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CONTENTS PAGE NO.

COMPANY INFORMATION 2

VISION & MISSION 3

NOTICE OF MEETING 4

CHAIRMAIN'S REVIEW 7-8

DIRECTOR'S REPORT 9-14

STATEMENT OF COMPLIANCE 15

KEY OPERATING AND FINANCIAL DATA 17

REVIEW REPORT 18-19

AUDITOR'S REPORT 20-26

BALANCE SHEET 27

PROFIT AND LOSS ACCOUNT 28

STATEMENT OF COMPREHENSIVE INCOME 29

CASH FLOW STATEMENT 30

STATEMENT OF CHANGES IN EQUITY 31

NOTES TO THE ACCOUNTS 32

PATTREN OF SHAREHOLDINGS 63

REQUEST FOR E-TRANSMISSION OF ANNUAL REPORT 65

PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE 66

PROXY FORM 67

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COMPANY INFORMATION

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

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VISION

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

MISSION

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

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NOTICE OF MEETING

Notice is hereby given that the **30th Annual General Meeting** of the Shareholders of **IDEAL SPINNING MILLS LIMITED** will be held at **Naubahar Restaurant (Family Hall) 1st Floor Shahrah-e-Iraq, Saddar Town, near Passport Office. Karachi** on Saturday, October 27, 2018 at 03:00 p.m. to transact the following business:-

1. To confirm Minutes of the Annual General Meeting held on 28th October, 2017.
2. To receive, consider and adopt the audited accounts of the Company for the year ended on 30th June, 2018 together with the Directors' Report and Auditors' Report thereon.
3. To consider and approve the final cash dividend of 75 paisa per share (7.5%) except for shares held by directors/sponsors and their family, for the year ended June 30, 2018, as recommended by the Board of Directors.
4. To appoint Auditor for the year 2018-2019 and to fix their remuneration. The present auditors M/s. Riaz Ahmed & Co., Chartered Accountants, retire and being eligible have offered themselves for reappointment.
5. To transact any other business with the permission of the chair.

By order of the Board

MUHAMMAD NADEEM
Company Secretary

Karachi
Dated: October 2, 2018

NOTES:

1. The Share Transfer Books of the Company will remain closed from **20th October 2018 to 31st October 2018 (both days inclusive).** Transferred received at the Share Registrar office M/s. F.D Registrar Services (SMC-Pvt) Ltd, 17th Floor Saima Trade Tower -A I.I Chudrigar Road Karachi 74000 at the close business on **19th October 2018** be treated in time..

2. 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 under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For Attending the Meeting:-

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity card (CNIC) or original Passport at the time of attending the meeting.
ii) In case of Corporate entity, the Board of Directors resolution of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
ii) The proxy form shall be witnessed by two persons whose names, address and CNIC Numbers shall be mentioned on the form.
iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

C: Zakat Declaration Certificate

3. Members who desire for non-deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law (if not submitted earlier).

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SPECIAL NOTES TO THE SHAREHOLDERS:

D: Submission of CNIC Copy (MANDATORY)

4. Pursuant to the directives of the Securities & Exchange Commission of Pakistan, CNIC number is mandatory required to be Submitted and updated. Shareholders are therefore requested to submit copy of theirvalid CNIC (only Physical Shareholders) if not provided earlier to the M/s. F.D Registrar Services (SMC-Pvt) Ltd (The ShareRegistrar). The CorporateEntities are requested to provide their National Tax Number (NTN).

   Please quote Folio Number with the copy of CNIC/NTN details. In case of non-receipt of valid CNIC the Company would beunable to comply with SRO 831(I)/2012 dated July 5, 2012 of SECP read with SRO 19(1)/2014 dated January 10, 2014 . Please note that no dividend will be payable unless CNIC number is updated with the Share Registrar, failure to provide the same would constrained the Company to withhold the payment of dividend warrants.

E. PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE (MANDATORY)

5. Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by theentitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Dividend Mandate Form available on Company's website i.e. http://www.idealsm.com and sendit duly signed along with a copy of CNIC to the Registrar of the Company M/s. F.D Registrar Services (SMC) –Pvt) Ltd 17th Floor, Saima Trade Tower-A I.IChundrigar Road, Karachi duringworking hours.Ph: 0092-21-35478192-93 Fax: 0092-21-32621233 Email: fdregistrar@yahoo.com in case of physical shares. In case shares are held in CDC then Dividend Mandate Form must be submitted directly to shareholder'sbroker participant/CDC account services.

In case of non-submission of an IBAN, the Company will withhold the payment of dividends under Companies (Distribution of Dividends) Regulations, 2017.

F. Change of Address and quote folio No. in correspondence

6. 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.

G. Unclaimed Dividends And Shares (Important & Mandatory)

7. Shareholders of the Company are hereby informed that as per the record, there are some unclaimed/ uncollected /unpaiddividends and shares. Shareholders who could not collect their dividends/shares are advisedto contact our Share Registrar M/s. F.D Registrar Services (SMC)–Pvt) Ltd 17th Floor, Saima Trade Tower-A I.IChundrigar Road, Karachi during working hours.Ph: 0092-21-35478192-93 Fax: 0092-21-32621233 Email: fdregistrar@yahoo.comto collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, of three(3) years or more from the date due and payable, shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the Securities & Exchange Commissionof Pakistan (SECP).

H. Circulation of Annual Financial Statements through Email

8. SECP through its Notification SRO 787(I)/2014 dated September 8, 2014, has allowed the circulation of Audited Financial Statements along with the Notice of Annual General Meeting to the shareholders of the Companythrough email. Therefore, shareholders who wish to receive the soft copy of Annual Report are requested to send their email address. The consent form for electronic transmission can be downloaded from theCompany's website. The Company shall, however, continue to provide hard copy of the Audited Financial Statements to its shareholders, on request, free of cost, within seven days of receipt of such request.

I. Placement of Financial Accounts on Website

9. Pursuant to the notification of the SECP (SRO 634(I)/2014) dated: 10th July 2014 the financial statements of the Companyhave been placed on Company's website at www.idealsm.com

J. Deduction of Withholding Tax on the amount of dividend (Mandatory):

10. Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income TaxOrdinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. Tax rates are as under:

    i. For filers of income tax returns: 15%
    ii. For non-filers of income tax returns: 20%

    To enable the Company to make tax deduction on the amount of the cash dividend @ 15% instead of 20.0% all the shareholders whose names are not entered into the Active Tax Payers List (ATL) provided on the website of FBR despite the fact that they are filers, are advised to make sure their names are entered into ATL. Otherwise tax on the cash dividend will be deducted @ 20.0% instead of 15%. For shareholders holding their shares jointly as per the clarification issued by the Federal Board of Revenue withholding tax will be determined separately on 'Filer, Non-filer' status of Principle shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principle shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar in writing as follows:

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Folio / CDC Ac. No.	Name of Shareholder	# of shares (Proportion)	CNIC No. (valid copy attached)	Signature

• The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or our Share Registrar M/s. F.D Registrar Services (SMC) –Pvt) Ltd. The shareholders while sending NTN or NTN certificate, as the case may be, must quote company name and their respective folio numbers.

K. E-VOTING

11. Pursuant to SECP S.R.O. No. 43(I)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment by the Intermediary as a Proxy.

L: For Video Conference:

12. Further to SECP Circular No. 10 of 2014 dated 21st May, 2014 clause 1(b) "The Company may provide video conference facility to its members for attending the general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members:

Provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of meeting the company shall arrange video conference facility in that city subject to availability of such facility in that city".

The company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

Consent form for Video Conference Facility

I/We, _____ of _____, being a member of the Ideal Spinning Mills Limited, holder of _____ Ordinary Share(s) as per Register CDC/ Folio no. _____ hereby opt for video conference facility at _____.

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CHAIRMAN'S REVIEW

FOR THE YEAR ENDED JUNE 30, 2018.

On behalf of the Board of Directors I am pleased to present performance of the company for the year ended 30th June 2018:

Textile Industry of Pakistan remained under pressure due to all time high Dollar parity which further inflated cost of inputs, highest Cotton Prices ever, higher energy cost, non release of Refunds and drawbacks under textile package.

PERFORMANCE REVIEW:

By the Grace Almighty ALLAH, despite above factors, operational performance of the company was admirable and achieved production targets with exceptional Quality. In the year under review your company increasedexports of yarn, fabric and socks.

Financial performance of the company was also very good. Company achieved gross margin of 9.87% as compared to 4.15%.Earnings per share increased to Rs.0.53 from a loss of Rs.11.83 per share. After Tax Profits of Rs.5.219 million with 23.4 % increase in revenue.

FURTHER EXPANSION

With Almighty ALLAH' blessingsmanagement planed further CAPEX to Increase Production Capacity by installing 4000 new Spindles with modern compact system and Auto cone machines. For which LCs have been established and some major machinery has arrived on Karachi Port and construction of the building for this project is almost complete and ready for installation of Machinery. This Expansion project is entirely financed through company sources and Directors' Equity.

FUTURE OUTLOOK

By the Grace of Almighty ALLAH above stated facts give a promising outlook, therefore management of the Company foresees profitability for the coming years if other factor remain positive.

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

Lastly, I would also like to thank our shareholder for their continued support and trust in the company.

For and on behalf of the Board of Directors.

Muhammad Saeed
Chairman

Faisalabad
October 02, 2018

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چیئرمین کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے سال 30 جون 2018 کے اختتام پر کمپنی کی کارکردگی کو فروغ دینے میں خوش ہوں:

پاکستان کی ٹیکسٹائل انڈسٹری شدید دباو میں رہی، جس کی وجہ سے ڈالر کی شرح میں بے پناہ اضافہ، کپاس، توانائی کی قیمتوں میں اضافہ اور ٹیکس ریفنڈ (Refund) کی عدم وصولی ہے۔

کارکردگی کا جائزہ۔

بفضل الٰہی مندرجہ بالا عوامل کے باوجود کمپنی کی آپریشنل کارکردگی قابل قدر تھی اور غیر معمولی معیار کے ساتھ پیداوار کے اہداف حاصل کیے گے۔ اس سال میں آپ کی کمپنی نے دھاگے، کپڑے اور جرابوں کی برآمدات میں اضافہ کیا۔ کمپنی کی مالی کارکردگی بھی بہت اچھی تھی۔ کمپنی نے گراس مارجن 9.87 فیصد حاصل کیا۔ جو کہ پچھلے سال 4.15 فیصد تھی آمدنی فی حصص 0.53 روپے ہے جو کہ پچھلے سال 11.83 کا نقصان فی حصص تھا۔ آمدنی میں 23.4 فیصد کا اضافہ ہوا۔ 5.219 ملین کا ٹیکس کے بعد خالص منافع ہوا۔

