



Annual Report
2015

SALEEM
DENIM INDUSTRIES LTD.



شرع اللہ کے نام سے جو بڑا مہربان اور نہایت رحم والا ہے

ANNUAL REPORT 2015

SALEEM DENIM INDUSTRIES LIMITED

Registered Office
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Faisalabad-Pakistan
Phone: 92-41-2689340
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COMPANY INFORMATION

BOARD OF DIRECTOR

- | | |
|-------------------------------|------------------------|
| 1. MR. TAHER SALEEM CHAUDHRY | CHIEF EXECUTIVE |
| 2. MR. SHAHID SALEEM CHAUDHRY | EXECUTIVE DIRECTOR |
| 3. MRS. SOBIA SALEEM | NON-EXECUTIVE DIRECTOR |
| 4. MR. ABDUL HAQ CHAUDHRY | NON-EXECUTIVE DIRECTOR |
| 5. MRS. NOSHEEN SHAHID | NON-EXECUTIVE DIRECTOR |
| 6. MR. ABDUL AZEZ CHAUDHRY | NON-EXECUTIVE DIRECTOR |
| 7. MR. GHULAM FARID | NON-EXECUTIVE DIRECTOR |

AUDIT COMMITTEE

1. MR. GHULAM FARID (CHAIRMAN)
2. MRS. SOBIA SALEEM
3. MR. ABDUL HAQ CHAUDHRY

HUMAN RESOURCES & REMUNERATION COMMITTEE

1. MR. ABDUL HAQ CHAUDHRY (CHAIRMAN)
2. MRS. NOSHEEN SHAHID
3. MR. GHULAM FARID

AUDITORS

M. ATHER & CO.
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

KHAN MUNIR AHMED KHAN

BANKERS

HABIB BANK LIMITED
ASKARI BANK LIMITED

REGISTERED OFFICE

33-KM SHEIKHUPURA ROAD, FAISALABAD

MILLS

33-KM SHEIKHUPURA ROAD, FAISALABAD

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the Shareholders of Saleem Denim Industries Limited will be held at the Registered Office 33-K.M. Sheikhpura Road, Faisalabad on Saturday, October 31, 2015 at 10.00 a.m. to transact the following business:

- 1 To confirm the minutes of the 28th Annual General Meeting held on October 31, 2014.
- 2 To receive, consider and adopt the Audited financial statements of the Company together with the Director's and Auditor's reports for the year ended June 30, 2015.
- 3 To appoint auditors for year 2015-2016 and fix their remuneration.
- 4 To transact any other business, with the permission of the chair.

NOTES

- 1 The share transfer books of the company will remain closed from October 26, 2015 to October 31, 2015 (both days inclusive)
- 2 A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him / her. A proxy must be a member.
- 3 The instrument appointing a proxy must be received at the registered office not later than 48 hours before the time appointed for meeting.
- 4 Shareholders are requested to promptly notify the Company of any change in their address, if any.

On behalf of the Board

Faisalabad
October 09, 2015

Tahir Saleem Chaudhry
Chief Executive

SALEEM DENIM INDUSTRIES LIMITED

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VISION AND MISSION STATEMENT

Saleem Denim Industries Limited is committed to make sustained efforts towards optimum utilization of its resources through good corporate governance for serving the interest of all its stakeholders.

STRATEGIC GOALS

- *Efficient deployment of resources*
- *Minimization of losses*
- *Environmental protection*

STATEMENT OF BUSINESS ETHICS

- *Transparency in transactions*
- *Sound business policies*
- *Judicious use of company's resources*
- *Justice to all*
- *Integrity at all levels*
- *Compliance of law of the land*

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DIRECTOR'S REPORT TO THE SHARE HOLDERS

DEAR MEMBERS,

The directors are pleased to present the annual report for the year ended June 30, 2015 at this occasion of the 29th Annual General Meeting of the Company.

GENERAL

The project remained closed during the year. The company has paid off the entire bank liabilities. Since the company has already disposed off all the Plant and Machinery, being obsolete, and in present adverse economic scenario and company's inability to get financing for working capital and BMR, the resumption of operations seems rather difficult. However, the management is looking for viable alternatives.

FINANCIAL HIGH LIGHTS:

| | (Rupees In Millions) 2015 | (Rupees In Millions) 2014 |
|-----------------------------------|------------------------------|------------------------------|
| Sale | - | - |
| Cost of Sale | - | - |
| Gross (net) | - | - |
| Other operating Income | - | - |
| Administrative expenses | 0.995 | 0.956 |
| Other operating expenses | - | - |
| Financial cost | - | - |
| Loss before taxation | 0.995 | 0.956 |
| Provision for taxation | - | - |
| Loss for the year after taxation | 0.995 | 0.956 |
| Earnings per share Basic (Report) | (0.24) | (0.25) |

DIVIDEND

In the present circumstances the declaration of dividend is irrelevant.

