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mission to provide high quality services and plant and machinery
order to achieve the highest standards of performance.

offering the best value for money to our customers.

continuously improve our processes to achieve higher levels of
operational efficiency and productivity.

nurturing a culture of innovation, creativity, enthusiasm, professionalism and
teamwork.

- maintaining the highest standards of safety and environment.
- contributing towards the sustainable development of the country.

COMPANY INFORMATION

BOARD OF DIRECTORS	:	MR. ZAHID MAZHAR (Chief Executive) MR. SHAHID MAZHAR MR. OMER BIN ZAHID MR. AHMED BIN SHAHID MST. RAFIA SULTANA MST. NAILA ZAHID MST. GHAZALA SHAHID
AUDITORS	:	M/S. KHALID MAJID RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS
LEGAL ADVISOR	:	MR. ABDUL GHANI KHAN (ADVOCATE)
AUDIT COMMITTEE	:	MR. SHAHID MAZHAR (CHAIRMAN) MR. OMER BIN ZAHID (MEMBER) MST. NAILA ZAHID (MEMBER)
CHIEF FINANCIAL OFFICER	:	MR. OMER BIN ZAHID (M.B.A.)
BANKERS	:	CITI BANK SONERI BANK LIMITED ALLIED BANK LIMITED BANK AL-FALAH LIMITED ASKARI COMMERCIAL BANK LIMITED
REGISTERED OFFICE	:	201-202, COMMERCE CENTRE, HASRAT MOHANI ROAD, KARACHI - PAKISTAN. PHONE : (021) 2635807 - 2635809 FAX : (92 -21) 2637896 - 2632712
HEAD OFFICE	:	A 801-804, LAKSON SQUARE BUILDING # 3, SARWAR SHAHEED ROAD, KARACHI - PAKISTAN. PHONE : (021) 5220481-8 FAX : (92 -21) 5220495-6
MILLS	:	A-265, S.I.T.E., NOORIABAD, DISTRICT DADU, SINDH.
URL	:	www.shadmangroup.com.pk

NADEEM TEXTILE MILLS LIMITED NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 21st Annual General Meeting of the Company will be held at 801-804, Lakson Square Building No.3, Block-A, Sarwar Shaheed Road, Karachi, on Tuesday, 30th October, 2007 at 7:00 p.m. to transact the following business.

1. Recitation from the Holy Quran.
2. To confirm the Minutes of the 20th Annual General Meeting of the Company held on 30th October, 2006.
3. To receive, consider, and adopt the audited accounts for the period ended 30th June, 2007 together with the Directors' and Auditors' report thereon.
4. To appoint Auditors and fix their remuneration for the next term.
6. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

Karachi
Dated: September 29, 2007

BY ORDER OF THE BOARD
Company Secretary

Notes:

1. The share transfer books of the company will remain closed from 19th October, 2007 to 27th October, 2007 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting is also entitled to appoint a proxy to attend and vote on his/her behalf.
3. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant ID number and account/sub account number along-with Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
4. The instrument appointing a proxy must be received in the registered office of the Company Forty-eight (48) hours before the meeting. A proxy must be a member of the company.
5. Shareholders are requested to promptly notify any change in their address.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company or Registrar are requested to send the same at the earliest.

NADEEM TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS

Dear Shareholders,

The Directors of the Company are pleased in presenting before you the 21ST Annual Report together with the audited accounts of the Company for the year ended June 30, 2007.

SUMMARY OF FINANCIAL RESULTS

		RUPEES
Profit before taxation		1,592,393
TAXATION		
Current	9,200,484	
Prior Year	(204,752)	
Deferred Tax	<u>8,494,573</u>	
		<u>17,490,305</u>
Loss after Tax		<u><u>(15,897,912)</u></u>

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of your shares as on June 30, 2007 was Rs. 23.78 as compared to Rs. 25.10 as at June 30, 2006.

The loss per share for the year ended June 30, 2007 is Rs. (1.32) as per computation below:

		RUPEES
Loss after taxation		(15,897,912)
No. of ordinary shares		<u>12,015,000</u>
Loss per share		<u><u>Rs. (1.32)</u></u>

OVERVIEW

The sales turnover of the Company has significantly increased. During the year under review, the Company's net sales amounted to Rs. 1,606 million as compared to Rs. 1,265 million of the last year, showing an increase of 26.96%.

The Company made a pre-tax profit of Rs. 1,592,393/= during the period under review, as compared to pre-tax profit of Rs. 6,984,416 of the last year. A sharp increase is observed in financial charges, which increased to Rs.75.96 million during the year as compared to Rs.62.87 million of the previous year. This increase is mainly due to increasing rates of markup and higher local sales through inland letters of credit. The gross profit percentage this year was 7.09% as compared to 7.45% of the last year.

OPERATING PERFORMANCE

The mills have remained in operation throughout the year and worked on 3 shifts basis. The 20/1 count converted production of the period works out to 10.30 million kgs. (2006: 8.56 million kgs.).

FUTURE OUTLOOK

The Textile Industry has been facing multiple challenges in the last three years.

Firstly there has been a steep rise in the cost of doing business and cost of manufacturing. The Government has raised the gas prices, the bank interest rate and the minimum wages drastically. On the other hand the buyers of textiles are not willing to increase the prices to cover these costs. Our Government is not giving serious attention to these problems and is not ready to provide any relief to the Textile Industry. The Governments of our competitor countries namely China and India are providing heavy rebates, subsidies and other facilities to their textile industry. Our Government should also face the reality and adopt similar measures to provide a level playing field.

In addition to the above the annual cotton crop in Pakistan is stagnant at around 12.5 million bales for the last ten years against the current annual cotton consumption of 15.5 million bales resulting in a shortage of 3 million bales per annum which has to be imported every year. In sharp contrast to this the situation is quite opposite in India where the annual cotton crop has risen from 15 million bales to 30 million bales per annum resulting in an exportable surplus of 7.5 million bales every year. This has been achieved in India with the introduction of B.T. Cotton whereas our Government is lagging far behind in the research and introduction of B.T Cotton in Pakistan.

Despite unfavourable conditions, like increase in the prices of fuel & power, rising trend of mark-up rates on borrowings and unmatched yarn prices corresponding to higher costs and cotton prices, the Company is making efforts to improve the results through cost controls, optimum use of manpower, material and machinery and better marketing.

DIVIDEND

The Directors have not recommended any dividend due to allocation of funds for repayment of debts acquired for heavy BMR.

HUMAN RESOURCE

The management of the Company gives much importance to the optimal use of human resources by proper training and motivation of the employees. The management is upgrading the manpower through the induction of qualified staff and through proper training.

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the period ended June 30, 2007:

The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance 1984. These Statements present fairly the Company's state of affairs, results of its operations, cash flow and changes in equity.

