

## COMPANY INFORMATION

<b>CHAIRMAN:</b>	MR.NISAR AHMED SHEIKH
<b>CHIEF EXECUTIVE OFFICER:</b>	MR.MUHAMMAD SAEED SHEIKH
<b>DIRECTORS:</b>	MR.MUHAMMAD ARSHAD MR. AMJAD SAEED (EXECUTIVE DIRECTOR) MR. SHAHZAD AHMED MR.AIZAD AMER MR.SAAD ASHRAF (NIT)
<b>AUDIT COMMITTEE:</b>	
<b>CHAIRMAN</b>	MR.MUHAMMAD ARSHAD
<b>MEMBER</b>	MR. SHAHZAD AHMED
<b>MEMBER</b>	MR. AIZAD AMER
<b>H.R. &amp; REMUNERATION COMMITTEE:</b>	
<b>CHAIRMAN</b>	MR.NISAR AHMED SHEIKH
<b>MEMBER</b>	MR. MUHAMMAD ARSHAD
<b>MEMBER</b>	MR. AIZAD AMER
<b>CHIEF FINANCIAL OFFICER:</b>	MR.M. PERVAIZ AKHTAR
<b>COMPANY SECRETARY:</b>	MR. MUHAMMAD NADEEM
<b>SHARE REGISTRAR:</b>	M/S CONSULTING ONE (PVT) LTD  478-D, PEOPLES COLONY NO:1, FAISALABAD
<b>AUDITORS:</b>	M/S RIAZ AHMAD & COMPANY.  CHARTERED ACCOUNTANTS
<b>BANKERS:</b>	ALLIED BANK LTD BANK AL-FALAH LIMITED ALBARAKA BANK (PAKISTAN) LTD HABIB METROPOLITAN BANK THE BANK OF PUNJAB BANK AL-HABIB LTD
<b>REGISTERED OFFICE :</b>	ROOM NO 404 & 405, 4 <sup>TH</sup> FLOOR, BUSINESS CENTRE, MUMTAZ HASSAN ROAD, KARACHI. <a href="http://www.arshadgroup.com">www.arshadgroup.com</a>
<b>FACTORY:</b>	SHEIKHUPURA ROAD, TEHSIL JARANWALA, DISTT. FAISALABAD.

# **DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS**

The Directors of the Company have pleasure in submitting their report together with the Un-Audited financial statements of the Company for the period ended 31 March 2013. The performance of the Company remained satisfactory during the period under review. Salient features of operational result are appended below:

<b>FINANCIAL HIGHLIGHTS</b>	<b>March 2013 (RUPEES IN THOUSAND)</b>	<b>March 2012</b>
SALES	1,480,870	1,464,128
GROSS PROFIT	124,710	87,540
PROFIT FROM OPERATIONS	61,438	43,294
PROFIT BEFORE TAXATION	28,114	9,239
PROFIT AFTER TAXATION	20,921	238
EARNING PER SHARE-BASIC & DILUTED	2.11	0.02

Sales during the period increased to Rs. 1,480.870 Million as compared to Rs.1,464.128 Million of the corresponding period of last year and Gross Profit increased from 5.98 % to 8.42% during the period under review. This is mainly due to better cotton price and effective operational and marketing strategies. By the grace of Almighty Allah your Company has posted profit after tax Rs. 20.921 Million as compared to 0.238 Million during the same period of last year. Despite of several irks in industry like increase in frequency of gas outage, hike in inflation rate, electricity load shedding by WAPDA and political unrest, Company has succeeded to maintain its profitable track.

## **FUTURE PROSPECTS**

Upward trend in cotton prices and healthy demand of textile products show sign of improvement but on the other hand challenges as discussed above have a negative impact on industry. However Management is optimistic that economic prospects of the country will improve in future and confident that financial results will be in same direction as of the period under review.

The Directors wish to express their gratitude to our valued clients and bankers for the co-operation extended by them during the course of business activities. The Directors also wish to place on record their appreciation for the hard work and devoted services of the staff members and workers of the Company.

