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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 profitability and growth by:

- Offering high class products and services to our customers.
- Building a long term relationship with our customers, suppliers and other stake holders.
- Continuously upgrading the production facilities to achieve higher levels of operational efficiency and develop potential as well as performance.
- 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.
- Being a good corporate citizen by fulfilling our social responsibilities.

COMPANY INFORMATION

Board of Directors	:	Mr. Zahid Mazhar (Chief Executive) Mr. Omer Bin Zahid (Executive Director) Mr. Hassan Bin Zahid (Executive Director) Mrs. Naila Zahid (Chairperson) Mrs. Anam Omer Mrs. Shafia Hassan Mr. Waqar Hassan Siddiqui Mr. Nadeem Ahmed Mr. Mehmood Siddiqui
Chief Financial Officer	:	Mr. Omer Bin Zahid
Company Secretary	:	Mr. Abdul Amin
Audit Committee	:	Mr. Waqar Hassan Siddiqui (Chairman) Mrs. Anam Omer (Member) Mrs. Shafia Hassan (Member)
H. R. & Remuneration Committee	:	Mr. Nadeem Ahmed (Chairman) Mrs. Anam Omer (Member) Mrs. Shafia Hassan (Member)
Auditors	:	M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants
Legal Advisor	:	Mr. Abdul Ghani Khan (Advocate)
Bankers	:	Habib Bank Limited Bank Al-Falah Limited Soneri Bank Limited Habib Metropolitan Bank Limited J. S. Bank Limited Samba Bank Limited
Head Office / Registered Office	:	A 801-804, Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi - Pakistan. Phone : (021) 35220481-8 Fax : (92-21) 35220495-6
Share Registrar	:	M/s Hameed Majeed Associates (Pvt.) Ltd. 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi. Phone : 32424826-32412754 Fax : 32424835 E-mail : majeed@hmaconsultants.com
Mills	:	Unit 1: A-265, S.I.T.E., Nooriabad, District Jamshoro, Sindh. Unit 2: E-11, S.I.T.E, Kotri, District Jamshoro, Sindh.
URL	:	www.nadeem.com.pk

NADEEM TEXTILE MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 34th Annual General Meeting of Nadeem Textile Mills Limited will be held on Wednesday, October 28, 2020 at 5:30 p.m. at 801-804, 8th Floor, Lakson Square Building No.3, Block-A, Sarwar Shaheed Road, Karachi, to transact the following business:

Ordinary Business:

1. To confirm the Minutes of the Extraordinary General Meeting of the Company held on 18th July, 2020.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2020 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2021.
4. To transact any other business with the permission of the Chair.

Special Business:

5. To ratify the transactions carried out by the Company with related parties as disclosed in the Financial Statements for the year ended June 30, 2020 by passing the following resolutions as ordinary resolutions:

“RESOLVED that the related parties transactions carried out by the Company with Nadeem Power Generation (Pvt.) Ltd. and Nadeem International (Pvt.) Ltd. related parties during the year ended June 30, 2020 be and are hereby approved.”

FURTHER RESOLVED THAT the Company may carry out transactions including, but not limited to, the sale/purchase of yarn, sale/purchase of cotton/fibre, sale/purchase of electricity, reprocessing of yarns, rent/lease of assets, sale/purchase of machinery and equipment and other necessary goods, including receipt and payment of dividends, with related parties from time to time for the financial year 2020-21.

Karachi:
October 5, 2020

By order of the Board
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 21, 2020 to October 28, 2020 (both days inclusive). Transfers received before the closure of shares transfer books (i.e. 20-10-2020) at the office of share Registrar, M/s Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber, Hasrat Mohani Road, Karachi by 20-10-2020 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/her. 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. CDC Account Holders will also have to follow the guidelines laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
6. Members are requested to immediately inform of any change in their addresses to our Share Registrar, M/S Hameed Majeed Associates (Pvt.) Ltd., 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
7. **Submission of copies of CNIC and NTN Certificate (Mandatory)**
Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), Dividend Warrant shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of shareholders. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their CNIC (if not already provided) to the Company's Share Registrar, Hameed Majeed Associates (Pvt.) Ltd., Karachi, without any delay.

8. **Unclaimed Dividend**

Shareholders, who by any reason, could not claim their dividend, if any, are advised to contact our Share Registrar: M/s Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber, Hasrat Mohani Road, Karachi to collect / enquire their unclaimed dividend, if any.

In compliance with section 244 of the Companies Act, 2017, after having completed the stipulated procedure all such dividend outstanding for a period of three years or more from the date due and payable shall be deposited to the Federal Government in case of unclaimed dividend, shall be delivered to the SECP.

9. **Deposit of Physical Shares into CDC Accounts:**

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Companies Act, 2017. The shareholder having physical shareholding may open CDC sub-account with any of the brokers or investor's account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares, anytime they want as the trading of physical shares is not permitted as per existing Regulations of the Pakistan Stock Exchange Ltd.

10. **Placement of Financial Statements on Website:**

The Financial Statements of the Company for the year ended June 30, 2020 along with reports have been placed on the website of the Company: <http://www.nadeem.com.pk>

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business, given as agenda item no. 6 of the Notice to be transacted at the 34th Annual General Meeting of the Company.

ITEM NO. 6 OF THE AGENDA:

Nadeem Textile Mills Limited is engaged in manufacture and sale of yarn. The Company in the normal course of business carries out transactions with its associated entities. Summary of transactions carried out during the year with the associated entities is as follow:

S. No.	Name of Associated Undertaking	Nature of Transactions	Rupees
1	Nadeem Power Generation (Pvt) Ltd.	Purchase of Power	257,437,750
2	Nadeem Power Generation (Pvt) Ltd.	Loan Received	4,500,000
3	Nadeem Power Generation (Pvt) Ltd.	Loan Re-Paid	4,165,167
4	Nadeem Power Generation (Pvt) Ltd.	Rental Income	10,000
5	Nadeem International (Pvt) Ltd.	Loan Received	32,000,000
6	Nadeem International (Pvt) Ltd.	Loan Re-Paid	12,475,000
7	Nadeem International (Pvt) Ltd.	Weigh Bridge Expenses	180,000

Mr. Zahid Mazhar, Mr. Omer Bin Zahid and Mr. Hassan Bin Zahid are Directors of Nadeem Textile Mills Limited and are also Directors of Nadeem Power Generation (Private) Limited.

Mr. Zahid Mazhar, Mr. Omer Bin Zahid, Mr. Hassan Bin Zahid and Mrs. Naila Zahid are Directors of Nadeem Textile Mills Limited and are also Directors of Nadeem International (Private) Limited.

All related party transactions, during the year 2020, were reviewed and approved by the Audit Committee and the Board in their respective meetings. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

The above concerned Directors abstained while the Board approved the above transactions in accordance with the requirement of relevant provision of the Companies Act, 2017 and listed Companies (Code of Corporate Governance) Regulations 2017.

The above transactions with related parties are an ongoing process and will also remain continued in future.

None of the Directors other than the above concerned directors have any direct or indirect interest in the above mentioned associated entities and have no interest in the above business, other than shareholders of the Company.

NADEEM TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2020

Dear Shareholders,

The Directors of the Company hereby present their report together with the audited financial statements of the Company and Auditor's Report thereon for the year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

The financial results of the Company for the year ended June 30, 2020 are summarized below.

	Rupees in Million	
	2020	2019
Sales	6,792.76	7,186.09
Gross Profit	613.15	754.68
Profit before tax	105.52	322.69
Profit after tax	17.54	200.16

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of the shares as on June 30, 2020 is Rupees 62.52 as compared to Rupees 63.51 as at June 30, 2019. There was drop in earning per share for the year ended June 30, 2020 to Rupees 0.91 as compared to Rupees 10.42 for the year ended June 30, 2019.

DIVIDEND

The Board of Directors of the company has not recommended any dividend for the year ended June 30, 2020 in view of the liquidity required to be prepared for foreseeable challenges of COVID in the following year.

IMPACT OF COVID-19

The company's performance remained promising in the first two quarters but lockdown that persisted in the last four months of the year took the steam out and the results of the company at the end of the year were not as had been expected at the start of the current financial year. The year's performance is still better when viewed in the light of the global scenario that changed entirely with the emergence of the Corona Virus first affecting the economy of China and subsequently the businesses worldwide. It was during the last quarter, that in Pakistan the economy had started picking up nosedived due to pandemic and lockdown with drop in consumption and imports and exports and this affected the overall economic situation in the country as a result of this, most of the textile companies are likely to show massive decline in their profitability for the year ended June 30, 2020.

The emergence of COVID-19 caused major disruptions to the country's economy and all spheres of activity. There was a dismal market performance with drop in domestic as well as global demand and company's sales turnover too declined in value terms by 5.47% and there was decline in its Gross Profit by 18.75% and in net profit by 67.30% before taxation.

The Government took steps to mitigate the impact of COVID-19 to bolster the economy through accommodative monetary policy and bringing the policy rate down to 7.0% and lowering rate of finance to entities to enforce retention of employees to contain unemployment. The economic activity is dependent both on local consumption and exports and the global economy is yet not fully revived.

Looking ahead, we foresee a gradual return to normal business conditions not earlier than the end of December, 2020. Pakistan has already shifted from total lockdown to smart lockdown and the rate of COVID infection has substantially reduced due to the strict measures taken by the federal and provincial governments and the vulnerability of the economy depends if we survive the second wave as successfully as we came out of the first wave by the Grace of Allah.

OVERVIEW

Like the rest of the world, Pakistan's economy is also facing new challenges due to Corona Virus outbreak. Although Pakistan has substantially overcome the pandemic in recent days, however, it is still not under control in many countries as reflected by the increasing number of new cases. The global slowdown has also impacted Pakistan's economy with contraction in industrial activities, export orders and the retail sector. While the number of new infections in Pakistan is slowing, the evolution will depend on how the Government controls the situation going forward.

OPERATING PERFORMANCE

The plant remained closed during the lock down period due to COVID-19 Pandemic. The production thus declined from 20.62 million Kgs. of spun yarn after conversion into 20/s count as compared to 22.66 million Kgs. of the previous year.

PRESENT AND FUTURE OUTLOOK

An alarming factor that requires attention of the Government is the size of cotton crop of the country that has been declining over the last six years from 14.87 Million bales to around 10 million bales annually triggered by shrinking cotton cultivation area and poor seed quality and research and production of better yield seeds. The current cotton crop is expected to deteriorate further due to heavy rains. Pakistan has been importing cotton to meet domestic demand. The government should launch aggressive campaign to improve the crop acreage, yield and quality of cotton as the country's economic development is largely dependent on the cotton industry and its related textile sector.

The management is making its best efforts to maintain the momentum of better financial results and also to further improve and diversify the quality of its products and service. The Company is committed to increase sales by focusing on volumetric and qualitative growth and improve profitability through cost efficiencies and optimum product mix management.

EXPANSION AND MODERNIZATION

The Company has plan for BMR in the coming year. The management has imported and successfully installed gas efficient MTU Gas Generators of 4MW to improve the cost and quality of power generation. Used spinning machinery in good working condition has also been procured to improve production and quality.

The BMR program is however planned and intended to be continued in the future according to the resources available. However, the decision on capex policy depends on the economic scene of the country shapes up in the days ahead.

HUMAN RESOURCE

The company has established a Human Resource and Remuneration Committee 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 is committed to maintain a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and declares that:

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Act 2017. These statements present fairly the Company's state of affairs, results of its operations, cash flow, comprehensive income and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of Internal Control is sound in design and has been effectively implemented and monitored. The process of review and monitoring continues with the object to improve it further.
- 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 a summarized form is annexed.
- Information about taxes and levies is given in the notes to the accounts.
- 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 in this regard.
- 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, NBFIs or Stock Exchange.
- None of the directors of the company is serving on the Board of 5 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.
- Trading in the shares of Company during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children are mentioned in the annexed pattern of shareholding.

CORPORATE SOCIAL RESPONSIBILITY

The company has a strong commitment to corporate social responsibility. The Company believes in contributing to the society and environment by promoting a better working environment and contributing regularly to the national exchequer as per law.

i. Health, Safety and Environment:

We work continuously to ensure that our employees work in a safe and healthy working environment. The Company regularly contributes towards the health facility and retirement benefits available for the workers of the Company

ii. Business Ethics:

The Management is committed to conducting all business activities with integrity, honesty, and observance of laws and regulations. A Code of Conduct detailing policies concerning the same has been developed and approved by the Board.

iii. Energy Savings:

The Management focuses on energy conservation. Many preventive measures have been adopted by fixing energy-conserving devices to save energy. Workers are also made aware of various energy conservation methods to curtail the unnecessary consumption of energy.

