

**1st  
Quarter  
Report**

**IDEAL SPINNING MILLS LIMITED**



**IdealGroup**

**CONDENSED INTERIM  
FINANCIAL INFORMATION**

**1st Quarter Report  
(UN-AUDITED)  
30 September, 2020**



## COMPANY INFORMATION

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

## DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

Your Directors feel pleasure in submitting unaudited financial statements of your Company for the 1st Quarter ended 30 September 2020.

FINANCIAL RESULTS	30.09. 2020	30.09.2019
	(RUPEES IN THOUSAND)	
REVENUE	1,126,605	1,041,767
COST OF SALES	(962,020)	(918,398)
GROSS PROFIT	164,585	123,369
DISTRIBUTION COST	(26,280)	(21,069)
ADMINISTRATIVE EXPENSES	(55,064)	(44,486)
OTHER EXPENSES	(7,120)	(2,044)
OTHER INCOME	1,902	-
FINANCE COST	(19,375)	(28,072)
PROFIT BEFORE TAXATION	58,648	27,698
TAXATION	(14,962)	(13,690)
PROFIT AFTER TAXATION	43,686	14,008
EARNING PER SHARE-BASIC AND DILUTED (RUPEES)	4.40	1.41

By the Blessings of Almighty ALLAH your company achieved Revenue growth of 8.14%, resulting in to after Tax Profit of Rs.43.686 million as compared to Rs.14.008 Million in comparative with corresponding period of last year.

**BUSINESS OUTLOOK:**

Textile industry is under pressure due to rising cost of raw material, high inflation rates and Covid-19 is an emerging threat.

**PERFORMANCE REVIEW:**

With the Almighty ALLAH's blessings, financial performance of the company is promising. Earnings per share has increased to Rs.4.40 from Rs.1.41 per share as compared to Corresponding period of the last year. Company achieved gross profit of 14.61% as compared to 11.84%, which is very good considering the facts cited above. Operational performance of the company was admirable and achieved production targets with exceptional Quality.

**FURTHER EXPANSION**

With Almighty ALLAH's blessings management has planned for CAPEX "Gen Set" in Spinning Unit "Sulzer Shuttleless Looms" in Weaving Unit and "Machinery Hoisery Lonati" in Socks Unit In-Sha-Allah.

**ACKNOWLEDGEMENT**

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

Faisalabad  
October 29, 2020

On behalf of the Board



(Amjad Saeed)

Chief Executive Officer

## حصہ داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کے ڈائریکٹرز 30 ستمبر 2020 کو ختم ہونے والے 3 ماہ کے لئے آپ کی کمپنی کے غیر آڈٹ شدہ نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

30-09-2020

30-09-2019

مالیاتی نتائج

(رقم ہزاروں میں)

1,126,605	1,041,767	ریونیو
(962,020)	(918,398)	کاسٹ آف سیل
164,585	123,369	گراس منافع
(26,280)	(21,069)	ڈسٹری بیوشن اخراجات
(55,064)	(44,486)	انتظامی اخراجات
(7,120)	(2,044)	متفرق اخراجات
1,902	-	دیگر آمدن
(19,375)	(28,072)	فنانشل اخراجات
58,648	27,698	ٹیکس کے بغیر منافع
(14,962)	(13,690)	ٹیکس
43,686	14,008	خالص منافع ٹیکس کے بعد
4.40	1.41	منافع فی حصہ بنیادی

اللہ تعالیٰ کی مہربانی سے آپ کی کمپنی کے محاصل میں 8.14% بڑھوتری ہوئی ٹیکس کی ادائیگی کے بعد 43,686 ملین روپے کا منافع ہوا۔ جبکہ گزشتہ سال کے اسی عرصہ کا منافع 14,008 ملین تھا مستقبل میں آپ کی انتظامیہ اس سے بھی بہتر نتائج حاصل کرنے کے لئے پُر امید ہے۔

بزنس آؤٹ لک:

کاروبار کرنے میں ٹیکسٹائل انڈسٹری بڑے پیمانے پر دشواریوں کا سامنا کر رہی ہے۔ گزشتہ سال کے مقابلے میں روٹی اور پولیسٹرفائبر کی قیمتیں بہت زیادہ ہیں COVID-19 اور فریڈیز کی شرح میں اضافہ کمپنی کے منافع کو متاثر کر سکتا ہے۔

کارکردگی کا جائزہ:

