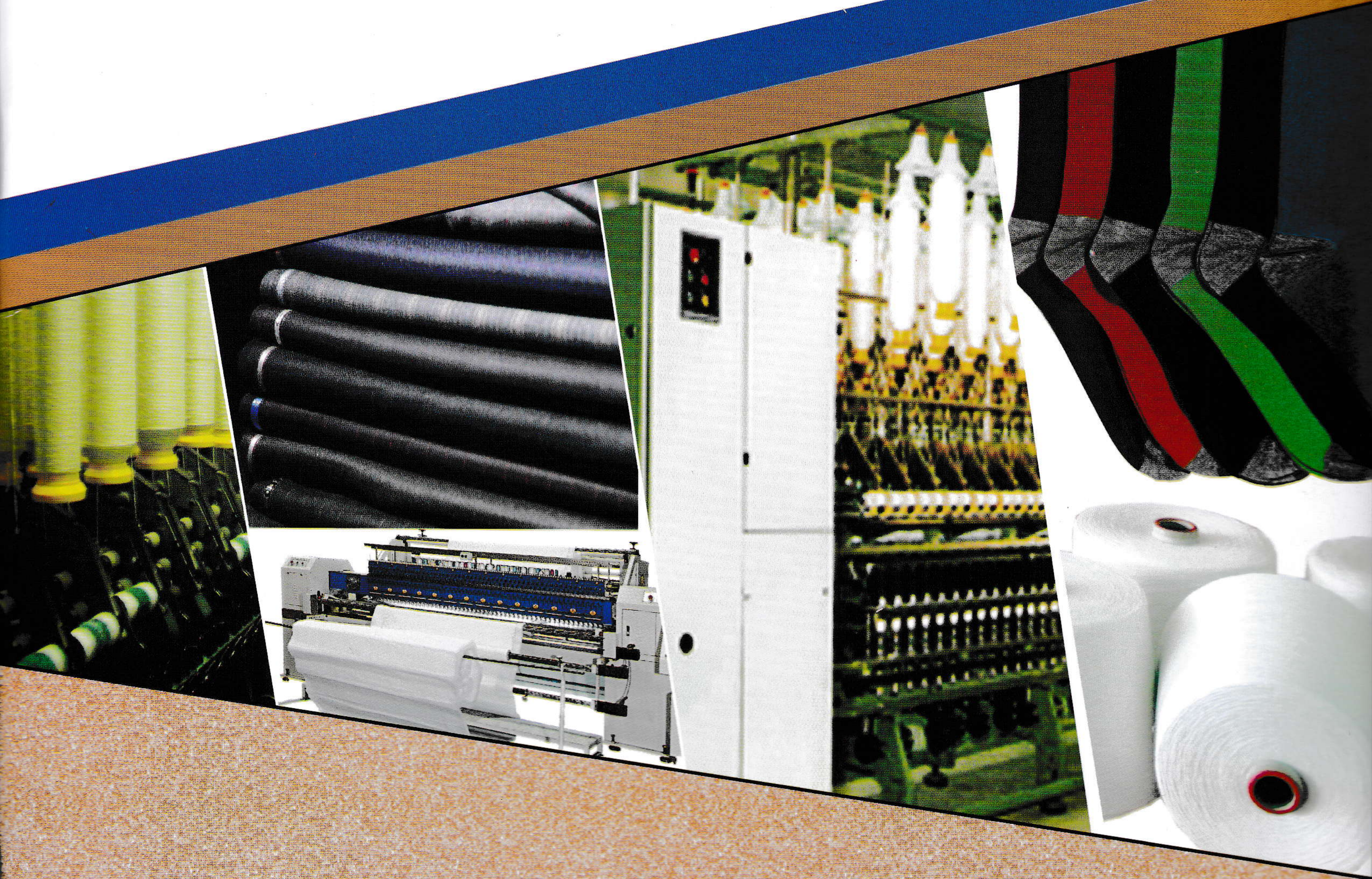
IdealGroup

29th

Annual Report 2017



IDEAL

SPINNING MILLS LIMITED

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

VISION

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

MISSION

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

NOTICE OF MEETING

Notice is hereby given that the 29th Annual General Meeting of **Ideal Spinning Mills Limited** will be held at Arts Council of Pakistan, M.R. Kayani Road, Karachi-74200 on Saturday October 28, 2017 at 11:45 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on March 31, 2017.
2. To receive consider and adopt the Audited Financial Statements of the company for the year ended June 30, 2017 together with Auditors' and Directors' reports thereon.
3. To appoint Auditors for the year 2017-2018 and to fix their remuneration. The present Auditor M/S Riaz Ahmad & Co. chartered Accountants, being eligible have offered themselves for reappointment.
4. To transact any other business with the permission of the chair.

By order of the Board

(Muhammad Nadeem)
Company Secretary

Karachi
Dated: October 02, 2017

NOTES:

1. The Share transfer books of the company will remain closed from October 20, 2017 to October 28, 2017 (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 19th October 2017 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 be 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. **Submission of copy of CNIC (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 CNIC number on your dividend warrants and if your CNIC 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 your CNIC to your Participant/Investor account Services or to us (in case of physical shareholding) immediately to Company's shares registrar F. D. Registrar Services (SMC-Pvt.) Ltd., 17th Floor, Saima Trade Tower-A, I.I.Chundrigar Road, Karachi-74000.
5. **Dividend Mandate**

   In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 18 of 2012 dated June 05, 2012, a shareholder may, if so desire, direct the Company to pay dividend through his/her/its bank account under Section 242 of the Companies Act, 2017.

   Further, transferee of shares may exercise option for dividend mandate by using the revised "Form of Transfer Deed" available on Company's website. The revised form of transfer deed will enable the transferees to receive cash dividend directly in their bank accounts, if such transferee provides particulars of its bank account which he/she/it desires to be used for credit of cash dividend.

   If they so desires the shareholders have the option to seek the dividend mandate by using the standardized "Dividend Mandate Form" available on Company's website http://www.idealsm.com.

6. **Payment of Cash Dividend Electronically**

In accordance with Section 242 of the Companies Act, 2017, listed companies are required to pay cash dividend directly into the bank accounts of their shareholders electronically. Therefore, it has become mandatory for all of our valued customers to provide the International Bank Account Numbers (IBANs) of Bank Account of the Title Account Holder in CDS.

Requirement relating to IBAN:

In light of the above, Securities Exchange Commission of Pakistan (SECP) has also advised to all listed companies vide their Circular No. 18 of 2017 dated August 01, 2017 to ensure that with effect from November 01, 2017 cash dividends shall only be paid electronically to shareholders. Therefore, you are requested to kindly provide IBAN, Name of Bank, Branch Name and Branch City of the Title Account Holder of Sub Account to your respective Broker Participant as soon as possible but not later than October 31, 2017.

7. **Consent for Electronic Transmission of Annual Financial Statements & Notices (Optional):**

SECP vide SRO 787(i)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through e-mail. 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 e-mail addresses and consent directly to their broker (Participant)/CDC investor Account Services.

8. In compliance with SECP notification No.634(1)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2017 are being placed on the Company's website: www.idealsm.com for the information and review of shareholders.

9. Shareholders are requested to promptly notify the company of change in their addresses.

CHAIRMAN'S REVIEW

FOR THE YEAR ENDED JUNE 30, 2017.

On behalf of the Board of Directors I am pleased to share with you performance of the company for the year ended 30June 2017:
Persistent recession in Textile Industry of Pakistan particularly on Spinning Sector alongwith increasing electricity tariff and increasing cost of inputs, political instability has been primary causes of concern for industry. Further legitimate Refunds are not being given by FBR. All of above caused losses and shortage of working capital.

