



# **NADEEM TEXTILE MILLS LIMITED**

**28th ANNUAL REPORT 2014**

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# **NADEEM TEXTILE MILLS LIMITED**

## **Vision Statement**

To be a dynamic, profitable and growth oriented Company.

## **Mission Statement**

The mission of the Company is to prudently utilize the human resources and plant and machinery in order to achieve high levels of sustainable growth by:

- offering high class products and services to all our customers.
- continuously upgrading the latest production facilities to achieve higher levels of operational efficiency.
- nurturing a work culture that generates creativity, enthusiasm, professionalism and teamwork.
- maintaining the highest standards of ethics, safety and environment.
- contributing towards the economic development of the country.



## COMPANY INFORMATION

|                                  |   |   |
|----------------------------------|---|---|
| BOARD OF DIRECTORS               | : | MR. ZAHID MAZHAR (Chief Executive)<br>MR. OMER BIN ZAHID (Executive Director)<br>MR. HASSAN BIN ZAHID (Executive Director)<br>MRS. NAILA ZAHID (Chairperson)<br>MRS. ANAM OMER<br>MRS. SHAFIA HASSAN<br>MR. MEHMOOD SIDDIQI |
| CHIEF FINANCIAL OFFICER          | : | MR. OMER BIN ZAHID  |
| COMPANY SECRETARY                | : | MR. ABDUL AMIN  |
| AUDIT COMMITTEE                  | : | MR. MEHMOOD SIDDIQUI (Chairman)<br>MRS. ANAM OMER (Member)<br>MRS. SHAFIA HASSAN (Member)   |
| H. R. AND REMUNERATION COMMITTEE | : | MRS. ANAM OMER (Chairperson)<br>MR. HASSAN BIN ZAHID (Member)<br>MR. MEHMOOD SIDDIQUI (Member)  |
| AUDITORS                         | : | M/S. RAHMAN SAFARAZ RAHIM IQBAL RAFIQ<br>CHARTERED ACCOUNTANTS  |
| LEGAL ADVISOR                    | : | MR. ABDUL GHANI KHAN (ADVOCATE)   |
| BANKERS                          | : | SONERI BANK LIMITED<br>J.S. BANK LIMITED<br>BANK AL-FALAH LIMITED<br>ALLIED BANK LIMITED<br>ASKARI BANK LIMITED   |
| HEAD OFFICE / REGISTERED OFFICE  | : | A 801-804, LAKSON SQUARE BUILDING No. 3,<br>SARWAR SHAHEED ROAD,<br>KARACHI - PAKISTAN.<br>PHONE: (021) 35220481-8<br>FAX : (92-21) 35220495-6  |
| SHARE REGISTRAR                  | : | M/S HAMEED MAJEED ASSOCIATES (PVT.) LTD.<br>5TH FLOOR, KARACHI CHAMBERS,<br>HASRAT MOHANI ROAD, KARACHI.<br>PHONE : 32424826-32412754 FAX : 32424835<br>E-MAIL: majeed@hmaconsultants.com                                   |
| MILLS                            | : | UNIT-1: A-265, S.I.T.E., NOORIABAD,<br>DISTRICT DADU, SINDH.<br>UNIT-2: E-11, S.I.T.E., KOTRI, SINDH.   |
| URL                              | : | <a href="http://www.nadeem.com.pk">www.nadeem.com.pk</a>  |

## NADEEM TEXTILE MILLS LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of Nadeem Textile Mills Ltd. will be held on Wednesday, October 29, 2014 at 6:00 p.m. at 801-804, 8th Floor, Lakson Square Building No.3, Block-A, Sarwar Shaheed Road, Karachi, to transact the following business:

1. To confirm the Minutes of the Extra Ordinary General Meeting of the Company held on 20th March, 2014.
2. To receive, consider, and adopt the audited financial statements of the company for the year ended 30th June, 2014 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2015.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

Karachi:  
September 30, 2014

By order of the Board  
Company Secretary

#### NOTES:

1. The share transfer books of the Company will remain closed from October 23, 2014 to October 29, 2014 (both days inclusive). Transfers received before the closure of shares transfer books (i.e 22-10-2014) at the office of share Registrar, M/s Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber, Hasrat Mohani Road, Karachi by 22-10-2014 will be treated in time for the entitlement to attend the Annual General Meeting.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him. A proxy must be a member of the Company.
3. The instrument appointing a proxy, in order to be valid must be received at the Head Office of the Company at A -801-804, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi, not less than forty-eight (48) hours before the time fixed for the meeting.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her participant ID number and account/sub account number along-with original Computerized National Identity Card (CNIC) or passport at the time of attending the meeting to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.
5. Members are requested to immediately inform of any change in their addresses to our Share Registrar, M/S Hameed Majeed Associates (Pvt.) Ltd., 5th floor, Karachi Chambers, Hasrat Mohani Road, Karachi.



## NADEEM TEXTILE MILLS LIMITED

### DIRECTORS' REPORT TO THE SHARE HOLDERS

Dear Shareholders,

The Directors of your Company feel pleasure in presenting the 28th Annual Report of the Company together with audited accounts and Auditor's Report thereon for the year ended June 30, 2014.

#### SUMMARY OF FINANCIAL RESULTS

Following is the brief highlights of the financial results of the Company for the year ended June 30, 2014.

|                            | 2014                     | 2013     |
|----------------------------|--------------------------|----------|
|                            | <b>Rupees in million</b> |          |
| Sales                      | 5,620.60                 | 4,322.72 |
| Gross profit               | 338.06                   | 314.73   |
| Profit / (Loss) before tax | 82.55                    | 114.48   |
| Profit / (Loss) after tax  | 56.53                    | 72.69    |
| EPS (in Rupees)            | 4.71                     | 6.05     |

#### BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of the shares as on June 30, 2014 was Rs. 49.33 as compared to Rs. 44.65 as at June 30, 2013.

|                        | 2014<br>Rupees | 2013<br>Rupees |
|------------------------|----------------|----------------|
| Profit after tax       | 56,533,191     | 72,698,839     |
| No. of ordinary shares | 12,015,000     | 12,015,000     |
| Earning per share      | 4.71           | 6.05           |

#### OVERVIEW

The company has achieved record highest sales turnover at Rs. 5.62 billion for the year, showing an increase of 30.02% over sales turnover of Rs. 4.32 billion of last year. The increase in sales turnover is mainly due to the acquisition of the Sindh segment of Shadman Cotton Mills Limited.

The gross profit during the year increased to Rs. 338.05 million as compared to 314.73 million of the last year. Other operating income also increased to 46.92 million as compared to 1.76 million of last year.

#### OPERATING PERFORMANCE

The plant remained operative throughout the year on a three shifts basis and achieved the production of 20.73 million Kgs. of spun yarn after conversion into 20/s count as compared to 12.71 million Kgs. of previous year showing an increase of 63%.

#### FUTURE OUTLOOK

The cotton crop for the year 2014-2015 is expected to be increased as compared to last year. The initial estimate for the year 2014-2015 is 14 million bales. The industry is likely to import about 1 million bales to meet the domestic requirements for the current year.

We see a very bright future for the Pakistan Textile Industry. Firstly there has been an addition of a class of young, fresh and well educated entrepreneurs in the textile industry of Pakistan. Secondly there is abundant availability of workers below the age of 30 years, thirdly there is a great potential for increase of Pakistani cotton crop which is presently prevailing around average 13 million bales annually and can go upto 20 million cotton bales. Fourthly the energy shortage is likely to be overcome in the next three years and lastly there is a great potential for the increase of Pakistani textile exports to European Union due to the recently granted GSP Plus status to Pakistan.

## **EXPANSION AND MODERNIZATION**

The Company is continuing its BMR policy. Following modernization has been made in various departments:

4 Sets Rieter D-22 Drawing Frame  
4 Sets Automatic Cone Winder - Savio Polar  
2 Set Autoconer Machines Murata 21-C

The BMR program is to be continued in future according to the resources available. It is expected that due to the BMR, the Company will be able to increase its productivity, improve quality at reduced cost of production.

## **DIVIDEND**

The Board of Directors has not recommended any dividend due to requirement of funds for BMR.

## **HUMAN RESOURCE**

The company has established a Human Resource and Remuneration Committee as required by the Code of Corporate Governance, which comprises of three members as mentioned in the company information. On the recommendations of HR&R Committee, the management is continuously upgrading its manpower through training facilities and by inducting more qualified staff.

## **CODE OF CORPORATE GOVERNANCE**

The Board of Directors hereby declares that for the period ended June 30, 2014:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, results of its operations, cash flow, comprehensive income and changes in equity.
- The Company entered in arm length transactions with other members of the group. These transactions are in compliance with the directives issued by the Security & Exchange Commission of Pakistan (SECP) in this regard.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of Internal Control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the accounts.
- All the directors of the company are registered as tax-payer and none of the company's directors is in default of payment of any dues to a banking company, DFI, NBFI or Stock Exchanges.
- None of the directors of the company is serving on the Board of 7 or more listed companies. The company operates an unfunded gratuity covering all its employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme. The company has adopted the revised IAS 19 and as a result thereof actuarial valuation has been carried out as at June 30, 2014.



**BOARD MEETINGS**

During the period under review, six meetings of the Board of Directors were held and following were in attendance:

| <b>Name of Directors</b> | <b>No. of Meetings Attended</b> |
|--------------------------|---------------------------------|
| 1- Mr. Zahid Mazhar      | 6                               |
| 2- Mr. Omer Bin Zahid    | 5                               |
| 3- Mr. Hassan Bin Zahid  | 3                               |
| 4- Mst. Rafia Sultana    | -                               |
| 5- Mrs. Naila Zahid      | 6                               |
| 6- Mrs. Anam Omer        | 1                               |
| 7- Mrs. Shafia Hassan    | 2                               |
| 8- Miss Sarah Zahid      | 1                               |
| 9- Mr. Mehmood Siddiqui  | 6                               |

**ELECTION OF DIRECTORS**

The election of directors was held on 20-03-2014 in the Extra Ordinary General Meeting. The following were elected as directors of the company:

- Mr. Zahid Mazhar
- Mr. Omer Bin Zahid
- Mr. Hassan Bin Zahid
- Mrs. Naila Zahid
- Mrs. Anam Omer
- Mrs. Shafia Hassan
- Mr. Mehmood Siddiqui

**ASSOCIATED COMPANIES**

Following is the list of associated companies:

- (a) Nadeem Power Generation (Pvt.) Ltd.
- (b) Nadeem International (Pvt.) Ltd.

**AUDIT COMMITTEE**

The company has established an audit committee as required by the Code of Corporate Governance, which comprises of three members as mentioned in the company information. The audit committee has established an internal audit function to monitor and review the adequacy and implementation of internal control at each level.

**AUDITORS**

The Auditors of the Company M/S Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible; offer themselves for re-appointment as Auditors for the next term.

As suggested by the Audit Committee, The Board recommends their appointment as Auditors of the Company for the year ending June 30, 2015.

**PATTERN OF SHAREHOLDING**

The pattern of share holding of the company as at June 30, 2014 is annexed.

**ACKNOWLEDGMENT**

The Directors of the Company would like to take the opportunity to thank the shareholders, valued clients and bankers for the co-operation extended by them during the course of business activities. The Directors are also pleased to record their appreciation for the continued diligence and devotion of the staff members and workers of the Company.

