

CONTENTS

Vision and Mission Statements	2
Company Information	3
Notice of Annual General Meeting	4
Directors' Report	5-7
Pattern of Share Holding	8
Key Operating and Financial Data	9
Statement of Compliance with the Code of Corporate Governance	10-11
Auditor's Review Report on Code of Corporate Governance	12
Auditors' Report to the Members	13
Balance Sheet	14-15
Profit and Loss Account	16
Statement of Changes in Equity	17
Cash Flow Statement	18
Notes to the Accounts	19-32

mission is to provide high quality services and plant and machinery
under to a

offering services to our customers.

continuously strives to achieve higher levels of
operation

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

- maintaining the highest standards of safety and environment.
- contributing towards the economic 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. SHAIKH FARUKH JAMIL (DIBP)
BANKERS	:	ASKARI COMMERCIAL BANK LIMITED SONERI BANK LIMITED CITI BANK BANK AL-FALAH LIMITED ALLIED BANK LIMITED
REGISTERED OFFICE	:	201-202, COMMERCE CENTRE, HASRAT MOHANI ROAD, KARACHI - PAKISTAN. PHONE : (021) 2635807 - 2635809 FAX : (92 -21) 2637896 - 2632712
MAILING ADDRESS	:	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 20th Annual General Meeting of the Company will be held at 801-804, Lakson Square Building No.3, Block-A, Sarwar Shaheed Road, Karachi, on Monday, 30th October, 2006 at 3:30 p.m. to transact the following business.

1. Recitation from the Holy Quran.
2. To confirm the Minutes of the 19th Annual General Meeting of the Company held on 28th October, 2005.
3. To receive, consider, and adopt the audited accounts for the period ended 30th June, 2006 together with the Directors' and Auditors' report thereon.
4. To elect seven (7) Directors as fixed by the Board for a term of three years in accordance with the Section 178 of the Companies Ordinance, 1984 and to fix their remuneration.
The names of the resigned directors are:
 - (i) Mr. Zahid Mazhar
 - (ii) Mr. Shahid Mazhar
 - (iii) Mr. Omer Bin Zahid
 - (iv) Mr. Ahmed Bin Shahid
 - (v) Mst. Rafia Sultana
 - (vi) Mst. Naila Zahid
 - (vii) Mst. Ghazala Shahid

The members are informed that the above directors have offered themselves for re-election.

5. 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 30, 2006

BY ORDER OF THE BOARD
Company Secretary

Notes:

1. The share transfer books of the company will remain closed from 20th October, 2006 to 30th October, 2006 (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 20th Annual Report together with the audited accounts of the Company for the year ended June 30, 2006.

SUMMARY OF FINANCIAL RESULTS

		RUPEES
Profit before taxation		6,984,414
TAXATION		
Current	9,745,413	
Prior Year	(447,432)	
Deferred Tax	<u>(7,226,274)</u>	
		<u>2,071,707</u>
Profit after Tax		<u><u>4,912,707</u></u>

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of your shares as on June 30, 2006 was Rs. 25.10 as compared to Rs. 24.69 as at June 30, 2005.

The earning per share for the year ended June 30, 2006 is Rs. 0.41 as per computation below:

		RUPEES
Profit after taxation		4,912,707
No. of ordinary shares		<u>12,015,000</u>
Earning per share		<u><u>Rs. 0.41</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. 1,273 million as compared to Rs. 693 million in the last nine months period, showing a prorata increase of 37.75%.

The Company made a pre-tax profit of Rs. 6,984,414/= during the period under review, as compared to pre-tax profit of Rs. 8,978,337 of the last nine months period. A sharp increase is observed in financial charges, which increased to Rs. 62.87 million during the year as compared to Rs. 33 million of previous nine months period. This increase is mainly due to increasing rates of markup. The gross profit percentage this year was 8.4%.

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 8.56 million kgs. (2005: 6.17 million kgs.).

EXPANSION / BMR PLAN

The Company has installed further 8,064 spindles to enhance the production facilities. Heavy investments have also been made on all the other departments to facilitate the expansion of Ring department. Following major expansion / modernization has been made in various departments:

Carding (4 sets Crosrol)
 Drawing Simplex (1 sets Hara Draw Frame and Toyoda FL-16 Roving Frame)
 Ring (12 sets Ring Spinning Frames EJM-168)
 Ring (12 sets Frequency Invertors)
 Auto Cone (1 set Savio Autoconer)
 TFO (16 sets Aqua Splicers)
 TFO (20 sets TFO Twisters)
 TFO (4 sets Doubling Winders)
 Power Generation (One set CAT Genset 1600KW / 2000KVA)

FUTURE OUTLOOK

Generally a good cotton crop is expected this year. However, Some locations in cotton growing areas of Southern Punjab and Sindh, received heavy rains and flood that damaged cotton crop substantially. Under the prevailing circumstances the country's production of cotton is being estimated at 12.5 million bales against earlier official production target of some 13.8 million bales. Pakistan is likely to import some 3.0 to 3.5 million cotton bales in order to meet country's growing domestic cotton consumption that is estimated at around 15.5 to 16.0 million bales during 2006-2007. The mills had good stock of cotton at the start of last year whereas unsold stocks were between 1.5 and 2.0 million bales. This season, the mills are maintaining thin cotton inventory due to late cotton crop. Due to deficiency of cotton at the end of the previous season the prices of cotton has initially gone up but have started to stabilise now.

