14,139
Deferred income tax liability					-	62,791
Total liabilities as per balance sheet					951,370	797,623

35.2 Geographical Information

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

	2016	2015
	(RUPEES IN THOUSAND)	
Europe	12,524	27,654
Asia	4,027	10,516
America	105,872	32,900
Pakistan	2,256,335	2,296,912
	<u>2,378,758</u>	<u>2,367,982</u>

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

35.4 Revenue from major customers

There was no major customer of both of the segments of the Company during the year (2015: Nil).

36. FINANCIAL RISK MANAGEMENT

36.1 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). 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:

	2016	2015
Trade debts - USD	161,740	161,694

Following exchange rates were applied during the year:

Rupees per US Dollar

Average rate	104.05	101.39
Reporting date rate	104.50	101.50

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 0.845 million (2015: Rupees 0.821 million) lower / higher, mainly as a result of exchange gain / loss 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 instrument 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 balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2016	2015
	(RUPEES IN THOUSAND)	
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	38	30
Financial liabilities		
Long term financing	123,453	130,805
Short term borrowings	351,435	252,337

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 4.749 million (2015: Rupees 3.831 million) higher / lower, 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 balance sheet 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	3,042	1,989
Deposits	1,829	2,579
Trade debts	122,300	117,215
Bank balances	25,629	23,660
	<u>152,800</u>	<u>145,443</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			2016	2015
	Short Term	Long term	Agency	(RUPEES IN THOUSAND)	
Banks					
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	174	151
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	396	209
Meezan Bank Limited	A-1+	AA	JCR-VIS	1,232	718
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	10,332	1,371
MCB Bank Limited	A1+	AAA	PACRA	10,683	2,837
Allied Bank Limited	A1+	AA+	PACRA	120	37
United Bank Limited	A-1+	AAA	JCR-VIS	56	41
Faysal Bank Limited	A1+	AA	PACRA	10	1,144
National Bank of Pakistan	A-1+	AAA	JCR-VIS	739	2,060
Habib Bank Limited	A-1+	AAA	JCR-VIS	56	53
Askari Bank Limited	A1+	AA+	PACRA	69	24
Bank Alfalah Limited	A1+	AA	PACRA	125	62
Bank Al-Habib Limited	A1+	AA+	PACRA	14	52
The Bank of Punjab	A1+	AA-	PACRA	1,585	14,853
Bank Islami Pakistan Limited	A1	A+	PACRA	-	1
Soneri Bank Limited	A1+	AA-	PACRA	38	22
The Bank of Khyber	A-1	A	JCR-VIS	-	25
				25,629	23,660

The Company's exposure to credit risk related to trade debts is disclosed in Note 16.

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 2016, the Company had Rupees 603.565 million (2015: Rupees 632.663 million) available borrowing limits from financial institutions and Rupees 29.915 million (2015: Rupees 24.676 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 2016:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
RUPEES IN THOUSAND						
Non-derivative financial liabilities:						
Long term financing	370,069	444,775	31,773	23,471	43,984	345,547
Trade and other payables	142,055	142,055	142,055	-	-	-
Accrued mark-up	7,992	7,992	7,992	-	-	-
Short term borrowings	358,735	367,483	367,483	-	-	-
	<u>878,851</u>	<u>962,305</u>	<u>549,303</u>	<u>23,471</u>	<u>43,984</u>	<u>345,547</u>

Contractual maturities of financial liabilities as at 30 June 2015:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
RUPEES IN THOUSAND						
Non-derivative financial liabilities:						
Long term financing	287,563	305,500	28,597	13,734	39,194	223,975
Trade and other payables	130,519	130,519	130,519	-	-	-
Accrued mark-up	9,469	9,469	9,469	-	-	-
Short term borrowings	252,337	258,541	258,541	-	-	-
	<u>679,888</u>	<u>704,029</u>	<u>427,126</u>	<u>13,734</u>	<u>39,194</u>	<u>223,975</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 4 and Note 9 to these financial statements.

Carrying amount of long term financing as at 30 June 2016 includes overdue installments of principal amounting to Rupees 5.368 million (2015: Rupees 7.268 million).