On behalf of Board of Directors



**ZAHID MAZHAR**

Chief Executive

Karachi:

Dated: September 30, 2014



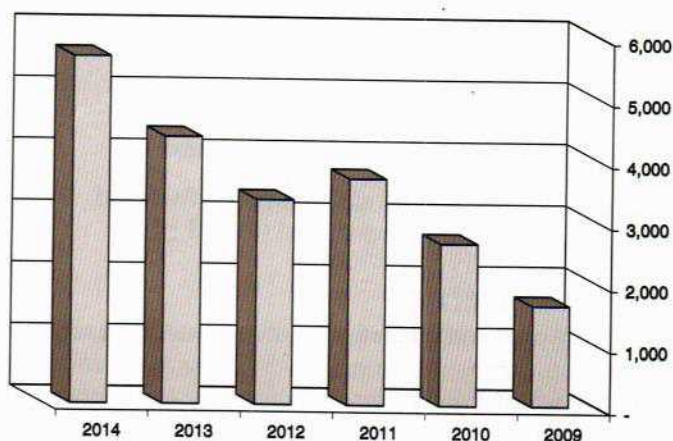
## NADEEM TEXTILE MILLS LIMITED

### Key Operating & Financial Data For the period from July 2008 To June 2014

| PERIODS                  | July - June<br>2013 - 2014 | July - June<br>2012 - 2013 | July - June<br>2011 - 2012 | July - June<br>2010 - 2011 | July - June<br>2009 - 2010 | July - June<br>2008 - 2009 |
|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Net Sales Revenue        | 5,620,594,591              | 4,322,718,024              | 3,316,501,821              | 3,668,883,661              | 2,629,106,636              | 1,631,660,653              |
| Cost Of Goods Sold       | 5,282,539,289              | 4,007,983,172              | 3,060,033,353              | 3,438,715,465              | 2,244,275,417              | 1,472,228,501              |
| Gross Profit             | 338,055,302                | 314,734,852                | 256,468,468                | 230,168,196                | 384,831,219                | 159,432,152                |
| Operating Profit         | 193,815,115                | 235,929,615                | 197,398,838                | 171,647,477                | 334,604,162                | 118,257,809                |
| Profit/(Loss) Before Tax | 85,515,432                 | 114,479,183                | 53,302,521                 | 51,632,184                 | 210,993,880                | 11,035,636                 |
| Profit/(Loss) After Tax  | 56,533,191                 | 72,698,839                 | 5,278,478                  | 29,032,097                 | 183,874,536                | 8,080,715                  |
| Paid Up Capital          | 120,150,000                | 120,150,000                | 120,150,000                | 120,150,000                | 120,150,000                | 120,150,000                |
| Current Assets           | 1,230,825,635              | 1,152,555,818              | 720,433,758                | 754,638,349                | 727,869,595                | 451,943,035                |
| Current Liabilities      | 1,402,102,804              | 1,506,146,440              | 869,867,050                | 780,756,216                | 706,861,195                | 581,968,435                |

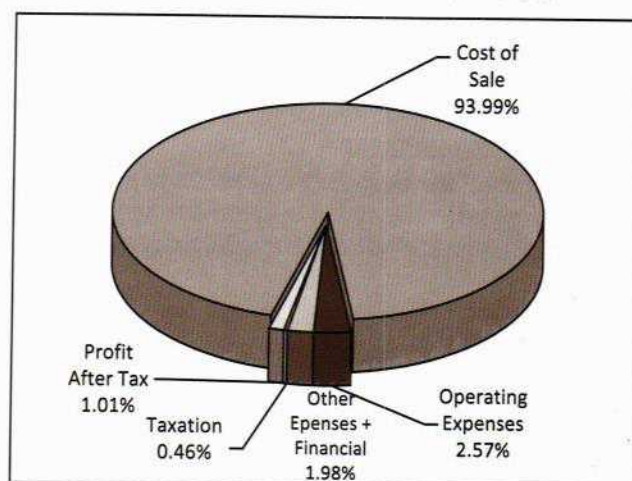
#### TURNOVER

| Year | Sales in (M) |
|------|--------------|
| 2014 | 5,621        |
| 2013 | 4,323        |
| 2012 | 3,317        |
| 2011 | 3,669        |
| 2010 | 2,629        |
| 2009 | 1,632        |



#### APPLICATION OF REVENUE FOR THE YEAR ENDED JUNE 30, 2014

|                            | RUPEES               | %           |
|----------------------------|----------------------|-------------|
| Cost of Sale               | 5,282,539,289        | 93.99%      |
| Operating Expenses         | 144,240,187          | 2.57%       |
| Other Expenses + Financial | 111,299,683          | 1.98%       |
| Taxation                   | 25,982,242           | 0.46%       |
| Profit after Tax           | 56,533,190           | 1.01%       |
| <b>TOTAL</b>               | <b>5,620,594,591</b> | <b>100%</b> |



**NADEEM TEXTILE MILLS LIMITED**  
**STATEMENT OF COMPLIANCE**  
**WITH THE CODE OF CORPORATE GOVERNANCE**  
**YEAR ENDED JUNE 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Ltd. for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Board comprises seven directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present, the Board includes four non executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. There was no casual vacancy of directors during the year.
5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and senior employees of the Company.
6. The Board has developed a vision and 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided by the Chairman. The Board met atleast once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two of the directors met the criteria of exemption from taking orientation course under the condition of having 14 years of education and 15 years of experience on the Board of Directors of Listed Company. The condition of training certification for the other directors will be complied in due course.
10. The Board arranged orientation courses for its directors during the financial year to apprise them of their duties and responsibilities.
11. No new appointment of CFO, Company Secretary except Head of Internal Audit has been made during the year.
12. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.



14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises three members, who are non-executive Directors.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, who are non-executive Directors.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.  
The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The Board has setup an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company. They are involved in the internal audit function on full time basis.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants 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 Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period' prior to the announcement of interim / final results and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
23. The company has complied with all the major corporate and financial reporting requirements to the code. All related parties transactions have been reviewed and approved by the Board and are carried out as per agreed terms.
24. We confirm that all other material principles contained in the Code have been complied with except for the requirements pertaining to change in composition of Board of Directors or some its committees.

Karachi:

Dated: September 30, 2014



**ZAHID MAZHAR**

Chief Executive

**Rahman Sarfaraz Rahim Iqbal Rafiq****CHARTERED ACCOUNTANTS**

Plot No. 180, Block-A, S.M.C.H.S.,  
Karachi-74400, PAKISTAN  
Tel. No. : (021) 4549345-9  
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: rirmri@fascom.com  
Website : www.rsrir.com  
Other Offices at Lahore - Islamabad

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Nadeem Textile Mills Limited for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No(s) 35 of the Karachi Stock Exchange(s) where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine 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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Further, we highlight as disclosed in point 9 of the statement, none of the directors have obtained certification under directors training program as required under clause (xi) of the code.

Karachi:

Dated: September 30, 2014

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
**Chartered Accountants**



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
**CHARTERED ACCOUNTANTS**

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E-mail : info@rsrir.com  
: rirmri@fascom.com  
Website : www.rsrir.com  
Other Offices at Lahore - Islamabad

**AUDITOR'S REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Nadeem Textile Mills Limited ("the Company") as at June 30, 2014 and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that —

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion —
- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014, and of the Profit, Comprehensive Income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980).

Karachi:

Dated: September 30, 2014

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
**Chartered Accountants**

Name of Engagement partner: Muhammad Rafiq Dosani

# NADEEM TEXTILE MILLS LIMITED

## BALANCE SHEET AS AT JUNE 30, 2014

| ASSETS                                      | Note | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|---|------|-------------------------|-------------------------|
| <b>Non-Current Assets</b>                   |      |                         |                         |
| Property, plant and equipment               | 4    | 1,175,493,906           | 1,127,655,401           |
| Long term deposits                          | 5    | 13,133,137              | 8,773,267               |
| <b>CURRENT ASSETS</b>                       |      |                         |                         |
| Stores, spares and loose tools              | 6    | 59,746,150              | 41,102,293              |
| Stock-in-trade                              | 7    | 735,552,948             | 817,964,486             |
| Trade debts                                 | 8    | 282,599,498             | 176,832,508             |
| Short term investments                      | 9    | 764,182                 | 8,322,132               |
| Loans and advances                          | 10   | 7,865,174               | 8,690,231               |
| Deposits, prepayments and other receivables | 11   | 81,207,743              | 65,892,693              |
| Taxation - net                              |      | 55,999,208              | 18,968,064              |
| Cash and bank balances                      | 12   | 7,090,732               | 14,783,411              |
|   |      | <b>1,230,825,635</b>    | <b>1,152,555,818</b>    |
|   |      | <b>2,419,452,678</b>    | <b>2,288,984,486</b>    |
| <b>EQUITY AND LIABILITIES</b>               |      |                         |                         |
| Share capital                               | 13   | 120,150,000             | 120,150,000             |
| Share Premium                               |      | 15,575,000              | 15,575,000              |
| Unappropriated profit                       |      | 456,981,867             | 400,803,909             |
|   |      | <b>592,706,867</b>      | <b>536,528,909</b>      |
| <b>Non-Current Liabilities</b>              |      |                         |                         |
| Long-term financing                         | 14   | 227,472,186             | 46,899,097              |
| Deferred liabilities                        | 15   | 71,065,362              | 76,185,860              |
| Loan from associate                         | 16   | 126,105,459             | 123,224,180             |
| <b>Current Liabilities</b>                  |      |                         |                         |
| Trade and other payables                    | 17   | 342,163,999             | 406,430,523             |
| Accrued mark-up                             | 18   | 22,216,646              | 32,047,879              |
| Short-term borrowings                       | 19   | 753,828,818             | 1,005,391,957           |
| Current portion of long-term financing      |      | 83,893,341              | 62,276,051              |
| Loan from associate (current)               | 20   | 200,000,000             | -                       |
|   |      | <b>1,402,102,804</b>    | <b>1,506,146,440</b>    |
| <b>Contingencies and commitments</b>        | 21   | -                       | -                       |
|   |      | <b>2,419,452,678</b>    | <b>2,288,984,486</b>    |

The annexed notes from 1 to 41 form an integral part of these financial statements.



**Zahid Mazhar**  
Chief Executive

Karachi:

Dated: September 30, 2014



**Omer Bin Zahid**  
Director



# NADEEM TEXTILE MILLS LIMITED

## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED JUNE 30, 201

|  | Note | June 30, 201<br>RUPEES | June 30, 201<br>RUPEES |
|--|------|------------------------|------------------------|
| Sales - net                            | 22   | 5,620,594,591          | 4,322,718,024          |
| Cost of sales                          | 23   | (5,282,539,289)        | 4,007,983,172)         |
| <b>Gross profit</b>                    |      | <b>338,055,302</b>     | <b>314,734,852</b>     |
| Administrative expenses                | 24   | (83,399,899)           | (52,743,727)           |
| Distribution costs                     | 25   | (60,840,288)           | (26,061,510)           |
|  |      | (144,240,187)          | (78,805,237)           |
|  |      | <b>193,815,115</b>     | <b>235,929,615</b>     |
| Other operating income                 | 26   | 46,922,244             | 1,757,956              |
| Other charges                          | 27   | (9,181,167)            | (21,827,381)           |
| Finance cost                           | 28   | (149,040,760)          | (101,381,007)          |
|  |      | (111,299,683)          | (121,450,432)          |
| Profit before taxation                 |      | <b>82,515,432</b>      | <b>114,479,183</b>     |
| Taxation                               | 29   | (25,982,242)           | (41,780,344)           |
| Profit after taxation                  |      | <b>56,533,190</b>      | <b>72,698,839</b>      |
| Earnings per share - basic and diluted | 30   | <b>4.71</b>            | <b>6.05</b>            |

The annexed notes from 1 to 41 form an integral part of these financial statements.