The Company entered in arm length transactions with other members of the group. These transaction are in compliance with the directives issued by the Security & Exchange Commission of Pakistan (SECP) in this regard.

Proper books of accounts of the Company have been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

The system of Internal Control is sound in design and has been effectively implemented and monitored.

There is no significant doubt upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The key operating and financial data for the last six years in summarized form is annexed.

Information about taxes and levies is given in the notes to the accounts.

All the directors of the company are registered as tax-payer and none of the company's directors are in default of payment of any dues to a banking company, DFI, NBFBI or Stock Exchanges.

None of the directors of the company are serving on the Board of 10 or more listed companies.

The company operates an unfunded gratuity covering all its employees who have completed their qualifying period.

Provision is made annually to cover current obligation under the scheme. The company has adopted the revised IAS 19 and as a result thereof actuarial valuation has been carried out as at June 30, 2007.

BOARD MEETINGS

During the period under review, five meetings of the Board of Directors were held and attended as follows:

Name of Directors	No. of Meetings Attended
1- Mr. Zahid Mazhar	5
2- Mr. Shahid Mazhar	5
3- Mr. Omer Bin Zahid	5
4- Mst. Rafia Sultana	2
5- Mst. Naila Zahid	5
6- Mst. Ghazala Shahid	-
7-Ahmed Bin Shahid	-

ASSOCIATED COMPANIES

Following is the list of associated companies:

- Shadman Cotton Mills Ltd.
- Nadeem Power Generation Pvt. Ltd.

AUDIT COMMITTEE

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee and the following directors are its members:

- Mr. Shahid Mazhar (Chairman)
- Mr. Omer Bin Zahid (Member)
- Mst. Naila Zahid (Member)

AUDITORS

The present auditors of the Company M/S Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants retire and offer themselves for re-appointment as Auditor 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, 2008.

PATTERN OF SHAREHOLDING

The pattern of share holding of the company as at June 30, 2007 is annexed.

There has been no reported trading during the year in the shares of the Company carried out by the directors, CEO, CFO, and Company Secretary and their spouses or minor children.

ACKNOWLEDGMENT

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

Karachi:

Dated: September 29, 2007

On behalf of the Board



ZAHID MAZHAR

Chief Executive

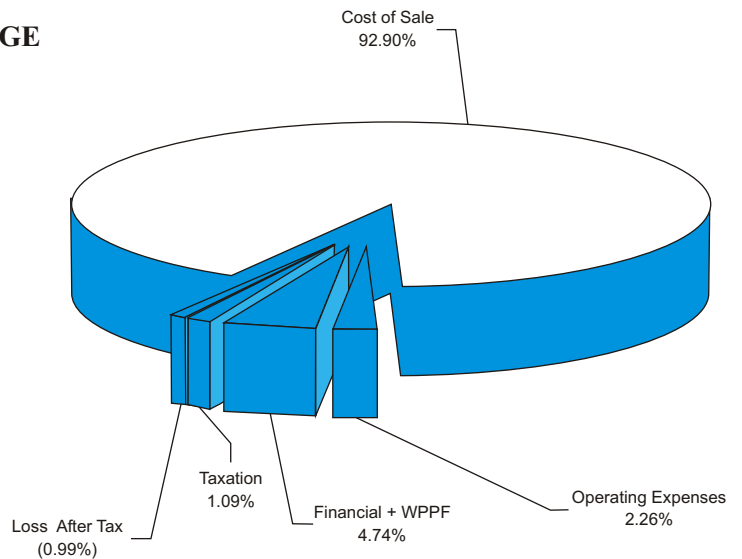
PATTERN OF SHAREHOLDING AS AT JUNE 30, 2007 (FORM-34)

1.	No of shareholders	Shareholdings	Total shares held
	11	Shareholding from 1 to 500 shares	5,500
	1	Shareholding from 10001 to 11700 shares	11,622
	2	Shareholding from 45501 to 50000 shares	100,000
	1	Shareholding from 140001 to 145000 shares	141,384
	1	Shareholding from 195001 to 200000 shares	198,050
	4	Shareholding from 260001 to 265000 shares	1,058,820
	1	Shareholding from 490001 to 500000 shares	490,954
	2	Shareholding from 690001 to 700000 shares	1,387,626
	1	Shareholding from 705001 to 710000 shares	707,400
	1	Shareholding from 715001 to 720000 shares	717,732
	1	Shareholding from 1010001 to 1015000 shares	1,013,681
	1	Shareholding from 1020001 to 1025000 shares	1,024,750
	1	Shareholding from 2300001 to 2350000 shares	2,340,400
	1	Shareholding from 2815001 to 2818000 shares	2,817,081
	29	Total	12,015,000

	Categories of shareholders	Shares held	Percentage
2	Directors, Chief Executive Officer, and their spouse and minor children.		
2.1	Mr. Zahid Mazhar	2,340,400	19.48
	Mr. Shahid Mazhar	2,817,081	23.44
	Mr. Omer Bin Zahid	707,400	5.89
	Mr. Ahmed Bin Shahid	50,000	0.42
	Mrs. Rafia Sultana	1,013,681	8.44
	Mrs. Naila Zahid	11,622	0.1
	Mrs. Ghazala Shahid	141,384	1.18
	Mr. Shahid Mazhar	50,000	0.42
	Sub Total	7,131,568	59.37
2.2	Associated Companies, undertakings and related parties.	N I L	N I L
2.3	NIT and ICP	N I L	N I L
2.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	N I L	N I L
2.5	Insurance Companies	N I L	N I L
2.6	Modarabas and Mutual Funds	N I L	N I L
2.7	Share holders holding 10%		
	Mr. Zahid Mazhar	2,340,400	19.48
	Mr. Shahid Mazhar	2,867,081	23.86
	Mrs. Nusrat Shamim	1,515,704	12.61
2.8	General Public		
	a. Local	4,883,432	40.63%
	b. Foreign	N I L	N I L
2.9	Others (to be specified)	N I L	N I L