رب تعالیٰ کے فضل و کرم سے کمپنی کی مالی کارکردگی قابل تعریف ہے۔ آمدنی فی حصہ 1.41 روپے سے بڑھ کر 4.40 روپے فی حصہ ہوئی ہے۔ اوپر بیان کیے گئے حوالے کے باوجود کمپنی نے 14.61 فی صد خام منافع حاصل کیا ہے۔ جو کہ گزشتہ سال کے اسی عرصہ میں 11.84 فی صد تھا۔ کمپنی کی آپریشنل کارکردگی قابل قدر ہے اور بہترین معیار کے ساتھ پیداواری اہداف حاصل کیے ہیں۔

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

پروجیکٹ میں توسیع۔

اللہ تعالیٰ کے فضل و کرم سے انتظامیہ کی جانب سے سپنگ میں ایک جزیرو یونگ میں سولڈ رولمز اور سوکس میں مشینری بڑھانے کا منصوبہ ہے۔

کاوشوں کا اعتراف

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

بورڈ آف ڈائریکٹرز کی جانب سے

محمد سعید

چیف ایگزیکٹو آفیسر

فیصل آباد

29 اکتوبر 2020ء

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	NOTE	Un-Audited 30 Sep 2020	Audited 30 June 2020	NOTE	Un-Audited 30 Sep 2020	Audited 30 June 2020
<b>EQUITY AND LIABILITIES</b>						
<b>SHARE CAPITAL AND RESERVES</b>						
<b>Authorized share capital</b>		200,000	200,000			
of Rupees 10 each						
<b>Issued, subscribed and paid up share capital</b>		99,200	99,200			
9 920 000 (30 June 2020: 9 920 000) ordinary shares of Rupees 10 each fully paid in cash						
<b>Sponsors' loans</b>		241,800	241,800			
<b>Capital reserves</b>		159,358	159,358			
Equity portion of shareholders' loans		100,577	100,577			
Surplus on revaluation of freehold land		133,040	89,354			
<b>Unappropriated profit</b>		733,975	690,289			
<b>TOTAL EQUITY</b>						
<b>LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Long term financing	3	233,045	229,682			
Deferred Liability		102,563	94,859			
		335,608	324,541			
<b>CURRENT LIABILITIES</b>						
Trade and other payables		431,032	365,950			
Unclaimed dividend		1,264	1,264			
Accrued mark-up		11,161	16,676			
Short term borrowings		831,160	574,512			
Current portion of long term financing	3	103,643	93,743			
Provision for taxation		62,347	47,385			
<b>TOTAL LIABILITIES</b>		1,440,607	1,099,530			
		1,776,215	1,424,071			
<b>CONTINGENCIES AND COMMITMENTS</b>						
<b>TOTAL EQUITY AND LIABILITIES</b>	4	2,510,190	2,114,360			

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

  
**AMAD SAEED**  
 CHIEF EXECUTIVE OFFICER

  
**OMER SAEED**  
 DIRECTOR

  
**MUHAMMAD KASHIF ZAHUR**  
 CHIEF FINANCIAL OFFICER

**ASSETS**

<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	5	1,046,218	1,054,426			
Intangible asset	6	4,940	5,236			
Long term loans		-	1,796			
Long term deposits and prepayments		1,969	1,061,545			
		1,053,127	1,061,545			

**CURRENT ASSETS**

Stores, spare parts and loose tools		51,322	47,724			
Stock-in-trade		827,751	593,255			
Trade debts		239,804	160,284			
Loans and advances		180,191	121,349			
Short term deposits and prepayments		6,997	178			
Other receivables		101,032	85,689			
Cash and bank balances		49,966	44,336			
		1,457,063	1,052,815			
<b>TOTAL ASSETS</b>		2,510,190	2,114,360			

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)  
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2020**

	NOTE	1st Quarter Ended	
		30 September 2020	30 September 2019
----(RUPEES IN THOUSAND)----			
REVENUE		1,126,605	1,041,767
COST OF SALES	7	(962,020)	(918,398)
GROSS PROFIT		<u>164,585</u>	<u>123,369</u>
DISTRIBUTION COST		(26,280)	(21,069)
ADMINISTRATIVE EXPENSES		(55,064)	(44,486)
OTHER EXPENSES		(7,120)	(2,044)
OTHER INCOME		1,902	-
FINANCE COST		(19,375)	(28,072)
PROFIT BEFORE TAXATION		<u>58,648</u>	<u>27,698</u>
TAXATION		(14,962)	(13,690)
PROFIT AFTER TAXATION		<u><u>43,686</u></u>	<u><u>14,008</u></u>
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		<u><u>4.40</u></u>	<u><u>1.41</u></u>

