

Half
Yearly
Report

IDEAL SPINNING MILLS LIMITED



IdealGroup

**CONDENSED INTERIM
FINANCIAL INFORMATION**

Half Yearly Report
(UN-AUDITED)
31 December, 2020



COMPANY INFORMATION

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

DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

Your Directors feel pleasure in submitting unaudited financial statements of your Company for the Half Year ended 31 December 2020.

FINANCIAL RESULTS	31.12. 2020	31.12.2019
	(RUPEES IN THOUSAND)	
REVENUE	2,276,039	2,075,701
COST OF SALES	(1,946,215)	(1,797,068)
GROSS PROFIT	329,824	278,633
DISTRIBUTION COST	(62,958)	(40,691)
ADMINISTRATIVE EXPENSES	(112,004)	(99,773)
OTHER EXPENSES	(14,700)	(13,752)
OTHER INCOME	3,846	13,253
FINANCE COST	(46,411)	(60,817)
PROFIT BEFORE TAXATION	97,597	76,853
TAXATION	(31,184)	(22,747)
PROFIT AFTER TAXATION	66,413	54,106
EARNING PER SHARE-BASIC AND DILUTED (RUPEES)	6.69	5.45

By the Blessings of Almighty ALLAH your company achieved Revenue growth of 9.65%, resulting in to after Tax Profit of Rs.66.413 Million as compared to Rs.54.106 Million in comparative with corresponding period of last year.

BUSINESS OUTLOOK:

Management has proven its ability by procurement of raw material at attractive prices, efficient utilization of finance facilities, controlled administration cost and proven textile market conditions had made possible a healthier bottom line.

PERFORMANCE REVIEW:

With the Almighty ALLAH's blessings, financial performance of the company is promising. Earnings per share has increased to Rs.6.69 from Rs.5.45 per share as compared to last year. Company achieved gross profit of 14.49% as compared to 13.42%, which is very good considering the facts cited above. Operational performance of the company was admirable and achieved production targets with exceptional Quality.

FURTHER EXPANSION


With Almighty ALLAH'S blessings management has planned to increase its socks machines and looms.

ACKNOWLEDGEMENT

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

Faisalabad
February 25, 2021

On behalf of the Board


(Amjad Saeed)

Chief Executive Officer

حصہ داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کے ڈائریکٹرز 31 دسمبر 2020 کو ختم ہونے والے 6 ماہ کے لئے آپ کی کمپنی کے غیر آڈٹ شدہ نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

31-12-2020	31-12-2019	مالیاتی نتائج
		ریونڈ
2,276,039	2,075,701	کاسٹ آف سیل
<u>(1,946,215)</u>	<u>(1,797,068)</u>	گراس منافع
329,824	278,633	ڈسٹری بیوشن اخراجات
(62,958)	(40,691)	انتظامی اخراجات
(112,004)	(99,773)	متفرق اخراجات
(14,700)	(13,752)	دیگر آمدن
3,846	13,253	فنانس اخراجات
<u>(46,411)</u>	<u>(60,817)</u>	ٹیکس کے بغیر منافع
97,597	76,853	ٹیکس
<u>(31,184)</u>	<u>(22,747)</u>	خالص منافع ٹیکس کے بعد
<u>66.413</u>	<u>54.106</u>	منافع فی حصہ بنیادی
<u>6.69</u>	<u>5.45</u>	

اللہ تعالیٰ کی مہربانی سے آپ کی کمپنی کے محاصل میں %9.65 بڑھوتری ہوئی ٹیکس کی ادائیگی کے بعد 66.413 ملین روپے کا منافع ہوا۔ جبکہ گزشتہ سال کے اسی عرصہ کا منافع 54.106 ملین تھا۔

پرنس آؤٹ لک:

انتظامیہ نے اپنی بہترین صلاحیتوں کو استعمال کرتے ہوئے خام مال بہت مناسب قیمت پر خریدا۔ مالی سہولتوں کا بہترین استعمال انتظامی اخراجات پر کنٹرول اور اچھی ٹیکنالوجی مارکیٹ پوزیشن کی وجہ سے اچھا منافع حاصل ہوا۔

کارکردگی کا جائزہ:

رب تعالیٰ کے فضل و کرم سے کمپنی کی مالی کارکردگی قابل تعریف ہے۔ آمدنی فی حصہ 5.45 روپے سے بڑھ کر 6.69 روپے فی حصہ ہوئی ہے۔ کمپنی نے 14.49 فی صد خام منافع حاصل کیا ہے۔ جو کہ گزشتہ سال کے اسی عرصہ میں 13.42 فی صد تھا۔ کمپنی کی آپریشنل کارکردگی قابل قدر ہے اور بہترین معیار کے ساتھ پیداواری اہداف حاصل کیے ہیں۔ پروجیکٹ میں توسیع۔

اللہ تعالیٰ کے فضل و کرم سے انتظامیہ کی جانب سے دیونگ میں لومز اور سوکس میں مشینری بڑھانے کا منصوبہ ہے۔

کاوشوں کا اعتراف

بورڈ آف ڈائریکٹرز اپنے حصے داروں، بینکرز اور مالیاتی اداروں کے اعتماد اور مسلسل سپورٹ کا شکریہ ادا کرتا ہے۔ بورڈ کمپنی کے عٹاف 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

25 فروری 2021ء

INDEPENDENT AUDITOR'S REVIEW REPORT**To the members of The Ideal Spinning Mills Limited****Report on review of Condensed Interim Financial Statements**Introduction

We have reviewed the accompanying condensed interim statement of financial position of IDEAL SPINNING MILLS LIMITED as at 31 December 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to condensed interim financial statements for the half year then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2020 and 31 December 2019 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2020.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Mubashar Mehmood.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Faisalabad

Date: 25 February, 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	NOTE	Un-Audited 31 December 2020 (RUPEES IN THOUSAND)	Audited 30 June 2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital		200,000	200,000
20,000,000 (30 June 2020: 20,000,000) ordinary shares of Rupees 10 each			
Issued, subscribed and paid up share capital		99,200	99,200
9,920,000 (30 June 2020: 9,920,000) ordinary shares of Rupees 10 each fully paid in cash			
Sponsors' loans		241,800	241,800
Capital reserves			
Equity portion of shareholders' loans		159,358	159,358
Surplus on revaluation of freehold land		100,577	100,577
Revenue reserve		142,871	89,354
Unappropriated profit		743,806	690,289
TOTAL EQUITY			
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	3	216,400	229,682
Deferred liabilities		107,894	94,859
		324,294	324,541
CURRENT LIABILITIES			
Trade and other payables		462,900	365,950
Undeclared dividend		1,889	1,264
Accrued mark-up		15,877	16,676
Short term borrowings		876,392	574,512
Current portion of non-current liabilities		114,506	93,743
Provision for taxation		31,184	47,385
		1,502,748	1,099,530
		1,827,042	1,424,071
TOTAL LIABILITIES			
CONTINGENCIES AND COMMITMENTS	4		
TOTAL EQUITY AND LIABILITIES		2,570,848	2,114,360

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


AMJAD SAEED
CHIEF EXECUTIVE OFFICER


OMIER SAEED
DIRECTOR


MUHAMMAD KASHIF ZAHUR
CHIEF FINANCIAL OFFICER

	NOTE	Un-Audited 31 December 2020 (RUPEES IN THOUSAND)	Audited 30 June 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,084,635	1,054,426
Intangible asset		5,488	5,236
Long term loans		153	87
Long term deposits and prepayments		1,985	1,796
		1,092,261	1,061,545
CURRENT ASSETS			
Stores, spare parts and loose tools		67,985	47,724
Stocks-in-trade		879,628	593,255
Trade debts		209,032	160,284
Loans and advances		124,420	121,349
Short term deposits and prepayments		4,930	178
Other receivables		118,673	85,689
Cash and bank balances		73,919	44,336
		1,478,587	1,052,815
TOTAL ASSETS		2,570,848	2,114,360

