

35th Annual Report 2023

# IDEAL

SPINNING MILLS LIMITED

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

|   |       |
|---|-------|
| VISION & MISSION                            | 2     |
| COMPANY INFORMATION                         | 3     |
| NOTICE OF MEETING                           | 4-5   |
| CHAIRMAIN'S REVIEW                          | 6-7   |
| DIRECTOR'S REPORT                           | 8-23  |
| STATEMENT OF COMPLIANCE                     | 24-27 |
| KEY OPERATING AND FINANCIAL DATA            | 28    |
| REVIEW REPORT                               | 29    |
| AUDITOR'S REPORT                            | 30-35 |
| STATEMENT OF FINANCIAL POSITION             | 36    |
| STATEMENT OF PROFIT OR LOSS                 | 37    |
| STATEMENT OF COMPREHENSIVE INCOME           | 38    |
| STATEMENT OF CHANGES IN EQUITY              | 39    |
| CASH FLOW STATEMENT                         | 40    |
| NOTES TO THE ACCOUNTS                       | 41-74 |
| PATTERN OF SHAREHOLDINGS                    | 75    |
| REQUEST FOR E-TRANSMISSION OF ANNUAL REPORT | 76    |
| ELECTRONIC CREDIT MANDATE FORM              | 77    |
| PROXY FORM                                  | 78-79 |

## **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 customer's behaviour and preparing fully to meet the challenges of global market and to maximize profit by making best efforts in production planning, quality of products and making strategies.*



**COMPANY INFORMATION**

|  |   |
|--|---|
| <b>CHAIRMAN:</b>                         | MR.MOHAMMAD SAEED   |
| <b>CHIEF EXECUTIVE OFFICER:</b>          | MR.AMJAD SAEED  |
| <b>DIRECTORS:</b>                        | MRS. ROBINA AMJAD<br>MR.OMERSAEED<br>MR.AHSAN SAEED<br>MRKHIZER SAEED<br>MRMUHAMMADZHAR(INDEPENDENT)<br>MR.RIZWANJL-HASSAN(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>                          | MRMUHAMMAD AZHAR  |
| <b>MEMBER</b>                            | MR.MR.AHSAN SAEED   |
| <b>MEMBER</b>                            | MRS. RUBINA AMJAD   |
| <b>NOMINATION COMMITTEE:</b>             |   |
| <b>CHAIRMAN</b>                          | MROMER SAEED  |
| <b>MEMBER</b>                            | MR. MRAHSAN SAEED   |
| <b>MEMBER</b>                            | MR.KHIZER SAEED   |
| <b>RISK MANAGEMENT COMMITTEE:</b>        |   |
| <b>CHAIRMAN</b>                          | MR.AHSAN SAEED  |
| <b>MEMBER</b>                            | MR. MROMER SAEED  |
| <b>MEMBER</b>                            | MR.KHIZER SAEED   |
| <b>CHIEF FINANCIAL OFFICER:</b>          | MRMUHAMMAD KASHIF ZAHUR   |
| <b>COMPANY SECRETARY:</b>                | MR. MUHAMMAD NADEEM   |
| <b>SHARE REGISTRAR:</b>                  | F. D. Registrar Services (SMC) Limited<br><br>17 <sup>th</sup> Floor, Saima Trade Tower, I Chundrigar Road<br>Karachi.  |
| <b>AUDITORS:</b>                         | M/S RIAZ AHAD & COMPANY.<br><br>CHARTERED ACCOUNTANTS   |
| <b>BANKERS:</b>                          | BANK AIFALAH LTD<br>NATIONAL BANK OF PAKISTAN<br>ASKARI BANK LTD<br>BANK AHABIB LTD<br>HABIB METROPOLITAN BANK LTD<br>THE BANK OF PUNJAB<br>HABIB BANK LIMITED<br>SAMBA BANK LTD<br>MEEZAN BANK LTD |
| <b>REGISTERED OFFICE</b>                 | ROOM NO 404 & 405 <sup>TH</sup> FLOOR,<br>BUSINESS CENTRE, MUMTAZ HASSAN ROAD<br>KARACHI.<br><br>www.idealsm.com<br>35-K.M SHIKI IUPURA ROAD,<br>TEHSIL JARANWALA,<br>DISTT. FAISALABAD.            |
| <b>FACTORY:</b>                          |   |




## NOTICE OF 35TH ANNUAL GENERAL MEETING IDEAL SPINNING MILLS LIMITED

Notice is hereby given that the 35th Annual General Meeting (AGM) of the Shareholders of IDEAL SPINNING MILLS LIMITED will be held at 404/5, Business Centre 4th Floor Mumtaz Hasan Road Near "SBP" Karachi on Saturday October 28, 2023 at 11:00 a.m. to transact the following business :-

1. To confirm Minutes of the Last Extraordinary General Meeting (EOGM) held on May 30, 2023
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended on 30th June, 2023 together with the Directors' Report and Auditors' Report thereon.
3. To appoint Auditor for the year 2023-2024 and to fix their remuneration. The present auditors M/s. Riaz Ahmed & Co., Chartered Accountants, retire and being eligible have offered themselves for reappointment.
4. To transact any other business with the permission of the chair.

Karachi

Dated: September 28, 2023

  
 By order of the Board  
 MUHAMMAD NADEEM  
 Company Secretary

**NOTES:**

**1. CLOSURE OF SHARE TRANSFER BOOK**

The Share Transfer Books of the Company will remain closed from 21 October 2023 to 28 October 2023 (both Days inclusive). Transfer received at the Share Registrar office M/s. F.D Registrar Services (SMC-Pvt) Ltd, 17th Floor Saima Trade Tower-A, I.I. Chundrigar Road Karachi 74000 at the close of business on 20 October 2023 will be treated in time.

**2. PARTICIPATION IN THE ANNUAL GENERAL MEETING:**

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend the meeting and vote instead of him/her. The proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. CDC Account holders will further have to follow the guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

**FOR APPOINTING PROXIES**

- a. In case of individuals, the account holders or sub account holders whose registration details are uploaded as per regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the proxy form. Copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - b. In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has not been provided earlier) along with proxy form to the Company.
- 3. DEPOSIT OF PHYSICAL SHARES IN CDC Account.**  
As per Section 72 of the Companies Act, 2017, every existing listed company is required to replace its physical shares with book-entry form. Therefore, the shareholders having physical shares requested to convert the shares into book entry.
- 4. PLACEMENT OF FINANCIAL ACCOUNTS ON WEBSITE:**  
Pursuant to the notification of the SECP (SRO 634(I)/2014) dated: 10th July 2014 the financial Statements of the Company have been placed on Company's website at [www.idealsm.com](http://www.idealsm.com)
- 5. UNCLAIMED DIVIDENDS AND SHARE CERTIFICATES:**  
Shareholders of the Company are hereby informed that as per the record, there are some unclaimed/ uncollected /unpaid dividends and shares. Shareholders who could not collect their dividends/shares are advised to contact our Share Registrar M/s. FD Registrar Services (SMC-Pvt) Ltd 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi during working hours. Ph: 0092-21-32271905 Email: [fdregistrar@yahoo.com](mailto:fdregistrar@yahoo.com) to collect/enquire about their unclaimed dividend or shares, if any.
- 6. ATTENDANCE OF MEETING BY VIDEO-LINK:**  
At least seven (7) days prior to the date of meeting on the demand of members residing in a city who hold ten percent of the total paid up capital of the company, the facility of video-link will be provided to such members in that city enabling them to participate in the Annual General Meeting through video-link facility.
- 7. CHANGE OF ADDRESS AND QUOTE FOLIO NO. IN CORRESPONDENCE:**  
Members are also requested to notify any change in address immediately. The shareholders are further requested to quote their folio number in all correspondence with the Company and at the time of attending the Annual General Meeting.

# آئیڈیل اسپننگ ملز لمیٹڈ

## اطلاع برائے 35 واں سالانہ اجلاس

مطلع کیا جاتا ہے کہ آئیڈیل اسپننگ ملز لمیٹڈ کے حصص یافتگان کا ہفتیہ وار (35) سالانہ اجلاس عام (AGM) بروز جمعہ 28 اکتوبر 2023ء صبح 11:00 بجے 404/5 پرنس سینٹر چوچی منزل، ممتاز حسن روڈ نزد "SBP" کراچی میں منعقد ہوگا۔ اس اجلاس میں ان کی انعام دہی کیلئے منصفہ کیا جائیگا۔

- ۱۔ آخری غیر معمولی اجلاس عام (EOGM) منعقدہ 30 مئی 2023ء کی کارروائی کی توثیق۔
- ۲۔ 30 جون 2023ء کو مکمل ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ اکاؤنٹس معذورائیز اور آڈیٹرز کی رپورٹس کی وصولی، تجویز، توثیق اور منظور۔
- ۳۔ مالی سال 2023-24ء کیلئے آڈیٹرز کی تقرری اور ان کے مشاہرے کا تعین۔ موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی۔ چارٹرڈ اکاؤنٹنٹس سیکڈوش ہو گئے ہیں اور اہلیت کی بنیاد پر دوبارہ تقرری کیلئے اپنی خدمات پیش کی ہیں۔
- ۴۔ چیئرمین کی اجازت سے دیگر امور کی انعام دہی۔



**بحکم بورڈ  
محمد ندیم  
کمپنی سیکریٹری**

**کراچی 28 ستمبر 2023ء**

### نوٹس:

- ۱۔ کتاب کی پیشکش: کمپنی کی حصص یافتگی کی کتاب 21 اکتوبر 2023ء تا 28 اکتوبر 2023ء (بشمول دونوں ایام) بند رہے گی۔ شیئرز رجسٹرار میسرز الیف ڈی رجسٹرار سروسز (ایس ایم سی) پر ایسٹ (لمیٹڈ سٹریٹس ہوٹل منزل ممتاز) نزد دارالحدیث، آئی آئی چنڈر گجر روڈ، کراچی میں 20 اکتوبر 2023ء کو کاروبار کے اختتام تک معمول ہونے والی منگولیاں اچھی بروقت بھیجی جائیں گی۔
- ۲۔ سالانہ اجلاس عام میں شرکت: کمپنی کا ہر ممبر اس اجلاس میں شرکت اور ووٹ ڈالنے کا حق رکھتا ہے اور وہ اپنی جگہ اجلاس میں شرکت اور ووٹ دینے کے لیے اپنا پرکھی مقرر کر سکتا ہے۔ پرکھی کی تقرری کی اطلاع کمپنی کو اجلاس سے کم از کم 48 گھنٹے قبل دینی ہوگی۔ سی-ڈی-سی اکاؤنٹس رکھنے والوں کو نیکیو ریٹز اینڈ ایڈجسٹنگ کمیشن آف پاکستان سے جاری سرٹیفکیٹس (SRO634(I)/2014) میں دی گئی ہدایات پر عملدرآمد کرنا ہوگا۔ پرکھی کی تقرری کیلئے:
  - (a) انفرادی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ شخص جسکی نیکیو ریٹز گروپ اکاؤنٹس میں ہوں اور اپنی رجسٹریشن کی تفصیلات قواعد و ضوابط کے تحت اپ لوڈ کی گئی ہوں پرکھی فارم مذکورہ ضروریات کے تحت جمع ہونے چاہئے۔ پرکھی فارم دو افراد کی جانب سے گواہی کے ساتھ ہونا چاہئے، جن کے نام، پتے اور سی-این-آئی-سی نمبر فارم پر درج ہونے چاہئے۔ پرکھی فارم کے ساتھ سی-این-آئی-سی صحت کا پتوں یا حق دار مالکان کا پاسپورٹ اور پرکھی پیش کرنا ہوگا۔
  - (b) کارپوریٹ ادارے کی صورت میں کمپنی کو پرکھی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد اور پاور آف اٹارنی مع کارپوریٹ ادارے کی جانب سے ووٹ ڈالنے کیلئے مجوز گئے فرد کے مخصوص رجسٹر جمع کرانے ہو گئے۔ (اگر یہ اس سے قبل فراہم نہیں کئے گئے)
- ۳۔ فزیکل شیئرز کی ICDC اکاؤنٹ میں منتقلی: کمپنیز ایکٹ 2017ء کی سیکشن 72 کے تحت تمام لمیٹڈ کمپنیوں کو اپنے فزیکل شیئرز کو ایک اینٹری فارم میں منتقل کرنے کا پابند کیا گیا ہے۔ ایذا فزیکل شیئرز رکھنے والے شیئرز ہولڈر سے درخواست کی جاتی ہے کہ وہ اپنے شیئرز کو ایک اینٹری میں تبدیل کروائیں۔
- ۴۔ کمپنی کی ویب سائٹ پر مالیاتی اکاؤنٹس کی پالیسی: نیکیو ریٹز اینڈ ایڈجسٹنگ کمیشن آف پاکستان کے نوٹیفکیشن (SRO634(I)/2014) تاریخ جولائی 10، 2014ء کے مطابق کمپنی کے سالانہ آڈٹ شدہ مالیاتی گوشوارے کمپنی کی ویب سائٹ [www.idealism.com](http://www.idealism.com) پر آویزاں کر دیئے گئے ہیں۔
- ۵۔ غیر معمولی شدہ منافع تقسیم اور شیئرز: کمپنی کے شیئرز ہولڈرز کو بذریعہ اطلاع کیا جاتا ہے کہ کارڈز کے مطابق کچھ غیر معمولی شدہ اور غیر معمولی شدہ اور غیر ادا شدہ منافع تقسیم ہیں۔ اپنے شیئرز ہولڈرز جنہوں نے اپنے منافع تقسیم / شیئرز وصول نہیں کئے انہیں جاریت کی جاتی ہے کہ وہ اپنے غیر معمولی شدہ منافع تقسیم یا شیئرز، اگر ہوں، سے متعلق وصول اچھی پڑتال کرنے کیلئے ہمارے شیئرز رجسٹرار میسرز الیف ڈی رجسٹرار سروسز (ایس ایم سی) پر اپنے پتے لکھنے اور 17 ویں منزل، سائبر ٹریڈ مارک-آئی آئی چنڈر گجر روڈ، کراچی سے فون نمبر 0092-21-32271905 یا ای میل [fdregistrar@yahoo.com](mailto:fdregistrar@yahoo.com) پر دوران ایام کاروبار بل کریں۔
- ۶۔ ویڈیو کانفرنس کے ذریعے حاضری: اجلاس کے انعقاد سے سات دن قبل کسی بھی شہر میں رہنے والے ایسے ممبران جو کمپنی کے سالانہ 10 فیصد حصہ رکھتے ہوں کی جانب سے معمول ہونے والے مطالبے پر ان ممبران کو ویڈیو کانفرنس کے ذریعے حاضری کی اجازت دیا جائے گا اور وہ ممبران اپنے شہر میں ویڈیو کانفرنس کے ذریعے سالانہ اجلاس عام میں شرکت کر سکیں گے۔
- ۷۔ چھٹی تبدیلی اور خط و کتابت میں فزیکل شیئرز کا اندراج: ممبران سے یہ بھی درخواست ہے کہ چھٹی تبدیلی سے فزیکل منتقلی سے کمپنی کے ساتھ خط و کتابت میں اور سالانہ اجلاس عام میں شرکت کے موقع پر فزیکل رجسٹر کریں۔

**CHAIRMAN'S REVIEW****FOR THE YEAR ENDED JUNE 30, 2023**

The Board has meticulously prepared and granted approval for the director's report, taking every measure to ensure its inclusion alongside the quarterly and annual financial statements of the Company. The content of the director's report has been exactly aligned with the mandates of relevant laws and regulations.

The Board has taken responsibility for the recruitment, assessment, and remuneration of essential executives, including the Chief Executive Officer, Chief Financial Officer, Company Secretary, and Head of Internal Audit.

The Board has taken steps to ensure that members promptly receive sufficient information, keeping them well-informed of developments between meetings.

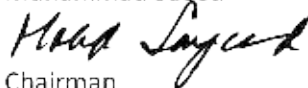
The Board has consistently exercised its authority in alignment with the powers designated to it by the relevant laws and regulations applicable to the Company. The Board's unwavering commitment has always been to prioritize compliance with all applicable laws and regulations, both in their capacity as directors and in their decision-making processes.

Essential Board agendas and the associated supporting documents were provided in a timely manner before Board and Committee Meetings. Non-executive and independent directors play an equal and integral role in crucial board decisions.

Despite facing macro-economic challenges, the Company delivered a commendable annual operational performance, achieving a remarkable 12.54% growth in revenue. This growth was primarily driven by an 11.82% increase in local sales, while export sales also saw a robust rise of 14.23%. However, we did encounter challenges, including a decline in gross profit attributed to elevated cotton prices, a 16.83% increase in operating costs, and higher finance costs due to record-high borrowing rates.

We recognize the significance of addressing these issues and have already taken proactive measures to mitigate their impact on our business. Our dedicated management team is diligently monitoring the situation and exploring a range of strategies to enhance our financial performance in the future. Our unwavering commitment remains focused on delivering sustainable growth and value to our stakeholders. We are confident that, with the appropriate measures in place, we can successfully navigate these challenges and emerge even stronger.

Muhammad Saeed



Chairman

Faisalabad

September 28, 2023

## چیئر مین کا جائزہ

30 جون 2023 کو ختم ہونے والے سال کے لیے

بورڈ نے کمپنی کے سماہی اور سالانہ مالیاتی گوشواروں کے ساتھ اس کی شمولیت کو یقینی بنانے کے لیے ہر اقدام کرتے ہوئے، ڈائریکٹری رپورٹ کو احتیاط سے تیار کیا اور اسے منظوری دے دی ہے۔ ڈائریکٹری رپورٹ کے مواد کو متعلقہ قوانین اور ضوابط کے مینڈیٹ کے ساتھ بالکل ہم آہنگ کیا گیا ہے۔

بورڈ نے چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری، اور انڈرونی آڈٹ کے سربراہ سمیت ضروری ایگزیکٹوز کی بھرتی، تخصیص اور معاوضے کی ذمہ داری لی ہے۔

بورڈ نے اس بات کو یقینی بنانے کے لیے اقدامات کیے ہیں کہ اراکین کو مینٹنگوں کے درمیان ہونے والی پیش رفت سے اچھی طرح آگاہ کرتے ہوئے فوری طور پر کافی معلومات حاصل ہوں۔

بورڈ نے کمپنی پر لاگو متعلقہ قوانین اور ضوابط کے ذریعے اس کو متقرر کردہ اختیارات کے ساتھ ہم آہنگی میں اپنے اختیار کا مسلسل استعمال کیا ہے۔ بورڈ کا غیر متزلزل عزم ان کی بطور ڈائریکٹر اور فیصلہ سازی کے عمل میں ہمیشہ سے تمام قابل اطلاق قوانین اور ضوابط کی تعمیل کو ترجیح دیتا رہا ہے۔

بورڈ کے ضروری ایجنڈے اور متعلقہ معاون دستاویزات بورڈ اور کمپنی کے اجلاسوں سے پہلے بروقت فراہم کیے گئے تھے۔ غیر ایگزیکٹو اور ڈائریکٹرز بورڈ کے اہم فیصلوں میں مساوی اور آئوٹ کروڈا رازا کرتے ہیں۔

میکرو اکنامک چیلنجز کا سامنا کرنے کے باوجود، کمپنی نے قابل ستائش سالانہ آپریشنل کارکردگی پیش کی، جس سے ریونیو میں 12.54 فیصد نمایاں اضافہ ہوا۔ یہ نمو بنیادی طور پر مقامی فروخت میں 11.82 فیصد اضافے کی وجہ سے ہوئی، جبکہ برآمدی فروخت میں بھی 14.23 فیصد کا زبردست اضافہ دیکھنے میں آیا۔ تاہم، ہمیں بشمول کپاس کی بلند قیمتوں سے منسوب مجموعی منافع میں کمی، آپریٹنگ لاگت میں 16.83 فیصد اضافہ، اور ریکارڈ بلنڈ کرنے کی شرح کی وجہ سے مالیاتی اخراجات میں چیلنجوں کا سامنا کرنا پڑا۔

ہم ان مسائل کو حل کرنے کی اہمیت کو تسلیم کرتے ہیں اور اپنے کاروبار پر ان کے اثرات کو کم کرنے کے لیے پہلے ہی فعال اقدامات کر چکے ہیں۔ ہماری سرشار انتظامی ٹیم تندی سے صورتحال کی نگرانی کر رہی ہے اور مستقبل میں ہماری مالی کارکردگی کو بڑھانے کے لیے متعدد حکمت عملیوں کی تلاش کر رہی ہے۔ ہمارا غیر متزلزل عزم ہمارے اسٹیک ہولڈرز کو پائیدار ترقی اور قدر فراہم کرنے پر مرکوز ہے۔ ہمیں یقین ہے کہ مناسب اقدامات کے ساتھ، ہم کامیابی کے ساتھ ان چیلنجوں کا مقابلہ کر سکتے ہیں اور مزید مضبوط ہو کر ابھر سکتے ہیں۔

*Muhammad Sajid*

محمد سعید

چیئر مین

فیصل آباد

28 ستمبر 2023



## DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of Ideal Spinning Mills Limited feel pleasure to present 35<sup>th</sup> Annual Report accompanied by the Audited Financial Statements of the company for the year ended June 30, 2023.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:**

We are delighted to present our 2023 business review, highlighting key financial developments. In 2023, our company achieved impressive growth, with revenue surging to Rs. 6,859.842 million, a notable 12.5% increase compared to the previous year.