FUTURE PROSPECTS

By the Grace of Almighty ALLAH, last year's planned BMR and capital expenditures have been completed resulting in the increased production capacity. At present your company has installed 31,032 spindles along with modern Compact Spinning System for the whole of spindles.For this finances were raised not only from Term Loans from Banks but Sponsor Directors have also injected fresh equity in shape of Director's loan which shows their commitment towards growing business of your company.

Increased production capacity and up-gradation of plant and machinery will improve quality and reduce cost of production and enable company to shift its unit into fine count, which is comparatively profitable count and requires less consumption of Raw Material. Management of your company has also taken cost cutting measures; some of them are, right sizing of Human resources and using appropriate mix of Electricity and RLNG for Power needs. Export business is also picking up for the Socks division which shall not only contribute for mitigation of losses but will also render increased foreign exchange for the country.

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

Board Changes:
During the year election of the Board of Directors was held. All the Directors were reelected for three years.

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

Lastly, I would also like to thank our shareholder for their continued support and trust in the company. Above sated facts give a promising outlook therefore management of the Company foresees profitability for the coming years.

For and behalf of the Board of Directors.

Muhammad Saeed
Chairman
Date: October 02, 2017.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors feel pleasure in submitting audited financial statements of your Company for the year ended 30 June 2017.

FINANCIAL RESULTS	2017	2016
	(RUPEES IN THOUSAND)	
Revenue	2,202,691	2,378,758
Cost of sales	(2,111,282)	(2,312,767)
Gross profit	91,409	65,991
Distribution cost	(27,360)	(25,496)
Administrative expenses	(102,002)	(93,393)
Other expenses	(567)	(2,356)
Other income	3,654	1,416
Finance cost	(79,696)	(56,866)
Loss before taxation	(114,562)	(110,704)
Taxation	(2,776)	44,876
Loss after taxation	(117,338)	(65,828)
Loss per share-basic and diluted (Rupees)	(11.83)	(6.64)

Resultantly company suffered after tax loss of Rs. 117.338 Million as compared to loss of Rs.65.828 Million for the corresponding period of last year. However your management is confident for profitability of the company in future.

Chairman's Review:

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

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are nominal and routine nature.

RETIREMENT BENEFITS FUNDS

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

AUDITORS

The present auditor M/S RIAZ AHMAD & CO. Chartered Accountants, being eligible offered themselves for re-appointment for the year 2017-2018.

PATERN OF SHAREHOLDING

Pattern of share holding as on 30 June, 2017 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	3
Mr. Omer Saeed	4
Mr. Ahsan Saeed	3
Mr. Khizer Saeed	4
Mr. Muhammad Asif	4

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

AUDIT COMMITTEE

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

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

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

APPROPRIATIONS:

The Board of Directors recommended nil dividends 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 exchange 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
5. There is no doubt upon the company's ability to continue as a going concern.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
7. Key operating and financial data of last six years in summarized form is annexed.

ACKNOWLEDGEMENT

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

On behalf of the Board

(Amjad Saeed)
Chief Executive Officer

Faisalabad
October 02, 2017

شیئر ہولڈرز کیلئے ڈائریکٹرز کی رپورٹ

آپ کے ڈائریکٹرز کمپنی کے 30 جون 2017ء کو ختم ہونے والے سال کی آڈیٹڈ مالی سٹیٹمنٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں:

فنانشل رزلٹس	2016	2017
	(رقم ہزاروں میں)	
ریونیو	2,378,758	2,202,691
کاسٹ آف سیلز	(2,312,767)	(2,111,282)
گراس منافع	65,991	91,409
ڈسٹری بیوشن کاسٹ	(25,496)	(27,360)
انتظامی اخراجات	(93,393)	(102,002)
دیگر اخراجات	(2,356)	(567)
دیگر آمدن	1,416	3,654
فنانشل کاسٹ	(56,866)	(79,696)
ٹیکس سے قبل نقصان	(110,704)	(114,562)
ٹیکسیشن	44,876	(2,776)
ٹیکسیشن کے بعد نقصان	(65,828)	(117,338)
بنیادی اور کمی شدہ فی شیئر میں نقصان (روپوں میں)	(6.64)	(11.83)

جس کی وجہ سے کمپنی کو ٹیکسوں کی ادائیگی کے بعد اس سال 117.338 ملین کا نقصان برداشت کرنا پڑا جبکہ گزشتہ سال کے اس عرصہ میں ہونے والا نقصان صرف 65.828 ملین روپے تھا۔ تاہم کمپنی کی انتظامیہ کو مستقبل میں منافع کی امید ہے۔

<u>چیئر مین کا جائزہ</u>

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

<u>آوٹ سٹینڈنگ سٹیچوٹری ادائیگیاں۔</u>

تمام آوٹ سٹینڈنگ ادائیگیاں انتہائی کم اور معمول کے مطابق ہیں۔

<u>ریٹائرمنٹ بینیفٹس فنڈز</u>

کمپنی اپنے ملازمین کیلئے اَن فنڈ ڈ گریجویٹی سکیم چلا رہی ہے جو فنانشل سٹیٹمنٹ سے بھی ظاہر ہے۔

<u>آڈیٹرز</u>

موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس جو اس کام کے اہل ہیں نے دوبارہ خود کو 2017-2018 کیلئے آڈیٹر کیلئے پیش کیا ہے۔

<u>شیئر ہولڈنگ کی ترتیب:</u>

شیئر ہولڈنگ کی ترتیب بمطابق 30 جون 2017 لف ہے۔

<u>متعلقہ پارٹی ٹرانزکشن</u>

متعلقہ پارٹیوں سے تمام ٹرانزکشن میں قیمتوں کا تعین قابل تقابل ان کنٹرولڈ پرائس طریق کار کے تحت کیا گیا۔ کمپنی نے لسٹنگ ریگولیشنز

آف سٹاک ایکسچینج آف پاکستان کی تدوین شدہ بیسٹ پریکٹسز آف ٹرانسفر پرائسنگ پر عمل کیا۔

منعقد ہونے والی بورڈ میٹنگز کی تعداد:

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

ڈائریکٹر کا نام	حاضری
مسٹر محمد سعید	4
مسٹر امجد سعید	4
مسز روبینہ امجد	3
مسٹر عمر سعید	4
مسٹر احسن سعید	3
مسٹر خضر سعید	4
مسٹر محمد آصف	4

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

آڈٹ کمیٹی:

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ نے مندرجہ ذیل ممبران پر مشتمل آڈٹ کمیٹی قائم کی:

مسٹر احسن سعید	چیئرمین
مسٹر محمد سعید	ممبر
مسٹر محمد آصف (این آئی ٹی)	ممبر

افرادی قوت اور معاوضہ کمیٹی:

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

مسٹر احسن سعید	چیئرمین
مسٹر محمد سعید	ممبر
مسٹر خضر سعید	ممبر

اپروپریشن (appropriations)

بورڈ آف ڈائریکٹرز نے سخت مالی حالات کی وجہ سے شیئر ہولڈرز کو کوئی منافع نہ دینے کی سفارش کی۔

کارپوریٹ گورننس:

کارپوریٹ گورننس کی بیسٹ پریکٹسز کی تعمیل بارے سٹیٹمنٹ لف ہے۔

کارپوریٹ اور فنانشل رپورٹنگ کا فریم ورک:

لسٹنگ ریگولیشنز آف سٹاک ایکسچینج کی تعمیل او کمپنیز آرڈی ننس 1984 کے تحت آپ کے ڈائریکٹرز کو مندرجہ ذیل بیان دیتے ہوئے خوشی محسوس ہو رہی ہے۔

1۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ فنانشل سٹیٹمنٹ اس کے حالات، اس کے آپریشنز کے نتائج، کیش فلو اور اکوئٹی میں تبدیلی کو درست طریقے سے ظاہر کرتی ہے۔