Dated: April 27, 2013  
Faisalabad

MUHAMMAD SAEED  
Chief Executive Officer

**CONDENSED INTERIM BALANCE SHEET**

NOTE	Un-Audited 31 March 2013 (Rupees in thousand)	Audited 30 June 2012
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
<b>Authorized share capital</b>		
20 000 000 (30 June 2012: 20 000 000) ordinary shares of Rupees 10 each	200,000	200,000
<b>Issued, subscribed and paid up share capital</b>	99,200	99,200
<b>Unappropriated profit</b>	148,089	127,168
<b>Total equity</b>	247,289	226,368
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long term financing	181,075	188,769
Deferred income tax liability	87,915	87,915
Staff retirement gratuity	8,435	6,137
	277,425	282,821
<b>CURRENT LIABILITIES</b>		
Trade and other payables	129,314	83,117
Accrued mark-up	12,186	8,864
Short term borrowings	345,031	156,091
Current portion of long term financing	21,919	56,933
Provision for taxation	25,108	19,921
	533,558	324,926
<b>TOTAL LIABILITIES</b>	810,983	607,747
<b>CONTINGENCIES AND COMMITMENTS</b>	6	
<b>TOTAL EQUITY AND LIABILITIES</b>	1,058,272	834,115

The annexed notes form an integral part of this condensed interim financial information.

  
**MUHAMMAD SAEED**  
 Chief Executive Officer

**IDEAL SPINNING MILLS LIMITED****AS AT 31 MARCH 2013**

	<b>NOTE</b>	<b>Un-Audited 31 March 2013</b>	<b>Audited 30 June 2012</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	537,943	514,745
Long term loans		533	630
Long term deposits and prepayments		2,583	2,601
		<u>541,059</u>	<u>517,976</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		23,778	37,428
Stock in trade		348,736	146,229
Trade debts		70,116	71,921
Loans and advances		28,131	25,116
Short term deposits and prepayments		1,353	136
Other receivables		21,229	14,679
Cash and bank balances		23,870	20,630
		<u>517,213</u>	<u>316,139</u>
<b>TOTAL ASSETS</b>		<u><u>1,058,272</u></u>	<u><u>834,115</u></u>



**AMJAD SAEED**  
Director

# IDEAL SPINNING MILLS LIMITED

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited) FOR THE THIRD QUARTER ENDED 31 MARCH 2013

	NOTE	THIRD QUARTER ENDED		QUARTER ENDED	
		31 March 2013	31 March 2012	31 March 2013	31 March 2012
------(Rupees in thousand)-----					
SALES		1,480,870	1,464,128	520,424	486,724
COST OF SALES	8	(1,356,160)	(1,376,588)	(479,792)	(448,722)
GROSS PROFIT		124,710	87,540	40,632	38,002
DISTRIBUTION COST		(14,601)	(11,510)	(4,129)	(3,814)
ADMINISTRATIVE EXPENSES		(47,119)	(31,790)	(17,737)	(11,743)
OTHER OPERATING EXPENSES		(1,583)	(786)	(264)	(530)
		(63,303)	(44,086)	(22,130)	(16,087)
		61,407	43,454	18,502	21,915
OTHER OPERATING INCOME		31	(160)	(528)	(386)
PROFIT FROM OPERATIONS		61,438	43,294	17,974	21,529
FINANCE COST		(33,324)	(34,055)	(12,323)	(13,799)
PROFIT BEFORE TAXATION		28,114	9,239	5,651	7,730
PROVISION FOR TAXATION		(7,193)	(9,001)	(2,846)	(4,602)
PROFIT AFTER TAXATION		20,921	238	2,805	3,128
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		2.11	0.02	0.28	0.32

The annexed notes form an integral part of this condensed interim financial information.

  
MUHAMMAD SAEED  
Chief Executive Officer

  
AMJAD SAEED  
Director

# IDEAL SPINNING MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Un-audited) FOR THE THIRD QUARTER ENDED 31 MARCH 2013

	THIRD QUARTER ENDED		QUARTER ENDED	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	----- (Rupees in thousand) -----			
PROFIT AFTER TAXATION	20,921	238	2,805	3,128
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>20,921</u>	<u>238</u>	<u>2,805</u>	<u>3,128</u>

The annexed notes form an integral part of this condensed interim financial information.