However, it's essential to note that the increase in raw material prices particularly in cotton prices and surge in electricity cost placed substantial pressure on our gross profit, resulting in a figure of Rs. 191.005 million. On the other hand increase in distribution, administration, financial cost and the challenging backdrop of political instability, further impacted our profitability. This combination of factors contributed to after tax loss of Rs. 554.070 million and Per Share Loss of Rs. 55.85.

Despite these challenges, our commitment to our shareholders remains unwavering. We are proactively addressing these issues through strategic measures aimed at optimizing our operations and ensuring cost efficiency. Our primary goal remains the creation of long-term value for all our stakeholders.

The operating results of the company are summarized as follows:

|   | (RUPEES IN THOUSAND) |             |
|---|----------------------|-------------|
|   | 30.06.2023           | 30.06.2022  |
| REVENUE FROM CONTRACTS WITH CUSTOMERS                 | 6,859,842            | 6,095,257   |
| COST OF SALES   | (6,668,837)          | (5,002,568) |
| GROSS PROFIT / (LOSS)                                 | 191,005              | 1092,689    |
| DISTRIBUTION COST                                     | (193,006)            | (121,389)   |
| ADMINISTRATIVE EXPENSES                               | (347,547)            | (307,344)   |
| OTHER EXPENSES  | (4,190)              | (37,531)    |
| OTHER INCOME  | 52,339               | 29,721      |
| FINANCE COST  | (283,699)            | (140,889)   |
| (LOSS) / PROFIT BEFORE TAXATION                       | (585,098)            | 515,257     |
| TAXATION  | 31,028               | (192,224)   |
| (LOSS) / PROFIT AFTER TAXATION                        | (554,070)            | 323,033     |
| (LOSS) / EARNING PER SHARE-BASIC AND DILUTED (RUPEES) | (55.85)              | 32.56       |

### **ECONOMIC AND INDUSTRY OVERVIEW:**

In the midst of escalating political turbulence and economic uncertainties, Pakistan's currency recently reached an unprecedented low against the US dollar, closing at 286.60 rupees per dollar, a historic high.

As part of an agreement between the government and the IMF, electricity / petroleum product prices have seen substantial increases, contributing to inflationary pressures. These rising costs have made managing imports and raw materials progressively challenging. While it has made exports more

profitable, it has also led to shortages of key raw materials. Additionally, elevated interest rates have posed challenges for businesses.

The textile industry remains a cornerstone of Pakistan's economy, given its vital role in foreign exchange earnings. The recent devaluation of the Pakistani Rupee vis-à-vis the US dollar has momentarily bolstered the competitiveness of textile exports, particularly regarding pricing. However, this devaluation poses a long-term concern for the industry, as it escalates input costs, eroding export competitiveness.

Adding to these complexities is the persistent challenge of dwindling cotton supply, exacerbated by surging demand from the textile sector. Over the last decade, cotton production has substantially declined due to reduced cultivation and diminished yields, stemming from factors such as water scarcity and erratic rainfall and floods.

Looking ahead, Pakistan's economy faces daunting challenges, further compounded by recent floods, which threaten not only already fragile economic growth but also escalate food prices due to supply disruptions. Consequently, inflation is anticipated to remain high throughout the year. The textile industry is expected to confront ongoing pressure, marked by subdued demand from both local and export markets, coupled with historically high interest rates and rising energy expenses.

In this complex landscape, our industry remains resilient, actively exploring innovative strategies to thrive amid adversity, while upholding our commitment to quality and sustainability.

#### **PRINCIPAL RISKS AND UNCERTAINTIES:**

Risk assessment is an ongoing and essential process that identifies various uncertainties capable of posing potential threats to the achievement of the Company's objectives. If these risks are not promptly addressed, they may lead to losses. Such risks and uncertainties can originate from both external and internal factors within the Company. The risks that could potentially impact the Company's operations are categorized as follows:

**Strategic Risks:** These encompass uncertainties and untapped opportunities inherent in the Company's strategic objectives. Strategic risks are of paramount concern to the Board of Directors and have implications for the entire business rather than isolated units.

**Commercial Risks:** Commercial risks pertain to potential losses arising from interactions with trading partners or within the markets in which the Company operates.

**Operational Risks:** Operational risks arise from internal procedural breakdowns, personnel issues, and system failures.

**Financial Risks:** Financial risk serves as an overarching term encompassing various types of risk associated with financing, profitability, liquidity, and credit.

Continuous vigilance and proactive mitigation of these risks are imperative to safeguard the Company's interests and ensure the successful attainment of its objectives.

**HEALTH SAFETY AND ENVIRONMENT:**

Our company is dedicated to enhancing Health, Safety, and Environmental standards to ensure sustainable performance. We have swiftly implemented Standard Operating Procedures (SOPs) to address environmental concerns, particularly in combating climate change by reducing emissions of greenhouse gases, notably carbon dioxide (CO<sub>2</sub>) and methane. These SOPs are rigorously adhered to as part of our unwavering commitment to HSE excellence.

**CORPORATE SOCIAL RESPONSIBILITY:**

The Company acknowledges its corporate social responsibility (CSR) to the community and remains committed to supporting it.

**INTERNAL CONTROL SYSTEM:**

The Board of Directors recognizes its pivotal role in overseeing the internal control system and has successfully implemented robust, efficient, and effective controls while maintaining regular monitoring.

Consequently, the Company upholds a well-defined control framework that includes transparent structures, authoritative limits, and clearly defined responsibilities, all guided by comprehensive policies and procedures.

The internal control system in place is fully equipped to ensure the efficient and effective execution of operations, the protection of Company assets, adherence to relevant laws and regulations, and the provision of dependable financial reporting.

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE:**

The company has diligently adhered to all stipulations outlined in the Listed Companies (Code of Corporate Governance) Regulations, 2019. A comprehensive statement confirming this compliance is attached herewith in this annual report.

**FUTURE OUTLOOK:**

We anticipate a positive trajectory for the Company's financial performance in the upcoming year, driven by significant investments in the modernization and replacement of machinery. These strategic investments are expected to yield long-term benefits. Additionally, we are committed to enhancing our self-energy generation capabilities, effectively reducing production costs.

As the global economy rebounds from the pandemic's impact, we remain optimistic that the Government will maintain supportive policies for the textile sector, bolstering the prospects of our exporting industries and contributing to the country's economic growth.

**BOARD COMPOSITION, REMUNERATION AND MEETINGS:**

The Board's composition and detail of the directors and meetings attended is as under:

**Composition of the Board:**

| Category           | Male | Female | Total |
|--------------------|------|--------|-------|
| Executive Director | 2    | -      | 2     |



|                        |          |          |          |
|------------------------|----------|----------|----------|
| Non-Executive Director | 3        | 1        | 4        |
| Independent Director   | 2        | -        | 2        |
| <b>Total</b>           | <b>7</b> | <b>1</b> | <b>8</b> |

**Detail of the directors and meetings attended:**

| <b>Name of Directors</b>    | <b>Designation</b>                | <b>Attendance</b> |
|-----------------------------|-----------------------------------|-------------------|
| Mr. Muhammad Saeed          | Chairman (Non-Executive Director) | 4                 |
| Mr. Amjad Saeed             | Chief Executive Officer           | 4                 |
| Mr. Omer Saeed              | Executive Director                | 4                 |
| Mrs. Rubina Amjad (Female)  | Non-Executive Director            | 4                 |
| Mr. Ahsan Saeed             | Non-Executive Director            | 4                 |
| Mr. Khizer Saeed            | Non-Executive Director            | 4                 |
| Mr. Muhammad Asif (Retired) | Independent Director              | 4                 |
| Mr. Muhammad Azhar          | Independent Director              | 4                 |
| Mr. Rizwan-ul-Hassan(new)   | Independent Director              | NIL               |

Our company maintains a well-defined policy and transparent procedures for the remuneration of its Directors, aligning with the Companies Act, 2017, and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

For comprehensive details on the remuneration, including Director Fees for attending board meetings, and compensation for the Chief Executive Officer, please refer to Note 34 in the financial statements.

**CHAIRMAN'S REVIEW**

The Directors hereby affirm the Chairman's review report on the company's performance.

**OUTSTANDING STATUTORY PAYMENTS:**

All pending payments are of a routine and negligible nature.

**RETIREMENT BENEFITS FUNDS:**

The Company maintains an unfunded gratuity scheme for its employees, as indicated in the financial statements.

**AUDITORS:**

The current auditors, M/S RIAZ AHMAD & CO. Chartered Accountants, who are eligible, have expressed their willingness for re-appointment for the year 2023-2024, in line with the recommendation of the audit committee

**PATERN OF SHAREHOLDING:**

The pattern of shareholding as of June 30, 2023, is included in the annex.

**RELATED PARTY TRANSACTIONS:**

All dealings with related parties are conducted on an arm's length basis within the normal course of business and are in full conformity with the relevant provisions of the Companies Act 2017. Pricing is established in accordance with the comparable uncontrolled price method, and the Company is in strict compliance with the best practices in transfer pricing as stipulated in the listing regulations of the Pakistan Stock Exchanges (PSX).

**BOARD COMMITTEES:**

The Board in compliance with the Code of Corporate Governance has established following committees and their composition is as under:

**A. Audit Committee:**

| <b>Name</b>        | <b>Designation</b> |
|--------------------|--------------------|
| Mr. Muhammad Azhar | Chairman           |
| Mr. Muhammad Saeed | Member             |
| Mr. Ahsan Saeed    | Member             |

**B. Human Resource And Remuneration Committee:**

| <b>Name</b>        | <b>Designation</b> |
|--------------------|--------------------|
| Mr. Muhammad Azhar | Chairman           |
| Mr. Ahsan Saeed    | Member             |
| Mrs. Rubina Amjad  | Member             |

**C. Nomination Committee:**

| <b>Name</b>      | <b>Designation</b> |
|------------------|--------------------|
| Mr. Omer Saeed   | Chairman           |
| Mr. Ahsan Saeed  | Member             |
| Mr. Khizer Saeed | Member             |

**D. Risk Management Committee:**

| <b>Name</b>      | <b>Designation</b> |
|------------------|--------------------|
| Mr. Ahsan Saeed  | Chairman           |
| Mr. Omer Saeed   | Member             |
| Mr. Khizer Saeed | Member             |

**CORPORATE GOVERNANCE:**

The Board acknowledges the pivotal role that well-structured corporate governance practices play in fostering accountability. We are steadfast in our commitment to upholding elevated corporate governance standards to preserve and enhance stakeholder value. The Board has demonstrated diligence and has made significant contributions to steer the Company in its strategic endeavors. Our Company maintains a robust relationship with the Securities and Exchange Commission of Pakistan and the Pakistan Stock Exchange, ensuring unwavering compliance with the principles of Good Corporate Governance in both word and deed. A comprehensive statement affirming our adherence to the best practices of Corporate Governance is provided in the annex.

**CORPORATE AND FINANCIAL REPORTING FRAME WORK:**

In accordance with the regulations of the Pakistan Stock Exchange and as mandated by the Companies Act, 2017, we are pleased to affirm the following:

1. The financial statements, meticulously prepared by our management, accurately reflect the Company's financial position, operating results, cash flows, and changes in equity.
2. Properly maintained books of accounts are in place for the Company.
3. We have consistently applied appropriate accounting policies, and our accounting estimates are grounded in reasonable and prudent judgment.
4. The preparation of financial statements adheres to the International Financial Reporting Standards, as relevant in Pakistan. Our internal control system is well-structured, effectively implemented, and continually monitored.
5. There is no uncertainty regarding the Company's ability to continue as a going concern.
6. We have maintained alignment with the best practices of corporate governance, as outlined in the listing regulations, with no significant deviations.
7. A summarized form of key operational and financial data from the past six years is provided in the annex.

**EVENTS AFTER THE REPORTING PERIOD:****Appropriations:**

In light of the Company's financial performance this year, which has resulted in a loss, the Board of Directors has determined that it would not be prudent to propose a cash dividend for approval by the members in the Annual General Meeting. Instead, the Company will prioritize the prudent allocation of resources to address current challenges, strengthen its financial position, and support its long-term sustainability.

**Other events:**

Following the reporting period, notable events have taken place, including a positive turn in the fortunes of the cotton crop after a record-low yield in the previous year. We are currently assessing how these events might affect the Company's financial position and performance.

Rest assured, we will take appropriate actions to address any potential impacts. A detailed evaluation and disclosure of these events, as required by regulations, will be provided in our upcoming report, ensuring transparency.


Our unwavering commitment remains focused on delivering sustainable growth and value to our stakeholders, and we are confident that with the right measures in place, we will overcome these challenges and emerge stronger.

**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.

The Board extends its gratitude for the unwavering loyalty and dedication displayed by our staff and workers. The relationship between the management and our workforce has been exceptionally harmonious, and we anticipate further enhancements in the years ahead.

On Behalf of the Board

  
Amjad Saeed  
Chief Executive Officer

  
Omer Saeed  
Director

September 28, 2023

## شیئر ہولڈرز کیلئے بورڈ آف ڈائریکٹرز کی رپورٹ

آئیڈیل اسپننگ ملز لمیٹڈ کے ڈائریکٹرز 30 جون 2023 کو ختم ہونے والے سال کیلئے کمپنی کی آڈٹ شدہ مالی گوشواروں کے ساتھ 35 ویں سالانہ رپورٹ پیش کرنے پر خوشی محسوس کرتے ہیں۔

مرکزی سرگرمیوں اور کاروبار کا جائزہ

ہمیں اہم مالیاتی پیش رفت کو اجاگر کرتے ہوئے اپنا 2023 کاروباری جائزہ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ 2023 میں، ہماری کمپنی نے متاثر کن آمدنی 6,859,842 ملین حاصل کی جو پچھلے سال کے مقابلے میں 12.5 فیصد زیادہ ہے

تاہم، یہ نوٹ کرنا ضروری ہے کہ خام مال کی قیمتوں میں خاص طور پر کپاس کی قیمتوں میں اضافے اور بجلی کی لاگت میں اضافے نے ہمارے خام منافع پر کافی دباؤ ڈالا، جس کی وجہ سے ہمارا خام منافع کم ہو کر 191,005 ملین رہ گیا دوسری طرف تقسیم، انتظامیہ، مالیاتی لاگت میں اضافہ اور سیاسی عدم استحکام نے ہمارے منافع کو مزید متاثر کیا۔ عوامل کے اس امتزاج کی وجہ سے ہمیں ٹیکس کے بعد 554.070 ملین کا نقصان ہوا اور ہمارا فی شیئر نقصان 55.85 روپے ہوا۔

ان چیلنجوں کے باوجود، ہمارے شیئر ہولڈرز کے ساتھ ہماری وابستگی غیر متزلزل ہے۔ ہم اپنے آپریشنز کو بہتر بنانے اور لاگت کی کارکردگی کو یقینی بنانے کے لیے اسٹریٹجک اقدامات کے ذریعے ان مسائل کو فعال طور پر حل کر رہے ہیں۔ ہمارا بنیادی مقصد ہمارے تمام اسٹیک ہولڈرز کے لیے طویل مدتی قدر کی تخلیق ہے۔

کمپنی کے آپریشننگ نتائج کا خلاصہ مندرجہ ذیل ہے:

| (روپے ہزار میں) |             |                                 |
|-----------------|-------------|---------------------------------|
| 30.06.2022      | 30.06.2023  |                                 |
| 6,095,257       | 6,859,842   | کسٹمرز کے ساتھ معاہدوں سے آمدنی |
| (5,002,568)     | (6,668,837) | کاسٹ آف سیلز                    |
| 1092,689        | 191,005     | مجموعی منافع                    |
| (121,389)       | (193,006)   | تقسیم کی لاگت                   |
| (307,344)       | (347,547)   | انتظامی اخراجات                 |

|           |           |                            |
|-----------|-----------|----------------------------|
| (37,531)  | (4,190)   | دیگر اخراجات               |
| 29,721    | 52,339    | دیگر آمدنی                 |
| (140,889) | (283,699) | مالیاتی لاگت               |
| 515,257   | (585,098) | (نقصان)/نیکس سے پہلے منافع |
| (192,224) | 31,028    | نیکس                       |
| 323,033   | (554,070) | منافع بعد از نیکس          |
| 32.56     | (55.85)   | فی شیئر آمدنی۔ بنیادی      |

### معاشی اور صنعتی جائزہ

بڑھتے ہوئے سیاسی انتشار اور معاشی بے یقینی کے درمیان، پاکستانی کرنسی کی حالیہ امریکی ڈالر کے مقابلے میں غیر معمولی کم ترین سطح پر پہنچ گئی، جو کہ ایک تاریخی بلند ترین سطح 286.60 روپے فی ڈالر پر بند ہوئی۔

حکومت اور IMF کے درمیان ایک معاہدے کے حصے کے طور پر، بجلی/پٹرولیم مصنوعات کی قیمتوں میں خاطر خواہ اضافہ دیکھا گیا ہے، جس سے افراط زر کے دباؤ میں اضافہ ہوا ہے۔ ان بڑھتے ہوئے اخراجات نے درآمدات اور خام مال کا انتظام بہتر بنانے میں مشکل بنا دیا ہے۔ جہاں اس نے درآمدات کو زیادہ منافع بخش بنایا ہے، وہیں اس نے اہم خام مال کی قلت کو بھی جنم دیا ہے۔ مزید برآں، بلند شرح سود نے کاروباروں کے لیے چیلنجز پیدا کیے ہیں۔

زرمبادلہ کمانے میں اس کے اہم کردار کے پیش نظر ٹیکسٹائل کی صنعت پاکستان کی معیشت کا سنگ بنیاد ہے۔ خاص طور پر قیمتوں کے تعین کے حوالے سے امریکی ڈالر کے مقابلے میں پاکستانی روپے کی حالیہ قدر میں کمی نے ٹیکسٹائل کی درآمدات کی مسابقت کو لمحہ بہ لمحہ تقویت دی ہے، تاہم، یہ قدر میں کمی صنعت کے لیے ایک طویل مدتی تشویش کا باعث بنتی ہے، کیونکہ یہ ان پٹ کی لاگت کو بڑھاتا ہے، برآمدی مسابقت کو کم کرتا ہے۔ ان پیچیدگیوں میں اضافہ کپاس کی رسد میں کمی کا مستقل چیلنج ہے، جو ٹیکسٹائل سیکٹر کی بڑھتی ہوئی طلب سے بڑھ گیا ہے۔ پچھلی دہائی کے دوران، کپاس کی پیداوار میں کافی حد تک کمی واقع ہوئی ہے جس کی وجہ سے کاشت میں کمی اور پیداوار میں کمی آئی ہے، جو پانی کی کمی اور بے ترتیب بارشوں اور سیلاب جیسے عوامل کی وجہ سے ہے۔

آگے دیکھتے ہوئے، پاکستان کی معیشت کو خوفناک چیلنجز کا سامنا ہے، جو کہ حالیہ سیلابوں کی وجہ سے مزید بڑھ گئے ہیں، جس سے نہ صرف پہلے سے ہی کمزور اقتصادی ترقی کو خطرہ ہے بلکہ سپلائی میں رکاوٹ کی وجہ سے خوراک کی قیمتوں میں بھی اضافہ ہوتا ہے۔ نتیجتاً، مزید سال بھر بلند رہنے کی



توقع ہے۔ یہ امید کی جاتی ہے کہ ٹیکسٹائل کی صنعت کو جاری دباؤ کا سامنا کرنا پڑے گا، جس کی نشاندہی مقامی اور برآمدی دونوں منڈیوں سے کم مانگ، تاریخی طور پر بلند شرح سود اور توانائی کے بڑھتے ہوئے اخراجات سے ہے۔

اس پیچیدہ منظر نامے میں، ہماری صنعت کو اٹنی اور پائیداری کے لیے اپنی وابستگی کو برقرار رکھتے ہوئے، مشکلات کے درمیان ترقی کی منازل طے کرنے کے لیے فعال طور پر اختراعی حکمت عملیوں کی تلاش میں لچک برقرار ہے۔

### اہم خطرات اور غیر یقینیاں

خطرے کی تشخیص ایک جاری اور ضروری عمل ہے جو کمپنی کے مقاصد کے حصول کے لیے ممکن خطرات پیدا کرنے کے قابل مختلف غیر یقینی صورتحال کی نشاندہی کرتا ہے۔ اگر ان خطرات کو فوری طور پر حل نہ کیا جائے تو یہ نقصانات کا باعث بن سکتے ہیں۔ اس طرح کے خطرات اور غیر یقینی صورتحال کمپنی کے اندر بیرونی اور اندرونی دونوں عوامل سے پیدا ہو سکتی ہے۔ وہ خطرات جو کمپنی کے آپریشنز کو ممکنہ طور پر متاثر کر سکتے ہیں ان کی درجہ بندی درج ذیل ہے:

اسٹریٹجک خطرات: یہ کمپنی کے اسٹریٹجک مقاصد میں شامل غیر یقینی صورتحال اور غیر استعمال شدہ مواقع کو گھیرے ہوئے ہیں۔ اسٹریٹجک خطرات بورڈ آف ڈائریکٹرز کے لیے انتہائی تشویشناک ہیں اور الگ تھلگ اکائیوں کے بجائے پورے کاروبار پر اثرات رکھتے ہیں۔ تجارتی خطرات: تجارتی خطرات تجارتی شراکت داروں کے ساتھ یا ان مارکیٹوں کے اندر جن میں کمپنی کام کرتی ہے کے ساتھ ہونے والے ممکنہ نقصانات سے متعلق ہے۔