**Zahid Mazhar**  
Chief Executive

Karachi:

Dated: September 30, 2014



**Omer Bin Zahid**  
Director

|   | Note | June 30, 201<br>RUPEES | June 30, 201<br>RUPEES |
|---|------|------------------------|------------------------|
| <b>32 CASH AND CASH EQUIVALENTS</b>   |      |                        |                        |
| Cash and cash equivalents at financial statements date as shown in the cash flow statement comprise of following: |      |                        |                        |
| Cash and bank balances  |      | 7,090,732              | 14,783,411             |
| Short term borrowings   |      | (753,828,818)          | (1,005,391,957)        |
|   |      | <u>(746,738,086)</u>   | <u>(990,608,546)</u>   |
| <b>3 FINANCIAL INSTRUMENTS BY CATEGORY</b>  |      |                        |                        |
| <b>Financial assets:</b>  |      |                        |                        |
| <b>Loans and receivables</b>  |      |                        |                        |
| Long term deposits  |      | 13,133,136             | 8,773,267              |
| Trade debts   |      | 282,599,498            | 176,832,508            |
| Loans and advances  |      | 7,865,174              | 8,690,231              |
| Deposits, prepayments and other receivables   |      | 81,207,743             | 92,869,081             |
| Cash and bank balances  |      | 7,090,732              | 14,783,411             |
|   |      | 391,896,283            | 301,948,498            |
| <b>Fair value through profit and loss</b>   |      |                        |                        |
| Equity instruments  |      | 764,182                | 4,486,449              |
| <b>Held To Maturity</b>   |      |                        |                        |
| Term deposits   |      | -                      | ,835,683               |
|   |      | <u>392,660,465</u>     | <u>310,270,630</u>     |
| <b>Financial liabilities:</b>   |      |                        |                        |
| <b>At amortized cost</b>  |      |                        |                        |
| Long term financing   |      | 311,365,527            | 106,475,178            |
| Trade & other payables  |      | 342,163,999            | 406,430,523            |
| Accrued mark-up   |      | 22,216,646             | 32,047,879             |
| Short term borrowings   |      | 753,828,818            | 1,005,391,957          |
|   |      | <u>1,429,574,990</u>   | <u>1,550,345,537</u>   |

**34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest / mark - up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the Company's long standing business relationship with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. To manage exposure to credit risk, Company applies credit limits and deals with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The carrying amounts of financial assets against which the Company does not hold any collateral represent the maximum credit exposure, these are listed as follows:



|                     | Note | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|---------------------|------|-------------------------|-------------------------|
| <b>29 TAXATION</b>  |      |                         |                         |
| Current year        |      | 38,146,971              | 32,215,677              |
| Prior year          |      | (2,113,185)             | -                       |
| <b>Deferred tax</b> |      |                         |                         |
| For the Year        | 15.2 | (10,051,544)            | 9,564,667               |
|                     |      | (10,051,544)            | 9,564,667               |
|                     |      | <u>25,982,242</u>       | <u>41,780,344</u>       |

**29.1** Income tax assessment of the company deemed as finalized upto the tax year 2013. As the provision for current income tax is based FTR on export and for normal tax regime under section 113 of the Income Tax Ordinance, 2001, accordingly tax expense reconciliation with the accounting profit is not reported.

### 30 EARNINGS PER SHARE - BASIC & DILUTED

|  |                   |                   |
|--|-------------------|-------------------|
| Profit after taxation                      | <u>56,533,191</u> | <u>72,698,839</u> |
| Weighted average number of ordinary shares | <u>12,015,000</u> | <u>12,015,000</u> |
| Earning per share in rupees                | 4.71              | 6.05              |

There is no dilutive effect on the basic earnings per share of the Company as it has not issued any instruments carrying options which could have an impact on earnings per share when exercised.

### 31 CASH GENERATED FROM OPERATIONS

|   |        |                    |                    |
|---|--------|--------------------|--------------------|
| Profit before taxation                              |        | 82,515,432         | 114,479,183        |
| <b>Adjustments for non cash and other items</b>     |        |                    |                    |
| Depreciation / impairment                           | 4.1    | 112,845,814        | 58,872,157         |
| Provision for gratuity                              | 15.1.1 | 16,481,879         | 7,353,308          |
| Provision against ETO                               |        | 4,605,855          | -                  |
| Capital gain on sale of investments                 |        | (1,504,646)        | -                  |
| Unrealised (gain) / loss on investments             |        | 292,211            | (394,110)          |
| Classified as fair value through profit and loss    |        |                    |                    |
| Gain on sale of property, plant and equipment       | 4.1.2  | (19,742,723)       | (313,392)          |
| Workers' profits participation fund                 |        | 4,769,305          | 6,192,520          |
| Workers' welfare fund                               |        | 4,411,862          | 2,447,603          |
| Finance cost  |        | 149,040,760        | 101,213,707        |
|   |        | <u>271,200,316</u> | <u>175,371,793</u> |
| Operating profit before working capital changes     |        | 353,715,749        | 289,850,976        |
| <b>(Increase) / decrease in current assets</b>      |        |                    |                    |
| Stores, spares and loose tools                      |        | (18,643,857)       | 2,468,604          |
| Stock in trade                                      |        | 82,411,538         | (234,302,409)      |
| Trade debts   |        | (105,766,990)      | 1,615,011          |
| Loans and advances                                  |        | 825,057            | 5,192,349          |
| Deposits, prepayments and other receivables         |        | (15,315,050)       | (26,703,440)       |
|   |        | (56,489,302)       | (251,729,885)      |
| <b>Increase / (decrease) in current liabilities</b> |        |                    |                    |
| Trade and other payables                            |        | (67,504,137)       | 295,723,116        |
|   |        | <u>229,722,310</u> | <u>333,844,207</u> |

|  | Note | June 30, 201<br>RUPEES | June 30, 2013<br>RUPEES |
|--|------|------------------------|-------------------------|
| <b>24.1</b> This includes staff retirement benefits amounting to Rs. 4.477 million (2013: 2.673 million).  |      |                        |                         |
| <b>24.2</b> None of directors or their spouse have any interest in the donees' funds.  |      |                        |                         |
| <b>24.3 Auditors Remuneration</b>  |      |                        |                         |
| Audit fee  |      | 800,000                | 585,000                 |
| Half yearly review   |      | 215,000                | 160,000                 |
| Code Of Corporate Governance   |      | 50,000                 | 50,000                  |
| Other Certifications   |      | 25,000                 | -                       |
| Out of pocket Expenses   |      | 10,000                 | -                       |
|  |      | <u>1,100,000</u>       | <u>795,000</u>          |
| <b>25 DISTRIBUTION COST</b>  |      |                        |                         |
| Freight and octroi charges   |      | 6,643,896              | 1,564,443               |
| Export Selling Expenses  |      | 9,144,260              | 4,798,680               |
| Foreign Travelling Expense   |      | 2,679,060              | 2,439,996               |
| Trailer Charges  |      | 16,748,450             | 7,199,800               |
| Export Insurance Charges   |      | 2,169,503              | 1,808,906               |
| Stamp duty on Export sales   |      | 6,000,778              | 2,622,090               |
| Others   | 25.1 | 17,454,341             | 5,627,595               |
|  |      | <u>60,840,288</u>      | <u>26,061,510</u>       |
| <b>25.1</b> It includes charges in respect of stamp duty on local sales, Letter of credit expenses, sales promotion, export and foreign bank charges and forwarding charges. |      |                        |                         |
| <b>26 OTHER OPERATING INCOME</b>   |      |                        |                         |
| Profit on saving deposit account   |      | 1,032,955              | 489,809                 |
| Profit on term deposit   |      | 445,333                | -                       |
| Gain on sale of property, plant and equipment  |      | 19,742,723             | 313,392                 |
| Dividend income  |      | -                      | 240,624                 |
| Reversal of GIDC   |      | 7,867,579              | -                       |
| Bad Debts Recovered  |      | 1,819,850              | -                       |
| Gain on Exchange Rate Difference   |      | 14,801,369             | -                       |
| Gain on sale of share  |      | 1,504,646              | -                       |
| Unrealised gain / (loss) on investment classified as fair value through Profit & loss  |      | (292,211)              | 394,109                 |
|  |      | <u>46,922,244</u>      | <u>1,757,956</u>        |
| <b>27 OTHER CHARGES</b>  |      |                        |                         |
| Workers' profit participation fund   |      | 4,769,305              | 6,025,220               |
| Workers' welfare fund  |      | 4,411,862              | 2,447,603               |
| Exchange Loss on translation   |      | -                      | 13,354,558              |
|  |      | <u>9,181,167</u>       | <u>21,827,381</u>       |
| <b>28 FINANCE COST</b>   |      |                        |                         |
| Mark-up on:  |      |                        |                         |
| Short term borrowings  |      | 121,707,273            | 87,105,968              |
| Long term financing  |      | 22,401,519             | 9,401,697               |
| Inland letter of credit and FAFB   |      | 452,094                | 633,490                 |
|  |      | <u>144,560,886</u>     | <u>97,141,155</u>       |
| Interest on workers' profit participation fund   |      | 229,784                | 167,300                 |
| Bank charges and guarantee commission  |      | 4,250,090              | 4,072,552               |
|  |      | <u>149,040,760</u>     | <u>101,381,007</u>      |



|                                   | Note   | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|-----------------------------------|--|-------------------------|-------------------------|
| Work in process:                  |  |                         |                         |
| Opening :                         |  |                         |                         |
| Nooriabad unit                    |  | 16,039,065              | 14,142,175              |
| Kotri unit                        |  | 13,966,949              | -                       |
|                                   |  | 30,006,014              | 14,142,175              |
| Closing                           |  | (43,879,741)            | (16,039,065)            |
|                                   |  | (13,873,727)            | (1,896,890)             |
| Cost of goods manufactured        |  | 5,442,774,663           | 3,322,655,129           |
| Cost of raw material sold         |  | 20,695,386              | 598,151,435             |
| Finished goods and waste:         |  |                         |                         |
| Opening :                         |  |                         |                         |
| Nooriabad unit                    |  | 148,208,289             | 36,255,897              |
| Kotri unit                        |  | 21,941,000              | -                       |
|                                   |  | 170,149,289             | 36,255,897              |
| Yar purchased for export          |  | -                       | 199,129,000             |
| Closing                           |  | (351,080,049)           | (148,208,289)           |
|                                   |  | 5,282,539,289           | 4,007,983,172           |
| <b>23.1 RAW MATERIAL CONSUMED</b> |  |                         |                         |
| Opening stock                     |  | 616,947,870             | 496,494,743             |
| Kotri unit                        |  | 861,313                 | -                       |
|                                   |  | 617,809,183             | 496,494,743             |
| Add: Purchases                    |  | 4,002,480,883           | 3,396,212,046           |
|                                   |  | 4,620,290,066           | 3,892,706,789           |
| Raw material sold                 |  | (20,695,386)            | (598,151,435)           |
| Closing stock                     |  | (340,593,158)           | (616,947,870)           |
|                                   |  | 4,259,001,522           | 2,677,607,484           |
| <b>23.2</b>                       | This includes staff retirement benefits amounting to Rs. 12 million (2013: 4.679 million). |                         |                         |
| <b>24 ADMINISTRATIVE EXPENSES</b> |  |                         |                         |
| Directors' remuneration           | 35   | 1,938,000               | 696,000                 |
| Salaries and other benefits       | 24.1   | 30,413,737              | 19,762,723              |
| Traveling conveyance              |  | 4,716,702               | 2,848,847               |
| Legal and professional            |  | 5,580,538               | 4,749,971               |
| Fees and subscription             |  | 1,396,802               | 643,500                 |
| Rent, rates and taxes             |  | 1,325,847               | 1,454,252               |
| Electricity, gas and water        |  | 3,915,133               | 2,457,906               |
| Repair and maintenance            |  | 1,710,138               | 1,469,612               |
| Communication expenses            |  | 2,184,727               | 1,107,388               |
| Printing and stationery           |  | 3,069,248               | 890,039                 |
| Motor vehicle expenses            |  | 7,018,569               | 4,210,548               |
| Advertisement expenses            |  | 180,351                 | 80,532                  |
| Entertainment expenses            |  | 1,847,837               | 1,087,348               |
| Charity and donation              | 24.2   | 65,500                  | 15,600                  |
| Audit fee                         | 24.3   | 1,100,000               | 795,000                 |
| Miscellaneous expenses            |  | 1,401,303               | 1,119,307               |
| Provision for bad debts           |  | -                       | 855,367                 |
| Impairment of trade debts         |  | -                       | 254,600                 |
| Depreciation                      | 4.1.1  | 13,946,090              | 8,245,187               |
| Sales tax expense                 |  | 1,589,377               | -                       |
|                                   |  | 83,399,899              | 52,743,727              |