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

  
 AMJAD SAEED  
 CHIEF EXECUTIVE OFFICER

  
 OMER SAEED  
 DIRECTOR

  
 MUHAMMAD KASHIF ZAHUR  
 CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)  
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2020**

1st Quarter Ended	
30 September 2020	30 September 2019

--- (RUPEES IN THOUSAND) ---

PROFIT AFTER TAXATION	43,686	14,008
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OTHER COMPREHENSIVE INCOME

**Items that will not be reclassified  
subsequently to profit or loss**

-	-
-	-

**Items that may be reclassified  
subsequently to profit or loss**

Other comprehensive income for the period

-	-
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TOTAL COMPREHENSIVE INCOME  
FOR THE PERIOD

<u>43,686</u>	<u>14,008</u>
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The annexed notes form an integral part of these condensed interim financial statements.



AMJAD SAEED  
CHIEF EXECUTIVE OFFICER



OMER SAEED  
DIRECTOR



MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)**  
**FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2020**

	SHARE CAPITAL	SPONSORS' LOANS	RESERVES CAPITAL			(ACCUMULATED LOSS) / UNAPPROPRIATED PROFIT	TOTAL EQUITY
			Equity portion of shareholders' loan	Surplus on revaluation of freehold land	Sub total		
<b>Balance as at 30 June 2019 - (Audited)</b>	99,200	241,800	121,209	100,577	221,786	(13,581)	549,205
Profit for the Quarter ended 30 September 2019	-	-	-	-	-	14,008	14,008
Other Comprehensive for the Quarter ended 30 September 2019	-	-	-	-	-	-	-
Total Comprehensive for the Quarter ended 30 September 2019	-	-	-	-	-	14,008	14,008
<b>Balance as at 30 September 2019 - (Un-audited)</b>	99,200	241,800	121,209	100,577	221,786	427	563,213
Profit from 01 October 2019 to 30 June 2020	-	-	-	-	-	92,939	92,939
Other Comprehensive income from 01 October 2019 to 30 June 2020	-	-	-	-	-	7,892	7,892
Total Comprehensive income from 01 October 2019 to 30 June 2020	-	-	38,149	-	38,149	100,831	100,831
Equity Portion of Shareholders Loan	-	-	-	-	-	-	38,149
Payment of final Dividend for 30 June 2019 @ Rs. 1.20 Per Share	-	-	-	-	-	(11,904)	(11,904)
<b>Balance as at 30 June 2020 - (Audited)</b>	99,200	241,800	159,358	100,577	259,935	89,354	690,289
Profit for the quarter ended 30 September 2020	-	-	-	-	-	43,686	43,686
Other comprehensive income for the quarter ended 30 September 2020	-	-	-	-	-	-	-
Total comprehensive income for the quarter ended 30 September 2020	-	-	-	-	-	43,686	43,686
<b>Balance as at 30 September 2020 - (Un-audited)</b>	99,200	241,800	159,358	100,577	259,935	133,040	733,975

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

  
AMIR SAEED  
CHIEF EXECUTIVE OFFICER

  
OMER SAEED  
DIRECTOR

  
MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER



**CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)  
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2020**

	<b>1st Quarter Ended</b>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash (used in) / generated from operations</b>	8	2,173
Finance cost paid	(197,948)	(30,670)
Income tax paid	(20,604)	-
Staff retirement gratuity paid	(14,875)	-
Net increase in long term deposits and prepayments	(12,815)	(3,923)
Net decrease / (increase) in long term loans	(173)	-
	87	-
<b>Net cash (used in) operating activities</b>	<u>(246,328)</u>	<u>(32,420)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant, equipment and intangible asset	<u>(13,667)</u>	<u>(5,943)</u>
<b>Net cash used in investing activities</b>	(13,667)	(5,943)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing	(15,507)	(27,071)
Long term financing obtained	24,484	-
Short term borrowings - net	256,648	60,726
<b>Net cash from financing activities</b>	<u>265,625</u>	<u>33,655</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,630	(4,708)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	44,336	38,014
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>49,966</u>	<u>33,306</u>

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

  
AMJAD SAEED

CHIEF EXECUTIVE OFFICER

  
OMER SAEED

DIRECTOR

  
MUHAMMAD KASHIF ZAHUR

CHIEF FINANCIAL OFFICER

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)  
FOR THE 1ST QUARTER ENDED 30 September 2020**

**1. THE COMPANY AND ITS OPERATIONS**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

**a) Statement of compliance**

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

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

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

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

- ii) These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2020. These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and section 237 of the Companies Act, 2017.