  
MUHAMMAD SAEED  
Chief Executive Officer

  
AMJAD SAEED  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)  
FOR THE THIRD QUARTER ENDED 31 MARCH 2013**

NOTE	THIRD QUARTER ENDED	
	31 March 2013	31 March 2012

(Rupees in thousand)

**CASH FLOWS FROM OPERATING ACTIVITIES**

<b>Cash utilized in operations</b>	9	(42,284)	(13,057)
Finance cost paid		(30,002)	(31,970)
Income tax paid		(6,026)	(13,865)
Staff retirement gratuity paid		(2,975)	(6,151)
Net decrease / (increase) in long term deposits and prepayments		97	-
Dividend paid		-	(1,862)
Worker profit participation fund paid		(1,641)	-
<b>Net cash utilized in operating activities</b>		<u>(82,831)</u>	<u>(66,905)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of property, plant and equipment		1,040	-
Capital expenditure on property, plant and equipment		(61,219)	(28,195)
Decrease in long term deposit		18	-
<b>Net cash used in investing activities</b>		<u>(60,161)</u>	<u>(28,195)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of long term financing		(65,708)	(65,065)
Proceed from long term financing to finance lease		23,000	-
Short term borrowings - net		-	(8,473)
<b>Net cash from financing activities</b>		<u>188,940</u>	<u>150,763</u>
		146,232	77,225

**NET INCREASE IN CASH AND CASH EQUIVALENTS****CASH AND CASH EQUIVALENTS AT THE  
BEGINNING OF THE PERIOD****CASH AND CASH EQUIVALENTS AT THE END  
OF THE PERIOD**

		3,240	(17,875)
		20,630	27,914
		<u>23,870</u>	<u>10,039</u>

The annexed notes form an integral part of this condensed interim financial information.

  
**MUHAMMAD SAEED**  
 Chief Executive Officer

  
**AMJAD SAEED**  
 Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)  
FOR THE THIRD QUARTER ENDED 31 MARCH 2013**

	Share Capital	Revenue Reserve	Total
		Unappropriated profit	
----- <b>(Rupees in thousand)</b> -----			
Balance as at 30 June 2011 - Audited	99,200	100,504	199,704
Final dividend for the year ended 30 June 2011 at the rate of Rupees 0.75 per share	-	(1,861)	(1,861)
Profit for the third quarter ended 31 March 2012	-	238	238
Other comprehensive income for the third quarter ended 31 March 2012	-	-	-
Total comprehensive profit for third quarter ended 31 March 2012	-	238	238
Balance as at 31 March 2012 - Un-audited	99,200	98,881	198,081
Profit for the quarter ended 30 June 2012	-	28,287	28,287
Other comprehensive income for the quarter ended 30 June 2012	-	-	-
Total comprehensive income for the quarter ended 30 June 2012	-	28,287	28,287
Balance as at 30 June 2012 - Audited	99,200	127,168	226,368
Profit for the third quarter ended 31 March 2013	-	20,921	20,921
Other comprehensive income for the third quarter ended 31 March 2013	-	-	-
Total comprehensive income for the third quarter ended 31 March 2013	-	20,921	20,921
Balance as at 31 March 2013 - Un-audited	99,200	148,089	247,289

The annexed notes form an integral part of this condensed interim financial information.

  
**MUHAMMAD SAEED**  
 Chief Executive Officer

  
**AMJAD SAEED**  
 Director



**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)  
FOR THE THIRD QUARTER ENDED 31 MARCH 2013****1. THE COMPANY AND ITS OPERATIONS**

Ideal Spinning Mills Limited (the Company) is incorporated in Pakistan on 09 July 1989 as a public limited company under the Companies Ordinance, 1984. The Company is currently listed on Karachi and Lahore stock exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of yarn and cloth. The registered office of the Company is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. The mill is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab.

**2. BASIS OF PREPARATION**

This condensed interim financial information is un-audited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the third quarter ended 31 March 2013 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the Company for the year ended 30 June 2012.

**3. ACCOUNTING POLICIES AND COMPUTATION METHODS**

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2012.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2012.