BOARD MEETINGS

During the period under review, 7 meetings of the Board of Directors were held and following were in attendance:

	Name of Directors	No. of Meetings Attended
1.	Mr. Zahid Mazhar	7
2.	Mr. Omer Bin Zahid	7
3.	Mr. Hassan Bin Zahid	7
4.	Mrs. Naila Zahid	7
5.	Mrs. Anam Omer	7
6.	Mrs. Shafia Hassan	7
7.	Mr. Mehmood Siddiqui	7
8.	Mr. Faiz-ul-Hassan Siddiqui	3
9.	Mr. Nadeem Ahmed	7
10.	Mr. Waqar Hassan Siddiqui	5

Mr. Faiz-ul-Hassan Siddiqui resigned from the Board during the period and Mr. Waqar Hassan Siddiqui was appointed as director to fill the casual vacancy.

COMPOSITION OF BOARD

Directors	Numbers
(a) Male	06
(b) Female	03

Composition	Numbers
a) Independent Director	02
b) Other Non-Executive Directors	04
c) Executive Directors	03

ASSOCIATED COMPANIES

Following is the list of associated companies:

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

The transactions between the related parties were made at arm's length basis. The Company has fully complied with the best practices of transfer pricing as stated in the Listing Regulations. The related party transactions were approved by the Board on the recommendation of the Audit Committee.

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, 2021.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the company as at June 30, 2020 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.

Karachi.
Date: October 05, 2020



On Behalf of the Board of Directors
ZAHID MAZHAR
Chief Executive

ندیم ٹیکسٹائل ملز لمیٹڈ ڈائریکٹرز رپورٹ

محترم حصص یافتگان،

کمپنی کے ڈائریکٹرز ۳۰ جون ۲۰۲۰ کو ختم ہونے والے مالی سال کے لئے اپنی رپورٹ مع کمپنی کے آڈٹ شدہ مالیاتی گوشوارے اور اس پر آڈیٹر کی رپورٹ پیش کرتے ہیں۔

مالیاتی کارکردگی

۳۰ جون ۲۰۲۰ کو اختتام پذیر ہونے والے مالی سال کے لئے کمپنی کے مالیاتی نتائج مختصر طور پر درج ذیل ہیں۔

----- روپے ملین میں -----

30 جون 2020 کو ختم ہونے والا مالی سال	30 جون 2019 کو ختم ہونے والا مالی سال	
6,792.76	7,186.09	فروخت
613.15	754.68	کل منافع
105.52	322.69	خالص منافع قبل از ٹیکس
17.54	200.16	خالص منافع بعد از ٹیکس

بریک اپ ویلیو اور فی حصص آمدن

۳۰ جون ۲۰۲۰ کو حصص کی بریک اپ ویلیو 62.52 روپے تھی جبکہ اس کے مقابلے میں یہ قدر ۳۰ جون ۲۰۱۹ کو 63.51 روپے تھی۔ ۳۰ جون ۲۰۲۰ کو فی حصص آمدن پچھلے سال کے مقابلے میں 0.91 روپے کی کمی واقع ہوئی۔

ڈیویڈنڈ

کمپنی کے بورڈ آف ڈائریکٹرز نے اگلے سال کے دوران COVID کے متوقع چیلنجز کے لئے ضروری لیکویڈیٹی کے پیش نظر ۳۰ جون ۲۰۲۰ کو ختم ہونے والے سال کے لئے کسی بھی ڈیویڈنڈ کی سفارش نہیں کی۔

کوویڈ 19 کے اثرات

کمپنی کی کارکردگی پہلی دو سالوں میں کافی بہتر رہی لیکن سال کے آخری چار مہینوں کے دوران جاری رہنے والے لاک ڈاؤن نے کمپنی کے مالیاتی نتائج پر گہرے اثرات مرتب کئے ہیں جس کے باعث سال کے اختتام پر وہ نتائج حاصل نہ کئے جاسکے جن کی موجودہ سال کے آغاز میں توقع کی گئی تھی۔ اگر عالمی منظر نامے کی روشنی میں دیکھا جائے تو اس سال کے نتائج کو بہتر کہا جاسکتا ہے۔ کورونا وائرس نے چین کی معیشت اور اس کے نتیجے میں دنیا بھر کے کاروبار کو متاثر کر کے عالمی منظر نامے کو مکمل طور پر تبدیل کر دیا ہے۔ آخری سہ ماہی کے دوران پاکستان میں وبائی مرض اور لاک ڈاؤن کے باعث کھپت اور درآمدات و برآمدات میں کمی کی وجہ سے معیشت تباہ ہونے لگی تھی جس کے نتیجے میں اختتام پذیر سال کے لئے ٹیکسٹائل کی زیادہ تر کمپنیوں کے منافع میں بڑے پیمانے پر کمی کا امکان ہے۔

COVID-19 کے ظہور نے ملک کی معیشت اور دیگر تمام شعبوں کی سرگرمیوں میں بڑی رکاوٹیں کھڑی کی ہیں۔ ملکی اور عالمی ماٹنگ میں کمی کے باعث مارکیٹ کی کارکردگی مایوس کن رہی اور کمپنی کی فروخت میں بھی 5.47 فیصد کمی آئی اور مجموعی منافع میں 18.75 فیصد اور خالص منافع میں 67.30 فیصد کمی واقع ہوئی۔

حکومت وقت نے کوویڈ 19 کے اثرات کو کم کرنے کے لئے مختلف اقدامات کئے ہیں جن میں معیشت کو ترقیت دینے اور بیروزگاری پر قابو پانے اور شرح سود کو کم کر کے 7 فیصد تک لانے جیسے اقدامات شامل ہیں۔ معاشی سرگرمی کا انحصار مقامی استعمال اور برآمدات و فنوں پر ہے اور عالمی معیشت ابھی تک پوری طرح سے اپنی پاؤں پر کھڑی نہیں ہو سکی ہے۔ دسمبر ۲۰۲۰ کے اختتام تک ہم معمول کے مطابق کاروبار میں بتدریج واپسی کی امید کرتے ہیں۔ پاکستان پچھلے ہی عمل لاک ڈاؤن سے اسماٹ لاک ڈاؤن کی جانب گامزن ہے اور وفاقی اور صوبائی حکومتوں کی جانب سے کئے جانے والے سخت اقدامات کے باعث وبائی مرض کی شرح میں بھی واضح کمی ہوئی ہے۔ پاکستان اس مشکل حالات سے تباہی باہر آ سکتا ہے جب ہم وبائی مرض کی دوسری لہر کو اس ہی طرح سے شکست دے دیں جس طرح اللہ کے فضل سے ہم پہلی لہر سے باہر آنے میں کامیاب ہو سکے۔

جائزہ

پوری دنیا کی طرح پاکستان کی معیشت کو بھی کورونا وائرس کے پھیلنے کی وجہ سے نئے چیلنجز کا سامنا ہے۔ اگرچہ حالیہ دنوں میں پاکستان نے وبائی مرض پر کافی حد تک قابو پایا ہے، تاہم ابھی بھی بہت سارے ممالک میں اس پر قابو نہیں پایا جا سکا ہے جس کا اندازہ کیسوں کی بڑھتی ہوئی تعداد سے ہوتا ہے۔ عالمی سٹروی، صنعتی سرگرمیوں اور برآمدات اور دیگر شعبوں کی سرگرمیوں میں کمی نے پاکستان کی معیشت کو بھی متاثر کیا ہے۔ اگرچہ پاکستان میں نئے انفیکشن کی تعداد کم ہو رہی ہے تاہم اس کا مکمل خاتمہ اس بات پر منحصر ہے کہ حکومت آگے کی صورت حال کو کیسے کنٹرول کرتی ہے۔

پیداواری کارکردگی

COVID-19 وبائی مرض کے باعث پیداواری پونٹس لاک ڈاؤن کی مدت میں بند رہے جس کے نتیجے میں 2021 میں تبدیلی کے بعد پیداوار 22.66 ملین کلوگرام دھات سے کم ہو کر 20.62 ملین کلوگرام ہو گئی۔

موجودہ اور مستقبل کے نقطہ نظر

ایک تشویشناک عنصر جس پر حکومت کی فوری توجہ کی ضرورت ہے وہ ملک کی روٹی کی فصل کا حجم ہے جو گزشتہ چھ برسوں میں کپاس کی قابل کاشت رقبے میں کمی، بیج کے ناقص معیار اور تحقیقی کاموں کے فقدان کے باعث 14.87 ملین گانٹھوں سے کم ہو کر 10 ملین گانٹھوں تک گر گیا ہے۔ توقع ہے کہ بارشوں کے باعث روٹی کی موجودہ فصل میں مزید کمی ہوگی۔ پاکستان اپنی ملکی ضروریات کو پورا کرنے کے لئے روٹی کی درآمد کرنا رہا ہے۔ فصلوں کے رقبے میں اضافے اور کپاس کے معیار کو بہتر بنانے کے لئے حکومت کو ہم چاہنی چاہئے کیونکہ ملک کی معاشی ترقی کا زیادہ تر انحصار کپاس کی صنعت اور اس سے متعلقہ ٹیکنالوجی پر ہے۔

انتظامیہ بہتر مالی نتائج کی رفتار کو برقرار رکھنے اور اپنی مصنوعات اور خدمات کے معیار کو مزید بہتر اور متنوع بنانے کے لئے اپنی پوری کوشش کر رہی ہے۔ کمپنی اپنی کوائٹی میں بہتری لاکر اور بہترین پراڈکٹ کس کے ذریعے اپنی فروخت اور منافع میں اضافے کے لئے پرعزم ہے۔

توسیع اور جدت

کمپنی نے آئندہ سال کے لئے BMR کا منصوبہ تیار کیا ہوا ہے۔ انتظامیہ نے کئی کی پیداوار کو بہتر بنانے کے لئے 4.0 میگا واٹ کے MTU گیس جنر ایٹر درآمد کر کے کامیابی سے نصب کیا ہے۔ پیداوار اور معیار کو بہتر بنانے کے لئے عمدہ حالت میں استعمال شدہ مشینری بھی خریدی گئی ہیں۔

BMR کا پروگرام دستیاب وسائل کے مطابق مستقبل میں بھی جاری رکھنے کا ارادہ ہے تاہم اس منصوبے کے متعلق فیصلے کا انحصار آنے والے دنوں میں ملک کے معاشی منظر نامے پر ہوگا۔

افرادى وسائل

کمپنی نے ایک افرادی وسائل اور معاوضہ کمیٹی قائم کی ہے جو کہ تین ارکان پر مشتمل ہے جن کے نام کمپنی کی معلومات کے صفحے پر درج ہیں۔ اس کمیٹی کی - غارشات پر کمپنی اپنے ملازمین کی مسلسل تربیت اور زیادہ تعلیم یافتہ عملے کی بھرتی کے ذریعے اپنے افرادی قوت میں بہتری لارہی ہے۔

کوڈ آف کارپوریٹ گورننس

کوڈ آف کارپوریٹ گورننس کے فریم ورک کے مطابق مالیاتی رپورٹ کے ضمن میں ڈائریکٹرز مندرجہ ذیل امور کی تصدیق کرتے ہیں :

ہذا کمیٹی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے تمام معاملات کو واضح طور پر پیش کرتے ہیں جیسے سرگرمیوں کے نتائج، رقم کی آمد و رفت اور کاروباری سرمایہ میں ہونے والی تبدیلیاں۔

ہذا حساب داری کے مناسب کھاتے رکھے جاتے ہیں۔

ہذا مالیاتی گوشواروں کی تیاری کے لئے ہمیشہ مناسب اور متعلقہ اکاؤنٹنگ پالیسیوں میں ہونے والی کسی بھی تبدیلی کو مالیاتی گوشواروں میں ظاہر کیا جاتا ہے۔ حساب داری کے گوشوارے ہمیشہ انتہائی منطقی اور محتاط اندازوں پر مشتمل ہوتے ہیں۔

ہذا پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کو مالیاتی گوشواروں کی تیاری کے لئے بروئے کار لایا جاتا ہے اور ان میں ہونے والی کسی بھی تبدیلی کو مناسب طور پر ظاہر کیا جاتا ہے اور اس کی وضاحت کی جاتی ہے۔