پروجیکٹ میں توسیع۔

اللہ تعالی کی برکتوں کے ساتھ جدید کمپیکٹ سسٹم اور آٹومیٹک مشینوں کے ساتھ 4000 نئے سپنڈلز نصب کر کے مزید CAPEX کا منصوبہ بنایا۔ جس کے لیے ایل سی قائم کی گئی ہیں اور کچھ اہم مشنیری کراچی پورٹ پہنچے گی ہیں اور اس منصوبے کے لیے عمارت کی تعمیر تقریبا مکمل اور مشینری کی تنصیب کے لیے تیار ہے۔ یہ توسیع پروجیکٹ مکمل طور پر کمپنی کے ذرائع اور ڈائریکٹرز کے ایکوئٹی کے ذریعہ فنڈ کئے گئے ہیں۔

مستقبل کی آواز۔

اللہ تعالی کے فضل سے مندرجہ بالا حقائق واضح کرتے ہیں کہ کمپنی کے آنے والے سالوں کے لیے منافع بخش ہوں گے۔ اگر دوسرے عوامل مثبت رہیں۔

ڈائریکٹرز اپنے بینکرز اور مالیاتی ادارے کے تعاون سے فراہم کرنے کا شکریہ ادا کرتی ہے۔ بورڈ نے ملازمتوں اور انتظام کے ذریعہ فراہم کی جانے والے وقف کردہ خدمات کی بھی تعریف کی ہے۔ جو کمپنی کے اہداف اور مقاصد کی طرف سے مثبت کردار ادا کرتی ہیں۔

آخر میں، میں اپنے شیئر ہولڈر کو کمپنی میں ان کی مسلسل حمایت اور اعتماد کے لیے شکریہ ادا کرنا چاہتا ہوں۔

بورڈ آف ڈائریکٹرز کی جانب سے

Muhammad Saeed

محمد سعید

چیئرمین

02 اکتوبر 2018ء

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors feel pleasure in submitting audited financial statements of your Company for the year ended 30th June 2018.

FINANCIAL RESULTS	30.06. 2018	30.06.2017
	(RUPEES IN THOUSAND)	
Revenue	2,718,918	2,202,691
Cost of sales	(2,450,575)	(2,111,282)
Gross profit	268,343	91,409
Distribution cost	(28,502)	(27,360)
Administrative expenses	(116,730)	(102,002)
Other expenses	(1,277)	(567)
Other income	6,421	3,654
Finance cost	(104,073)	(79,696)
Loss before taxation	24,182	(114,562)
Taxation	(18,963)	(2,776)
Profit/Loss after taxation	5,219	(117,338)
Earning /Loss per share-basic and diluted (Rupees)	0.53	(11.83)

By the Blessings of Almighty your company achieved Revenue growth of 23%, After Tax Profit of Rs.5.2 Million as compared to loss of Rs. 117.3 Million which is 104% more from last year. Your management is confident for further improved results of company in future.

Chairman's Review:

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

OUTSTANDING STATUTORY PAYMENTS

All outstanding payments are nominal and routine nature.

RETIREMENT BENEFITS FUNDS

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

AUDITORS

The present auditor M/S RIAZ AHMAD & CO. Chartered Accountants, being eligible offered themselves for re-appointment for the year 2018-2019.

PATERN OF SHAREHOLDING

Pattern of shareholding as on 30 June, 2018 is annexed.

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RELATED PARTY TRANSACTIONS

All transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable un-controlled price method. The company has complied with best practices on transfer pricing as contained in listing regulations of Stock Exchanges of Pakistan.

Board Changes:
No changes on the board during the year.

NO. OF BOARD MEETING HELD

During the year under review (4) meetings of Board of Directors held. Attendance by each director is appended here under:

Name of Directors	Attendance
Mr. Muhammad Saeed	4
Mr. Amjad Saeed	4
Mrs. Rubina Amjad	4
Mr. Omer Saeed	4
Mr. Ahsan Saeed	4
Mr. Khizer Saeed	4
Mr. Muhammad Asif	4

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

AUDIT COMMITTEE

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

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

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

APPROPRIATIONS:

The Board of Directors recommended Final Cash Dividend of 75 paisas (7.5%) for its shareholders.

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

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CORPORATE AND FINANCIAL REPORTING FRAME WORK

In compliance with listing regulations of stock exchange and as required under the Companies Act, 2017. Your directors are pleased to state as under:

1. The financial statements prepared by the management of your company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.
5. There is no doubt upon the company's ability to continue as a going concern.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
7. Key operating and financial data of last six years in summarized form is annexed.

ACKNOWLEDGEMENT

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

On behalf of the Board

(Amjad Saeed)
Chief Executive Officer

Faisalabad
October 02, 2018

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شیئر ہولڈرز کیلئے ڈائریکٹر کی رپورٹ

آپ کے ڈائریکٹرز 30 جون 2018 کی آڈٹ شدہ فنانشل سٹیٹمنٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی نتائج	30-06-2017	30-06-2018
ریونیو	2,202,691	2,718,918
کاسٹ آف سیل	(2,111,282)	(2,450,575)
گراس منافع	91,409	268,343
ڈسٹری بیوشن اخراجات	(27,360)	(28,502)
انتظامی اخراجات	(102,002)	(116,730)
متفرق اخراجات	(567)	(1,277)
دیگر آمدن	3,654	6,421
فنانشل اخراجات	(79,696)	(104,073)
ٹیکس کے بغیر (نقصان)/منافع	(114,562)	24,182
ٹیکس	(2,776)	(18,963)
خالص نفع/(نقصان) ٹیکس کے بعد	(117,338)	5,219
کمائی/نقصان فی حصص	(11.83)	0.53

اللہ تعالی کی مہربانی سے آپ کی کمپنی کے محاصل میں 23% اضافہ ہوا۔ ٹیکس کے بعد 5.2 ملین روپے کا خالص منافع ہوا۔ جو کہ پچھلے سال میں 117.3 ملین کا خسارہ تھا۔ آپکی کمپنی کی انتظامیہ مستقبل میں مزید بہتر نتائج کیلئے پُر امید ہے۔

چیئرمین کی جائزہ رپوٹ۔

ڈائریکٹرز کمپنی کی کارکردگی پر چیئرمین کی جائزہ رپورٹ کی تائید کرتے ہیں۔

آوٹ سٹینڈنگ سٹیچوٹری۔

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

ریٹائرمنٹ پینشن فنڈز۔

کمپنی اپنے ملازمین کے لیے اَن فنڈز گریجوٹی سکیم چلا رہی ہے۔ جو فنانشل سٹیٹمنٹ سے بھی ظاہر ہے

آڈیٹرز۔

موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی چارٹرڈ اکاونٹنٹس جو اس کام کے اہل ہیں نے دوبارہ خود کو 2018-2019 کے لیے آڈیٹر کے لیے پیش کیا۔

شیئر ہولڈنگ کی ترتیب۔

شیئر ہولڈنگ کی ترتیب بمطابق 30 جون 2018 لف ہے۔

متعلقہ پارٹی ٹرائزکشن۔

متعلقہ پارٹیوں سے تمام ٹرائزکشن میں قیمتوں کا تعین قابلِ تقابل ان کنٹرولڈ پرائس طریقہ کار کے تحت کیا گیا۔ کمپنی نے لسٹنگ ریگولیشنز آف سٹاک ایکسچینج آف پاکستان کی تدوین شدہ بیسٹ پریکٹسز آف ٹرانسفر پرائسنگ پر عمل کیا۔

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منعقد ہونے والی بورڈ میٹنگز کی تعداد۔

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

ڈائریکٹر کا نام	حاضری
مسٹر محمد سعید	04
مسٹر امجد سعید	04
مسز روبینہ امجد	04
مسٹر عمر سعید	04
مسٹر احسن سعید	04
مسٹر خضر سعید	04
مسٹر محمد آصف	04

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

آڈٹ کمیٹی۔

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

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

افرادی قوت اور معاوضہ کمیٹی۔

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

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

اپروپریشن (appropriations)

بورڈ آف ڈائریکٹرز نے 75 پیسہ فی شیئر ڈیوڈنڈ (dividend) کی تجویز دی ہے۔

کارپوریٹ گورننس۔

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

کارپوریٹ اور فنانشل رپورٹنگ کا فریم ورک۔

لسٹنگ ریگولیشنز آف سٹاک ایکسچینج کی تعمیل اور کمپنیز ایکٹ 2017 کے تحت آپ کے ڈائریکٹرز کو مندرجہ ذیل بیان دیتے ہوئے خوشی محسوس ہو رہی ہے۔

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

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

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

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

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

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

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

اعتراضات۔

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

بورڈ آف ڈائریکٹرز کی جانب سے

امجد سعید

چیف ایگزیکٹو آفیسر

فیصل آباد

02 اکتوبر 2018

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Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017
For the year ended 30 June 2018

Ideal Spinning Mills Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017 ("the Regulations") in the following manner:

1. The total number of directors are seven as per the following.
   a. Male: Six
   b. Female: One

2. The composition of the Board of Directors ("the Board") is as follows:

Category	Name
Executive Directors	Mr. Amjad Saeed
	Mr. Omer Saeed
Non-Executive Directors	Mr. Muhammad Saeed
	Mrs. Rubina Amjad
	Mrs. Ahsan Saeed
	Mrs. Khizer Saeed
	Mr. Muhammad Asif

   There is no independent director in the Board of Directors of the Company. However, the Company shall include an independent director in its Board of Directors in the next financial year.

3. Directors have confirmed that none of them is serving as a Director on more than five 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board of Directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

9. Three of the directors have already attended directors' training program while other two directors are exempt from training in accordance with the provisions of the regulations.

10. The Board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. The Company has not appointed Chief Financial Officer during the year due to non availability of suitable person for the post. However, the Company shall appoint Chief Financial Officer in the next financial year.

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11. CEO and acting CFO 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. Ahsan Saeed	(Chairman)
Mr. Muhammad Saeed	(Member)
Mr. Muhammad Asif	(Member)

b) HR and Remuneration Committee

Mr. Ahsan Saeed	(Chairman)
Mr. Muhammad 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 were as per following:

a) Audit Committee: Four meetings during the financial year ended 30 June 2018

b) HR and Remuneration Committee: One meeting was held during the financial year ended 30 June 2018

15. The Board has set up an effective internal audit function that 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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 other requirements of the Regulations have been complied with.