<b>Un-audited</b>	<b>Audited</b>
<b>31 March</b>	<b>30 June</b>
<b>2013</b>	<b>2012</b>
<b>( Rupees in thousand)</b>	

**5. LONG TERM FINANCING**

Opening balance	245,702	309,600
Add: Obtained during the period / year	23,000	4,264
Less: Repaid during the period / year	65,708	68,162
	202,994	245,702
Less: Current portion shown under current liabilities	21,919	56,933
	181,075	188,769

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

- i) Guarantees of Rupees 18.605 million (30 June 2012: Rupees 18.605 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against supply of gas and to Faisalabad Electric Supply Company against electricity connection.

# IDEAL SPINNING MILLS LIMITED

- ii) The Company is contingently liable for Rupees 0.252 million (30 June 2012: Rupees 0.252 million) on account of custom duty not acknowledged in view of pending appeal before appellate authorities.

## b) Commitments

- i) Letters of credit for capital expenditure are amounting to Rupees 0 million (30 June 2012: Rupees 5.333 million).
- ii) Letters of credit other than for capital expenditure are amounting to Rupees 1.837 million (30 June 2012: Rupees 17.005 million).

Un-audited	Audited
31 March	30 June
2013	2012

(Rupees in thousand)

## 7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 7.1)	537,943	507,434
Capital work-in-progress (Note 7.2)	-	7,311
	537,943	514,745

### 7.1 Operating fixed assets

Opening book value	507,434	469,714
<b>Add:</b>		
Cost of additions during the period / year (Note 7.1.1)	68,530	33,822
Book value of assets transferred from assets subject to finance lease	-	44,575
	575,964	548,111
<b>Less:</b>		
Book value of deletions during the period / year-vehicles	1,019	575
Depreciation charged during the period / year	37,002	40,102
	38,021	40,677
	537,943	507,434

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

Buildings on freehold land	6,205	2,670
Plant and machinery	51,324	11,369
Electric installations	4,146	983
Factory equipment	151	40
Office equipment	-	203
Computers	165	654
Electric appliances	2,153	114
Furniture and fixtures	10	36
Vehicles	4,376	17,753
	68,530	33,822

### 7.2 Capital work-in-progress

Buildings on free hold land	-	1,235
Plant and machinery	-	2,973
Electric installations	-	3,103
	-	7,311

# IDEAL SPINNING MILLS LIMITED

(Un-audited)			
Third quarter ended		Quarter ended	
31 March 2013	31 March 2012	31 March 2013	31 March 2012

------(Rupees in thousand)-----

## 8. COST OF SALES

Raw materials consumed	993,098	1,070,175	347,399	353,671
Stores, spare parts and loose tools consumed	43,778	26,316	19,909	10,145
Salaries, wages and other benefits	107,619	87,939	36,544	29,158
Fuel and power	148,905	104,597	61,853	33,621
Sizing material consumed	13,941	14,335	6,311	5,689
Packing materials consumed	15,947	18,327	5,380	6,243
Repair and maintenance	4,345	1,689	971	1,004
Insurance	1,726	3,098	493	1,033
Other factory overheads	6,953	1,756	717	160
Depreciation	31,273	28,786	12,745	9,860
	1,367,585	1,357,018	492,322	450,584
Work-in-process:				
Opening stock	10,121	10,887	12,097	14,783
Closing stock	(12,682)	(13,303)	(12,682)	(13,303)
	(2,561)	(2,416)	(585)	1,480
Cost of goods manufactured	1,365,024	1,354,602	491,737	452,064
Finished goods:				
Opening stock	45,595	69,339	45,103	44,011
Closing stock	(57,048)	(47,353)	(57,048)	(47,353)
	(11,453)	21,986	(11,945)	(3,342)
Cost of sales - purchased for resale	2,589	-	0	-
	1,356,160	1,376,588	479,792	448,722

Third quarter ended	
31 March 2013	31 March 2012

(Rupees in thousand)

## 9. CASH UTILIZED IN OPERATIONS

Profit before taxation		28,114	9,239
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		37,002	31,278
Gain on sale of property, plant and equipment		(21)	-
Provision for staff retirement gratuity		5,273	3,590
Finance cost		33,324	34,055
Provision for workers' profit participation fund		1,583	786
Working capital changes (Note 9.1)		(147,559)	(92,005)
		(42,284)	(13,057)