ہذا اندرونی کنٹرول کا نظام مضبوط بنیادوں پر استوار ہے اور موثر طریقے سے رو بہ عمل ہے جس کی مسلسل نگرانی کی جاتی ہے۔

ہذا کمپنی کے قائم نہ بننے کے حوالے سے کسی بھی قسم کا کوئی خدشہ نہیں پایا جاتا۔

ہذا کارپوریٹ گورننس کے درج کردہ اصولوں سے کسی قسم کا انحراف نہیں کیا جا رہا۔

ہذا گزشتہ ۶ برس کے مالی اور انتظامی امور سے متعلق اعداد و شمار کا خلاصہ اس رپورٹ کے ساتھ منسلک ہے۔

ہذا واجب الادا ٹیکسوں اور دیگر دوسری ادائیگیوں کے بارے میں معلومات گوشوارے کے نوٹس میں دی گئی ہیں۔

ہذا گروپ کے دوسرے اراکین کے ساتھ لین دین ضابطے کے مطابق ہے۔ تمام سودوں میں سیکورٹی اینڈ ایکسیج کمیشن کی ہدایات کو ملحوظ خاطر رکھا گیا ہے۔

ہذا کمپنی کے تمام ڈائریکٹرز جسٹریٹس و بینڈگان ہیں اور ان میں سے کوئی بھی کسی بینکنگ کمپنی، NBFI، DFI یا اسٹاک ایکسیج کا نااہل ہندہ نہیں ہے۔

ہذا کمپنی کا کوئی بھی ڈائریکٹر 5 سے زیادہ لہذا کمپنیوں کے بورڈ میں اپنی خدمات پیش نہیں کر رہا۔

ہذا کمپنی اپنے تمام ملازمین جو کہ اپنی اہلیت کی مدت پوری کر چکے ہوں کے لئے ایک ان فنڈ ڈگریجویٹ اسکیم چلاتی ہے جس کی پرویشن سالانہ کی بنیاد پر کی جاتی ہے۔ کمپنی نے اس

سلسلے میں نظر ثانی شدہ IAS-19 کو اپنایا ہے۔

ہذا سال کے دوران ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری اور ان کے شریک حیات اور تابعین کی طرف سے کئے گئے کمپنی کے حصص کے تمام تر

سودے منسلک پٹرن آف شیئرز ہولڈنگ میں درج ہیں۔

کمپنی کی سماجی ذمہ داریاں

کمپنی اپنی سماجی ذمہ داریوں کے بارے میں پر عزم ہے۔ کمپنی کام کے بہتر ماحول کو فروغ دینے اور قانون کے مطابق قومی خزانے میں باقاعدگی سے شراکت کے ذریعہ معاشرے

اور ماحولیات کی بہتری پر یقین رکھتی ہے۔

(۱) صحت، حفاظت اور ماحولیات

اپنے ملازمین کو محفوظ اور مستند ماحول کی فراہمی کو یقینی بنانے کے لئے ہم مستقل کوشاں ہیں۔ کمپنی باقاعدگی سے کمپنی کے کارکنوں کے لئے صحت کی سہولیات اور ریٹائرمنٹ کے فوائد

میں اپنا حصہ ڈالتی ہے۔

(۲) کاروباری اخلاقیات

انتظامیہ اپنی کاروباری سرگرمیوں کو جاری رکھنے کے لئے دیانتداری اور توازن اور قواعد و ضوابط کی پاسداری پر یقین رکھتی ہے۔ بورڈ نے اس سلسلے میں ایک ضابطہ اخلاق تیار کیا ہے

جس میں تمام پالیسیوں کا تفصیلی ذکر ہے۔

(۳) توانائی کی بچت

مجموعت توانائی کے تحفظ پر خصوصی توجہ دیتی ہے اور توانائی کو بچانے والے آلات کی تنصیب جیسے اقدامات اختیار کئے ہیں۔ محنت کشوں کو توانائی کے غیر ضروری استعمال کو کم کرنے کے

لئے توانائی کے مختلف طریقوں سے آگاہ کیا جاتا ہے۔

بورڈ کے اجلاس

زیر جائزہ مدت کے دوران بورڈ آف ڈائریکٹرز کے سات اجلاس منعقد ہوئے جس میں مندرجہ ذیل افراد حاضر تھے۔

اجلاس میں حاضری	ڈائریکٹرز کے نام	
7	جناب زاہد ظہیر	۱
7	جناب عمر بن زاہد	۲
7	جناب حسن بن زاہد	۳
7	محترمہ نائلہ زاہد	۴
7	محترمہ انعم عمر	۵
7	محترمہ شافیہ حسن	۶
7	جناب محمود صدیقی	۷
3	جناب فیض الحسن صدیقی	۸
7	جناب ندیم احمد	۹
5	جناب وقار حسن صدیقی	۱۰

(جناب فیض الحسن صدیقی نے دوران مدت بورڈ سے استعفیٰ دے دیا اور مسٹر وقار حسن صدیقی کو خالی عہدے کی جگہ کو پر کرنے کے لئے ڈائریکٹر مقرر کیا گیا۔)

بورڈ کے اراکین

تعداد	ڈائریکٹرز
6	مرد
3	خواتین

تعداد	ترتیب
2	آزاد ڈائریکٹرز
4	دیگر غیر انتظامی ڈائریکٹرز
3	انتظامی ڈائریکٹرز

متعلقہ کمپنیاں

متعلقہ کمپنیوں کی فہرست درج ذیل ہے۔

- (۱) ندیم پاور جزیشن (پرائیویٹ) لمیٹڈ
- (۲) ندیم انٹرنیشنل (پرائیویٹ) لمیٹڈ

متعلقہ کمپنیوں کے مابین لین دین قابل رسائی قیمتوں کی بنیاد پر کی گئی ہیں۔ کمپنی نے ٹرانسفر پرائسنگ کے لئے لسٹنگ ریگولیشنز کے ضوابط کو مد نظر رکھا ہے۔ متعلقہ کمپنیوں کی لین دین کو بورڈ نے آڈٹ کمیٹی کی سفارشات پر منظور کیا تھا۔

آڈٹ کمیٹی

کارپوریٹ گورننس کے تقاضوں کو پورا کرنے کے لئے کمیٹی نے تین ارکان پر مشتمل ایک آڈٹ کمیٹی قائم کی ہے جن کے نام کمیٹی کی معلومات کے صفحے پر درج ہیں۔ آڈٹ کمیٹی نے نگرانی اور اندرونی کنٹرول کے نفاذ کا جائزہ لینے کے لئے ہر سٹیج پر انٹرنل آڈٹ کے نظام کا نفاذ کیا ہے۔

آڈیٹرز

سالانہ اجلاس عام کے اختتام پر کمیٹی کے آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس کی خدمات کا عرصہ مکمل ہو چکا ہے اور اپنی اہلیت کی بنیاد پر انہوں نے دوبارہ تعیناتی کی خدمات پیش کی ہیں۔ بورڈ آف ڈائریکٹرز نے یہ سفارش کی ہے کہ آڈٹ کمیٹی کی تجویز کے مطابق انہیں اگلے مالی سال ۲۰۲۱ جون ۳۰ کے لئے بھی کمیٹی کا آڈیٹر مقرر کیا جائے۔

حصص یافتگان کی تفصیل

حصص یافتگان کی تفصیل برائے ۳۰ جون ۲۰۲۰ اس رپورٹ کے ساتھ منسلک ہے۔

اظہار تشکر

کمپنی کے ڈائریکٹرز اپنے حصص یافتگان، قابل قدر کاموں اور بینکاروں کا تہہ دل سے مشکور ہیں جنہوں نے کمپنی کے معاملات میں تعاون کیا۔ ڈائریکٹرز کمیٹی کے عملے اور کارکنوں کی مسلسل کوششوں اور لگن کا اعتراف کرنے میں خوشی محسوس کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز



زاہد منیر

چیف ایگزیکٹو

کراچی :

سورہ : ۵ اکتوبر ۲۰۲۰

NADEEM TEXTILE MILLS LIMITED

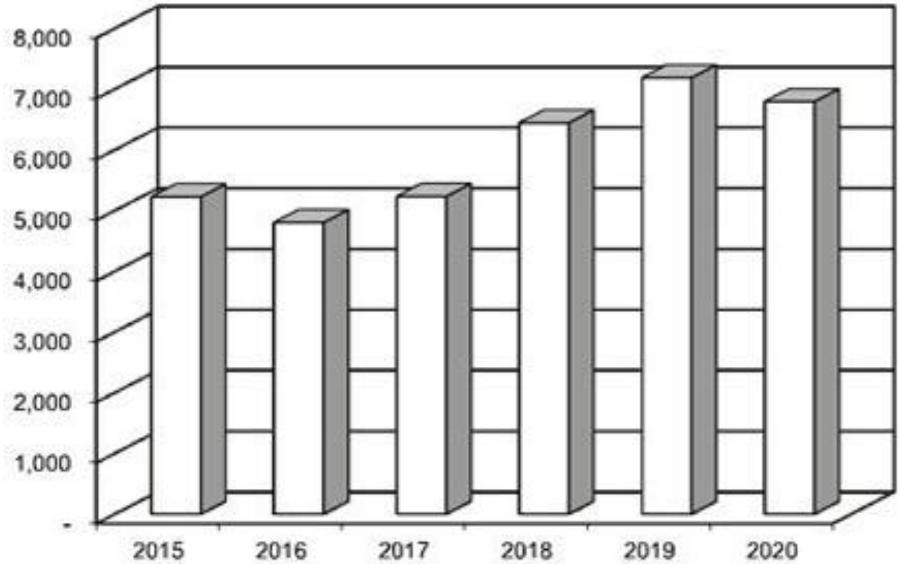
Key Operating & Financial Data

For the Period From July 2014 To June 2020

PERIODS	Jul - Jun 2019-2020	Jul - Jun 2018-2019	Jul - Jun 2017-2018	Jul - Jun 2016-2017	Jul - Jun 2015-2016	Jul - Jun 2014-2015
Net Sales Revenue	6,792,767,434	7,186,097,611	6,441,230,473	5,230,013,369	4,800,851,059	5,224,533,979
Cost Of Goods Sold	6,179,618,395	6,431,415,146	5,877,270,121	4,923,087,905	4,695,875,674	5,021,581,671
Gross Profit	613,149,039	754,682,465	563,960,352	306,925,464	104,975,385	202,952,308
Operating Profit	443,112,207	579,109,853	382,570,826	147,077,112	(32,661,510)	61,092,746
Profit/(Loss) Before Tax	105,521,813	322,690,888	168,299,087	24,494,249	(148,482,489)	(66,994,605)
Profit/(Loss) After Tax	17,544,745	200,160,181	149,755,696	7,126,008	(178,224,297)	(88,010,907)
Paid Up Capital	192,119,850	192,119,850	192,119,850	156,195,000	156,195,000	120,150,000
Current Assets	3,606,835,263	2,576,356,301	2,409,635,450	1,699,417,236	1,419,416,621	1,281,610,172
Current Liabilities	3,318,504,593	2,486,387,751	2,529,508,675	1,956,025,702	1,686,792,467	1,477,332,240

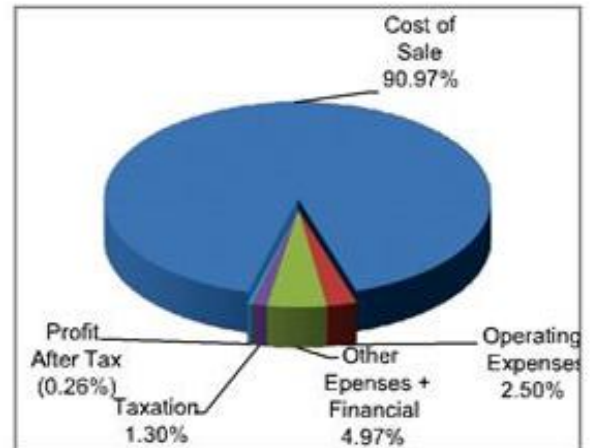
TURNOVER

Year	Sales in (M)
2020	6,793
2019	7,186
2018	6,441
2017	5,230
2016	4,801
2015	5,225



APPLICATION OF REVENUE FOR THE YEAR ENDED JUNE 30, 2020

	RUPEES	PERCENTAGE
Cost of Sale	6,179,618,395	90.97%
Operating Expenses	170,036,832	2.50%
Other Epenses + Financial	337,590,394	4.97%
Taxation	87,977,068	1.30%
Profit / (Loss) After Tax	17,544,745	0.26%
TOTAL	6,792,767,434	100.00%