36.2 Financial instruments by categories

	Loans and receivables	
	2016	2015
	(RUPEES IN THOUSAND)	
Assets as per balance sheet		
Loans and advances	3,042	1,989
Deposits	1,829	2,579
Trade debts	122,300	117,215
Cash and bank balances	29,915	24,676
	<u>157,086</u>	<u>146,459</u>
	Financial liabilities at amortized cost	
	2016	2015
	(RUPEES IN THOUSAND)	
Liabilities as per balance sheet		
Long term financing	370,069	287,563
Trade and other payables	142,055	130,519
Accrued mark-up	7,992	9,469
Short term borrowings	358,735	252,337
	<u>878,851</u>	<u>679,888</u>

36.3 Offsetting financial assets and financial liabilities

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

36.4 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 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 and short term borrowings obtained by the Company as referred to in Note 4 and Note 9 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'.

		2016	2015
Borrowings	(Rupees in thousand)	728,804	539,900
Total equity	(Rupees in thousand)	220,202	270,527
Total capital employed	(Rupees in thousand)	<u>949,006</u>	<u>810,427</u>
Gearing ratio	(Percentage)	<u>76.80</u>	<u>66.62</u>

The increase in the gearing ratio resulted primarily from increase in borrowings and loss after taxation of the Company.

37. RECOGNIZED FAIR VALUE MEASUREMENTS

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. Due to the short-term nature, carrying amounts of most of the financial assets and financial liabilities are considered to be the same as their fair value.

38. 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.

At 30 June 2016	Level 1	Level 2	Level 3	Total
-----RUPEES IN THOUSAND-----				
Freehold land	-	114,909	-	114,909
	-	114,909	-	114,909

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.

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

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

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

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land. As at 30 June 2016, the fair value of freehold land has been determined by Messrs Hamid Mukhtar and Company (Private) Limited.

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

39. INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING

39.1

Description	Note	2016		2015	
		Carried under		Carried under	
		Non-Shariah arrangements	Shariah arrangements	Non-Shariah arrangements	Shariah arrangements

-----RUPEES IN THOUSAND-----

Assets

Loans and advances

Loans to employees	12 and 17	-	4,094	-	2,086
Advances to suppliers / contractors	17		14,619		4,699

Deposits

Deposits	13 and 18	-	1,829	-	2,579
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Bank balances

	20	7	25,622	5	23,655
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Liabilities

Loan and advances

Short term borrowings	9	311,635	47,100	223,867	28,470
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Income

Profit on deposits with banks	26	-	1	-	6
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2016 2015
(RUPEES IN THOUSAND)

39.2 Sources of other income 26

Net exchange gain		806	421
Gain on sale of property, plant and equipment		105	646
Profit on deposits with banks		1	6
Scrap sales		-	72
Credit balances added back		504	-
		<u>1,416</u>	<u>1,145</u>

39.3 Exchange gain 26

Eamed from actual currency		806	421
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39.4 External revenue from different business segments 35

Spinning		1,952,610	1,966,288
Weaving		426,148	401,694
		<u>2,378,758</u>	<u>2,367,982</u>

39.5 Relationship with banks

Name	Relationship	
	Non Islamic window operations	With Islamic windows operations
Standard Chartered Bank (Pakistan) Limited	▶	
Al-Baraka Bank (Pakistan) Limited		▶
Meezan Bank Limited		▶
Habib Metropolitan Bank Limited	▶	
MCB Bank Limited	▶	
Allied Bank Limited	▶	
United Bank Limited	▶	
Faysal Bank Limited	▶	
National Bank of Pakistan	▶	
Habib Bank Limited	▶	
Askari Bank Limited	▶	
Bank Alfalah Limited	▶	
Bank Al-Habib Limited	▶	
The Bank of Punjab	▶	
Bank Islami Pakistan Limited		▶
Soneri Bank Limited	▶	
The Bank of Khyber	▶	

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on September 29, 2016 by the Board of Directors of the Company.

41. 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 exchange gain amounting to Rupees 0.421 million reclassified from export sales to other income.