**2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2020.

**2.3 INTANGIBLE ASSET AND AMORTIZATION**

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

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

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

<b>Un-audited</b>	<b>Audited</b>
<b>30 Sep</b>	<b>30 June</b>
<b>2020</b>	<b>2020</b>

**(RUPEES IN THOUSAND)**

**3. LONG TERM FINANCING**

Opening balance	323,425	373,398
Add: Obtained during the period/year	24,484	48,735
Add: Fair value adjustment	4,286	25,219
	352,195	447,352
Less:		
Gain on recognition of shareholders' loan at fair value	-	(38,149)
Repaid during the period / year	(15,507)	(85,778)
	(15,507)	(123,927)
	336,688	323,425
Less: Current portion shown under current liabilities	(103,643)	(93,743)
	233,045	229,682

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

- i) Guarantees of Rupees 30.335 million (30 June 2020: Rupees 29.511 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and to Faisalabad Electric Supply Company Limited against electricity connection.
- ii) The Company is contingently liable for Rupees 2.812 million (30 June 2020: Rupees 2.812 million) on account of Sindh infrastructure cess not acknowledged in view of pending appeal before appellate authorities since 07 July 2014. The related provision is not made in these condensed interim financial statements in view of expected favourable outcome of the appeal.
- iii) An appeal was filed in Lahore High Court, Lahore on 09 April 2018 against cost of supply of Re-Gasified Liquefied Natural Gas (RLNG) by SNGPL amounting to Rupees 4.953 million (2020: Rupees 4.953 million). This appeal was allowed by Lahore High Court, Lahore on 13 December 2019 by asking Oil and Gas Regulatory Authority (OGRA) to conduct a public hearing to determine the level of cost of supply of RLNG. Keeping in view the opinion of the legal counsel of the Company, the related provision is not made in these financial statements as there are strong grounds that the decision of the proposed public hearing of OGRA will be decided in favour of the Company.
- iv) The Company filed an appeal on 23 July 2019 before Commissioner Inland Revenue (Appeals) against the sales tax order in original No.33/2009 dated 15 May 2019 made by the Assistant Commissioner Inland Revenue to pay further tax amounting to Rupees 9.211 million along with the default surcharge under section 3 (1A) of the Sales Tax Act, 1990 on supplies made to unregistered persons during the period from 01 July 2017 to 30 June 2018. This appeal was rejected on 29 October 2019. Against this decision, the Company filed an appeal on 07 December 2019 before Appellate Tribunal Inland Revenue which is pending for decision. The management is hopeful of positive outcome of the appeal and therefore no provision has been made in these financial statements, on the advice of legal counsel.

- v) The Company received show cause notice from Assistant Commissioner Inland Revenue dated 16 December 2019 for further tax not paid amounting to Rupees 11.957 million (2019: Rupees Nil) on sale to unregistered persons from 01 July 2018 to 30 June 2019 along with default surcharge and penalty under section 34(1) and section 33 of Sales Tax Act, 1990 respectively. Against the order, an appeal has been filed by the Company on 06 May 2020 before Commissioner Inland Revenue (Appeals) which is pending for decision. No provision has been made in these financial statements as the management is hopeful for positive outcome, on the advice of the legal counsel.
- vi) The Company received show cause notice from Assistant Commissioner Inland Revenue dated 16 December 2019 for further tax not paid amounting to Rupees 11.957 million on sale to unregistered persons from 01 July 2018 to 30 June 2019 along with default surcharge and penalty under section 34(1) and section 33 of Sales Tax Act, 1990 respectively. No provision has been made in these condensed interim financial statements as the tax advisor of the Company foresees that this show cause notice will be withdrawn from the Assistant Commissioner Inland Revenue on the basis of legal grounds.
- vii) vi) The Company has challenged, before Lahore High Court, Lahore, the provisions of SRO 491(1)/2016 dated 30 June 2016 issued under section 8(1)(b) of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(1)/2011 dated 31 December 2011, daim of input sales tax in respect of packing material has been disallowed. The Company filed a Writ Petition No. 96551/2017 dated 03 November 2017 before the Lahore High Court, Lahore. Consequently, the Company has accounted for input sales tax amounting to Rupees 4.791 million (2019: Rupees 4.791 million) paid on such items as receivable balance. The Lahore High Court, Lahore through its order dated 25 June 2019 has dismissed the petition filed by the Company. Being aggrieved by the order, an Intra Court Appeal (ICA) No. 1247 of 2020 dated 14 January 2020 has been filed by the Company in Lahore High Court, Lahore. The Company is confident of positive outcome of the appeal, on the advice of legal counsel.