EARNINGS PER SHARE

Earnings per share during the year under report works out to Rs. (0.24) [2014: (0.25)] per share

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OUTSTANDING STATUTORY DUES

Statutory over dues as on June 30, 2015 are given in the concerned notes.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The directors would like to confirm in relation to the financial statements and controls the following:

- 1 The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- 2 Proper books of account of the company as required by Companies Ordinance 1984 have been maintained.
- 3 Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are on reasonable and prudent judgment.
- 4 International Accounting Standards IAS / IFRS, as applicable in Pakistan, have been followed in preparation of financial statement and any departure there from has been adequately disclosed.
- 5 Since the project is closed, therefore, most of the requirements of the Code of Corporate Governance become irrelevant.
- 6 The system of internal control is sound in design and is being effectively implemented and monitored.
- 7 During the year under review five board meetings were held. The attendance of the directors was as under:

| | |
|----------------------------|-------|
| Mr. Tabir Saleem Chaudhry | 5 NOS |
| Mr. Shahid Saleem Chaudhry | 5 NOS |
| Mrs. Sobia Saleem | 5 NOS |
| Mr. Abdul Haq Chaudhry | 5 NOS |
| Mrs. Noureen Shahid | 5 NOS |
| Mr. Abdul Aziz Chaudhry | 5 NOS |
| Mr. Ghulam Farid | 5 NOS |

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- 8 We have formed an audit committee from amongst the members of the Board of directors. Following are its members:

Mr. Ghulam Farid (Chairman)
Mrs. Sobia Saleem
Mr. Abdul Haq Chaudhry

The audit committee held meetings during the year. Attendance by each member was as follows:

| | |
|------------------------|-------|
| Mr. Ghulam Farid | 5 NOS |
| Mrs. Sobia Saleem | 5 NOS |
| Mr. Abdul Haq Chaudhry | 5 NOS |

AUDITOR'S OBSERVATIONS

A. Financial Statements

- The confirmation letters were circulated but the response is still awaited and we hope to receive the same in due course.
- Because of the closure of the operations and in the absence of the concerned staff the registers could not be updated and the physical checking of the fixed assets could not be carried out.
- Since for the time being the operations of the company are suspended because of shortage of working capital and obsolete nature of company's products, but we had been paying the long term dues of M/s BFL, which has been cleared in total in April, 2009. Now we are considering implementing our plans for revival of the project, hence the basis of accounting could not be changed for the time being. Therefore, the financial statements are being prepared with going concern assumptions.

B. Code of Corporate Governance

- These directors don't have taxable income.
- Due to closure of mills and staff laid off, we could not fulfill all the functions prescribed in the listing regulations and best practices of corporate governance. However, with the start of operations, we will make endeavor to comply with all the legal requirements.

GOING CONCERN

Company is in process of getting its liabilities cleared. The legal processes have taken longer time than expected. Once clearances are obtained company shall be in position to take swift actions to start benefiting shareholders in any possible way. Having taken the substantial relief in debt servicing followed by final payment of bank's liabilities in April, 2009 we expected that the company will be able to get new financing for working capital and BMR. In this regard the company has also disposed of its obsolete plant and machinery so as to arrange funds for repayment of long term liabilities, which have since been cleared off. We are considering alternative viable options. However, the future of the company depends upon the success of the company's efforts to arrange adequate finances to fulfill the requirements of the project.

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PAYMENT OF TAXES

The company has been regular in payment of taxes except in Income Tax cases where appeals are pending decisions or the demands which could not be cleared because of shortage of funds. We are trying to clear the dues at our earliest.

LABOR MANAGEMENT RELATIONS

During the year operation of the mills remained closed.

AUDITORS

M/s M. Athar & Co. Chartered Accountants retire at Annual General Meeting and being eligible offer themselves for re-appointment. The audit committee recommends the reappointment of M/s M. Athar & Co., Chartered Accountants, as auditors for the year 2015-2016.

CORPORATE GOVERNANCE

Compliance of corporate governance is annexed.

PATTERN OF SHAREHOLDING

Pattern of shareholding is annexed.

On behalf of the Board

Faisalabad
October 09, 2015

Tahir Saleem Chandhry
Chief Executive.

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FINANCIAL PERFORMANCE AT A GLANCE

| | (Rupees in "000") | | | | | |
|---|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Operating Results | | | | | | |
| Sales | - | - | - | - | - | - |
| Gross (Loss) | - | - | - | - | - | - |
| Operating (Loss) / Profit | (955) | (956) | (1,001) | (1,290) | (1,111) | (1,165) |
| (Loss) / Profit before tax | (955) | (956) | (1,001) | (1,290) | (1,111) | (1,165) |
| Earning / (Loss) and dividend (Per share of Rs. 10 each) | | | | | | |
| (Loss) / Earning (Rupees) | (9.26) | (9.25) | (9.26) | (9.33) | (9.28) | (9.30) |
| Percentage of (Loss) / profit | | | | | | |
| Gross (Loss) | - | - | - | - | - | - |
| Operating (Loss) | - | - | - | - | - | - |
| (Loss) before tax | - | - | - | - | - | - |
| Assets employed | | | | | | |
| (Rupees in "000") | | | | | | |
| Property, plant and equipment | 23,337 | 23,800 | 24,306 | 24,839 | 25,464 | 26,126 |
| Long term deposits | 497 | 497 | 497 | 497 | 497 | 497 |
| Current assets | 431 | 411 | 411 | 411 | 414 | 414 |
| Current liabilities | (71,835) | (70,632) | (70,342) | (69,733) | (69,031) | (68,602) |
| Total | (46,889) | (45,924) | (44,968) | (43,966) | (42,676) | (41,565) |
| Financed by: | | | | | | |
| Ordinary capital | 39,018 | 39,018 | 39,018 | 39,018 | 39,018 | 39,018 |
| Accumulated loss | (95,980) | (90,945) | (93,389) | (93,987) | (87,697) | (86,586) |
| Shareholders' equity | (56,962) | (51,927) | (54,371) | (54,969) | (48,679) | (47,568) |
| Surplus on revaluation | 550 | 550 | 550 | 550 | 550 | 550 |
| Long term and deferred liabilities | 5,455 | 5,453 | 5,453 | 5,453 | 5,453 | 6,639 |
| Total | (46,889) | (45,924) | (44,968) | (43,966) | (42,676) | (41,565) |