آپریشنل خطرات: آپریشنل خطرات داخلی طریقہ کار کی خرابیوں، عملے کے مسائل، اور سسٹم کی ناکامی سے پیدا ہوتے ہیں۔ مالیاتی خطرات: مالیاتی رسک ایک وسیع اصطلاح کے طور پر کام کرتا ہے جس میں فنڈنگ، منافع، لیکویڈیٹی، اور کریڈٹ سے وابستہ مختلف قسم کے خطرات شامل ہیں۔

کمپنی کے مفادات کے تحفظ اور اس کے مقاصد کے کامیاب حصول کو یقینی بنانے کے لیے ان خطرات کی مسلسل چوکی اور فعال تخفیف ناگزیر ہے۔

### صحت کی حفاظت اور ماحولیات:

ہماری کمپنی پائیدار کارکردگی کو یقینی بنانے کے لیے صحت، حفاظت اور ماحولیاتی معیارات کو بڑھانے کے لیے وقف ہے۔ ہم نے ماحولیاتی خدشات کو دور کرنے کے لیے، خاص طور پر گرین ہاؤس گیسوں، خاص طور پر کاربن ڈائی آکسائیڈ (CO2) اور میتھین کے اخراج کو کم کر کے موسمیاتی تبدیلیوں سے نمٹنے کے لیے تیزی سے معیاری آپریٹنگ طریقہ کار (SOPs) کو نافذ کیا ہے۔ ان SOPs پر سختی سے عمل کیا جاتا ہے جو کہ



HSE کی عمدہ کارکردگی کے لیے ہماری غیر متزلزل وابستگی کے حصے کے طور پر ہے۔

کارپوریٹ سماجی ذمہ داری:

کمپنی کیونٹی کے لیے اپنی کارپوریٹ سماجی ذمہ داری (CSR) کو تسلیم کرتی ہے اور اس کی حمایت کے لیے پرعزم ہے۔

اندرونی کنٹرول سسٹم:

بورڈ آف ڈائریکٹرز اندرونی کنٹرول کے نظام کی نگرانی میں اپنے اہم کردار کو تسلیم کرتا ہے اور اس نے باقاعدہ نگرانی کو برقرار رکھتے ہوئے مضبوط، موثر اور موثر کنٹرول کو کامیابی سے نافذ کیا ہے۔

نتیجتاً، کمپنی ایک اچھی طرح سے متعین کنٹرول فریم ورک کو برقرار رکھتی ہے جس میں شفاف ڈھانچے، مستند حدود، اور واضح طور پر بیان کردہ ذمہ داریاں شامل ہیں، یہ سبھی جامع پالیسیوں اور طریقہ کار سے رہنمائی کرتے ہیں۔

داخلی کنٹرول کا نظام پوری طرح سے کاموں کے موثر اور موثر عمل کو یقینی بنانے، کمپنی کے اثاثوں کے تحفظ، متعلقہ قوانین اور ضوابط کی پابندی، اور قابل اعتماد مالیاتی رپورٹنگ کی فراہمی کو یقینی بنانے کے لیے پوری طرح لیس ہے۔

کوڈ آف کارپوریٹ گورننس پر عمل درآمد کا بیان:

کمپنی نے لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 میں بیان کردہ تمام شرائط کی پوری تندی سے پابندی کی ہے۔ اس تعمیل کی تصدیق کرنے والا ایک جامع بیان اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

مستقبل سے توقعات:

ہم آنے والے سال میں کمپنی کی مالیاتی کارکردگی کے لیے ایک مثبت پیش رفت کی توقع کرتے ہیں، جو مشینری کی جدید کاری اور تبدیلی میں اہم سرمایہ کاری کے ذریعے کارفرما ہے۔ ان اسٹریٹجک سرمایہ کاری سے طویل مدتی فوائد کی توقع ہے۔ مزید برآں، ہم پیداواری لاگت کو موثر طریقے سے کم کرتے ہوئے اپنی خود توانائی پیدا کرنے کی صلاحیتوں کو بڑھانے کے لیے پرعزم ہیں۔

جیسا کہ عالمی معیشت و بائی امراض کے اثرات سے باز آ رہی ہے، ہم پر امید ہیں کہ حکومت ٹیکسٹائل کے شعبے کے لیے معاون پالیسیاں برقرار رکھے گی، جو ہماری برآمد کرنے والی صنعتوں کے امکانات کو تقویت دے گی اور ملک کی اقتصادی ترقی میں اپنا حصہ ڈالے گی۔

بورڈ کی ترتیب، معاوضہ اور اجلاس  
بورڈ کی ترتیب، ڈائریکٹرز اور اجلاسوں کی تفصیل درج ذیل کے مطابق ہے:

| بورڈ کی تشکیل         |     |        |     |
|-----------------------|-----|--------|-----|
| عہدہ                  | مرد | خواتین | مکل |
| ایگزیکٹو ڈائریکٹر     | 2   | -      | 2   |
| نان ایگزیکٹو ڈائریکٹر | 3   | 1      | 4   |
| آزاد ڈائریکٹر         | 2   | -      | 2   |
| مکل                   | 7   | 1      | 8   |

ڈائریکٹرز اور مینیجنگز میں شرکت کی تفصیل:

| ڈائریکٹرز کے نام        | عہدہ                            | حاضری |
|-------------------------|---------------------------------|-------|
| جناب محمد سعید          | چیئرمین (نان ایگزیکٹو ڈائریکٹر) | 4     |
| جناب احمد سعید          | چیف ایگزیکٹو آفیسر              | 4     |
| جناب عمر سعید           | ایگزیکٹو ڈائریکٹر               | 4     |
| مسز روبینہ امجد (خاتون) | نان ایگزیکٹو ڈائریکٹر           | 4     |
| جناب احسن سعید          | نان ایگزیکٹو ڈائریکٹر           | 4     |
| جناب فخر سعید           | نان ایگزیکٹو ڈائریکٹر           | 4     |
| جناب محمد آصف (ریٹائرڈ) | آزاد ڈائریکٹر                   | 4     |
| جناب محمد ظہیر          | آزاد ڈائریکٹر                   | 4     |
| جناب رضوان الحسن (نئے)  | آزاد ڈائریکٹر                   | NIL   |

ہماری کمپنی کمپنیز ایکٹ، 2017، اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے مطابق اپنے ڈائریکٹرز کے معاوضے کے لیے ایک اچھی طرح سے طے شدہ پالیسی اور شفاف طریقہ کار کو برقرار رکھتی ہے۔  
معاوضے کے بارے میں جامع تفصیلات کے لیے، بشمول بورڈ مینیجنگز میں شرکت کے لیے ڈائریکٹرز فیس، اور چیف ایگزیکٹو آفیسر کے لیے معاوضہ، برائے مہربانی مالی بیانات میں نوٹ 34 کا حوالہ دیں۔

چیئر مین کا جائزہ:

ڈائریکٹرز اس طرح کمپنی کی کارکردگی پر چیئر مین کی جائزہ رپورٹ کی توثیق کرتے ہیں۔

آڈٹ اسٹینڈنگ اسٹیٹیو ری ادا نیگیاں:

تمام زیر التواء ادا نیگیاں معمول کی اور نہ ہونے کے برابر ہیں۔

ریٹائرمنٹ بینیفٹ فنڈز:

کمپنی اپنے ملازمین کے لیے ایک غیر فنڈ گریجویٹ اسکیم برقرار رکھتی ہے، جیسا کہ مالیاتی بیانات میں اشارہ کیا گیا ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، اہل ہونے کی حیثیت سے سال 2023-2024 کیلئے دوبارہ تقرر کی گئے خود کو پیش کرتے ہیں جیسا کہ آڈٹ کمیٹی نے تجویز کی ہے۔

شیئر ہولڈنگ کی ترتیب

شیئر ہولڈنگ کی ترتیب برطابق 30 جون 2023 منسلک ہے

متعلقہ پارٹی کی ٹرانزیکشنز:

متعلقہ فریقوں کے ساتھ تمام معاملات کاروبار کے معمول کے مطابق ایک بازو کی لمبائی کی بنیاد پر کیے جاتے ہیں اور کمپنیز ایکٹ 2017 کی متعلقہ دفعات کے ساتھ پوری طرح مطابقت رکھتے ہیں۔ قیمتوں کا تعین موازنہ کے بے قابو قیمت کے طریقہ کار کے مطابق کیا جاتا ہے، اور کمپنی پاکستان اسٹاک ایکسچینج (PSX) کے لسٹنگ کے ضوابط کے مطابق ٹرانسفر پرائسنگ کے بہترین طریقوں کی سختی سے تعمیل کرتی ہے۔

بورڈ کمیٹی:

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ نے مندرجہ ذیل کمیٹیاں تشکیل دی ہیں اور ان کی تشکیل مندرجہ ذیل ہے:

## 1- آڈٹ کمیٹی:

| عہدہ     | نام            |
|----------|----------------|
| چیئر مین | مسٹر محمد اظہر |
| ممبر     | مسٹر محمد سعید |
| ممبر     | مسٹر احسن سعید |

## 2- افرادی وسائل اور معاوضہ کمیٹی:

| عہدہ     | نام             |
|----------|-----------------|
| چیئر مین | مسٹر محمد اظہر  |
| ممبر     | مسٹر احسن سعید  |
| ممبر     | مسز روبینہ امجد |

## 3- نامزدگی کمیٹی:

| عہدہ     | نام            |
|----------|----------------|
| چیئر مین | مسٹر عمر سعید  |
| ممبر     | مسٹر احسن سعید |
| ممبر     | مسٹر حفص سعید  |

## 4- رسک مینجمنٹ کمیٹی:

| عہدہ     | نام            |
|----------|----------------|
| چیئر مین | مسٹر احسن سعید |
| ممبر     | مسٹر عمر سعید  |
| ممبر     | مسٹر حفص سعید  |

### کارپوریٹ گورننس:

بورڈ اس اہم کردار کو تسلیم کرتا ہے جو اچھی طرح سے تشکیل شدہ کارپوریٹ گورننس کے طرز عمل احتساب کو فروغ دینے میں ادا کرتے ہیں۔ ہم اسٹیٹ ہولڈر کی قدر کو برقرار رکھنے اور بڑھانے کے لیے کارپوریٹ گورننس کے اعلیٰ معیارات کو برقرار رکھنے کے اپنے عزم پر ثابت قدم ہیں۔ بورڈ نے مستعدی کا مظاہرہ کیا ہے اور کمپنی کو اس کی اسٹریٹجک کوششوں میں آگے بڑھانے میں اہم شراکت کی ہے۔ ہماری کمپنی پاکستان کے سیکورٹیز اینڈ ایکسچینج کمیشن اور پاکستان اسٹاک ایکسچینج کے ساتھ مضبوط تعلقات کو برقرار رکھتی ہے، اس بات کو یقینی بناتی ہے کہ گڈ کارپوریٹ گورننس کے اصولوں کی بات اور عمل دونوں میں غیر متزلزل تعمیل ہو۔ کارپوریٹ گورننس کے بہترین طریقوں پر ہماری پابندی کی تصدیق کرنے والا ایک جامع بیان ضمیرہ میں فراہم کیا گیا ہے۔

### کارپوریٹ اور فنانشل رپورٹنگ فریم ورک:

- 1۔ مالی بیانات، جو ہماری انتظامیہ کی طرف سے احتیاط سے تیار کیے گئے ہیں، کمپنی کی مالی پوزیشن، آپریٹنگ نتائج، کیش فلو، اور ایکویٹی میں تبدیلیوں کی درست عکاسی کرتے ہیں۔
- 2۔ کمپنی کے لیے اکاؤنٹس کی صحیح طریقے سے دیکھ بھال کی گئی کہتا میں موجود ہیں۔
- 3۔ ہم نے مسلسل مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا ہے، اور ہمارے اکاؤنٹنگ تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔
- 4۔ مالیاتی گوشواروں کی تیاری بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر عمل کرتی ہے، جیسا کہ پاکستان میں متعلقہ ہے۔ ہمارا اندرونی کنٹرول کا نظام اچھی طرح سے منظم، موثر طریقے سے نافذ اور مسلسل نگرانی میں ہے۔
- 5۔ جاری تشویش کے طور پر کمپنی کی جاری رکھنے کی صلاحیت کے بارے میں کوئی غیر یقینی صورتحال نہیں ہے۔
- 6۔ ہم نے کارپوریٹ گورننس کے بہترین طریقوں کے ساتھ صف بندی برقرار رکھی ہے، جیسا کہ کسی اہم انحراف کے بغیر فہرست سازی کے ضوابط میں بیان کیا گیا ہے۔
- 7۔ پچھلے چھ سالوں کے کلیدی آپریشنل اور مالیاتی ڈیٹا کی ایک خلاصہ شکل ضمیرہ میں فراہم کی گئی ہے۔

### رپورٹنگ مدت کے بعد کی تقریبات

#### منافع کی تقسیم:

کمپنی کی اس سال مالیاتی کارکردگی کی روشنی میں، جس کے نتیجے میں نقصان ہوا، بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ سالانہ جنرل میٹنگ میں ممبران کی منظوری کے لیے نقد ڈیویڈنڈ جو بڑ کرنا دانشمندی نہیں ہوگی۔ اس کے بجائے، کمپنی موجودہ چیلنجوں سے نمٹنے، اپنی مالی پوزیشن کو مضبوط کرنے، اور اس کی طویل مدتی پائیداری کی حمایت کے لیے وسائل کی دانشمندانہ تقسیم کو ترجیح دے گی۔



دیگر تقریبات:

رپورٹنگ کی مدت کے بعد، قابل ذکر واقعات رونما ہوئے ہیں، بشمول پچھلے سال کی ریکارڈ کم پیداوار کے بعد کپاس کی فصل کی قسمت میں مثبت موڑ۔ ہم فی الحال اس بات کا اندازہ لگا رہے ہیں کہ یہ واقعات کمپنی کی مالی حالت اور کارکردگی کو کس طرح متاثر کر سکتے ہیں۔

یقین رکھیں، ہم کسی بھی ممکنہ اثرات سے نمٹنے کے لیے مناسب اقدامات کریں گے۔ ان واقعات کا تفصیلی جائزہ اور افشاء، جیسا کہ ضوابط کی ضرورت ہے، شفافیت کو یقینی بناتے ہوئے، ہماری آنے والی رپورٹ میں فراہم کیا جائے گا۔

ہمارا غیر متزلزل عزم ہمارے اسٹیک ہولڈرز کو پائیدار ترقی اور قدر فراہم کرنے پر مرکوز ہے، اور ہمیں یقین ہے کہ صحیح اقدامات کے ساتھ، ہم ان چیلنجوں پر قابو پالیں گے اور مضبوط ہو کر ابھریں گے۔

اعتراف:

بورڈ کمپنی کے لیے عملے اور کارکنوں کی طرف سے کام سے وفاداری اور لگن کے لیے اپنی تعریف کو ریکارڈ پر رکھتا ہے۔ انتظامیہ اور کارکنوں کے درمیان تعلقات انتہائی خوشگوار رہے اور ہمیں امید ہے کہ آنے والے سالوں میں ان میں مزید بہتری آئے گی۔

بورڈ ہمارے عملے اور کارکنوں کی جانب سے ظاہر کی گئی غیر متزلزل وفاداری اور لگن کے لیے شکریہ ادا کرتا ہے۔ انتظامیہ اور ہماری افرادی قوت کے درمیان تعلقات غیر معمولی طور پر ہم آہنگ رہے ہیں، اور ہمیں آنے والے سالوں میں مزید بہتری کی توقع ہے۔



عمر سعید

ڈائریکٹر



امجد سعید

چیف ایگزیکٹو آفیسر

28 ستمبر 2023

## Statement of Compliance

With Listed Companies (Code of Corporate Governance) Regulations, 2019

### IDEAL SPINNING MILLS LIMITED FOR THE YEAR ENDED JUNE 30, 2023

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors is eight as per the following:
  - a. Male: Seven
  - b. Female: One
2. The composition of the board is as follows:

| <b>Category</b>            | <b>Name</b>   |
|----------------------------|---|
| a. Independent directors   | Mr. Muhammad Azhar<br>Mr. Rizwan-UI- Hassan               |
| b. Non-executive directors | Mr. Muhammad Saeed<br>Mr. Ahsan Saeed<br>Mr. Khizer Saeed |
| c. Executive directors     | Mr. Amjad Saeed<br>Mr. Omer Saeed                         |
| d. Female director         | Mrs. Rubina Amjad   |

Board of Directors is of the view that considering the volume of business, independent directors should not be more than two as required by these regulations. Hence, the fraction of independent directors has not been rounded up.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act 2017 "the Act" and these Regulations.



7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has already arranged Directors' Training program for the following:

| Name              | Category               |
|-------------------|------------------------|
| Mr. Omer Saeed    | Executive Director     |
| Mrs. Rubina Amjad | Non-Executive Director |
| Mr. Ahsan Saeed   | Non-Executive Director |
| Mr. Khizer Saeed  | Non-Executive Director |

Moreover, our following two directors meet the exemption criteria of minimum 14 years of education and 15 years of experience on the boards of listed companies, hence are exempt from Directors' Training Program:

|                    |                        |
|--------------------|------------------------|
| Mr. Muhammad Saeed | Non-Executive Director |
| Mr. Amjad Saeed    | Executive Director     |

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below. -

a. Audit Committee

|                    |          |
|--------------------|----------|
| Mr. Muhammad Azhar | Chairman |
| Mr. Muhammad Saeed | Member   |
| Mr. Ahsan Saeed    | Member   |

b. HR and Remuneration Committee

|                    |          |
|--------------------|----------|
| Mr. Muhammad Azhar | Chairman |
| Mr. Ahsan Saeed    | Member   |
| Mrs. Rubina Amjad  | Member   |

c. Nomination Committee

|                |          |
|----------------|----------|
| Mr. Omer Saeed | Chairman |
|----------------|----------|


|                  |        |
|------------------|--------|
| Mr. Ahsan Saeed  | Member |
| Mr. Khizer Saeed | Member |

a. Risk Management Committee

|                  |          |
|------------------|----------|
| Mr. Ahsan Saeed  | Chairman |
| Mr. Omer Saeed   | Member   |
| Mr. Khizer Saeed | Member   |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees during the financial year ended June 30, 2023, were as per following:
- Audit Committee: Quarterly
  - HR and Remuneration Committee: Annually
  - Nomination Committee: Annually
  - Risk Management Committee: Annually
15. The Board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, head of internal audit, company secretary or director of the company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

| Sr. No. | Requirement  | Explanation of Non-Compliance  | Regulation Number |
|---------|--|--|-------------------|
| 1       | <b>Directors' Training</b><br>It is encouraged that by 30 June 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it. | The Independent director Mr. Muhammad Azhar did not attend the director's training program due to tight schedule. However, company is arranging directors' training program as early as possible. The other independent director, Mr. Rizwan-ul-Hassan was appointed as new director during the year and he will complete his director's training program in due course. | 19(1)             |
| 2       | <b>Female Executive's Training</b><br>Companies are encouraged to arrange training for at least one female executive every year under the Directors' Training Program from year July 2020.   | The Company will arrange directors' training program for its female executive in next financial year.  | 19(3)(i)          |
| 3       | <b>Training of Head of Department</b><br>At least one head of department every year is required to be trained under the Director's Training Program from July 2022.  | The Company will organize the training of its one head of department each year from next financial year.   | 19(3)(ii)         |



Signatures

**MUHAMMAD SAEED**  
**CHAIRMAN**  
 28 September 2023



Signatures

**AMJAD SAEED**  
**CHIEF EXECUTIVE OFFICER**

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

| PARTICULARS                            | 2023                 | 2022      | 2021      | 2020      | 2019      | 2018      |
|--|----------------------|-----------|-----------|-----------|-----------|-----------|
|  | (Rupees in Millions) |           |           |           |           |           |
| <b><u>FINANCIAL POSITION</u></b>       |                      |           |           |           |           |           |
| Paid up capital                        | 99.200               | 99.200    | 99.200    | 99.200    | 99.200    | 99.200    |
| Fixed assets at cost / revalued amount | 2,939.739            | 2,871.105 | 2,312.58  | 1,997.710 | 1,941.467 | 1,970.104 |
| Fixed assets (Lease) at cost           |                      |           | -         | -         | -         | -         |
| Accumulated depreciation               | 1,285.757            | 1,140.293 | 1,039.79  | 946.906   | 852.366   | 882.118   |
| Current assets                         | 2,011.855            | 1,606.192 | 1,492.735 | 1,053.24  | 965.143   | 707.269   |
| Current liabilities                    | 2,600.561            | 1,637.064 | 1,474.098 | 1,102.113 | 1,152.62  | 888.029   |
| <b><u>INCOME</u></b>                   |                      |           |           |           |           |           |
| Sales                                  | 6,859.842            | 6,095.257 | 4,793.15  | 3,923.725 | 3,512.935 | 2,718.918 |
| Other income                           | 52.339               | 29.721    | 7.681     | 11.389    | 30.040    | 6.421     |
| Pre tax (loss)/ Profit                 | (585.098)            | 515.257   | 296.777   | 146.668   | 96.039    | 24.182    |
| Taxation                               | 31.028               | (192.224) | (94.473)  | (39.721)  | (36.924)  | (18.963)  |
| <b><u>STATISTICS AND RATIOS</u></b>    |                      |           |           |           |           |           |
| Pre tax (loss)/Profit to sales %       | (8.53)               | 8.45      | 6.19      | 3.74      | 2.734     | 0.89      |
| Pre tax (loss)/Profit to capital %     | (589.82)             | 519.41    | 299.17    | 147.85    | 96.81     | 24.37     |
| Current ratio                          | 1:0.77               | 1:0.98    | 1:1.01    | 1:0.96    | 1:84      | 1:80      |
| Paid up value per share (Rs.)          | 10.00                | 10.00     | 10.00     | 10.00     | 10.00     | 10.00     |
| Earnings after tax per share (Rs.)     | (55.85)              | 32.56     | 20.39     | 10.78     | 5.96      | 0.53      |
| Cash dividend %                        | -                    | 20        | 18        | 13        | 12        | 7.50      |
| Break up value per share (Rs.)         | 81.04                | 137.06    | 103.42    | 69.58     | 55.36     | 50.92     |

**INDEPENDENT AUDITOR'S REVIEW REPORT****To the members of Ideal Spinning Mills Limited****Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Ideal Spinning Mills Limited (the Company) for the year ended 30 June 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2023.