MUHAMMAD SAEED
Chairman

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KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS

PARTICULARS	2018	2017	2016	2015	2014	2013
			(Rupees in Millions)			
FINANCIAL POSITION						
Paid up capital	99.200	99.200	99.200	99.200	99.200	99.200
Fixed assets at cost	1,970.104	1,725.353	1,487.173	1293.655	1190.969	1,131.876
Fixed assets (Lease) at cost	-	-	-	-	-	-
Accumulated depreciation	882.118	810.784	787.983	727.884	666.864	616.867
Current assets	707.269	567.733	516.494	445.661	431.919	362.242
Current liabilities	888.029	710.435	579.177	459.719	425.248	364.785
INCOME						
Sales	2,718.918	2,202.691	2,378.758	2,368.403	2,282.646	1,981.874
Other income	6.421	3.654	1.416	0.724	0.387	1.436
Pre tax Profit/ (loss)	5.219	(114.562)	(110.704)	-49.237	16.722	44.723
Taxation	(18.963)	(2.776)	44.876	14.150	(12.540)	(13.969)
STATISTICS AND RATIOS						
Pre tax profit/ (loss) to sales %	0.89	(5.200)	(4.650)	(2.08)	0.73	2.26
Pre tax profit/ (loss) to capital %	24.37	(115.486)	(111.590)	(49.63)	16.86	45.08
Current ratio	1:.80	1:.80	1:.89	1:.97	1:1.02	1:0.99
Paid up value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Earnings after tax per share (Rs.)	0.53	(11.828)	(6.640)	-3.54	0.42	3.10
Cash dividend %	-	-	-	-	-	-
Break up value per share (Rs.)	50.92	40.950	30.780	27.27	26.08	25.92

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Riaz Ahmad & Company
Chartered Accountants

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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, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Ideal Spinning Mills Limited ("the Company") for the year ended 30 June 2018 in accordance with the requirements of Regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

A member of Nexia International

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Riaz Ahmad & Company
Chartered Accountants

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference	Description
2	There is no independent director on the Board of Directors of the Company.
10	Company has not appointed Chief Financial Officer during the year.
11	As Chief Financial Officer (CFO) is not appointed, therefore, acting CFO endorsed the financial statements before approval of Board of Directors.
12	Independent director is not appointed either as Chairman or as a member of the Audit Committee.
12	Independent director is not appointed as a member of HR and Remuneration Committee.

RIAZ AHMAD & COMPANY
Chartered Accountants

Faisalabad

Date:

2

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INDEPENDENT AUDITOR'S REPORT

To the members ofIdeal 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 2018, 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 2018 and of the profit, 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.

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Following are the key audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1.	**Inventory existence and valuation** Inventories as at 30 June 2018 amounting to Rupees 364.444 million represented a material position in the statement of financial position, break up of which is as follows: - Stores, spare parts and loose tools of Rupees 41.158 million - Stock-in-trade of Rupees 323.286 million The business is characterized by high volume serial production and the valuation and existence of inventories are significant to the business. Therefore, considered as one of the key audit matters. Inventories are stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in Note 2.6 to the financial statements. At year end, the valuation of inventories is reviewed by management and the cost of inventories is reduced where it is forecasted to be sold below cost. Usable stores, spare parts and loose tools are valued at moving average cost, raw materials are valued at weighted average cost whereas,	Our procedures over existence and valuation of inventory included, but were not limited to: • 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. • For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets. • We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded invoice. • 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. • In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents. • We also made inquiries frommanagement,

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costing of work-in-process and finished goods is considered to carry more significant risk as the cost of material, labor and manufacturing overheads is allocated on the basis ofcomplex formulas and involves management judgment.

The determination of whether inventories will be realized for a value less than cost requires management to exercise judgment and apply assumptions. Management undertake the following procedures for determining the level of write down required:

- Use inventory ageing reports together with historical trends to estimate the likely future salability of slow moving and older inventory items.

- Perform a line-by-line analysis of remaining inventories to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized, if required.

For further information on inventories, refer to the following:

- Summary of significant accounting policies, Inventories (Note 2.6 to the financial statements).

- Stores, spare parts and loose tools (Note 16) and Stock-in-trade (Note 17) to the financial statements.

- including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.

We also assessed the adequacy of the disclosures made in respect of the accounting policies and related notes to the financial statements.

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2.	**Revenue recognition** The Company generates revenue from sale of goods to domestic as well as export customers. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period. For further information on revenue recognition, refer to the following: - Summary of significant accounting policies, Revenue recognition (Note 2.18 to the financial statements). - Revenue (Note 23 to the financial statements).	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • We obtained an understanding of and assessed the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period. • We assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards. • We performed audit measures that included comparing sales transactions recognized at the turn of the financial period to documentation supporting revenue recognition, analysis of nominal ledger entries to identify uncommon entries and comparing outstanding sales receivables at the turn of the financial period with payment transactions.
3.	**Preparation of financial statements under the Companies Act, 2017** The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.	Our procedures included, but were not limited to: • We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. • We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.

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In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act. For further information, refer to Note 2.1(b) to the financial statements.	• We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.

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 of the Company 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

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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 is 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.

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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 requirementsregarding independence, and to communicate with them all relationships and other matters that may reasonablybe 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;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Liaqat Ali Panwar.

RIAZ AHMAD &COMPANY
Chartered Accountants
Riaz Ahmad & Co.

Faisalabad
Date: October 02, 2018.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTE	2018	2017 Restated	2016 Restated
		(RUPEES IN THOUSAND)		
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
20 000 000 (2017: 20 000 000) ordinary shares of Rupees 10 each		200,000	200,000	200,000
Issued, subscribed and paid up share capital				
9 920 000 (2017: 9 920 000) ordinary shares of Rupees 10 each fully paid in cash		99,200	99,200	99,200
Sponsors' loans	3	241,800	161,800	-
Capital reserves				
Equity portion of shareholders' loans	4	121,209	121,209	66,497
Surplus on revaluation of freehold land	5	100,577	85,166	85,166
(Accumulated loss) / unappropriated profit		(57,608)	(61,147)	54,505
Total equity		505,178	406,228	305,368
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term financing	6	341,816	483,573	327,485
Deferred income tax liability	7	3,278	-	-
Staff retirement gratuity	8	62,187	50,666	44,708
		407,281	534,239	372,193
CURRENT LIABILITIES				
Trade and other payables	9	224,691	190,119	153,267
Unclaimed dividend		464	485	485
Accrued mark-up	10	13,561	12,974	7,992
Short term borrowings	11	425,447	403,313	358,735
Current portion of long term financing	6	208,769	101,304	42,584
Provision for taxation		15,097	2,240	16,114
		888,029	710,435	579,177
TOTAL LIABILITIES		1,295,310	1,244,674	951,370
CONTINGENCIES AND COMMITMENTS	12			
TOTAL EQUITY AND LIABILITIES		1,800,488	1,650,902	1,256,738

	NOTE	2018	2017	2016
		(RUPEES IN THOUSAND)		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	13	1,091,300	1,080,988	738,281
Long term loans	14	97	273	153
Long term deposits and prepayments	15	1,822	1,908	1,810
		1,093,219	1,083,169	740,244
CURRENT ASSETS				
Stores, spare parts and loose tools	16	41,158	29,970	32,352
Stock-in-trade	17	323,286	307,780	250,087
Trade debts	18	110,003	59,195	122,300
Loans and advances	19	83,971	70,836	49,099
Short term deposit and prepayments	20	419	369	145
Other receivables	21	142,049	90,917	32,596
Cash and bank balances	22	6,383	8,666	29,915
		707,269	567,733	516,494
TOTAL ASSETS		1,800,488	1,650,902	1,256,738

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

ADEEL AHMED SHAHID
CHIEF FINANCIAL OFFICER
(ACTING)

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STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018	2017
		(RUPEES IN THOUSAND)	
REVENUE	23	2,718,918	2,202,691
COST OF SALES	24	(2,450,575)	(2,111,282)
GROSS PROFIT		268,343	91,409
DISTRIBUTION COST	25	(28,502)	(27,360)
ADMINISTRATIVE EXPENSES	26	(116,730)	(102,002)
OTHER EXPENSES	27	(1,277)	(567)
OTHER INCOME	28	6,421	3,654
FINANCE COST	29	(104,073)	(79,696)
PROFIT / (LOSS) BEFORE TAXATION		24,182	(114,562)
TAXATION	30	(18,963)	(2,776)
PROFIT / (LOSS) AFTER TAXATION		5,219	(117,338)
EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED (RUPEES)	31	0.53	(11.83)

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

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	(RUPEES IN THOUSAND)	
PROFIT / (LOSS) AFTER TAXATION	5,219	(117,338)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Experience adjustment on staff retirement gratuity	(2,268)	2,342
Deferred income tax related to experience adjustment	588	(656)
	(1,680)	1,686
Surplus on revaluation of freehold land	15,411	-
	13,731	1,686
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year - net of deferred income tax	13,731	1,686
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	18,950	(115,652)

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

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OMER SAEED
DIRECTOR

ADEEL AHMED SHAHID
CHIEF FINANCIAL OFFICER
(ACTING)

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	SHARE CAPITAL	SPONSORS' LOANS	RESERVES				TOTAL RESERVES	TOTAL EQUITY
			CAPITAL RESERVES			UNAPPROPRIATED PROFIT/ (ACCUMULATED LOSS)		
			Equity portion of shareholders' loan	Surplus on revaluation of freehold land	Sub total			
	RUPEES IN THOUSAND							
Balance as at 30 June 2016	99,200	-	66,497	-	66,497	54,505	121,002	220,202
Impact of restatement - Note 2.2.1		-	-	85,166	85,166		85,166	85,166
Balance as at 30 June 2016 - restated	99,200	-	66,497	85,166	151,663	54,505	206,168	305,368
Loss for the year	-	-	-	-	-	(117,338)	(117,338)	(117,338)
Other comprehensive income for the year	-	-	-	-	-	1,686	1,686	1,686
Total comprehensive loss for the year	-	-	-	-	-	(115,652)	(115,652)	(115,652)
Sponsors' loans received during the year	-	161,800	-	-	-	-	-	161,800
Equity portion of shareholder's loan	-	-	54,712	-	54,712	-	54,712	54,712
Balance as at 30 June 2017 - restated	99,200	161,800	121,209	85,166	206,375	(61,147)	145,228	406,228
Profit for the year	-	-	-	-	-	5,219	5,219	5,219
Other comprehensive income / (loss) for the year	-	-	-	15,411	15,411	(1,680)	13,731	13,731
Total comprehensive income for the year	-	-	-	15,411	15,411	3,539	18,950	18,950
Sponsors' loans received during the year	-	80,000	-	-	-	-	-	80,000
Balance as at 30 June 2018	99,200	241,800	121,209	100,577	221,786	(57,608)	164,178	505,178

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

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018	2017
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	151,454	26,322
Finance cost paid		(65,736)	(51,254)
Income tax paid		(20,288)	(32,538)
Staff retirement gratuity paid		(11,652)	(12,685)
Net decrease / (increase) in long term loans		176	(120)
Net decrease / (increase) in long term deposits and prepayments		86	(98)
Net cash generated from / (used in) operating activities		54,040	(70,373)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(94,750)	(414,784)
Proceeds from disposal of property, plant and equipment		8,356	6,905
Net cash used in investing activities		(86,394)	(407,879)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		-	294,324
Repayment of long term financing		(72,042)	(43,699)
Sponsors' loans obtained		80,000	161,800
Dividend paid		(21)	-
Short term borrowings - net		22,134	44,578
Net cash from financing activities		30,071	457,003
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,283)	(21,249)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		8,666	29,915
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 22)		6,383	8,666