Mr. Faiz-ul-Hassan Siddiqui resigned from the Board during the period and Mr. Waqar Hassan Siddiqui was appointed as independent director to fill the casual vacancy.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of the Meetings of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with Act and the Regulations.
9. Out of nine, three directors are exempt from Director's training program. However, as of June 30, 2020, the remaining directors were yet in the process of acquiring such certification.
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed Committees comprising of members given below:

Committee	Name of members and Chairman
(a) Audit Committee	Mr. Waqar Hassan Siddiqui (Chairman) Mrs. Anam Omer Mrs. Shafia Hassan
(b) HR Committee	Mr. Nadeem Ahmed (Chairman) Mrs. Anam Omer Mrs. Shafia Hassan

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. The frequency of meetings of the committees were as per following:

Committee	Frequency of meetings
(a) Audit Committee	Quarterly
(b) HR Committee	Annually

15. The Board has setup an effective internal audit function manned by competent personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Karachi.
Date: October 05, 2020


On Behalf of the Board of Directors
ZAHID MAZHAR
Chief Executive

**INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of M/s. Nadeem Textile Mills Limited**

**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED
COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Nadeem Textile Mills Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

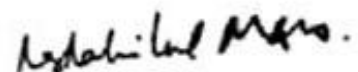
The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Karachi.
Date: October 05, 2020


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

INDEPENDENT AUDITORS' REPORT
To the members of Nadeem Textile Mills Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Nadeem Textile Mills Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter(s)

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

S.No.	Key audit matter(s)	How the matter was addressed in our audit
1	<p>Existence and valuation of Stock in trade</p> <p>As disclosed in note 8 to the accompanying financial statements, the stock in trade represents 33% of the total assets of the Company. The cost of work in process and finished goods is determined at weighted average manufacturing cost including a proportion of production overheads.</p> <p>We focused stock in trade as it is significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.</p>	<p>We performed range of audit procedures with respect to inventory items including, amongst others, physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with applicable accounting standards.</p> <p>We also tested the calculation of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads</p> <p>We also assessed the adequacy of the disclosures made in respect of the accounting policies and the inventory balance held by the Company at the year end.</p>

Information other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

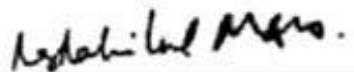
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Muhammad Rafiq Dosani**.

Karachi.
Date: October 05, 2020


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

NADEEM TEXTILE MILLS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

ASSETS	Note	2020	Rupees	2019
Non-Current Assets				
Property, plant and equipment	5	1,762,441,100		1,626,405,616
Long term deposits	6	13,608,488		13,597,274
Current Assets				
Stores, spares and loose tools	7	88,790,763		89,415,372
Stock-in-trade	8	1,785,459,086		886,459,993
Trade debts	9	1,441,599,793		949,581,017
Investments-amortized cost	10	59,971,390		114,769,390
Loans and advances	11	55,740,641		230,444,123
Other receivables	12	25,233,182		86,686,876
Tax refunds due from government	13	24,329,869		75,103,048
Cash and bank balances	14	125,710,539		143,896,482
		<u>3,606,835,263</u>		<u>2,576,356,301</u>
		<u>5,382,884,851</u>		<u>4,216,359,191</u>
EQUITY AND LIABILITIES				
Share Capital And Reserves				
<i>Authorized Capital</i>				
25,000,000 ordinary shares of Rs. 10/- each		<u>250,000,000</u>		<u>250,000,000</u>
Issued, subscribed and paid up capital				
Issued, subscribed and paid up capital	15	192,119,850		192,119,850
Advance against issue of shares		119,600,000		-
Revenue reserve				
Unappropriated profit		530,976,171		538,359,167
Capital reserve				
Revaluation surplus on property, plant and equipment	16	300,440,266		312,229,122
Share premium		177,597,289		177,597,289
		<u>1,320,733,576</u>		<u>1,220,305,428</u>
Non-Current Liabilities				
Long term financing	17	272,185,047		85,318,528
Deferred liabilities	18	104,804,153		91,352,113
Loan from related parties	19	359,855,204		332,995,371
Deferred grant		6,802,278		-
		<u>743,646,682</u>		<u>509,666,012</u>
Current Liabilities				
Loan from director	20	36,700,000		10,000,000
Trade and other payables	21	1,116,293,057		672,837,469
Accrued mark-up	22	55,335,461		50,959,971
Short term borrowings	23	1,995,506,941		1,598,768,482
Unclaimed dividend		1,485,472		1,481,813
Current portion of long term financing	17	40,183,662		72,340,016
Current portion of loan from related parties	19	73,000,000		80,000,000
		<u>3,318,504,593</u>		<u>2,486,387,751</u>
Contingencies and commitments				
	24	-		-
		<u>5,382,884,851</u>		<u>4,216,359,191</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER
Karachi Dated: October 05, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	<i>Note</i>	2020 ————— Rupees —————	2019 —————
Sales - net	25	6,792,767,434	7,186,097,611
Cost of sales	26	<u>(6,179,618,395)</u>	<u>(6,431,415,146)</u>
Gross profit		613,149,039	754,682,465
Administrative expenses	27	<u>(104,531,874)</u>	<u>(102,199,334)</u>
Distribution costs	28	<u>(65,504,958)</u>	<u>(73,373,278)</u>
		<u>(170,036,832)</u>	<u>(175,572,612)</u>
		443,112,207	579,109,853
Other operating income	29	<u>15,304,787</u>	<u>16,146,383</u>
Other operating expenses	30	<u>(50,783,152)</u>	<u>(25,810,996)</u>
Finance cost	31	<u>(302,112,029)</u>	<u>(246,754,352)</u>
		<u>(337,590,394)</u>	<u>(256,418,965)</u>
Profit before taxation		105,521,813	322,690,888
Taxation	32	<u>(87,977,068)</u>	<u>(122,530,707)</u>
Profit after taxation		<u>17,544,745</u>	<u>200,160,181</u>
Earnings per share - basic and diluted	33	<u>0.91</u>	<u>10.42</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER
Karachi Dated: October 05, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	
Profit after taxation	17,544,745	200,160,181
Other comprehensive income / (loss)		
<i>Items that will not be subsequently reclassified in profit or loss:</i>		
Actuarial loss on defined benefit obligation - net of tax	3,628,568	(723,002)
Total comprehensive income for the year	<u>21,173,313</u>	<u>199,437,179</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER
Karachi Dated: October 05, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

NADEEM TEXTILE MILLS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	<i>Note</i>	2020	2019
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	34	(51,648,310)	600,017,560
Long term deposit		(11,214)	25,000
Taxes paid		(91,622,781)	(66,892,399)
Gratuity paid	18.1.1	(28,542,875)	(29,290,523)
Finance cost paid		(297,377,012)	(234,932,411)
Workers profit participation fund paid		-	(9,038,619)
Workers welfare fund paid		(6,748,624)	-
Dividend paid		(40,341,506)	(30,748,762)
Net cash generated / (used in) from operating activities		(516,292,322)	229,139,846
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(288,711,293)	(121,951,340)
Short term investments -net		54,798,000	-
Proceeds from disposal of property, plant and equipment	5.1.5	7,450,000	26,242,828
Net cash used in investing activities		(226,463,293)	(95,708,512)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance (repaid) / obtained - net		161,671,380	(87,590,036)
Loan from director		26,700,000	-
Loan from associate-net		19,859,833	16,225,000
Right Shares Application Money		119,600,000	-
Net cash (used in) / generated from financing activities		327,831,213	(71,365,036)
Net increase / (decrease) in cash and cash equivalents		(414,924,402)	62,066,298
Cash and cash equivalents at beginning of the year		(1,454,872,000)	(1,516,938,298)
Cash and cash equivalents at end of the year	35	(1,869,796,402)	(1,454,872,000)

The annexed notes from 1 to 44 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER
Karachi Dated: October 05, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

NADEEM TEXTILE MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed and paid up capital	Advance against issue of shares	Revenue Reserve		Capital reserve		Total
			Unappropriated profit	Share premium	Revaluation surplus on property, plant and equipment		
					Rupees		
Balance as at July 01, 2018	192,119,850	-	357,288,753	177,597,289	324,611,119	1,051,617,011	
Profit for the year	-	-	200,160,181	-	-	200,160,181	
Other comprehensive income / (loss)	-	-	(723,002)	-	-	(723,002)	
Total comprehensive income for the year	-	-	199,437,179	-	-	199,437,179	
Transfer to unappropriated profit on account of incremental depreciation - net off deferred tax	-	-	12,381,997	-	(12,381,997)	-	
<i>Transactions with owners</i>							
Dividends paid	-	-	(30,748,762)	-	-	(30,748,762)	
Balance as at June 30, 2019	192,119,850	-	538,359,167	177,597,289	312,229,122	1,220,305,428	
Profit for the year	-	-	17,544,745	-	-	17,544,745	
Other comprehensive income	-	-	3,628,568	-	-	3,628,568	
Total comprehensive income for the year	-	-	21,173,313	-	-	21,173,313	
Transfer to unappropriated profit on account of incremental depreciation	-	-	11,788,856	-	(11,788,856)	-	
<i>Transactions with owners</i>							
Dividends paid	-	-	(40,345,165)	-	-	(40,345,165)	
Advance against issue of shares	-	119,600,000	-	-	-	119,600,000	
Balance as at June 30, 2020	192,119,850	119,600,000	530,976,171	177,597,289	300,440,266	1,320,733,576	

The annexed notes from 1 to 44 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER
Karachi Dated: October 05, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

NADEEM TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. THE COMPANY AND ITS OPERATIONS

Nadeem Textile Mills Limited ("the Company") was incorporated in Pakistan as public limited company on July 15, 1984 under the repealed Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017 on May 30, 2017) and its shares are listed on the Pakistan Stock Exchange Limited. The main business of the Company is manufacture and sale of yarn.

The geographical location and address of the Company's business units, including mills/plant is as under:

-The registered office of the Company is situated at 801-804, Lakson square Building No.3, Sarwar Shaheed Road, Karachi

The Company's mills is located at;

- Unit-1: A-265, S.I.T.E., Nooriabad, district Jamshoro, Sindh.
- Unit-2: E-11, S.I.T.E., Kotri, Jamshoro, Sindh.

2. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

As a result of COVID-19 Pandemic, the relevant authorities announced a temporary lockdown as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from the month of March.

The revenue of the Company was impacted by COVID-19 in the period of lockdown, consequently, Covid-19 being one of the major factors which contributed towards overall decrease in revenues by approximately 5% along with the corresponding variable cost and variable overheads. However, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down in economic activity.

Due to this, the management has assessed the accounting implications arising out of these developments on these financial statements, including but not limited to the impairment of tangible and intangible assets and other financial assets. Based on the assessment, there is no significant accounting implication arising out of the effects of COVID-19 in these financial statements except as detailed above.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except;

- Land and buildings measured at revalued amounts less accumulated depreciation therein;
- Recognition of staff retirement benefits at fair value.

3.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

3.4 Use of estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing 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 Company's financial statements or where judgments were exercised in application of accounting policy are as follows:

- Revaluation of certain items of property, plant and equipment	Note 4.1
- Useful life and residual values of property, plant and equipment	4.1
-Discount rate used to determine the value of government grant element embedded in the long term finance received from A commercial bank under the SBP Refinance Scheme for Payment of Wages and Salaries	
- Provision for staff retirement benefits	4.6
- Provision for taxation	4.9

3.5 New Accounting Pronouncements

3.5.1 Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2020

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates were not considered to be relevant to the Company's financial reporting, the same have not been disclosed here

3.5.2 New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the date specified below:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendment is not likely to have an impact on the Company's financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The amendments are not likely to affect the financial statements of the Company.
- Interest rate benchmark reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has, in turn, led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves re-measuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - a. the change in lease payments results in revised consideration for the lease that is that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - c. there is no substantive change to the other terms and conditions of the lease.

The above amendments are not likely to affect the financial statements of the Company.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendments are not likely to affect the financial statements of the Company.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022 clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

3.5.3 Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Company.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss, if any, except lease hold land, factory building and office premises which are stated at revalued amount less accumulated depreciation and impairment loss, if any.

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

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 5 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 at year end did not require any adjustment as its impact is considered insignificant.

Any revaluation increase arising on the revaluation of assets is recognized in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and plant & machinery is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation to the extent of incremental depreciation charged is transferred to un-appropriated profit.