**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**  
Faisalabad**Date: 28 September, 2023.****UDIN: CR202310158KpAeguEwJ**

## INDEPENDENT AUDITOR'S REPORT

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

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

### Opinion

We have audited the annexed financial statements of Ideal Spinning Mills Limited (the Company), which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| Sr. No. | Key audit matters  | How the matters were addressed in our audit  |
|---------|--|--|
| 1.      | <p><b>Inventory existence and valuation</b></p> <p>Inventories as at 30 June 2023 amounting to Rupees 1,081.372 million, break up of which is as follows:</p> <ul style="list-style-type: none"> <li>- Stores, spare parts and loose tools of Rupees 133.997 million</li> <li>- Stock-in-trade of Rupees 947.375 million</li> </ul> <p>Inventories are stated at lower of cost and net realizable value.</p> <p>We identified existence and valuation of inventories as a key audit matter due to their size, representing 29.39% of the total assets of the Company as at 30 June 2023, and the judgment involved in valuation.</p> <p>For further information on inventories, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Inventories (Note 2.7 to the financial statements).</li> <li>- Stores, spare parts and loose tools (Note 18) and Stock-in-trade (Note 19) to the financial statements.</li> </ul> | <p>Our procedures over existence and valuation of inventories included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.</li> <li>• For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.</li> <li>• On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any.</li> <li>• In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents.</li> <li>• We also made inquiries from management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</li> <li>• We also assessed the adequacy of the disclosures made in respect of the accounting policies and related notes to the financial statements.</li> </ul> |



| Sr. No. | Key audit matters   | How the matters were addressed in our audit   |
|---------|---|---|
| 2.      | <p><b>Revenue recognition</b></p> <p>The Company recognized net revenue of Rupees 6,859.842 million for the year ended 30 June 2023.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Revenue from contracts with customers (Note 2.20 to the financial statements).</li> <li>- Revenue from contracts with customers (Note 25 to the financial statements).</li> </ul> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue.</li> <li>• We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents.</li> <li>• We compared a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period.</li> <li>• We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'.</li> <li>• We also considered the appropriateness of disclosures in the financial statements.</li> </ul> |

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- b) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

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

  
**Faisalabad**  
**Date: 28 September, 2023**  
**UDIN: AR202310158hdIqQ75OF**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

|   | NOTE | 2023<br>(RUPEES IN THOUSAND) | 2022<br>(RUPEES IN THOUSAND) |
|---|------|------------------------------|------------------------------|
| <b>EQUITY AND LIABILITIES</b>   |      |                              |                              |
| <b>SHARE CAPITAL AND RESERVES</b>   |      |                              |                              |
| Authorized share capital  |      | 200,000                      | 200,000                      |
| 20 000 000 (2022: 20 000 000) ordinary shares of Rupees 10 each                   |      |                              |                              |
| Issued, subscribed and paid up share capital of Rupees 10 each fully paid in cash |      | 99,200                       | 99,200                       |
| 9 920 000 (2022: 9 920 000) ordinary shares of Rupees 10 each fully paid in cash  |      | 241,800                      | 241,800                      |
| Sponsors' loans   | 3    |                              |                              |
| Reserves  |      |                              |                              |
| Capital reserves  |      |                              |                              |
| Equity portion of shareholders' loans   |      | 183,291                      | 183,291                      |
| Surplus on revaluation of freehold land   |      | 235,857                      | 235,857                      |
|   |      | 419,148                      | 419,148                      |
| Revenue reserve - unappropriated profit   |      | 43,841                       | 599,481                      |
| Total reserves  |      | 462,989                      | 1,018,629                    |
| <b>Total equity</b>   |      | <b>803,989</b>               | <b>1,359,629</b>             |
| <b>LIABILITIES</b>  |      |                              |                              |
| <b>NON-CURRENT LIABILITIES</b>  |      |                              |                              |
| Long term financing   | 5    | 153,518                      | 172,883                      |
| Deferred income tax liability   | 6    | -                            | 104,527                      |
| Staff retirement gratuity   | 7    | 120,777                      | 101,469                      |
|   |      | 274,295                      | 378,879                      |
| <b>CURRENT LIABILITIES</b>  |      |                              |                              |
| Trade and other payables  | 8    | 935,048                      | 582,554                      |
| Unclaimed dividend  | 9    | 2,801                        | 2,177                        |
| Accrued mark-up   | 10   | 46,126                       | 16,646                       |
| Short term borrowings   | 11   | 1,439,323                    | 729,360                      |
| Current portion of non-current liabilities  |      | 56,383                       | 184,315                      |
| Provision for taxation  |      | 120,880                      | 122,012                      |
|   |      | 2,600,561                    | 1,657,064                    |
| <b>TOTAL LIABILITIES</b>  |      | <b>2,874,856</b>             | <b>2,015,943</b>             |
| <b>CONTINGENCIES AND COMMITMENTS</b>  | 12   |                              |                              |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <b>3,678,845</b>             | <b>3,375,572</b>             |

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

  
**AMJAD SAEED**  
 CHIEF EXECUTIVE OFFICER

  
**OMER SAEED**  
 DIRECTOR

  
**MUHAMMAD KASHIF ZAHUR**  
 CHIEF FINANCIAL OFFICER

|                                     | NOTE | 2023<br>(RUPEES IN THOUSAND) | 2022<br>(RUPEES IN THOUSAND) |
|-------------------------------------|------|------------------------------|------------------------------|
| <b>ASSETS</b>                       |      |                              |                              |
| <b>NON-CURRENT ASSETS</b>           |      |                              |                              |
| Property, plant and equipment       | 13   | 1,662,377                    | 1,762,932                    |
| Intangible assets                   | 14   | 2,659                        | 4,454                        |
| Long term loans                     | 15   | 47                           | 41                           |
| Long term deposits and prepayments  | 16   | 1,907                        | 1,953                        |
|                                     |      | 1,666,990                    | 1,769,380                    |
| <b>CURRENT ASSETS</b>               |      |                              |                              |
| Stores, spare parts and loose tools | 17   | 133,997                      | 102,350                      |
| Stock-in-trade                      | 18   | 947,375                      | 859,048                      |
| Trade debts                         | 19   | 367,611                      | 368,645                      |
| Loans and advances                  | 20   | 20,348                       | 33,038                       |
| Short term deposit and prepayments  | 21   | 331                          | 661                          |
| Income tax                          |      | 152,333                      | 133,763                      |
| Other receivables                   | 22   | 318,872                      | 63,242                       |
| Cash and bank balances              | 23   | 70,988                       | 45,445                       |
|                                     |      | 2,011,855                    | 1,606,192                    |
| <b>TOTAL ASSETS</b>                 |      | <b>3,678,845</b>             | <b>3,375,572</b>             |

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 30 JUNE 2023**

|   | NOTE | 2023<br>(RUPEES IN THOUSAND) | 2022<br>(RUPEES IN THOUSAND) |
|---|------|------------------------------|------------------------------|
| REVENUE FROM CONTRACTS WITH CUSTOMERS                       | 24   | 6,859,842                    | 6,095,257                    |
| COST OF SALES   | 25   | (6,668,837)                  | (5,002,568)                  |
| GROSS PROFIT  |      | <u>191,005</u>               | <u>1,092,689</u>             |
| DISTRIBUTION COST   | 26   | (193,006)                    | (121,389)                    |
| ADMINISTRATIVE EXPENSES                                     | 27   | (347,547)                    | (307,344)                    |
| OTHER EXPENSES  | 28   | (4,190)                      | (37,531)                     |
| OTHER INCOME  | 29   | 52,339                       | 29,721                       |
| FINANCE COST  | 30   | (283,699)                    | (140,889)                    |
| (LOSS) / PROFIT BEFORE TAXATION                             |      | <u>(585,098)</u>             | <u>515,257</u>               |
| TAXATION  | 31   | 31,028                       | (192,224)                    |
| (LOSS) / PROFIT AFTER TAXATION                              |      | <u>(554,070)</u>             | <u>323,033</u>               |
| (LOSS) / EARNINGS PER SHARE - BASIC<br>AND DILUTED (RUPEES) | 32   | <u>(55.85)</u>               | <u>32.56</u>                 |

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

  
 AMJAD SAEED  
 CHIEF EXECUTIVE OFFICER

  
 OMER SAEED  
 DIRECTOR

  
 MUHAMMAD KASHIF ZAHUR  
 CHIEF FINANCIAL OFFICER



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

|   | <b>2023</b>                 | <b>2022</b>    |
|---|-----------------------------|----------------|
|   | <b>(RUPEES IN THOUSAND)</b> |                |
| (LOSS) / PROFIT AFTER TAXATION  | (554,070)                   | 323,033        |
| OTHER COMPREHENSIVE INCOME  |                             |                |
| Items that will not be reclassified subsequently to profit or loss:     |                             |                |
| Remeasurements of staff retirement gratuity                             | 22,923                      | 5,937          |
| Deferred income tax related to remeasurements                           | (4,653)                     | (1,391)        |
|   | 18,270                      | 4,546          |
| Items that may be reclassified subsequently to profit or loss           | -                           | -              |
| Other comprehensive income for the year -<br>net of deferred income tax | 18,270                      | 4,546          |
| <b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>                 | <b>(535,800)</b>            | <b>327,579</b> |

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

  
 AMJAD SAEED  
 CHIEF EXECUTIVE OFFICER

  
 OMER SAEED  
 DIRECTOR

  
 MUHAMMAD KASHIF ZAHUR  
 CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2023

|  | ISSUED,<br>SUBSCRIBED<br>AND PAID<br>UP SHARE<br>CAPITAL | SPONSORS'<br>LOANS | RESERVES                                    |   |                          | TOTAL     | TOTAL<br>EQUITY |           |
|--|--|--------------------|---|---|--------------------------|-----------|-----------------|-----------|
|  |  |                    | CAPITAL RESERVES                            |   | REVENUE RESERVE          |           |                 |           |
|  |  |                    | Equity portion<br>of shareholders'<br>loans | Surplus on<br>revaluation of<br>freehold land | Unappropriated<br>profit |           |                 |           |
| -----RUPEES IN THOUSAND-----   |  |                    |   |   |                          |           |                 |           |
| <b>Balance as at 01 July 2021</b>  | 99,200   | 241,800            | 159,358                                     | 235,857                                       | 395,215                  | 289,758   | 684,973         | 1,025,973 |
| Transaction with owners - Final cash dividend for the year ended 30 June 2021 at the rate of Rupees 1.80 per share | -  | -                  | -   | -   | -                        | (17,856)  | (17,856)        | (17,856)  |
| Profit for the year  | -  | -                  | -   | -   | -                        | 323,033   | 323,033         | 323,033   |
| Other comprehensive income for the year  | -  | -                  | -   | -   | -                        | 4,546     | 4,546           | 4,546     |
| Total comprehensive income for the year  | -  | -                  | -   | -   | -                        | 327,579   | 327,579         | 327,579   |
| Equity portion of shareholder's loan   | -  | -                  | 23,933                                      | -   | 23,933                   | -         | 23,933          | 23,933    |
| <b>Balance as at 30 June 2022</b>  | 99,200   | 241,800            | 183,291                                     | 235,857                                       | 419,148                  | 599,481   | 1,018,629       | 1,399,629 |
| Transaction with owners - Final cash dividend for the year ended 30 June 2022 at the rate of Rupees 2.00 per share | -  | -                  | -   | -   | -                        | (19,840)  | (19,840)        | (19,840)  |
| Loss for the year  | -  | -                  | -   | -   | -                        | (554,070) | (554,070)       | (554,070) |
| Other comprehensive income for the year  | -  | -                  | -   | -   | -                        | 18,270    | 18,270          | 18,270    |
| Total comprehensive loss for the year  | -  | -                  | -   | -   | -                        | (535,800) | (535,800)       | (535,800) |
| <b>Balance as at 30 June 2023</b>  | 99,200   | 241,800            | 183,291                                     | 235,857                                       | 419,148                  | 43,841    | 462,989         | 803,989   |

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

  
AMJAD SAEED  
CHIEF EXECUTIVE OFFICER

  
OMER SAEED  
DIRECTOR

  
MUHAMMAD KASHIF ZAHUR  
CHIEF FINANCIAL OFFICER

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023**

|  | NOTE | 2023<br>(RUPEES IN THOUSAND) | 2022             |
|--|------|------------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                |      |                              |                  |
| <b>Cash (used in) / generated from operations</b>                          | 33   | (70,920)                     | 769,152          |
| Finance cost paid  |      | (239,223)                    | (112,633)        |
| Income tax paid  |      | (97,854)                     | (83,393)         |
| Staff retirement gratuity paid   |      | (19,412)                     | (32,631)         |
| Net increase in long term loans  |      | (6)                          | (41)             |
| Workers' profit participation fund paid                                    |      | (32,477)                     | (17,487)         |
| Net decrease / (increase) in long term deposits and prepayments            |      | 46                           | (45)             |
| <b>Net cash (used in) / generated from operating activities</b>            |      | <b>(459,846)</b>             | <b>522,922</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                |      |                              |                  |
| Capital expenditure on property, plant and equipment and intangible assets |      | (47,513)                     | (565,972)        |
| Proceeds from disposal of property, plant and equipment                    |      | 500                          | 12,086           |
| <b>Net cash used in investing activities</b>                               |      | <b>(47,013)</b>              | <b>(553,886)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                |      |                              |                  |
| Repayment of long term financing   |      | (19,780)                     | (74,859)         |
| Long term financing obtained   |      | -                            | 140,000          |
| Dividend paid  |      | (19,216)                     | (17,155)         |
| Acquisition / (payment) of short term borrowings - net                     |      | 571,398                      | (138,576)        |
| <b>Net cash from / (used in) financing activities</b>                      |      | <b>532,402</b>               | <b>(90,590)</b>  |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>              |      | <b>25,543</b>                | <b>(121,554)</b> |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>              |      | <b>45,445</b>                | <b>166,999</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 23)</b>          |      | <b>70,988</b>                | <b>45,445</b>    |

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

  
 AMJAD SAEED  
 CHIEF EXECUTIVE OFFICER

  
 OMER SAEED  
 DIRECTOR

  
 MUHAMMAD KASHIF ZAHUR  
 CHIEF FINANCIAL OFFICER

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**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 listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn, cloth and hosiery products. The Company's registered office is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi.

Geographical location and addresses of all business units of the Company, except for the registered office given above are as follows:

| <b>Offices and manufacturing units</b> | <b>Address</b>  |
|--|---|
| Head Office                            | 1088, Jail Road, Faisalabad   |
| Spinning and Weaving Units             | 32-KM Sheikhpura Road, Tehsil Jaranwala, District Faisalabad          |
| Socks Unit                             | 5-KM Canitt. Road, Shorkot City                                       |
| Regional Office                        | 506-D, 5th Floor, City Tower, 6-K, Main Boulevard, Gulberg-II, Lahore |
| Regional Office                        | 1204, 12th Floor, Tricon Corporate Center, Jail Road, Lahore          |

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

**a) Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**b) Accounting convention**

These financial statements have been prepared under the historical cost convention, except for freehold land stated at revalued amount and staff retirement gratuity carried at present value.

**c) Critical accounting estimates and judgments**

The preparation of these financial statements in conformity with the approved accounting and reporting 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 impairment**

The estimate for revalued amount of freehold land is based on valuation performed by external professional valuer. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment along with intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

**Provisions**

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of cost of an asset.

**Inventories**

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

**Income tax**

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

**Contingencies**

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

**Allowance for expected credit losses**

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

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

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

**Staff retirement gratuity**

Certain actuarial assumptions have been adopted as disclosed in Note 7.4 to the financial statements for determination of present value of staff retirement gratuity. Any change in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

**d) 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 2022:

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use'.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract amends IAS 1 'Presentation of Financial Statements'.
- Annual Improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases'.

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

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

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 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) Amendments to published approved accounting standards that are not yet effective but relevant to the**

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2023 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.



Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 01 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 01 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 01 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangement. The amendments are effective for reporting period beginning on or after 01 January 2024.

The above amendments and improvements are likely to have no significant impact on the financial statements.

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

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2023 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**2.2 Property, plant, equipment and depreciation**

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss, while capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the construction / erection period of qualifying assets and other directly attributable cost of bringing the assets to working condition.

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

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

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

**Depreciation**

Depreciation on property, plant and equipment is charged to the statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 13.1. 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 month of disposal. The assets' residual values, useful lives and depreciation methods 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 statement of profit or loss in the year the asset is de-recognized.

**2.3 Intangible assets**

Computer softwares acquired by the Company is stated at cost less accumulated amortization and any identified impairment loss. Softwares' costs are only capitalized when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortized applying the straight line method at the rates stated in Note 14 to these financial statements.

**2.4 Impairment of non-financial assets**

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

**2.5 Share capital**

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

**2.6 Borrowing cost**

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

**2.7 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 valued at cost comprising 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.

**2.8 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.

**2.9 Staff retirement benefit**

The Company operates defined benefit plan - unfunded gratuity scheme for its permanent employees, who have completed the minimum qualifying period of service as defined under the scheme. The liabilities relating to defined benefit plan are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these benefits, such estimates are subject to certain uncertainties. Remeasurements changes which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

**2.10 Provisions**

Provisions are recognized when the Company has a present 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**2.11 Taxation****Current**

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

**Deferred**

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

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

**2.12 Dividend and other appropriations**

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

**2.13 Financial instruments****i) Classification and measurement of financial instruments****Financial assets****a) Classification**

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortized cost

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

For assets measured at fair value through profit or loss, gains and losses will be recorded in profit or loss. For investments in debt instruments, this will depend on the business model in which the investment is held.

**b) Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

##### a) Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

##### b) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

#### Financial liabilities

Financial liabilities are classified and measured at amortized cost or at Fair Value Through Profit or Loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

#### ii) Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganization.



**iii) De-recognition of financial assets and financial liabilities****a) Financial assets**

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. On de-recognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statement of profit or loss.

**b) Financial liabilities**

The Company de-recognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amount is recognized in the statement of profit or loss.

**iv) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legal enforceable right to offset the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

**2.14 Borrowings**

Financing and borrowings are initially recognized at fair value, net of attributable transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

**2.15 Government grants**

Grants from the Government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

**2.16 Trade debts and other receivables**

Trade debts are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

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

**2.17 Derivative financial instruments**

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognized in the statement of profit or loss as incurred. These are subsequently remeasured at fair value on regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the statement of profit or loss.

**2.18 Trade and other payables**

Liabilities for trade and other amounts payable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

**2.19 Functional and presentation currency along with foreign currency transactions and translation**

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

**2.20 Revenue from contracts with customers****i) Revenue recognition****Sale of goods**

Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

**Processing services**

The Company provides conversion / CMT services to local customers. These services are sold separately and the Company's contract with the customer for services constitute a single performance obligation.

Revenue from services is recognized at the point in time, generally at the time of dispatch. There are no terms giving rise to variable consideration under the Company's contracts with its customers.

**Interest**

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

**Other revenue**

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

**ii) Contract assets**

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

**iii) Right of return assets**

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

**iv) Contract liabilities**

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

**2.21 Segment reporting**

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments: Spinning (Producing different quality of yarn using natural and artificial fibers), Weaving (Producing different quality of greige fabric using yarn) and Socks (Manufacturing socks from yarn, elastic and other ancillary materials).

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

**2.22 Earnings per share**

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

**2.23 Contingent assets**

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

**2.24 Contingent liabilities**

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

**3. SPONSORS' LOANS**

These loans are interest free and payable at the discretion of the Company.