The bank markup rates increased by more than 200 per cent during last 5 years, which has consequently increased the financial charges of textile mills. This has now forced the industry to stop further investment. Besides rising rates of markup, increasing rates of fuel and power has also significantly increased the cost of manufacturing. All Pakistan Textile Mills Association (APTMA) has put forward to the Government multiple proposals including LTF and DTRE schemes for the textile industry, reduction in interest rates as well as cost of fuel and power and to abolish the import duty on textile machinery and spares. APTMA has requested to the government to meet challenges facing the local textile industry at the regional and global levels and has appealed to the government to facilitate the textile sector for the future growth of the industry and the economic growth of Pakistan.

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, 2006:

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 from 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, 2006.

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- Mr. Ahmed Bin Shahid (appointed on 05-06-2006)	-
5- Mst. Rafia Sultana	5
6- Mst. Naila Zahid	5
7- Mst. Ghazala Shahid	4
8- Mr. Abdul Amin (resigned on 05-06-2006)	5

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to their preoccupations).

ASSOCIATED COMPANIES

Following is the list of associated companies:

Shadman Cotton Mills Ltd.

Nadeem Power Generation Pvt. Ltd.

ELECTION OF DIRECTORS

Following Directors of the Company resigned w.e.f. 30-10-2006 foregoing their remaining period of directorship.

(i) Mr. Zahid Mazhar	(v) Mst. Rafia Sultana
(ii) Mr. Shahid Mazhar	(vi) Mst. Naila Zahid
(iii) Mr. Omer Bin Zahid	(vii) Mst. Ghazala Shahid
(iv) Mr. Ahmed Bin Shahid	

The election of directors will be held on October 30, 2006 in the 20th Annual General Meeting of the Company.

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, 2007.

PATTERN OF SHAREHOLDING

The pattern of share holding of the company as at June 30, 2006 is annexed.

Except as stated hereunder, no trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Mr. Zahid Mazhar CEO of the Company has gifted 88,000 shares to Mr. Shahid Mazhar Director of the Company.

Mr. Shahid Mazhar Director of the Company has gifted 50,000 shares to Mr. Ahmed bin Shahid Director of the Company.

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.

On behalf of the Board



ZAHID MAZHAR

Chief Executive

Karachi:

Dated: September 30, 2006

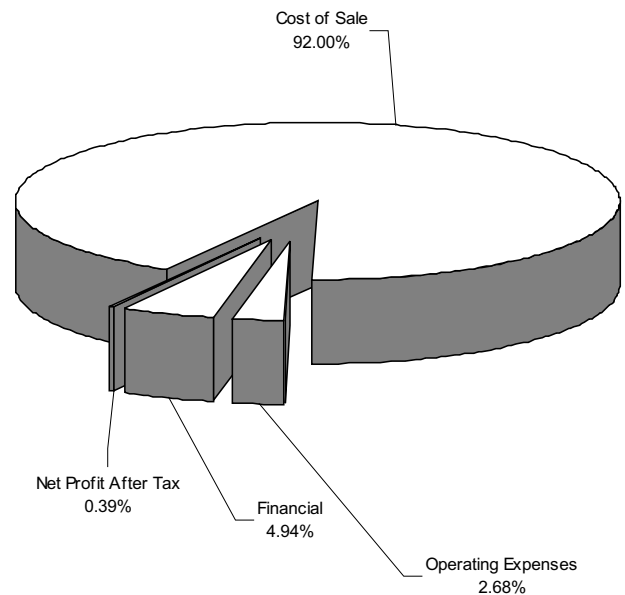
PATTERN OF SHAREHOLDING AS AT JUNE 30, 2006 (FORM-34)

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	share 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	12,015,000	100%
	b. Foreign	N I L	N I L
2.9	Others (to be specified)	N I L	N I L