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.

4.2 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.

4.3 Stock in trade

Raw materials 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. By products and waste products are valued at net realisable value.

Cost of finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads.

Net realisable 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.

Provision is made in the financial statements against slow moving and obsolete stock-in-trade based on management's best estimate regarding their future usability whenever necessary and is recognised in the statement of profit or loss.

4.4 Trade debts and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery.

4.5 Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances. Short term running finances that are repayable on demand are integral part of the Company's cash management policy are also included as a component of cash equivalents for the purpose of the statement of cash flows.

4.6 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all permanent employees. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

All remeasurement gains and losses are recognised in other comprehensive income.

4.7 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less (or in normal operating cycle of business, if longer), if not, they are classified as non-current liabilities. Liabilities for trade and other amounts payable are carried at amortised cost.

4.8 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.

4.9 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted by or substantively enacted at the balance sheet date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or minimum tax u/s 113 of Income Tax Ordinance, 2001 after taking into account tax credits or Alternative corporate tax u/s 113C of Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.10 Revenue recognition

Revenue from sale of goods

Revenue from sale of goods (yarn) is recognized when the customer obtains control of the goods, being when the goods are delivered to the customer, the customer has full discretion over the selling price of the goods and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been dispatched from the company premise, the risk of loss has been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have elapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered to customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Interest income

Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

4.11 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.

4.12 Foreign currency transactions and translation

Transactions in foreign currencies are converted into Rupees at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date. All exchange differences arising on transaction are charged to profit and loss account in that period.

4.13 Financial instruments

4.13.1 Classification and Initial Measurement

The Company classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and

- measured at amortized cost.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

Financial assets at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets at FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

4.13.2 Subsequent Measurement**a) Financial assets at FVOCI**

These assets are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

b) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

c) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

4.13.3 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.14 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.

4.15 Impairment

The Company recognises loss allowances for ECLs in respect of financial assets measured at amortised cost.

The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts. The Company assesses on a forward looking basis the expected credit losses associated with its financial assets.

Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

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

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event of company.

4.16 Dividends and appropriations to reserves

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

5	PROPERTY, PLANT AND EQUIPMENT	Note	2020	2019
			Rupees	
	Operating fixed assets	5.1	1,759,538,807	1,606,579,792
	Capital work in progress	5.2	2,902,293	19,825,824
			1,762,441,100	1,626,405,616

5.1 Operating Fixed Assets

	Leasehold land	Factory building	Office premises	Plant and machinery	Office equipment	Computer equipment	Furniture and fixtures	Vehicles	Total
Rupees									
As at June 30, 2018									
Cost / Revalued amount	112,000,000	446,807,266	213,075,481	1,916,090,642	12,349,990	2,485,377	7,808,201	62,786,039	2,773,362,996
Accumulated depreciation	-	(111,839,611)	(52,858,668)	(942,060,505)	(5,656,133)	(1,360,971)	(3,207,138)	(32,385,314)	(1,159,968,240)
	112,000,000	334,967,655	150,216,813	973,990,137	6,693,857	524,406	4,601,063	30,400,725	1,613,394,656
Year ended June 30, 2019									
Opening net book value	112,000,000	334,967,655	150,216,813	973,990,137	6,693,857	524,406	4,601,063	30,400,725	1,613,394,656
Additions / transfers	-	3,254,440	1,855,872	123,518,253	289,000	450,880	630,400	21,445,417	151,774,271
Disposals									
Cost	-	-	(4,500,000)	(45,702,533)	-	-	-	(14,691,500)	(64,974,033)
Accumulated depreciation	-	-	614,552	36,076,227	-	-	-	7,888,086	44,578,868
	-	-	(3,885,448)	(9,706,306)	-	-	-	(6,803,411)	(20,295,165)
Depreciation for the year	-	(16,858,147)	(7,342,444)	(105,513,967)	(691,727)	(229,762)	(476,487)	(7,081,436)	(138,193,970)
Closing net book value	112,000,000	321,363,948	140,874,793	982,588,117	6,291,130	745,524	4,754,985	37,961,295	1,606,579,792
As at June 30, 2019									
Cost / Revalued amount	112,000,000	450,061,706	210,451,353	1,994,086,362	12,638,990	2,316,257	8,438,610	69,539,955	2,800,163,234
Accumulated depreciation	-	(128,697,758)	(69,596,560)	(1,011,498,245)	(6,347,860)	(2,190,733)	(3,683,625)	(31,578,661)	(1,253,583,442)
	112,000,000	321,363,948	140,874,793	982,588,117	6,291,130	745,524	4,754,985	37,961,295	1,606,579,792
Year ended June 30, 2020									
Opening net book value	112,000,000	321,363,948	140,874,793	982,588,117	6,291,130	745,524	4,754,985	37,961,295	1,606,579,792
Additions / transfers	-	427,650	16,721,968	286,419,431	1,664,670	138,305	262,800	-	305,634,824
Revaluation surplus	-	-	-	-	-	-	-	-	-
Disposals									
Cost	-	-	-	(30,689,875)	-	-	-	(4,371,505)	(35,061,380)
Accumulated depreciation	-	-	-	21,668,572	-	-	-	3,163,707	24,832,279
	-	-	-	(9,021,303)	-	-	-	(1,207,798)	(10,229,101)
Depreciation for the year	-	(16,070,013)	(7,540,824)	(109,934,261)	(750,447)	(250,220)	(479,422)	(7,421,521)	(142,446,708)
Closing net book value	112,000,000	305,721,585	150,055,937	1,150,051,984	7,205,353	633,609	4,538,363	29,331,976	1,759,538,807
As at June 30, 2020									
Cost / Revalued amount	112,000,000	450,489,356	227,183,321	2,249,815,918	14,303,660	3,074,562	8,701,410	65,168,451	3,130,736,678
Accumulated depreciation	-	(144,767,771)	(77,127,384)	(1,099,763,934)	(7,098,307)	(2,440,953)	(4,163,047)	(35,836,475)	(1,271,197,871)
	112,000,000	305,721,585	150,055,937	1,150,051,984	7,205,353	633,609	4,538,363	29,331,976	1,759,538,807
Annual rates of depreciation	0%	5%	5%	10%	10%	30%	10%	20%	

5.1.1 Leasehold lands of the Company are located at A-265 S.I.T.E, Nooriabad, Sindh and E-11, S.I.T.E., Kotri Sindh with an area of 160,930 and 48,400 square yards respectively.

5.1.2 The Company measure its land, buildings and office premises using revaluation model. The latest revaluation of land, building, and office premises was carried out by an independent valuer M/s. Joseph Lobo as on June 30, 2016 on the basis of present market values for similar sized land in the vicinity and replacement values of similar type of buildings adjusted for depreciation factor for the existing assets in use.

5.1.3 Forced sales value of leasehold land, buildings and office premises based on the valuation conducted in June 2016 by independent valuer was Rs. 646.40 million.

5.1.4 Had there been no revaluation, the book value of land, buildings and office premises would have been as follows:

	2020	2019
	Rupees	
Leasehold land	46,384,040	46,384,040
Factory building	85,884,397	91,141,298
Office premises	107,326,376	94,892,213
	239,594,813	232,417,551

5.1.5 The following operating fixed assets were disposed off during the year.

Particular of Assets	Cost	Accumulated Depreciation	Book Value	Sales Proceeds	(Gain)/Loss on Disposal	Particulars of Purchaser	Mode of Disposal
Rupees							
AUJ-339	780,000	472,861	307,139	310,000	(2,861)	Al. Ghani Motors	Negotiation
Gas Generator (waukesha)	30,689,875	21,668,572	9,021,303	5,350,000	3,671,303	Javed Umer	Negotiation
ALC-342 (Cultus)	650,000	496,283	153,717	190,000	(36,283)	M.Junaid	Negotiation
AEB-191	318,500	311,548	6,952	50,000	(43,048)	Al. Ghani Motors	Negotiation
BAR-670 (Cultus)	799,500	352,751	446,749	500,000	(53,251)	M.Junaid	Negotiation
AXA-808 (Toyota Corola)	1,823,505	1,530,264	293,241	1,050,000	(756,759)	Adanjee Ins	Negotiation
2020	35,061,380	24,832,279	10,229,101	7,450,000	2,779,101		
2019	62,059,373	42,223,836	19,835,537	25,457,828	(5,622,291)		

5.1.6 Depreciation is allocated as under	Note	2020	2019
		Rupees	
Cost of sales	26	126,004,274	122,372,114
Administrative expenses	27	16,442,434	15,821,856
		142,446,708	138,193,970
5.2 Capital work in progress			
Advance to contractors for civil works		2,800,551	16,135,485
Plant and Machinery		101,742	3,690,339
		2,902,293	19,825,824
6 LONG TERM DEPOSITS			
Long term advances		437,500	437,500
Long term security deposits		13,170,988	13,159,774
		13,608,488	13,597,274

	Note	2020	2019
		Rupees	
7 STORES, SPARES AND LOOSE TOOLS			
Stores		38,547,518	47,845,433
Spares		49,141,406	41,016,526
Loose tools		1,101,839	553,413
		<u>88,790,763</u>	<u>89,415,372</u>
8 STOCK IN TRADE			
Raw material		840,779,847	448,451,613
Work - in - process		50,018,553	45,396,959
Finished goods		854,522,208	366,897,556
Waste		40,138,478	25,713,865
	8.1	<u>1,785,459,086</u>	<u>886,459,993</u>
8.1	This includes stocks amounting to Rs. 1,503 million (2019: Rs. 728 million) pledged with banks as security with banks against finance facilities. In addition to imported raw material (fibre/cotton) worth Rs. NIL (2019: 205 million) was in transit as on June 30, 2020.(refer note 23).		
9 TRADE DEBTS			
Considered good			
Export trade debts - secured		2,437,202	11,094,825
Local trade debts - unsecured		1,444,824,302	944,027,482
		1,447,261,504	955,122,307
Less: Provision for impairment	9.1	(5,661,711)	(5,541,290)
		<u>1,441,599,793</u>	<u>949,581,017</u>
9.1	The movement in the allowance for the doubtful debts is as follows:		
Opening balance		5,541,290	4,238,453
Charge / (reversal) during the year		120,421	1,302,837
Closing balance		<u>5,661,711</u>	<u>5,541,290</u>
10 INVESTMENTS-at amortized cost			
Bonds receivable		-	69,300,000
Term deposits	10.1	59,971,390	45,469,390
		<u>59,971,390</u>	<u>114,769,390</u>
10.1	These TDRs were deposited as margin against bank guarantees issued by different banks as disclosed in note no. 24. These are term deposit receipts earning a markup at a rate of 7.5%-11.25% per annum (2019: 4.5% - 10.30%).		
11 LOANS AND ADVANCES			
Staff and workers	11.1	307,111	796,379
Advance to suppliers		55,433,530	229,647,744
		<u>55,740,641</u>	<u>230,444,123</u>
11.1	This represents interest free advances provided to employees in accordance with the Company's policy. The advances are secured against retirement benefits and are recoverable in equal monthly installments.		

	<i>Note</i>	2020	2019
		Rupees	
12 OTHER RECEIVABLES			
Profit on saving account receivable	<i>14.1</i>	4,897,442	4,403,958
Export rebate receivable		-	56,917,617
Other receivable		20,335,740	25,365,301
		<u>25,233,182</u>	<u>86,686,876</u>
13 TAX REFUND DUE FROM GOVERNMENT			
Income tax refundable		24,329,869	16,253,765
Sales tax refundable		-	58,849,283
		<u>24,329,869</u>	<u>75,103,048</u>
14 CASH AND BANK BALANCES			
Cash in hand		12,106,589	346,911
Cash at bank - current accounts		15,305,716	18,110,735
Cash at bank - deposit accounts	<i>14.1 & 14.2</i>	98,298,234	125,438,836
		<u>125,710,539</u>	<u>143,896,482</u>

14.1 Mark-up rate on PLS accounts ranges from 7.5% to 11.25% per annum on daily product basis (2019: 4.50% to 10.25% per annum).

14.2 The Company has issued post dated cheques to Sindh High Court against Gas tariff amounting to Rs. 91,881,560 (2019: 91,881,560).

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020	2019		2020	2019
— Number of shares —			Rupees	
12,711,985	12,711,985	Ordinary shares of Rs.10/- each issued as fully paid in cash	127,119,850	127,119,850
6,500,000	6,500,000	Ordinary shares of Rs.10/- each issued as fully paid as bonus	65,000,000	65,000,000
<u>19,211,985</u>	<u>19,211,985</u>		<u>192,119,850</u>	<u>192,119,850</u>

15.1 The Company does not have any agreements with shareholders for voting rights, board selection, rights of first refusal and block voting.