2۔ کمپنی نے اکاؤنٹس کی کتابوں کو درست طریقے سے تیار کیا۔

3۔ مناسب اکاؤنٹنگ پالیسیوں کو مسلسل اختیار کیا گیا اور تخمینہ جات مناسب اور مبنی برحقائق انداز پر مشتمل ہیں۔

4۔ مالی سٹیٹمنٹ کی تیاری میں پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ سٹینڈرڈز کو اختیار کیا گیا ہے۔ ڈیزائن کے حوالہ سے اندرونی کنٹرول سسٹم قابل بھروسہ ہے اور اس کو موثر طور پر نافذ اور مانیٹر کیا گیا۔

5۔ کمپنی کی ترقی کرنے کی صلاحیت پر کوئی شک وشبہ نہیں۔

6۔ کسی جگہ پر بھی کارپوریٹ گورننس جس کا اندراج لسٹنگ ریگولیشنز میں ہے سے انحراف نہیں کیا گیا۔

7۔ گزشتہ چھ برسوں کا اہم آپریٹنگ اور فنانشل ڈیٹا اختصار کے ساتھ لف ہے۔

اعتراضات:

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

بورڈ آف ڈائریکٹرز کی جانب سے

امجد سعید

چیف ایگزیکٹو آفیسر

فیصل آباد

اکتوبر 2، 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.24 of Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing a frame work of good governance, where by 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 interest on its Board of Directors (The Board). At present the Board includes:

Independent Director
Mr. Muhammad Asif

Executive Directors
Mr. Amjad Saeed
Mr. Omer Saeed

Non- Executive Directors
Mr. Muhammad Saeed
Mrs. Rubina Amjad
Mr. Ahsan Saeed
Mr. Khizer Saeed

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 in the Board during the year ended 30 June 2017.

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 every quarter during the year 30 June 2017. 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. Three of the Directors have attended Directors' Training Programme (DTP) last year, while two other Directors are exempt from DTP.

10. The Board has approved the terms of appointment and remuneration including term and conditions of employment of Chief Financial Officer (CFO), Company Secretary and 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 the 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 three 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 program 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 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 participate 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 and 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.

Dated: October 2, 2017
Faisalabad

Chief Executive officer

KEY OPERATING & FINANCIAL DATA
FOR LAST SIX YEARS

PARTICULARS	2017	2016	2015	2014	2013	2012
			(Rupees in Millions)			
FINANCIAL POSITION						
Paid up capital	99.200	99.200	99.200	99.200	99.200	99.200
Fixed assets at cost	1,725.353	1,487.173	1,293.655	1,190.969	1,131.876	1,074.401
Fixed assets (Lease) at cost	-	-	-	-	-	-
Accumulated depreciation	810.784	787.983	727.884	666.864	616.867	566.967
Current assets	567.733	516.494	445.661	431.919	362.242	316.139
Current liabilities	710.435	579.177	459.719	425.248	364.785	324.926
INCOME						
Sales	2,202.691	2,378.758	2,368.403	2,282.646	1,981.874	2,015.151
Other income	3.654	1.416	0.724	0.387	1.436	4.232
Pre tax Profit/(loss)	(114.562)	(110.704)	(49.237)	16.722	44.723	44.286
Taxation	(2.776)	44.876	14.150	(12.540)	(13.969)	(15.761)
STATISTICS AND RATIOS						
Pre tax profit/(loss) to sales %	(5.200)	(4.650)	(2.080)	0.730	2.260	2.200
Pre tax profit/(loss) to capital %	(115.486)	(111.590)	(49.630)	16.860	45.080	44.640
Current ratio	1:.80	1:.89	1:.97	1:1.02	1:0.99	1:0.97
Paid up value per share (Rs.)	10.000	10.000	10.000	10.000	10.000	10.000
Earnings after tax per share (Rs.)	(11.828)	(6.640)	(3.540)	0.420	3.100	2.880
Cash dividend %	-	-	-	-	-	-
Break up value per share (Rs.)	32.365	22.200	27.270	26.080	25.920	22.820

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 2017 to comply with the requirements of Clause 5.19.24 (b) of the Rule Book 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 2017.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Name of engagement partner:
Liaqat Ali Panwar
Date: October 02, 2017.
FAISALABAD

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **IDEAL SPINNING MILLS LIMITED** ("the Company") as at 30 June 2017 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 repealed 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 repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed 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 2017 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: October 02, 2017.
FAISALABAD

BALANCE SHEET AS AT 30 JUNE 2017

	NOTE	2017 (RUPEES IN THOUSAND)	2016 (RUPEES IN THOUSAND)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
20 000 000 (2016: 20 000 000) ordinary shares of Rupees 10 each		200,000	200,000
Issued, subscribed and paid up share capital			
9 920 000 (2016: 9 920 000) ordinary shares of Rupees 10 each fully paid in cash		99,200	99,200
Sponsors' loans	3	161,800	-
Reserves	4	60,062	121,002
Total equity		321,062	220,202
Surplus on revaluation of freehold land		85,166	85,166
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	483,573	327,485
Staff retirement gratuity	6	50,666	44,708
		534,239	372,193
CURRENT LIABILITIES			
Trade and other payables	7	190,604	153,752
Accrued mark-up	8	12,974	7,992
Short term borrowings	9	403,313	358,735
Current portion of long term financing	4	101,304	42,584
Provision for taxation		2,240	16,114
		710,435	579,177
TOTAL LIABILITIES		1,244,674	951,370
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		1,650,902	1,256,738

	NOTE	2017 (RUPEES IN THOUSAND)	2016 (RUPEES IN THOUSAND)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,080,988	738,281
Long term loans	12	273	153
Long term deposits and prepayments	13	1,908	1,810
		1,083,169	740,244
CURRENT ASSETS			
Stores, spare parts and loose tools	14	29,970	32,352
Stock-in-trade	15	307,780	250,087
Trade debts	16	59,195	122,300
Loans and advances	17	70,836	49,099
Short term deposit and prepayments	18	369	145
Other receivables	19	90,917	32,596
Cash and bank balances	20	8,666	29,915
		567,733	516,494
TOTAL ASSETS		1,650,902	1,256,738

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

ADEEL AHMED SHAHID
CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017	2016
		(RUPEES IN THOUSAND)	
REVENUE	21	2,202,691	2,378,758
COST OF SALES	22	(2,111,282)	(2,312,767)
GROSS PROFIT		91,409	65,991
DISTRIBUTION COST	23	(27,360)	(25,496)
ADMINISTRATIVE EXPENSES	24	(102,002)	(93,393)
OTHER EXPENSES	25	(567)	(2,356)
OTHER INCOME	26	3,654	1,416
FINANCE COST	27	(79,696)	(56,866)
LOSS BEFORE TAXATION		(114,562)	(110,704)
TAXATION	28	(2,776)	44,876
LOSS AFTER TAXATION		(117,338)	(65,828)
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	29	(11.83)	(6.64)

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

ADEEL AHMED SHAHID
CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	(RUPEES IN THOUSAND)	
LOSS AFTER TAXATION	(117,338)	(65,828)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Experience adjustment on staff retirement gratuity	2,342	(5,967)
Deferred income tax related to experience adjustment	(656)	1,780
	1,686	(4,187)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the year - net of deferred income tax	1,686	(4,187)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(115,652)	(70,015)