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE Year ending June 30, 2015

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

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes two executive and five non executive directors and no director representing minority interests. The condition of clause (b) of the CCG in relation to independent director will be complied with when practicable.
2. The directors have confessed that none of them is serving as a director on more than seven listed companies, including this company.
3. Only four directors of the company are registered as tax payers and none of directors has defaulted in payment of any loan to banking company, a DF1 or an NBF1 or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Any casual vacancy occurring in the Board will be filled up by the directors at the earliest but not later than 90 days thereof. No casual vacancy occurred in the Board of Directors of the Company during the year ended June 30, 2015.
5. 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.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

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9. The board arranged no training programs for its directors during the year.
10. The Board has not approved appointment of the Chief Financial Officer, Company Secretary and Head of Internal auditor including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO before approval of the Board.
13. The Directors, CEO and Executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises three members, all of them are non-executive directors and the chairman of the committee is a non-executive director.
16. The meeting of the audit committee held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, all are non-executive directors and the chairman of the committee is a non-executive director as well.
18. The Board has set-up an effective internal audit function but because of closed operations the same remained inoperative.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
20. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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21. The related party transactions are placed before the audit committee and approved by the Board of Directors to comply with the requirements of the listing regulations of the Karachi Stock Exchange (Guarantee) Ltd.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles contained in the CCG have been complied with.

On behalf of the Board

Faisalabad
October 09, 2015

Tahir Saleem Chandhey
Chief Executive

M. ATHER & CO.

CHARTERED ACCOUNTANTS

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("The Code") prepared by the Board of Directors of Saleem Doms Industries Limited ("The Company") for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

As a part of our role 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 Director's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval in related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

We highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance

| S.No | Paragraph reference | Description |
|------|---------------------|--|
| a | 3 | Three of the directors do not have NTN. |
| b | 1 | No independent director was appointed. This is requirement of sub-regulation (b) of code of corporate governance. |
| c | 9 | Directors have not gone through the mandatory training program as required by sub-regulation (vi) of the code of corporate governance. |
| d | 12 | The financial statements have not been endorsed by CFO as required by sub-regulation (viii) of code of corporate governance. |
| e | 15 | The chairman of the audit committee is not an independent director as required by sub-regulation (viii) of code of corporate governance. |
| f | 18 | The company is yet to appoint internal auditors or start internal audit function as required by sub-regulation (viii) of code of corporate governance. |

October 09, 2015
Faisalabad

M. ATHER & CO.
Chartered Accountants

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SALFEM DENIM INDUSTRIES LIMITED ("The Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, except for the matters referred to in paragraphs (a) and (c) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) Trade receivables amounting to Rs. 13,344,267/- and advances from customers amounting to Rs. 20,052,674/- and due to associated undertaking amounting to Rs. 9,609,611/- as referred to in Note 8 to the financial statements remained unconfirmed in the absence of direct balance confirmations;
- (b) The company as per its accounting policy has not carried out any review of the carrying amounts of its Tangible Assets, in spite of existence of indications of impairment loss, as of balance sheet date, therefore, the carrying amounts of these assets could not be compared with their recoverable amount to estimate the impairment loss, if any;
- (c) We were neither provided with the Fixed Assets register/ any relevant supporting record, nor were facilitated by the Company to carry out physical verification of Factory building, Non Factory building, Office Equipment, Furniture & Fixtures, Tools & Equipments and Vehicles having carrying values totaling Rs. 3,612,991/-. We, therefore, could not satisfy ourselves as to physical existence and condition of the same as of balance sheet date as referred to in Note 11 to the financial statements;
- (d) The company has incurred a net loss of Rs. 955,423/- during the year ended June 30, 2015 and as of that date, accumulated loss comes to Rs. 59,200,793/- and company's current liabilities exceeded its current assets by Rs. 70,734,298/- and its total liabilities exceeded its total assets by Rs. 52,332,306/-. The operations of the company remained closed and the company has disposed of its entire plant and machinery. The said factors indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business;
- (e) In our opinion, except as discussed in paragraph (c) above proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

M. ATHER & CO.
CHARTERED ACCOUNTANTS

(f) In our opinion:

(i) except as discussed in paragraphs (b) and (d), above the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(g) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, except as discussed in paragraphs (b) and (d) above and give the information required by the Companies Ordinance, 1984, in the manner so required and in view of paragraph (d) above do not give a true and fair view of the state of the company's affairs as at June 30, 2015 and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and

(h) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980. (viii of 1980)

October 09, 2015
Faisalabad

M. ATHER & CO.
Chartered Accountants

Engagement Partner
M. Imran Sarver-FCA

SALEEM DENIM INDUSTRIES LIMITED

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BALANCE SHEET AS AT JUNE 30, 2015

| | NOTE | 2015 RUPEES | 2014 RUPEES |
|--|------|---------------------|---------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised | | | |
| 5,000,000 (2014: 5,000,000) Ordinary shares of Rs.10/- each | | <u>50,000,000</u> | <u>50,000,000</u> |
| Issued, subscribed and paid up | | | |
| 3,901,800 (2014: 3,901,800) ordinary shares of Rs.10/- each fully paid in cash | | <u>39,018,000</u> | <u>39,018,000</u> |
| Accumulated loss | | <u>(91,800,793)</u> | <u>(90,943,370)</u> |
| | | (52,882,793) | (51,925,370) |
| Surplus on revaluation of property, plant and equipment | 6 | 550,687 | 550,687 |
| NON CURRENT LIABILITIES | | | |
| Long term loans | 7 | 5,452,948 | 5,452,948 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 8 | <u>71,125,734</u> | <u>70,632,843</u> |
| Taxation | 9 | <u>-</u> | <u>-</u> |
| | | 71,125,734 | 70,632,843 |
| CONTINGENCIES AND COMMITMENTS | 10 | - | - |
| | | <u>24,246,596</u> | <u>24,709,124</u> |