15.2 The associated company Nadeem Power Generation (Private) Limited held 3,604,500 (2019: 3,604,500) ordinary shares at the year end.

	<i>Note</i>	2020	2019
		Rupees	
16 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT			
Balance as at July 01		341,446,063	355,619,306
Add: surplus on revaluation during the year		-	-
Less: Incremental depreciation transferred to retained earnings		<u>(13,704,005)</u>	<u>(14,173,243)</u>
		327,742,058	341,446,063
Less: Related deferred tax on revaluation		<u>(27,301,792)</u>	<u>(29,216,941)</u>
		<u>300,440,266</u>	<u>312,229,122</u>
17 LONG TERM FINANCING			
17.1 JS Bank			
- Long Term Finance Facility	<i>17.1.1</i>	43,786,750	63,899,500
Bank Al Falah Limited			
- Long Term Finance Facility	<i>17.1.2</i>	164,526,550	37,509,044
Soneri Bank Limited			
- Refinance scheme for payment of salaries and wages	<i>17.1.3</i>	75,930,409	-
Samba Bank Limited			
- Medium Term Loan	<i>17.1.4</i>	28,125,000	56,250,000
Less: Current portion shown under current liabilities		<u>(40,183,662)</u>	<u>(72,340,016)</u>
		<u>272,185,047</u>	<u>85,318,528</u>

17.1.1 This represents liability against Long Term Finance Facility(LTFF), under LTFF scheme of State Bank of Pakistan, for import of Machineries to be repaid in 20 equal quarterly installments . The loan is secured against first exclusive and specific hypothecation charges of Rs. 56 million over imported new Caterpillar gas generator CG 170-20 of 1953 KW/2441 KVA and Rs. 42 million over imported new GE Jenebacher gas Genset JGS 420 GS-N.L/B05' 1500 KW . The rate of Mark-up is SBP LTFF rate+2.5% per annum.

17.1.2 This represents liability against Term Finance and LTFF. This facility was obtained for import of 5 used Murata 21C Auto Winders and for import of two new gas generators. The loan is secured against exclusive and specific charge of Rs. 70 million and Rs. 175 million over 5 Murata 21C Auto Winders and two new imported MTU gas generators respectively. Markup rate is KIBOR +2%-2.5%.

17.1.3 Refinance scheme for payment of salaries and wages

	<i>Note</i>	2020	2019
		Rupees	
a) Movement in scheme			
Total amount borrowed		82,891,624	-
Less: element of government grant recognized as deferred income		<u>(6,961,215)</u>	<u>-</u>
		75,930,409	-
Less: current maturity shown under current liabilities		<u>(20,722,906)</u>	<u>-</u>
		<u>55,207,503</u>	<u>-</u>

b) In June 2020, the Company obtained a long term financing facility amounting to Rs. 82.89 million from Soneri Bank Limited under the State Bank of Pakistan (SBP's) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns notified vide IH & SMEFD Circular No. 7 of 2020 dated April 22, 2020. The principal terms and conditions of the facility are as follows:

- The applicable markup rate is 3% per annum;
- The tenor of the facility is 2.5 years (including 6-month grace period ending on December 31, 2020); and
- The loan is to be repaid in 8 equal quarterly instalments commencing from January 2021.

Since the facility carries an interest rate of 3% p.a. which is well below the market interest rate of 9.76% (determined as 3-Month KIBOR as at June 30, 2020 plus 2.5%), in accordance with Circular 11 of 2020 dated August 17, 2020 issued by the Institute of Chartered Accountants of Pakistan (ICAP), the financing is considered to contain an element of government grant as per the IAS-20 "Accounting for Government Grants and disclosure of Government Assistance" (the standard). Accordingly, the Company measured the loan liability at its fair value of Rs. 75.93 million (determined on a present value basis) and recognized the difference between the disbursement proceeds received from the bank and the said fair value, amounting to Rs. 6.96 million, as deferred income in the statement of financial position since all the specified performance conditions (including, in particular, the condition that the Company does not lay off any employee during the period April 01, 2020 to June 30, 2020) were met by the reporting date.

17.1.4 This represents Medium Term Loan acquired for permanent working capital facility. The loan is secured against first pari passu charge of 367 million over all present and future stocks and receivables with 25% margin. The loan is repayable in 8 equal quarterly instalments. Mark up rate is 1 month KIBOR+2% p.a.

18 DEFERRED LIABILITIES	<i>Note</i>	2020	2019
		Rupees	
Gratuity	<i>18.1</i>	69,412,384	67,162,738
Deferred taxation - net	<i>18.2</i>	35,391,769	24,189,375
		<u>104,804,153</u>	<u>91,352,113</u>

18.1 Gratuity

As disclosed in note 4.6, the Company operates an unfunded gratuity scheme for its staff employees. The latest actuarial valuation was carried out as at June 30, 2020, using the Projected Unit Credit Actuarial Cost Method.

18.1.1 Movement in defined benefit obligation

Opening defined benefit obligation	67,162,738	63,250,494
Current service cost	28,366,170	27,809,983
Interest Cost	7,537,010	4,374,471
Benefits paid	(28,542,875)	(29,290,523)
Remeasurements	(5,110,659)	1,018,313
Closing defined benefit obligation	<u>69,412,384</u>	<u>67,162,738</u>

18.1.2 Expenses recognized in the profit or loss account

Current service cost	28,366,170	27,809,983
Interest cost on defined benefit obligation	7,537,010	4,374,471
	<u>35,903,180</u>	<u>32,184,454</u>

18.1.3 Remeasurement losses / (gains) recognised in other comprehensive income

Actuarial losses / (gains) on defined benefit obligation due to

	2020	2019
	Rupees	
-Changes in financial assumptions	(403,796)	346,510
-Experience adjustments	(4,706,863)	671,803
	<u>(5,110,659)</u>	<u>1,018,313</u>

18.1.4 Movement in net liability in the balance sheet

	2020	2019
Balance as at July 01	67,162,738	63,250,494
Expense charged to profit and loss	35,903,180	32,184,454
Remeasurements chargeable in other comprehensive income	(5,110,659)	1,018,313
Benefits paid	(28,542,875)	(29,290,523)
Balance as at June 30	<u>69,412,384</u>	<u>67,162,738</u>

18.1.5 Comparison of present value of defined benefit obligation for the current year and previous four years is as follows:

	2020	2019	2018	2017	2016
	Rupees				
Present value of defined benefit obligation	69,412,384	67,162,738	63,250,494	59,091,849	51,290,110
Experience adjustments on obligations	(5,110,659)	1,018,313	1,256,346	1,662,153	8,907,015

18.1.6 Year end sensitivity analysis on Defined Benefit Obligation

	2020	2019
	Rupees	
Discount Rate + 100 bps	65,737,403	63,815,553
Discount Rate - 100 bps	73,597,793	70,944,315
Salary Increase + 100 bps	73,639,422	70,979,870
Salary Increase -100 bps	65,639,520	63,730,659

The average duration of the defined benefit obligation is 5 Years.

18.1.7 Principal assumptions used in valuation of gratuity

Discount rate used for interest cost in profit and loss	14.25%	9.00%
Discount rate used for year end obligation	8.50%	14.25%
Expected rate of increase in salary level (per annum)	6.50%	12.25%
Mortality rates	SLIC 2001-2005	SLIC 2001-2005

18.2 Deferred Taxation

Deferred tax liability in respect of:

- Surplus on revaluation of fixed assets	27,301,792	29,216,941
- Accelerated tax depreciation	97,402,277	76,572,624
	<u>124,704,069</u>	<u>105,789,565</u>

Deferred tax asset in respect of:

- Provisions for doubtful debt	(1,641,896)	(1,606,974)
- Provisions for gratuity	(9,700,450)	(8,488,161)
- Deferred grant	(1,022,036)	-
- Excess of minimum tax carried forward	(76,947,918)	(71,505,055)
	<u>(89,312,300)</u>	<u>(81,600,190)</u>
	<u>35,391,769</u>	<u>24,189,375</u>

18.2.1 This represents excess tax over and above the normal tax payable under provision of section 113 of income tax ordinance 2001. The excess amount of tax paid can be carried forward and adjusted against tax liability for five tax years immediately succeeding the tax year.

		2020	2019
	Note	Rupees	Rupees
19 LOAN FROM RELATED PARTIES			
Nadeem Power Generation (Private) Limited (NPGL)	19.1	14,355,204	14,020,371
Nadeem International (Private) Limited (NIPL)	19.2	418,500,000	398,975,000
		<u>432,855,204</u>	<u>412,995,371</u>
<i>Less : Current portion shown under current liabilities</i>			
Nadeem International (Private) Limited		(73,000,000)	(80,000,000)
	19.3	<u>359,855,204</u>	<u>332,995,371</u>
19.1 Nadeem Power Generation (Private) Limited (NPGL)			
Opening		14,020,371	10,120,371
Loan obtained		4,500,000	10,900,000
Less: repaid		(4,165,167)	(7,000,000)
Closing		<u>14,355,204</u>	<u>14,020,371</u>
19.2 Nadeem International (Private) Limited (NIPL)			
Opening		398,975,000	386,650,000
Loan obtained		32,000,000	30,215,000
Less: repaid		(12,475,000)	(17,890,000)
Closing		<u>418,500,000</u>	<u>398,975,000</u>
19.3	This represents loan provided by related parties NPGL and NIPL on June 29, 2013 and April 28, 2015 respectively on renewable terms which may be extended for such period as may be mutually agreed by companies after expiry of the repayment period. These loans are interest free and repayable within 13 months from July 01, 2020.		
20 LOAN FROM DIRECTOR			
	This represents director's loans obtained for working capital requirement and is interest-free and repayable on-demand		
21 TRADE AND OTHER PAYABLES			
Creditors		739,715,196	415,058,823
Accrued expenses	21.1	319,359,070	213,538,499
Provision against ETO		10,017,753	10,017,753
Advances from customer	21.2 & 21.3	15,983,973	6,279,560
Worker's profit participation fund payable		25,626,426	17,759,535
Worker's welfare fund payable		5,590,639	10,183,299
		<u>1,116,293,057</u>	<u>672,837,469</u>
21.1	This includes Rs. 33.33 million (2019: 14.01 million) due to Associated Undertaking Nadeem Power Generation (Pvt) Limited against electric bill.		
21.2	During the year, the performance obligations underlying the opening contract liability of Rs. 6.27 million were satisfied in full. Accordingly, the said liability was recorded as revenue during the year.		
21.3	Information regarding the timing of satisfaction of performance obligations underlying the closing contract liability of Rs. 15.98 million is not presented since the expected duration of all the contracts entered into with the customers is less than one year.		

22	ACCRUED MARK - UP	Note	2020	2019
			Rupees	
	Long - term financing		1,644,794	3,583,822
	Short - term borrowings		53,690,667	47,376,149
			<u>55,335,461</u>	<u>50,959,971</u>
23	SHORT TERM BORROWINGS			
	Secured			
	Bank Al - Falah Limited		383,332,177	344,550,956
	Soneri Bank Limited		111,491,907	560,525,397
	J. S. Bank Limited		377,203,343	525,711,832
	Habib Bank Limited		351,077,356	
	Habib Metropolitan Bank Limited		206,114,514	
	Samba Bank		167,745,157	167,980,297
		23.1	1,596,964,454	1,598,768,482
	Soneri bank limited FE_25		398,394,918	-
	Soneri bank limited (overdraft)		147,569	-
			<u>1,995,506,941</u>	<u>1,598,768,482</u>

23.1 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 and fixed assets. The rate of mark-up for short term borrowings range @ KIBOR + 1.85% to 2.25% per annum (2019: KIBOR + 2.0% to 2.25% per annum), KIBOR ranged from 1 month and 3 months.