42. GENERAL

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


AMJAD SAEED
CHIEF EXECUTIVE OFFICER


OMER SAEED
DIRECTOR

**PATTERN OF SHAREHOLDINGS
AS ON 30- 06-2016**

TYPE OF SHARE HOLDERS		NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD
1	100	651	54099
101	500	664	291027
501	1000	92	86026
1001	5000	95	239720
5001	10000	13	102050
10001	15000	3	37707
15001	20000	3	49599
20001	25000	1	24500
30001	35000	1	33500
35001	40000	2	76774
40001	45000	2	81000
50001	55000	1	52000
60001	65000	1	60176
105001	110000	2	212200
170001	175000	1	174678
365001	370000	1	366048
570001	575000	1	570598
655001	660000	1	658396
695001	700001	1	695300
720001	725000	1	721500
760001	765000	1	762200
880001	885000	1	883000
890001	895000	1	890726
830001	835000	3	2797176
TOTAL =====>>		1,543	9,920,000

Categories of Shareholding

As at June 30,2016

Categories of Shareholding	Numbers	Shares held	Percentage (%)
Associated companies,Undertakings and Related Parties			
NIT and ICP	6	721684	7.28
Directors,Chief Executive & their S			
spouse and Adult Children			
Mr.Muhammad Saeed Sheikh (Chairman)	2	936646	9.44
Spouse and 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)	1	935000	9.43
Mr.Ahsan Saeed (Director)	1	930876	9.38
Executives			
Public Sector Companies and Corporations			
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			
Individuals	1517	2447147	24.67
Others			
Total	1543	9920000	100.00

Statement showing shares bought and sold by directors, CEO,CFO,
Company secretary and the minor family members
form 01 July 2015 to 30 June 2016

S.NO	Name	Designation	Shares bought	Shares sold
1	Mr.Mohammad Saeed Sheikh	Chairman		
2	Mr.Amjad Saeed	Chief Executive		
3	Mrs.Rubina Amjas	Director		
4	Mr.Omer Saeed	Director		
5	Mr.Khizer Saeed	Director		
6	Mr.Ahsan Saeed	Director		
7	Muhammad Asif	Director NIT		
8	Mr.M.Pervaiz Akhtar	Chief Financial Officer		
9	Mr.Muhammad Nadeem	Company Secretary		

PROXY FORM

I/We _____ of _____
_____ being member(s) of IDEAL SPINNING MILLS LIMITED holding
_____ ordinary shares as per Registered Folio./CDC A/c No. _____
hereby appoint _____ Folio/CDC Account No. _____
of _____ CNIC/Passport No. _____ or failing whom
_____ Folio/CDC Account No. _____ of _____
CNIC/Passport No. _____ of _____ (being member of the
Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the
28th Annual General Meeting of the Company to be held on October 31, 2016 and/or any
adjournment thereof.

Signed this _____ day of _____ 2016.

Witnesses:

1. Signature _____
Name _____
Address _____
CNIC _____

Signature on
Rs.5/-
Revenue Stamps

2. Signature _____
Name _____
Address _____
CNIC _____

Signature _____

(Signature must agree with the specimen
signature registered with the Company)

CNIC or Passport No. _____

Notes:

1. This form of proxy, duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorized in writing. If the Member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a Member.

For CDC Account Holders/Corporate Entities:

In addition to the above, following requirements have to be met:

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC or passport Numbers shall be mentioned on the form.
- (ii) Attested copies of CINC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- (iv) 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.

پروکسی فارم

[illegible]

دستخط مورخہ

1: دستخط

2: دستخط

سی این آئی سی یا سپورٹ نمبر

محصول ٹکٹ

سی این آئی سی / ای اسپورٹ نمبر-----

ضروری:

- 1- پرو کسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں جمع کرادیا جائے۔
- 2- فارم پر نمبر یا اس کا تحریراً مقرر کردہ اثرائتی دستخط کریگا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی کیلئے دوسرے ممبر کو اپنا پر کسی مقرر کر سکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پر کسی مقرر کر سکتی ہے۔

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا۔

- (i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام اور سی این آئی سی یا پاسپورٹ نمبر فارم پر درج ہوں۔
- (ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہوں گی۔
- (iii) پروکسی اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (iv) کارپوریٹ انٹیلی کی صورت میں ڈائریکٹرز کی قرارداد/پادآف اثاری میں معائنہ دفر کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