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

CHIEF EXECUTIVE

SALEEM DENIM INDUSTRIES LIMITED

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BALANCE SHEET AS AT JUNE 30, 2015

| | NOTE | 2015 RUPEES | 2014 RUPEES |
|-----------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| FIXED ASSETS | | | |
| Property, plant & equipment | 11 | 23,327,991 | 23,800,523 |
| LONG TERM DEPOSITS | | | |
| Security deposits | | 497,169 | 497,169 |
| | | | |
| CURRENT ASSETS | | | |
| | | | |
| Tax refund due from Government | 12 | 406,842 | 406,842 |
| Cash and bank balances | 13 | 4,594 | 4,594 |
| | | 411,436 | 411,436 |
| | | <u>24,246,996</u> | <u>24,709,124</u> |

DIRECTOR

SALEEM DENIM INDUSTRIES LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

| | NOTE | 2015 RUPEES | 2014 RUPEES |
|-----------------------------------|------|------------------|------------------|
| Sales | | - | - |
| Cost of sales | | <u>-</u> | <u>-</u> |
| Gross profit / (Loss) | | - | - |
| Administrative expenses | | 955,423 | 956,392 |
| Loss for the year before taxation | 14 | <u>(955,423)</u> | <u>(956,392)</u> |
| Taxation | | - | - |
| Loss for the year after taxation | | <u>(955,423)</u> | <u>(956,392)</u> |
| Earnings per share-Basic | 15 | (0.24) | (0.25) |

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

CHIEF EXECUTIVE

DIRECTOR

SALEEM DENIM INDUSTRIES LIMITED

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 RUPEES | 2014 RUPEES |
|---------------------------------------|------------------|------------------|
| Loss for the year after taxation | (955,423) | (956,392) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | <u>(955,423)</u> | <u>(956,392)</u> |

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

CHIEF EXECUTIVE

DIRECTOR

SALEEM DENIM INDUSTRIES LIMITED

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CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 RUPEES | 2014 RUPEES |
|---|------------------|------------------|
| a) CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the year before taxation | (955,423) | (956,392) |
| Depreciation | 462,532 | 505,529 |
| Finance cost | - | - |
| Operating loss before working capital changes | <u>(492,891)</u> | <u>(450,863)</u> |
| Changes in working capital | | |
| Increase in current liabilities | | |
| Trade and other payables | 492,891 | 450,863 |
| Cash generated from operations | <u>492,891</u> | <u>450,863</u> |
| Finance cost paid | - | - |
| Net cash outflow from operating activities | <u>-</u> | <u>-</u> |
| b) CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net cash flow from investing activities | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net cash flow from financing activities | <u>-</u> | <u>-</u> |
| Net decrease in cash and bank balances (a + b + c) | - | - |
| Cash and bank balances at the beginning of the year | 4,594 | 4,594 |
| c) Cash and bank balances at the end of the year | <u>4,594</u> | <u>4,594</u> |

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

CHIEF EXECUTIVE

DIRECTOR

SALEEM DENIM INDUSTRIES LIMITED

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

| | Share capital | Accumulated Loss | Total | Surplus on revaluation of property plant and equipment |
|---------------------------------------|---------------|---------------------|--------------|---|
| | Rupees | | | |
| Balance as at June 30, 2013 | 39,018,000 | (89,988,978) | (50,970,978) | 550,687 |
| Total comprehensive loss for the year | - | (956,392) | (956,392) | - |
| Balance as at June 30, 2014 | 39,018,000 | (90,945,370) | (51,927,370) | 550,687 |
| Total comprehensive loss for the year | - | (955,423) | (955,423) | - |
| Balance as at June 30, 2015 | 39,018,000 | (91,900,793) | (52,882,793) | 550,687 |

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

CHIEF EXECUTIVE

DIRECTOR

SALEEM DENIM INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. THE COMPANY AND ITS OPERATIONS

Saleem Denim Industries Limited (the Company) is a public company limited by shares incorporated in Pakistan under Companies Ordinance, 1984. The Company is listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office of the company and mills are situated at 33-KM Sheikhupura road Faisalabad. The main business of the company is the manufacture of Grey and Denim Fabric. Due to accumulated losses the financial position of the company deteriorated and the operation of the plant remained suspended during the year.

2. STATEMENT OF COMPLIANCE

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

2.1 Adoption of new and revised standards and interpretation

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

| | | Effective date (Annual reporting periods beginning on or after) |
|---------|---|---|
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Amendments) | July 01, 2014 |
| IFRS 7 | Financial Instruments: Disclosures (Amendments) | July 01, 2014 |
| IFRS 10 | Consolidated Financial Statements | January 01, 2015 |
| IFRS 11 | Joint arrangements | January 01, 2015 |
| IFRS 12 | Disclosures of interests in other entities | January 01, 2015 |
| IFRS 13 | Fair value measurement | January 01, 2015 |
| IAS 1 | Presentation of Financial Statements (Amendments) | January 01, 2016 |
| IAS 16 | Property, Plant and Equipment (Amendments) | January 01, 2016 |
| IAS 19 | Employee Benefits (Amendments) | January 01, 2016 |
| IAS 27 | Separate Financial Statements (Amendments) | January 01, 2016 |
| IAS 28 | Investment in Associates and Joint Ventures (Amendments) | January 01, 2016 |
| IAS 34 | Interim Financial Reporting (Amendments) | January 01, 2016 |
| IAS 38 | Intangible Assets (Amendments) | January 01, 2016 |
| IAS 40 | Agriculture (Amendments) | January 01, 2016 |

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements other than its presentation/disclosures.