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

AMJAD SAEED	OMER SAEED	ADEEL AHMED SHAHID
CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017	2016
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	30	26,322	(20,651)
Finance cost paid		(51,254)	(43,795)
Income tax paid		(32,538)	(21,120)
Staff retirement gratuity paid		(12,685)	(8,396)
Net increase in long term loans		(120)	(102)
Net (increase) / decrease in long term deposits and prepayments		(98)	816
Net cash used in operating activities		(70,373)	(93,248)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(414,784)	(96,034)
Proceeds from sale of property, plant and equipment		6,905	475
Net cash used in investing activities		(407,879)	(95,559)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		294,324	121,857
Sponsors' loans obtained		161,800	-
Repayment of long term financing		(43,699)	(34,209)
Short term borrowings - net		44,578	106,398
Net cash from financing activities		457,003	194,046
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(21,249)	5,239
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		29,915	24,676
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 20)		8,666	29,915

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

ADEEL AHMED SHAHID
CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	SHARE CAPITAL	SPONSORS' LOANS	RESERVES		TOTAL	TOTAL EQUITY
			CAPITAL	REVENUE		
			EQUITY PORTION OF SHAREHOLDERS ' LOAN	UNAPPROPRIATED PROFIT/ (ACCUMULATED LOSS)		
	RUPEES IN THOUSAND					
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 shareholder's loan	-	-	19,690	-	19,690	19,690
Balance as at 30 June 2016	99,200	-	66,497	54,505	121,002	220,202
Loss for the year	-	-	-	(117,338)	(117,338)	(117,338)
Other comprehensive income for the year	-	-	-	1,686	1,686	1,686
Total comprehensive loss for the year	-	-	-	(115,652)	(115,652)	(115,652)
Sponsors' loans received during the year	-	161,800	-	-	-	161,800
Equity portion of shareholders' loans	-	-	54,712	-	54,712	54,712
Balance as at 30 June 2017	99,200	161,800	121,209	(61,147)	60,062	321,062

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

ADEEL AHMED SHAHID
CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 repealed Companies Ordinance, 1984 and listed on Pakistan Stock Exchange 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. Securities and Exchange Commission of Pakistan (SECP) vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except as modified by recognition of staff retirement gratuity at present value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience 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) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

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.

IAS 19 (Amendments) 'Employee Benefits' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

IAS 34 (Amendments) 'Interim Financial Reporting' (effective for annual periods beginning on or after 01 January 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 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, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 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 as 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. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 'Revenue-Barter Transactions Involving Advertising Services'. 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 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

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

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

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Property, plant, equipment and depreciation

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

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

Any revaluation surplus is credited to surplus on revaluation of operating fixed assets except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss account, in which case the increase is recognized in profit and loss account. A revaluation deficit is recognized in profit and loss account, except to the extent that it offsets an existing surplus on the same asset recognized in surplus on revaluation of operating fixed assets.

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.

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.

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 indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

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

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 scheme. The Company's obligation under the scheme is determined through actuarial valuation carried under the Projected Unit Credit Method. Latest actuarial valuation has been carried on 30 June 2017.

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

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. Related Government grant is recognized when there is reasonable assurance that the Company will comply with the conditions attached to it and grant will be received.
- 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.

3. SPONSORS' LOANS

During the year the Company obtained Rupees 161.800 million from sponsors of the Company. These loans are interest free and payable at the discretion of the Company.

	2017	2016
	(RUPEES IN THOUSAND)	
4. RESERVES		
Composition of reserves is as follows:		
Capital reserve		
Equity portion of shareholders' loans (Note 4.1)	121,209	66,497
Revenue reserve		
(Accumulated loss) / unappropriated profit	(61,147)	54,505
	60,062	121,002
4.1 Equity portion of shareholders' loans		
Opening balance	66,497	46,807
Gain on recognition of shareholders' loans at fair value (Note 5.2)	54,712	19,690
Closing balance	121,209	66,497

4.1.1 Fair value of shareholders' loans has been estimated at the present value of future cash flows discounted at effective interest rates ranging from 8.05% to 9.01% (2016: 8.05% to 9.01%) per annum.

5. LONG TERM FINANCING

	2017	2016
	(RUPEES IN THOUSAND)	
Secured		
From banking companies (Note 5.1)	369,513	123,453
Unsecured		
From sponsor directors / shareholders (Note 5.2)	215,364	246,616
	584,877	370,069
Less: Current portion shown under current liabilities	101,304	42,584
	483,573	327,485

5.1 From banking companies

LENDER	2017	2016	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	(RUPEES IN THOUSAND)						
The Bank of Punjab	42,947	64,420	3 Month KIBOR + 2%	Sixteen equal quarterly installments commenced on 30 June 2015 and ending on 31 March 2019.	Quarterly	Quarterly	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	191,163	-	3 Month KIBOR + 2%	Sixteen equal quarterly installments to be commenced on 30 December 2017 and ending on 10 September 2021.	Quarterly	Quarterly	First joint pari passu charge for Rupees 267 million on all present and future current assets of the Company , along with the personal guarantee of the Chief Executive Officer of the Company.
Bank Alfalah Limited	67,055	59,033	3 Month KIBOR + 2%	Sixteen equal quarterly installments commenced on 29 June 2016 and ending on 29 March 2020.	Quarterly	Quarterly	First joint pari passu charge over fixed assets of the Company for Rupees 162 million with the personal guarantee of Chief Executive
Bank Alfalah Limited	25,470	-	3 Month KIBOR + 2%	Twenty equal quarterly installments commenced on 28 February 2017 and ending on 28 November 2021.	Quarterly	Quarterly	First joint pari passu charge over fixed assets of the Company for Rupees 106 million with the personal guarantee of Chief Executive Officer and one Director of the Company.
Bank Alfalah Limited	42,878	-	6 Month KIBOR + 2%	Twenty equal quarterly installments to be commenced on 19 August 2017 and ending on 18 May 2022.	Half yearly	Quarterly	
	369,513	123,453					

	2017	2016
	(RUPEES IN THOUSAND)	

5.2 From sponsor directors / shareholders

	2017	2016
Opening balance	246,616	156,758
Loan obtained during the year	-	95,000
	246,616	251,758
Add: Fair value adjustment (Note 27)	23,460	14,548
Less: Gain on recognition of shareholders' loans at fair value (Note 4.1)	54,712	19,690
Closing balance	215,364	246,616

5.2.1 These represent unsecured interest free loans obtained from sponsor directors / shareholders of the Company. The loan of Rupees 203.565 million which was repayable in one bullet installment on 30 June 2018 has been rescheduled and will be repaid in one bullet installment on 30 June 2021. Remaining loan of Rupees 95.000 million is repayable in one bullet installment on 30 June 2019. These loans along with the sponsors' loan shown in Note 3 are subordinated to bank borrowings of Rupees 302.765 million.

6. STAFF RETIREMENT GRATUITY

	2017	2016
Opening balance	44,708	27,126
Provision for the year (Note 6.2)	20,985	20,011
Retirement benefit paid	(12,685)	(8,396)
Experience adjustment recognized in other comprehensive income - net	(2,342)	5,967
Closing balance	50,666	44,708

6.1 Movement in the net liability recognized

	2017	2016
Opening balance	44,708	27,126
Add: Provision for the year (Note 6.2)	20,985	20,011
Experience adjustment recognized in other comprehensive income - net	(2,342)	5,967
	63,352	53,104
Less: Paid during the year	12,685	8,396
	50,666	44,708

6.2 Provision for the year

	2017	2016
Current service cost	18,204	16,973
Interest cost	2,781	3,038
	20,985	20,011

6.3 Principal actuarial assumptions used

	2017	2016
Discount rate for interest cost in profit and loss charge (per annum)	7.25%	13.25%
Discount rate for year end obligation (per annum)	7.75%	7.25%
Expected rate of increase in salary (per annum)	6.75%	6.25%
Average duration of the benefit	6	6
Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
Withdrawal rate	Age based	Age based

6.4 The estimated expenses to be charged to profit and loss account for the year ending on 30 June 2018 is Rupees 20.837 million.