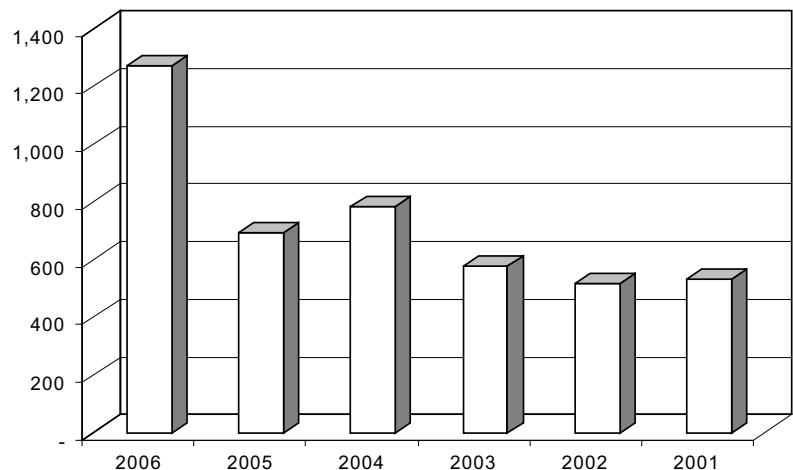
APPLICATION OF REVENUE FOR THE YEAR ENDED JUNE 30, 2006

	RUPEES	PERCENTAGE
Cost of Sale	1,171,019,820	91.59%
Operating Expenses	34,075,994	2.51%
Financial Charges	62,873,845	4.94%
Net Profit After Tax	4,912,707	0.96%
TOTAL	1,272,882,366	100%



TURNOVER

Year	Sales in (M)
2006	1,273
2005	693
2004	783
2003	578
2002	515
2001	532



Key Operating & Financial Data For the period From October 2000 To June 2006

PERIODS	July - June 2005 - 2006	Oct - June 2004 - 2005	Oct - Sep 2003 - 2004	Oct - Sep 2002 - 2003	Oct - Sep 2001 - 2002	Oct - Sep 2000 - 2001
Net Sales Revenue	1,272,882,366	693,032,010	783,026,573	578,015,996	515,168,527	532,480,038
Cost Of Goods Sold	1,171,019,820	634,447,294	709,477,219	503,998,087	457,289,041	434,527,683
Gross Profit	101,862,546	58,584,716	73,549,354	74,017,909	57,879,486	97,952,355
Operating Profit	65,955,727	38,774,367	44,581,437	50,260,472	37,840,346	79,578,334
Profit/Before Tax	6,984,414	8,978,337	28,948,350	40,639,589	21,312,969	50,549,214
Profit/After Tax	4,912,707	8,518,207	9,559,982	18,936,922	8,688,126	47,830,602
Paid Up Capital	120,150,000	120,150,000	120,150,000	120,150,000	89,000,000	89,000,000
Current Assets	438,897,576	529,567,401	518,018,719	188,855,599	213,893,756	214,766,672
Current Liabilities	458,913,643	469,416,161	459,555,560	159,089,788	163,553,926	186,853,060

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. One casual vacancy occurring in the Board in June 2006 was filled-up by the Directors within thirty days thereof.
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. The Chief Financial Officer and Company Secretary were appointed prior to the implementation of the Code of Corporate Governance. Remuneration, terms and conditions in case of future appointments on these positions will be approved by the Board.
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 30, 2006



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, 2006.



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

Karachi:

Dated: September 30, 2006


AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nadeem Textile Mills Limited as at June 30, 2006, 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, 2006, and of the Profit, 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 30, 2006

**NADEEM TEXTILE
BALANCE SHEET AS AT**

EQUITY AND LIABILITIES	NOTE	June 30, 2006 RUPEES	June 30, 2005 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized capital 12,500,000 Ordinary shares of Rs.10 each		<u>125,000,000</u>	<u>125,000,000</u>
Issued, subscribed and paid up capital	3	120,150,000	120,150,000
Capital reserve	4	15,575,000	15,575,000
Unappropriated profit		165,897,490	160,984,782
		<u>301,622,490</u>	<u>296,709,782</u>
NON CURRENT LIABILITIES			
Long term financing	5	164,642,666	126,432,746
Deferred Liabilities	6	33,912,989	43,081,527
CURRENT LIABILITIES			
Trade and other payable	7	29,321,694	39,473,739
Accrued markup		17,657,597	11,027,997
Short term finances	8	355,778,515	381,005,047
Current portion of long term financing	5	46,410,424	29,996,608
Provision for taxation		9,745,413	7,912,770
		<u>458,913,643</u>	<u>469,416,161</u>
CONTINGENCY AND COMMITMENTS	9	-	-
		<u>959,091,787</u>	<u>935,640,216</u>

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



ZAHID MAZHAR
Chief Executive

Karachi:
Dated: September 30, 2006

MILLS LIMITED
JUNE 30, 2006

PROPERTY AND ASSETS	NOTE	June 30, 2006 RUPEES	June 30, 2005 RUPEES
PROPERTY, PLANT AND EQUIPMENT			
Operating assets	10	505,980,523	373,210,647
Capital work in progress	11	<u>13,413,778</u>	<u>12,062,258</u>
		519,394,301	385,272,905
LONG TERM DEPOSITS	12	799,910	799,910
LONG TERM LOAN	13	-	20,000,000
CURRENT ASSETS			
Stores, spares and loose tools	14	13,006,765	10,929,276
Stock in trade	15	216,115,697	321,577,013
Trade debts - considered good	16	120,527,872	142,486,505
Investments	17	1,445,750	-
Loan and advances	18	14,999,406	21,065,916
Trade deposits and short term prepayments	19	62,353,761	25,199,962
Other Receivables	20	8,973,188	3,465,053
Cash and bank balances	21	1,475,137	4,843,676
		438,897,576	529,567,401
		<u>959,091,787</u>	<u>935,640,216</u>