Further the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

| | | |
|---------|--|------------------|
| IFRS 1 | First time adoption of International Financial Reporting Standards | |
| IFRS 9 | Financial Instruments | |
| IFRS 14 | Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 | Revenue from Contracts with Customers | January 01, 2017 |

The following interpretations issued by the IASB have been waived off by SECP:

| | |
|----------|---|
| IFRIC 4 | Determining whether an arrangement contains lease |
| IFRIC 12 | Service concession arrangements |

SALEEM DENIM INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3. COST CONVENTION

These financial statements have been prepared under the historical cost convention except that certain items of property, plant and equipment have been included at the revalued amounts.

4. GOING CONCERN ISSUE

Because of increase in yarn prices and decline in products demand the company incurred heavy losses hence the operations were closed. The company was suffering from heavy debt burden which was beyond the company's resources. The case was taken up with M/s Bankers Equity Limited under SBP circular 29 for waiver of the debt. The Bank very kindly extended substantial relief and the company has been in the process of clearing the settled amount and has cleared the final installment in the month of April 2009 but the clearance certificate is yet to be issued by the bank. The banks and financial institutions are reluctant to extend further financing facility in the present economic scenario particularly to textile sector. Owing to which the company has started considering the available viable alternatives. The validity of going concern basis is dependent on the availability of the additional finances to carry out the alternatives under consideration.

5. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements.

5.1 Staff retirement benefits

The company operates a defined benefit unfunded gratuity scheme covering all its employees. Provision is made annually to cover the obligation under the scheme on the basis of actuarial valuation using the projected unit credit method. The actuarial gains/ losses in excess of the corridor limit were recognised in profit and loss account over the remaining service life of the employees. In addition, past service cost and curtailments are recognised in the profit and loss account, in the period in which a change takes place.

5.2 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

5.3 Taxation

Current

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rate after taking into account tax credits / rebates, if any, and the minimum tax computed at the prescribed rate on sales as per the Income Tax Ordinance, 2001.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rate that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

5.4 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

5.5 Financial instruments

5.5.1 Financial assets

5.5.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Company are categorized as follows:

a) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprises of trade debts, loans and advances, deposits, cash and bank balances and other receivables in the balance sheet.

c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity with the Company having positive intent and ability to hold to maturity.

d) Available for sale

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets 'at fair value through profit or loss'.

5.5.1.2 Initial recognition and measurement

All financial assets are recognized at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

SALEEM DENIM INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.5.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) Financial asset 'at fair value through profit or loss' & 'available for sale'

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income.

b) 'Loans and receivables' & 'held to maturity'

'Loans and receivables' and 'held to maturity' financial assets are carried at amortized cost.

5.5.1.4 Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of a financial asset below its cost/amortized cost is also an objective evidence of impairment. Provision for impairment in the value of financial assets, if any, is taken to the profit and loss account.

5.5.1.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

5.5.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

5.5.3 Derecognition

Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

5.6 Loans, advances and deposits

These are stated at cost less estimates made for any doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

5.7 Derivative financial instruments and hedge accounting

The Company designates derivative financial instruments as either fair value hedge or cash flow hedge.

Fair value hedge

Fair value hedge represents hedges of the fair value of recognized assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Cash flow hedge

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect profit or loss account.

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instruments. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

5.8 Property, plant and equipment and depreciation

These are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except free-hold Land and Building which are shown at revalued amount less accumulated depreciation and impairment loss, if any, capital work in progress is stated at cost.

Depreciation is charged applying reducing balance method to write off the cost. Rates of the depreciation are stated in Property, plant and equipment-Tangible Note. Depreciation on additions during the year is charged from the month in which an asset is acquired or capitalized, where as no depreciation is provided on assets for the month in which the asset is disposed of.

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the agreement and fair value of the assets less accumulated depreciation. Depreciation is charged on written down value method except on assets subject to finance lease, which are depreciated over the useful life of the assets and the related lease period whichever is shorter.

Maintenance and normal repairs are charged to income as and when incurred while major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are taken to the profit and loss account.

5.9 Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is indication that those assets have suffered an impairment loss, if any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. A reversal of an impairment loss is recognized as income immediately.

5.10 Investments

These are stated at cost.

5.11 Stores and spares

These are valued at moving average cost or NRV which ever is lower.

SALEM DENIM INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.12 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value except stock of waste which is valued at net realizable value. Cost is arrived at as under:-

| | |
|-----------------|-----------------------------------|
| Raw material | at weighted average cost |
| Work-in-process | at weighted average cost and |
| Finished goods | applicable manufacturing expenses |

Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales.

5.13 Trade debts

Trade debts are carried at invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Provision is made against those having no activity during the current financial year and are considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

5.14 Cash and cash equivalents

Cash in hand and at banks are carried at fair value. For the purpose of cash flow statement, Cash and cash equivalents consist of cash in hand, balances in bank and highly liquid short term investments.

5.15 Revenue recognition

Direct sales are recognized when goods are dispatched to customers and sales through agents are recognized on termination from the agents.

5.16 Borrowing costs

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

Foreign currency translation

5.17

Foreign currency transactions are recorded at the exchange rate applicable at the transaction date. Monetary assets and liabilities are translated into rupees using exchange rates applicable at the balance sheet date. All gains and losses on settlement and translation at year end are recognized in the income statement.