	2017	2016
6.5 Sensitivity analysis for actuarial assumptions:		

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

	2017	2016
Discount rate	1.00%	1.00%
Increase in assumption (Rupees in thousand)	(2,938)	(2,462)
Decrease in assumption (Rupees in thousand)	3,349	2,805
Future salary increase	1.00%	1.00%
Increase in assumption (Rupees in thousand)	3,512	2,955
Decrease in assumption (Rupees in thousand)	(3,143)	(2,648)

6.6 Amounts for the current and previous four years:

	2017	2016	2015	2014	2013
	-----	-----	RUPEES IN THOUSAND	-----	-----
Present value of defined benefit obligation	50,666	44,708	27,126	18,907	9,571
Experience adjustment on obligation	(2,342)	5,967	-	3,509	302

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 except for certain changes as given in Note 6.3.

	2017	2016
	(RUPEES IN THOUSAND)	
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	125,510	94,987
Accrued liabilities	44,788	46,583
Advances from customers (Note 7.2)	15,990	9,572
Income tax deducted at source	2,262	1,586
Sales tax deducted at source	1,569	539
Unclaimed dividend	485	485
	190,604	153,752

7.1 These include amounts in aggregate of Rupees 13.066 million (2016: Rupees 11.211 million) due to related parties.

7.2 These include an amount of Rupees 3.608 million (2016: Rupees Nil) due to a related party.

	2017	2016
8. ACCRUED MARK-UP		
Long term financing	4,050	1,563
Short term borrowings	8,924	6,429
	12,974	7,992

	2017	2016
	(RUPEES IN THOUSAND)	
9. SHORT TERM BORROWINGS		
From banking companies - secured		
Cash finances (Note 9.1 and 9.4)	216,491	169,603
Running finances (Note 9.2 and 9.4)	63,188	108,883
Other short term finances (Note 9.3 and 9.4)	119,134	72,949
	398,813	351,435
Others - unsecured		
Other related parties (Note 9.5)	4,500	7,300
	403,313	358,735

9.1 These form part of total credit facility of Rupees 600 million (2016: Rupees 475 million). Rates of mark-up range from 7.54% to 8.12% (2016: 7.85% to 9.01%) per annum.

9.2 These form part of total credit facility of Rupees 145 million (2016: Rupees 70 million). Rates of mark-up range from 7.54% to 8.35% (2016: 7.85% to 9.01%) per annum.

9.3 These form part of total credit facility of Rupees 335 million (2016: Rupees 410 million). Rates of mark-up range from 7.54% to 9.12% (2016: 3.50% to 10.26%) 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 23.918 million (2016: 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 Limited against electricity connection.

ii) The Company is contingently liable for Rupees 2.812 million (2016: Rupees 2.379 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.

b) Commitments

i) Letters of credit for capital expenditure are of Rupees Nil (2016: Rupees 56.862 million).

ii) Letters of credit other than for capital expenditure are of Rupees 4.969 million (2016: Rupees 75.832 million).

11. PROPERTY PLANT AND EQUIPMENT

	2017	2016
Operating fixed assets (Note 11.1)	914,569	699,190
Capital work-in-progress (Note 11.2)	166,419	39,091
	1,080,988	738,281

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 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	-	-	-	-	-	-	-	-	-	-	(2,632)	(2,632)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	2,262	2,262
	-	-	-	-	-	-	-	-	-	-	(370)	(370)
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	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
Year ended 30 June 2017												
Opening net book value	114,909	58,565	456,090	19,902	20,302	2,394	596	448	2,539	392	23,053	699,190
Additions	-	755	261,911	-	13,430	-	-	60	243	705	10,352	287,456
Disposals:												
Cost	-	-	(44,332)	-	-	-	-	-	-	-	(4,944)	(49,276)
Accumulated depreciation	-	-	39,185	-	-	-	-	-	-	-	3,491	42,676
	-	-	(5,147)	-	-	-	-	-	-	-	(1,453)	(6,600)
Depreciation charge	-	(2,942)	(51,609)	(1,990)	(1,817)	(240)	(60)	(136)	(801)	(47)	(5,834)	(65,477)
Closing net book value	114,909	56,378	661,244	17,912	31,914	2,154	536	372	1,981	1,049	26,118	914,569
At 30 June 2017												
Cost / revalued amount	114,909	159,352	1,272,016	43,506	60,749	7,102	1,653	5,698	5,889	2,054	52,425	1,725,353
Accumulated depreciation	-	(102,974)	(610,772)	(25,594)	(28,834)	(4,948)	(1,117)	(5,326)	(3,908)	(1,004)	(26,307)	(810,784)
Net book value	114,909	56,378	661,244	17,912	31,914	2,154	536	372	1,981	1,049	26,118	914,569
Annual rate of depreciation (%)	-	5	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, the book value of freehold land would have been Rupees 29.743 million (2016: Rupees 29.743 million).

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

	2017	2016
	(RUPEES IN THOUSAND)	
Cost of sales (Note 22)	59,399	53,343
Administrative expenses (Note 24)	6,077	9,018
	65,477	62,361

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

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
	Nos	(RUPEES IN THOUSAND)						
Plant and Machinery								
Schalaphorst Machine	1	10,626	7,920	2,706	2,800	94	Negotiation	Ideal Trading Company, Amin Town, Faisalabad
Ring Frames	2	5,618	5,211	407	427	20	Negotiation	Mr. Ghulam Rasool, Rail Bazar, Okara
Ring Frames	2	5,618	5,211	407	427	20	Negotiation	Bismillah Traders; Gondal Bazar, Gujranwala
Ring Frames	2	5,617	5,211	406	427	21	Negotiation	Maqsood Corporation, Milat Road, Faisalabad
Ring Frames	2	5,618	5,211	407	427	20	Negotiation	Elahi Traders, Near Chowk Yateem Khana, Lahore
Ring Frames	2	5,617	5,210	407	427	20	Negotiation	Mr. Amraiz Mahmood, G.T. Road, Sheikhupura
Ring Frames	2	5,618	5,211	407	427	20	Negotiation	Malik Afzal & Brothers, Raja Bazar, Rawalpindi
		44,332	39,185	5,147	5,362	215		
Vehicles								
Honda City LED-12-2007	1	1,562	909	653	653	-	Company policy	Mr. Tariq Bhatti (Company's employee)
Honda Civic LEC-10-300	1	2,008	1,525	483	550	67	Negotiation	Mr. Irfan Hashmi, Model Town, Lahore
Motorcycle FDQ-6914	1	70	40	30	40	10	Insurance claim	IGI Insurance Limited
Toyota XLI LEA-10-2551	1	1,303	1,016	287	300	13	Negotiation	Mr. Ahsan Ghouse, Chak No. 31, Sangla Hill
		4,944	3,491	1,453	1,543	90		
		49,276	42,676	6,600	6,905	305		

		2017	2016
		(RUPEES IN THOUSAND)	
11.2	**Capital work-in-progress**		
	Buildings on freehold land	46,145	32,154
	Plant and machinery	107,676	6,937
	Advance against plant and machinery	10,000	-
	Advances against vehicles	2,598	-
		166,419	39,091
12.	**LONG TERM LOANS**		
	Considered good - secured:		
	Executive	586	-
	Other employees	257	473
		843	473
	Less: Current portion shown under current assets (Note 17)		
	Executive	360	-
	Other employees	210	320
		570	320
		273	153
12.1	Reconciliation of carrying amount of loan to executive:		
	Balance as on 01 July	-	-
	Add: Disbursement	800	-
		800	-
	Less: Repayment	214	-
	Balance as on 30 June	586	-

12.1.1 Maximum aggregate balance due from executive at the end of any month during the year was Rupees 0.800 million (2016: Rupees Nil).