16  
23

|   | Note  | June 30, 201<br>RUPEES | June 30, 201<br>RUPEES |
|---|-------|------------------------|------------------------|
| <b>20 Loan from associate (Current)</b>   |       |                        |                        |
| Nadeem international (Pvt) Ltd  |       | 200,000,000            | -                      |
| <b>20.1</b> This represent interest free loan from Associates payable on demand.  |       |                        |                        |
| <b>21 CONTINGENCIES AND COMMITMENTS</b>   |       |                        |                        |
| <b>21.1 Contingencies</b>   |       |                        |                        |
| <b>21.1.1</b> The Company has filed Suit No. 564/2013 in the honourable High Court of Sindh against Sui Southern gas company limited for enhancement of gas load. |       |                        |                        |
| <b>21.2 Commitments</b>   |       |                        |                        |
| Following commitments exists for the company as of reporting date;  |       |                        |                        |
| Against letters of credit   |       | 2,788,230              | 68,908,328             |
| Bank guarantee to Excise & Taxation department  |       | 7,575,753              | 3,000,000              |
| Bank guarantee to HESCO   |       | 10,290,000             | 10,290,000             |
| Revolving Letter of credit to SSGC  |       | 33,172,953             | 21,737,388             |
| FBP outstanding   |       | 602,480,474            | 207,798,000            |
| Civil Contractor  |       | 417,290                | 6,746,219              |
| <b>22. SALES - NET</b>  |       |                        |                        |
| Local sales   |       | 1,042,949,029          | 1,794,385,194          |
| Exports - direct  | 22.1  | 3,874,142,695          | 1,826,302,601          |
| Exports - indirect  |       | 737,204,500            | 120,947,220            |
|   |       | 4,611,347,195          | 1,947,249,821          |
|   |       | 5,654,296,224          | 3,741,635,015          |
| Wastage sales   |       | 39,961,816             | 27,797,770             |
| Raw material sales  |       | 23,330,742             | 604,169,126            |
| Income from processing of yarn  |       | 2,474,987              | -                      |
|   |       | 65,767,545             | 631,966,896            |
| <b>Less :</b>   |       |                        |                        |
| Ocean freight   |       | (28,973,215)           | (10,603,743)           |
| Commission on export sales  |       | (35,498,931)           | (21,000,150)           |
| Commission on local sales   |       | (8,457,296)            | (1,835,689)            |
| Export development charges  |       | (9,771,481)            | (4,689,895)            |
| Premium on discounting of the export bills  |       | (16,768,255)           | (12,754,410)           |
|   |       | (99,469,178)           | (50,883,887)           |
|   |       | 5,620,594,591          | 4,322,718,024          |
| <b>22.1</b> Direct Export sales include Exchange gain of Rs. 25,838,583/-   |       |                        |                        |
| <b>23 COST OF SALES</b>   |       |                        |                        |
| Raw material consumed   | 23.1  | 4,259,001,522          | 2,677,607,484          |
| Store and spares consumed   |       | 82,088,692             | 54,700,869             |
| Packing material consumed   |       | 102,547,470            | 69,314,242             |
| Salaries, wages and other benefits  | 23.2  | 354,012,921            | 218,146,993            |
| Repair and maintenance  |       | 13,434,466             | 15,717,035             |
| Insurance   |       | 14,222,439             | 10,676,255             |
| Fuel and power  |       | 504,848,795            | 219,874,809            |
| Other manufacturing expenses  |       | 27,592,361             | 7,887,362              |
| Depreciation / impairment   | 4.1.1 | 98,899,724             | 50,626,970             |
|   |       | 5,456,648,390          | 3,324,552,019          |



|  | Note   | June 30, 201<br>RUPEES | June 30, 201<br>RUPEES |
|--|--------|------------------------|------------------------|
| <b>17.1 Workers' profits participation fund</b>  |        |                        |                        |
| Opening balance  |        |                        |                        |
| Nooriabad  |        | 6,025,220              | 2,863,093              |
| Interest expense   | 17.1.1 | 229,724                | 167,300                |
|  |        | 6,254,944              | 3,030,393              |
| Less: Payment during the year  |        | (6,254,944)            | (3,030,393)            |
|  |        | -                      | -                      |
| Allocation for the year  |        | 4,769,305              | 6,025,220              |
|  |        | 4,769,305              | 6,025,220              |
| <b>17.1.1</b> The company retains workers' profit participation fund for its business operations till the date of allocation to the workers. Interest is paid at the prescribed rate under the Workers' Profits Participation Fund Act on funds utilized by the Company till the date of allocation to the workers. Interest paid for the year ended June 30, 2014 is 229,724 (2013: Rs. 167,300).   |        |                        |                        |
| <b>17.2</b> This pertains to demands of Hyderabad Electric Supply Company Limited. The same are disputed and pending for judgments in there respective courts. The Company made provision against the same as a matter of prudence. The Company has also provided bank guarantees against the respective claims amounting to Rs. 10.29 million (2013: 10.29 million) [refer note 21].  |        |                        |                        |
| <b>17.3</b> This pertains to demand of Excise and Taxation Department. The same are disputed and pending for judgments in there respective courts. The Company made provision against the same as a matter of prudence. The Company has also provided bank guarantees against the respective claims amounting to Rs. 2 million (2013: 2 million) [refer note 21].  |        |                        |                        |
| <b>18 ACCRUED MARK - UP</b>  |        |                        |                        |
| Long-term financing  |        | 5,854,067              | 2,709,197              |
| Short-term borrowings  |        | 16,362,579             | 29,338,682             |
|  |        | 22,216,646             | 32,047,879             |
| <b>19 SHORT TERM BORROWINGS</b>  |        |                        |                        |
| Bank Al-Falah Limited  |        | 163,919,953            | 207,487,683            |
| Allied Bank Limited  |        | 72,103,961             | 72,103,961             |
| Soneri Bank Limited  |        | 35,986,511             | 283,495,976            |
| J. S. Bank Limited   |        | 9,597,600              | 127,373,600            |
|  | 19.1   | 281,608,025            | 690,461,220            |
| <b>Foreign currency loan</b>   |        |                        |                        |
| Soneri Bank Limited FE-25  | 19.2   | 370,007,181            | 254,930,737            |
| JS Bank Limited FE-25  |        | 99,549,850             | -                      |
| <b>Loan from directors</b>   |        | -                      | 60,000,000             |
|  |        | 751,165,056            | 863,844,829            |
| Soneri bank limited (overdraft)  |        | 2,663,762              | -                      |
|  |        | 753,828,818            | 1,005,391,957          |
| <b>19.1</b> These represent short term working capital finance facilities secured against pledge of stocks (Cotton, Yarn, fibre and Spares), and export bills under collection, local trade debts of the Company and charge over current assets. The rate of mark-up for running finance ranges from KIBOR + 1.5% to KIBOR + 2.0% per annum (2013: KIBOR + 1.5% to KIBOR + 2.75% per annum), KIBOR ranged from 1 month, 3 months and 6 months. The applicable rate of mark-up on foreign currency finance has been LIBOR + 1.75% to LIBOR + 2.5% per annum (2013: LIBOR + 3% to LIBOR + 3.5% per annum). The unavailed facility amounts to Rs 500 million. |        |                        |                        |
| <b>19.2</b> This represents Foreign Exchange loan of \$ 4,755,008 translated at the conversion rate existed at June 30, 2014 (2013: \$ 2,580,270).   |        |                        |                        |

|   | Note              | June 30, 201<br>RUPEES | June 30, 201<br>RUPEES |                   |                    |
|---|-------------------|------------------------|------------------------|-------------------|--------------------|
| <b>15.1 Movement in the net liability recognized in the balance sheet</b> |                   |                        |                        |                   |                    |
| Opening net liability   |                   | 17,377,977             | 15,640,194             |                   |                    |
| Present value of defined benefit obligation-Unit 2                        |                   | 18,673,382             | -                      |                   |                    |
| Expense for the year  | 15.1.1            | 16,481,879             | 7,353,308              |                   |                    |
|   |                   | <u>52,533,238</u>      | <u>22,993,502</u>      |                   |                    |
| Benefits paid   |                   | (11,906,063)           | (5,032,346)            |                   |                    |
| Experience Adjustment   |                   | 2,214,092              | -                      |                   |                    |
| Remeasurements  |                   | (1,683,894)            | (583,179)              |                   |                    |
|   |                   | <u>41,157,373</u>      | <u>17,377,977</u>      |                   |                    |
| <b>15.1.1 Expense recognized in the profit and loss account</b>           |                   |                        |                        |                   |                    |
| Current service cost  |                   | 13,321,555             | 5,172,938              |                   |                    |
| Interest cost   |                   | 3,160,324              | 2,180,370              |                   |                    |
|   |                   | <u>16,481,879</u>      | <u>7,353,308</u>       |                   |                    |
| <b>15.1.2 Comparison for five years</b>                                   |                   |                        |                        |                   |                    |
|   | 2014              | 2013                   | 2012                   | 2011              | 2010               |
|   |                   |                        | Rupees                 |                   |                    |
| Present value of defined benefit obligation                               | <u>41,157,373</u> | <u>17,377,977</u>      | <u>15,574,073</u>      | <u>14,471,889</u> | <u>11,209,100</u>  |
| Experience adjustment:  |                   |                        |                        |                   |                    |
| Increase / (decrease) in plan liabilities                                 | <u>-</u>          | <u>-</u>               | <u>-</u>               | <u>-</u>          | <u>(42,999)</u>    |
| <b>15.2 Deferred tax liability - net</b>                                  |                   |                        |                        |                   |                    |
| <b>Deferred tax liability on taxable temporary difference:</b>            |                   |                        |                        |                   |                    |
| Property, plant and equipment - accelerated depreciation                  |                   |                        | 32,990,074             |                   | 45,912,307         |
| <b>Deferred tax asset on deductible temporary differences:</b>            |                   |                        |                        |                   |                    |
| Provision for doubtful debts  |                   |                        | (266,619)              |                   | (246,454)          |
| Provision for gratuity  |                   |                        | (2,815,466)            |                   | (2,167,465)        |
| Minimum tax u/s 113   |                   |                        | -                      |                   | (5,751,695)        |
|   |                   |                        | <u>(3,082,085)</u>     |                   | <u>(8,165,614)</u> |
|   |                   |                        | <u>29,907,989</u>      |                   | <u>37,746,693</u>  |
| <b>16 Loan from associate</b>   |                   |                        |                        |                   |                    |
| Nadeem power generation (Pvt) Ltd   |                   |                        | 126,105,459            |                   | 123,224,180        |
| <b>16.1</b> This represent interest free loan from Associates.            |                   |                        |                        |                   |                    |
| <b>17 TRADE AND OTHER PAYABLES</b>  |                   |                        |                        |                   |                    |
| Creditors   |                   |                        | 190,813,491            |                   | 256,874,300        |
| Accrued expenses  |                   |                        | 110,167,912            |                   | 119,314,057        |
| Workers' profit participation fund  | 17.1              |                        | 4,769,305              |                   | 6,025,220          |
| Workers' welfare fund   |                   |                        | 6,748,734              |                   | ,930,713           |
| Income tax payable  |                   |                        | 727,627                |                   | 398,442            |
| Provision against HESCO   | 17.2              |                        | 11,452,000             |                   | 11,452,000         |
| Provision against ETO   | 17.3              |                        | 8,631,685              |                   | 4,025,830          |
| Unclaimed dividend  |                   |                        | 1,479,613              |                   | 2,409,961          |
| Other Liabilities   |                   |                        | 7,373,632              |                   | -                  |
|   |                   |                        | <u>342,163,999</u>     |                   | <u>406,430,523</u> |



|  | Note | June 30, 201<br>RUPEES | June 30, 2013<br>RUPEES |
|--|------|------------------------|-------------------------|
| <b>14 LONG TERM FINANCING</b>                  |      |                        |                         |
| From Banking Companies- Secured                |      | 311,365,527            | 106,475,178             |
| Less: current portion of long term liabilities |      | (83,893,341)           | (62,276,081)            |
|  |      | 227,472,186            | 44,199,097              |
| - Directors' loan                              |      | -                      | 2,700,000               |
|  |      | 227,472,186            | 46,899,097              |