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	NOTE	HALF YEAR ENDED		QUARTER ENDED	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
------(RUPEES IN THOUSAND)-----					
REVENUE		2,276,039	2,075,701	1,149,434	1,033,934
COST OF SALES	6	(1,946,215)	(1,797,068)	(984,195)	(878,670)
GROSS PROFIT		<u>329,824</u>	<u>278,633</u>	<u>165,239</u>	<u>155,264</u>
DISTRIBUTION COST		(62,958)	(40,691)	(36,678)	(19,622)
ADMINISTRATIVE EXPENSES		(112,004)	(99,773)	(56,940)	(55,287)
OTHER EXPENSES		(14,700)	(13,752)	(7,580)	(11,708)
OTHER INCOME		3,846	13,253	1,944	13,253
FINANCE COST		(46,411)	(60,817)	(27,036)	(32,745)
PROFIT BEFORE TAXATION		<u>97,597</u>	<u>76,853</u>	<u>38,949</u>	<u>49,155</u>
TAXATION		(31,184)	(22,747)	(16,222)	(9,057)
PROFIT AFTER TAXATION		<u>66,413</u>	<u>54,106</u>	<u>22,727</u>	<u>40,098</u>
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		<u>6.69</u>	<u>5.45</u>	<u>2.29</u>	<u>4.04</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 HALF YEAR ENDED 31 DECEMBER 2020**

HALF YEAR ENDED		QUARTER ENDED	
31 December 2020	31 December 2019	31 December 2020	31 December 2019

----- (RUPEES IN THOUSAND) -----

PROFIT AFTER TAXATION	66,413	54,106	22,727	40,098
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>66,413</u>	<u>54,106</u>	<u>22,727</u>	<u>40,098</u>

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



AMJAD SAEED

CHIEF EXECUTIVE OFFICER



OMER SAEED

DIRECTOR



MUHAMMAD KASHIF ZAHUR

CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	SHARE CAPITAL	SPONSORS' LOANS	RESERVES				TOTAL EQUITY	
			CAPITAL RESERVES		Sub total	REVENUE RESERVE (ACCUMULATED LOSS) / UNAPPROPRIATED PROFIT		
			Equity portion of shareholders' loan	Surplus on revaluation of freehold land				
***** (RUPEES IN THOUSAND) *****								
Balance as at 30 June 2019 - (Audited)	99,200	241,800	121,209	100,577	221,786	(13,581)	208,205	549,205
Transaction with owners - Final cash dividend for the year ended 30 June 2019 at the rate of Rupees 1.20 per share	-	-	-	-	-	(11,904)	(11,904)	(11,904)
Profit for the period	-	-	-	-	-	54,106	54,106	54,106
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	54,106	54,106	54,106
Balance as at 31 December 2019 - (Un-audited)	99,200	241,800	121,209	100,577	221,786	28,621	250,407	591,407
Profit for the period	-	-	-	-	-	52,841	52,841	52,841
Other comprehensive income for the period	-	-	-	-	-	7,892	7,892	7,892
Total comprehensive income for the period	-	-	-	-	-	60,733	60,733	60,733
Equity portion of shareholder's loan	-	-	38,149	-	38,149	-	38,149	38,149
Balance as at 30 June 2020 - (Audited)	99,200	241,800	159,358	100,577	259,935	89,354	349,289	690,289
Transaction with owners - Final cash dividend for the year ended 30 June 2020 at the rate of Rupees 1.30 per share	-	-	-	-	-	(12,896)	(12,896)	(12,896)
Profit for the period	-	-	-	-	-	66,413	66,413	66,413
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	66,413	66,413	66,413
Balance as at 31 December 2020 - (Un-audited)	99,200	241,800	159,358	100,577	259,935	142,871	402,806	743,806

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


AMJAD SAEED
 CHIEF EXECUTIVE OFFICER

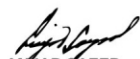

OMIER SAEED
 DIRECTOR


MUHAMMAD KASHIF ZAHUR
 CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

	HALF YEAR ENDED		
	31 December 2020	31 December 2019	
	(RUPEES IN THOUSAND)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	7	(85,511)	123,555
Finance cost paid		(36,946)	(53,413)
Income tax paid		(30,572)	(28,176)
Net exchange difference on forward contracts (paid) / received		(4,821)	7,899
Staff retirement gratuity paid		(8,005)	(6,939)
Net (increase) / decrease in long term deposits and prepayments		(189)	100
Net increase in long term loans		(66)	(48)
Net cash (used in) / generated from operating activities		(166,110)	42,978
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant, equipment and intangible asset		(77,354)	(26,545)
Net cash used in investing activities		(77,354)	(26,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(42,961)	(48,669)
Proceeds from long term financing		26,399	-
Dividend paid		(12,271)	(11,786)
Short term borrowings - net		301,880	41,577
Net cash from / (used in) financing activities		273,047	(18,878)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		29,583	(2,445)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		44,336	38,014
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		73,919	35,569