SHAHID MAZHAR
Director

NADEEM TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	NOTE	For Year ended June 2006 RUPEES	For 9 months ended June 2005 RUPEES
Sales - Net	22	1,272,882,366	693,032,010
Cost of goods sold	23	1,171,019,820	634,447,294
Gross profit		101,862,546	58,584,716
Administrative expenses	24	15,659,757	9,379,140
Selling and distribution expenses	25	20,247,062	10,431,209
		35,906,819	19,810,349
Operating profit		65,955,727	38,774,367
Other income	26	4,270,133	3,677,572
		70,225,860	42,451,939
Financial charges - Net	27	62,873,845	33,001,058
Workers profit participation fund	7.1	367,601	472,544
		63,241,446	33,473,602
Profit before taxation		6,984,414	8,978,337
Taxation	28		
Current year		9,745,413	3,465,160
Prior year		(447,432)	(1,735,943)
Deferred tax		(7,226,274)	(1,269,087)
		2,071,707	460,130
Profit after taxation		4,912,707	8,518,207
Earnings per share	29	0.41	0.71

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


ZAHID MAZHAR
Chief Executive


SHAHID MAZHAR
Director

Karachi:
Dated: September 30, 2006

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	PAID UP CAPITAL	CAPITAL RESERVE	UNAPPRO- PRIATED PROFIT	TOTAL
	←————— RUPEES —————→			
Balance as at September 30, 2004	120,150,000	15,575,000	164,481,575	300,206,575
Final Dividend 2004 @ Rs. 1 per share	-	-	(12,015,000)	(12,015,000)
Net profit for the nine month period	-	-	8,518,207	8,518,207
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	165,897,490	301,622,490

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


ZAHID MAZHAR
 Chief Executive


SHAHID MAZHAR
 Director

Karachi:
 Dated: September 30, 2006

Shadman 

NADEEM TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

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 Statement Of Compliance

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

As per SRO 684(1) 2004 dated August 10, 2004 issued by Central Board of Revenue, the Company's tax year is required to end on June 30, instead of September 30. In order to make the Company's accounting period consistent with the aforementioned requirement, the Company has prepared its financial statements covering period of nine months for period ended on June 30, 2005 and the same has been disclosed as comparatives.

2.2 Accounting Convention

These financial statements have been prepared under the historical cost convention except as disclosed in relevant accounting policies.

2.3 Staff Retirement Benefit

Defined benefit plan

The company operates an unfunded gratuity scheme for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out effective from June 30, 2005 using the Projected Unit Credit Method. Gains & losses are amortized over expected remaining life of employees (refer note 6.1).

2.4 Taxation

Current

Provision for current taxation is based on higher of liability on taxable income at current rates of taxation after taxing into accounting available tax credits and rebates if any or minimum tax on turnover whichever is higher.

Deferred

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or at the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary difference. Deferred tax asset is recognized for deductible temporary differences only to the extent it is probable that future taxable profits will be available & the credits can be utilized.

2.5 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.6 Property, Plant & Equipment

Owned

These are stated at cost less accumulated depreciation and impairment losses, if any except leasehold land which is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in operating assets note. The full year depreciation is charged on additions during the year except in case of major expansions where the charge of depreciation is from date of commencement of commercial production. No depreciation is charged on assets deleted or retired during the period.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized and included in the cost of respective fixed assets.

Gain or loss on disposal of fixed assets is included in the current profit and loss account.

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.

Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. Impairment loss is recognized in profit and loss account whenever carrying amount of an asset exceeds its recoverable amount.

2.7 Stores, spares and loose tools

These are valued at lower of cost and NRV. Cost is determined by the weighted moving average method. Items in transit are valued at cost comprising invoice value plus other charges paid there on.

2.8 Stock in trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw Material

At average cost except those in transit which are stated at actual cost.

Work in process and finished goods

Cost of direct material and a proportion of manufacturing overhead based on normal capacity

Waste

At net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily incurred in order to make the sale.

2.9 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

2.10 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.

2.11 Financial instruments

At the time of initial recognition all the financial assets and liabilities are measured at cost, which is the fair value of consideration given or received for it gains and losses on derecognition and subsequent measurement of financial assets and liabilities are taken profit and loss account.

2.12 Investments-at fair value through profit or loss

These are initially measured at cost, being the fair value of the consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price) and realised and unrealised gains and losses arising from changes in fair value are included in the net profit or loss for the period in which they arise. These are intended to be held for less than twelve months and accordingly are classified as current assets.