5.18 Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and depreciation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

SALEEM DENIM INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 RUPEES | 2014 RUPEES |
|---|----------------|----------------|
| 6. Surplus on revaluation of property, plant and equipment | | |
| Surplus on revaluation of land | <u>556,687</u> | <u>556,687</u> |

7. Long term loans

| | Banking Company | Directors & Sponsors | 2015 RUPEES | 2014 RUPEES |
|----------------------|--------------------|-------------------------|------------------|------------------|
| Opening balance | - | 5,452,968 | 5,452,968 | 5,452,968 |
| Paid during the year | - | - | <u>-</u> | <u>-</u> |
| | - | 5,452,968 | <u>5,452,968</u> | <u>5,452,968</u> |
| Note | 7.1 | 7.2 | | |

7.1 This was secured against charge on fixed assets of the company. Bankers Equity Limited claimed Rs 29,423,882 on account of foreign currency loan. The bank also claimed Rs 137,187,236 on account of cushion period penalty, return on foreign currency loan, penal interest on foreign currency loan and legal/liquidation expenses. The amounts were not recognized on the grounds that loan was settled with bank and final payment has been made in 2009. But the clearance certificate is yet to be issued by the bank. The claim is filed by the liquidator of the bank and is not maintainable at law.

7.2 It is unsecured and interest free. Terms of repayment have not been decided so far. However, it is confirmed by the Directors that repayment would not be demanded within next twelve months from the balance sheet date.

8. Trade and other payables

| | | |
|-------------------------------|-------------------|-------------------|
| Creditors | 13,634,267 | 13,554,267 |
| Gratuity payable | 1,186,394 | 1,186,394 |
| Accrued expenses | 1,247,860 | 1,235,800 |
| Due to associated undertaking | 9,609,611 | 9,609,611 |
| Advances from customers | 20,052,674 | 20,052,674 |
| Securities from contractors | 182,040 | 182,040 |
| Income Tax payable | 2,432,895 | 2,432,895 |
| Other liabilities | 22,779,995 | 22,379,102 |
| | <u>71,125,734</u> | <u>70,632,843</u> |

9. Taxation

| | | |
|--------------------------|----------|----------|
| Opening balance | - | - |
| Provided during the year | - | - |
| Adjusted during the year | <u>-</u> | <u>-</u> |

The Income Tax assessment of the company has been finalized up to tax year 2014.

10. CONTINGENCIES AND COMMITMENTS

10.1 The final Cash finance liability towards M/s National Bank of Pakistan as determined by the honorable Banking Court II Faisalabad has been paid off by the company during the year 2007. As per decision of the court the company has to pay the cost of funds which has been determined by the Bank. The bank claimed a liability of Rs 2,436,501 which includes Rs. 453,278/- as principal, Rs 1,628,962/- as mark up, Rs. 274,661/- as cost of funds and Rs. 30,000/- as legal charges. The same matter is pending with Lahore High Court under appeal filed by the bank. However the banking court at Faisalabad issued an order dated April 18, 2015 cancelling the application filed by the NBP and ordered to return property of the company.

10.2 Demand of Income Tax Rs. 8,906 (2014-8,906) million has not been acknowledged by the company because of pending appeals.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

11. PROPERTY, PLANT AND EQUIPMENT

| P R O P E R T Y | C O R R E C T I V E M A I N T E N A N C E | | | D E P R E C I A T I O N | | | W. D. V. | Rate | |
|---------------------------|---|----------------------------|------------------|----------------------------|--------------|--------------|------------|------------|------------------|
| | As on 01-07-2014 | Additions (Administration) | As on 30-06-2015 | As on 01-07-2014 | For the year | Adjustment | | | As on 30-06-2015 |
| Land - Freehold | 17,775,000 | - | 17,775,000 | - | - | - | 17,775,000 | | |
| Building on freehold land | 6,085,800 | - | 6,085,800 | 3,178,680 | 291,882 | - | 3,469,462 | 16.18 718 | |
| Factory | 4,164,265 | - | 4,164,265 | 1,256,203 | 145,402 | - | 1,401,605 | 2.78 659 | |
| New factory | 1,279,899 | - | 1,279,899 | 1,171,386 | 14,644 | - | 1,186,030 | 128.179 | |
| Office equipment | 973,590 | - | 973,590 | 883,661 | 8,293 | - | 891,954 | 79.136 | |
| Furniture and fixtures | 215,908 | - | 215,908 | 193,688 | 2,824 | - | 196,512 | 18.238 | |
| Tools and equipments | 758,183 | - | 758,183 | 523,354 | 796 | - | 524,150 | 3.065 | |
| Vehicle | - | - | - | - | 796 | - | 796 | 28 | |
| 2015 Depreciation | - | - | - | 36,000,181 | 7,170,267 | - | 7,170,267 | 33,071,991 | |
| 2014 Depreciation | - | - | - | 30,000,000 | 6,624,573 | - | 7,170,267 | 23,829,733 | |
| | | | | Depreciation estimated tax | | | | | |
| | | | | Administrative expenses | | | | | |
| | | | | 462,602 | | | | | |
| | | | | 462,602 | | | | | |
| | | | | 507,979 | | | | | |
| | | | | 2015 | | 2014 | | | |
| | | | | Depreciation | | Depreciation | | | |

11.1 Freehold land, Building and Plant & Machinery of the company had been revalued on 30th June, 2007 by M/s Nizamy Associates independent valuers using market value determined by approved and local practices.