**14.1** The principal details of loan facilities availed by the Company are as follows:

| Lender              | June 30, 2014      | June 30, 2013      | Purpose  | Facility Amount (Rs. millions) | Security   | Pricing                           | Repayment Terms               |
|---------------------|--------------------|--------------------|--|--------------------------------|--|-----------------------------------|-------------------------------|
| Soneri Bank Limited | 12,412,822         | 18,619,230         | Import of spinning machinery-Term Finance  | 24.284                         | First specific charge over imported machinery  | 6 month average KIBOR + 3% p.a.   | 16 installments Quarterly .   |
|                     | 1,500,000          | 4,500,000          | Import of spinning machinery-Term Finance  | 15                             | First specific charge over imported machinery  | 6 month average KIBOR + 3% p.a.   | 10 installments Semi annually |
|                     | 112,500,000        | -                  | To acquire Sindh segment of Shadman Cotton Mills Limited                               | 125                            | Joint pari pasu charge (with Bank Al-Falah Ltd.) over fixed assets at E-11, S.I.T.E. Kotri                 | 6 month average KIBOR + 2% p.a.   | 10 installments Semi annually |
| JS Bank             | 42,166,667         | -                  | To meet capital expenditure requirements and retirement of LCs for import of machinery | 46                             | First exclusive and specific charge of 58m over machinery imported (new) i.e Auto cone winder- Savio Polar | 3 month average KIBOR + 2.5%      | 12 installments Quarterly .   |
| Citi Bank           | 2,216,847          | 28,883,511         | Acquired for short term requirements and transferred to Term Finance                   | 80                             | First pari pasu charge over stocks and book debts of 160 million   | 1 month average KIBOR+2.5 % p.a.  | 36 installments Monthly .     |
| Bank Al-falah       | 112,500,000        | -                  | To acquire Sindh segment of Shadman Cotton Mills Limited                               | 125                            | Joint pari pasu charge (with Soneri Bank Ltd.) over fixed assets at E-11, S.I.T.E. Kotri                   | 6 month average KIBOR + 2% p.a.   | 10 installments semi annually |
| Askari bank         | 28,069,436         | 34,547,000         | Acquired for short term requirements and transferred to Term Finance                   | 34.547                         | First pari pasu charge of 72.629m over fixed assets of the company.  | 3 month average KIBOR + 1.5% p.a. | 16 installments Quarterly .   |
| Askari bank         | -                  | 19,925,445         | Swap of facility of Sindh segment of Shadman Cotton Mills Limited                      | 19.925                         |  | 3 month average KIBOR + 2% p.a.   | 4 installments Quarterly .    |
| <b>Total</b>        | <b>311,365,772</b> | <b>106,475,186</b> |  |                                |  |                                   |                               |

**15 DEFERRED LIABILITIES**

|                       |      |            |            |
|-----------------------|------|------------|------------|
| Gratuity              | 15.1 | 41,157,373 | 36,051,359 |
| Deferred taxation-net | 15.2 | 29,907,989 | 40,134,501 |
|                       |      | 71,065,362 | 76,185,860 |

|                             | Note | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|-----------------------------|------|-------------------------|-------------------------|
| <b>10 LOAN AND ADVANCES</b> |      |                         |                         |
| Staff and workers           | 10.1 | 1,580,347               | 2,113,800               |
| Advance to suppliers        |      | 6,284,827               | 5,067,014               |
| Advance against Lc margin   |      | -                       | 1,509,417               |
|                             |      | <u>7,865,174</u>        | <u>8,690,231</u>        |

10.1 This represents interest free advances provided to employees in accordance with the Company's policy. The advances are unsecured and are recoverable in equal monthly installments.

#### 11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

|                                |      |                   |                   |
|--------------------------------|------|-------------------|-------------------|
| Deposits                       |      | -                 | 2,068,632         |
| Margin on letter of guarantee  | 11.1 | 4,152,825         | 4,366,000         |
| Prepayments                    |      | 4,159,991         | 223,098           |
| Sales tax refundable           |      | 53,153,341        | 48,304,521        |
| Special excise duty refundable |      | 2,518,028         | 2,518,028         |
| Advance against raw material   |      | -                 | 8,412,414         |
| Receivable Against GID Cess    |      | 13,666,363        | -                 |
| Other receivable               |      | 3,557,195         | -                 |
|                                |      | <u>81,207,743</u> | <u>65,892,693</u> |

11.1 This represents margin on bank guarantee provided in respect of suits details of which are disclosed in note 17.2.

#### 12 CASH AND BANK BALANCES

|                   |                  |                   |
|-------------------|------------------|-------------------|
| Cash in hand      | 914,081          | 243,205           |
| Cash at bank      |                  |                   |
| - Current account | 6,072,483        | 11,104,840        |
| - Deposit account | 104,168          | 3,435,366         |
|                   | <u>6,176,651</u> | <u>14,540,206</u> |
|                   | <u>7,090,732</u> | <u>14,783,411</u> |

#### 13 SHARE CAPITAL

##### AUTHORIZED SHARE CAPITAL

|  |                    |                    |
|--|--------------------|--------------------|
| 25,000,000 (2013:12,500,000) ordinary shares of Rs.10/- each | <u>250,000,000</u> | <u>125,000,000</u> |
|--|--------------------|--------------------|

##### ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| 2014<br>Number of Shares | 2013<br>Number of Shares |  | 2014<br>Rupees     | 2013<br>Rupees     |
|--------------------------|--------------------------|--|--------------------|--------------------|
| 5,515,000                | 5,515,000                | Ordinary shares of Rs.10/- each issued as fully paid in cash         | 55,150,000         | 55,150,000         |
| 6,500,000                | 6,500,000                | Ordinary shares of Rs.10/- each issued as fully paid as bonus shares | 65,000,000         | 65,000,000         |
| <u>12,015,000</u>        | <u>12,015,000</u>        |  | <u>120,150,000</u> | <u>120,150,000</u> |



|  | Note | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|--|------|-------------------------|-------------------------|
| <b>6 STORES, SPARES AND LOOSE TOOLS</b>  |      |                         |                         |
| Stores   |      | 27,400,484              | 19,487,360              |
| Spares   |      | 32,142,609              | 21,376,250              |
| Loose tools  |      | 203,057                 | 238,683                 |
|  |      | <u>59,746,150</u>       | <u>41,102,293</u>       |
| <b>7 STOCK IN TRADE</b>  |      |                         |                         |
| Raw material   | 7.1  | 340,593,158             | 617,809,183             |
| Work-in-process  |      | 43,879,741              | 30,006,014              |
| Finished goods   |      | 341,897,751             | 167,019,860             |
| Waste  |      | 9,182,298               | 3,129,429               |
|  |      | <u>351,080,049</u>      | <u>170,149,289</u>      |
|  |      | <u>735,552,948</u>      | <u>817,964,486</u>      |
| 7.1 Stocks with carrying value of Rs. 586.96/- million (2013: Rs. 635.32/- million) have been pledged as security with certain banks against finance facilities. |      |                         |                         |
| <b>8 TRADE DEBTS</b>   |      |                         |                         |
| <b>Considered good</b>   |      |                         |                         |
| Export trade debts - secured   |      | 38,170,836              | -                       |
| Local trade debts - unsecured  |      | 248,557,107             | 178,708,255             |
|  |      | <u>286,727,943</u>      | <u>178,708,255</u>      |
| <b>Considered doubtful</b>   |      |                         |                         |
| Less: provision for impairment   |      | (4,128,445)             | (1,875,747)             |
|  |      | <u>282,599,498</u>      | <u>176,832,508</u>      |
| <b>9 SHORT TERM INVESTMENTS</b>  |      |                         |                         |
| <b>Financial assets at fair value through profit or loss</b>   |      |                         |                         |
| Held for trading-Quoted equity   | 9.1  | 764,182                 | 4,486,449               |
| Held to Maturity   |      | -                       | 3,835,683               |
| Term deposits  |      | <u>764,182</u>          | <u>8,322,132</u>        |

**9.1**

| June 30<br>201   | June 30<br>201 | Name of Company                   | June 30<br>2014 | June 30<br>2013  |
|------------------|----------------|-----------------------------------|-----------------|------------------|
| Number of Shares |                |                                   | Ruppees         |                  |
| 83,976           | 83,976         | The Bank of Punjab                | 764,182         | 1,069,854        |
| -                | 79,531         | National Bank of Pakistan Limited | -               | 3,270,315        |
| -                | 23,000         | Azgard Nine Limited               | -               | 146,280          |
| <u>83,976</u>    | <u>186,507</u> |                                   | <u>764,182</u>  | <u>4,486,449</u> |

- All the holdings are in ordinary shares of Rs. 10/- each.

**Note**

**4.1.1 Depreciation / impairment is allocated as under**

|                         |           | <b>June 30, 2014</b> | <b>June 30, 2013</b> |
|-------------------------|-----------|----------------------|----------------------|
|                         |           | <b>RUPEES</b>        | <b>RUPEES</b>        |
| Cost of sales           | <b>23</b> | <b>98,899,724</b>    | 50,626,970           |
| Administrative expenses | <b>24</b> | <b>13,946,090</b>    | 8,245,187            |
|                         |           | <b>112,845,814</b>   | <b>58,872,157</b>    |