2.13 Offsetting

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

2.14 Revenue recognition

Sales are recognized on dispatch of goods to the customers. Dividend income is recognized when right to receive dividend is established. Interest income is recognized on accrual basis.

2.15 Borrowing cost

Borrowing cost incurred upto the date the qualifying assets is ready for use and that is directly attributable to the acquisition or construction of related fixed asset is capitalized as part of the cost of relevant asset. All other mark-up, interest and other related charges are charged to income currently.

2.16 Foreign currency translation

Assets and liabilities in foreign currencies are converted into Pak rupees at the exchange rates prevailing on the balance sheet date, except those converted under foreign exchange contract. Exchange gains or losses, if any, are included in current year's profit and loss account.

2.17 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984.

2.18 Dividend

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

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 30, 2006 No. of shares	June 30, 2005 No. of shares		June 30, 2006 Rupees	June 30, 2005 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>

4. CAPITAL RESERVE	June 30, 2006	June 30, 2005
	RUPEES	RUPEES
Share Premium	<u>15,575,000</u>	<u>15,575,000</u>

The Company has issued 3,115,000 Ordinary right shares at premium of Rs. 5 per share in 2003.

5. LONG TERM FINANCING

Banking companies	159,442,666	126,432,746
Directors	5,200,000	-
	<u>164,642,666</u>	<u>126,432,746</u>

Particulars	Askari Commercial Bank		Soneri Bank	Bank Al-Falah	Citi bank N.A	TOTAL 2006	TOTAL 2005
	TF-I	TF-II					
Opening Balance	38,959,744	71,999,998	8,513,332	36,956,280	-	156,429,354	90,963,778
Add: Obtained during the period				57,398,000	22,022,336	79,420,336	81,528,047
	38,959,744	71,999,998	8,513,332	94,354,280	22,022,336	235,849,690	172,491,825
Less: Paid during the period	(9,739,936)	(16,000,000)	(4,256,664)	-	-	(29,996,600)	(16,062,471)
Closing Balance	29,219,808	55,999,998	4,256,668	94,354,280	22,022,336	205,853,090	156,429,354
Less: Current maturity	(9,739,936)	(16,000,000)	(4,256,668)	(16,413,820)	-	(46,410,424)	(29,996,608)
Long term portion	<u>19,479,872</u>	<u>39,999,998</u>	<u>-</u>	<u>77,940,460</u>	<u>22,022,336</u>	<u>159,442,666</u>	<u>126,432,746</u>

Significant terms and conditions 5.1 5.1 5.2 5.3 5.4

- 5.1** 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-1 and June 2005 for TF-II respectively. It carries mark up at the rate of six month's average KIBOR + 2% per annum.
- 5.2** 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 12 equal quarterly installment commencing from September, 2004. It carries markup at the rate of 6 month's average KIBOR + 2.5% per annum.
- 5.3** This 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
- 5.4** This represents liability for Caterpillar-Generator imported against 360 days usance L/C opened by Askari Commercial Bank Ltd. During the year, Company has arranged to meet its obligation against the L/C on due date in 2006 through long term loan from Citi Bank .N.A.

		June 30, 2006 RUPEES	June 30, 2005 RUPEES
6.	DEFERRED LIABILITIES		
	Gratuity 6.1	5,840,550	7,782,813
	Deferred taxation 6.2	28,072,439	35,298,714
		<u>33,912,989</u>	<u>43,081,527</u>
6.1	Movement in the net liability recognized in the balance sheet		
	Opening net liability	7,782,813	6,647,173
	Expense for the year	3,018,937	1,867,190
		<u>10,801,750</u>	<u>8,514,363</u>
	Benefits paid	(4,961,200)	(731,550)
	Closing net liability	<u>5,840,550</u>	<u>7,782,813</u>
	Expense recognized in the profit and loss account		
	Current service cost	1,300,300	1,850,303
	Interest cost	374,883	489,840
	Net actuarial loss/(Gain) recognized in the year	1,343,754	(472,953)
		<u>3,018,937</u>	<u>1,867,190</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
		June 30, 2006 RUPEES	June 30, 2005 RUPEES
6.2	DEFERRED TAXATION		
	The liability for deferred taxation comprises of temporary differences.		
	Taxable temporary difference		
	Accelerated tax depreciation allowance	47,634,551	43,948,794
	Deductible temporary differences		
	Provision for gratuity	1,068,831	1,779,449
	Un used tax losses	18,493,281	6,870,631
		<u>19,562,112</u>	<u>8,650,080</u>
		<u>28,072,439</u>	<u>35,298,714</u>
7.	TRADE AND OTHER PAYABLES		
	Creditors	8,988,510	13,859,202
	Accrued expenses	19,923,950	21,582,418
	Workers' profit participation fund 7.1	367,601	472,544
	Income tax payable	40,537	90,612
	Unclaim dividend	1,096	3,468,963
		<u>409,234</u>	<u>4,032,119</u>
		<u>29,321,694</u>	<u>39,473,739</u>

7.1 PARTICIPATION FUND

		472,544	1,523,597
	26	32,183	79,263
	WPF char	504,727	1,602,860
Less:	4lah 6ion fo 848 char	504,727	1,602,860
		-	-
Add: Allo		367,601	472,544
		367,601	472,544

The company retained participation fund for its business operation till the date of allocation to the workers. The prescribed rate under the Workers' Profit Participation Fund Act on funds utilized by the company of allocation to the workers.