12.2 These represent loans given to executive and 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.

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

		2017	2016
13.	**LONG TERM DEPOSITS AND PREPAYMENTS**		
	Security deposits	1,789	1,789
	Prepayments	428	126
		2,217	1,915
	Less: Current portion shown under current assets (Note 18)	309	105
		1,908	1,810

	2017	2016
	(RUPEES IN THOUSAND)	

14. STORES, SPARE PARTS AND LOOSE TOOLS

Stores (Note 14.1)	12,339	14,189
Spare parts	17,340	17,971
Loose tools	291	192
	29,970	32,352

14.1 These include store in transit of Rupees 0.723 million (2016: Rupees Nil).

15. STOCK-IN-TRADE

Raw materials (Note 15.1)	182,377	121,462
Work-in-process (Note 15.2)	20,110	19,719
Finished goods	105,293	108,906
	307,780	250,087

15.1 Raw materials include stock in transit of Rupees 7.165 million (2016: Rupees Nil).

15.2 This includes stock of Rupees 4.000 million (2016: Rupees Nil) sent to outside parties for conversion.

15.3 Stock-in-trade of Rupees 1.019 million (2016: Rupees 1.063 million) is being carried at net realizable value.

16. TRADE DEBTS

Considered good:

Secured	6,781	16,902
Unsecured (Note 16.1)	52,414	105,398
	59,195	122,300

16.1 As at 30 June 2017, trade debts due from other than related parties of Rupees 38.700 million (2016: Rupees 31.938 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

Upto 1 month	14,358	24,714
1 to 6 months	11,441	5,009
More than 6 months	12,901	2,215
	38,700	31,938

16.2 As at 30 June 2017, trade debts of Rupees 0.020 million (2016: Rupees 1.839 million) were impaired and written off. The ageing of these trade debts was more than 3 years. These trade debts do not include amounts due from related parties.

	2017	2016
	(RUPEES IN THOUSAND)	
17. LOANS AND ADVANCES		
Considered good:		
Employees - interest free		
– Executives	-	147
– Other employees:		
Against expenses	-	1,052
Against salary	2,578	2,422
	2,578	3,474
	2,578	3,621
Current portion of long term loans (Note 12)	570	320
Advances to suppliers / contractors	21,814	14,619
Letters of credit	733	629
Income tax	45,141	29,910
	70,836	49,099
18. SHORT TERM DEPOSIT AND PREPAYMENTS		
Deposit	40	40
Prepayments	20	-
Current portion of long term deposits and prepayments (Note 13)	309	105
	369	145
19. OTHER RECEIVABLES		
Considered good:		
Sales tax refundable	85,766	32,242
Export rebate and duty drawback	5,151	354
	90,917	32,596
20. CASH AND BANK BALANCES		
With banks:		
On current accounts	6,783	25,591
On PLS saving accounts	40	38
	6,823	25,629
Cash in hand	1,843	4,286
	8,666	29,915
21. REVENUE		
Local sales (Note 21.1)	1,978,645	2,256,335
Export sales	218,812	122,143
Export rebate and duty drawback	5,234	280
	2,202,691	2,378,758

	2017	2016
	(RUPEES IN THOUSAND)	
21.1 Local sales		
Yarn	1,560,820	1,859,949
Waste	17,639	15,800
Sizing income	17,240	25,167
Conversion income / cloth sale	347,898	401,033
Cotton / viscose	34,210	-
Others	838	18,307
	1,978,645	2,320,256
Less: Sales tax	-	63,921
	1,978,645	2,256,335

22. COST OF SALES

	2017	2016
Raw materials consumed (Note 22.1)	1,330,274	1,622,791
Cost of raw materials sold	36,626	-
Salaries, wages and other benefits (Note 22.2)	252,962	223,223
Stores, spare parts and loose tools consumed	66,243	60,433
Packing materials consumed	42,619	37,613
Sizing materials consumed	29,703	29,418
Outside processing / conversion and other charges	16,233	33,459
Repair and maintenance	2,484	3,475
Fuel and power	267,937	242,360
Insurance	3,243	2,694
Other factory overheads	337	354
Depreciation (Note 11.1.2)	59,399	53,343
	2,108,060	2,309,163
Work-in-process		
Opening stock	19,719	18,174
Closing stock	(20,110)	(19,719)
	(391)	(1,545)
Cost of goods manufactured	2,107,669	2,307,618
Finished goods		
Opening stock	108,906	87,806
Closing stock	(105,293)	(108,906)
	3,613	(21,100)
Cost of sales - purchased for resale	-	26,249
	2,111,282	2,312,767

22.1 Raw materials consumed

	2017	2016
Opening stock	121,462	123,161
Add: Purchased during the year	1,391,189	1,621,092
	1,512,651	1,744,253
Less: Closing stock	(182,377)	(121,462)
	1,330,274	1,622,791

22.2 Salaries, wages and other benefits include staff retirement gratuity amounting to Rupees 12.792 million (2016: Rupees 12.701 million).

23. DISTRIBUTION COST

	2017	2016
	(RUPEES IN THOUSAND)	
Outward freight and handling	8,095	4,272
Commission to selling agents	11,940	14,895
Salaries and other benefits (Note 23.1)	4,950	3,229
Travelling and accommodation	8	15
Postage and telephone	114	226
Fee and subscription	2,068	2,332
Entertainment	2	2
Insurance	-	122
Printing and stationery	2	-
Others	181	403
	27,360	25,496

23.1 Salaries and other benefits include staff retirement gratuity amounting to Rupees 0.448 million (2016: Rupees 0.401 million).

24. ADMINISTRATIVE EXPENSES

	2017	2016
Salaries and other benefits (Note 24.1)	54,783	48,344
Directors' remuneration	3,100	3,100
Rent, rates and taxes	1,950	682
Legal and professional	379	999
Insurance	1,259	1,263
Travelling and conveyance	5,056	2,649
Vehicles' running	9,335	7,359
Entertainment	4,248	7,476
Auditors' remuneration (Note 24.2)	600	600
Advertisement	98	63
Postage and telephone	3,684	2,680
Electricity, gas and water	2,442	1,898
Printing and stationery	2,017	1,682
Repair and maintenance	896	280
Fee and subscription	2,358	2,595
Miscellaneous	3,719	2,705
Depreciation (Note 11.1.2)	6,077	9,018
	102,002	93,393

24.1 Salaries and other benefits include staff retirement gratuity of Rupees 7.745 million (2016: Rupees 6.909 million).

24.2 Auditors' remuneration

	2017	2016
Audit fee	500	500
Other certifications including half yearly review	100	100
	600	600

	2017	2016
	(RUPEES IN THOUSAND)	

25. OTHER EXPENSES

	2017	2016
Trade debts written off	20	1,839
Loans and advances written off	-	165
Net exchange loss	119	-
Donations (Note 25.1)	428	352
	567	2,356

25.1 Directors or their spouses have no interest in donees' fund.

26. OTHER INCOME

	2017	2016
Income from financial assets		
Profit on deposits with banks	-	1
Net exchange gain	-	806
	-	807
Income from non-financial assets		
Gain on sale of property, plant and equipment	305	105
Credit balances written back	3,349	504
	3,654	609
	3,654	1,416

27. FINANCE COST

	2017	2016
Mark-up on:		
Long term financing	17,426	11,887
Short term borrowings	32,564	27,898
Fair value adjustment of loans from sponsor directors / shareholders (Note 5.2)	23,460	14,548
Bank charges and commission	6,246	2,533
	79,696	56,866

28. TAXATION

	2017	2016
Charge for the year:		
Current (Note 28.1)	2,240	16,114
Prior year adjustment	1,192	21
	3,432	16,135
Deferred	(656)	(61,011)
	2,776	(44,876)

28.1 Provision for current taxation represents 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 2017 are Rupees 280.060 million (2016: Rupees 140.513 million). Related deferred income tax asset of Rupees 7.035 million (2016: Rupees 24.821 million) 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. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented in view of accumulated tax losses.