### 9.1 Working capital changes

#### Decrease / (increase) in current assets

Stores, spare parts and loose tools		13,650	5,982
Stock in trade		(202,507)	(176,573)
Trade debts		1,805	32,589
Loans and advances		2,646	9,241
Short term deposits and prepayments		(1,217)	(286)
Other receivables		(6,550)	(3,255)
		(192,173)	(132,302)
Increase in trade and other payables		44,614	40,297
		(147,559)	(92,005)

**10. SEGMENT INFORMATION**

**10.1**

	Spinning		Weaving		Elimination of Inter-segment transactions		Total - Company	
	(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)	
	Third quarter ended	31 March 2012	Third quarter ended	31 March 2012	Third quarter ended	31 March 2012	Third quarter ended	31 March 2012
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
----- (Rupees in thousands) -----								
Sales	1,325,714	1,324,122	161,894	213,336	(6,738)	(73,330)	1,480,870	1,464,128
Cost of sales	(1,218,859)	(1,269,904)	(144,039)	(180,014)	6,738	73,330	(1,356,160)	(1,376,588)
Gross profit	106,855	54,218	17,855	33,322	-	-	124,710	87,540
Distribution cost	(11,863)	(8,810)	(2,738)	(2,700)	-	-	(14,601)	(11,510)
Administrative expenses	(34,685)	(23,688)	(12,434)	(8,102)	-	-	(47,119)	(31,790)
	(46,548)	(32,498)	(15,172)	(10,802)	-	-	(61,720)	(43,300)
Other operating income	60,307	21,720	2,683	22,520	-	-	62,990	44,240
Finance cost	31	(160)	-	-	-	-	31	(160)
Profit / (loss) before taxation and unallocated expenses	(28,686)	(27,252)	(4,638)	(6,803)	-	-	(33,324)	(34,055)
<b>Unallocated expenses:</b>								
Other operating expenses								
Provision for taxation								
Profit / (loss) after taxation	31,652	(5,692)	(1,955)	15,717	-	-	29,697	10,025

**10.2 Reconciliation of reportable segment assets and liabilities**

	Spinning		Weaving		Total - Company	
	(Un-audited)		(Un-audited)		(Un-audited)	
	30 June 2012	31 March 2013	30 June 2012	31 March 2013	30 June 2012	31 March 2013
----- (Rupees in thousand) -----						
<b>Total assets for reportable segments</b>	742,009	502,591	316,263	331,524	1,058,272	834,115
<b>Total liabilities for reportable segments</b>	535,996	309,222	187,072	210,610	723,068	519,832
<b>Unallocated liabilities:</b>						
Deferred income tax liability					87,915	87,915
Total liabilities as per balance sheet					810,983	607,747

**11. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies / undertakings, employees' provident fund trust, 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 and balances with related parties are as follows:

	(Un-audited)			
	Third quarter ended		Quarter ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
------(Rupees in thousand)-----				

**i) Transactions**

**Associated companies / undertakings**

Sale of goods and services	19,959	124,108	12,631	75,426
Fuel and power purchased	9,433	1,541	5,729	416
Services and other expenses paid	643	4,356	(825)	4,216

**Directors' loan**

Loan obtained	2,300	27,400	2,300	25,900
Loan repaid	65,707	38,236	27,307	25,455
Remuneration paid to Chief Executive Officer, Director and Executives	9,460	3,635	3,153	3,338
Company's contribution to Employees' Provident Fund Trust	281	-	25	-

<b>Un-audited</b>	<b>Audited</b>
<b>31 March</b>	<b>30 June</b>
<b>2013</b>	<b>2012</b>

------(Rupees in thousand)-----

**ii) Period end balances**

Long term financing including current portion	153,965	198,365
Trade and other payables	605	1,525
Trade debts	6,174	3,502

**12. FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in preceding audited annual published financial statements of the Company for the year ended 30 June 2012.

**13. DATE OF AUTHORIZATION**

This condensed interim financial information was approved and authorized for issue on 27 April 2013 by the Board of Directors of the Company.

**14. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of profit or loss and other comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

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

**15. GENERAL**

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

  
MUHAMMAD SAEED  
Chief Executive Officer

  
AMJAD SAEED  
Director