11.2 Had there been no revaluation the related figures of freehold land, building and plant and machinery at June 30, 2015 would have been as follows:

| P R O P E R T Y | C O R R E C T I V E M A I N T E N A N C E | A C C R U E D D E P R E C I A T I O N | W. D. V. | Disposed | Adjustment | W. D. V. |
|----------------------|---|---------------------------------------|-----------|----------|------------|-----------|
| | | | | | | |
| Free hold land | 1,997,177 | - | 1,997,177 | - | - | 1,997,177 |
| Factory building | 11,247,685 | 19,491,713 | 756,282 | - | - | 756,282 |
| New factory building | 3,437,247 | 1,420,672 | 698,478 | - | - | 698,478 |
| 2015 DEPRECIATION | 15,171,669 | 3,540,058 | 3,540,058 | - | - | 3,540,058 |
| 2014 DEPRECIATION | 13,077,209 | 3,279,597 | 3,279,597 | - | - | 3,279,597 |

11.3 Element of this revaluation surplus included in the book value of these assets as on June 30, 2015 amounted to Rs. 598,687 i.e. (2014) Rs. 598,687.

11.4 The Land of the Company has been situated by FPO against an amount of Rs. 1,200,000. thereby prohibiting the transfer or creation of charge on the said assets.

11.5 The Property, plant and equipment is encumbered for Rs. 54,278 million against credit facilities availed by the Company. However, the Company has paid off all the said facilities in full in previous years.

SALEEM DENIM INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 RUPEES | 2014 RUPEES |
|---|----------------|----------------|
| 12. Tax refund due from Government | | |
| Sales tax | 26,772 | 26,772 |
| Advance income tax | 380,070 | 380,070 |
| | <u>406,842</u> | <u>406,842</u> |
| 13. Cash and bank balances | | |
| Cash in hand | 654 | 654 |
| Cash at banks - in current account | 3,940 | 3,940 |
| | <u>4,594</u> | <u>4,594</u> |
| 14. Administrative expenses | | |
| Salaries, wages & other benefits | 144,000 | 144,000 |
| Printing and advertisement | 37,600 | 63,700 |
| Postage, telephone and telex | 4,270 | 15,830 |
| Fee and subscription | 92,255 | 87,333 |
| Auditors' remuneration (Note 14.1) | 140,000 | 140,000 |
| Cost of suit and fund | 74,766 | - |
| Depreciation (Note 11) | 462,532 | 505,529 |
| | <u>955,423</u> | <u>955,392</u> |
| 14.1 Auditors' remuneration | | |
| Audit fee | 75,000 | 75,000 |
| Tax services | 10,000 | 10,000 |
| Review charges | 20,000 | 20,000 |
| Secretarial service | 35,000 | 35,000 |
| | <u>140,000</u> | <u>140,000</u> |
| 15. Earnings per share-Basic | | |
| There is no dilutive effect on the basic Earnings per share of the company which is based on: | | |
| Loss after taxation | (955,423) | (956,392) |
| Weighted average number of ordinary shares | 3,901,800 | 3,901,800 |
| Earnings per share-Basic (Rupees) | (0.24) | (0.25) |

SALEEM DENIM INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

16.1 FINANCIAL INSTRUMENTS BY CATEGORY

| | 2015 | |
|--------------------------|---|-------------------|
| | Loans and receivables | Total |
| ASSETS | | |
| Long term deposits | 497,169 | 497,169 |
| Cash and bank balances | 4,594 | 4,594 |
| | <u>501,763</u> | <u>501,763</u> |
| | Financial liabilities at amortized cost | |
| | Total | |
| LIABILITIES | | |
| Long term Loans | 5,452,968 | 5,452,968 |
| Trade and other payables | 48,640,165 | 48,640,165 |
| | <u>54,093,133</u> | <u>54,093,133</u> |
| | 2014 | |
| | Loans and receivables | Total |
| ASSETS | | |
| Long term deposits | 497,169 | 497,169 |
| Cash and bank balances | 4,594 | 4,594 |
| | <u>501,763</u> | <u>501,763</u> |
| | Financial liabilities at amortized cost | |
| | Total | |
| LIABILITIES | | |
| Long term Loans | 5,452,968 | 5,452,968 |
| Trade and other payables | 48,147,274 | 48,147,274 |
| | <u>53,600,242</u> | <u>53,600,242</u> |

SALEEM DENIM INDUSTRIES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

16.2 FINANCIAL RISK MANAGEMENT

16.2.1 Financial risk factors

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

a. Market risk

i. Interest rate risk

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

The company has no long term or short term interest bearing financial assets or financial liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

ii. Other price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risks), whether those changes are caused by factors specified to the individual financial instrument or its issuers, or factors affecting all similar financial instruments traded in the market.

At the year end the company is not exposed to price risk since there are no financial instruments, whose fair value or future cash flows will fluctuate because of changes in market prices.

iii. Currency risk

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

However, the company is not exposed to currency risk because there are no transactions giving rise to currency risk.

b. Credit risk

Credit risk represents the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Since there is no selling activity therefore the company is not exposed to credit risk.

c. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. As the working capital of the company is on negative side, thus the company is exposed to liquidity risk.

SALEEM DENIM INDUSTRIES LIMITED

Annual Report 2015 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Following are the contractual maturities of financial liabilities as on June 30, 2015

| | 2015 | | | |
|--------------------------------------|-------------------|------------------------|-------------------|-------------------|
| | Carrying Amount | Contractual Cash Flows | 6 months or less | More than 2 Years |
| Non-derivative financial liabilities | | | | |
| Long term Loans | 5,452,968 | 5,452,968 | - | 5,452,968 |
| Trade and other payables | 71,125,734 | 71,125,734 | 71,125,734 | - |
| | <u>76,578,702</u> | <u>76,578,702</u> | <u>71,125,734</u> | <u>5,452,968</u> |
| | 2014 | | | |
| | Carrying Amount | Contractual Cash Flows | 6 months or less | More than 2 Years |
| Non-derivative financial liabilities | | | | |
| Long term Loans | 5,452,968 | 5,452,968 | - | 5,452,968 |
| Trade and other payables | 70,632,843 | 70,632,843 | 70,632,843 | - |
| | <u>76,085,811</u> | <u>76,085,811</u> | <u>70,632,843</u> | <u>5,452,968</u> |