8. SHORT TERM FINANCING

Secured under Mark-up and			
Running / Cash Finances:			
Askari Commercial Bank Ltd.		45,195,671	205,919,205
Bank Al-Falah Limited		104,746,313	-
Soneri Bank Limited		70,105,449	55,085,842
Citi Bank N.A.		119,756,000	120,000,000
Finance against foreign bill:			
Bank Al-Falah Limited		2,060,000	-
Foreign currency:			
Soneri Bank Ltd.		13,915,082	-
		355,778,515	381,005,047

TICIP4lah i6 0.0

For

9. CONTINGENCY AND COMMITMENTS

9.1. Contingency

The Company has filed appeal in the High Court of Sindh to claim exemption from payment of infrastructure charges payable Rs. 2,242,933/= to Excise and Taxation Officer (E.T.O.) at seaport and airport, and consequently obtained the stay order for suit No. 486/2004 of the Honourable High Court of Sindh, which is further covered against bank guarantee submitted to the E.T.O. Rs. 2,500,000/=. The appeal is still pending for hearing. In view of opinion of its legal advisor the appeal likely to be decided in favour of the company and therefore, no provision has been made in these accounts for infrastructure charges.

9.2 Commitments

Letter of credit for capitalization		595,736	12,455,000
Estimated further cost of capital work in progress		640,522	142,154,000
Bank guarantee to Excise & taxation officer		2,500,000	2,000,000

10 OPERATING ASSETS

PARTICULARS	C O S T		RATE %	DEPRECIATION			WRITTEN DOWN VALUE 30.6.2006
	AS ON 1.07.2005	ADDITION / (DELETION)		TRANSFER IN / (OUT)	AS ON 30.6.2006	AS ON 1.07.2005	
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	14,035,555	3,649,312	32,843,812
Office premises	34,401,374	6,581,245	5	40,982,619	10,578,050	1,520,228	28,884,340
Plant and machinery	520,511,192	164,192,673	10	684,703,865	212,869,323	38,751,159	433,083,383
Office equipment	1,129,405	308,100	10	1,437,505	456,778	98,073	882,654
Computer equipment	192,630	232,961	30	425,591	54,311	111,384	259,896
Furniture and fixture	706,505	130,444	10	836,949	339,696	49,725	447,527
Vehicles	11,762,535	2,061,799	20	13,824,334	5,815,174	1,601,832	6,407,328
TOTAL RUPEES 2006	617,359,536	173,507,222		795,911,126	244,148,889	-	505,980,523
TOTAL RUPEES 2005	512,995,561	80,567,374		617,359,536	214,552,903	-	373,210,647

	2006 RUPEES	2005 RUPEES
10.1 Depreciation is allocated as under :		
Cost of sales	42,400,472	27,493,835
Administrative expenses	3,381,242	2,102,151
	<u>45,781,714</u>	<u>29,595,986</u>

	June 30, 2006	June 30, 2005
	RUPEES	RUPEES
11 CAPITAL WORK IN PROGRESS		
Civil works	<u>13,413,778</u>	<u>12,062,258</u>
12. LONG TERM DEPOSITS		
WAPDA security deposits	715,160	715,160
Others	84,750	84,750
	<u>799,910</u>	<u>799,910</u>
13. LONG TERM LOANS (Unsecured)		
Related parties		
Shadman Cotton Mills Limited 13.1	-	20,000,000
13.1	Mark up charged at the rate of KIBOR plus 2% (2005: KIBOR + 2%). The maximum amount due at the end of any month was Rupees 20,000,000/- (2005: Rupees 27,733,028/-).	
14. STORES, SPARES AND LOOSE TOOLS		
Stores	2,640,614	1,960,288
Spares	10,286,547	8,917,652
Loose tools	79,604	51,336
	<u>13,006,765</u>	<u>10,929,276</u>
15. STOCK IN TRADE		
Raw material	161,494,474	262,195,559
Work-in-process	10,565,494	6,705,906
Finished goods	43,768,437	51,819,248
Waste	287,293	856,299
	<u>216,115,697</u>	<u>321,577,013</u>
16. TRADE DEBITS		
Secured - Against letter of credits.		
Export debtors	2,345,641	3,644,271
Unsecured		
Considered good	118,182,231	138,842,234
	<u>120,527,872</u>	<u>142,486,505</u>
17. INVESTMENTS - Financial assets at fair value through profit or loss		
Listed Securities		
Pakistan State Oil	927,000	-
3,000 (2005: Nil) fully paid ordinary shares		
Pakistan telecommunication Corp. Ltd.	203,000	-
5,000 (2005: Nil) fully paid ordinary shares		
Kot Adu Power Co.	315,750	-
7,500 (2005: Nil) fully paid ordinary shares		
	<u>1,445,750</u>	<u>-</u>
18. LOAN AND ADVANCES		
To staff and workers	452,581	1,483,515
Income tax refundable	3,923,995	5,459,811
Income tax	10,622,830	14,122,590
	<u>14,999,406</u>	<u>21,065,916</u>