**4.1.2 Particulars of disposal of operating fixed assets**

| <b>Particulars of asset</b> | <b>Cost</b>       | <b>Accumulated Depreciation</b> | <b>Book Value</b> | <b>Sale Proceeds</b> | <b>(Gain) / Loss on disposal</b> | <b>Mode of Disposal</b> | <b>Particulars of Purchaser</b> |
|-----------------------------|-------------------|---------------------------------|-------------------|----------------------|----------------------------------|-------------------------|---------------------------------|
| <b>Rupees</b>               |                   |                                 |                   |                      |                                  |                         |                                 |
| Freehold Land               | 2,028,820         | -                               | 2,028,820         | 23,000,000           | (20,971,180)                     | Negotiation             | Shadman Cotton Mills Ltd.       |
| Auto Cone Machinery         | 3,723,064         | 2,574,573                       | 1,148,491         | 1,150,000            | (1,509)                          | Negotiation             | A.J Enterprises                 |
| Murrata Chase Winder        | 5,896,339         | 4,279,963                       | 1,616,376         | 1,270,000            | 346,376                          | Negotiation             | Ali Enterprises                 |
| Murrata Chase Winder        | 7,297,707         | 6,493,432                       | 804,275           | 700,000              | 104,275                          | Negotiation             | Zafar Scrap Dealer              |
| Murrata Chase Winder        | 2,405,613         | 1,671,443                       | 734,170           | 500,000              | 234,170                          | Negotiation             | Zafar Scrap Dealer              |
| Cards & Drawing             | 1,280,000         | 19,989                          | 1,260,011         | 1,000,000            | 260,011                          | Negotiation             | Fazal Awais Textile             |
| Drawing Machine             | 400,000           | 7,781                           | 392,219           | 275,000              | 117,219                          | Negotiation             | Ameer Industries                |
| Mach Coner                  | 1,800,000         | 47,342                          | 1,752,658         | 1,200,000            | 552,658                          | Negotiation             | United Spinning Mills           |
| Simplex F-A 411             | 220,000           | 5,786                           | 214,214           | 170,940              | 43,274                           | Negotiation             | Fazal Awais Textile             |
| Schalfhorst-238             | 150,000           | 4,274                           | 145,726           | 190,306              | (44,580)                         | Negotiation             | Usay Trading Company            |
| Honda Acorde AME-808        | 2,317,475         | 1,909,028                       | 408,447           | 800,000              | (391,553)                        | Negotiation             | Mr. Zia-ul-Haq                  |
| Motor Cycle KBE-7342        | 39,999            | 34,594                          | 5,405             | 13,500               | (8,095)                          | Negotiation             | Tariq Naseer                    |
| Toyota Corola AJE-771       | 1,019,000         | 876,533                         | 142,467           | 275,000              | (132,533)                        | Negotiation             | Mr. Rizwan                      |
| AEK-332                     | 600,000           | 4,932                           | 595,068           | 580,000              | 15,068                           | Negotiation             | Kashif Muhammad                 |
| AET-411                     | 225,000           | 1,973                           | 223,027           | 160,000              | 63,027                           | Negotiation             | Abdul Razzak                    |
| AUS-771                     | 900,000           | 13,315                          | 886,685           | 890,000              | (3,315)                          | Negotiation             | Khalid s/o Ab. Aziz             |
| AQX-808                     | 1,000,000         | 28,493                          | 971,507           | 1,000,000            | (28,493)                         | Negotiation             | Mrs. Ruby Sharfi                |
| KM-9202                     | 500,000           | 33,151                          | 466,849           | 375,000              | 91,849                           | Negotiation             | E.F.U Insurance                 |
| CK-9640                     | 310,000           | 24,121                          | 285,879           | 300,000              | (14,121)                         | Negotiation             | Zubair Khan                     |
| Truck JY-1264               | 570,000           | 75,271                          | 494,729           | 470,000              | 24,729                           | Negotiation             | Mr. Abdul Mannan                |
| <b>TOTAL</b>                | <b>32,683,017</b> | <b>18,105,994</b>               | <b>14,577,023</b> | <b>34,319,746</b>    | <b>(19,742,723)</b>              |                         |                                 |

**4.2 Capital work in progress**

|  |                  |                   |
|--|------------------|-------------------|
| Advance for purchase of Land           | <b>437,500</b>   | 437,500           |
| Carding Machines                       | -                | 6,852,098         |
| Ring Frames                            | -                | 2,903,159         |
| Drawing & Simplex Machines             | -                | 671,063           |
| Autocone Machinery                     | -                | 45,603,603        |
| Power house                            | <b>680,598</b>   | 8,420,336         |
| Other Capital Items                    | -                | 75,727            |
| Advance to Contractors for Civil Works | <b>2,303,502</b> | 15,078,547        |
|  | <b>3,421,600</b> | <b>80,042,033</b> |

**5 LONG TERM DEPOSITS**

|                                  |                   |                  |
|----------------------------------|-------------------|------------------|
| Security deposits                |                   |                  |
| - WAPDA                          | <b>3,345,060</b>  | 715,160          |
| - PSO                            | <b>450,000</b>    | -                |
| - Margin on bank guarantee - ETO | <b>800,000</b>    | 800,000          |
| - Others                         | <b>535,369</b>    | 489,150          |
|                                  | <b>5,130,429</b>  | 2,004,310        |
| Margin on bank guarantee to SSGC | <b>8,002,708</b>  | 6,768,957        |
|                                  | <b>13,133,137</b> | <b>8,773,267</b> |



4 PROPERTY, PLANT AND EQUIPMENT

|                                 | Free hold land | lease hold land | Factory building | Office premises | Plant and machinery | Office equipment | Computer equipment | Furniture and fixture | Vehicles     | Capital Work in progress | Total         |
|---------------------------------|----------------|-----------------|------------------|-----------------|---------------------|------------------|--------------------|-----------------------|--------------|--------------------------|---------------|
|                                 |                |                 |                  |                 |                     |                  |                    |                       |              |                          |               |
| <b>As at July 01, 2012</b>      |                |                 |                  |                 |                     |                  |                    |                       |              |                          |               |
| Cost                            | 2,028,820      | 1,142,763       | 64,479,983       | 88,462,759      | 929,873,495         | 3,602,759        | 1,621,037          | 3,032,792             | 30,083,822   | 147,043,061              | 1,271,371,291 |
| Accumulated depreciation        | -              | -               | (38,073,140)     | (26,722,522)    | (489,800,527)       | (1,583,282)      | (999,360)          | (1,251,736)           | (12,259,249) | -                        | (570,689,816) |
|                                 | 2,028,820      | 1,142,763       | 26,406,843       | 61,740,237      | 440,072,968         | 2,019,477        | 621,677            | 1,781,056             | 17,824,573   | 147,043,061              | 700,681,475   |
| <b>Year ended June 30, 2013</b> |                |                 |                  |                 |                     |                  |                    |                       |              |                          |               |
| Opening net book value          | 2,028,820      | 1,142,763       | 26,406,843       | 61,740,237      | 440,072,968         | 2,019,477        | 621,677            | 1,781,056             | 17,824,573   | 147,043,061              | 700,681,475   |
| Additions during the year       | -              | -               | 18,702,645       | 24,362,337      | 161,412,034         | 3,502,954        | 380,734            | 696,588               | 9,536,594    | 162,173,191              | 380,767,077   |
| Additions - (refer note 1.2)    | -              | 30,250,000      | 79,848,577       | 25,598,257      | 188,292,898         | 1,700,102        | -                  | 300,000               | 8,400,000    | -                        | 334,389,834   |
| Disposals / transfers           | -              | -               | -                | -               | -                   | -                | -                  | -                     | -            | -                        | -             |
| Cost                            | -              | -               | -                | -               | -                   | -                | -                  | -                     | (390,000)    | (229,174,219)            | (229,564,219) |
| Accumulated depreciation        | -              | -               | -                | -               | -                   | -                | -                  | -                     | 253,391      | -                        | 253,391       |
| Depreciation / for the year     | -              | -               | (2,920,506)      | (3,272,975)     | (47,706,464)        | (430,379)        | (234,938)          | (203,515)             | (4,103,380)  | (229,174,219)            | (229,310,828) |
| Closing net book value          | 2,028,820      | 31,392,763      | 122,037,559      | 108,427,856     | 742,071,436         | 6,792,154        | 767,473            | 2,574,129             | 31,521,178   | 80,042,033               | 1,127,655,401 |
| <b>As at July 01, 2013</b>      |                |                 |                  |                 |                     |                  |                    |                       |              |                          |               |
| Cost                            | 2,028,820      | 31,392,763      | 163,031,205      | 138,423,353     | 1,279,578,427       | 8,805,815        | 2,001,771          | 4,029,380             | 47,630,416   | 80,042,033               | 1,756,963,983 |
| Accumulated depreciation        | -              | -               | (40,993,646)     | (29,995,497)    | (537,506,991)       | (2,013,661)      | (1,234,298)        | (1,455,251)           | (16,109,238) | -                        | (629,308,562) |
|                                 | 2,028,820      | 31,392,763      | 122,037,559      | 108,427,856     | 742,071,436         | 6,792,154        | 767,473            | 2,574,129             | 31,521,178   | 80,042,033               | 1,127,655,401 |
| <b>Year ended June 30, 2014</b> |                |                 |                  |                 |                     |                  |                    |                       |              |                          |               |
| Opening net book value          | 2,028,820      | 31,392,763      | 122,037,559      | 108,427,856     | 742,071,436         | 6,792,154        | 767,473            | 2,574,129             | 31,521,178   | 80,042,033               | 1,127,655,401 |
| Additions during the year       | -              | 8,007,450       | 6,486,115        | 11,556,219      | 212,242,300         | 429,994          | 271,510            | 728,314               | 12,159,875   | 158,207,095              | 410,088,872   |
| Disposals / transfers           | -              | -               | -                | -               | -                   | -                | -                  | -                     | -            | -                        | -             |
| Cost                            | (2,028,820)    | -               | -                | -               | (23,172,723)        | -                | -                  | -                     | (7,481,476)  | (234,827,528)            | (267,510,547) |
| Accumulated depreciation        | -              | -               | -                | -               | 15,104,583          | -                | -                  | -                     | 3,001,411    | -                        | 18,105,994    |
| Depreciation for the year       | (2,028,820)    | -               | -                | (5,591,690)     | (8,068,140)         | (705,206)        | (294,353)          | (285,919)             | (4,480,065)  | (234,827,528)            | (249,404,553) |
| Closing net book value          | -              | 39,400,213      | 115,991,258      | 114,392,385     | 859,878,288         | 6,516,942        | 744,630            | 3,016,524             | 32,132,067   | 3,421,600                | 1,175,493,906 |

Effects of change in accounting policy are as follows:

|                                       | June 30, 2013<br>RUPEES |
|---------------------------------------|-------------------------|
| Effect on balance sheet:              |                         |
| Unappropriated Profit                 |                         |
| As previously reported                | 400,413,179             |
| Effect of change in accounting policy | (400,803,909)           |
| As restated                           | (390,730)               |
| Deferred Liabilities                  |                         |
| As previously reported                | 78,026,666              |
| Effect of change in accounting policy | (76,185,860)            |
| As restated                           | 1,840,806               |

As impact of change in accounting policy was immaterial due to which effect of change in accounting policy has been taken in 2013 hence three column balance sheet not presented.

### 3.15 Borrowings

Borrowings that are acquired for long term financing are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 3.16 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to item(s) recognized directly in equity, in which case it is also recognised in equity.

#### Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date or minimum or turnover tax under Income Tax Ordinance, 2001, whichever is higher and any adjustment to tax payable in respect of previous years.

#### Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 3.17 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Sales revenue is recognised on dispatch of goods to the customers.
- Dividend income on equity investments is recognized when right to receive dividend is established
- Mark-up / interest income is recognized on a time proportion basis that takes into account the effective yield.

### 3.18 Related Party Transactions

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

### 3.19 Share capital

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

### 3.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

|  | Note | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|--|------|-------------------------|-------------------------|
| <b>4 PROPERTY, PLANT AND EQUIPMENT</b> |      |                         |                         |
| Operating fixed assets                 | 4.1  | 1,172,072,306           | 1,047,613,368           |
| Capital work in process                | 4.2  | 3,421,600               | 80,042,033              |
|  |      | <u>1,175,493,906</u>    | <u>1,127,655,401</u>    |



**c) Available for sale**

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownerships.

Fair value of available-for-sale investments are determined on the basis of rates notified by Mutual Fund Association of Pakistan for debt securities, relevant redemption prices for the open-end mutual funds, or PKRV sheets.

Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in other comprehensive income until derecognised or impaired. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive the dividends is established.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and is recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

The Company follows trade date accounting for regular way purchase and sales of securities.

**Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

**3.7 Offsetting**

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

**3.8 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Where the time value of money has a substantial effect due to the time remaining in the due dates for settlement of liabilities, the liabilities are discounted to the present value using effective interest rate.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**3.9 Trade and other receivable**

Trade and other receivables are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are added to their respective carrying amounts.

**3.10 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, demand deposits held with bank and highly liquid investments with maturity of less than three months from the date of acquisition. Running finance facilities availed by the Company which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are added to their respective carrying amounts.