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

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OMER SAEED
DIRECTOR

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. THE COMPANY AND ITS OPERATIONS

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

Geographical location and addresses of all business units of the Company are as follows:

Address	Manufacturing unit / office
Head Office	1088, Jail Road, Faisalabad
Spinning and Weaving Units	32-KM Sheikhupura Road, Tehsil Jaranwala, District Faisalabad
Socks Unit	Bawa Chak Seim Nala, Nalka Kohala, Sargodha Road, Faisalabad
Socks Unit	22-KM Ferozepur Road, Gajumata Rohi Nala, Marium Park, Lahore
Regional Office	506-D, 5th Floor, City Tower, 6-K, Main Boulevard, Gulberg-II, Lahore

1.1 Summary of significant transactions and events affecting the Company's financial position and performance

a) Due to applicability of the Companies Act, 2017 to the financial statements of the Company, some of the amounts reported for the previous period have been reclassified and restated. For detailed information please refer to Note 2.1(b) and Note 2.2.1.

b) For a detailed discussion about the Company's performance please refer to the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with 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) Preparation of financial statements under the Companies Act, 2017

The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for preparation of these financial statements. The Companies Act, 2017 (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Change in accounting policy of surplus on revaluation of freehold land (Note 2.2.1) and additional disclosures include but are not limited to, particulars of immovable assets of the Company (Note 13.1.4), disclosure of export sales debtors (Note 18.1), management's assessment of sufficiency of tax provision in the financial statements (Note 30.3), change in threshold for identification of executives (Note 34), additional disclosure requirements for related parties (Note 36) etc.

c) Accounting convention

These financial statements have been prepared under the historical cost convention, except for the recognition of staff retirement gratuity at present value and freehold land which is carried at its fair value.

d) Critical accounting estimates and judgments

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

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Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Taxation

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

Provision for doubtful debts

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

Staff retirement gratuity

Certain actuarial assumptions have been adopted as disclosed in Note 8 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.

e) 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 2017:

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

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on the Company's financial statements.

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

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

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

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

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2018 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

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

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the Solely Payments of Principal and Interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

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

IAS 19 (Amendments), 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period, and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

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

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

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 - 2017 Cycle, incorporating amendments to four IFRSs more specifically is IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs', relevant to the Company. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the IASB issued a revised Conceptual Framework. The new Framework reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits - this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS and does not override any standard, so nothing will change in short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRSs. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

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

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2018 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. 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.

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Valuations are performed frequently enough to ensure that the fair value of a 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 they are incurred.

2.2.1 Change in accounting policy

The specific provision in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of IAS 16, 'Property, Plant and Equipment', surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of freehold land stands amended as follows:

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.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarized below:

	As at 30 June 2017			As at 30 June 2016		
	As previously reported	As restated	Restatement	As previously reported	As restated	Restatement
	(RUPEES IN THOUSAND)					
Effect on statement of financial position						
Surplus on revaluation of freehold land	85,166	-	(85,166)	85,166	-	(85,166)
Share capital and reserves	-	85,166	85,166	-	85,166	85,166
Effect on statement of changes in equity						
Surplus on revaluation of freehold land	-	85,166	85,166	-	85,166	85,166

There was no impact on statement of profit or loss, on statement of comprehensive income and on statement of cash flows as a result of the retrospective application of change in accounting policy.

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 disposal when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is de-recognized.

2.3 Impairment

a) Financial assets

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

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

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

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b) Non-financial assets

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

2.4 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

2.5 Borrowing cost

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset.

2.6 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. In transit stores, spare parts and loose tools are valued at invoice amount plus other charges paid thereon.

Stock-in-trade

Cost of raw materials, work-in-process and finished goods is determined as follows:

(i) For raw materials:	Weighted average cost.
(ii) For work-in-process and finished goods:	Average manufacturing cost including a portion of production overheads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock is valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make a sale.

2.7 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.

2.8 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. Latest actuarial valuation has been carried on 30 June 2018. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of the benefit, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in Note 8.3 to these financial statements.

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

2.9 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.10 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.

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Deferred

Deferred tax is recognized using the liability method in respect of all temporary 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.

2.11 Dividend and other appropriations

Dividend to the shareholders is recognized 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.

2.12 Financial instruments

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

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

2.13 Borrowings

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

2.14 Trade and other receivables

Trade debts and other receivables are recognized and carried at transaction price less an allowance for impairment. A provision for impairment of trade receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognized in the statement of profit or loss. Bad debts are written off in the statement of profit or loss on identification.

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realization of these receivables, management considers, among other factors, the credit worthiness and the past collection history of each customer.

2.15 Trade and other payables

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

2.16 Offsetting

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

2.17 Foreign currencies

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

2.18 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers. Related Government grant is recognized when there is reasonable assurance that the Company will comply with the conditions attached to it and grant will be received.

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- Sizing and conversion income is recognized on dispatch of goods.

- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates of profit applicable thereon.

2.19 Segment reporting

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

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

The Company has three reportable business segments: Spinning (Producing different quality of yarn using natural and artificial fibres), 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.

		2018	2017
		(RUPEES IN THOUSAND)	
3.	**SPONSORS' LOANS**		
	Balance as at 01 July	161,800	-
	Loans obtained during the year	80,000	161,800
	Balance as at 30 June	241,800	161,800
3.1	These loans are interest free and payable at the discretion of the Company.		
4.	**EQUITY PORTION OF SHAREHOLDERS' LOANS**		
	Balance as at 01 July	121,209	66,497
	Gain on recognition of shareholders' loans at fair value	-	54,712
	Balance as at 30 June	121,209	121,209
5.	**SURPLUS ON REVALUATION OF FREEHOLD LAND**		
	Balance as at 01 July	85,166	85,166
	Surplus arised on revaluation of freehold land during the year	15,411	-
	Balance as at 30 June	100,577	85,166
6.	**LONG TERM FINANCING**		
	Secured		
	From banking companies (Note 6.1)	297,471	369,513
	Unsecured		
	From sponsor directors / shareholders (Note 6.2)	253,114	215,364
		550,585	584,877
	Less: Current portion shown under current liabilities	208,769	101,304
		341,816	483,573

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6.1 From banking companies

LENDER	2018	2017	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	(RUPEES IN THOUSAND)						
The Bank of Punjab	21,473	42,947	3 Month KIBOR + 2%	Sixteen equal quarterly installments commenced on 30 June 2015 and ending on 31 March 2019.	Quarterly	Quarterly	First joint pari passu charge for Rupees 570 million over present and future fixed assets of the Company including land, building and machinery out of total first joint pari passu charge for Rupees 1,018 million. Second charge over specific plant and machinery of the Company for Rupees 20 million and personal guarantee of the Chief Executive Officer of the Company.
The Bank of Punjab	179,216	191,163	3 Month KIBOR + 2%	Sixteen equal quarterly installments commenced on 30 December 2017 and ending on 10 September 2021.	Quarterly	Quarterly	First joint pari passu charge for Rupees 267 million on all present and future current assets of the Company along with the personal guarantee of the Chief Executive Officer of the Company.
Bank Alfalah Limited	42,671	67,055	3 Month KIBOR + 2%	Sixteen equal quarterly installments commenced on 29 June 2016 and ending on 29 March 2020.	Quarterly	Quarterly	First joint pari passu charge over fixed assets of the Company for Rupees 268 million with the personal guarantee of Chief Executive Officer and one Director of the Company.
Bank Alfalah Limited	19,810	25,470	3 Month KIBOR + 2%	Twenty equal quarterly installments commenced on 28 February 2017 and ending on 28 November 2021.	Quarterly	Quarterly	
Bank Alfalah Limited	34,301	42,878	6 Month KIBOR + 2%	Twenty equal quarterly installments commenced on 19 August 2017 and ending on 18 May 2022.	Half yearly	Quarterly	
	297,471	369,513					

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		2018	2017
		(RUPEES IN THOUSAND)	
6.2	**From sponsor directors / shareholders**		
	Opening balance	215,364	246,616
	Add: Fair value adjustment (Note 29)	37,750	23,460
	Less: Gain on recognition of shareholders' loans at fair value	-	54,712
	Closing balance	253,114	215,364

6.2.1 These represent unsecured interest free loans obtained from sponsor directors / shareholders of the Company. The loan of Rupees 203.565 million which is repayable in one bullet installment on 30 June 2021. Remaining loan of Rupees 95.000 million is repayable in one bullet installment on 30 June 2019. These loans along with the sponsors' loan shown in Note 3 are subordinated to bank borrowings amounting to Rupees 306.616. Fair value of these loans were estimated at the present value of future cash flows discounted at effective rates ranging from 8.05% to 9.01% (2017 : 8.05% to 9.01%) per annum.

7. DEFERRED INCOME TAX LIABILITY

Taxable temporary difference		
Difference in tax and accounting bases of operating fixed assets	116,098	111,077
Deductable temporary differences		
Staff retirement gratuity	(16,132)	(14,191)
Unused tax losses	(64,582)	(84,018)
Minimum tax	(32,106)	(19,903)
	(112,820)	(118,112)
Deferred income tax liability / (asset)	3,278	(7,035)
Deferred income tax asset not recognized	-	7,035
	3,278	-

8. STAFF RETIREMENT GRATUITY

Opening balance	50,666	44,708
Provision for the year (Note 8.2)	20,905	20,985
Retirement benefit paid	(11,652)	(12,685)
Experience adjustment recognized in other comprehensive income - net	2,268	(2,342)
Closing balance	62,187	50,666

8.1 Movement in the net liability recognized

Opening balance	50,666	44,708
Add: Provision for the year (Note 8.2)	20,905	20,985
Experience adjustment recognized in other comprehensive income - net	2,268	(2,342)
	73,839	63,351
Less: Paid during the year	11,652	12,685
	62,187	50,666

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		2018	2017
		(RUPEES IN THOUSAND)	
8.2	**Provision for the year**		
	Current service cost	17,430	18,204
	Interest cost	3,475	2,781
		20,905	20,985

		2018	2017
8.3	**Principal actuarial assumptions used**		
	Discount rate for interest cost in profit or loss charge (per annum)	7.75%	7.25%
	Discount rate for year end obligation (per annum)	9.00%	7.75%
	Expected rate of increase in salary (per annum)	8.00%	6.75%
	Average duration of the benefit	6	6
	Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
	Withdrawal rate	Age based	Age based

8.4 The estimated expenses to be charged to the statement of profit or loss for the year ending on 30 June 2019 is Rupees 24.737 million.