	June 30, 2006	June 30, 2005
	RUPEES	RUPEES
19. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Deposit	6,982,500	985,500
Advance against raw material	22,637,088	-
Advance against import of machinery	-	12,454,954
Advance to suppliers	30,738,618	11,712,137
Prepayments	1,995,555	47,371
	<u>62,353,761</u>	<u>25,199,962</u>
20. OTHER RECEIVABLES		
Sales tax refundable	6,782,980	2,073,830
Accrued markup from associated undertaking 13.1	2,190,208	1,391,223
	<u>8,973,188</u>	<u>3,465,053</u>
21. CASH AND BANK BALANCES		
Cash in hand	193,897	354,416
Cash at bank		
In current account	1,273,964	4,335,667
In deposit account 20.1	7,276	153,593
	<u>1,281,240</u>	<u>4,489,260</u>
	<u>1,475,137</u>	<u>4,843,676</u>
21.1	It carries markup at the rate ranging from 3 to 4.5% (2005: 0.75% to 1.5%)	
22. SALES -NET		
Local including sales tax	632,085,955	504,419,107
Export 22.1	611,912,441	257,316,544
Less: Ocean Freight	8,950,112	6,417,053
FOB Value	<u>602,962,329</u>	<u>250,899,491</u>
	1,235,048,284	755,318,598
Waste	15,999,593	9,299,485
Raw Material	33,385,149	-
	<u>1,284,433,026</u>	<u>764,618,083</u>
Less:		
Sales Tax	-	60,994,174
Commission on export sales	9,997,251	10,072,303
Export development charges	1,553,409	519,596
	<u>11,550,660</u>	<u>71,586,073</u>
	<u>1,272,882,366</u>	<u>693,032,010</u>
22.1	Export sales includes exchange gain of Rs. 8,267,975/= (2005: Rs. 9,722,387/=)	

		June 30, 2006	June 30, 2005
		RUPEES	RUPEES
23.	COST OF SALES		
	Raw material consumed	644,869,127	391,352,312
	Store and spares consumed	14,874,242	10,460,017
	Packing material consumed	20,528,197	10,638,818
	Salaries, wages and other benefits	53,763,523	35,172,031
	Repair and maintenance	3,657,644	2,840,670
	Insurance	2,344,690	1,044,119
	Fuel and power	83,282,960	40,688,285
	Other manufacturing expenses	8,397,683	4,045,080
	Depreciation	42,400,472	27,493,835
		<u>874,118,538</u>	<u>523,735,166</u>
	Work in process	<u>6,705,906</u>	<u>6,973,830</u>
	Opening	<u>(10,565,494)</u>	<u>(6,705,906)</u>
	Closing	<u>(3,859,587)</u>	<u>267,924</u>
	Cost of goods manufactured	<u>870,258,951</u>	<u>524,003,090</u>
	Finished goods and waste		
	Opening	<u>52,675,547</u>	<u>62,130,166</u>
	Yarn purchased for export	<u>292,141,050</u>	<u>100,989,585</u>
	Closing	<u>(44,055,729)</u>	<u>(52,675,547)</u>
		<u>300,760,868</u>	<u>110,444,204</u>
		<u><u>1,171,019,820</u></u>	<u><u>634,447,294</u></u>
23.1	RAW MATERIAL CONSUMED		
	Opening stock	262,195,559	235,579,263
	Add: Purchases	544,168,042	417,968,608
		<u>806,363,601</u>	<u>653,547,871</u>
	Closing stock	<u>(161,494,474)</u>	<u>(262,195,559)</u>
		<u><u>644,869,127</u></u>	<u><u>391,352,312</u></u>
23.2	It includes staff retirement benefits amounting to Rs. 2,256,119/= (2005: 1,814,950/=).		
24.	ADMINISTRATIVE EXPENSES		
	Directors' remuneration	986,000	783,000
	Salaries and other benefits	5,029,089	2,642,657
	Travelling conveyance	429,267	152,496
	Legal and professional	629,841	451,009
	Fees and subscription	206,980	131,283
	Rent, rates and taxes	395,425	253,235
	Electricity, gas and water	397,932	254,165
	Repair and maintenance	364,650	521,878
	Communication expenses	501,323	283,883
	Printing and stationery	288,750	187,870
	Motor vehicle expenses	1,597,010	1,020,779
	Advertisement expenses	21,767	21,553
	Entertainment expenses	399,568	251,286
	Charity and donation	487,940	-
	Audit fee	198,000	166,000
	Miscellaneous expenses	337,487	150,901
	Newspaper and periodicals	7,486	4,994
	Depreciation	3,381,242	2,102,151
		<u>15,659,757</u>	<u>9,379,140</u>
24.1	It includes staff retirement benefits amounting to Rs. 762,818 (2005: Rs. 52,241)		