**3.11 Foreign currency transactions and translation**

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

**3.12 Dividend**

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

**3.13 Provisions**

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

**3.14 Employees' retirement benefits**

**3.14.1 Defined benefit plan**

IAS 19 (Revised) 'Employee Benefits' amends the accounting for the employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on defined benefit obligation and the expected return on plan assets with a net interest cost / (income) at discount rate measured at the beginning of the year. Further the standard requires all unrecognised actuarial gains / losses to be recognised in the current period immediately eliminating the corridor approach as previously defined with a charge to other comprehensive income in the period in which they occur, which are not later classified to profit and loss account. Thus has been applied retrospectively in accordance with the transitional provisions of the standard and comparative figures have been restated. The effect of the adoption of IAS 19 (revised) has been summarised below:



### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Cost comprises acquisition and other directly attributable costs. Capital work in progress is stated at cost less accumulated impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specified assets as and when assets are available for use.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the carrying amount 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized. The related balance of surplus on revaluation of such item, if any, is transferred directly to retained earnings (unappropriated profits).

Depreciation is charged to profit and loss account applying written down value method whereby the cost or revalued amount of an asset is written off over its useful life at the rates specified in note 4 the financial statements. Depreciation on additions is charged from the day in which asset is available for use and on disposals up to the day immediately preceding that of deletion.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2014 did not require any adjustment as its impact is considered insignificant.

#### 3.2 Borrowing costs

Borrowings costs are recognised as an expense in the period in which they 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, if any, are capitalized as part of the cost of that asset.

#### 3.3 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment loss is restricted to the original cost of the asset.

#### 3.4 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of average cost and net realizable value. Provision is made for slow moving and obsolete items. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding there future usability.

#### 3.5 Stock in trade

Raw materials and packing materials are valued at average cost and finished goods are valued at lower of average cost and net realizable value. Work-in-process is valued at average cost of raw materials including a proportionate of manufacturing overheads. Raw material in transit is valued at invoice value plus other charges paid thereon.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding there future usability.

#### 3.6 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts and other receivables, cash and bank balances, trade and other payables, long term loan, accrued mark-up on short term finance and short term borrowings.

##### Financial assets

The Company classifies its financial assets in held to maturity, fair value through profit and loss, and available-for-sale categories. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

##### a) Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold till maturity.

##### b) Fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. There were no financial assets at fair value through profit or loss on the balance sheet date.



**IFRIC 21** Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

Amendments to IAS 27 'Separate Financial Statements' (effective for annual period beginning on or after 1 January 2016). The amendments to IAS 27 allow entities to use equity method to account for its investment in subsidiaries, joint ventures and associates in the Separate Financial Statements. Management is currently evaluating the implication of the amendment.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

**IFRS 2** 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

**IFRS 3** 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

**IFRS 8** 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

**IAS 24** 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These are not expected to have any impact other than increased disclosures.

**IAS 40** 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

**IFRIC 21** Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:

IFRS 10 'Consolidated Financial Statements'

IFRS 11 'Joint Arrangements'

IFRS 12 'Disclosure of interests in other entities'

IFRS 13 'Fair Value Measurement'



# NADEEM TEXTILE MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2014

#### 1 THE COMPANY AND ITS OPERATIONS

- 1.1 Nadeem Textile Mills Limited ("The Company") was incorporated in Pakistan as public limited company on July 15, 1984 and its shares are listed on the Karachi Stock Exchange Limited. The registered office of the Company is situated at 801-804, Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi. The main business of the Company is manufacture and sale of yarn.

#### 2 BASIS OF PREPARATION

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

##### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain short term investments which have been carried at fair value and certain employee retirement benefits carried at present value.

##### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional and presentation currency of the Company.

##### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the financial statements or where judgments were exercised in application of accounting policies are as follows:

|  | Note |
|--|------|
| i) Useful life and residual values of property, plant and equipment      | 3.1  |
| ii) Provision for slow moving and obsolete store, spares and loose tools | 3.4  |
| iii) Provision for slow moving and obsolete stock in trade               | 3.5  |
| iv) Estimation for impairment of trade debts                             | 3.9  |
| v) Provision for staff retirement benefits                               | 31.4 |
| vi) Provision for taxation   | 3.16 |

##### 2.5 Amendments / interpretation to existing standard and forthcoming requirements

###### a) Standards, amendments or interpretations which became effective during the year

Standards, amendments to published standards and interpretations that are effective in year beginning from July 01, 2013 and are relevant to the company:

- IAS 1 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the Company as it is only concerned with presentation and disclosures.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after January 1, 2013.
- IAS 28 "Investments in Associates and Joint Ventures", applicable to annual reporting periods beginning on or after January 1, 2013.
- IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013, is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.
- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.
- IFRS 13 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.
- IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded unrecognized actuarial losses net of taxes associated with retirement benefit plan by adjusting the opening balance of unappropriated profit and retirement benefit for the prior years presented.

###### b) New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective:



**NADEEM TEXTILE MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | ISSUED,<br>SUBSCRIBED &<br>PAID UP CAPITAL | SHARE<br>PREMIUM | UNAPPROPRIATED<br>PROFIT | TOTAL       |
|--|--|------------------|--------------------------|-------------|
|  | ← RUPEES →                                 |                  |                          |             |
| Balance as at July 01, 2012                            | 120,150,000                                | 15,575,000       | 327,714,340              | 463,439,340 |
| Impact of change in accounting<br>policy (Note 3.14.1) | -  | -                | 390,730                  | 390,730     |
| Comprehensive income<br>For the year                   | -  | -                | 72,698,839               | 72,698,839  |
| Balance as at June 30, 2013                            | 120,150,000                                | 15,575,000       | 400,803,909              | 536,528,909 |
| Comprehensive income<br>for the year                   | -  | -                | 56,177,958               | 56,177,958  |
| Balance as at June 30, 2014                            | 120,150,000                                | 15,575,000       | 456,981,867              | 592,706,867 |

The annexed notes from 1 to 41 form an integral part of these financial statements.



**Zahid Mazhar**  
Chief Executive

Karachi:

Dated: September 30, 2014



**Omer Bin Zahid**  
Director

**NADEEM TEXTILE MILLS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | Note  | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|--|-------|-------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |       |                         |                         |
| Cash generated from operations                           | 31    | 229,722,310             | 333,844,207             |
| Long term deposit  |       | (4,359,870)             | -                       |
| Taxes paid   |       | (73,064,930)            | (49,751,890)            |
| Gratuity paid  | 15.1  | (11,906,063)            | (5,032,346)             |
| Finance cost paid  |       | (158,642,270)           | (104,616,645)           |
| Workers' Welfare fund paid                               |       | (3,593,841)             | -                       |
| Workers' profit participation fund paid                  | 17.1  | (6,254,944)             | (3,030,393)             |
| Net cash (used in) / generated from operating activities |       | (28,099,608)            | 171,412,933             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |       |                         |                         |
| Additions to property, plant and equipment               |       | (175,261,344)           | (667,135,977)           |
| Proceeds from disposal of property, plant and equipment  | 4.1.2 | 34,319,746              | 450,000                 |
| Sale of investments                                      |       | 8,770,385               | (2,099,972)             |
| Net cash used in investing activities                    |       | (132,171,213)           | (668,785,949)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |       |                         |                         |
| Long term loan   |       | 202,190,349             | 202,496,727             |
| Loan from Associate                                      |       | 202,881,279             | -                       |
| Dividend paid during the year                            |       | (930,348)               | (1,291,918)             |
| Repayment of long term finance                           |       | -                       | (35,873,069)            |
| Net cash generated from financing activities             |       | 404,141,280             | 165,331,740             |
| Net (decrease) / increase in cash and cash equivalents   |       | 243,870,459             | (332,041,276)           |
| Cash and cash equivalents at beginning of the year       |       | (990,608,546)           | (658,567,270)           |
| Cash and cash equivalents at the end of the year         | 32    | (746,738,086)           | (990,608,546)           |

The annexed notes from 1 to 41 form an integral part of these financial statements.



**Zahid Mazhar**  
Chief Executive

Karachi:  
Dated: September 30, 2014



**Omer Bin Zahid**  
Director



**NADEEM TEXTILE MILLS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|--|-------------------------|-------------------------|
| Profit after taxation  | 56,533,191              | 72,698,839              |
| <b>Other comprehensive income:</b>                                 |                         |                         |
| Actuarial gains/(losses) on defined benefit obligation- net of tax | (355,233)               | 390,730                 |
|  | <u>56,177,958</u>       | <u>73,089,569</u>       |

The annexed notes from 1 to 41 form an integral part of these financial statements.

*Zahid Mazhar*

**Zahid Mazhar**  
Chief Executive

Karachi:

Dated: September 30, 2014

*Omer Bin Zahid*

**Omer Bin Zahid**  
Director

|   | June 30, 201<br>RUPEES | June 30, 201<br>RUPEES |
|---|------------------------|------------------------|
| Long term deposits                          | 13,133,136             | 8,773,267              |
| Trade debts                                 | 282,599,498            | 176,832,508            |
| Loans and advances                          | 7,865,174              | 8,690,231              |
| Deposits, prepayments and other receivables | 81,207,743             | 92,869,081             |
| Bank balances                               | 7,090,732              | 14,783,411             |
|   | <u>391,896,283</u>     | <u>301,948,498</u>     |

**Impairment losses:**

The aging of trade debts at the reporting date was:

|                            | 2014               |                  | 2013               |                  |
|----------------------------|--------------------|------------------|--------------------|------------------|
|                            | Gross Value        | Impairment       | Gross Value        | Impairment       |
|                            | Rupees             |                  |                    |                  |
| Not past due               | 117,859,418        | -                | 101,221,790        | -                |
| Past due 1-60 days         | 131,777,504        | -                | 37,546,520         | -                |
| Past due 61 days to 1 year | 28,486,347         | -                | 36,038,123         | -                |
| More than 1 year           | 8,604,674          | 4,128,445        | 3,901,822          | 1,875,747        |
| <b>Total</b>               | <b>286,727,943</b> | <b>4,128,445</b> | <b>178,708,255</b> | <b>1,875,747</b> |

The Company believes that no impairment loss is necessary in respect of trade debts past due except for which has already been provided. Trade debts are essentially due from credit worthy parties. The Company is actively pursuing for recovery of debts and the Company does not expect these parties to fail to meet their obligations.

The maximum exposure to credit risk at the balance sheet date segregated by geographic region is as follows:

|          |                    |                    |
|----------|--------------------|--------------------|
| Domestic | 244,428,662        | 176,832,508        |
| China    | 38,170,836         | -                  |
|          | <u>282,599,498</u> | <u>176,832,508</u> |

The credit quality of Company's bank balances as at the balance sheet date can be assessed with reference to external credit ratings as follows:

|      |                  |                   |
|------|------------------|-------------------|
| AAA  | -                | 2,202,955         |
| A1+  | 2,409,410        | 11,177,382        |
| A-1+ | 3,722,826        | -                 |
| A1   | -                | 1,121,059         |
| A2   | 44,415           | 38,810            |
| AA-  | -                | -                 |
|      | <u>6,176,651</u> | <u>14,540,206</u> |

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to the Company's total exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit - worthy counterparties thereby mitigating any significant concentrations of credit risk.

**(b) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facility. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Company's treasury functions aim at maintaining flexibility in funding by keeping committed credit line available.



The following table details repayments of financial liabilities including estimated interest payments based on their contractual maturities:

|                          | Carrying value       | Contractual cash flow |                      |                    |
|--------------------------|----------------------|-----------------------|----------------------|--------------------|
|                          |                      | Total                 | Upto one year        | More than one year |
| Rupees                   |                      |                       |                      |                    |
| Long term financing      | 311,365,527          | 450,638,855           | 121,432,970          | 329,205,885        |
| Trade and other payables | 342,163,999          | 342,163,999           | 342,163,999          | -                  |
| Short term borrowings    | 753,828,818          | 770,191,397           | 770,191,397          | -                  |
| Loan from associate      | 326,105,459          | 326,105,459           | 200,000,000          | 126,105,459        |
| <b>June 30, 2014</b>     | <b>1,733,463,803</b> | <b>1,889,099,710</b>  | <b>1,433,788,366</b> | <b>455,311,344</b> |
| Long term financing      | 106,475,178          | 122,508,164           | 69,367,697           | 53,140,467         |
| Trade and other payables | 406,430,523          | 406,430,523           | 406,430,523          | -                  |
| Short term borrowings    | 1,005,391,957        | 1,035,666,932         | 1,035,666,932        | -                  |
| Loan from associate      | 123,224,180          | 123,224,180           | -                    | 123,224,180        |
| <b>June 30, 2013</b>     | <b>1,641,521,838</b> | <b>1,687,829,799</b>  | <b>1,511,465,152</b> | <b>176,364,647</b> |

Contractual cash flows include tentative interest payments to be made up to the maturity of relevant facilities. The future interest related cash flows depend on the interest rates applicable at that time and the extent of utilization of running finance facilities.