8.5 Sensitivity analysis for actuarial assumptions:

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

Discount rate	1.00%	1.00%
Increase in assumption (Rupees in thousand)	(3,645)	(2,938)
Decrease in assumption (Rupees in thousand)	4,147	3,349
Future salary increase	1.00%	1.00%
Increase in assumption (Rupees in thousand)	4,341	3,512
Decrease in assumption (Rupees in thousand)	(3,891)	(3,143)

8.6 Amounts for the current and previous four years:

	2018	2017	2016	2015	2014
	RUPEES IN THOUSAND				
Present value of defined benefit obligation	62,187	50,666	44,708	27,126	18,907
Experience adjustment on obligation	2,268	(2,342)	5,967	-	3,509

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit plans to significant actuarial assumptions, the same method (present value of the defined benefit plan calculated with the projected unit credit method at the end of the reporting period) has been applied 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 8.3.

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8.7 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 in calculated on the final salary (which will closely reflect inflation and other macro economic 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.

	2018	2017
	(RUPEES IN THOUSAND)	
9. TRADE AND OTHER PAYABLES		
Creditors (Note 9.1)	126,616	125,510
Accrued liabilities	67,445	44,788
Advances from customers (Note 9.2)	19,253	15,990
Income tax deducted at source	3,168	2,262
Sales tax deducted at source	6,936	1,569
Workers' profit participation fund (Note 9.3)	1,273	-
	224,691	190,119

9.1 These include amounts due from following related parties:

Blue Moon Filling Station	10,401	8,734
Ideal Socks	3,014	4,048
Waqas Spinning Mills (Private) Limited	-	284
	13,415	13,066

9.2 These included an amount of Rupees Nil (2017: Rupees 3.608 million) due to a related party, Waqas Spinning Mills Limited .

9.3 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Worker's Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

10. ACCRUED MARK-UP

Long term financing	4,626	4,050
Short term borrowings	8,935	8,924
	13,561	12,974

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		2018	2017
		(RUPEES IN THOUSAND)	
11.	**SHORT TERM BORROWINGS**		
	From banking companies - secured		
	Cash finances (Note 11.1 and 11.4)	71,642	216,491
	Running finances (Note 11.2 and 11.4)	130,485	63,188
	Other short term finances (Note 11.3 and 11.4)	119,020	119,134
		321,147	398,813
	Others - unsecured		
	Other related parties (Note 11.5)	104,300	4,500
		425,447	403,313

11.1 These form part of total credit facility of Rupees 450 million (2017: Rupees 600 million). Rates of mark-up range from 8.14% to 8.43% (2017: 7.54% to 8.12%) per annum.

11.2 These form part of total credit facility of Rupees 185 million (2017: Rupees 145 million). Rates of mark-up range from 7.64% to 8.47% (2017: 7.54% to 8.35%) per annum.

11.3 These form part of total credit facility of Rupees 345 million (2017: Rupees 335 million). Rates of mark-up range from 7.63% to 9.27% (2017: 7.54% to 9.12%) per annum.

11.4 These finances are secured against joint pari passu charge over fixed and current assets, pledge of stocks and lien on import / export documents. These are further secured by the personal guarantee of the directors of the Company.

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

12. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) Guarantees of Rupees 26.839 million (2017: Rupees 23.918 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and to Faisalabad Electric Supply Company Limited against electricity connection.

ii) The Company is contingently liable for Rupees 2.812 million (2017: Rupees 2.812 million) on account of Sindh infrastructure cess not acknowledged in view of pending appeal before appellate authorities since 07 July 2014. The related provision is not made in these financial statements in view of expected favourable outcome of the appeal.

iii) The Company is contingently liable for Rupees 4.953 million (2017: Rupees Nil) on account of appeal against cost of supply of Re-Gasified Liquefied Natural Gas (RLNG) by SNGPL on 09 April 2018. The related provision is not made in these financial statements in view of favourable outcome of the appeal.

iv) An appeal was filed by the Company on 29 December 2017 before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue (Appeal) for the sales tax demand of Rupees 1.768 million (2017: Rupees Nil). No provision has been made in these financial statements in view of favourable outcome of the appeal.

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v) The Honorable Sindh High Court in the case of 'Kasim Textile' in its order of 07 May 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, no tax is payable by a company due to assessed losses, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Company is not entitled to carry forward minimum tax of Rupees 10 million. However, the management is of the view that the verdict has been challenged in the Honorable Supreme Court of Pakistan and that they are confident of favorable final outcome based on legal advice.

vi) The Company has not charged further tax under section 3 (1A) of the Sales Tax Act, 1990 on supplies made to unregistered persons amounting to Rupees 3.480 million. The Company filed a Writ Petition No. 81165/2017 dated 19 October 2017 before the Honorable Lahore High Court, Lahore against the recovery of further tax and it is expected to be decided in the favor of the Company.

vii) The Company has challenged, before Honorable Lahore High Court, Lahore, the provisions of SRO 491(1)/2016 dated 30 June 2016 issued under section 8(1)(b) of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(1) / 2011 dated 31 December 2011, claim of input sales tax in respect of packing material has been disallowed. The Company filed a Writ Petition No. 96551/2017 dated 03 November 2017 before the Honorable Lahore High Court, Lahore. Consequently, the Company has accounted for input sales tax amounting to Rupees 4.791 million paid on such items as receivable balance. The Company is confident on positive outcome of the appeal, on the advice of legal counsel.

b) Commitments

i) Letters of credit for capital expenditure are of Rupees 24.526 million (2017: Rupees Nil).

ii) Letters of credit other than for capital expenditure are of Rupees 29.355 million (2017: Rupees 4.969 million).

		2018	2017
		(RUPEES IN THOUSAND)	
13.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating fixed assets (Note 13.1)	1,087,986	914,570
	Capital work-in-progress (Note 13.2)	3,314	166,418
		1,091,300	1,080,988

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13.1 OPERATING FIXED ASSETS

	Freehold land	Buildings on freehold land	Plant and machinery	Stand-by equipment	Electric installations	Factory equipment	Office equipment	Computers	Electric appliances	Furniture and fixtures	Vehicles	Total
	RUPEES IN THOUSAND											
At 30 June 2016												
Cost / revalued amount	114,909	158,597	1,054,437	43,506	47,319	7,102	1,653	5,638	5,646	1,349	47,017	1,487,173
Accumulated depreciation	-	(100,032)	(598,347)	(23,604)	(27,017)	(4,708)	(1,057)	(5,190)	(3,107)	(957)	(23,964)	(787,983)
Net book value	114,909	58,565	456,090	19,902	20,302	2,394	596	448	2,539	392	23,053	699,190
Year ended 30 June 2017												
Opening net book value	114,909	58,565	456,090	19,902	20,302	2,394	596	448	2,539	392	23,053	699,190
Additions	-	755	261,911	-	13,430	-	-	60	243	705	10,352	287,456
Disposals:												
Cost	-	-	(44,332)	-	-	-	-	-	-	-	(4,944)	(49,276)
Accumulated depreciation	-	-	39,185	-	-	-	-	-	-	-	3,491	42,676
	-	-	(5,147)	-	-	-	-	-	-	-	(1,453)	(6,600)
Depreciation charge	-	(2,942)	(51,609)	(1,990)	(1,817)	(240)	(60)	(136)	(801)	(47)	(5,834)	(65,476)
Closing net book value	114,909	56,378	661,245	17,912	31,915	2,154	536	372	1,981	1,050	26,118	914,570
At 30 June 2017												
Cost / revalued amount	114,909	159,352	1,272,016	43,506	60,749	7,102	1,653	5,698	5,889	2,054	52,425	1,725,353
Accumulated depreciation	-	(102,974)	(610,771)	(25,594)	(28,834)	(4,948)	(1,117)	(5,326)	(3,908)	(1,004)	(26,307)	(810,783)
Net book value	114,909	56,378	661,245	17,912	31,915	2,154	536	372	1,981	1,050	26,118	914,570
Year ended 30 June 2018												
Opening net book value	114,909	56,378	661,245	17,912	31,915	2,154	536	372	1,981	1,050	26,118	914,570
Additions	-	88,633	155,247		3,797	104			626	23	9,424	257,854
Effect of surplus on revaluation	15,411	-	-	-	-	-	-	-	-	-	-	15,411
Disposals:												
Cost	-	-	(20,607)	-	-	-	-	-	-	-	(7,907)	(28,514)
Accumulated depreciation	-	-	15,666	-	-	-	-	-	-	-	4,646	20,312
	-	-	(4,941)	-	-	-	-	-	-	-	(3,261)	(8,202)
Depreciation charge	-	(3,207)	(76,218)	(1,791)	(3,483)	(221)	(54)	(112)	(242)	(99)	(6,220)	(91,647)
Closing net book value	130,320	141,804	735,333	16,121	32,229	2,037	482	260	2,365	974	26,061	1,087,986
At 30 June 2018												
Cost / revalued amount	130,320	247,985	1,406,656	43,506	64,546	7,206	1,653	5,698	6,515	2,077	53,942	1,970,104
Accumulated depreciation	-	(106,181)	(671,323)	(27,385)	(32,317)	(5,169)	(1,171)	(5,438)	(4,150)	(1,103)	(27,881)	(882,118)
Net book value	130,320	141,804	735,333	16,121	32,229	2,037	482	260	2,365	974	26,061	1,087,986
Annual rate of depreciation (%)	-	5	10	10	10	10	10	30	10	10	20	

13.1.1 Freehold land of the Company was revalued as at 08 December 2017 by Hamid Mukhtar and Company (Private) Limited, an independent valuer using market value method. Previously the revaluation was carried out on 30 June 2016 by an independent valuer. The book value of freehold land is Rupees 29.743 million (2017: Rupees 29.743 million)

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13.1.2 Forced sales value of freehold land is Rupees 104.256 million as at 30 June 2018.

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

	2018	2017
	(RUPEES IN THOUSAND)	
Cost of sales (Note 24)	84,599	59,399
Administrative expenses (Note 26)	7,048	6,077
	91,647	65,477

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

Particulars	Location	Area	Covered area
		Acres	Sq. Ft.
Manufacturing facility	32-KM Shiekhupura Road, Faisalabad	20.499	366 313
Head office (Note 13.1.5)	1088, Jail Road, Faisalabad	0.250	7 619

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 **Detail of operating fixed assets, exceeding the book value of Rupees 500,000 disposed of during the year is as follows:**

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	(Loss) / Gain	Mode of disposal	Particulars of purchasers
	Nos	(RUPEES IN THOUSAND)						
Plant and machinery								
Reiter Drawing Frame RSB D-40	1	4,761	3,142	1,619	1,600	(19)	Negotiation	Nafeesa Textiles Limited, Lahore
Reiter Drawing Frame RSB D-45	1	4,611	2,092	2,519	2,600	81	Negotiation	Nafeesa Textiles Limited, Lahore
Howa Complete Ring Frame	3	8,426	7,824	602	642	40	Negotiation	Imran Rafique, Rasool Pura, Faisalabad
		17,798	13,058	4,740	4,842	102		
Vehicle								
Mercedes Benz CLA 200		7,907	4,646	3,261	3,300	39	Negotiation	S A Gardens, Kala Shah Kaku, Lahore
Other item of property, plant and equipment with individual book value not exceeding Rupees 500,000		2,809	2,608	201	214	13		
		28,514	20,312	8,202	8,356	154		

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		2018	2017
		(RUPEES IN THOUSAND)	
13.2	**Capital work-in-progress**		
	Buildings on freehold land	422	46,145
	Plant and machinery	2,828	107,675
	Advance against plant and machinery	-	10,000
	Advances against vehicles	64	2,598
		3,314	166,418
14.	**LONG TERM LOANS**		
	Considered good - secured:		
	Other employees	650	843
	Less: Current portion shown under current assets (Note 19)	553	570
		97	273

14.1 Comparative figures have been amended because as per the definition of executive in accordance with the Companies Act, 2017, no more executive has taken long term loans.