## b) Commitments

- i) Letters of credit for capital expenditure are of Rupees 38.452 million (30 June 2020: Rupees 3.245 million).
- ii) Letters of credit other than for capital expenditure are of Rupees 82.136 million (30 June 2020: Rupees 33.559 million).

Un-audited	Audited
30 Sep 2020	30 June 2020

**(RUPEES IN THOUSAND)**

## 5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 5.1)	1,041,101	1,050,804
Capital work-in-progress (Note 5.2)	5,118	3,622
	<u>1,046,218</u>	<u>1,054,426</u>

### 5.1 Operating fixed assets

Opening net book value	1,050,804	1,089,101
Add: Cost of additions during the period / year (Note 5.1.1)	12,171	56,307
	<u>1,062,975</u>	<u>1,145,408</u>
Less: Book value of deletions during the period / year	-	28
	<u>1,062,975</u>	<u>1,145,380</u>
Less: Depreciation charged during the period / year	21,874	94,576
	<u>1,041,101</u>	<u>1,050,804</u>

#### 5.1.1 Cost of additions during the period / year

Buildings on freehold land	-	-
Plant and machinery	5,920	25,066
Electric installations	2,523	4,521
Factory equipment	923	2,029
Office equipment	-	-
Computers	106	2,582
Electric appliances	911	2,049
Furniture and fixtures	-	-
Vehicles	1,788	20,060
	<u>12,171</u>	<u>56,307</u>

**5.2 Capital work-in-progress**

Buildings on freehold land  
Advance against Enterprise Resource Planning (ERP)

Un-audited 30 Sep 2020	Audited 30 June 2020
89	422
5,029	3,200
<u>5,118</u>	<u>3,622</u>

(RUPEES IN THOUSAND)

**6. INTANGIBLE ASSET****Computer software**

Opening net book value  
Amount capitalized during the period / year  
Less: Amortization  
Closing net book value  
Amortization rate (per annum)

Un-audited 30 Sep 2020	Audited 30 June 2020
5,236	-
-	5,928
5,236	5,928
296	692
<u>4,940</u>	<u>5,236</u>

(RUPEES IN THOUSAND)

**7. COST OF SALES**

Raw materials consumed  
Cost of raw material sold  
Stores, spare parts and loose tools consumed  
Salaries, wages and other benefits  
Fuel and power  
Sizing materials consumed  
Outside processing / conversion and other charges  
Packing materials consumed  
Repair and maintenance  
Insurance  
Other factory overheads  
Depreciation

1st Quarter ended	
30 Sep 2020	30 Sep 2019

Work-in-process

Opening stock  
Closing stock

Cost of goods manufactured

Finished goods

Opening stock  
Closing stock

703,838	691,938
90	13,517
49,308	25,019
122,111	105,138
110,888	153,955
8,407	9,182
14,749	25,752
29,549	27,143
616	1,707
1,971	1,383
1,317	269
18,847	20,287
<u>1,061,691</u>	<u>1,075,290</u>
48,829	36,665
(51,225)	(47,735)
<u>(2,396)</u>	<u>(11,070)</u>
1,059,295	1,064,220
188,275	90,411
(146,290)	(125,995)
41,985	(35,584)
<u>1,101,280</u>	<u>1,028,636</u>

(Un-audited)	
1st Quarter ended	
30 Sep 2020	30 Sep 2019

(RUPEES IN THOUSAND)

### 8. CASH GENERATED FROM / (USED IN) OPERATIONS

Profit before taxation	58,648	27,698
<b>Adjustments for non-cash charges and other items:</b>		
Amortization	296	-
Depreciation	21,874	22,714
Allowance for expected credit losses	14,073	-
Provision for staff retirement gratuity	20,519	7,849
Finance cost	19,375	28,072
Working capital changes (Note 8.1)	(332,734)	(84,160)
	(197,948)	2,173