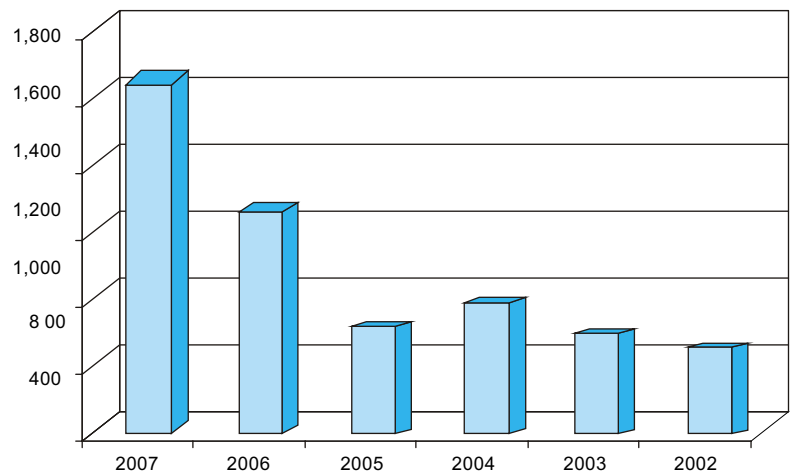
APPLICATION OF REVENUE FOR THE YEAR ENDED JUNE 30, 2007

	RUPEES	PERCENTAGE
Cost of Sale	1,491,572,827	92.90%
Operating Expenses	36,323,719	2.26%
Financial Charges		
+ WPPF	76,048,317	4.74%
Taxation	17,490,305	1.09%
Net Loss After Tax	(15,897,912)	(0.99%)
TOTAL	1,605,537,256	100%



TURNOVER

Year	Sales in (M)
2007	1,605
2006	1,265
2005	693
2004	783
2003	578
2002	515



Key Operating & Financial Data For the period From October 2001 To June 2007

PERIODS	July - June 2006 - 2007	July - June 2005 - 2006	Oct - June 2004 - 2005	Oct - Sep 2003 - 2004	Oct - Sep 2002 - 2003	Oct - Sep 2001 - 2002
Net Sales Revenue	1,605,537,256	1,265,261,803	693,032,010	783,026,573	578,015,996	515,168,527
Cost Of Goods Sold	1,491,572,827	1,171,019,818	634,447,293	709,477,219	503,998,087	457,289,041
Gross Profit	113,964,429	94,241,985	58,584,717	73,549,354	74,017,909	57,879,486
Operating Profit	76,281,676	65,955,727	38,774,367	44,581,437	50,260,472	37,840,346
Profit/ Before Tax	1,592,393	6,984,414	8,978,337	28,948,350	40,639,589	21,312,969
Profit/ (Loss) After Tax	(15,897,912)	4,912,707	8,518,207	9,559,982	18,936,922	8,688,126
Paid Up Capital	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000	89,000,000
Current Assets	369,769,750	438,897,578	505,400,310	507,093,751	188,855,599	213,893,756
Current Liabilities	457,474,600	458,913,643	469,416,161	459,555,560	159,089,788	163,553,926

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of Listing Regulations of Karachi Stock Exchange (Guarantee) Ltd. for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board comprises seven directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present, the Board includes two non executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. There was no casual vacancy of directors during the year.
5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and senior employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided by the Chairman. The Board met atleast once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors during the year apprising them of their duties and responsibilities.
10. No new appointment of CFO, Company Secretary and Head of Internal Auditor has been made during the year.
11. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee, it comprises three members, two of which are non-executive Directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.
The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has setup an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company. They are involved in the internal audit function on full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi:

Dated: September 29, 2007



ZAHID MAZHAR

Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Nadeem Textile Mills Limited, to comply with the Listing Regulation No.37 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 of Corporate Governance as applicable for the period ended on June 30, 2007.



**KHALID MAJID RAHMAN
SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS**

Karachi:

Dated: September 29, 2007

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nadeem Textile Mills Limited as at June 30, 2007, and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007, and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



KHALID MAJID RAHMAN
SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

Karachi:

Dated: September 29, 2007

NADEEM TEXTILE
BALANCE SHEET AS AT

	NOTE	June 30, 2007 RUPEES	June 30, 2006 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 12,500,000 (2006: 12,500,000) Ordinary shares of Rs.10 each		<u>125,000,000</u>	<u>125,000,000</u>
Issued, subscribed and paid-up share capital	3	<u>120,150,000</u>	<u>120,150,000</u>
Capital reserve	4	<u>15,575,000</u>	<u>15,575,000</u>
Unappropriated profit		<u>149,999,577</u>	<u>165,897,489</u>
		285,724,577	301,622,489
NON-CURRENT LIABILITIES			
Long-term finance	5	96,465,879	164,642,666
Deferred tax liability - net	6	43,458,420	33,912,989
CURRENT LIABILITIES			
Trade and other payables	7	<u>30,679,495</u>	<u>29,321,695</u>
Mark-up accrued on finance	8	<u>11,128,508</u>	<u>17,657,597</u>
Short-term borrowings	9	<u>356,728,535</u>	<u>355,778,515</u>
Current portion of long-term finance	5.1	<u>49,737,578</u>	<u>46,410,424</u>
Taxation		<u>9,200,484</u>	<u>9,745,413</u>
		457,474,600	458,913,644
CONTINGENCIES AND COMMITMENTS	10	-	-
		<u>883,123,476</u>	<u>959,091,788</u>

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



ZAHID MAZHAR
Chief Executive

Karachi:
Dated: September 29, 2007

MILLS LIMITED
JUNE 30, 2007

PROPERTY AND ASSETS	NOTE	June 30, 2007 RUPEES	June 30, 2006 RUPEES
PROPERTY, PLANT AND EQUIPMENT			
Operating assets	11	512,549,016	519,394,300
LONG-TERM DEPOSITS	12	804,710	799,910
CURRENT ASSETS			
Stores, spares and loose tools	13	16,213,559	13,006,765
Stock-in-trade	14	137,062,405	216,115,698
Trade debts	15	177,803,556	120,527,872
Investments-at fair value through profit and loss	16	6,267,276	1,445,750
Loan and advances	17	15,077,131	14,999,406
Trade deposits and short term prepayments	18	14,717,320	62,353,762
Other receivables	19	1,239,973	8,973,188
Cash and bank balances	20	1,388,530	1,475,137
		369,769,750	438,897,578
		883,123,476	959,091,788


SHAHID MAZHAR
Director

NADEEM TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	NOTE	For the Year Ended June 2007 RUPEES	For the Year Ended June 2006 RUPEES
Sales -net	21	1,605,537,256	1,265,261,803
Cost of goods sales	22	1,491,572,827	1,171,019,818
Gross profit		113,964,429	94,241,985
Administrative and general expenses	23	20,692,866	15,659,757
Selling and distribution expenses	24	16,989,887	12,626,501
		37,682,753	28,286,258
Operating profit		76,281,676	65,955,727
Other operating income	25	1,359,034	4,270,133
		77,640,710	70,225,860
Financial cost	26	75,964,507	62,873,845
Workers profit participation fund	7.1	83,810	367,601
		76,048,317	63,241,446
Profit before taxation		1,592,393	6,984,414
Taxation	27	17,490,305	2,071,707
Profit / (Loss) after taxation		(15,897,912)	4,912,707
Loss) / Earning per share	28	(1.32)	0.41