**4. EQUITY PORTION OF SHAREHOLDERS' LOANS**

|  | 2023<br>(RUPEES IN THOUSAND) | 2022<br>(RUPEES IN THOUSAND) |
|--|------------------------------|------------------------------|
| Balance as at 01 July                                    | 183,291                      | 159,358                      |
| Gain on recognition of shareholder's loans at fair value | -                            | 23,933                       |
| Balance as at 30 June                                    | <u>183,291</u>               | <u>183,291</u>               |

**5. LONG TERM FINANCING****From banking companies - secured**

|                                   |         |         |
|-----------------------------------|---------|---------|
| Long term loans (Note 5.1)        | -       | 19,639  |
| Diminishing musharakah (Note 5.2) | 140,000 | 140,000 |
|                                   | 140,000 | 159,639 |

**Unsecured**

|   |                |                |
|---|----------------|----------------|
| From sponsor director / shareholder (Note 5.3)                  | 48,518         | 176,048        |
|   | <u>188,518</u> | <u>335,687</u> |
| Less: Current portion shown under current liabilities (Note 11) | 35,000         | 162,804        |
|   | <u>153,518</u> | <u>172,883</u> |



Long term loans

| LENDER  | 2023 | 2022          | RATE OF INTEREST PER ANNUM | NUMBER OF INSTALLMENTS                              | INTEREST REPAYING | INTEREST PAYABLE | SECURITY  |
|---|------|---------------|----------------------------|---|-------------------|------------------|---|
| Habib Bank Limited - Loan under SBP Refinance Scheme (Note 5.1.1.1) | -    | 13,083        | SBP rate + 3%              | This loan was completely repaid on 01 October 2022. | -                 | Quarterly        | Joint part passu charge of Rupees 267 million over fixed assets of the Company along with personal guarantee of all directors of the Company. |
| Habib Bank Limited - Loan under SBP Refinance Scheme (Note 5.1.1.1) | -    | 6,556         | SBP rate + 3%              | This loan was completely repaid on 01 October 2022. | -                 | Quarterly        |   |
|   | -    | <u>19,639</u> |                            |   |                   |                  |   |

These term finance facilities were obtained by the Company under SBP Refinance Scheme for payment of wages and salaries. These loans were recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment was recognized at discount rate of 8.68% and 9.28% per annum.

Disinfecting materials

| LENDER              | 2023    | 2022    | RATE OF PROFIT PER ANNUM                           | NUMBER OF INSTALLMENTS   | PROFIT REPAYING | PROFIT PAYABLE | SECURITY   |
|---------------------|---------|---------|--|--|-----------------|----------------|--|
| Meezan Bank Limited | 110,000 | 140,000 | 3 Month KIBOR + 2% with Floor of 5% and Cap of 30% | Sixteen equal quarterly installments commencing from 30 August 2023 and ending on 30 May 2027. | Quarterly       | Quarterly      | Equitable mortgage of Rupees 276,547 million over property located at 1086, Jail Road, Faisalabad owned by Mrs. Rubina Anjum, Director of the Company along with the personal guarantee of six directors of the Company. |

|   | 2023   | 2022            |
|---|--|-----------------|
|   | (RUPEES IN THOUSAND)   |                 |
| <b>5.3 From sponsor director / shareholder</b>                                  |  |                 |
| Opening balance   | 176,048  | 180,733         |
| Add: Fair value adjustment (Note 30)  | 11,035   | 19,248          |
|   | <u>187,083</u>   | <u>199,981</u>  |
| Less: Gain on recognition of shareholder's loan at fair value                   | -  | 23,933          |
| Transferred to short term borrowings  | <u>138,565</u>   | <u>-</u>        |
|   | 138,565  | 23,933          |
| Closing balance   | <u>48,518</u>  | <u>176,048</u>  |
| <b>5.3.1</b>  | This represents unsecured interest free loans obtained from a sponsor director / shareholder of the Company. The loan of Rupees 203.565 million which was repayable in one bullet installment on 31 October 2022 has been rescheduled upto Rupees 65 million which will be repaid in one bullet installment on 30 May 2025. Remaining balance of Rupees 138.565 million was repayable in one bullet installment on 31 October 2022 but has been rescheduled as short term borrowing. A portion of the loan of Rupees 65 million along with the sponsors' loan shown in Note 3 are subordinated to bank borrowings amounting to Rupees 306.616 million collectively. Fair value of these loans was estimated at the present value of future cash flows discounted at effective rates of 9.26% and 16.54% (2022: 9.26% and 16.54%) per annum . |                 |
| <b>6. DEFERRED INCOME TAX LIABILITY</b>   |  |                 |
| <b>Taxable temporary difference</b>   |  |                 |
| Difference in tax and accounting bases of operating fixed assets                | 116,391  | 133,416         |
| <b>Deductible temporary differences</b>   |  |                 |
| Staff retirement gratuity   | (24,518)   | (23,774)        |
| Unused tax losses   | (98,496)   | -               |
| Provision for Gas Infrastructure Development Cess (GIDC)                        | (4,341)  | (5,007)         |
| Deferred income - Government grant  | -  | (33)            |
| Allowances for doubtful receivables   | (882)  | (75)            |
|   | <u>(128,237)</u>   | <u>(28,889)</u> |
| Deferred income tax (asset) / liability   | (11,846)   | 104,527         |
| Unrecognized deferred income tax asset (Note 6.2)                               | 11,846   | -               |
| At the end of the year  | <u>-</u>   | <u>104,527</u>  |
| <b>6.1 Movement in the deferred income tax liability balance is as follows:</b> |  |                 |
| At the beginning of the year  | 104,527  | 31,886          |
| Add / (less):   |  |                 |
| -difference in tax and accounting bases of operating fixed assets               | (17,025)   | 31,324          |
| -staff retirement gratuity  | (744)  | (3,712)         |
| -unused tax losses  | (98,496)   | 41,268          |
| -provision for GIDC   | 666  | (598)           |
| -deferred income - Government grant   | 33   | 400             |
| -allowances for doubtful receivables  | (807)  | 3,959           |
| -unrecognized deferred income tax asset   | <u>11,846</u>  | <u>-</u>        |
|   | (104,527)  | 72,641          |
|   | <u>-</u>   | <u>104,527</u>  |
| <b>6.1.1 Charged to the statement of profit or loss:</b>                        |  |                 |
| Net movement of temporary differences (Note 6.1)                                | (104,527)  | 72,641          |
| Remeasurement of staff retirement gratuity                                      | 4,653  | 1,391           |
|   | <u>(109,180)</u>   | <u>71,250</u>   |
| <b>6.2</b>  | Deferred income tax asset has been recognized to the extent that the realization of related tax benefits is probable from reversals of existing taxable temporary differences and future taxable profits. Therefore, the Company has not recognized deferred income tax asset of Rupees 11.846 million. The Company has unused tax losses of Rupees 241.639 million which will expire in 2029 and unabsorbed tax depreciation of Rupees 98.002 million. Moreover the Company has unused tax credits against minimum tax / alternative corporate tax available for carry forward under Section 113 and 113C of the Income Tax Ordinance, 2001 as detailed below:  |                 |

| Accounting year to which the minimum tax / alternative corporate tax relates | Nature                    | Amount of tax             | Accounting year in which tax credit expire |
|--|---------------------------|---------------------------|--|
|  |                           | <b>RUPEES IN THOUSAND</b> |  |
| 2023   | Minimum tax               | 59,725                    | 2026                                       |
| 2022   | Alternative corporate tax | 3,948                     | 2032                                       |
| 2021   | Minimum tax               | 21,613                    | 2026                                       |
| 2020   | Minimum tax               | 28,804                    | 2025                                       |
| 2019   | Minimum tax               | 30,949                    | 2024                                       |
|  |                           | <u><b>145,039</b></u>     |  |

|   | <b>2023</b>                     | <b>2022</b>                     |
|---|---------------------------------|---------------------------------|
|   | <b>(RUPEES IN THOUSAND)</b>     |                                 |
| <b>7. STAFF RETIREMENT GRATUITY</b>                                       |                                 |                                 |
| Opening balance   | 101,469                         | 94,479                          |
| Provision for the year (Note 7.2)   | 61,643                          | 45,558                          |
| Retirement benefit paid   | (19,412)                        | (32,631)                        |
| Remeasurements (Note 7.3)   | (22,923)                        | (5,937)                         |
| Closing balance   | <u>120,777</u>                  | <u>101,469</u>                  |
| <b>7.1 Changes in present value of defined benefit obligation</b>         |                                 |                                 |
| Present value of defined benefit obligation                               | 101,469                         | 94,479                          |
| Current service cost  | 47,498                          | 35,118                          |
| Past service cost   | 1,986                           | 2,624                           |
| Interest cost   | 12,159                          | 7,816                           |
| Retirement benefit paid   | (19,412)                        | (32,631)                        |
| Remeasurements:   |                                 |                                 |
| Actuarial losses from changes in demographic assumptions                  | -                               | 5,639                           |
| Actuarial losses from changes in financial assumptions                    | 1,518                           | 1,003                           |
| Experience adjustments  | (24,441)                        | (12,579)                        |
|   | <u>120,777</u>                  | <u>101,469</u>                  |
| <b>7.2 Provision for the year</b>   |                                 |                                 |
| Current service cost  | 47,498                          | 35,118                          |
| Past service cost   | 1,986                           | 2,624                           |
| Interest cost   | 12,159                          | 7,816                           |
|   | <u>61,643</u>                   | <u>45,558</u>                   |
| <b>7.3 Remeasurements</b>   |                                 |                                 |
| Actuarial losses from changes in demographic assumptions                  | -                               | 5,639                           |
| Actuarial losses from changes in financial assumptions                    | 1,518                           | 1,003                           |
| Experience adjustments  | (24,441)                        | (12,579)                        |
|   | <u>(22,923)</u>                 | <u>(5,937)</u>                  |
| <b>7.4 Principal actuarial assumptions used</b>                           | <b>2023</b>                     | <b>2022</b>                     |
| Discount rate used for interest cost in profit or loss charge (per annum) | 13.25%                          | 10.00%                          |
| Discount rate used for year end obligation (per annum)                    | 16.25%                          | 13.25%                          |
| Expected rate of salary increase (per annum)                              | 15.25%                          | 12.25%                          |
| Average duration of the defined benefit obligation                        | 2                               | 2                               |
| Mortality rates   | SLIC 2001-05<br>set back 1 year | SLIC 2001-05<br>set back 1 year |
| Withdrawal rate   | Age based                       | Age based                       |
| Retirement assumption   | Age 60                          | Age 60                          |

**7.5** The estimated expenses to be charged to the statement of profit or loss for the year ending on 30 June 2024 is Rupees 64.303 million.

**7.6 Expected benefit payments for the future years:**

| One year                     | 1-2 years | 2-4 years | Over 4 years |
|------------------------------|-----------|-----------|--------------|
| -----RUPEES IN THOUSAND----- |           |           |              |
| 56,011                       | 51,285    | 83,607    | 223,968      |

**7.7 Sensitivity analysis on defined benefit obligations**

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

|   | 2023    | 2022    |
|---|---------|---------|
| Discount rate                               | 1.00%   | 1.00%   |
| Increase in assumption (Rupees in thousand) | (2,334) | (2,050) |
| Decrease in assumption (Rupees in thousand) | 2,454   | 2,155   |
| Future salary increase                      | 1.00%   | 1.00%   |
| Increase in assumption (Rupees in thousand) | 2,943   | 2,573   |
| Decrease in assumption (Rupees in thousand) | (2,848) | (2,490) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

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

**7.8 Risk associated with the scheme**

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

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

**b) Demographic risks**

**Mortality risk**

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

**Withdrawal risk**

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

**8. TRADE AND OTHER PAYABLES**

|   |         |         |
|---|---------|---------|
| Creditors (Note 8.1)                          | 615,172 | 301,207 |
| Accrued liabilities                           | 234,846 | 170,033 |
| Contract liabilities - unsecured              | 34,195  | 45,611  |
| Income tax deducted at source                 | 3,413   | 726     |
| Sales tax payable                             | 34,771  | 9,812   |
| Fair value of forward exchange contracts      | -       | 14,539  |
| Workers' profit participation fund (Note 8.2) | 151     | 28,821  |
| Workers' welfare fund (Note 8.3)              | 10,305  | 10,305  |
| Others  | 2,195   | 1,500   |
|   | 935,048 | 582,554 |

|  | 2023  | 2022    |
|--|---|---------|
|  | (RUPEES IN THOUSAND)  |         |
| <b>8.1</b>                                     | These include amounts due to following related parties:   |         |
| Blue Moon Filling Station                      | 11,505  | 7,511   |
| Ideal Socks                                    | 2,949   | 2,949   |
|  | 14,454  | 10,460  |
| <b>8.2</b>                                     | <b>Workers' profit participation fund</b>   |         |
| Balance as on 01 July                          | 28,821  | 15,885  |
| Interest for the year (Note 30)                | 3,807   | 1,602   |
| Provision for the year                         | -   | 28,821  |
|  | 32,628  | 46,308  |
| Less: Payments made during the year            | 32,477  | 17,487  |
| Balance as on 30 June                          | 151   | 28,821  |
| <b>8.3</b>                                     | <b>Workers' welfare fund</b>  |         |
| Balance as on 01 July                          | 10,305  | 4,484   |
| Add: Provision for the year                    | -   | 7,862   |
|  | 10,305  | 12,346  |
| Less: Adjusted during the year                 | -   | 2,041   |
|  | 10,305  | 10,305  |
| <b>9.</b>                                      | <b>ACCRUED MARK-UP</b>  |         |
| Long term financing                            | 2,962   | 2,160   |
| Short term borrowings                          | 43,164  | 14,486  |
|  | 46,126  | 16,646  |
| <b>10.</b>                                     | <b>SHORT TERM BORROWINGS</b>  |         |
|  | <b>From banking companies - secured</b>   |         |
| Cash finances (Note 10.1 and 10.4)             | 189,788   | -       |
| Running finances (Note 10.2 and 10.4)          | 231,371   | 151,144 |
| Other short term finances (Note 10.3 and 10.4) | 405,811   | 352,278 |
|  | 826,970   | 503,422 |
|  | <b>Others - unsecured</b>   |         |
| Other related parties (Note 10.5)              | 612,353   | 225,938 |
|  | 1,439,323   | 729,360 |
| <b>10.1</b>                                    | These form part of total credit facility of Rupees 1,925 million (2022: Rupees 1,350 million). Rates of mark-up range from 17.16% to 23.98% (2022: 8.95% to 15.28%) per annum during the year on balances outstanding.                                    |         |
| <b>10.2</b>                                    | These form part of total credit facility of Rupees 270 million (2022: Rupees 270 million). Rates of mark-up range from 13.89% to 24.08% (2022: 8.95% to 16.62%) per annum during the year on balances outstanding.  |         |
| <b>10.3</b>                                    | These form part of total credit facility of Rupees 1,335 million (2022: Rupees 1,020 million). Rates of mark-up range from 3% to 24.24% (2022: 3% to 17.64%) per annum during the year on balances outstanding.   |         |
| <b>10.4</b>                                    | These finances are secured against joint pari passu charge over present and future 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. |         |
| <b>10.5</b>                                    | These represent interest free loans from Chief Executive Officer, directors and sponsor of the Company to meet the Company's working capital requirements. These are repayable on demand.   |         |



|  | 2023<br>(RUPEES IN THOUSAND) | 2022           |
|--|------------------------------|----------------|
| <b>11. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>  |                              |                |
| Long term financing (Note 5)   | 35,000                       | 162,804        |
| Deferred income - Government grant (Note 11.1)   | -                            | 141            |
| GIDC payable (Note 11.2)   | 21,383                       | 21,370         |
|  | <u>56,383</u>                | <u>184,315</u> |
| <b>11.1 Deferred income - Government grant</b>   |                              |                |
| Balance as on 01 July  | 141                          | 2,041          |
| Less: Amortized during the year (Note 29)  | (141)                        | (1,900)        |
|  | <u>-</u>                     | <u>141</u>     |
| <b>11.1.1</b> This represented deferred government grants in respect of long term loans obtained under SBP Refinance Scheme for payment of wages and salaries as disclosed in Note 5.1.1 to these financial statements.  |                              |                |
| <b>11.2 GIDC payable</b>   |                              |                |
| Balance as on 01 July  | 21,370                       | 20,765         |
| Add: Adjustment due to impact of IFRS 9 (Note 30)  | 13                           | 605            |
|  | <u>21,383</u>                | <u>21,370</u>  |
| Less: Current portion shown under current liabilities (Note 11)  | (21,383)                     | (21,370)       |
|  | <u>-</u>                     | <u>-</u>       |
| <b>11.2.1</b> This represents Gas Infrastructure Development Cess (GIDC) which was levied through GIDC Act, 2015. Supreme Court of Pakistan upheld the GIDC Act, 2015 to be constitutional and intra vires. This liability has been recognized at fair value using discount rate of 9.16% per annum.   |                              |                |
| <b>12. CONTINGENCIES AND COMMITMENTS</b>   |                              |                |
| <b>a) Contingencies</b>  |                              |                |
| i) 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 Lahore High Court, Lahore. Consequently, the Company has accounted for input sales tax amounting to Rupees 4.791 million (2022: Rupees 4.791 million) paid on such items as receivable balance. 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. |                              |                |
| ii) 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 (2022: 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 financial statements as the management is hopeful for positive outcome.  |                              |                |
| iii) Deputy Commissioner Inland Revenue issued show cause notice to the Company on 07 July 2023, subsequent to the reporting date, against the violation of various provisions of Sales Tax Act, 1990 during the tax period from July 2016 to April 2019 and created demand of Rupees 26.337 million including default surcharge and penalty. As per the Company's management, no provision is required as the demand is not on strong grounds and will be annulled accordingly.   |                              |                |



iv) 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 Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rupees 4,953 million (2022: 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.

v) Sindh High Court, Karachi made decision on 04 June 2021 about the levy of Sindh Infrastructure Cess, against which the Company was contingently liable for Rupees 6.177 million (2022: Rupees 6.177 million). The guarantees were submitted by the Company's Bank for the same amount. Against the decision, the Company lodged a constitution petition No. 4841 / 2021 dated 13 August 2021, in Supreme Court of Pakistan (SCP). Thereafter, on 01 September 2021, SCP allowed the petition, suspended the judgment of Sindh High Court, Karachi and leave to appeal was granted. However, the case is not yet fixed for hearing by SCP. On advice of legal counsel, in view of possible favourable outcome, no provision is accounted for in these financial statements.

vi) Faisalabad Electric Supply Company Limited (FESCO), being aggrieved of the decision made by Lahore High Court, Lahore on 18 August 2022 against the fuel price adjustment for the month of July 2022 of Rupees 16.585 million, filed CPLA 1231-L/2023 against the Company in Supreme Court of Pakistan on 19 May 2023. However, on advice of legal counsel, no provision is made in these financial statements in view of possible favourable outcome for the Company.

vii) Guarantees of Rupees 54.695 million (2022: Rupees 56.012 million) are given by the banks of the Company to SNGPL against gas connections and to FESCO against electricity connections.