**(c) Market risk**

Market risk means the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, equity prices and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest / mark-up rate risk. The market risks associated with the Company's business activities are discussed as under:

**(i) Foreign exchange risk management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions denominated in foreign currencies. The foreign currency risk of the Company arising due to exports is minimal as the export bills are immediately realized via sale to bank. Currently the Company's main risk exposure is on its foreign currency borrowing.

**(ii) Exposure to foreign currency risk**

As at balance sheet date, the Company is exposed to foreign currency risk on the following account balances:

|                                      |     | June 30, 2014 | June 30, 2013 |
|--------------------------------------|-----|---------------|---------------|
| Trade debtors                        | \$  | 387,323       | -             |
| Short term foreign currency finances | \$  | (4,755,008)   | (2,580,270)   |
| Net Exposure - Asset/ (Liability)    | \$  | (4,367,685)   | (2,580,270)   |
| Net exposure - Asset / (Liability)   | Rs. | (431,308,894) | (254,930,737) |

**Sensitivity analysis**

The following is an analysis of the financial assets / liabilities as at June 30, 2014 and 2013 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets and financial liabilities (and the resulting change in profit and loss account and equity) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant.

The following significant Rupee exchange rates applied during the year:

|           | Average rate |       | June 30 closing rate |       |
|-----------|--------------|-------|----------------------|-------|
|           | 2014         | 2013  | 2014                 | 2013  |
| US Dollar | 97.83        | 96.35 | 98.75                | 96.90 |

Change in Rupee parity against foreign currencies would have the following effect on profit and loss account and equity due the foreign currency balances outstanding as at balance sheet date:



|           | Weakening of the PKR by |              |             | 0%  | Strengthening of the PKR by |            |            |
|-----------|-------------------------|--------------|-------------|-----|-----------------------------|------------|------------|
|           | -20%                    | -10%         | -5%         |     | 5%                          | 10%        | 20%        |
|           | Increase                |              |             | Rs. | Decrease                    |            |            |
| June-2014 | (11,306,638)            | (5,653,319)  | (2,826,660) | -   | 2,826,660                   | 5,653,319  | 11,306,638 |
| June-2013 | (20,575,000)            | (10,287,500) | (5,143,750) | -   | 5,143,750                   | 10,287,500 | 20,575,000 |

### (iii) Interest rate risk management

Interest/ mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offered Rate (KIBOR) and London Inter Bank Offered Rate (LIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

|                              | 2014                        | 2013        | 2014                  | 2013        |
|------------------------------|-----------------------------|-------------|-----------------------|-------------|
|                              | Effective interest rate (%) |             | Carrying amount (Rs.) |             |
| <b>Financial liabilities</b> |                             |             |                       |             |
| Long term financing          | 10.55% -13.99%              | 12.36%-15%  | 311,365,527           | 106,475,178 |
| Short term borrowings        |                             |             |                       |             |
| - KIBOR based                | 11.03% - 13.11%             | 1.5% -2.75% | 281,608,025           | 548,914,092 |
| - LIBOR based                | 2.5% -4%                    | 1.75%-2.3%  | 751,165,056           | 254,930,737 |

As at balance sheet date, the Company does not hold any fixed rate interest based financial assets or liabilities carried at fair value.

A change of 100 basis points in interest rates would have decreased profit by Rs.2.454 million (2013: Rs. 7.269 million).

### (iv) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up 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 or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs.0.76 million (2013: 4.48 million).

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

#### Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake transactions on adverse terms.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Company are the current bid prices.

The carrying value less impairment provision of trade and other receivables and carrying amount of trade payables are estimated to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The classification of financial instruments carried at fair value by reference to the source of inputs used to derive the fair value as given below uses the following three-level hierarchy:



Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|  | Level 1   | Level 2 | Level 3 | Total     |
|--|-----------|---------|---------|-----------|
|  | Rupees    |         |         |           |
| <b>June 30, 2104</b>                     |           |         |         |           |
| <b>Financial assets held for trading</b> |           |         |         |           |
| Quoted equity securities                 | 764,182   | -       | -       | 764,182   |
| <b>June 30, 2013</b>                     |           |         |         |           |
| <b>Financial assets held for trading</b> |           |         |         |           |
| Quoted equity securities                 | 4,486,449 | -       | -       | 4,486,449 |

**(d) 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.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders.

For calculation of gearing ratio disclosed hereunder, "total borrowings" are taken as the sum of 'long term financing' and 'short term borrowings' while "total capital" is comprised of 'shareholders' equity'.

|                        | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|------------------------|-------------------------|-------------------------|
| Total borrowings       | 1,391,299,804           | 1,237,791,315           |
| Cash and bank balances | (7,090,732)             | (14,783,411)            |
|                        | 1,384,209,072           | 1,223,007,904           |
| Total equity           | 592,706,867             | 536,528,909             |
| Total capital          | 1,976,915,939           | 1,759,536,813           |
| Gearing ratio (%)      | 142.09                  | 70.35                   |

**35 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES**

|                         |           |         |
|-------------------------|-----------|---------|
| Managerial remuneration | 1,761,818 | 464,000 |
| Other allowances        | 176,182   | 232,000 |
|                         | 1,938,000 | 696,000 |
| No of persons           | 3         | 2       |

**35.1** The Chief Executive and two directors are provided with cars maintained by the Company and telephone at their residence.

**35.2** The directors have waived their meeting fees.

**36 TRANSACTIONS WITH RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the Company and key management personnel, staff provident fund, and financial institution having nominee on the Board of Directors. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Transactions with other related parties are entered into at rates negotiated with them. The remuneration of Chief Executive, Directors and Executives is disclosed in note 35 to the financial statements.

Details of transactions and outstanding balances with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

|                      | June 30, 2014<br>RUPEES | June 30, 2013<br>RUPEES |
|----------------------|-------------------------|-------------------------|
| <b>Associates</b>    |                         |                         |
| Sale of raw material | -                       | 604,169,126             |
| Purchase of yarn     | -                       | 199,129,000             |
| Reprocessing charges | -                       | 318,600                 |
| Sale of yarn         | 523,091,496             | -                       |
| Reprocessing income  | 2,524,494               | -                       |
| Electricity Purchase | 243,090,598             | -                       |

### 37. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

### 38. PLANT CAPACITY AND ACTUAL PRODUCTION

|  |            |            |
|--|------------|------------|
| Total number of spindles installed                         | 72,192     | 48,816     |
| Average numbers of spindle worked                          | 68,875     | 37,538     |
| Number of shifts worked per day                            | 3          | 3          |
| Installed capacity after conversion into 20/s count (kgs.) | 22,410,743 | 15,153,975 |
| Actual production after conversion into 20/s count (kgs.)  | 20,726,874 | 12,712,232 |

### 39. DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized the financial statements for issue in their meeting held on September 30, 2014.

### 40. NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

|   | Numbers |       |
|---|---------|-------|
| Total number of employees as at June 30     | 1,023   | 1,020 |
| Average number of employees during the year | 1,125   | 1,110 |

### 41. GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.



**Zahid Mazhar**  
Chief Executive

Karachi:

Dated: September 30, 2014



**Omer Bin Zahid**  
Director



**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014**

| No. of shareholders | Shareholding                                | Total shares held |
|---------------------|---|-------------------|
| 16                  | Shareholding from 1 to 100 shares           | 401               |
| 14                  | Shareholding from 101 to 500 shares         | 7,000             |
| 1                   | Shareholding from 501 to 1000 shares        | 600               |
| 1                   | Shareholding from 1501 to 2000 shares       | 2,000             |
| 1                   | Shareholding from 10001 to 15000 shares     | 11,622            |
| 2                   | Shareholding from 100001 to 105000 shares   | 209,338           |
| 1                   | Shareholding from 355001 to 360000 shares   | 358,235           |
| 1                   | Shareholding from 370001 to 375000 shares   | 370,650           |
| 1                   | Shareholding from 530001 to 535000 shares   | 531,410           |
| 1                   | Shareholding from 655001 to 660000 shares   | 659,800           |
| 2                   | Shareholding from 690001 to 695000 shares   | 1,387,626         |
| 2                   | Shareholding from 705001 to 710000 shares   | 1,412,800         |
| 1                   | Shareholding from 1100001 to 1105000 shares | 1,103,399         |
| 1                   | Shareholding from 5960001 to 5965000 shares | 5,960,119         |
| 45                  | <b>Total</b>                                | <b>12,015,000</b> |

\* There is no shareholding in the slab not mentioned

| SR. NO. | CATEGORIES  | NUMBER OF SHARE HOLDERS | SHARES HELD | PERCENTAGE |
|---------|---|-------------------------|-------------|------------|
| 1       | Directors Chief Executive Officer                     |                         |             |            |
|         | their spouse and minor children                       | 9                       | 7,388,051   | 61.49      |
| 2       | Associated Companies, Undertaking and Related Parties | -                       | -           | -          |
| 3       | NIT   | -                       | -           | -          |
| 4       | Bank / Financial Institution                          | -                       | -           | -          |
| 5       | Insurance Companies                                   | -                       | -           | -          |
| 6       | General Public / Individuals                          | 36                      | 4,626,949   | 38.51      |
| 7       | Joint Stock Companies                                 | -                       | -           | -          |
|         |   | 45                      | 12,015,000  | 100.00     |

| Sr. No. | Share holder categories   | Percentage    | No. of Share      |
|---------|---|---------------|-------------------|
| 1       | CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN   |               |                   |
|         | DIRECTORS & THEIR SPOUSES   |               |                   |
|         | MR. ZAHID MAZHAR  | 49.61         | 5,960,119         |
|         | MR. OMER BIN ZAHID  | 5.87          | 705,400           |
|         | MR. HASSAN BIN ZAHID  | 5.89          | 707,400           |
|         | MR. MEHMOOD SIDDIQUI  | 0.00          | 510               |
|         | MRS. NAILA ZAHID  | 0.10          | 11,622            |
|         | MRS. ANAM OMER  | 0.02          | 2,500             |
|         | MRS. SHAFIA HASSAN  | 0.00          | 500               |
| 2       | ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES   | -             | -                 |
| 3       | NIT   | -             | -                 |
| 4       | BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS AND INSURANCE COMPANIES | -             | -                 |
| 5       | INDIVIDUAL SHAREHOLDERS   | 38.51         | 4,626,949         |
| 6       | JOINT STOCK COMPANIES   | -             | -                 |
|         | <b>Total</b>  | <b>100.00</b> | <b>12,015,000</b> |
| 7       | SHAREHOLDERS HOLDING 05% OR MORE  |               |                   |
|         | MR. ZAHID MAZHAR  | 49.61         | 5,960,119         |
|         | MR. OMER BIN ZAHID  | 5.87          | 705,400           |
|         | MR. HASSAN BIN ZAHID  | 5.89          | 707,400           |
|         | MST. RAFIA SULTANA  | 9.18          | 1,103,399         |
|         | MRS. SADIA ALI TARIQ G/O MASTER AHMED ALI TARIQ   | 5.77          | 693,813           |
|         | MRS. SADIA ALI TARIQ G/O MASTER MUSTAFA ALI TARIQ   | 5.77          | 693,813           |