June 30, 2006
RUPEES

24.2 Auditors Remuneration		
Audit fee	150,000	
Half Yearly review	35,000	
Out of pocket expenses	13,000	
	198,000	
25. SELLING AND DISTRIBUTION EXPENSES		
Freight and octroi charges local	3,125	
Commission local	8,054	
Others	408,030	
	<u>419,209</u>	
26. OTHER INCOME		
Income from processing of yarn		3,673,100
Profit on saving deposit account		4,472
Loss on Investment	(0)	-
	<u>4,270,133</u>	<u>3,677,572</u>
27. FINANCIAL EXPENSES - NET		
Mark-up on bank running finance	41,462,447	22,687,668
		3,100,499
		3,282,657
		79,263
		1,030,361
		4,392,281
		(391,223)
		3,001,058
		(2005).
Tax		
Determining taxable income		
Tax effect of		
Determining taxable income		
Tax expenses for the current year		
or		
Tax under section 113 which ever is higher		
Tax charge for the current year-PTR	9,745,413	3,465,160
Tax charge for the prior years	(447,432)	(1,735,943)
Deferred tax adjustment	(7,226,274)	(1,269,087)
	<u>2,071,707</u>	<u>460,130</u>

June 30, 2006
RUPEES

June 30, 2005
RUPEES

29. EARNINGS PER SHARE - BASIC

Profit after taxation in rupees	4,912,707	8,518,207
Weighted average number of ordinary shares	12,015,000	12,015,000
Earning per share in rupees	0.41	0.71

There is no dilutive effect on basic earning per share of the Company.

30. CASH GENERATED FROM OPERATIONS

Profit before taxation	6,984,414	8,978,337
Adjustments for non cash charges and other items		
Depreciation	45,781,714	29,595,986
Provision for gratuity	3,018,937	1,867,190
Workers' profit participation fund	367,601	472,544
Financial charges - net	62,873,845	33,001,058
	112,042,097	64,936,778
Operating profit before working capital changes	119,026,511	73,915,115
(Increase)/ decrease in current assets		
Stocks, stores, spares and loose tools	(2,077,489)	(2,671,735)
Stock in trade	105,461,316	(16,893,754)
Trade debts	21,958,633	25,717,273
Loans and advances	1,030,934	(630,235)
Trade deposits and short term prepayments	(37,153,799)	(143,381)
Other receivables	(5,508,135)	(1,126,035)
	83,711,460	4,252,133
Increase/(Decrease) in current liabilities		
Trade and other payables	(6,579,235)	(33,059,033)
	196,158,736	45,108,215

31. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE REMUNERATION

	DIRECTORS		EXECUTIVE		TOTAL	
	2006	2005	2006	2005	2006	2005
Managerial remunerating	657,333	522,000	-	-	657,333	522,000
Remuneration allowances	328,667	261,000	-	-	328,667	261,000
	986,000	783,000	-	-	986,000	783,000

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

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

32. FINANCIAL INSTRUMENTS

32.1 YIELD/MARK UP RATE RISK

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to



32.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers and believes that it is not exposed to significant exchange risk. As at year end no forward contracts have been taken up by the management due to strengthening of the local currency against foreign currencies.

32.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's management closely monitors the Company's liquidity and cash flow position.

33 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 30, 2006 by the Board.

34 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:


	June 30, 2006	June 30, 2005
	RUPEES	RUPEES
Interest Income	2,190,208	1,391,223
Sale of raw material	33,385,149	-
Purchase of yarn	239,635,500	97,089,585
Reprocessing income	4,267,900	3,673,100
Reprocessing charges	931,867	665,159
Sale of yarn	12,031,800	-

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

	June 30, 2006	June 30, 2005
35 PLANT CAPACITY AND ACTUAL PRODUCTION		
Total number of spindles installed	32,304	24,240
Average number of spindles worked	26,256	23,274
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (Kgs.)	8,965,728	6,213,658
Actual production after conversion into 20/s count (Kgs.)	8,560,906	6,174,388

36. GENERAL

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



ZAHID MAZHAR
Chief Executive



SHAHID MAZHAR
Director

Karachi:
Dated: September 30, 2006