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 HALF YEAR ENDED 31 DECEMBER 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 required for full financial statements and should be read in conjunction with the annual financial statements for the year ended 30 June 2020.

b) Accounting policies and computation methods

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2020.

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.

Un-audited	Audited
31 December	30 June
2020	2020

(RUPEES IN THOUSAND)

3. LONG TERM FINANCING

Opening balance	323,425	373,398
Add:		
Obtained during the period / year	26,399	52,719
Fair value adjustment	9,654	25,219
	<hr/> 359,478	<hr/> 451,336
Less:		
Repaid during the period / year	42,961	85,778
Deferred income - Government grant (Note 3.1)	1,748	3,984
Gain on recognition of shareholder's loan at fair value	-	38,149
	<hr/> 44,709	<hr/> 127,911
	<hr/> 314,769	<hr/> 323,425
Less: Current portion shown under current liabilities	98,369	93,743
	<hr/> 216,400	<hr/> 229,682

- 3.1** This represents deferred income on initial recognition of loans obtained under State Bank of Pakistan (SBP) refinance scheme for payment of wages and salaries to workers.

4. CONTINGENCIES AND COMMITMENTS

a) Contingencies

- i) Guarantees of Rupees 34.823 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, on the advice of legal counsel.
- 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 (30 June 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 condensed interim 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 (30 June 2020: 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 condensed interim 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 (30 June 2020: 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. 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 condensed interim financial statements as the management is hopeful for positive outcome, on the advice of the legal counsel.
- 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, claim of input sales tax in respect of packing material has been disallowed. The Company filed a Writ Petition No. 96551/2017 dated 03 November 2017 before the Lahore High Court, Lahore. Consequently, the Company has accounted for input sales tax amounting to Rupees 4.791 million (30 June 2020: 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 36.569 million (30 June 2020: Rupees 3.245 million).
- ii) Letters of credit other than for capital expenditure are of Rupees 219.408 million (30 June 2020: Rupees 33.559 million).
- iii) Outstanding foreign currency forward contracts are of Rupees Nil (30 June 2020: Rupees 152.329 million)

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

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 5.1)	1,079,609	1,050,804
Capital work-in-progress (Note 5.2)	5,026	3,622
	1,084,635	1,054,426

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

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)	75,061	56,307
	1,125,865	1,145,408
Less: Book value of deletions during the period / year - Vehicles	-	28
	1,125,865	1,145,380
Less: Depreciation charged during the period / year	46,256	94,576
	1,079,609	1,050,804

5.1.1 Cost of additions during the period / year

Plant and machinery	42,084	25,066
Stand-by equipment	5,300	-
Electric installations	3,563	4,521
Factory equipment	1,898	2,029
Computers	627	2,582
Electric appliances	910	2,049
Vehicles	20,679	20,060
	75,061	56,307

5.2 Capital work-in-progress

Buildings	-	422
Advance against Enterprise Resource Planning (ERP)	5,026	3,200
	5,026	3,622

(Un-audited)

Half year ended		Quarter ended	
31 December 2020	31 December 2019	31 December 2020	31 December 2019

(RUPEES IN THOUSAND)