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


ZAHID MAZHAR
Chief Executive


SHAHID MAZHAR
Director

Karachi:
Dated: September 29, 2007

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	PAID UP CAPITAL	CAPITAL RESERVE	UNAPPRO- PRIATED PROFIT	TOTAL
	←————— RUPEES —————→			
Balance as at June 30, 2005	120,150,000	15,575,000	160,984,782	296,709,782
Net profit for the year ended June 30, 2006	-	-	4,912,707	4,912,707
Balance as at June 30, 2006	120,150,000	15,575,000	165,897,489	301,622,489
Net loss for the year ended June 30, 2007	-	-	(15,897,912)	(15,897,912)
Balance as at June 30, 2007	120,150,000	15,575,000	149,999,577	285,724,577

The annexed notes form an integral part of these financial statements


ZAHID MAZHAR
 Chief Executive


SHAHID MAZHAR
 Director

Karachi:
 Dated: September 29, 2007

NADEEM TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

1 THE COMPANY AND ITS OPERATION

The Company was incorporated in Pakistan as a public limited company on July 15, 1984 and is quoted on the Karachi Stock Exchange. The registered office of the company is situated at 201-202, Commerce Centre, Hasrat Mohani Road, Karachi. The main business of company is manufacture and sale of yarn.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

a) Statement Of Compliance

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

b) Accounting convention

These financial statements have been prepared under the basis of 'historical cost' convention, except for measurement of certain plant and machinery at revalued amounts and certain staff retirement benefits which have been measured at present value.

c) Functional and presentation currency

These Financial statements are presented in Pakistani Rupee which is the company's functional currency.

d) Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets 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 result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumption 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.

Judgments made by management in the application of approved Accounting Standard, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are discussed in note No. 34 to these financial statements.

e) New accounting standards, interpretations and amendments that are not yet effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after July 01, 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Preparation of Financial statement- Amendments Relating to Capital Disclosures;
- IAS 23 - Borrowing Costs (as revised);
- IAS 41 - Agriculture;
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combination;
- IFRS 5 - Non - current Assets Held for Sale and Discontinued Operation;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Services Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their intersection.

2.2 Employee retirement benefit

The company operates an approved gratuity scheme-unfunded for all employees eligible for the benefit. The latest actuarial valuation was carried out as at 30 June, 2007. Contribution is made on the basis of actuarial recommendations using the Project Unit Credit method with the following significant assumptions for the valuation of the scheme:

- discount rate of 9% per annum
- expected rate of increase in salary level at 9% per annum

Unrecognized actuarial gains or losses are amortized over the expected average remaining working lives of the employees participating in the plan in accordance with International Accounting Standards (IAS) 19 "Employees Benefits".

2.3 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. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.4 Tax

Provision for current taxation is based on taxable income at the current tax rates of taxation after taking into account tax credit and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed/ finalized during the year.

Deferred tax

Deferred taxation is recognized using the balance sheet liability method on all major temporary difference arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax assets is recognized only to the extent that it is probable that future taxable amounts will be available against which the assets can be utilized. The company also recognizes deferred tax asset/liability on deficit/surplus on revaluation of operating fixed assets which is adjusted against the related deficit/surplus in accordance with the requirements of the International Accounting Standard 12, 'Income Taxes'.

2.5 Property, plant & equipment

These are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any), except for capital work - in - progress which 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.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the items will flow to the Company and the cost of the item can be measured reliably.

An assets carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Depreciation is charged on all property, plant and equipment using reducing balance method in accordance with the rates specified in the note 11.1 to these financial statements and after taking into account residual value, if any.

Depreciation on addition is charged on pro-rata basis when the assets become available for use while on disposals depreciation is charged on pro-rata basis upto period when assets is derecognized.

Repairs and maintenance are charged to income as and when incurred except major over hauling..

Gains/ losses on disposal of property, plant and equipment are charged to the profit and loss account currently.

2.6 Capital work in progress

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. These cost are transferred to fixed assets as and when assets are available for use.

2.7 Impairment

The carrying amount of the assets other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such asset is estimated. The impairment loss is recognised whenever, the carrying amount of the asset or its cash generating unit exceed its recoverable amount. Impairment losses, if any, are recognised in the profit and loss account.

2.8 Financial assets

Financial assets are long term deposits, trade debts, advances, deposits, other receivable and cash & bank balances which have been stated in accordance with the requirement of IAS-39 (Financial Instruments Recognition & Measurement). Financial assets are initially recognized at cost which is the fair value of the consideration given for it and subsequently these are carried at fair value.

2.9 Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities

are long term loans, liabilities against assets subject to finance lease, short term finances utilized under mark-up arrangements, creditors, accrued and other liabilities and unclaimed dividends.

All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost, except for liabilities against assets subject to finance lease which are valued under IAS 17 as described above.

2.10 Stores, spares and loose tools

Store and spares are valued at the lower of NRV or cost calculated on moving average basis except goods in transit, which are valued at cost comprising invoice value plus other charges paid.

2.11 Stock in trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is arrived at on a weighted average cost basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Stock of raw material in-transit is valued at invoice value plus other charges paid thereon.

2.12 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables which is determined on the basis of management review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off.

2.13 Trade and other payables

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

2.14 Cash and cash equivalent

Cash & cash equivalent comprises cash and bank balances, short term running finances that are payable on demand and form an integral part of the company's cash management and are included as a component of cash equivalents for a purpose of statement of cash flows.

2.15 Investments-at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classed as investments at fair value through profit or loss. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices.

2.16 Foreign currency translation

Transactions in foreign currencies are accounted for in rupees at the foreign exchange rates prevailing on the date of the transaction, Monetary assets and liabilities in foreign currencies are translated into rupees at the foreign exchange rates approximating those prevailing at the balance sheet date. Exchange difference are taken to the profit and loss account.

2.17 Offsetting

A financial asset and financial liability are offset when there is a legally enforceable right to offset the recognised amounts and the Company intends to settle either on a net basis, or to realise the assets and to settle the liabilities simultaneously.

2.18 Revenue recognition

Local sales are recorded on dispatch of goods to the customers while export sales are recorded on the basis of shipment of goods to the customers. Dividend income on equity investments is recognized when right to receive dividend is established. Profit on bank deposits is recognised on the time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.

2.19 Borrowing cost

Borrowing cost shall be recognized as an expense in the period in which they are incurred except borrowing cost that are directly attributable to acquisition, construction or production of qualifying asset shall be capitalized as a part of the cost of that asset.