**b) Commitments**

- i) Commitments for capital expenditure are of Rupees Nil (2022: Rupees 4.207 million).
- ii) Letters of credit other than for capital expenditure are of Rupees 29.531 million (2022: Rupees 60.102 million).
- iii) Outstanding foreign currency forward contracts are of Rupees Nil (2022: Rupees 409.941 million)

|  | <b>2023</b>                 | <b>2022</b>      |
|--|-----------------------------|------------------|
|  | <b>(RUPEES IN THOUSAND)</b> |                  |
| <b>13. PROPERTY, PLANT AND EQUIPMENT</b> |                             |                  |
| Operating fixed assets (Note 13.1)       | 1,653,982                   | 1,730,812        |
| Capital work-in-progress (Note 13.2)     | 8,395                       | 32,120           |
|  | <u>1,662,377</u>            | <u>1,762,932</u> |

13.1 Operating fixed assets

|  | Freehold land | Buildings | Plant and machinery | Stand-by equipment | Electric installations | Factory equipment | Office equipment | Computers | Electric appliances | Furniture and fixtures | Vehicles | Total       |
|--|---------------|-----------|---------------------|--------------------|------------------------|-------------------|------------------|-----------|---------------------|------------------------|----------|-------------|
| <b>RUPEES IN THOUSAND</b>              |               |           |                     |                    |                        |                   |                  |           |                     |                        |          |             |
| <b>At 30 June 2021</b>                 |               |           |                     |                    |                        |                   |                  |           |                     |                        |          |             |
| Cost / revalued amount                 | 265,600       | 272,277   | 1,487,716           | 43,506             | 80,999                 | 17,053            | 3,018            | 10,947    | 11,824              | 2,100                  | 117,637  | 2,312,577   |
| Accumulated depreciation               | -             | (128,558) | (770,409)           | (31,754)           | (42,731)               | (6,440)           | (1,467)          | (7,319)   | (5,671)             | (1,378)                | (44,056) | (1,039,793) |
| Net book value                         | 265,600       | 143,719   | 717,307             | 11,752             | 38,268                 | 10,613            | 1,551            | 3,628     | 6,153               | 722                    | 73,571   | 1,272,784   |
| <b>Year ended 30 June 2022</b>         |               |           |                     |                    |                        |                   |                  |           |                     |                        |          |             |
| Opening net book value                 | 265,600       | 143,719   | 717,307             | 11,752             | 38,268                 | 10,613            | 1,551            | 3,628     | 6,153               | 722                    | 73,571   | 1,272,784   |
| Additions / transfers                  | 6,472         | 181,220   | 188,942             | 119,381            | 5,580                  | 19,986            | 85               | 3,413     | 3,785               | 1,465                  | 48,896   | 589,185     |
| Disposals:                             |               |           |                     |                    |                        |                   |                  |           |                     |                        |          |             |
| Cost                                   | -             | -         | (14,669)            | (4,710)            | -                      | -                 | -                | -         | -                   | -                      | (11,287) | (30,657)    |
| Accumulated depreciation               | -             | -         | 13,197              | 4,486              | -                      | -                 | -                | -         | -                   | -                      | 1,171    | 18,854      |
| Depreciation charge                    | -             | (8,007)   | (79,868)            | (4,141)            | (4,043)                | (1,799)           | (155)            | (1,199)   | (816)               | (1,16)                 | (10,116) | (11,803)    |
| Closing net book value                 | 272,072       | 326,932   | 824,918             | 138,768            | 39,805                 | 28,800            | 1,401            | 5,744     | 9,102               | 2,071                  | 93,141   | 1,730,812   |
| <b>At 30 June 2022</b>                 |               |           |                     |                    |                        |                   |                  |           |                     |                        |          |             |
| Cost / revalued amount                 | 272,072       | 463,497   | 1,661,998           | 158,177            | 86,579                 | 37,039            | 3,083            | 14,250    | 15,589              | 3,565                  | 155,246  | 2,871,105   |
| Accumulated depreciation               | -             | (136,565) | (837,080)           | (31,408)           | (48,724)               | (8,232)           | (1,522)          | (8,518)   | (6,487)             | (1,491)                | (62,105) | (1,140,293) |
| Net book value                         | 272,072       | 326,932   | 824,918             | 126,768            | 39,805                 | 28,800            | 1,481            | 5,732     | 9,102               | 2,071                  | 93,141   | 1,730,812   |
| <b>Year ended 30 June 2023</b>         |               |           |                     |                    |                        |                   |                  |           |                     |                        |          |             |
| Opening net book value                 | 272,072       | 326,932   | 824,918             | 126,768            | 39,805                 | 28,800            | 1,481            | 5,742     | 9,102               | 2,071                  | 93,141   | 1,730,812   |
| Additions / transfers                  | -             | -         | 29,387              | -                  | 9,218                  | 95                | -                | 728       | 1,383               | -                      | 30,447   | 71,238      |
| Disposals:                             |               |           |                     |                    |                        |                   |                  |           |                     |                        |          |             |
| Cost                                   | -             | -         | -                   | -                  | -                      | -                 | -                | -         | -                   | -                      | (2,604)  | (2,604)     |
| Accumulated depreciation               | -             | -         | -                   | -                  | -                      | -                 | -                | -         | -                   | -                      | 2,179    | 2,179       |
| Depreciation charge                    | -             | (16,346)  | (84,203)            | (12,677)           | (4,022)                | (2,865)           | (145)            | (1,894)   | (995)               | (207)                  | (425)    | (147,643)   |
| Closing net book value                 | 272,072       | 310,586   | 770,102             | 114,091            | 44,983                 | 26,009            | 1,315            | 4,576     | 9,470               | 1,864                  | 98,956   | 1,653,982   |
| <b>At 30 June 2023</b>                 |               |           |                     |                    |                        |                   |                  |           |                     |                        |          |             |
| Cost / revalued amount                 | 272,072       | 483,497   | 1,891,388           | 158,177            | 95,797                 | 37,134            | 3,083            | 14,988    | 16,952              | 3,965                  | 183,089  | 2,939,739   |
| Accumulated depreciation               | -             | (152,911) | (921,283)           | (44,088)           | (50,866)               | (11,125)          | (1,788)          | (10,412)  | (7,482)             | (1,701)                | (81,123) | (1,285,757) |
| Net book value                         | 272,072       | 310,586   | 770,102             | 114,091            | 44,931                 | 26,009            | 1,315            | 4,576     | 9,470               | 1,864                  | 98,956   | 1,653,982   |
| <b>Annual rate of depreciation (%)</b> | -             | 5         | 10                  | 10                 | 10                     | 10                | 10               | 30        | 10                  | 10                     | 10       | 20          |

13.1.1 Freehold land of the Company was revalued as at 23 June 2021 by Tricer International Consultant (Private) Limited, an independent valuer using market value method. Previously the revaluation was carried out on 08 December 2017 and 30 June 2016 by an independent valuer. The book value of freehold land on cost basis is Rupees 36,215 million (2022: Rupees 36,215 million).

**13.1.2** Forced sale value of freehold land as per last revaluation held on 23 June 2021 was Rupees 225.760 million.

**13.1.3** Depreciation charged for the year has been allocated as follows:

|                                   | 2023<br>(RUPEES IN THOUSAND) | 2022<br>(RUPEES IN THOUSAND) |
|-----------------------------------|------------------------------|------------------------------|
| Cost of sales (Note 25)           | 108,905                      | 95,058                       |
| Administrative expenses (Note 27) | 38,738                       | 24,296                       |
|                                   | 147,643                      | 119,354                      |

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

| Particulars                              | Location   | Area of land | Covered area |
|--|--|--------------|--------------|
|  |  | Acres        | Sq. Ft.      |
| Manufacturing facilities and vacant land | 32-KM Sheikhpura Road, Tehsil Jaranwala, District Faisalabad | 22,544       | 392,967      |
| Head office (Note 13.1.5)                | 1088, Jail Road, Faisalabad                                  | 0,250        | 24,728       |
| Regional office (Note 13.1.6)            | 1204, 12th Floor, Tricon Corporate Center, Jail Road, Lahore | -            | 5,273        |

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

**13.1.6** The covered area at this location consists of building only because of multi-storey plaza.

**13.2** Capital work-in-progress

|   | Plant and machinery | Vehicles | Intangible assets | Total     |
|---|---------------------|----------|-------------------|-----------|
|   | RUPEES IN THOUSAND  |          |                   |           |
| <b>At 30 June 2021</b>  | 20,892              | 30,714   | 5,026             | 56,632    |
| Add: Additions during the year  | 168,050             | 44,655   | 1,920             | 214,625   |
| Less: Transferred to operating fixed assets / intangible assets during the year | (188,942)           | (48,896) | (1,299)           | (239,137) |
| <b>At 30 June 2022</b>  | -                   | 26,473   | 5,647             | 32,120    |
| Add: Additions during the year  | 29,387              | 3,974    | 2,748             | 36,109    |
| Less: Transferred to operating fixed assets during the year                     | (29,387)            | (30,447) | -                 | (59,834)  |
| <b>At 30 June 2023</b>  | -                   | -        | 8,395             | 8,395     |

**14. INTANGIBLE ASSETS**

**Computer softwares**

**Net carrying value basis**

|                               | 2023<br>(RUPEES IN THOUSAND) | 2022<br>(RUPEES IN THOUSAND) |
|-------------------------------|------------------------------|------------------------------|
| Opening net book value        | 4,454                        | 4,806                        |
| Additions during the year     | -                            | 1,299                        |
| Less: Amortization (Note 27)  | 1,795                        | 1,651                        |
| Closing net book value        | 2,659                        | 4,454                        |
| <b>Gross carrying amount</b>  |                              |                              |
| Cost                          | 8,116                        | 8,116                        |
| Accumulated amortization      | (5,457)                      | (3,662)                      |
| Closing net book value        | 2,659                        | 4,454                        |
| Amortization rate (per annum) | 20% and<br>33.33%            | 20% and<br>33.33%            |

**15. LONG TERM LOANS**

|  |     |     |
|--|-----|-----|
| Considered good - secured                                  | 239 | 497 |
| Less: Current portion shown under current assets (Note 20) | 192 | 456 |
|  | 47  | 41  |

**15.1** These represent interest free loans given to employees other than executives for meeting their personal expenditure. These are secured against balance to the credit of employees in the staff retirement gratuity and are recoverable in equal monthly installments.

**15.2** The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of staff loans is not considered material and hence not recognized.

|  | 2023                 | 2022         |
|--|----------------------|--------------|
|  | (RUPEES IN THOUSAND) |              |
| <b>16. LONG TERM DEPOSITS AND PREPAYMENTS</b>              |                      |              |
| Security deposits (Note 16.1)                              | 1,789                | 1,789        |
| Prepayments  | 409                  | 387          |
|  | <u>2,198</u>         | <u>2,176</u> |
| Less: Current portion shown under current assets (Note 21) | 291                  | 223          |
|  | <u>1,907</u>         | <u>1,953</u> |

**16.1** These mainly include interest free security deposits placed with utility companies for the provision of utility connections.

**17. STORES, SPARE PARTS AND LOOSE TOOLS**

|             |                |                |
|-------------|----------------|----------------|
| Stores      | 51,850         | 46,425         |
| Spare parts | 81,719         | 55,586         |
| Loose tools | 428            | 339            |
|             | <u>133,997</u> | <u>102,350</u> |

**18. STOCK-IN-TRADE**

|   |                |                |
|---|----------------|----------------|
| Raw materials (Note 18.1 and Note 18.2) | 288,868        | 321,870        |
| Work-in-process                         | 99,755         | 100,206        |
| Finished goods (Note 18.3)              | 557,028        | 434,836        |
| Waste                                   | 1,724          | 2,136          |
|   | <u>947,375</u> | <u>859,048</u> |

**18.1** Raw materials include stock in transit of Rupees 14.627 million (2022: Rupees 20.867 million).

**18.2** These include stock of Rupees 6.541 million (2022: Rupees Nil) sent to outside parties for processing.

**18.3** These include stock of Rupees 40.588 million (2022: Rupees 17.540 million) available with outside parties after conversion.

**19. TRADE DEBTS**

**Considered good:**

|  |                |                |
|--|----------------|----------------|
| Secured (against letters of credit)                    | 115,121        | 4,724          |
| Unsecured  | 255,479        | 364,196        |
|  | <u>370,600</u> | <u>368,920</u> |
| Less: Allowance for expected credit losses (Note 19.4) | 2,989          | 275            |
|  | <u>367,611</u> | <u>368,645</u> |

**19.1** Trade debts in respect of foreign and local jurisdictions is given under:

|                          |                |                |
|--------------------------|----------------|----------------|
| Belgium                  | 23,363         | 101,089        |
| Canada                   | 5,314          | -              |
| Denmark                  | 19,435         | 66,285         |
| Germany                  | 26,799         | -              |
| Netherlands              | 141            | -              |
| Portugal                 | 52,979         | 4,724          |
| United Arab Emirates     | -              | 28,349         |
| United Kingdom           | 36,069         | 3,513          |
| United States of America | 78,134         | 57,626         |
| Pakistan                 | 125,377        | 107,059        |
|                          | <u>367,611</u> | <u>368,645</u> |

**19.2** Revenue from the sale of goods is recognized at the time of delivery, while payment is generally due within 10 to 30 days in case of local sales and 30 to 60 days in case of export sales.

**19.3** As at 30 June 2022, trade debts amounting to Rupees 98.053 million (2022: Rupees 38.504 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:

|                    | 2023<br>(RUPEES IN THOUSAND) | 2022<br>(RUPEES IN THOUSAND) |
|--------------------|------------------------------|------------------------------|
| Upto 1 month       | 79,379                       | 27,059                       |
| 1 to 6 months      | 18,014                       | 11,445                       |
| More than 6 months | 660                          | -                            |
|                    | <u>98,053</u>                | <u>38,504</u>                |

**19.4 Allowance for expected credit losses**

|   |              |                 |
|---|--------------|-----------------|
| Opening balance   | 275          | 18,819          |
| Add: Recognized during the year (Note 28)                   | <u>2,986</u> | <u>217</u>      |
|   | 3,261        | 19,036          |
| <b>Less:</b>  |              |                 |
| Reversal of allowances for expected credit losses (Note 29) | <u>(7)</u>   | <u>(630)</u>    |
| Bad debts written off                                       | <u>(265)</u> | <u>(18,131)</u> |
|   | <u>(272)</u> | <u>(18,761)</u> |
| Closing balance   | <u>2,989</u> | <u>275</u>      |

**20. LOANS AND ADVANCES**

**Considered good:**

Employees - interest free and secured

|                  |              |            |
|------------------|--------------|------------|
| - Executives     |              |            |
| against expenses | 819          | 349        |
| against salary   | <u>1,765</u> | <u>110</u> |
|                  | 2,584        | 459        |

|                   |              |              |
|-------------------|--------------|--------------|
| - Other employees |              |              |
| against expenses  | <u>1,332</u> | <u>1,930</u> |
| against salary    | <u>1,155</u> | <u>1,572</u> |
|                   | 2,487        | 3,502        |
|                   | <u>5,071</u> | <u>3,961</u> |

|   |               |               |
|---|---------------|---------------|
| Current portion of long term loans (Note 15)                | 192           | 456           |
| Advances to suppliers / contractors                         | 14,693        | 23,871        |
| Letters of credit   | 443           | 4,795         |
|   | <u>20,399</u> | <u>33,083</u> |
| Less: Provision for doubtful loans and advances (Note 20.1) | <u>51</u>     | <u>45</u>     |
|   | <u>20,348</u> | <u>33,038</u> |

**20.1 Provision for doubtful loans and advances**

|   |           |              |
|---|-----------|--------------|
| Opening balance                           | 45        | 178          |
| Add: Recognized during the year (Note 28) | <u>6</u>  | <u>45</u>    |
|   | 51        | 223          |
| Less: Loans and advances written off      | <u>-</u>  | <u>(178)</u> |
| Closing balance                           | <u>51</u> | <u>45</u>    |

**21. SHORT TERM DEPOSIT AND PREPAYMENTS**

|   |            |            |
|---|------------|------------|
| Deposit   | 40         | 40         |
| Prepayments   | -          | 398        |
| Current portion of long term deposits and prepayments (Note 16) | <u>291</u> | <u>223</u> |
|   | <u>331</u> | <u>661</u> |

**22. OTHER RECEIVABLES**

**Considered good:**

|                                   |                |               |
|-----------------------------------|----------------|---------------|
| Sales tax refundable / receivable | 295,857        | 46,241        |
| Export rebate and duty drawback   | 18,849         | 16,741        |
| Others                            | <u>4,166</u>   | <u>260</u>    |
|                                   | <u>318,872</u> | <u>63,242</u> |



|  | 2023                 | 2022             |
|--|----------------------|------------------|
|  | (RUPEES IN THOUSAND) |                  |
| <b>23. CASH AND BANK BALANCES</b>  |                      |                  |
| <b>With banks:</b>   |                      |                  |
| On current accounts (Note 23.1)  | 49,679               | 40,681           |
| On PLS saving accounts   | 13,760               | 2,460            |
|  | <u>63,439</u>        | <u>43,141</u>    |
| <b>Cash in hand</b>  | 7,549                | 2,304            |
|  | <u>70,988</u>        | <u>45,445</u>    |
| <b>23.1</b> These include foreign currency accounts containing USD 31,622 (2022: USD Nil).   |                      |                  |
| <b>24. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>   |                      |                  |
| Local sales (Note 24.1)  | 4,799,784            | 4,292,091        |
| Export sales   | 2,051,130            | 1,796,562        |
| Export rebate  | 8,928                | 6,604            |
|  | <u>6,859,842</u>     | <u>6,095,257</u> |
| <b>24.1 Local sales</b>  |                      |                  |
| Yarn / socks / others  | 4,671,023            | 3,749,466        |
| Waste  | 36,318               | 33,796           |
| Sizing income  | -                    | 4,684            |
| Conversion income / CMT income / cloth sale  | 930,972              | 1,234,030        |
|  | <u>5,638,313</u>     | <u>5,021,976</u> |
| Less: Sales tax  | 838,529              | 729,885          |
|  | <u>4,799,784</u>     | <u>4,292,091</u> |
| <b>24.2</b> The Company has recognized revenue of Rupees 39,791 million (2022: Rupees 36,438 million) from amounts included in contract liabilities at the year end. |                      |                  |
| <b>25. COST OF SALES</b>   |                      |                  |
| Raw materials consumed (Note 25.1)   | 4,507,970            | 3,298,007        |
| Cost of raw materials sold   | -                    | 1,315            |
| Salaries, wages and other benefits (Note 25.2)   | 613,834              | 600,864          |
| Stores, spare parts and loose tools consumed   | 302,894              | 385,222          |
| Packing materials consumed   | 201,962              | 164,553          |
| Sizing materials consumed  | 55,937               | 45,028           |
| Outside processing / conversion and other charges  | 84,960               | 83,197           |
| Repair and maintenance   | 11,903               | 10,783           |
| Fuel and power   | 876,513              | 570,520          |
| Insurance  | 16,216               | 12,598           |
| Rent, rates and taxes (Note 25.3)  | 6,550                | 7,020            |
| Other factory overheads  | 2,522                | 2,440            |
| Depreciation (Note 13.1.3)   | 108,905              | 95,058           |
|  | <u>6,790,166</u>     | <u>5,276,605</u> |
| Work-in-process  |                      |                  |
| Opening stock  | 100,206              | 58,438           |
| Closing stock  | (99,755)             | (100,206)        |
|  | 451                  | (41,768)         |
| Cost of goods manufactured   | <u>6,790,617</u>     | <u>5,234,837</u> |
| Finished goods   |                      |                  |
| Opening stock  | 436,972              | 204,703          |
| Closing stock  | (558,752)            | (436,972)        |
|  | (121,780)            | (232,269)        |
|  | <u>6,668,837</u>     | <u>5,002,568</u> |



|  | 2023                 | 2022             |
|--|----------------------|------------------|
|  | (RUPEES IN THOUSAND) |                  |
| <b>25.1 Raw materials consumed</b>   |                      |                  |
| Opening stock  | 321,870              | 488,714          |
| Add: Purchased during the year   | 4,474,968            | 3,131,163        |
|  | <u>4,796,838</u>     | <u>3,619,877</u> |
| Less: Closing stock  | (288,868)            | (321,870)        |
|  | <u>4,507,970</u>     | <u>3,298,007</u> |
| <b>25.2</b> Salaries, wages and other benefits include staff retirement gratuity amounting to Rupees 39.879 million (2022: Rupees 30.166 million). |                      |                  |
| <b>25.3</b> These represent rent in respect of short term leases.  |                      |                  |
| <b>26. DISTRIBUTION COST</b>   |                      |                  |
| Salaries and other benefits (Note 26.1)  | 23,798               | 18,698           |
| Outward freight and handling   | 52,259               | 50,627           |
| Commission to selling agents   | 107,594              | 45,542           |
| Travelling and accommodation   | 7,529                | 5,034            |
| Postage and telephone  | 55                   | -                |
| Others   | 1,771                | 1,488            |
|  | <u>193,006</u>       | <u>121,389</u>   |
| <b>26.1</b> Salaries and other benefits include staff retirement gratuity amounting to Rupees 3.045 million (2022: Rupees 0.291 million).          |                      |                  |
| <b>27. ADMINISTRATIVE EXPENSES</b>   |                      |                  |
| Salaries and other benefits (Note 27.1)  | 145,542              | 148,491          |
| Directors' remuneration  | 11,600               | 11,600           |
| Rent, rates and taxes  | 7,870                | 7,275            |
| Legal and professional   | 311                  | 242              |
| Insurance  | 4,831                | 3,940            |
| Travelling and conveyance  | 24,516               | 13,878           |
| Vehicles' running  | 35,469               | 30,275           |
| Entertainment  | 18,712               | 13,586           |
| Auditor's remuneration (Note 27.2)   | 1,360                | 1,360            |
| Advertisement  | 326                  | 161              |
| Postage and telephone  | 11,164               | 8,736            |
| Electricity, gas and water   | 12,925               | 9,976            |
| Printing and stationery  | 4,294                | 3,326            |
| Repair and maintenance   | 8,510                | 9,325            |
| Fee and subscription   | 10,303               | 9,599            |
| Miscellaneous  | 9,281                | 9,627            |
| Amortization (Note 14)   | 1,795                | 1,651            |
| Depreciation (Note 13.1.3)   | 38,738               | 24,296           |
|  | <u>347,547</u>       | <u>307,344</u>   |
| <b>27.1</b> Salaries and other benefits include staff retirement gratuity amounting to Rupees 18.719 million (2022: Rupees 15.101 million).        |                      |                  |