16.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

17. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The company in the normal course of business carries out transactions with key management personnel. Significant transactions with related parties are as under:

| Relationship | Nature of transaction | Year ended June 30, 2015 | Year ended June 30, 2014 |
|-------------------------|-----------------------|--------------------------|--------------------------|
| Key management personal | Expenses incurred | 400,891 Rupees | 226,863 |

18. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. Consistent with others in the industry and the requirements of lenders the company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue new shares. However, in view of closed operations and equity being negative the company is unable to meet the objectives of capital management as set above.

| | 2015 | 2014 |
|--|------|------|
| 19. PLANT CAPACITY AND ACTUAL PRODUCTION | | |

Installed capacity (Looms)

Nil

Nil

Reason for no production

In the absence of plant and machinery no production is possible at all.

20. NUMBER OF EMPLOYEES

Number of employees as at June 30, 2015 was 1 and average number of employees during the year was 1.

21. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 09, 2015 by the Board of Directors of the Company.

22. GENERAL

- Figures of previous year have been re-arranged, wherever necessary, for better presentation.
- Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR

SALEEM DENIM INDUSTRIES LIMITED

Annual Report 2015

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015

| Number of Shareholders | Shareholding | | Total Shares Held |
|------------------------|--------------|-----------|-------------------|
| | From | To | |
| 1,269 | 1 | 100 | 110,077 |
| 185 | 101 | 500 | 41,868 |
| 79 | 501 | 1,000 | 63,099 |
| 103 | 1,001 | 5,000 | 230,867 |
| 25 | 5,001 | 10,000 | 154,928 |
| 13 | 10,001 | 15,000 | 165,577 |
| 1 | 15,001 | 25,000 | 19,100 |
| 3 | 25,001 | 30,000 | 84,916 |
| 3 | 30,001 | 35,000 | 95,111 |
| 1 | 45,001 | 50,000 | 50,000 |
| 1 | 55,001 | 60,000 | 57,300 |
| 2 | 65,001 | 70,000 | 133,000 |
| 1 | 75,001 | 80,000 | 75,400 |
| 2 | 195,001 | 200,000 | 397,200 |
| 1 | 225,001 | 250,000 | 227,700 |
| 1 | 325,000 | 330,000 | 328,200 |
| 1 | 330,001 | 335,000 | 330,882 |
| 1 | 1,350,001 | 1,340,000 | 1,335,975 |
| | | | |
| 1,692 | | | 3,901,800 |

| Categories of Share Holders | No. of Shareholders | No. of Share Held | %-age |
|-----------------------------|---------------------|-------------------|---------------|
| Individuals | 1685 | 2,688,887 | 68.91 |
| Investment Companies | 1 | 197,200 | 5.05 |
| Insurance Companies | 1 | 34,431 | 0.88 |
| Financial Institutions | 2 | 659,082 | 16.89 |
| Co-operative Societies | 2 | 303,100 | 7.77 |
| Modarba Company | 1 | 19,100 | 0.49 |
| Total | 1692 | 3,901,800 | 100.00 |

SALEEM DENIM INDUSTRIES LIMITED

Annual Report 2015

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015

| Categories of Share Holders | No. of Shareholders | No. of Share Held | %age |
|---|---------------------|-------------------|---------------|
| Directors, CEO & Their Spouse and Minor Children | | | |
| Mr. Tabir Saleem Chaudhry | 1 | 57,300 | 1.47 |
| Mr. Shahid Saleem Chaudhry | 1 | 67,000 | 1.72 |
| Mrs. Sobia Saleem | 1 | 12,500 | 0.32 |
| Mr. Abdul Haq Chaudhry | 1 | 12,000 | 0.31 |
| Mrs. Nosheen Shahid | 1 | 1,000 | 0.03 |
| Mr. Abdul Aziz Chaudhry | 1 | 1,000 | 0.03 |
| Mr. Ghulam Farid | 1 | 1,000 | 0.03 |
| Mrs. Naseem Saleem Chaudhry | 1 | 66,000 | 1.69 |
| Mrs. Tahira Ayub | 1 | 13,920 | 0.36 |
| Banks | | | |
| National Bank of Pakistan | 1 | 328,200 | 8.41 |
| Bankers Equity Limited | 1 | 330,882 | 8.48 |
| Insurance Company | | | |
| State life Insurance Company | 1 | 34,431 | 0.88 |
| Modarbas | | | |
| KASB Modarba | 1 | 19,100 | 0.49 |
| Joint Stock Companies/ Co-operative Societies | | | |
| National Inds. Co-op. Finance | 1 | 227,700 | 5.84 |
| Pashan Co-op Finance | 1 | 75,400 | 1.93 |
| Investment Company | | | |
| Investment Companies of Pakistan | 1 | 197,200 | 5.05 |
| General Public | 1676 | 2,457,167 | 62.98 |
| Grand Total | 1692 | 3,901,800 | 100.00 |

SALEEM DENIM INDUSTRIES LIMITED
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Folio Number _____

No. of Shares held _____

FORM OF PROXY

We _____ of
_____ in the District of
_____ being a member of the SALEEM DENIM INDUSTRIES
LIMITED hereby appoint _____ of
_____ as my proxy to vote for me and on
my behalf the 29th Annual General Meeting of the Company to be held on 31st October, 2015
and at any adjournment thereof.

(Member's Signature)



Date _____

Place _____

Note: Instruction of Proxy duly executed should be lodged at the Registered Office of the company not later than 48 hours before the time for holding the meeting.