23.2 The unavailed facility of total short term borrowings amount to Rs. 551.5 million (2019: Rs 348 million).

24 CONTINGENCIES AND COMMITMENTS

Contingencies

In December 2011, the Federal Government, for the first time, imposed the levy of Gas Infrastructure Development Cess (the cess) through the promulgation of the Gas Infrastructure Development Cess Act, 2011 (GIDC Act, 2011) which, subsequently, was widely challenged on several legal grounds. In June 2013, the Honorable High Court of Peshawar, in the case titled M/s. Ashraf Industries vs. Federation of Pakistan, passed a judgment whereby it struck down the GIDC Act, 2011 declaring the said law as unconstitutional. Subsequent to this decision, the Gas Infrastructure Development Cess Ordinance, 2014 (GIDC Ordinance, 2014) was promulgated which expired in May 2015. In the same month, the Honorable Supreme Court of Pakistan dismissed the review petition filed by the Federation of Pakistan against the aforesaid judgment of the Honorable High Court of Peshawar, and thereby, upheld the said judgment. Following the judgment of the Apex Court, the GIDC Ordinance, 2014 received presidential assent after having been passed by both the houses of Parliament as Gas Infrastructure Development Cess Act, 2015 (GIDC Act, 2015). The GIDC Act, 2015, provided for retrospective levy of cess for the period from January 2011 to May 2015 (as imposed under the struck down GIDC Act, 2011 and GIDC Ordinance, 2014) with different cess rates prescribed for each sector.

The Company, as well as other plaintiffs, challenged the levy on constitutional and legal grounds including retrospective application of GIDC Act 2015 to levy cess for the period from 2011 to 2015 against that applied to similar sector and that the Honorable High Court of Sindh had issued an interim injunction restraining Sui Southern Gas Company Limited and the Federation of Pakistan from collecting or raising any demand pursuant to the Gas Infrastructure Development Cess Act, 2015 (GIDC Act, 2015). This case was also decided in favour of the Company and the Hon'able High Court of Sindh was pleased to declare the GIDC Act, 2015 as unconstitutional. While no appeal was preferred against the Company within time, a time barred appeal HCA 101 of 2020 has been filed by the Federal Government which is now pending.

Subsequent to the year end (i.e. on August 13, 2020), the Supreme Court of Pakistan (the Apex Court) announced its judgment with respect to the constitutionality of the Gas Infrastructure Development Cess Act, 2015 (the Act) whereby it has upheld the Act including its retrospective application from the year 2011. Moreover, in para 37 of the above judgement, the Honorable Supreme Court has held that the Cess under GIDC Act, 2015 is leviable to those customers of natural gas who on account of their industrial or commercial dealings pass on its burden to their customer and the Apex Court has restrained the Federal Government from charging further Cess from the date of the judgement.

The Company recently filed Suit 1343 /2020 in the Honorable High Court of Sindh along with several other petitioners on the ground that the Company falls within the category of gas consumers, who have neither collected GIDC from their clients / customers and even not passed on to the customers through addition in the cost of goods and accordingly, the Company is not liable to pay any amounts pursuant to the above judgement of the Supreme Court. The Honorable High Court has granted stay to the Company and other petitioners for payment of GIDC. Moreover, the Company along with several other petitioners also intend to file review petition before the Honorable Supreme Court of Pakistan seeking a setting aside of the judgement of the Supreme Court and also challenging the applicability of the GIDC on the Company including the amount to be recovered.

In view of the above, the Company continues to disclose the GIDC amounting to Rs. 230.8 million (2019: 187 million) as a contingent liability.

Commitments	2020	2019
	Rupees	
Following commitments exists as of reporting date;		
Against letters of credit	277,944,693	332,736,018
Bank guarantee to Excise and Taxation department	52,875,753	40,875,753
Revolving Letter of credit to SSGC	34,983,987	34,983,987
Bank guarantee to HESCO	2,502,000	-
FBP outstanding	93,371,408	375,511,406
Civil contractor	2,879,627	3,239,458
Post dated cheques	91,881,560	91,881,560
25 SALES - NET		
Local sales	3,212,463,674	3,056,770,604
Exports - direct	1,549,177,502	2,311,428,074
Exports - indirect	1,999,197,330	1,774,291,430
	3,548,374,832	4,085,719,504
	6,760,838,506	7,142,490,108
Wastage sales	87,715,420	99,444,061
Less:		
Commission on export sales	(10,206,708)	(15,418,624)
Commission on local sales	(34,053,138)	(27,590,967)
Premium on discounting of the export bill	(11,526,646)	(12,826,967)
	(55,786,492)	(55,836,558)
	6,792,767,434	7,186,097,611

	<i>Note</i>	2020	2019
		Rupees	
26 COST OF SALES			
Raw material consumed	26.1	5,165,687,050	5,178,562,077
Stores and spares consumed	26.2	123,171,908	102,883,001
Packing material consumed	26.3	99,604,814	104,849,489
Salaries, wages and other benefits	26.4	530,358,126	499,462,244
Repair and maintenance		5,470,627	8,106,177
Insurance		12,068,947	11,534,579
Fuel and power		600,522,774	492,189,585
Other manufacturing expenses		23,400,734	21,623,105
Depreciation	5.1.6	126,004,274	122,372,114
		<u>6,686,289,254</u>	<u>6,541,582,371</u>
Work in process:			
Opening		45,396,959	43,926,468
Closing		(50,018,553)	(45,396,959)
		<u>(4,621,594)</u>	<u>(1,470,491)</u>
Cost of goods manufactured		<u>6,681,667,660</u>	<u>6,540,111,880</u>
Finished goods and waste:			
Opening		392,611,421	283,914,687
Closing		(894,660,686)	(392,611,421)
		<u>(502,049,265)</u>	<u>(108,696,734)</u>
		<u>6,179,618,395</u>	<u>6,431,415,146</u>
26.1 Raw material consumed			
Opening		448,451,613	903,768,184
Add: Purchases		5,558,015,284	4,723,245,506
		<u>6,006,466,897</u>	<u>5,627,013,690</u>
Closing stock		(840,779,847)	(448,451,613)
		<u>5,165,687,050</u>	<u>5,178,562,077</u>
26.2 Stores and spares consumed			
Opening		78,876,646	61,686,191
Add: Purchases		119,928,315	120,073,456
		<u>198,804,961</u>	<u>181,759,647</u>
Closing stock		(75,633,053)	(78,876,646)
		<u>123,171,908</u>	<u>102,883,001</u>
26.3 Packing material consumed			
Opening		10,538,726	15,198,607
Add: Purchases		102,223,798	100,189,608
		<u>112,762,524</u>	<u>115,388,215</u>
Closing stock		(13,157,710)	(10,538,726)
		<u>99,604,814</u>	<u>104,849,489</u>

26.4 This includes staff retirement benefits amounting to Rs. 29.55 million (2019: 27.28 million).

	<i>Note</i>	2020	2019
		Rupees	
27 ADMINISTRATIVE EXPENSES			
Directors' remuneration	38	6,000,000	6,000,000
Salaries and other benefits	27.1	42,877,968	39,857,187
Traveling conveyance		6,490,257	6,313,278
Legal and professional		2,641,770	3,757,023
Fees and subscription		2,060,847	3,412,965
Rent, rates and taxes		1,181,390	1,231,993
Electricity, gas and water		3,876,090	4,680,280
Repair and maintenance		4,608,584	2,367,600
Communication expenses		2,198,444	2,272,476
Printing and stationery		2,623,529	2,346,526
Motor vehicle expenses		8,820,251	9,560,081
Advertisement expenses		187,845	167,789
Entertainment expenses		2,326,832	2,366,511
Audit fee	27.2	1,242,200	1,242,200
Miscellaneous expenses		953,433	801,569
Depreciation	5.1.6	16,442,434	15,821,856
		104,531,874	102,199,334

27.1 This includes staff retirement benefits amounting to Rs. 6.33 million (2019: 4.90 million).

	<i>Note</i>	2020	2019
		Rupees	
27.2 Auditors Remuneration			
Audit fee		950,000	950,000
Half yearly review		215,000	215,000
Code of Corporate Governance		50,000	50,000
Other certifications		17,200	17,200
Out of pocket Expenses		10,000	10,000
		1,242,200	1,242,200

28 DISTRIBUTION COST

Freight and octroi charges		21,927,446	21,764,024
Export selling expenses		11,330,522	6,608,944
Foreign travelling expense		3,120,000	5,578,500
Trailer charges		6,199,779	7,413,490
Export insurance charges		1,442,862	2,212,053
Stamp duty on export sales		4,240,690	6,023,330
Ocean freight		7,019,504	7,462,350
Export development charges		3,906,272	5,968,830
Others	28.1	6,317,883	10,341,757
		65,504,958	73,373,278

28.1 This includes charges in respect of stamp duty on local sales, Letter of credit expenses, sales promotion, export and foreign bank charges and forwarding charges.

	<i>Note</i>	2020	2019
		Rupees	Rupees
29 OTHER OPERATING INCOME			
Profit on savings deposit accounts		15,222,495	9,268,524
Gain on sale of property, plant and equipment		-	5,847,663
Gain on exchange rate difference		-	841,155
Bad debts recovered		72,292	179,041
Rental Income		10,000	10,000
		<u>15,304,787</u>	<u>16,146,383</u>
30 OTHER OPERATING EXPENSES			
Loss on sale of property, plant and equipment	<i>5.1.5</i>	2,779,101	-
Loss on exchange rate difference		40,054,077	-
Workers profit participation fund		5,673,589	17,759,535
Workers welfare fund		2,155,964	6,748,624
Provision for doubtful debts		120,421	1,302,837
		<u>50,783,152</u>	<u>25,810,996</u>
31 FINANCE COST			
Mark-up on:			
Short term financing		243,540,622	207,362,677
Long term financing		19,977,885	16,740,607
		263,518,507	224,103,284
Interest on workers profit participation fund		2,193,302	1,099,240
Bank charges and guarantee commission		36,400,220	21,551,828
		<u>302,112,029</u>	<u>246,754,352</u>
32 TAXATION			
Current year		83,546,677	74,390,229
Prior year		(5,289,912)	526,815
Deferred		9,720,303	47,613,663
		<u>87,977,068</u>	<u>122,530,707</u>
32.1	Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2019. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities.		
32.2	The numerical reconciliation between tax expense and accounting profit has not been presented for the current year and comparative year in these financial statements as the total income of the Company for the current and previous year attracted the provisions of minimum tax under section 113 of the Income Tax Ordinance, 2001.		
33 EARNINGS PER SHARE - BASIC AND DILUTED			
33.1 Basic earnings per share			
Profit after taxation		17,544,745	200,160,181
		Number of shares	
Weighted average number of ordinary shares outstanding		19,211,985	19,211,985
		Rupees	
Earning per share		0.91	10.42
33.2 Diluted earnings per share			

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.

34 CASH FLOWS FROM OPERATIONS	Note	2020	2019
		Rupees	
Profit before taxation		105,521,813	322,690,888
<i>Adjustments for non cash and other items:</i>			
Depreciation expense	5.1.6	142,446,708	138,193,970
Provision for gratuity	18.1.2	35,903,180	32,184,454
(Gain) / loss on sale of property, plant and equipment	5.1.5	2,779,101	(5,847,663)
Provision for workers profit participation fund		5,673,589	17,759,535
Provision for workers welfare fund		2,155,964	6,748,624
Government grant recognised		6,961,215	-
Finance cost	31	302,112,029	246,754,352
		<u>498,031,786</u>	<u>435,793,272</u>
Operating profit before working capital changes		603,553,599	758,484,160
(Increase) / decrease in current assets			
Stores, spares and loose tools		624,609	(12,530,575)
Stock in trade		(898,999,093)	345,149,346
Trade debts		(492,018,776)	(308,723,132)
Loans and advances		174,703,482	(192,139,828)
Sale tax refundable		58,849,283	-
Deposits and other receivables		61,453,694	38,364,317
		<u>(1,095,386,801)</u>	<u>(129,879,872)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		440,184,892	(28,586,728)
Net cash generated from operations		<u>(51,648,310)</u>	<u>600,017,560</u>
35 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at financial statements date as shown in the cash flow statement comprise of following:			
Cash and bank balances		125,710,539	143,896,482
Short term borrowings		(1,995,506,941)	(1,598,768,482)
		<u>(1,869,796,402)</u>	<u>(1,454,872,000)</u>
36. FINANCIAL INSTRUMENTS BY CATEGORY			
Financial assets:			
Amortized cost			
Long term deposits		13,608,488	13,597,274
Trade debts		1,441,599,793	949,581,017
Deposits, prepayments and other receivables		25,233,182	86,686,876
Investments		59,971,390	114,769,390
Cash and bank balances		125,710,539	143,896,482
		<u>1,666,123,392</u>	<u>1,308,531,039</u>
Financial liabilities:			
At amortized cost			
Long term financing		312,368,709	157,658,544
Trade and other payables		1,116,293,057	672,837,469
Accrued mark-up		55,335,461	50,959,971
Short term borrowings		1,995,506,941	1,598,768,482
Unclaimed dividend		1,485,472	1,481,813
		<u>3,480,989,640</u>	<u>2,481,706,279</u>

37 FINANCIAL INSTRUMENTS

37.1 Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

37.1.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payments from its customers. Except for customers relating to the Government and certain small and medium sized enterprises, the management strictly adheres to this policy. For any balances receivable from such small and medium sized enterprises, the management continuously monitors the credit exposure towards them and makes provisions against those balances considered doubtful of recovery. Further, credit risk on liquid funds is low because the counter parties are banks with reasonably high credit ratings.