2.20 Related party transactions

All transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

2.21 Dividend

The dividend is recognized as liability in the period in which it is declared.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 30, 2007 No. of shares	June 30, 2006 No. of shares		June 30, 2007 Rupees	June 30, 2006 Rupees
5,515,000	5,515,000	Ordinary shares of Rs.10/- each fully paid in cash	55,150,000	55,150,000
6,500,000	6,500,000	Ordinary shares of Rs. 10/- each Fully paid as bonus shares	65,000,000	65,000,000
<u>12,015,000</u>	<u>12,015,000</u>		<u>120,150,000</u>	<u>120,150,000</u>

		June 30, 2007	June 30, 2006
		RUPEES	RUPEES
4. CAPITAL RESERVE			
Share premium	4.1	<u>15,575,000</u>	<u>15,575,000</u>
4.1	This represents premium of Rs. 5 per share received on public issue of 3,115 thousand ordinary shares in 2003.		
5 LONG TERM FINANCE			
From banking companies	5.1	89,615,879	159,442,666
From directors	5.2	<u>6,850,000</u>	<u>5,200,000</u>
		<u>96,465,879</u>	<u>164,642,666</u>

5.1 From banking companies

Particulars	Askari Commercial Bank			Soneri Bank	Bank Al-Falah		Citi Bank N. A.	TOTAL 2007	TOTAL 2006
	TF-I	TF-II	LTF		TF	LTF			
Opening Balance	29,219,808	55,999,998	-	4,256,668	94,354,280	-	22,022,336	205,853,090	156,429,354
Add: Obtained during the period									79,420,336
	29,219,808	55,999,998	-	4,256,668	94,354,280	-	22,022,336	205,853,090	235,849,690
Less: Transfer to LTF	(24,349,840)	(6,575,311)	30,925,151	-	(27,929,120)	27,929,120	-	-	-
Less: Paid/Adjustment during year	(4,869,968)	(14,684,938)	(6,185,034)	(4,256,668)	(13,111,155)	(1,369,535)	(22,022,336)	(66,499,634)	(29,996,600)
Closing Balance	-	34,739,749	24,740,117	-	53,314,005	26,559,585	-	139,353,456	205,853,090
Less: Current maturity	-	(13,557,736)	(12,370,060)	-	(16,827,502)	(6,982,280)	-	(49,737,578)	(46,410,424)
Long term portion	-	21,182,013	12,370,057	-	36,486,503	19,577,305	-	89,615,879	159,442,666
Significant terms and conditions	5.1.1	5.1.1	5.1.1		5.1.2	5.1.2			

5.1.1 This represents loan obtained for modernizing production facilities. It is secured against first pari passu charge on the fixed assets of the company. This is repayable in 14 semi annual equal installments each commencing from May, 2004 for TF-I and June 2005 for TF-II respectively. It carries mark up at the rate of six month's average KIBOR + 2% per annum. LTF is repayable in 5 semi annual equal installments each commencing from January, 2007 carrying markup rate of 7%.

5.1.2 TF represents facility availed during the period for retirement of import documents for machinery. It is secured against first pari passu charge on the fixed assets of the Company repayable in 8 semi annual installments each commencing from August 8, 2006. It carries markup payable quarterly at the rate of six month's average KIBOR + 1.6% per annum. LTF is repayable in semi annual installments carrying markup rate of 7%.

5.2 From directors

- Zahid Mazhar	2,000,000	2,300,000
- Omer Bin Zahid	2,300,000	400,000
- Naila Zahid	2,550,000	2,500,000
	<u>6,850,000</u>	<u>5,200,000</u>

5.2.1 This represents interest free loan obtained from director in the year 2006.

		June 30, 2007	June 30, 2006
		RUPEES	RUPEES
6. DEFERRED LIABILITIES			
Gratuity	6.1	6,901,600	5,840,550
Deferred tax liabilities-net	6.2	<u>36,556,820</u>	<u>28,072,439</u>
		<u>43,458,420</u>	<u>33,912,989</u>

		June 30, 2007 RUPEES	June 30, 2006 RUPEES
6.1	Movement in the net liability recognized in the balance sheet		
	Opening net liability	5,840,550	7,782,813
	Expense for the year	3,360,350	3,018,937
		<u>9,200,900</u>	<u>10,801,750</u>
	Benefits paid	(2,299,300)	(4,961,200)
	Closing net liability	<u>6,901,600</u>	<u>5,840,550</u>
	Expense recognized in the profit and loss account		
	Current service cost	1,528,550	1,300,300
	Interest cost	443,646	374,883
	Net actuarial loss / (gain) recognized in the year	1,388,154	1,343,754
		<u>3,360,350</u>	<u>3,018,937</u>
	Principal actuarial assumption		
	Following are a few important actuarial assumptions used in the valuation		
		%	%
	Discount rate	9	9
	Expected rate of increase in salary	9	8
6.2	DEFERRED TAX LIABILITIES - NET		
	The liability for deferred taxation comprises of temporary differences.		
	Taxable temporary difference		
	Accelerated tax depreciation allowance	56,235,879	47,634,551
	Deductible temporary differences		
	Provision for doubtful debts	683,591	-
	Provision for gratuity	1,512,866	1,068,831
	Un used tax losses	17,482,602	18,493,281
		<u>19,679,059</u>	<u>19,562,112</u>
		<u>36,556,820</u>	<u>28,072,439</u>
7	TRADE AND OTHER PAYABLES		
	Creditors	16,092,247	8,988,510
	Accrued expenses	14,502,342	19,923,950
	Workers' profit participation fund	83,810	367,601
	Income tax payable	-	40,537
	Unclaim dividend	1,096	1,096
		<u>84,906</u>	<u>409,234</u>
		<u>30,679,495</u>	<u>29,321,694</u>
7.1	WORKERS PROFIT PARTICIPATION FUND		
	Opening balance	367,601	472,544
	Add: Interest charged	27,700	32,183
		<u>395,301</u>	<u>504,727</u>
	Less: Payment during the year	395,301	504,727
		-	-
	Add: Allocation for the year	83,810	367,601
		<u>83,810</u>	<u>367,601</u>

The company retains workers' profit participation fund for its business operation till the date of allocation to the workers. Interest is paid at the prescribed rate under the Workers' Profit Participation Fund Act on funds utilized by the Company till the date of allocation to the workers.