6. COST OF SALES

Raw materials consumed	1,140,808	1,169,758	576,230	588,165
Cost of raw materials sold	9,018	22,655	8,928	9,138
Stores, spare parts and loose tools consumed	140,986	73,192	91,678	48,173
Salaries, wages and other benefits	240,556	218,052	118,445	112,914
Fuel and power	221,623	251,459	110,735	97,504
Sizing materials consumed	17,099	17,206	8,692	8,024
Outside processing / conversion and other charges	34,361	42,848	19,612	17,096
Packing materials consumed	61,314	49,822	31,765	22,679
Repair and maintenance	3,255	4,060	2,639	2,353
Insurance	4,243	2,655	2,272	1,272
Other factory overheads	2,001	920	684	651
Depreciation	39,597	40,583	20,750	20,296
	1,914,861	1,893,210	992,430	928,265
Work-in-process				
Opening stock	48,829	36,665	51,225	47,735
Closing stock	(56,692)	(38,648)	(56,692)	(38,648)
	(7,863)	(1,983)	(5,467)	9,087
Cost of goods manufactured	1,906,998	1,891,227	986,963	937,352
Finished goods				
Opening stock	188,275	90,518	146,290	125,995
Closing stock	(149,058)	(184,677)	(149,058)	(184,677)
	39,217	(94,159)	(2,768)	(58,682)
	1,946,215	1,797,068	984,195	878,670

(Un-audited)	
Half year ended	
31 December 2020	31 December 2019
(RUPEES IN THOUSAND)	

7. CASH (USED IN) / GENERATED FROM OPERATIONS

Profit before taxation	97,597	76,853
Adjustments for non-cash charges and other items:		
Amortization	637	99
Depredation	46,256	46,210
Allowance for expected credit losses	526	5,759
Provision for staff retirement gratuity	17,278	17,277
Finance cost	46,411	60,817
Amortization of deferred grant	(1,995)	-
Gain on remeasurement of deferred liabilities	(1,846)	-
Net exchange loss / (gain)	4,534	(13,252)
Working capital changes (Note 7.1)	(294,909)	(70,208)
	<u>(85,511)</u>	<u>123,555</u>

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

Stores, spare parts and loose tools	(20,261)	(2,051)
Stock-in-trade	(286,373)	(217,540)
Trade debts	(47,752)	2,828
Loans and advances	(19,884)	(2,770)
Short term deposits and prepayments	(4,752)	(3,107)
Other receivables	(32,984)	(3,509)
	(412,006)	(226,149)
Increase in trade and other payables	117,097	155,941
	<u>(294,909)</u>	<u>(70,208)</u>

8. SEGMENT INFORMATION

8.1

	Spinning		Weaving		Socks		Elimination of Inter-segment transactions		Total - Company	
	(Un-audited) Half year ended 31 December 2020	(Audited) Half year ended 31 December 2019	(Un-audited) Half year ended 31 December 2020	(Audited) Half year ended 31 December 2019	(Un-audited) Half year ended 31 December 2020	(Audited) Half year ended 31 December 2019	(Un-audited) Half year ended 31 December 2020	(Audited) Half year ended 31 December 2019	(Un-audited) Half year ended 31 December 2020	(Un-audited) Half year ended 31 December 2019
Revenue	1,180,205	1,216,464	531,699	379,873	564,135	479,364	-	-	2,276,039	2,075,701
External	345,149	214,924	-	-	-	-	(345,149)	(214,924)	-	-
Inter segment	1,525,354	1,431,368	531,699	379,873	564,135	479,364	(345,149)	(214,924)	2,276,039	2,075,701
Cost of sales	(1,353,023)	(1,263,418)	(489,060)	(338,821)	(449,281)	(409,753)	(345,149)	(214,924)	(1,946,215)	(1,797,068)
Gross profit	172,331	167,970	42,639	41,052	114,854	69,611	-	-	329,824	278,633
Distribution cost	(4,539)	(5,266)	(7,074)	(2,643)	(51,345)	(32,782)	-	-	(62,958)	(40,691)
Administrative expenses	(53,322)	(47,690)	(18,357)	(17,304)	(40,325)	(34,759)	-	-	(112,004)	(99,773)
Other income	3,846	8,352	157	157	-	-	-	-	3,846	13,253
Finance cost	(34,069)	(45,913)	(4,131)	(4,383)	(8,211)	(10,521)	-	-	(46,411)	(60,817)
Profit / (loss) before taxation and unallocated expenses	84,247	77,453	13,077	16,879	14,973	(3,222)	-	-	112,297	90,605
Unallocated expenses:										
Other expenses									(14,700)	(13,752)
Taxation									(31,184)	(22,747)
Profit after taxation									66,413	54,106