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

(a) The maximum exposure to credit risk at the reporting date is as follows:

	2020	2019
	Rupees	
Long term deposits	13,608,488	13,597,274
Trade debts	1,441,599,793	949,581,017
Other receivables	11,566,819	29,769,259
Investments	59,971,390	114,769,390
Bank balances	113,603,950	143,549,571
	<u>1,640,350,440</u>	<u>1,251,266,511</u>

(b) Impairment losses:

Export receivables as at year end are not past due. The aging of local trade debts as at the reporting date is as follows:

	2020		2019	
	Gross value	Life time expected credit losses	Gross value	Life time expected credit losses
	Rupees			
Not past due	929,456,383	-	847,908,845	-
Past due 1-60 days	264,488,903	-	75,440,879	-
Past due 61 days to 1 year	206,058,166	-	-	-
More than 1 year	44,820,850	5,661,711	20,677,758	5,541,290
	<u>1,444,824,302</u>	<u>5,661,711</u>	<u>944,027,482</u>	<u>5,541,290</u>

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good and do not require any impairment except as provided above. None of the other financial assets are either past due or impaired.

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

	2020		2019	
	Balance outstanding	Sales	Balance outstanding	Sales
	Rupees			
Domestic	1,439,283,012	5,299,376,424	939,789,029	4,831,062,034
Export	2,437,202	1,549,177,502	11,094,825	2,116,286,320
	<u>1,441,720,214</u>	<u>6,848,553,926</u>	<u>950,883,854</u>	<u>6,947,348,354</u>

(d) 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:

	2020	2019
	Rupees	
A-1+	113,554,220	143,164,282
A-1	10,500	10,500
A-2	39,230	374,789
	<u>113,603,950</u>	<u>143,549,571</u>

37.1.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying value	Contractual cashflows		
		Total	Up to one year	More than one year
		Rupees		
Long term financing	312,368,709	(429,692,958)	(93,811,880)	(335,881,078)
Loan from related parties	432,855,204	(432,855,204)	(73,000,000)	(359,855,204)
Loan from director	36,700,000	(36,700,000)	(36,700,000)	-
Trade and other payables	1,090,291,331	(1,090,291,331)	(1,090,291,331)	-
Unclaimed Dividend	1,485,472	(1,485,472)	(1,485,472)	-
Accrued mark-up	55,335,461	(55,335,461)	(55,335,461)	-
Short term borrowings	1,995,506,941	(1,995,506,941)	(1,995,506,941)	-
June 30, 2020	<u>3,924,543,118</u>	<u>(4,041,867,367)</u>	<u>(3,346,131,085)</u>	<u>(695,736,282)</u>
Long term financing	157,658,544	(171,683,310)	(92,225,457)	(79,457,853)
Loan from related parties	412,995,371	(412,995,371)	(80,000,000)	(332,995,371)
Loan from director	10,000,000	(10,000,000)	(10,000,000)	-
Trade and other payables	644,894,635	(656,540,156)	(656,540,156)	-
Unclaimed Dividend	1,481,813	(1,481,813)	(1,481,813)	-
Accrued mark-up	50,959,971	(50,959,971)	(50,959,971)	-
Short term borrowings	1,598,768,482	(1,598,768,482)	(1,598,768,482)	-
June 30, 2019	<u>2,876,758,816</u>	<u>(2,902,429,103)</u>	<u>(2,489,975,879)</u>	<u>(412,453,224)</u>

37.1.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and other price risk.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The foreign currency risk of the Company is minimal as the export bills are immediately realized via sale to bank. Other than this, Company is not exposed to currency risk as there are no foreign currency balances outstanding as at year end.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and term deposits with banks. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2020	2019	2020	2019
	Effective interest rate (%)		Carrying amount (Rs.)	
Financial assets				
Bank deposits - Pls accounts	7.5%-11.25%	4.55% - 10.30%	<u>98,298,234</u>	<u>125,438,836</u>
Financial liabilities				
Long term financing	3% - 9.76%	8.93% - 14.07%	<u>312,368,709</u>	<u>157,658,544</u>
Short term financing -Kibor based	9.15%-9.55%	8.43% - 13.63%	<u>1,596,964,454</u>	<u>1,598,768,482</u>

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 at the reporting date would have increase / decrease profit / loss by 24.3 million (2019: 17.56 million). This analysis assumes that all other variables remain constant. This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings

37.2 Measurement of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management engage independent external experts / valuers to carry out valuation of its non-financial assets (i.e. Property, plant and equipment) and financial assets where prices are not quoted or readily available in the market.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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).

The Company does not hold financial assets under level-1 and level-2. The fair value of land, office premises and building is categorised in level 3 fair value hierarchy.

There were no transfers between different levels of fair values mentioned above.

37.3 Capital management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary share holders.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company is not required to maintain any regulatory capital.

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2020				2019			
	Chief executive	Directors	Executives	Total	Chief executive	Directors	Executives	Total
	Rupees				Rupees			
Managerial remuneration and fee	3,272,727	2,181,818	4,483,636	9,938,181	3,272,727	2,181,818	4,483,636	9,938,181
Other allowances and reimbursable expenses	327,273	218,182	448,364	993,819	327,273	218,182	448,364	993,819
	<u>3,600,000</u>	<u>2,400,000</u>	<u>4,932,000</u>	<u>10,932,000</u>	<u>3,600,000</u>	<u>2,400,000</u>	<u>4,932,000</u>	<u>10,932,000</u>
Number of persons	<u>1</u>	<u>2</u>	<u>3</u>	<u>6</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>6</u>

38.1 The Chief Executive and two directors are provided with cars maintained by the Company and Electricity, Gas and Telephone consumption at their residence is also borne by the company

38.2 The Chief Executive and directors have waived their meeting fees.

39 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated Companies, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	2020	2019
			Rupees	
Nadeem Power Generation (Private) Limited	Significant influence	<i>Transactions during the year</i>		
		Electricity purchased	257,437,750	218,556,743
		Loan received	4,500,000	10,900,000
		Loan repaid	4,165,467	7,000,000
		Rental income	10,000	10,000
		<i>Balance outstanding</i>	14,355,204	14,020,371
Nadeem International (Private) Limited	Significant influence	<i>Transactions during the year</i>		
		Loan received	32,000,000	30,215,000
		Loan repaid	12,475,000	17,890,000
		Weight bridge expenses	180,000	180,000
		<i>Balance outstanding</i>	418,500,000	398,975,000
Zahid Mazhar	Chief Executive Officer	<i>Transactions during the year</i>		
		Loan received	21,000,000	-
		Loan repaid	4,700,000	-
		<i>Balance outstanding</i>	26,300,000	10,000,000
Naïla Zahid	Chairperson	<i>Transactions during the year</i>		
		Loan received	10,400,000	-
		Advance received against by way of shares other than right offer	119,600,000	-
		<i>Balance outstanding</i>	10,400,000	-

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	2020	2019
Total number of spindles installed	70,428	70,452
Average numbers of spindle worked	63,787	66,256
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (kgs.)	22,638,483	23,487,243
Actual production after conversion into 20/s count (kgs.)	20,617,611	22,662,921
Capacity utilisation	91.07%	96.49%

40.1 This includes 24 spindles held in godown for repair and maintenance. Actual production is less than the installed capacity due to planned maintenance shutdown and gap between market demand and supply.

41 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment as the company's asset allocation decisions are based on a single, integrated business strategy, and the company's performance is evaluated on an overall basis:

The information with respect to operating segment is stated below:

- Revenue from sales of yarn represents 98.72% (2019: 98.63%) of total revenue whereas remaining represent revenue from sale of waste.
- All non current assets of the Company as at June 30, 2020 are located in Pakistan.
- 52% sales of the company relate to customer outside Pakistan (direct and indirect exports) (2019: 56.42%)

42

NUMBER OF EMPLOYEES

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

	2020	2019
	(Number)	
Total employees of the Company at the year end	<u>1,220</u>	<u>1,208</u>
Average employees of the Company during the year	<u>1,150</u>	<u>1,135</u>

43

DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized the financial statements for issue in their meeting held on dated: October 05, 2020.

44

GENERAL

44.1

Non Adjusting events after the reporting date

The Board of Directors of the Company in their meeting dated October 05, 2020 has proposed cash dividend at the rate of NIL % (2019: 21%) per share which amounts to Rs. NIL (2019: Rs. 40.345 million) for the financial and tax year 2020.

44.2

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



CHIEF EXECUTIVE OFFICER
Karachi Dated: October 05, 2020



DIRECTOR



CHIEF FINANCIAL OFFICER

NADEEM TEXTILE MILLS LIMITED

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2020

NUMBERS OF SHAREHOLDERS	SHARE HOLDING	TOTAL SHARES HELD	PERCENTAGE
	FROM TO		
14	Shareholding from 1 to 100 shares	207	0.00
14	Shareholding from 101 to 500 shares	6,477	0.03
2	Shareholding from 501 to 1000 shares	1,399	0.01
2	Shareholding from 100001 to 105000 shares	209,338	1.09
1	Shareholding from 705001 to 710000 shares	707,849	3.68
1	Shareholding from 710001 to 715000 shares	712,934	3.71
1	Shareholding from 715001 to 720000 shares	715,704	3.73
1	Shareholding from 1100001 to 1105000 shares	1,103,399	5.74
1	Shareholding from 1745001 to 1750000 shares	1,745,565	9.09
1	Shareholding from 3180001 to 3185000 shares	3,183,388	16.57
1	Shareholding from 3185001 to 3190000 shares	3,186,158	16.58
1	Shareholding from 3600001 to 3605000 shares	3,604,500	18.76
1	Shareholding from 4035001 to 4040000 shares	4,035,067	21.00
41		19,211,985	100

* Note: The slabs representing NIL holding have been omitted.

SR #	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
1	Directors, Chief Executive Officer their Spouse and minor children	9	13,580,715	70.69%
2	Associated Companies, undertaking and related parties	1	3,604,500	18.76%
3	NIT	-	-	-
4	Bank / Financial Institution	-	-	-
5	Insurance Companies	-	-	-
6	General Public / Individuals	31	2,026,770	10.55%
7	Joint Stock Companies	-	-	-
		41	19,211,985	100%








SR #	Shareholder Category	Percentage	No. of Shares
1	CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN		
	<u>DIRECTORS AND THEIR SPOUSES</u>		
	MR. ZAHID MAZHAR	21.00	4,035,067
	MR. OMER BIN ZAHID	16.57	3,183,388
	MR. HASSAN BIN ZAHID	16.58	3,186,158
	MRS. NAILA ZAHID	9.09	1,745,565
	MRS. ANAM OMER	3.73	715,704
	MRS. SHAFIA HASSAN	3.71	712,934
	MR. MEHMOOD SIDDIQUI	0.00	706
	MR. WAQAR HASSAN SIDDIQUI	0.00	500
	MR. NADEEM AHMED	0.00	693
2	Associated companies undertakings and related parties	18.76	3,604,500
3	NIT	-	-
4	Banks, development financial institutions, non banking finance institutions and Insurance companies	-	-
5	Individual shareholders	10.55	2,026,770
6	Joint stock companies	-	-
7	Shareholders holding 5% or more		
	MR. ZAHID MAZHAR	21.00	4,035,067
	MR. OMER BIN ZAHID	16.57	3,183,388
	MR. HASSAN BIN ZAHID	16.58	3,186,158
	MRS. NAILA ZAHID	9.09	1,745,565
	MST. RAFIA SULTANA	5.74	1,103,399
	Nadeem Power Generation (Pvt.) Ltd.	18.76	3,604,500
8	TRADING IN THE SHARES OF COMPANY DURING THE YEAR BY THE DIRECTOR, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN		
	Shares sold by Mr. Faiz-ul-Hassan	0.00	693
	Shares purchased by Mr. Waqar Hassan Siddiqui	0.00	500



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