		June 30, 2007 RUPEES	June 30, 2006 RUPEES
8	MARK-UP ACCRUED ON FINANCE		
	Long-term finance	3,812,499	5,286,552
	Short-term borrowings	7,316,009	12,371,045
		11,128,508	17,657,597
9	SHORT TERM BORROWINGS		
	Running/cash finances:		
	- Askari commercial bank Ltd. 8.1	41,650,366	45,195,671
	- Bank Al-Falah Ltd. 8.2	25,082,014	104,746,313
	- Allied Bank Ltd. 85	67,213,352	-
	- Soneri Bank Ltd. 8.3	13,837,773	70,105,449
	- Citi bank. N. A. 8.4	120,000,000	119,756,000
	- National Bank of Pakistan	66,062	-
	Finance against foreign bill:		
	-Bank Al- Falah Ltd. 8.2	-	2,060,000
	Foreign currency:		
	- Soneri bank Ltd. 8.3	88,878,968	13,915,082
		356,728,535	355,778,515

	BANK	PURPOSE	LIMIT	SECURITY	MARKUP
8.1	Askari Bank Ltd.	CF/RF for working capital management	250 M	Hypothecation charge over company's stocks & book debts	3 months KIBOR + 1.50%
8.2	Bank Al-Falah Ltd.	CF and foreign currency finance facility for working capital management	200 M	Pledge of cotton and yarn at mills premises	CF 3 months KIBOR + 1.50% FE 6 months LIBOR + 1.50%
8.3	Soneri Bank Ltd.	CF/RF & foreign currency finance facilities for working capital management	200 M	Hypothecation charge over company's stocks & book debts	CF/RF 6 months KIBOR + 1.50% FE 6 months LIBOR + 1.25% to 1.75%
8.4	Citi Bank N. A.	CF/RF for working capital management	144.4 M	Hypothecation charge over company's stocks & book debts	Relevant KIBOR + 0.50% to 1.50%
8.5	Allied Bank Limited	CF/RF & foreign currency finance facilities for working capital management	250 M	Hypothecation charge over company's stocks & book debts	3 months KIBOR + 1.50%

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

- a. In the year 2004, the Company filed an appeal in the High Court of Sindh contesting demand for the payment of infrastructure charges at ports amounting to Rs. 2,487,394/- raised by Excise and Taxation Officer (E.T.O.). The High Court granted stay against bank guarantee submitted to the E.T.O of Rs. 3,250,000/=. The appeal is still pending for hearing. In view of opinion of its legal advisor the appeal is likely to be decided in favour of company on merits and therefore, no provision has been made in these financial statements in respect of demanded amount of charges
- b. The HESCO raised a demand for fixed electricity charges against the company amounting to Rs 7.780 M. The company filed a suit contesting demand and was granted a stay order by Honourable High court of sindh in lieu of bank guarantee of Rs 10.29 M. The case was referred by the court to the Board of Directors of HESCO along with cases of other companies. The matter is currently in the process of approval of HESCO. The official concerned have recommended withdrawal of the demand to the Board. The Company has filed an application for return of the bank guarantee which has been duly acknowledged by HESCO. No provision has hence been made against the impugned demand as it is being withdrawn by HESCO.

10.2 Commitments

i	Letter of credit for capitalization	219,530	595,736
ii	Estimated further cost of capital work in progress	1,000,000	640,522
iii	Bank guarantee to Excise & Taxation Officer	3,250,000	2,500,000
iv	Bank guarantee to HESCO	10,290,000	-
11	PROPERTY, PLANT AND EQUIPMENT		
-	Operating fixed assets 11.1	504,150,371	505,980,523
-	Capital work in progress 11.2	8,398,645	13,413,777
		512,549,016	519,394,300

11.1

PARTICULARS	C O S T		RATE %	DEPRECIATION		WRITTEN DOWN VALUE 30.6.2007			
	AS ON 1.07.2006	ADDITION/ (DELETION)		TRANSFER IN / (OUT)	AS ON 30.6.2007		AS ON 1.07.2006	ADJUSTMENT TRANSFER IN (OUT)	FOR THE YEAR
OWNED ASSETS									
Lease hold land	2,028,820	-	-	-	-	2,028,820	-	-	2,028,820
Free hold land	1,142,763	-	-	-	-	1,142,763	-	-	1,142,763
Factory building	50,528,680	-	11,092,676	10	-	61,621,356	3,792,302	21,477,170	40,144,186
Office premises	40,982,619	16,824,640	-	5	-	57,807,259	1,984,663	14,082,942	43,724,317
Plant and machinery	684,703,865	17,966,064	-	10	-	702,669,929	43,893,285	295,513,767	407,156,162
Office equipment	1,437,505	298,094	-	10	-	1,735,599	118,075	672,926	1,062,673
Computer equipment	425,591	234,488	-	30	-	660,079	148,315	314,010	346,069
Furniture and fixture	836,949	394,794	-	10	-	1,231,743	84,232	473,654	758,089
Vehicles	13,824,334	3,326,787	-	20	-	17,151,121	1,946,823	9,363,829	7,787,292
TOTAL RUPEES 2007	795,911,126	39,044,867	11,092,676			846,048,669	51,967,695	341,898,298	504,150,371
TOTAL RUPEES 2006	617,359,536	173,507,222	5,044,368			795,911,126	45,781,714	289,930,603	505,980,523

Depreciation is allocated as under :

Cost of sales

Administrative expenses

	2007 RUPEES	2006 RUPEES
22	47,685,587	42,400,472
23	4,282,108	3,381,242
	<u>51,967,695</u>	<u>45,781,714</u>

11.1

PARTICULARS	C O S T		RATE %	DEPRECIATION		WRITTEN DOWN VALUE 30.6.2007			
	AS ON 1.07.2005	ADDITION/ (DELETION)		TRANSFER IN / (OUT)	AS ON 30.6.2006		AS ON 1.07.2005	ADJUSTMENT TRANSFER IN (OUT)	FOR THE YEAR
OWNED ASSETS									
Lease hold land	2,028,820	-	-	-	-	2,028,820	-	-	2,028,820
Free hold land	1,142,763	-	-	-	-	1,142,763	-	-	1,142,763
Factory building	45,484,312	-	5,044,368	10	-	50,528,680	3,649,312	17,684,867	32,843,813
Office premises	34,401,374	6,581,245	-	5	-	40,982,619	1,520,228	12,098,278	28,884,341
Plant and machinery	520,511,192	164,192,673	-	10	-	684,703,865	38,751,159	251,620,482	433,083,383
Office equipment	1,129,405	308,100	-	10	-	1,437,505	98,073	554,851	882,654
Computer equipment	192,630	232,961	-	30	-	425,591	111,384	165,695	259,896
Furniture and fixture	706,505	130,444	-	10	-	836,949	49,725	389,421	447,528
Vehicles	11,762,535	2,061,799	-	20	-	13,824,334	1,601,832	7,417,006	6,407,328
TOTAL RUPEES 2006	617,359,536	173,507,222	5,044,368			795,911,126	45,781,713	289,930,600	505,980,526
TOTAL RUPEES 2005	512,995,561	80,567,374	23,796,601			617,359,536	29,595,986	244,148,889	373,210,647

Depreciation is allocated as under :