8.2 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Socks		Total - Company	
	(Un-audited) 31 December 2020	(Audited) 30 June 2020	(Un-audited) 31 December 2020	(Audited) 30 June 2020	(Un-audited) 31 December 2020	(Audited) 30 June 2020	(Un-audited) 31 December 2020	(Audited) 30 June 2020
Total assets for reportable segments as per condensed interim statement of financial position	1,620,100	1,386,335	533,416	419,501	417,332	308,524	2,570,848	2,114,360
Total liabilities for reportable segments	1,180,713	954,709	169,863	76,437	454,282	345,540	1,795,858	1,376,686
Unallocated liabilities:								
Provision for taxation					31,184	47,385	1,827,042	1,424,071

8.3 Geographical Information

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

	Spinning		Weaving		Socks		Total - Company	
	(Un-audited) Half year ended 31 December 2020	(Audited) Half year ended 31 December 2019	(Un-audited) Half year ended 31 December 2020	(Audited) Half year ended 31 December 2019	(Un-audited) Half year ended 31 December 2020	(Audited) Half year ended 31 December 2019	(Un-audited) Half year ended 31 December 2020	(Audited) Half year ended 31 December 2019
Europe	-	-	141,806	112,254	375,121	280,161	516,927	392,415
Asia and Australia	-	-	-	24,984	-	798	24,984	798
America	-	-	-	-	178,752	189,489	178,752	189,489
Pakistan	1,180,205	1,216,464	364,909	267,619	10,262	8,916	1,552,376	1,492,999
	1,180,205	1,216,464	531,699	379,873	564,135	479,364	2,276,039	2,075,701

9. TRANSACTIONS WITH RELATED PARTIES

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

(Un-audited)			
Half year ended		Quarter ended	
31 December 2020	31 December 2019	31 December 2020	31 December 2019

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

i) Transactions**Associated companies / undertakings**

Fuel purchased	1,966	1,945	1,034	1,001
Rental expense	2,900	3,000	1,550	1,500
Asset purchased	5,300	-	-	-

Other related parties

Dividend paid	9,744	8,994	9,744	8,994
Rental expense	300	-	150	-
Loans obtained from directors - net	1,250	12,763	(25)	7,300
Remuneration paid to Chief Executive Officer, Director and Executives	22,219	15,723	15,876	7,861

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

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

Trade and other payables	16,485	19,820
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Other related parties

Sponsors' loans	241,800	241,800
Long term financing	173,075	165,416
Short term borrowings	226,388	225,138
Long term loans	150	-
Loans and advances	2,015	819

10. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or either pay or transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying value and the fair value estimates. The Company classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1: Quoted market price in an active market for an identical instrument.

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 maximize 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: Valuation techniques using significant un-observable inputs.

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
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-----RUPEES IN THOUSAND-----

At 31 December 2020 (Un-audited)**Financial liabilities**

Derivative financial liabilities	-	-	-	-
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At 30 June 2020 (Audited)

	-	8,996	-	8,996
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The above table does not include fair value information for financial assets and financial liabilities 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.

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

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

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.

Un-audited	Audited
31 December 2020	30 June 2020

(RUPEES IN THOUSAND)

12. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

Loans / advances obtained as per Islamic mode

Short term borrowings	241,426	235,205
Advances from customers	23,793	28,567

Shariah compliant bank deposits / bank balances

Bank balances	16,978	11,238
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(Un-audited)	
Half year ended	
31 December 2020	31 December 2019

(RUPEES IN THOUSAND)

Profit earned from shariah compliant bank deposits / bank balances

Profit on deposits with banks	5	1
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Revenue earned from shariah compliant business	2,276,039	2,075,701
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Exchange (loss) / gain	(4,534)	13,252
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Profits earned or interest paid on any conventional loan / advance

Mark-up on long term financing	7,319	12,954
Mark-up on short term borrowings	25,399	36,616

Relationship with shariah compliant banks

Name	Relationship
Habib Bank Limited	Bank balances
AlBaraka Bank (Pakistan) Limited	Bank balances
Meezan Bank Limited	Bank balances

There was no dividend on any investment. Moreover, there was an unavailed loan facility from Meezan Bank Limited.

13. DATE OF AUTHORIZATION

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issue on February 25, 2021.

14. 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 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.

15. 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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