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

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

15.	**LONG TERM DEPOSITS AND PREPAYMENTS**		
	Security deposits	1,789	1,789
	Prepayments	175	428
		1,964	2,217
	Less: Current portion shown under current assets (Note 20)	142	309
		1,822	1,908
16.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores (Note 16.1)	16,957	12,339
	Spare parts (Note 16.2)	24,004	17,340
	Loose tools	197	291
		41,158	29,970

16.1 These include store in transit of Rupees Nil (2017: Rupees 0.723 million).

16.2 These include spare parts in transit of Rupees 2.015 million (2017: Rupees Nil).

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		2018	2017
		(RUPEES IN THOUSAND)	
17.	**STOCK-IN-TRADE**		
	Raw materials (Note 17.1)	180,619	170,238
	Work-in-process (Note 17.2)	33,204	20,110
	Finished goods	108,240	116,413
	Waste	1,223	1,019
		323,286	307,780

17.1 Raw materials include stock in transit of Rupees 7.742 million (2017: Rupees 7.165 million).

17.2 This includes stock of Rupees Nil (2017: Rupees 4.000 million) sent to outside parties for conversion.

18. TRADE DEBTS

Considered good:		
Secured against letter of credit	21,457	6,781
Unsecured	88,546	52,414
	110,003	59,195

18.1 Disclosure in respect of outstanding export debtors along with type of arrangements are as follows:

Name of the country	2018				2017			
	Type of arrangements				Type of arrangements			
	Confirmed letters of credit	Cash against documents	Contract	Total	Confirmed letters of credit	Cash against documents	Contract	Total
	RUPEES IN THOUSAND							
United States of America	7,761	10,702	15,534	33,997	6,781	-	16,085	22,866
Belgium	3,469	-	-	3,469	-	-	-	-
Canada	-	2,302	-	2,302	-	-	-	-
Denmark	-	1,024	-	1,024	-	-	-	-
Hong Kong	10,227	-	476	10,703	-	-	-	-
United Kingdom	-	7,388	-	7,388	-	-	-	-
	21,457	21,416	16,010	58,883	6,781	-	16,085	22,866

18.2 As at 30 June 2018, trade debts due from other than related parties amounting to Rupees 73.255 million (2017: Rupees 38.700 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:

	2018	2017
	(RUPEES IN THOUSAND)	
Upto 1 month	36,505	14,358
1 to 6 months	20,388	11,441
More than 6 months	16,362	12,901
	73,255	38,700

18.3 During the year, trade debts of Rupees 0.004 million (2017: Rupees 0.020 million) were impaired and written off. The ageing of these trade debts were more than three years. These trade debts do not include amounts due from related parties.

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		2018	2017
		(RUPEES IN THOUSAND)	
19.	**LOANS AND ADVANCES**		
	Considered good:		
	Employees - interest free		
	– Executives	678	-
	– Other employees:		
	Against expenses	118	-
	Against salary	2,546	2,578
		2,664	2,578
		3,342	2,578
	Current portion of long term loans (Note 14)	553	570
	Advances to suppliers / contractors	13,032	21,814
	Letters of credit	3,855	733
	Income tax	63,189	45,141
		83,971	70,836
20.	**SHORT TERM DEPOSIT AND PREPAYMENTS**		
	Deposit	40	40
	Prepayments	237	20
	Current portion of long term deposits and prepayments (Note 15)	142	309
		419	369
21.	**OTHER RECEIVABLES**		
	Considered good:		
	Sales tax refundable	112,283	85,766
	Export rebate and duty drawback	29,766	5,151
		142,049	90,917
22.	**CASH AND BANK BALANCES**		
	With banks:		
	On current accounts	4,665	6,783
	On PLS saving accounts	13	40
		4,678	6,823
	Cash in hand	1,705	1,843
		6,383	8,666
23.	**REVENUE**		
	Local sales (Note 23.1)	2,269,090	1,978,645
	Export sales	420,466	218,812
	Export rebate and duty drawback	29,362	5,234
		2,718,918	2,202,691

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		2018	2017
		(RUPEES IN THOUSAND)	
23.1	**Local sales**		
	Yarn	1,702,000	1,560,820
	Waste	18,316	17,639
	Sizing income	21,264	17,240
	Conversion income / cloth sale	506,683	347,898
	Viscose / tencel / cotton	21,293	34,210
	Others	42	838
		2,269,598	1,978,645
	Less: Sales tax	508	-
		2,269,090	1,978,645
24.	**COST OF SALES**		
	Raw materials consumed (Note 24.1)	1,503,306	1,342,413
	Cost of raw materials sold	22,649	36,626
	Salaries, wages and other benefits (Note 24.2)	310,026	252,962
	Stores, spare parts and loose tools consumed	82,510	66,243
	Packing materials consumed	58,247	42,619
	Sizing materials consumed	31,073	29,703
	Outside processing / conversion and other charges	33,455	16,233
	Repair and maintenance	4,389	2,484
	Fuel and power	321,302	267,937
	Insurance	3,732	3,243
	Other factory overheads	412	337
	Depreciation (Note 13.1.3)	84,599	59,399
		2,455,700	2,120,199
	Work-in-process		
	Opening stock	20,110	19,719
	Closing stock	(33,204)	(20,110)
		(13,094)	(391)
	Cost of goods manufactured	2,442,606	2,119,808
	Finished goods		
	Opening stock	117,432	108,906
	Closing stock	(109,463)	(117,432)
		7,969	(8,526)
		2,450,575	2,111,282
24.1	**Raw materials consumed**		
	Opening stock	170,238	121,462
	Add: Purchased during the year	1,513,687	1,391,189
		1,683,925	1,512,651
	Less: Closing stock	(180,619)	(170,238)
		1,503,306	1,342,413

24.2 Salaries, wages and other benefits include staff retirement gratuity amounting to Rupees 12.922 million (2017: Rupees 12.792 million).

25.	**DISTRIBUTION COST**		
	Salaries and other benefits (Note 25.1)	4,619	4,950
	Outward freight and handling	13,264	8,095
	Commission to selling agents	8,293	11,940
	Travelling and accommodation	10	8
	Postage and telephone	94	114
	Fee and subscription	1,813	2,068
	Entertainment	1	2
	Printing and stationery	5	2
	Others	403	181
		28,502	27,360

25.1 Salaries and other benefits include staff retirement gratuity amounting to Rupees 0.280 million (2017: Rupees 0.448 million).

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		2018	2017
		(RUPEES IN THOUSAND)	
26.	**ADMINISTRATIVE EXPENSES**		
	Salaries and other benefits (Note 26.1)	60,525	54,783
	Directors' remuneration	3,100	3,100
	Rent, rates and taxes (Note 26.2)	4,001	1,950
	Legal and professional	1,325	379
	Insurance	1,400	1,259
	Travelling and conveyance	4,677	5,056
	Vehicles' running	11,529	9,335
	Entertainment	6,974	4,248
	Auditors' remuneration (Note 26.3)	660	600
	Advertisement	89	98
	Postage and telephone	4,398	3,684
	Electricity, gas and water	3,479	2,442
	Printing and stationery	2,096	2,017
	Repair and maintenance	515	896
	Fee and subscription	3,799	2,358
	Miscellaneous	1,115	3,719
	Depreciation (Note 13.1.3)	7,048	6,077
		116,730	102,002

26.1 Salaries and other benefits include staff retirement gratuity of Rupees 7.703 million (2017: Rupees 7.745 million).

26.2 These include penalty (default surcharge) paid to tax authorities amounting to Rupees 0.223 million (2017: Rupees Nil)

26.3 Auditors' remuneration

Audit fee	550	500
Half yearly review	100	100
Other certification	10	-
	660	600

27. OTHER EXPENSES

Trade debts written off	4	20
Net exchange loss	-	119
Donations	-	428
Workers' profit participation fund	1,273	-
	1,277	567

28. OTHER INCOME

Income from financial assets		
Profit on deposits with banks (Note 28.1)	2	-
Net exchange gain	6,265	-
	6,267	-
Income from non-financial assets		
Gain on disposal of property, plant and equipment	154	305
Credit balances written back	-	3,349
	154	3,654
	6,421	3,654

28.1 Rate of profit on bank deposits as disclosed in Note 22, ranges from 2.16% to 2.48% per annum.

29. FINANCE COST

Mark-up on:		
Long term financing	27,848	17,426
Short term borrowings	33,058	32,564
Fair value adjustment of loans from sponsor directors / shareholders (Note 6.2)	37,750	23,460
Bank charges and commission	5,417	6,246
	104,073	79,696

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		2018	2017
		(RUPEES IN THOUSAND)	
30.	**TAXATION**		
	Charge for the year:		
	Current (Note 30.1)	17,337	2,240
	Prior year adjustment	(2,240)	1,192
		15,097	3,432
	Deferred	3,866	(656)
		18,963	2,776

30.1 Provision for current taxation represents the tax deducted against export sales and minimum tax on local sales under the relevant provisions of the Income Tax Ordinance, 2001. Tax losses including unabsorbed depreciation available as at 30 June 2018 are Rupees 222.697 million (2017: Rupees 280.060 million). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented in view of accumulated losses.