|   | 2023                 | 2022    |
|---|----------------------|---------|
|   | (RUPEES IN THOUSAND) |         |
| <b>27.2 Auditor's remuneration</b>  |                      |         |
| Audit fee   | 1,200                | 1,200   |
| Half yearly review  | 110                  | 110     |
| Other certification   | 50                   | 50      |
|   | 1,360                | 1,360   |
| <b>28. OTHER EXPENSES</b>   |                      |         |
| Donation (Note 28.1)  | 400                  | 200     |
| Workers' profit participation fund  | -                    | 28,821  |
| Trade debts written off   | 50                   | -       |
| Allowance for expected credit loss (Note 19.4)  | 2,986                | 217     |
| Workers welfare fund  | -                    | 7,862   |
| Loans and advances written off  | 748                  | 386     |
| Provision for doubtful loans and advances (Note 20.1)   | 6                    | 45      |
|   | 4,190                | 37,531  |
| <b>28.1</b> Whole of the donation was given to Faisalabad Women Chamber of Commerce and Industry where a director Mrs. Rubina Amjad is President. |                      |         |
| <b>29. OTHER INCOME</b>   |                      |         |
| <b>Income from financial assets</b>   |                      |         |
| Profit on deposits with banks (Note 29.1)   | 1,486                | 62      |
| Reversal of allowance for expected credit losses (Note 19.4)  | 7                    | 630     |
| Bad debts recovered   | 395                  | -       |
| Net exchange gain   | 42,921               | 26,846  |
|   | 44,809               | 27,538  |
| <b>Income from non-financial assets</b>   |                      |         |
| Gain on disposal of property, plant and equipment   | 75                   | 283     |
| Amortization of deferred grant (Note 11.1)  | 141                  | 1,900   |
| Credit balances written back  | 7,314                | -       |
|   | 7,530                | 2,183   |
|   | 52,339               | 29,721  |
| <b>29.1</b> Rate of profit on bank deposits as disclosed in Note 23 ranges from 6.00% to 19.50% (2022: 2.75% to 12.25%) per annum.                |                      |         |
| <b>30. FINANCE COST</b>   |                      |         |
| Mark-up on:   |                      |         |
| Long term financing   | 27,431               | 6,214   |
| Short term borrowings   | 227,386              | 102,847 |
| Fair value adjustment of loans from sponsor director / shareholder (Note 5.3)   | 11,035               | 19,248  |
| Interest on workers' profit participation fund (Note 8.2)   | 3,807                | 1,602   |
| Bank charges and commission   | 14,027               | 10,373  |
| Adjustment due to impact of IFRS 9 on GIDC (Note 11.2)  | 13                   | 605     |
|   | 283,699              | 140,889 |

|   | <b>2023</b>                 | <b>2022</b>      |
|---|-----------------------------|------------------|
|   | <b>(RUPEES IN THOUSAND)</b> |                  |
| <b>31. TAXATION</b>   |                             |                  |
| Charge for the year:  |                             |                  |
| Current (Note 31.1)   | 80,611                      | 122,012          |
| Prior year  | (2,459)                     | (1,038)          |
|   | <u>78,152</u>               | <u>120,974</u>   |
| Deferred  | (109,180)                   | 71,250           |
|   | <u>(31,028)</u>             | <u>192,224</u>   |
| <b>31.1</b> The provision for current taxation represents minimum tax on local sales and final tax on export sales as per Income Tax Ordinance, 2001. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not given in view of unused tax losses of the Company. |                             |                  |
| <b>32. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED</b>  |                             |                  |
| There is no dilutive effect on the basic (loss) / earnings per share which is based on:   |                             |                  |
|   | <b>2023</b>                 | <b>2022</b>      |
| (Loss) / profit for the year (Rupees in thousand)   | (554,070)                   | 323,033          |
| Weighted average number of ordinary shares (Numbers)  | 9 920 000                   | 9 920 000        |
| (Loss) / earnings per share (Rupees)  | (55.85)                     | 32.56            |
|   | <b>2023</b>                 | <b>2022</b>      |
|   | <b>(RUPEES IN THOUSAND)</b> |                  |
| <b>33. CASH (USED IN) / GENERATED FROM OPERATIONS</b>   |                             |                  |
| <b>(Loss) / profit before taxation</b>  | (585,098)                   | 515,257          |
| <b>Adjustments for non-cash charges and other items:</b>  |                             |                  |
| Depreciation  | 147,643                     | 119,354          |
| Amortization  | 1,795                       | 1,651            |
| Gain on disposal of property, plant and equipment   | (75)                        | (283)            |
| Provision for staff retirement gratuity   | 61,643                      | 45,558           |
| Allowance for / (reversal of) expected credit losses - net  | 2,979                       | (413)            |
| Finance cost  | 283,699                     | 140,889          |
| Credit balances written back  | (7,314)                     | -                |
| Amortization of deferred grant  | (141)                       | (1,900)          |
| Provision for workers' profit participation fund  | -                           | 28,821           |
| Loans and advances written off  | 748                         | 386              |
| Provision for doubtful loans and advances   | 6                           | 45               |
| Working capital changes (Note 33.1)   | 23,195                      | (80,213)         |
|   | <u>(70,920)</u>             | <u>769,152</u>   |
| <b>33.1 Working capital changes</b>   |                             |                  |
| (Increase) / decrease in current assets   |                             |                  |
| - Stores, spare parts and loose tools   | (31,647)                    | (23,251)         |
| - Stock-in-trade  | (88,327)                    | (107,193)        |
| - Trade debts   | (1,945)                     | (128,975)        |
| - Loans and advances  | 11,936                      | (7,472)          |
| - Short term deposit and prepayments  | 330                         | 348              |
| - Other receivables   | (255,630)                   | 51,039           |
|   | <u>(365,283)</u>            | <u>(215,504)</u> |
| Increase in trade and other payables  | 388,478                     | 135,291          |
|   | <u>23,195</u>               | <u>(80,213)</u>  |

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

|                                   | 2023                 |                       |                    |           | 2022                 |                       |                    |           |
|-----------------------------------|----------------------|-----------------------|--------------------|-----------|----------------------|-----------------------|--------------------|-----------|
|                                   | Long term financing  | Short term borrowings | Unclaimed dividend | Total     | Long term financing  | Short term borrowings | Unclaimed dividend | Total     |
|                                   | (RUPEES IN THOUSAND) |                       |                    |           | (RUPEES IN THOUSAND) |                       |                    |           |
| Balance as at 01 July             | 335,687              | 729,360               | 2,177              | 1,067,224 | 273,331              | 867,936               | 1,476              | 1,142,743 |
| Long term financing obtained      | -                    | -                     | -                  | -         | 140,000              | -                     | -                  | 140,000   |
| Dividend declared                 | -                    | -                     | 19,840             | 19,840    | -                    | -                     | 17,856             | 17,856    |
| Other changes - non cash movement | (127,389)            | 138,565               | -                  | 11,176    | (2,785)              | -                     | -                  | (2,785)   |
| Short term borrowings - net       | -                    | 571,398               | -                  | 571,398   | -                    | (138,576)             | -                  | (138,576) |
| Repayment of long term financing  | (19,780)             | -                     | -                  | (19,780)  | (74,859)             | -                     | -                  | (74,859)  |
| Dividend paid                     | -                    | -                     | (19,216)           | (19,216)  | -                    | -                     | (17,155)           | (17,155)  |
| Balance as at 30 June             | 188,518              | 1,439,323             | 2,801              | 1,630,642 | 335,687              | 729,360               | 2,177              | 1,067,224 |

34. 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, directors and executives of the Company is as follows:

|                                       | Chief Executive Officer |       | Director |       | Executives |        |
|---------------------------------------|-------------------------|-------|----------|-------|------------|--------|
|                                       | 2023                    | 2022  | 2023     | 2022  | 2023       | 2022   |
|                                       | RUPEES IN THOUSAND      |       |          |       |            |        |
| <b>Managerial remuneration</b>        | 5,455                   | 4,000 | 4,364    | 3,200 | 56,129     | 38,943 |
| <b>Allowances</b>                     |                         |       |          |       |            |        |
| House rent                            | -                       | 1,800 | -        | 1,600 | -          | 5,902  |
| Others                                | 545                     | 200   | 436      | -     | 5,613      | 3,894  |
| <b>Staff retirement gratuity paid</b> | -                       | -     | -        | -     | 5,787      | -      |
|                                       | 6,000                   | 6,000 | 4,800    | 4,800 | 67,529     | 48,739 |
| <b>Number of persons</b>              | 1                       | 1     | 1        | 1     | 24         | 15     |

34.1 Chief Executive Officer, some directors and certain executives are provided with Company maintained vehicles and are entitled to reimbursement of travelling expenses and other utilities.

34.2 During the year, an amount of Rupees 800,000 (2022: Rupees 800,000) was paid to eight directors (2022: eight directors) as meeting fee.

34.3 Apart from the meeting fee, no remuneration was paid to non-executive directors of the Company.

35. NUMBER OF EMPLOYEES

|   | 2023  | 2022  |
|---|-------|-------|
| Number of employees as at 30 June           | 1,232 | 1,440 |
| Average number of employees during the year | 1,294 | 1,356 |

36. TRANSACTIONS WITH RELATED PARTIES

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

| Name                                      | Basis of relationship   | Nature of transactions                    | 2023                 | 2022   |
|---|---|---|----------------------|--------|
|   |   |   | (RUPEES IN THOUSAND) |        |
| <b>Associated company / undertakings:</b> |   |   |                      |        |
| Blue Moon Filling Station                 | Director of the Company is the member of Board of Trustees          | Fuel purchased                            | 6,010                | 4,907  |
| Waqas Spinning Mills (Private) Limited    | Common directorship   | Rental expense                            | 4,088                | 3,300  |
| Ideal Socks                               | Directors of the Company are the members of Board of Trustees       | Rental expense                            | 2,088                | 3,720  |
| <b>Other related parties</b>              |   |   |                      |        |
| Directors and sponsors                    | Members of board of directors, key management personnel and sponsor | Loans obtained from directors/sponsor-net | 247,850              | -      |
|   |   | Rental expense                            | 375                  | -      |
|   |   | Dividend paid                             | 16,577               | 14,921 |

36.1 Detail of compensation to key management personnel comprising of Chief Executive Officer, directors and executives is disclosed in Note 34.

**37. PLANT CAPACITY AND ACTUAL PRODUCTION**

|   |           | <b>2023</b> | <b>2022</b> |
|---|-----------|-------------|-------------|
| <b>Spinning</b>   |           |             |             |
| 100 % plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2022: 1 093 shifts) | (Kgs.)    | 17 788 155  | 17 788 155  |
| 100 % plant capacity converted to 20s count based on 3 shifts per day for 1 093 shifts (2022: 1 093 shifts) | (Kgs.)    | 15 663 224  | 15 785 416  |
| <b>Weaving</b>  |           |             |             |
| 100 % plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2022: 1 095 shifts) | (Sq.Mtr.) | 28 800 830  | 28 800 830  |
| 100 % plant capacity converted to 20s count based on 3 shifts per day for 1 083 shifts (2022: 1 093 shifts) | (Sq.Mtr.) | 22 025 237  | 23 650 321  |

**Socks**

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

**37.1 REASON FOR LOW PRODUCTION**

Under utilization of available capacity for spinning and weaving is mainly due to periodical scheduled maintenance and closure of production facility of weaving segment for some days during the year.

38. SEGMENT INFORMATION

|  | Spinning    |             | Weaving     |             | Socks       |             | Elimination of Inter-segment transactions |             | Total - Company |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|---|-------------|-----------------|-------------|
|  | 2023        | 2022        | 2023        | 2022        | 2023        | 2022        | 2023                                      | 2022        | 2023            | 2022        |
| Revenue from contracts with customers                    |             |             |             |             |             |             |   |             |                 |             |
| External   | 3,985,268   | 3,214,627   | 1,381,065   | 1,584,715   | 1,493,509   | 1,295,915   | -   | -           | 6,859,842       | 6,095,257   |
| Inter segment  | 982,104     | 1,177,248   | -           | -           | 940         | 940         | (982,104)                                 | (1,178,188) | -               | -           |
|  | 4,967,372   | 4,391,875   | 1,381,065   | 1,584,715   | 1,493,509   | 1,296,855   | (982,104)                                 | (1,178,188) | 6,859,842       | 6,095,257   |
| Cost of sales  | (5,099,621) | (3,597,464) | (1,271,077) | (1,436,288) | (1,280,243) | (1,139,904) | 982,104                                   | 1,178,188   | (6,668,837)     | (4,995,548) |
| Gross (loss) / profit                                    | (132,249)   | 794,411     | 109,988     | 148,427     | 213,266     | 156,871     | -   | -           | 191,005         | 1,099,709   |
| Distribution cost  | (19,931)    | (16,377)    | (27,062)    | (27,440)    | (146,013)   | (77,572)    | -   | -           | (193,006)       | (121,389)   |
| Administrative expenses                                  | (179,290)   | (151,917)   | (64,132)    | (52,786)    | (107,125)   | (109,661)   | -   | -           | (347,547)       | (314,364)   |
| Other income   | 8,252       | 2,721       | 11,773      | 11,299      | 32,314      | 15,701      | -   | -           | 52,339          | 29,721      |
| (Loss) / profit before taxation and unallocated expenses | (323,218)   | 628,838     | 33,567      | 79,500      | (7,558)     | (14,661)    | -   | -           | (297,209)       | 693,677     |
| Unallocated expenses                                     |             |             |             |             |             |             |   |             |                 |             |
| Other expenses   |             |             |             |             |             |             |   |             | (4,190)         | (37,531)    |
| Finance cost   |             |             |             |             |             |             |   |             | (283,699)       | (240,889)   |
| Taxation   |             |             |             |             |             |             |   |             | 31,028          | (192,224)   |
| (Loss) / profit after taxation                           |             |             |             |             |             |             |   |             | (554,070)       | (323,033)   |

38.1 Reconciliation of reportable segment assets and liabilities

|  | Spinning  |           | Weaving |         | Socks   |         | Total - Company |           |
|--|-----------|-----------|---------|---------|---------|---------|-----------------|-----------|
|  | 2023      | 2022      | 2023    | 2022    | 2023    | 2022    | 2023            | 2022      |
| Total assets as per statement of financial position      | 2,132,715 | 1,972,520 | 781,443 | 703,665 | 764,687 | 699,387 | 3,678,845       | 3,375,572 |
| Total liabilities for reportable segments                | 1,325,880 | 608,457   | 462,539 | 375,283 | 965,557 | 805,664 | 2,753,976       | 1,789,404 |
| Unallocated liabilities:                                 |           |           |         |         |         |         |                 |           |
| Deferred income tax liability                            |           |           |         |         |         |         | -               | 104,527   |
| Provision for taxation                                   |           |           |         |         |         |         | 120,880         | 122,012   |
| Total liabilities as per statement of financial position |           |           |         |         |         |         | 2,874,856       | 2,015,943 |





**36.2 Geographical information**

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

|                          | Spinning         |                  | Weaving          |                  | Socks            |                  | Total - Company  |                  |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                          | 2023             | 2022             | 2023             | 2022             | 2023             | 2022             | 2023             | 2022             |
| Australia                | -                | -                | -                | -                | 1,109            | -                | 1,109            | -                |
| Belgium                  | -                | -                | 290,493          | 353,345          | 24,294           | -                | 314,787          | 353,345          |
| Canada                   | -                | -                | -                | -                | 5,351            | -                | 5,351            | -                |
| Denmark                  | -                | -                | -                | -                | 192,479          | 146,262          | 192,479          | 146,262          |
| Germany                  | -                | -                | -                | -                | 37,614           | -                | 37,614           | -                |
| Hong Kong                | -                | -                | 10,890           | 27,004           | -                | -                | 10,890           | 27,004           |
| Italy                    | -                | -                | -                | -                | 31,480           | -                | 31,480           | -                |
| Jordan                   | -                | -                | -                | -                | 90,043           | -                | 90,043           | -                |
| Kuwait                   | -                | -                | -                | -                | 11,240           | -                | 11,240           | -                |
| Netherlands              | -                | -                | -                | -                | 96,171           | -                | 96,171           | -                |
| New Zealand              | -                | -                | -                | -                | -                | 2,374            | -                | 2,374            |
| Portugal                 | -                | -                | 317,902          | 196,830          | -                | -                | 317,902          | 196,830          |
| Sweden                   | -                | -                | -                | -                | 13,506           | 50,726           | 13,506           | 50,726           |
| United Arab Emirates     | -                | -                | -                | 27,399           | -                | -                | -                | 27,399           |
| United Kingdom           | -                | -                | -                | -                | 528,316          | 273,234          | 528,316          | 273,234          |
| United States of America | -                | -                | -                | -                | 407,170          | 725,992          | 407,170          | 725,992          |
| Pakistan                 | 3,985,268        | 3,214,627        | 761,780          | 980,137          | 52,736           | 97,327           | 4,799,784        | 4,292,091        |
|                          | <b>3,985,268</b> | <b>3,214,627</b> | <b>1,381,065</b> | <b>1,584,715</b> | <b>1,483,509</b> | <b>1,295,915</b> | <b>6,859,842</b> | <b>6,095,257</b> |

**36.3 Disaggregation of revenue from contracts with customers by major products / service lines**

|   |                  |                  |                  |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Yarn / socks / others                       | 3,969,911        | 3,203,332        | -                | -                | 1,446,955        | 1,199,926        | 5,416,866        | 4,403,258        |
| Waste                                       | 15,357           | 11,295           | -                | -                | 15,597           | 17,581           | 30,954           | 28,876           |
| Sizing Income                               | -                | -                | -                | 3,817            | -                | -                | -                | 3,817            |
| Conversion Income / CMT Income / cloth sale | -                | -                | 1,381,065        | 1,580,898        | 30,957           | 78,408           | 1,412,022        | 1,659,306        |
|   | <b>3,985,268</b> | <b>3,214,627</b> | <b>1,381,065</b> | <b>1,584,715</b> | <b>1,483,509</b> | <b>1,295,915</b> | <b>6,859,842</b> | <b>6,095,257</b> |

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

**38.5** Revenue is recognized at the point in time as per terms and conditions of underlying contracts with customers.

**38.6 Revenue from major customers**

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

**39. FINANCIAL RISK MANAGEMENT**

**39.1 Financial risk factors**

The Company's activities expose it to certain financial risks of market risk (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. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. 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, use of derivative financial instruments and 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 due to 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 various currency exposures, primarily with respect to United States Dollar (USD), Euro and Great Britain Pound (GBP). Currently the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable from the foreign entities. The Company's exposure to currency risk was as follows:

|                     | 2023           | 2022             |
|---------------------|----------------|------------------|
| Trade debts - USD   | 622,745        | 1,247,368        |
| Cash at banks - USD | 31,662         | -                |
|                     | <u>654,407</u> | <u>1,247,368</u> |
| Trade debts - Euro  | 169,323        | 21,949           |
| Trade debts - GBP   | 29,154         | -                |

Following significant exchange rates were applied during the year:

**Rupees per US Dollar**

|                     |        |        |
|---------------------|--------|--------|
| Average rate        | 246.05 | 181.65 |
| Reporting date rate | 286.60 | 205.50 |

**Rupees per Euro**

|                     |        |        |
|---------------------|--------|--------|
| Average rate        | 264.48 | 201.68 |
| Reporting date rate | 313.72 | 215.23 |

**Rupees per GBP**

|                     |        |   |
|---------------------|--------|---|
| Average rate        | 307.04 | - |
| Reporting date rate | 364.77 | - |

**Sensitivity analysis**

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and GBP with all other variables held constant, the impact on (loss) / profit after taxation for the year would have been Rupees 12.440 million lower / higher (2022: Rupees 12.031 million higher / lower), mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

**(ii) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is not exposed to commodity price risk.

**(iii) Interest rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, short term borrowings and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

|                                  | 2023                 | 2022    |
|----------------------------------|----------------------|---------|
|                                  | (RUPEES IN THOUSAND) |         |
| <b>Fixed rate instruments</b>    |                      |         |
| <b>Financial liabilities</b>     |                      |         |
| Long term financing              | -                    | 19,639  |
| Short term borrowings            | 140,000              | 105,000 |
| <b>Floating rate instruments</b> |                      |         |
| <b>Financial assets</b>          |                      |         |
| Bank balances - saving accounts  | 13,760               | 2,460   |
| <b>Financial liabilities</b>     |                      |         |
| Long term financing              | 140,000              | 140,000 |
| Short term borrowings            | 686,970              | 398,422 |

**Fair value sensitivity analysis for fixed rate instruments**

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

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, (loss) / profit after taxation for the year would have been Rupees 8.132 million higher / lower (2022: Rupees 4.990 million lower / higher), mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

**(b) Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

|                    |                |                |
|--------------------|----------------|----------------|
| Loans and advances | 3,159          | 2,179          |
| Deposits           | 1,829          | 1,829          |
| Trade debts        | 367,611        | 368,645        |
| Other receivables  | 4,166          | 260            |
| Bank balances      | 63,439         | 43,141         |
|                    | <u>440,204</u> | <u>416,054</u> |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

The Company attempts to control credit risk by monitoring credit exposures limiting transactions with the specific counterparties and continually assessing the credit worthiness of the counterparties.

The Company's policy is to enter into financial contracts in accordance with the policies and guidelines approved by the management. Credit risk arises from trade debts, bank balances, other receivables, loans, advances and deposits.