#### 8.1 Working capital changes

##### Increase in current assets:

Stores, spare parts and loose tools	(3,598)	(13,161)
Stock-in-trade	(234,496)	(119,848)
Trade debts	(93,593)	(59,954)
Loans and advances	(43,967)	(28,837)
Short term deposits and prepayments	(6,819)	(4,292)
Other receivables	(15,343)	(49,086)
	(397,816)	(275,178)
Increase in trade and other payables	65,082	191,018
	(332,734)	(84,160)

## 9. SEGMENT INFORMATION

9.1

	Spinning			Weaving			Socks			Elimination of Inter-segment transactions			Total - Company		
	(Un-audited)			(Un-audited)			(Un-audited)			(Un-audited)			(Un-audited)		
	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended	1st Quarter ended
	30 September 2020	30 September 2019	30 September 2020	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(RUPEES IN THOUSAND)														
Revenue	589,653	613,491	246,663	177,168	290,289	251,108	-	-	-	-	-	-	-	1,126,605	1,041,767
External Inter segment	139,260	110,238	-	-	-	-	-	(139,260)	(216,211)	(139,260)	(216,211)	-	-	1,126,605	1,041,767
Cost of sales	728,913	723,729	246,663	177,168	290,289	251,108	-	-	-	-	-	-	-	(962,020)	(918,398)
Gross profit	(655,310)	(671,807)	(223,082)	(149,765)	(222,888)	(207,064)	67,401	44,044	-	-	-	-	-	164,585	123,369
Distribution cost	(2,269)	(2,412)	(2,743)	(254)	(21,268)	(18,403)	-	-	-	-	-	-	-	(26,280)	(21,069)
Administrative expenses	(25,822)	(21,884)	(8,822)	(7,972)	(20,420)	(14,630)	-	-	-	-	-	-	-	(35,064)	(44,486)
Other income	974	-	928	-	-	-	-	-	-	-	-	-	-	1,902	-
Finance cost	(13,936)	(20,526)	(1,494)	(2,173)	(3,945)	(5,373)	-	-	-	-	-	-	-	(19,375)	(28,072)
Profit before taxation and unallocated expenses	32,550	7,100	11,450	17,004	21,768	5,638	-	-	-	-	-	-	-	65,768	29,742
<b>Unallocated expenses:</b>															
Other expenses														(7,120)	(2,044)
Taxation														(14,962)	(13,690)
Profit after taxation														43,686	14,008

## 9.2 Reconciliation of reportable segment assets and liabilities

	Spinning			Weaving			Socks			Total - Company		
	(Audited)			(Audited)			(Audited)			(Audited)		
	30 June 2020	30 June 2020	30 June 2020	30 September 2020	30 June 2020	30 June 2020	30 September 2020	30 June 2020	30 September 2020	30 June 2020	30 September 2020	30 June 2020
	(RUPEES IN THOUSAND)											
Total assets for reportable segments as per condensed interim statement of financial position	1,622,088	1,386,335	424,677	419,501	463,425	308,524	2,510,190	2,114,360	-	-	-	-
Total liabilities for reportable segments	1,135,335	954,709	122,630	76,437	455,903	345,540	1,713,868	1,376,686	-	-	-	-
<b>Unallocated liabilities:</b>												
Provision for taxation												62,347
Total liabilities as per condensed interim statement of financial position							1,776,215	1,424,071				

**10. TRANSACTIONS WITH RELATED PARTIES**

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

1st Quarter Ended	
30 September 2020	30 September 2019

(RUPEES IN THOUSAND)

**i) Transactions****Associated companies / undertakings**

Fuel purchased	932	943
Rental expense	1,550	1,500

**Other related parties**

Dividend paid	-	-
Loans obtained from directors - net	(725)	4,575
Remuneration paid to Chief Executive Officer, Director and Executives	5,863	5,316

<b>Un-audited 30 September 2020</b>	<b>Audited 30 June 2020</b>
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(RUPEES IN THOUSAND)

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

Trade and other payables	15,156	19,820
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**Other related parties**

Sponsors' loans	241,800	241,800
Long term financing	168,730	165,416
Short term borrowings	224,413	225,138

**11. FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 30 June 2020.

**12. DATE OF AUTHORIZATION**

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issue on 29 October 2020.

**13. CORRESPONDING FIGURES**

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

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

**14. GENERAL**

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



AMJAD SAEED  
CHIEF EXECUTIVE OFFICER



OMER SAEED  
DIRECTOR



MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER



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