30.2 Under Section 5A of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate of 5% of accounting profit before tax of the Company if it does not distribute at least 20% of its after tax profit for the year within six months of the end of the year ended 30 June 2018 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on_____ and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

30.3 The Company computes tax based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

	Financial years		
	2016-17	2015-16	2014-15
	----------RUPEES IN THOUSAND----------		
Provision for taxation	2,240	16,114	14,139
Tax assessed	-	17,306	14,160

31. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the earnings / (loss) per share which is based on:

		2018	2017
Profit / (loss) for the year	(Rupees in thousand)	5,219	(117,338)
Weighted average number of ordinary shares	(Numbers)	9 920 000	9 920 000
Earnings / (loss) per share	(Rupees)	0.53	(11.83)

		2018	2017
		(RUPEES IN THOUSAND)	
32.	**CASH GENERATED FROM OPERATIONS**		
	Profit / (loss) before taxation	24,182	(114,562)
	Adjustment for non-cash charges and other items:		
	Depreciation	91,647	65,477
	Gain on disposal of property, plant and equipment	(154)	(305)
	Provision for staff retirement gratuity	20,905	20,985
	Finance cost	104,073	79,696
	Trade debts written off	4	20
	Credit balances written back	-	(3,349)
	Working capital changes (Note 32.1)	(89,203)	(21,640)
		151,454	26,322

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	2018	2017
	(RUPEES IN THOUSAND)	

32.1 Working capital changes

(increase) / decrease in current assets		
- Stores, spare parts and loose tools	(11,188)	2,382
- Stock-in-trade	(15,506)	(57,693)
- Trade debts	(50,812)	63,244
- Loans and advances	4,913	(6,506)
- Short term deposit and prepayments	(50)	(224)
- Other receivables	(51,132)	(58,321)
	(123,775)	(57,118)
Increase in trade and other payables	34,572	35,478
	(89,203)	(21,640)

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

	Sponsors' loans	Long term financing	Short term borrowings	Unclaimed dividend	Total
	(RUPEES IN THOUSAND)				
Balance as at 01 July 2017	161,800	584,877	403,313	485	1,150,475
Loans obtained	80,000	-	-	-	80,000
Fair value adjustment	-	37,750	-	-	37,750
Short term borrowings obtained - net	-	-	22,134	-	22,134
Repayment of financing	-	(72,042)	-	-	(72,042)
Dividend paid	-	-	-	(21)	(21)
Balance as at 30 June 2018	241,800	550,585	425,447	464	1,218,296

33. EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2018 of Rupees _____ per share (2017: Rupees Nil) at their meeting held on _____. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

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, Director and Executives of the Company is as follows:

	Chief Executive Officer		Director		Executives	
	2018	2017	2018	2017	2018	2017
	RUPEES IN THOUSAND					
Managerial remuneration	1,200	1,200	825	825	8,965	8,741
Allowances						
House rent	540	540	371	371	4,034	3,924
Others	60	60	4	4	2,321	520
	1,800	1,800	1,200	1,200	15,320	13,185
Number of persons	1	1	1	1	5	5

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

34.2 Aggregate amount charged in the financial statements for meeting fee to one director (2017: one director) was Rupees 100,000 (2017: Rupees 100,000).

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

34.4 Comparative figures have been amended to reflect change in the definition of executive as per the Companies Act, 2017.

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		2018	2017
		(NUMBER OF PERSONS)	
35.	**NUMBER OF EMPLOYEES**		
	Number of employees as on 30 June (Note 35.1)	1 040	1 112
	Average number of employees during the year (Note 35.1)	1 067	1 098

35.1 These include number of employees 941 (2017: 1 017) and average number of employees 958 (2017: 1 001) employed at factory.

36. TRANSACTIONS WITH RELATED PARTIES

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

Name of company	Basis of relationship	Nature of transactions	2018	2017
			(RUPEES IN THOUSAND)	
Associated companies / undertakings:				
Blue Moon Filling Station	Director of the Company is the member of Board of Trustees	Fuel purchased	1,667	1,646
Waqas Spinning Mills (Private) Limited	Common directorship	Purchase of goods	1,348	5,784
		Sale of goods	-	31,163
Ideal Socks	Directors of the Company are the members of Board of Trustees	Rental expense	1,800	1,200
Other related parties				
Directors and sponsors	Members of board of directors, key management personnel and sponsors	Loans obtained from directors / sponsor - net	179,800	159,000

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

37. PLANT CAPACITY AND ACTUAL PRODUCTION

		2018	2017
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day for 1 095 shifts (2017: 1 093 shifts)	(Kgs.)	11 726 004	8 663 136
Actual production converted to 20s count based on 3 shifts per day for 1 095 shifts (2017: 1 093 shifts)	(Kgs.)	10 443 215	8 346 892
Weaving			
100 % plant capacity at 60 picks based on 3 shifts per day for 1 095 shifts (2017: 1 095 shifts)	(Sq.Mtr.)	24 014 170	23 436 753
Actual production converted to 60 picks based on 3 shifts per day for 1 095 shifts (2017: 1 095 shifts)	(Sq.Mtr.)	20 171 903	19 686 873

Hosiery:

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

37.1 REASON FOR LOW PRODUCTION

Under utilization of available capacity is mainly due to normal maintenance.

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38. SEGMENT INFORMATION

	Spinning		Weaving		Socks		Elimination of Inter-segment transactions		Total - Company	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(RUPEES IN THOUSAND)									
Revenue										
External	1,769,979	1,572,754	580,689	408,203	368,250	221,734	-	-	2,718,918	2,202,691
Inter segment	110,175	45,839	-	-	33,014	-	(143,189)	(45,839)	-	-
	1,880,154	1,618,593	580,689	408,203	401,264	221,734	(143,189)	(45,839)	2,718,918	2,202,691
Cost of sales	(1,703,110)	(1,613,742)	(520,049)	(353,657)	(370,605)	(189,722)	143,189	45,839	(2,450,575)	(2,111,282)
Gross profit / (loss)	177,044	4,851	60,640	54,546	30,659	32,012	-	-	268,343	91,409
Distribution cost	(5,722)	(8,531)	(4,732)	(6,325)	(18,048)	(12,504)	-	-	(28,502)	(27,360)
Administrative expenses	(64,638)	(56,584)	(26,532)	(22,961)	(25,560)	(22,457)	-	-	(116,730)	(102,002)
Other income	257	2,742	87	551	6,077	361	-	-	6,421	3,654
Finance cost	(80,036)	(66,187)	(19,183)	(10,824)	(4,854)	(2,685)	-	-	(104,073)	(79,696)
Profit / (loss) before taxation and unallocated expenses	26,905	(123,709)	10,280	14,987	(11,726)	(5,273)	-	-	25,459	(113,995)
Unallocated expenses:										
Other expenses									(1,277)	(567)
Taxation									(18,963)	(2,776)
Profit / (loss) after taxation									5,219	(117,338)

38.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Socks		Total - Company	
	2018	2017	2018	2017	2018	2017	2018	2017
Total assets for reportable segments	1,264,031	1,241,831	333,105	326,951	203,352	82,120	1,800,488	1,650,902
Total liabilities for reportable segments	883,165	973,926	208,024	217,686	185,746	50,822	1,276,935	1,242,434
Unallocated liabilities:								
Deferred income tax liability							3,278	-
Provision for taxation							15,097	2,240
Total liabilities as per statement of financial position							1,295,310	1,244,674

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38.2 Geographical Information

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

	2018	2017
	(RUPEES IN THOUSAND)	
Europe	115,375	52,327
Asia and Australia	37,526	-
America	296,927	171,719
Pakistan	2,269,090	1,978,645
	2,718,918	2,202,691

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

38.4 Revenue from major customers

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

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from United States Dollar (USD). Currently the Company's foreign exchange risk exposure is restricted to the amount receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2018	2017
Trade debts - USD	485,031	218,193
Loans and advances - USD	4,776	-
Trade and other payables - USD	(1,776)	-
Net Exposure - USD	488,031	218,193

Following exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	110.73	104.50
Reporting date rate	121.40	104.80

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit / (loss) after taxation for the year would have been Rupees 2.814 million higher / lower (2017: Rupees 1.143 million lower / higher), mainly as a result of exchange gain / loss on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

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(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

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

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

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

	2018	2017
	(RUPEES IN THOUSAND)	
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	13	40
Financial liabilities		
Long term financing	297,471	369,513
Short term borrowings	321,147	398,813

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, profit / (loss) after taxation for the year would have been Rupees 5.877 million lower / higher (2016: Rupees 7.683 million higher / lower), mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at 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	3,874	3,421
Deposits	1,829	1,829
Trade debts	110,003	59,195
Bank balances	4,678	6,823
	120,384	71,268

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

	Rating			2018	2017
	Short Term	Long term	Agency	(RUPEES IN THOUSAND)	
Banks					
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	12	73
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	52	289
Meezan Bank Limited	A-1+	AA+	JCR-VIS	2,450	228
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	962
MCB Bank Limited	A1+	AAA	PACRA	346	1,586
Allied Bank Limited	A1+	AAA	PACRA	22	633
United Bank Limited	A-1+	AAA	JCR-VIS	7	88
Faysal Bank Limited	A1+	AA	PACRA	5	43
National Bank of Pakistan	A-1+	AAA	JCR-VIS	777	155
Habib Bank Limited	A-1+	AAA	JCR-VIS	100	1,111
Askari Bank Limited	A1+	AA+	PACRA	7	30
Bank Alfalah Limited	A1+	AA+	PACRA	6	1,483
Bank Al-Habib Limited	A1+	AA+	PACRA	2	102
The Bank of Punjab	A1+	AA	PACRA	866	-
Soneri Bank Limited	A1+	AA-	PACRA	1	15
The Bank of Khyber	A1	A	PACRA	25	25
				4,678	6,823

The Company's exposure to credit risk related to trade debts is disclosed in Note 18.

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 2018, the Company had Rupees 658.853 million (2017: Rupees 681.187 million) available borrowing limits from financial institutions and Rupees 6.383 million (2017: Rupees 8.666 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 2018:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	----------	----------	RUPEES IN THOUSAND	----------	----------	----------
Non-derivative financial liabilities:						
Long term financing	550,585	638,959	65,381	152,602	86,377	334,599
Trade and other payables	195,334	195,334	195,334	-	-	-
Unclaimed dividend	464	464	464	-	-	-
Accrued mark-up	13,561	13,561	13,561	-	-	-
Short term borrowings	425,447	432,674	432,674	-	-	-
	1,185,391	1,280,992	707,414	152,602	86,377	334,599

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Contractual maturities of financial liabilities as at 30 June 2017:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
	RUPEES IN THOUSAND					
Non-derivative financial liabilities:						
Long term financing	584,877	831,059	89,896	88,906	238,292	413,965
Trade and other payables	170,298	170,298	170,298	-	-	-
Unclaimed dividend	485	485	485	-	-	-
Accrued mark-up	12,974	12,974	12,974	-	-	-
Short term borrowings	403,313	412,803	412,803	-	-	-
	1,171,947	1,427,619	686,456	88,906	238,292	413,965

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 6 and Note 11 to these financial statements.

Carrying amount of long term financing as at 30 June 2018 includes overdue installments of principal amounting to Rupees 17.316 million (2017: Rupees 5.368 million).

39.2 Financial instruments by categories

	Loans and receivables	
	2018	2017
	(RUPEES IN THOUSAND)	
Financial assets as per statement of financial position		
Loans and advances	3,874	3,421
Deposits	1,829	1,829
Trade debts	110,003	59,195
Cash and bank balances	6,383	8,666
	122,089	73,111

	At amortized cost	
	2018	2017
	(RUPEES IN THOUSAND)	
Financial liabilities as per statement of financial position		
Long term financing	550,585	584,877
Trade and other payables	194,061	170,298
Unclaimed dividend	464	485
Accrued mark-up	13,561	12,974
Short term borrowings	425,447	403,313
	1,184,118	1,171,947

39.3 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.