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales contracts and credit terms are approved by the senior management and where considered necessary, advance payments are obtained from certain parties. Export sales are usually secured through letters of credit. The management has set a maximum credit period limit for each type of customers in order to reduce the credit risk.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts. Management uses actual historical credit loss experience, credit risk characteristics and past days due, adjusted for forward-looking factors specific to the debtors and the economic environment to determine expected credit loss allowance.

|                                  | Rating     |           |        | 2023                 | 2022   |
|----------------------------------|------------|-----------|--------|----------------------|--------|
|                                  | Short term | Long term | Agency | (RUPEES IN THOUSAND) |        |
| <b>Banks</b>                     |            |           |        |                      |        |
| Habib Metropolitan Bank Limited  | A1+        | AA+       | PACRA  | 4,856                | 9,454  |
| MCB Bank Limited                 | A1+        | AAA       | PACRA  | 563                  | 6,742  |
| Allied Bank Limited              | A1+        | AAA       | PACRA  | 145                  | 279    |
| United Bank Limited              | A-1+       | AAA       | VIS    | 70                   | 306    |
| Faysal Bank Limited              | A1+        | AA        | PACRA  | 39                   | 33     |
| National Bank of Pakistan        | A1+        | AAA       | PACRA  | 400                  | 567    |
| Habib Bank Limited               | A-1+       | AAA       | VIS    | 602                  | 12,233 |
| Askari Bank Limited              | A1+        | AA+       | PACRA  | 2,731                | 217    |
| Bank Alfatah Limited             | A1+        | AA+       | PACRA  | 13,645               | 1,721  |
| Bank Al-Habib Limited            | A1+        | AAA       | PACRA  | 183                  | 80     |
| The Bank of Punjab               | A1+        | AA+       | PACRA  | 28,869               | 1,051  |
| Soneri Bank Limited              | A1+        | AA-       | PACRA  | 376                  | 151    |
| Samba Bank Limited               | A1         | AA        | PACRA  | -                    | 542    |
| AlBaraka Bank (Pakistan) Limited | A-1        | A+        | VIS    | 1,121                | 1,093  |
| Meezan Bank Limited              | A-1+       | AAA       | VIS    | 9,835                | 8,671  |
| BankIslami Pakistan Limited      | A1         | AA-       | PACRA  | 4                    | 1      |
|                                  |            |           |        | 63,439               | 43,141 |

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 19.

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 2023, the Company had Rupees 2,703.030 million (2022: Rupees 2,136.578 million) available borrowing limits from financial institutions and Rupees 70.988 million (2022: Rupees 45.445 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 2023:**

|  | Carrying Amount  | Contractual cash flows | 6 months or less | 6-12 months    | 1-2 years      | More than 2 years |
|--|------------------|------------------------|------------------|----------------|----------------|-------------------|
| <b>RUPEES IN THOUSAND</b>                    |                  |                        |                  |                |                |                   |
| <b>Non-derivative financial liabilities:</b> |                  |                        |                  |                |                |                   |
| Long term financing                          | 188,518          | 283,165                | 34,932           | 32,212         | 106,494        | 89,617            |
| Trade and other payables                     | 852,213          | 852,213                | 852,213          | -              | -              | -                 |
| Unclaimed dividend                           | 2,801            | 2,801                  | 2,801            | -              | -              | -                 |
| Accrued mark-up                              | 46,126           | 46,126                 | 46,126           | -              | -              | -                 |
| Short term borrowings                        | 1,439,323        | 1,513,560              | 1,441,633        | 71,927         | -              | -                 |
|  | <u>2,528,981</u> | <u>2,677,865</u>       | <u>2,377,785</u> | <u>104,139</u> | <u>106,494</u> | <u>89,617</u>     |

**Contractual maturities of financial liabilities as at 30 June 2022:**

|  | Carrying Amount  | Contractual cash flows | 6 months or less | 6-12 months   | 1-2 years     | More than 2 years |
|--|------------------|------------------------|------------------|---------------|---------------|-------------------|
| <b>RUPEES IN THOUSAND</b>                    |                  |                        |                  |               |               |                   |
| <b>Non-derivative financial liabilities:</b> |                  |                        |                  |               |               |                   |
| Long term financing                          | 335,687          | 423,842                | 169,897          | 14,539        | 54,538        | 184,768           |
| Trade and other payables                     | 472,740          | 472,740                | 472,740          | -             | -             | -                 |
| Unclaimed dividend                           | 2,177            | 2,177                  | 2,177            | -             | -             | -                 |
| Accrued mark-up                              | 16,646           | 16,646                 | 16,646           | -             | -             | -                 |
| Short term borrowings                        | 729,360          | 772,992                | 772,992          | -             | -             | -                 |
| <b>Derivative financial liabilities</b>      |                  |                        |                  |               |               |                   |
| Fair value of forward exchange contracts     | 14,539           | 14,539                 | 14,539           | -             | -             | -                 |
|  | <u>1,571,149</u> | <u>1,702,936</u>       | <u>1,449,891</u> | <u>14,539</u> | <u>54,538</u> | <u>184,768</u>    |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up / profit rates effective as at 30 June. The rates of interest / profit / mark-up have been disclosed in Note 5 and Note 10 to these financial statements.

**19.2 Financial Instruments by categories**

|  | 2023<br>(RUPEES IN THOUSAND) | 2022<br>(RUPEES IN THOUSAND) |
|--|------------------------------|------------------------------|
| <b>Assets as per statement of financial position</b> |                              |                              |
| Loans and advances                                   |                              | 3,159                        |
| Deposits   |                              | 1,829                        |
| Trade debts  |                              | 367,611                      |
| Other receivables                                    |                              | 4,166                        |
| Cash and bank balances                               |                              | 70,988                       |
|  |                              | <u>447,753</u>               |
|  |                              | <u>418,358</u>               |

| 2023              | 2022              |       |       |
|-------------------|-------------------|-------|-------|
| At amortized cost | At amortized cost | FVTPL | Total |

|   | 2023             | 2022             | FVTPL         | Total            |
|---|------------------|------------------|---------------|------------------|
| <b>Liabilities as per statement of financial position</b> |                  |                  |               |                  |
| Long term financing                                       | 188,518          | 335,687          | -             | 335,687          |
| Trade and other payables                                  | 852,213          | 472,740          | 14,539        | 487,279          |
| Unclaimed dividend  | 2,801            | 2,177            | -             | 2,177            |
| Accrued mark-up   | 46,126           | 16,646           | -             | 16,646           |
| Short term borrowings                                     | 1,439,323        | 729,360          | -             | 729,360          |
|   | <u>2,528,981</u> | <u>1,556,610</u> | <u>14,539</u> | <u>1,571,149</u> |

**19.3 Reconciliation of financial assets and financial liabilities to the line items presented in the statement of financial position is as follows:**

|  | 2023             |                             |  | 2022             |                             |  |
|--|------------------|-----------------------------|--|------------------|-----------------------------|--|
|  | Financial assets | Other than financial assets | Total as per statement of financial position | Financial assets | Other than financial assets | Total as per statement of financial position |
| <b>Assets as per statement of financial position</b> |                  |                             |  |                  |                             |  |
| Long term loans                                      | 47               | -                           | 47   | 41               | -                           | 41   |
| Long term deposits and prepayments                   | 1,789            | 118                         | 1,907  | 1,789            | 164                         | 1,953  |
| Trade debts  | 367,611          | -                           | 367,611                                      | 368,645          | -                           | 368,645                                      |
| Loans and advances                                   | 3,112            | 17,236                      | 20,348                                       | 2,138            | 30,900                      | 33,038                                       |
| Short term deposit and prepayments                   | 40               | 291                         | 331  | 40               | 621                         | 661  |
| Other receivables                                    | 4,166            | 314,706                     | 318,872                                      | 260              | 62,982                      | 63,242                                       |
| Cash and bank balances                               | 70,988           | -                           | 70,988                                       | 45,445           | -                           | 45,445                                       |
|  | <u>447,753</u>   | <u>332,351</u>              | <u>780,104</u>                               | <u>418,358</u>   | <u>94,667</u>               | <u>513,025</u>                               |

|   | 2023                  |                                  |  | 2022                  |                                  |  |
|---|-----------------------|----------------------------------|--|-----------------------|----------------------------------|--|
|   | Financial liabilities | Other than financial liabilities | Total as per statement of financial position | Financial liabilities | Other than financial liabilities | Total as per statement of financial position |
| <b>Liabilities as per statement of financial position</b> |                       |                                  |  |                       |                                  |  |
| Long term financing                                       | 188,518               | -                                | 188,518                                      | 335,687               | -                                | 335,687                                      |
| Trade and other payables                                  | 852,213               | 82,835                           | 935,048                                      | 487,279               | 95,275                           | 582,554                                      |
| Unclaimed dividend  | 2,801                 | -                                | 2,801  | 2,177                 | -                                | 2,177  |
| Accrued mark-up   | 46,126                | -                                | 46,126                                       | 16,646                | -                                | 16,646                                       |
| Short term borrowings                                     | 1,439,323             | -                                | 1,439,323                                    | 729,360               | -                                | 729,360                                      |
|   | <u>2,528,981</u>      | <u>82,835</u>                    | <u>2,611,816</u>                             | <u>1,571,149</u>      | <u>95,275</u>                    | <u>1,666,424</u>                             |



**39.4 Offsetting financial assets and financial liabilities**

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

**39.5 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 represent long term financing (except subordinated loans) and short term borrowings obtained by the Company as referred to in Note 5 and Note 10 respectively. Equity represents 'total equity' as shown in the statement of financial position and the portion of loan from sponsor director / shareholder which is subordinated to bank borrowings as referred in Note 5.3.1. Total capital employed includes 'total equity' plus 'borrowings'. The Company's strategy remained unchanged from last year.

|                        |                      | 2023             | 2022             |
|------------------------|----------------------|------------------|------------------|
| Borrowings             | (Rupees in thousand) | 1,563,025        | 1,000,231        |
| Total equity           | (Rupees in thousand) | 868,805          | 1,424,445        |
| Total capital employed | (Rupees in thousand) | <u>2,431,830</u> | <u>2,424,676</u> |
| Gearing ratio          | (Percentage)         | <u>64.27</u>     | <u>41.25</u>     |

The increase in gearing ratio resulted primarily from increase in borrowings by the Company.

**40. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS**

Fair value is the amount 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  |
|-----------------------------------|---------|---------|---------|--------|
| RUPEES IN THOUSAND                |         |         |         |        |
| <b>At 30 June 2023</b>            |         |         |         |        |
| <b>Financial liabilities</b>      |         |         |         |        |
| Derivative financial liabilities  | -       | -       | -       | -      |
| <b>At 30 June 2022</b>            |         |         |         |        |
| <b>Financial liabilities</b>      |         |         |         |        |
| Derivative financial liabilities  | -       | 14,539  | -       | 14,539 |

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 year. Further there was no transfer out of level 3 measurements.

**41. RECOGNIZED FAIR VALUE MEASUREMENTS - NON FINANCIAL ASSETS****(i) Fair value hierarchy**

Judgments and estimates are made in determining the fair values of the non-financial assets that are recognized 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 has classified its non-financial assets into the following three levels.

|                        | Level 1 | Level 2 | Level 3 | Total   |
|------------------------|---------|---------|---------|---------|
| RUPEES IN THOUSAND     |         |         |         |         |
| <b>At 30 June 2023</b> |         |         |         |         |
| Freehold land          | -       | 272,072 | -       | 272,072 |
| <b>At 30 June 2022</b> |         |         |         |         |
| Freehold land          | -       | 272,072 | -       | 272,072 |





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.

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

**(II) Valuation techniques used to determine level 2 fair values**

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

**Valuation processes**

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land at least after every three years. The latest valuation of freehold land was performed by Messrs Tristar International Consultant (Private) Limited as at 23 June 2021.

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

**42. CORRESPONDING FIGURES**

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

| PARTICULARS                             | RECLASSIFICATION                        |  | RUPEES IN THOUSAND |
|---|---|--|--------------------|
|   | FROM                                    | TO   |                    |
| Rent, rates and taxes                   | Administrative expenses                 | Cost of sales                              | 7,020              |
| Current portion of deferred liabilities | Current portion of deferred liabilities | Current portion of non-current liabilities | 21,511             |

**43. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 28, 2023 by the Board of Directors of the Company.

**44. GENERAL**

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

  
**ANJAD SAEED**  
 CHIEF EXECUTIVE OFFICER

  
**OMER SAEED**  
 DIRECTOR

  
**MUHAMMAD KASHIF ZAHUR**  
 CHIEF FINANCIAL OFFICER

FORM - 34

THE COMPANIES ACT , 2017  
(Section 227(2)(f))  
PATTERN OF SHAREHOLDING

1.1 Name of the Company **IDEAL SPINNING MILLS LIMITED**2.1 Pattern of holding of the shares held by the shareholders **30-06-2023**

| 2.2 No. of Shareholders | Shareholdings |         | Total Shares Held |
|-------------------------|---------------|---------|-------------------|
|                         | From          | To      |                   |
| 517                     | 1             | 100     | 42,795            |
| 614                     | 101           | 500     | 271,334           |
| 72                      | 501           | 1000    | 67,079            |
| 93                      | 1001          | 5000    | 231,063           |
| 16                      | 5001          | 10000   | 131,250           |
| 4                       | 10001         | 15000   | 49,207            |
| 1                       | 20001         | 25000   | 24,000            |
| 2                       | 40001         | 45000   | 81,000            |
| 1                       | 45001         | 50000   | 50,000            |
| 1                       | 55001         | 60000   | 56,500            |
| 1                       | 60001         | 65000   | 60,176            |
| 1                       | 170001        | 175000  | 175,000           |
| 1                       | 210001        | 215000  | 214,274           |
| 1                       | 225001        | 230000  | 227,000           |
| 1                       | 535001        | 540000  | 535,726           |
| 1                       | 625001        | 630000  | 628,396           |
| 1                       | 880001        | 885000  | 883,000           |
| 1                       | 890001        | 895000  | 890,726           |
| 1                       | 920001        | 925000  | 922,300           |
| 2                       | 930001        | 935000  | 1,865,876         |
| 1                       | 965001        | 970000  | 968,300           |
| 1                       | 1540001       | 1545000 | 1,544,998         |
| <b>1,334</b>            |               |         | <b>9,920,000</b>  |

## Categories of Shareholding

As at June 30, 2023

| Categories of Shareholding   | Numbers     | Shares held    | Percentage (%) |
|--|-------------|----------------|----------------|
| <b>Associated companies, Undertakings and Related Parties</b>                                      |             |                |                |
| NIT and ICP  | 3           | 1000           | 0.01           |
| <b>Directors, Chief Executive &amp; their spouse and Adult Children</b>                            |             |                |                |
| Mr. Muhammad Saeed Sheikh (Chairman)   | 1           | 5000           | 0.05           |
| Mr. Amjad Saeed (Chief Executive)  | 2           | 2080724        | 20.96          |
| Mrs. Rubina Amjad (Director)   | 2           | 1105000        | 11.14          |
| Mr. Umar Saeed (Director)  | 2           | 1110000        | 11.19          |
| Mr. Khizar Saeed (Director)  | 2           | 1857300        | 18.72          |
| Mr. Ahsan Saeed (Director)   | 1           | 1105876        | 11.15          |
| Mr. Muhammad Azhar (Independent Director)  | 1           | 500            | 0.01           |
| Mr. Rizwan-ul-Hassan (Independent Director)  | 1           | 100            | 0.00           |
| <b>Executives</b>  |             |                |                |
| <b>Public Sector Companies and Corporations</b>  |             |                |                |
| Banks, Development Finance Institutions, Non - Banking Finance Institutions, Joint Stock Companies | 5           | 2400           | 0.02           |
| Insurance Companies, Modaraba and Mutual Funds   | 1           | 628396         | 6.33           |
| Individuals  | 1310        | 1961047        | 19.77          |
| Others   | 2           | 62288          | 0.63           |
| <b>Total</b>   | <b>1334</b> | <b>9920000</b> | <b>100.00</b>  |

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

| Name of Shareholder                          | No of Shares held | Percentage |
|--|-------------------|------------|
| Mr. Amjad Saeed                              | 2080724           | 20.96      |
| Mrs. Rubina Amjad                            | 1105000           | 11.14      |
| Mr. Umar Saeed                               | 1110000           | 11.19      |
| Mr. Khizar Saeed                             | 1857300           | 18.72      |
| Mr. Ahsan Saeed                              | 1105876           | 11.15      |
| Ms. Kanwal Saeed                             | 1024800           | 10.33      |
| CDC-TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 628396            | 6.33       |

Statement showing shares bought and sold by directors, CEO, CFO,  
Company secretary and the minor family members  
from 01 July 2022 to 30 June 2023

| S.NO | Name                      | Designation             | Shares bought | Shares sold |
|------|---------------------------|-------------------------|---------------|-------------|
| 1    | Mr. Mohammad Saeed Sheikh | Chairman                | NIL           | NIL         |
| 2    | Mr. Amjad Saeed           | Chief Executive         | NIL           | NIL         |
| 3    | Mrs. Rubina Amjad         | Director                | NIL           | NIL         |
| 4    | Mr. Omer Saeed            | Director                | NIL           | NIL         |
| 5    | Mr. Khizer Saeed          | Director                | NIL           | NIL         |
| 6    | Mr. Ahsan Saeed           | Director                | NIL           | NIL         |
| 7    | Mr. Muhammad Azhar        | Independent Director    | NIL           | NIL         |
| 8    | Mr. Rizwan-ul-Hassan      | Independent Director    | NIL           | NIL         |
| 9    | Mr. Muhammad Kashif Zahur | Chief Financial Officer | NIL           | NIL         |
| 10   | Mr. Muhammad Nadeem       | Company Secretary       | NIL           | NIL         |



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

Dear Sir

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

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

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

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

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

Yours Truly,

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

Complete Address -----

Copy to -----

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



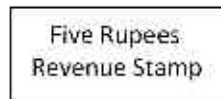


**FORM OF PROXY  
35<sup>th</sup> ANNUAL GENERAL MEETING**

I/We \_\_\_\_\_ S/o/D/o/W/o \_\_\_\_\_  
of \_\_\_\_\_ being a member  
of **IDEAL SPINNING MILLS LIMITED** and holder of \_\_\_\_\_ Ordinary Shares as per Share Register  
Folio No. \_\_\_\_\_ and/or CDC Participant ID No. \_\_\_\_\_ and Account / Sub-account \_\_\_\_\_  
No \_\_\_\_\_ do hereby appoint Mr./Mrs./Miss \_\_\_\_\_  
\_\_\_\_\_ Folio No./CDC No. of \_\_\_\_\_ failing him/her .  
Mr./Mrs./Miss \_\_\_\_\_ Folio No./CDC No. \_\_\_\_\_ of  
\_\_\_\_\_ as my/our proxy to attend, act and vote for me/us on my/our behalf at Annual General  
Meeting of the Company to be held on Saturday, October 28, 2023 at 11.00 a.m at **404 -405, 4<sup>th</sup> Floor  
Business Centre Mumtaz Hassan Road Karachi** and at any adjournment thereof in the same manner  
as I/we myself/ourselves would vote if personally present at such meeting.

Signature of Shareholder  
Folio / CDC A/C NO.

Signature of Proxy



Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023

**WITNESS:**

- |                      |                      |
|----------------------|----------------------|
| 1. Signature -----   | 2. Signature -----   |
| Name -----           | Name -----           |
| Address -----        | Address -----        |
| CNIC No. -----       | CNIC No. -----       |
| or Passport No.----- | or Passport No.----- |

**Notes:**

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



آئیڈیل اسپننگ ملز لمیٹڈ

سکرہ نمبر 405-404 چوٹی منزل بزنس سینٹر ممتاز حسن روڈ، کراچی

پراکسی فارم

35 واں سالانہ اجلاس

میں اہم \_\_\_\_\_  
 آئیڈیل اسپننگ ملز لمیٹڈ کے ممبران رجسٹرڈ فولیو ہیراشرکائی آئی ڈی ای سی ڈی سی سب اکاؤنٹ نمبر \_\_\_\_\_  
 کے مطابق \_\_\_\_\_ عمومی شیئرز رکھتے ہیں۔ بذریعہ ذرا \_\_\_\_\_ یا ان کی عدم موجودگی کی صورت  
 میں \_\_\_\_\_ پراکسی ہر روز \_\_\_\_\_ ہفتہ 28 اکتوبر 2023ء بوقت 11:00 بجے صبح بمقام 404/5 بزنس سینٹر چوٹی منزل،  
 ممتاز حسن روڈ نزد "SBP" کراچی کینٹی کے منعقد ہونے والے اجلاس عام اور اس کے کسی التوا تک میری اہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کا حق دینا دیتے  
 ہیں۔

|             |             |
|-------------|-------------|
| ریجسٹرڈ آفس |             |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |
| ریجسٹرڈ آفس | ریجسٹرڈ آفس |

نوٹس:

- (1) ایک رکن جو اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہے اس کو حق حاصل ہے کہ وہ کسی دوسرے فرد کو بطور پراکسی اپنی جانب سے شرکت کرنے اور ووٹ دینے کیلئے مقرر کرے۔
- (2) اگر کوئی رکن اجلاس عام میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کینٹی کے شیئرز رجسٹرڈ میسرز ایف۔ ڈی رجسٹرڈ سرورس (SMC-PVT) لمیٹڈ 1705، 1706 فلور سائبر ٹریڈ ٹاور A، آئی آئی چندر نگر روڈ کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوا سکتا ہے۔
- (3) CDC اکاؤنٹ ہولڈر/ Corporate Entity / مسترد ہونے والا کے علاوہ کو ووٹوں پر عمل کریں۔
- (a) پراکسی فارم میں وہ گواہان کے دستخط نیز ان کے پتے اور شناختی کارڈ نمبر کا اندراج بھی لازمی ہے۔
- (b) رکن اور پراکسی کی تصدیق شدہ قومی شناختی کارڈ یا پاسپورٹ کی نقل کی فراہمی۔
- (c) پراکسی کیلئے لازم ہے کہ وہ اجلاس کے وقت اصل قومی شناختی کارڈ یا پاسپورٹ تصدیق کیلئے فراہم کرے۔ Corporate Entity کی صورت میں یورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney (بجرا اگر پہلے ہی منع کروادی گئی ہے) پراکسی فارم کے ساتھ کینٹی کے شیئرز رجسٹرڈ کو جمع کروائے۔