Cost of sales

Administrative expenses

	2006 RUPEES	2005 RUPEES
22	42,400,472	27,493,835
23	3,381,241	2,102,151
	<u>45,781,713</u>	<u>29,595,986</u>

		June 30, 2007 RUPEES	June 30, 2006 RUPEES
18	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Deposit	6,484,000	6,982,500
	Advance against raw material	-	22,637,088
	Advance against import of machinery	217,395	21,754,160
	Advance to suppliers	7,517,925	8,984,459
	Prepayments	498,000	1,995,555
		<u>14,717,320</u>	<u>62,353,762</u>
19	OTHER RECEIVABLES		
	Sales tax refundable	1,199,973	6,782,980
	Dividend Receivable	40,000	-
	Accrued markup from associated undertaking 13.1	-	2,190,208
		<u>1,239,973</u>	<u>8,973,188</u>
20	CASH AND BANK BALANCES		
	Cash in hand	186,353	193,897
	Cash at bank		
	- In current account	842,041	1,273,964
	- In deposit account 20.1	360,136	7,276
		<u>1,202,177</u>	<u>1,281,240</u>
		<u>1,388,530</u>	<u>1,475,137</u>
20.1	It carries markup at the rate ranging from 3% to 5% (2006: 3% to 4.5%).		
21	SALES - NET		
	Local	971,939,859	632,085,955
	Export 21.1	610,228,949	611,912,441
	Less: Ocean freight	(9,475,707)	(8,950,112)
	FOB value	<u>600,753,242</u>	<u>602,962,329</u>
		<u>1,572,693,101</u>	<u>1,235,048,284</u>
	Add:		
	- Waste	18,390,474	15,999,593
	- Raw Material	32,570,251	33,385,149
		<u>1,623,653,826</u>	<u>1,284,433,026</u>
	Less:		
	- Commission on export sales	(9,554,014)	(9,997,251)
	- Commission on local sales	(7,028,944)	(7,620,563)
	- Export development charges	(1,533,612)	(1,553,409)
		<u>(18,116,570)</u>	<u>(19,171,223)</u>
		<u>1,605,537,256</u>	<u>1,265,261,803</u>
21.1	Export sales includes exchange gain of Rs.8,039,583/= (2006: Rs.8,267,975/=)		
22	COST OF GOODS SOLD		
	Raw material consumed 22.1	811,387,992	644,869,127
	Store and spares consumed	16,628,209	14,874,242
	Packing material consumed	20,581,977	20,528,197
	Salaries, wages and other benefits 22.2	66,138,145	53,763,523
	Repair and maintenance	3,308,098	3,657,644
	Insurance	1,523,187	2,344,690
	Fuel and power	97,658,180	83,282,960
	Other manufacturing expenses	11,496,202	8,397,683
	Depreciation 11.1.1	47,685,587	42,400,472
		<u>1,076,407,577</u>	<u>874,118,538</u>

	June 30, 2007	June 30, 2006
	RUPEES	RUPEES
Work in process		
Opening	10,565,494	6,705,906
Closing	(10,198,804)	(10,565,494)
	366,690	(3,859,588)
Cost of goods manufactured	1,076,774,267	870,258,950
Finished goods and waste		
Opening	44,055,729	52,675,547
Yarn purchased for export	395,043,247	292,141,050
Closing	(24,300,416)	(44,055,729)
	414,798,560	300,760,868
	1,491,572,827	1,171,019,818
22.1 RAW MATERIAL CONSUMED		
Opening stock	161,494,474	262,195,559
Add: Purchases	752,456,703	544,168,042
	913,951,177	806,363,601
Closing stock	(102,563,185)	(161,494,474)
	811,387,992	644,869,127
22.2	It includes staff retirement benefits amounting to Rs. 2,145,350/= (2006: 2,256,119/=).	
23 ADMINISTRATIVE AND GENERAL EXPENSES		
Directors' remuneration	696,000	986,000
Salaries and other benefits 23.1	5,590,345	5,029,089
Traveling and conveyance	522,270	429,267
Legal and professional	738,808	629,841
Fees and subscription	465,018	206,980
Rent, rates and taxes	244,199	395,425
Electricity, gas and water	483,152	397,932
Repair and maintenance	409,743	364,650
Communication expenses	834,130	501,323
Printing and stationery	353,781	288,750
Motor vehicle expenses	1,841,639	1,597,010
Advertisement expenses	32,130	29,253
Entertainment expenses	543,490	399,568
Bad debts expenses 15	3,118,499	-
Charity and donation 23.2	1,440	487,940
Audit fee 23.3	254,550	198,000
Miscellaneous expenses	281,564	337,487
Depreciation 11.1.1	4,282,108	3,381,242
	20,692,866	15,659,757
23.1	It includes staff retirement benefits amounting to Rs. 1,215,000/= (2006: Rs. 762,818/=)	
23.2	None of directors and their spouse have any interest in the donee's fund.	
23.3 Auditors Remuneration		
Audit fee	200,000	150,000
Half yearly review	40,000	35,000
Out of pocket expenses	14,550	13,000
	254,550	198,000
24 SELLING AND DISTRIBUTION EXPENSE		
Freight and octroi charges local	5,482,253	3,040,067
Others	11,507,634	9,586,432
	16,989,887	12,626,499

	June 30, 2007 RUPEES	June 30, 2006 RUPEES
25 OTHER OPERATING INCOME		
Income from processing of yarn	453,300	4,267,900
Profit on saving deposit account	2,253	4,893
Gain / (Loss) on investment	903,481	(2,660)
	1,359,034	4,270,133
26 FINANCIAL COST		
Mark-up on		
- Short term borrowings	48,473,068	41,462,447
- Long term finance - from banking companies	18,151,500	18,507,456
- Inland letter of credit and FAFB	7,748,629	3,761,757
	74,373,197	63,731,660
Interest on workers' profit participation fund 7.1	27,700	32,183
Bank charges and guarantee commission	1,563,610	1,300,210
	75,964,507	65,064,053
Mark-up income charged to Associated Company	-	(2,190,208)
	75,964,507	62,873,845
27 TAXATION		
Current year	9,200,484	9,745,413
Prior year	(204,752)	(447,432)
Deferred tax	8,494,573	(7,226,274)
	17,490,305	2,071,707
The assessment has been finalized under upto and including accounting year 30-6-2006 (Tax year 2006).		
Relationship between tax expense and accounting profit		
Profit for the current year (attributable to local sales)	977,889	3,555,766
Tax at the rate 35%	342,261	1,244,518
Tax effect of expenses that are not deductible in determining taxable profit	11,892,243	8,782,505
Tax effect of expenses that are deductible in determining taxable profit	(11,128,299)	(21,171,744)
Tax expense for the current year	1,106,205	(11,144,721)
or		
Tax under section 113 which ever is higher	8,165,648	6,364,412
Tax charge for the current year-PTR	9,200,484	9,745,413
Tax charge for the prior years	(204,752)	(447,432)
Deferred tax adjustment	8,494,573	(7,226,274)
	17,490,305	2,071,707
28 EARNINGS / (LOSS) PER SHARE - BASIC		
Profit / (Loss) after taxation in rupees	(15,897,912)	4,912,709
Weighted average number of ordinary shares	12,015,000	12,015,000
Earning / (Loss) per share in rupees	(1.32)	0.41
There is no dilutive effect on basic earnings per share of the company.		