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39.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represents long term financing (except subordinated loans) and short term borrowings obtained by the Company as referred to in Note 6 and Note 11 respectively. Equity represents 'total equity' as shown in the statement of financial position and loans from sponsor directors / shareholders which are subordinated to long term financing as referred in Note 6.2.1. Total capital employed includes 'total equity' plus 'borrowings'.

		2018	2017
Borrowings	(Rupees in thousand)	911,216	847,225
Total equity	(Rupees in thousand)	569,994	462,027
Total capital employed	(Rupees in thousand)	1,481,210	1,309,252
Gearing ratio	(Percentage)	61.52	64.71

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

40. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

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

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

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

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

41. RECOGNIZED FAIR VALUE MEASUREMENTS - NON FINANCIAL ASSETS

(i) Fair value hierarchy

The judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 30 June 2017	Level 1	Level 2	Level 3	Total
	----------RUPEES IN THOUSAND----------			
At 30 June 2018				
Freehold land	-	130,320	-	130,320
At 30 June 2017				
Freehold land	-	114,909	-	114,909

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

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

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

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

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land at least after every three years. The latest valuation of freehold land has been performed by Messrs Hamid Mukhtar and Company (Private) Limited as at 08 December 2017.

Changes in fair values are analysed at the reporting date during the annual 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. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on October 02, 2018 by the Board of Directors of the Company.

43. CORRESPONDING FIGURES

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

Reclassification from statement of financial position	Reclassification to statement of financial position	Rupees in thousand
Trade and other payables	Unclaimed dividend	485

- Chief Financial Officer (CFO) of the Company has resigned since 30 July 2017. However as the vacancy is not filled yet, the acting CFO has continued his work.

44. GENERAL

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

ADEEL AHMED SHAHID
CHIEF FINANCIAL OFFICER
(ACTING)

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Pattern of Shareholding
As on June 30, 2018

TYPE OF SHARE HOLDERS		NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD
1	100	613	52540
101	500	657	288014
501	1000	88	81398
1001	5000	89	226820
5001	10000	12	93150
10001	15000	4	52707
15001	20000	2	33599
20001	30000	2	60000
35001	40000	2	76774
40001	45000	3	124500
50001	55000	1	52000
60001	65000	1	60176
105001	110000	2	212200
170001	175000	1	174678
365001	370000	1	366048
570001	575000	1	570598
635001	640000	1	638396
695001	700000	1	695300
725001	730000	1	728000
760001	765000	1	762200
880001	885000	1	883000
890001	895000	1	890726
930001	935000	3	2797176
TOTAL ======>>		1,488	9,920,000

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Categories of Shareholding
As at June 30,2018

Categories of Shareholding		Numbers	Shares held	Percentage (%)
Associated companies,Undertakings and Related Parties NIT and ICP		6	701684	7.07
Directors,Chief Executive & their S spouse and Adult Children				
Mr.Muhammad Saeed Sheikh	(Chairman)	2	936646	9.44
Adult Children		2	212200	2.14
Mr.Amjad Saeed	(Chief Executive)	2	936878	9.44
Adult Children		1	931300	9.39
Mrs.Rubina Amjad	(Director)	2	930000	9.38
Mr.Umar Saeed	(Director)	2	935000	9.43
Mr.Khizar Saeed	(Director)	2	1630300	16.43
Mr.Ahsan Saeed	(Director)	1	930876	9.38
Executives				
Public Sector Companies and Corporations				
Banks,Development Finance Institutions,		1	369	0.00
Non - Banking Finance Institutions,				
Jont Stock Companies		6	2900	0.03
Insurance Companies,Modaraba and Mutual Funds				
Individuals		1461	1771847	17.86
Others				
Total		**1488**	**9920000**	**100.00**

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY

Name of Shareholder	No of Sharrs held	Percentage
Mr.Muhammad Saeed Sheikh	936646	9.44
Mr.Amjad Saeed	936878	9.44
Mrs.Rubina Amjad	930000	9.38
Mr.Umar Saeed	935000	9.43
Mr.Khizar Saeed	1630300	16.43
Mr.Ahsan Saeed	930876	9.38
Mr.Muhammad Ahmed	728000	7.34
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	638396	6.44

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Statement showing shares bought and sold by directors, CEO,CFO, Company secretary and the minor family members form 01 July 2017 to 30 June 2018

S.NO	Name	Designation	Shares bought	Shares sold
1	Mr.Mohammad Saeed Sheikh	Chairman		
2	Mr.Amjad Saeed	Chief Executive		
3	Mrs.Rubina Amjas	Director		
4	Mr.Omer Saeed	Director		
5	Mr.Khizer Saeed	Director	695300 Shares Purchase From Market. On,20-10-2017	
6	Mr.Ahsan Saeed	Director		
7	Mr.Muhammad Asif	Director NIT		
8	Mr.Adil Azeem	Chief Financial Officer Resigned 30-07-2017		
9	Mr.Muhammad Nadeem	Company Secretary		

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

Dear Sir

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

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

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

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

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

Yours Truly,

_____

Shareholder's Signature
Complete Address ----------

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

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Payment of Cash Dividend through Electronic Mode

Dear Shareholder,

We would like to inform you that in pursuance of Section 242 of the Companies Act, 2017 ("the Act"), Listed Companies are required to pay cash dividend to their registered shareholders only by way of electronic mode, directly into the bank account designated by the entitled shareholders. In order to comply with the requirement by the Listed Companies, it has become necessary that International Bank Account Numbers ("IBAN") of their registered shareholders are available with them to facilitate payment of cash dividend by electronic mode.

The Securities & Exchange Commission of Pakistan (SECP) vide its Notification No. SRO 1145 (1)/2017 dated November 06, 2017, has in forced to all listed companies, that all future cash dividends, as and when declared by the listed Company, shall only be paid to the entitled shareholders through direct credit into their designated Bank Account.

SECP vide its Circular no. SMD/CIW/Misc./07/2014 dated September 20, 2017 has advised all the Share Registrars to collect the International Bank Account Numbers ("IBAN") and related information from those shareholders who have shares of listed companies in physical form.

Therefore, in order to comply with the aforesaid mandatory requirement, you are requested to please fill in your Bank Account details (including IBAN) in the below mentioned form and put your signature and submit the same in original along with a legible copy of CNIC at **F.D. Registrar Services (SMC-Pvt) Limited, Office # 1705, 17th Floor, Saima Trade Tower–A, I.I. Chundrigar Road, Karachi.**

Thanks & Regards,

For & behalf of

F.D. Registrar Services (SMC-Pvt) Limited

Shareholder's Section:-

I hereby request F.D. Registrar Services (SMC-Pvt) Limited to note my particulars for direct credit of dividends electronically into my bank account:-

i) **Shareholder's detail**

Name of Company
Name of Shareholder along with Father/Husband name
Folio Number
CNIC number
Landline number / Mobile number
Email Address

ii) **Shareholder's Bank detail**

Title of Bank Account																							
International Bank Account Number (IBAN)																							
Bank Name																							
Branch name & Address																							

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

_____

Signature of Shareholder

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FORM OF PROXY
ANNUAL GENERAL MEETING

I/We_____S/o/D/o/W/o_____
of _____beirg 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 Genera Meeting of the Company to be held on Saturday, October 27, 2018 at 3.00 pm at **Naubahar Restaurant (Family Hall) 1st Floor Shahrah-e-Iraq, Saddar Town, Near Passport Office. 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 Signature of Proxy
Folio / CDC A/C NO.

Five Rupees
Revenue Stamp

Signed this _____day of _____2018

WITNESS:

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

2. Signature ----------
Name ----------
Address ----------
CNIC 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 17th 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.

   © 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.

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آئیڈیل اسپننگ ملز لمیٹڈ

کمرہ نمبر 405-404 چوتھی منزل بزنس سینٹر ممتاز حسن روڈ، کراچی

پراکسی فارم

سالانہ اجلاسِ عام

میں/ہم _____

آئیڈیل اسپننگ ملز لمیٹڈ کے ممبر/ممبران رجسٹرڈ فولیو نمبر/سرکاء کی آئی ڈی/اسی ڈی سی سب اکاؤنٹ نمبر کے مطابق عمومی شیئرز _____

_____ رکھتے ہیں بذریعہ ہذا _____ کو تقرر کرتے ہیں۔ رجسٹرڈ فولیو نمبر/شرکاء کی

آئی ڈی/سی ڈی سی سب اکاؤنٹ نمبر _____ یا اُس کے شرکت نہ کرنے کی صورت میں _____

_____ رجسٹرڈ فولیو نمبر/شرکاء کی آئی ڈی/سی ڈی سی سب اکاؤنٹ نمبر کو بطور پراکسی 27 اکتوبر 2018ء بوقت 3 بجے سہ پہر بمقام نوبہار ریسٹورنٹ (فیملی ہال) فرسٹ فلور شاہراہ عراق صدر ٹاؤن نزد پاسپورٹ آفس کراچی کمپنی کے منعقد ہونے والے اجلاسِ عام اور اُس کے کسی التواء تک میری/ہماری جانب سے ووٹ دینا اور اجلاس میں شرکت کا حق دیتا ہوں۔

ریونیو اسٹامپ
-/5 روپے

_____ دستخط پراکسی

_____ دستخط شیئر ہولڈر

بتاریخ _____ ۲۰۱۸ء

گواہان	گواہان
دستخط _____	دستخط _____
نام _____	نام _____
ایڈریس _____	ایڈریس _____
شناختی کارڈ _____	شناختی کارڈ _____
پاسپورٹ _____	پاسپورٹ _____

نوٹس:

(1) ایک رکن جو اجلاسِ 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 میں شرکت کرنے کے قابل نہیں ہے تو وہ یہ فارم مکمل اور تصدیق شدہ کمپنی کے شیئر رجسٹرار میسرز ایف۔ڈی رجسٹرار سروس (SNC-PVT) لمیٹڈ 1705، 17 فلور صائمہ ٹریڈ ٹاور A، آئی آئی چندریگر روڈ کراچی کو اجلاس کے منعقد ہونے سے 48 گھنٹے قبل بھجوائیں۔

(3) CDC اکاؤنٹ ہولڈرز/کارپوریٹ انٹیٹیس مندرجہ بالا کے علاوہ مذکورہ شقوں پر عمل کریں۔

(a) پراکسی فارم میں دو 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 نقول 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 بورڈ آف ڈائریکٹرز کی تصدیق شدہ قرارداد کی نقل بشمول Power of Attorney دستخط کیساتھ (بجز اگر پہلے ہی جمع کروادی گئی ہے) پراکسی فارم کے ہمراہ کمپنی کے شیئر رجسٹرار کو جمع کروائے۔