29. LOSS PER SHARE - BASIC AND DILUTED

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

		2017	2016
Loss for the year	(Rupees in thousand)	(117,338)	(65,828)
Weighted average number of ordinary shares	(Numbers)	9 920 000	9 920 000
Loss per share	(Rupees)	(11.83)	(6.64)

30. CASH GENERATED FROM / (USED IN) OPERATIONS

	2017	2016
	(RUPEES IN THOUSAND)	
Loss before taxation	(114,562)	(110,704)
Adjustment for non-cash charges and other items:		
Depreciation	65,477	62,361
Gain on sale of property, plant and equipment	(305)	(105)
Net exchange loss / (gain)	119	(806)
Provision for staff retirement gratuity	20,985	20,011
Finance cost	79,696	56,866
Trade debts written off	20	1,839
Loans and advances written off	-	165
Credit balances added back	(3,349)	(504)
Working capital changes (Note 30.1)	(21,759)	(49,774)
	26,322	(20,651)

30.1 Working capital changes

Decrease / (increase) in current assets		
- Stores, spare parts and loose tools	2,382	(3,126)
- Stock-in-trade	(57,693)	(20,946)
- Trade debts	63,125	(6,118)
- Loans and advances	(6,506)	(12,291)
- Short term deposit and prepayments	(224)	153
- Other receivables	(58,321)	(17,504)
	(57,237)	(59,832)
Increase in trade and other payables	35,478	10,058
	(21,759)	(49,774)

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	
	2017	2016	2017	2016	2017	2016
	-----RUPEES IN THOUSAND-----					
Managerial remuneration	1,200	1,200	825	825	15,328	13,336
Allowances						
House rent	540	540	371	371	6,898	6,514
Others	60	60	4	4	652	125
Staff retirement gratuity paid	-	-	-	-	988	-
	1,800	1,800	1,200	1,200	23,866	19,975
Number of persons	1	1	1	1	13	11

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 (2016: one director) was Rupees 100,000 (2016: Rupees 100,000).

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

32. NUMBER OF EMPLOYEES

	2017	2016
	(NUMBER OF PERSONS)	
Number of employees as on 30 June	1 112	1 094
Average number of employees during the year	1 098	1 090

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:

	2017	2016
	(RUPEES IN THOUSAND)	
Associated companies / undertakings:		
Fuel purchased	1,646	1,940
Purchase of goods	5,784	-
Purchase of services	-	31,422
Rental expense	1,200	300
Sale of goods	31,163	-
Other related parties		
Loans obtained from directors / sponsor - net	159,000	102,300

34. PLANT CAPACITY AND ACTUAL PRODUCTION

		2017	2016
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 093 shifts (2016: 1 098 shifts)	(Kgs.)	8 663 136	7 610 869
Actual production converted to 20s count based on 3 shifts per day for 1 093 shifts (2016: 1 098 shifts)	(Kgs.)	8 346 892	7 332 775
Weaving			
100 % plant capacity at 60 picks based on 3 shifts per day for 1 095 shifts (2016: 1 098 shifts)	(Sq.Mtr.)	23 436 753	21 466 638
Actual production converted to 60 picks based on 3 shifts per day for 1 095 shifts (2016: 1 098 shifts)	(Sq.Mtr.)	19 686 873	19 045 971

Hosiery:

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

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	(RUPEES IN THOUSAND)							
Revenue	1,618,593	1,959,994	629,937	426,148	(45,839)	(7,384)	2,202,691	2,378,758
Cost of sales	(1,613,742)	(1,934,700)	(543,379)	(385,451)	45,839	7,384	(2,111,282)	(2,312,767)
Gross profit	4,851	25,294	86,558	40,697	-	-	91,409	65,991
Distribution cost	(8,531)	(20,587)	(18,829)	(4,909)	-	-	(27,360)	(25,496)
Administrative expenses	(56,584)	(73,499)	(45,418)	(19,894)	-	-	(102,002)	(93,393)
Other income	2,742	1,211	912	205	-	-	3,654	1,416
Finance cost	(66,187)	(44,991)	(13,509)	(11,875)	-	-	(79,696)	(56,866)
(Loss) / profit before taxation and unallocated expenses	(123,709)	(112,572)	9,714	4,224	-	-	(113,995)	(108,348)
Unallocated expenses:								
Other expenses							(567)	(2,356)
Taxation							(2,776)	44,876
Loss after taxation							(117,338)	(65,828)

35.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Total - Company	
	2017	2016	2017	2016	2017	2016
	(RUPEES IN THOUSAND)					
Total assets for reportable segments	1,241,831	962,336	409,071	294,402	1,650,902	1,256,738
Total liabilities for reportable segments	973,926	752,715	268,509	182,541	1,242,435	935,256
Unallocated liabilities:						
Provision for taxation					2,240	16,114
Total liabilities as per balance sheet					1,244,675	951,370

35.2 Geographical Information

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

	2017	2016
	(RUPEES IN THOUSAND)	
Europe	52,327	12,524
Asia	-	4,027
America	171,719	105,872
Pakistan	1,978,645	2,256,335
	2,202,691	2,378,758

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 (2016: 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:

	2017	2016
Trade debts - USD	218,193	161,740

Following exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	104.50	104.05
Reporting date rate	104.80	104.50

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 1.143 million (2016: Rupees 0.845 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:

	2017	2016
	(RUPEES IN THOUSAND)	
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	40	38
Financial liabilities		
Long term financing	369,513	123,453
Short term borrowings	398,813	351,435

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 7.683 million (2016: Rupees 4.749 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	3,421	3,042
Deposits	1,829	1,829
Trade debts	59,195	122,300
Bank balances	6,823	25,629
	71,268	152,800

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			2017	2016
	Short Term	Long term	Agency	(RUPEES IN THOUSAND)	
Banks					
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	73	174
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	289	396
Meezan Bank Limited	A-1+	AA	JCR-VIS	228	1,232
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	962	10,332
MCB Bank Limited	A1+	AAA	PACRA	1,586	10,683
Allied Bank Limited	A1+	AA+	PACRA	633	120
United Bank Limited	A-1+	AAA	JCR-VIS	88	56
Faysal Bank Limited	A1+	AA	PACRA	43	10
National Bank of Pakistan	A-1+	AAA	JCR-VIS	155	739
Habib Bank Limited	A-1+	AAA	JCR-VIS	1,111	56
Askari Bank Limited	A1+	AA+	PACRA	30	69
Bank Alfalah Limited	A1+	AA+	PACRA	1,483	125
Bank Al-Habib Limited	A1+	AA+	PACRA	102	14
The Bank of Punjab	A1+	AA	PACRA	-	1,585
Soneri Bank Limited	A1+	AA-	PACRA	15	38
The Bank of Khyber	A1	A	JCR-VIS	25	-
				6,823	25,629

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 2017, the Company had Rupees 681.187 million (2016: Rupees 603.565 million) available borrowing limits from financial institutions and Rupees 8.666 million (2016: Rupees 29.915 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 2017:

	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	584,877	831,059	89,896	88,906	238,292	413,965
Trade and other payables	170,783	170,783	170,783	-	-	-
Accrued mark-up	12,974	12,974	12,974	-	-	-
Short term borrowings	403,313	403,313	403,313	-	-	-
	1,171,947	1,418,129	676,966	88,906	238,292	413,965

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	-	-	-
	878,851	962,305	549,303	23,471	43,984	345,547

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 5 and Note 9 to these financial statements.