29 INTEREST / MARKUP RATE RISK EXPOSURE

	30-Jun-07						TOTAL
	Interest bearing			Non Interest bearing			
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	RUPEES						
FINANCIAL ASSETS							
Long term deposits	-	-	-	-	804,710	804,710	804,710
Trade debts	-	-	-	177,803,556	-	177,803,556	177,803,556
Investments	-	-	-	6,267,276	-	-	-
Loan and advances	-	-	-	390,400	-	390,400	390,400
Trade deposits	-	-	-	14,219,320	-	14,219,320	14,219,320
Other receivables	-	-	-	1,239,973	-	1,239,973	1,239,973
Cash and bank balances	360,136	-	360,136	1,028,394	-	1,028,394	1,388,530
	360,136	-	360,136	200,948,919	804,710	195,486,353	195,846,489
FINANCIAL LIABILITIES							
Long term finance	49,737,578	89,615,879	139,353,457	-	-	-	139,353,457
Short term borrowing	356,728,535	-	356,728,535	-	-	-	356,728,535
Trade and other payables	83,810	-	83,810	30,595,685	-	30,595,685	30,679,495
	406,549,923	89,615,879	496,165,802	30,595,685	-	30,595,685	526,761,487
	(406,189,787)	(89,615,879)	(495,805,666)	170,353,234	804,710	164,890,668	(330,914,998)

	30-Jun-06						TOTAL
	Interest bearing			Non Interest bearing			
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	RUPEES						
FINANCIAL ASSETS							
Long term deposits	-	-	-	-	799,910	799,910	799,910
Trade debts	-	-	-	120,527,872	-	120,527,872	120,527,872
Investments	-	-	-	1,445,750	-	1,445,750	1,445,750
Loan and advances	-	-	-	452,581	-	452,581	452,581
Trade deposits	-	-	-	37,721,118	-	37,721,118	37,721,118
Other receivables	-	-	-	8,973,188	-	8,973,188	8,973,188
Cash and bank balances	7,276	-	7,276	1,467,861	-	1,467,861	1,475,137
	7,276	-	7,276	170,588,370	799,910	171,388,280	171,395,556
FINANCIAL LIABILITIES							
Long term finance	46,410,424	159,442,666	205,853,090	-	-	-	205,853,090
Short term borrowing	355,778,515	-	355,778,515	-	-	-	355,778,515
Trade and other payables	367,601	-	367,601	28,913,556	-	28,913,556	29,281,157
	402,556,540	159,442,666	561,999,206	28,913,556	-	28,913,556	590,912,762
	(402,549,264)	(159,442,666)	(561,991,930)	141,674,814	799,910	142,474,724	(419,517,206)

30 RISK MANAGEMENT

a) Interest rate risk:

The rate of return and terms of repayment of long term finance and short term borrowings under mark-up arrangements are disclosed in the note No. 5.1 and 9 to the financial statements. The company is not exposed to interest rate risk as the rates are fixed.

b) Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its commitments associated with financial liabilities when they fall due. The company management close monitors the company's liquidity and cash flow position and ensures that sufficient funds are available to meet any commitments as they arise.

c) Foreign Exchange risk:

Foreign Exchange risk arise mainly where receivable and payables exist due to transactions with foreign undertakings. In appropriate cases, the management takes out forward contracts to mitigate the risk. The company is not exposed to foreign exchange risk at the year end.

d) Credit risk:

Credit risk represents the accounting loss that would be recognized at the report date, if counter parties failed completely to perform as contracted.

The following financial assets of the company are exposed to credit risk:

	June 30, 2007 RUPEES	June 30, 2006 RUPEES
Trade debts	177,803,556	120,527,872

The company controls credit risks by monitoring credit exposures and continuing assessment of credit worthiness of customers.

31 CASH GENERATED FROM OPERATIONS

Profit before taxation	1,592,393	6,984,416
Adjustments for non cash charges and other items		
Depreciation	51,967,695	45,781,714
Provision for gratuity	3,360,350	3,018,937
Workers' profit participation fund	83,810	367,601
Financial cost	75,964,507	62,873,845
	131,376,362	112,042,097
Operating profit before working capital changes	132,968,755	119,026,513
(Increase)/decrease in current assets		
Stores, spares and loose tools	(3,206,794)	(2,077,489)
Stock in trade	79,053,293	105,461,316
Trade debts	(57,275,684)	21,958,630
Loans and advances	62,181	1,030,934
Trade deposits and short term prepayments	47,636,442	(37,153,799)
Other receivables	7,733,215	(5,508,135)
	74,002,653	83,711,457
Increase/(decrease) in current liabilities		
Trade and other payables	1,631,402	(6,579,235)
	208,602,813	196,158,735

32 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE REMUNERATION

	DIRECTORS	
Managerial remuneration	464,000	657,333
Remuneration allowances	232,000	328,667
	696,000	986,000
No. of person	2	3

32.1 The Chief Executive and three directors are provided with cars maintained by the Company and telephone at their residence.

32.2 The Chief Executive has waived his remuneration. The directors have waived their meeting fees.

33 DETAIL OF TRANSACTIONS WITH ASSOCIATED UNDERTAKING

The associated undertaking comprises associated companies, directors and key management personnel. Transaction with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Interest income	-	2,190,208
Sale of raw material	32,570,251	33,385,149
Purchase of yarn	289,140,520	239,635,500
Reprocessing income	453,300	4,267,900
Reprocessing charges	3,616,152	931,867
Sale of yarn	5,275,750	12,031,800

All transactions with associated companies and undertaking are at arms length basis, using the methods admissible under the Companies Ordinance 1984.

34 ACCOUNTING ESTIMATES AND JUDGMENTS

Income Tax

In making the estimates for income taxes currently payable by the company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Property, plant and equipment

The company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

35 PLANT CAPACITY AND ACTUAL PRODUCTION

Total number of spindles installed	32,304	32,304
Average numbers of spindle worked	32,304	26,256
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (kgs.)	11,030,960	8,965,728
Actual production after conversion into 20/s count (kgs.)	10,299,991	8,560,906

36 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 29 , 2007 by the Board of Directors of the Company.

37 GENERAL

- Figures in these financial statements have been rounded off to the nearest rupee.
- Commission local reflected under selling and distribution expenses (note no. 24) for current and comparative now grouped under net sales (note no. 21).



ZAHID MAZHAR
Chief Executive



SHAHID MAZHAR
Director

Karachi:
Dated: September 29, 2007