Carrying amount of long term financing as at 30 June 2017 includes overdue installments of principal amounting to Rupees 5.368 million (2016: Rupees 5.368 million).

36.2 Financial instruments by categories

	Loans and receivables	
	2017	2016
	(RUPEES IN THOUSAND)	
Financial assets		
Loans and advances	3,421	3,042
Deposits	1,829	1,829
Trade debts	59,195	122,300
Cash and bank balances	8,666	29,915
	73,111	157,086

	At amortized cost	
	2017	2016
	(RUPEES IN THOUSAND)	
Financial liabilities		
Long term financing	584,877	370,069
Trade and other payables	170,783	142,055
Accrued mark-up	12,974	7,992
Short term borrowings	403,313	358,735
	1,171,947	878,851

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 to be paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represents long term financing (except subordinated loans) and short term borrowings obtained by the Company as referred to in Note 5 and Note 9 respectively. Equity represents 'total equity' as shown in the balance sheet, sponsors' loans and loans from sponsor directors / shareholders which are subordinated to long term financing as referred in Note 5.2.1. Total capital employed includes 'total equity' plus 'borrowings'.

		2017	2016
Borrowings	(Rupees in thousand)	847,225	728,804
Total equity	(Rupees in thousand)	462,027	220,202
Total capital employed	(Rupees in thousand)	1,309,251	949,006
Gearing ratio	(Percentage)	64.71	76.80

The decrease in the gearing ratio resulted primarily from sponsors' loans obtained by the Company.

37. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

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

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

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

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

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 2017	Level 1	Level 2	Level 3	Total
	--------RUPEES IN THOUSAND--------			
At 30 June 2017				
Freehold land	-	114,909	-	114,909
At 30 June 2016				
Freehold land	-	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.

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

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

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

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land at least after every three years. The valuation of freehold land has been performed by Messrs Hamid Mukhtar and Company (Private) Limited as at 30 June 2016.

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. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on October 02, 2017 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

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

Chief Financial Officer (CFO) of the Company has resigned in subsequent period on 30 July 2017. However the Board of Directors has appointed acting CFO untill the appointment of new CFO.

41. GENERAL

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

AMJAD SAEED CHIEF EXECUTIVE OFFICER	OMER SAEED DIRECTOR	ADEEL AHMED SHAHID CHIEF FINANCIAL OFFICER

Pattern of Shareholding
As on June 30, 2017

TYPE OF SHARE HOLDERS		NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD
1	100	640	53507
101	500	665	289459
501	1000	93	85686
1001	5000	93	238720
5001	10000	13	100050
10001	15000	3	37707
15001	20000	3	51599
20001	25000	1	24500
35001	40000	3	113774
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	700000	1	695300
720001	725000	1	721500
760001	765000	1	762200
880001	885000	1	883000
890001	895000	1	890726
930001	935000	3	2797176
TOTAL ====>>		**1,532**	**9,920,000**

Categories of Shareholding
As at June 30,2017

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
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	1506	2447147	24.67
Others			
Total	**1532**	**9920000**	**100.00**

Statement showing shares bought and sold by directors, CEO,CFO, Company secretary and the minor family members form 01 July 2016 to 30 June 2017

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 Resigned 15-07-2016		
9	Mr.Adil Azeem	Chief Financial Officer Appointed 15-07-2016		
10	Mr.Muhammad Nadeem	Company Secretary		

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

Dear Sir

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

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

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

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

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

Yours Truly,

____

Shareholder's Signature
Complete Address --

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

TO,

____

____

____

PAYMENT OF CASH DIVIDEND THROUGH ETECTRONIC MODE

Dear Shareholder,

In pursuance of Section 242 of the Companies Act, 2017 which mandates all listed Companies to pay dividend only by way of electronic mode, directly into the bank account designated by the entitled shareholders.

In view of above, all cash dividends, declared by the Company in future will be directly credited into the Bank Account. Therefore, in order to comply with the directives of the Regulators in regard to payment of dividend only through electronic mode, you are requested to please provide your Bank Account details in the below mentioned format.

i) **Shareholder's detail**	
Name of Company	
Name of Shareholder alongwith Father/Husband name	
Folio Number	
CNIC number	
Landline number / Mobile number	
Email Address	

It is requested to **F.D. Registrar Services(SMC-(Pvt) Ltd** that all my cash dividend amounts declared by the Company, may be credited into the given below bank account:

ii) **Shareholder's Bank detail**	
Title of Bank Account	
International Bank Account Number (IBAN)	
Bank Name	
Branch name & Address	

It is stated that the above mentioned information is correct and that I will intimate the changes in the above mentioned information to the Company's Share Registrar as soon as these occur.

____

Signature of shareholder

The above information should be filled and signed alongwith a legible copy of CNIC and be retuned back to the Share Registrar i.e. F.D. Registrar Services(SMC-(Pvt) Ltd, Office # 1705, 17th Floor, Saima Trade Tower – A, I.I. Chundrigar Road, Karachi-74000.

Thanks & Regards,

IDEAL SPINNING MILLS LIMITED
Room No.404-405, 4th Floor, Business Centre,
Mumtaz Hassan Road, Karachi.

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 29th Annual General Meeting of the Company to be held on October 28, 2017 and/or any adjournment thereof.

Signed this_______________day of _______________2017.

Witnesses:

1. Signature __________________
   Name ____________________
   Address __________________
   CNIC ____________________

Signature on
Rs.5/-
Revenue Stamps

Signature_____________________
(Signature must agree with the specimen signature registered with the Company)
CNIC or Passport No.________________

2. Signature __________________
   Name ____________________
   Address __________________
   CNIC ____________________

Notes:

1. This form of proxy, duly completed and singed, 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

میں / ہم ---------- از ---------- بحیثیت **آئیڈیل سپننگ ملز لمیٹڈ** کے ممبر اور عام حصص یافتہ مطابق شیئر

رجسٹر فولیو / سی ڈی سی اکاؤنٹ نمبر ---------- مقرر کرتا ہوں ---------- فولیو / سی ڈی سی اکاؤنٹ نمبر ----------

سی این آئی نمبر یا پاسپورٹ نمبر ---------- یا بصورت دیگر ---------- فولیو / سی ڈی سی اکاؤنٹ نمبر ----------

سی این آئی نمبر یا پاسپورٹ نمبر ---------- جو کمپنی کے ممبر بھی ہیں، کو کمپنی کے 28 اکتوبر 2017ء کو منعقد ہونیوالے انتیسویں سالانہ اجلاس میں اپنی جانب سے شرکت اور رائے دہی کیلئے اپنا پروکسی مقرر کرتا ہوں۔

دستخط مورخہ ---------- 2017ء

گواہی:

1: دستخط ----------

نام ----------

پتہ ----------

سی این آئی سی یا پاسپورٹ نمبر ----------

2: دستخط ----------

نام ----------

پتہ ----------

سی این آئی سی یا پاسپورٹ نمبر ----------

5 روپے کا
محصول ٹکٹ

دستخط ----------

(کمپنی کے پاس دستخط کے نمونے کے مطابق ہوں)

سی این آئی سی / پاسپورٹ نمبر ----------

ضروری:

-1 پروکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹرڈ آفس یا شیئر رجسٹرار کے آفس مین میں جمع کرا دیا جائے۔

-2 فارم پر ممبر یا اس کا تحریراً مقرر کردہ اٹارنی 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 پروکسی مقرر کرسکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کرسکتی ہے۔

برائے سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریشن اینٹٹی

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا۔

(i) پروکسی فارم پر دو افراد کی گواہی ہونی چاہیے 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 اینٹٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی معہ نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