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## **NADEEM TEXTILE MILLS LIMITED**

### **Vision Statement**

To be a dynamic, profitable and growth oriented Company.

### **Mission Statement**

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

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

## COMPANY INFORMATION

BOARD OF DIRECTORS	:	MR. ZAHID MAZHAR (Chief Executive) MR. SHAHID MAZHAR MR. OMER BIN ZAHID MST. RAFIA SULTANA MST. NAILA ZAHID MST. GHAZALA SHAHID MR. ABDUL AMIN
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) MR. ABDUL AMIN (MEMBER)
CHIEF FINANCIAL OFFICER	:	MR. SHAIKH FARUKH JAMIL (DIBP)
BANKERS	:	ASKARI COMMERCIAL BANK LIMITED SONERI BANK LIMITED CITI BANK BANK AL-FALAH LIMITED
REGISTERED OFFICE	:	201-202, COMMERCE CENTRE, HASRAT MOHANI ROAD, KARACHI - PAKISTAN. PHONE : (021) 2635807 - 2635809 FAX : (92 -21) 2637896 - 2632712
MILLS	:	A-265, S.I.T.E., NOORIABAD, DISTRICT DADU, SINDH.
URL	:	<a href="http://www.shadmangroup.com.pk">www.shadmangroup.com.pk</a>

## NADEEM TEXTILE MILLS LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 19th Annual General Meeting of the Company will be held at 601-603, Commerce Centre, Hasrat Mohani Road, Karachi, on Friday October 28, 2005 at 4:00 p.m. to transact the following business.

1. Recitation from the Holy Quran.
2. To confirm the Minutes of the 18th Annual General Meeting of the Company held on December 31, 2004.
3. To receive, consider, and adopt the audited accounts for the period ending June 30, 2005 together with the Directors' and Auditors' report thereon.
4. To approve placing, of quarterly accounts on our web site instead of sending the same by mail to the members.
5. To appoint the Auditors of the Company 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: 30-09-05

**BY ORDER OF THE BOARD**  
Secretary

#### Notes:

1. The share transfer books of the Company shall remain closed from 22-10-05 to 28-10-05 (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 National Identity Card (NIC) 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.

## NADEEM TEXTILE MILLS LIMITED

### DIRECTORS' REPORT TO THE SHARE HOLDERS

Dear Shareholders,

The Directors of the Company have pleasure in presenting before you the 19th Annual Report together with the audited accounts of the Company for the period ended June 30, 2005.

#### SUMMARY OF FINANCIAL RESULTS

	<b>RUPEES</b>
Profit before taxation	8,978,337
<b>TAXATION</b>	
Current	3,465,160
Prior Year	(1,735,943)
Deferred tax	<u>(1,269,087)</u>
	460,130
Profit after Tax	<u><u>8,518,207</u></u>

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

The break-up value of your shares as on June 30, 2005 was Rs. 24.69 as compared to Rs. 24.98 as at September 30, 2004.

The earning per share for the year ended June 30, 2005 is Rs. 0.71 as per computation below:

Profit after taxation	8,518,207
No. of ordinary shares	12,015,000
	<u>Rs. 0.71</u>

#### OVERVIEW

During the nine months under review, the Company made a pre-tax profit of Rs. 8,978,337 as compared to pre-tax profit of Rs. 28,948,350 of the last year. The decline of pre-tax profit is mainly due to higher rates of bank markups and quantum of bank borrowings due to BMR. The financial charges of last year were Rs. 15.58 million, which increased to Rs. 33 million during current nine months. The gross profit percentage decreased to 8.45% as compared to 9.39% of the comparative period. One of the reasons for this decline is the increasing rates of fuel and power.

The Company has continued to improve its production facilities, quality level and marketing capacity. During the nine months under review, the Company's net sales amounted to Rs. 693 million as compared to Rs. 783 million in the last year, showing a prorata increase of 18% in nine months.

#### OPERATING PERFORMANCE

The mills have remained in operation throughout the period and worked on 3 shifts basis. The 20/1 count converted production during nine months works out to 6.17 million kgs. (2004 : 7.98 million kgs.)

#### EXPANSION / BMR PLAN

During the period under review the Company further expanded and modernized the production facilities to enhance quality level, productivity and value addition. Following major expansion / modernization has been made in various departments:

- Blow Room (Foreign Material Detector and dust cleaning system)
- Blow Room (Argus Fire Protection System)
- Carding (2 sets Crosrol)
- Drawing (2 sets Hara Draw Frames)
- Ring (Drafting Equipment)
- Ring (Balloon Control System)

Ring (Humidification Plant)  
Auto Cone (2 Sets Savio automatic winder)  
Auto Cone (Humidification Plant)  
Auto Cone (Polymatic Yarn Clearer)  
Screw Compressor (1 set)  
Twisting (A/C Plant)  
Twisting (8 Sets Aqua Splicers)  
Heavy Electric Cables

### **FUTURE OUTLOOK**

The consumption of cotton in Pakistan is increasing rapidly. We had a very good crop of 14.6 million bales last year. The initial reports indicate a good crop this year too. However, Pakistan will have to import substantial quantity of cotton as the consumption of cotton is increasing every year at a very fast rate.

### **DIVIDEND**

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

### **HUMAN RESOURCES**

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 also 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, 2005:

- 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, 2005.

### BOARD MEETINGS

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

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

### ASSOCIATED COMPANIES

Following is the list of associated companies:

- (a) Shadman Cotton Mills Ltd.
- (b) Nadeem Power Generation (Pvt). Ltd.

### CHANGE IN FINANCIAL YEAR END

In compliance of CBR SRO No.684(1)/2004 dated August 10, 2004 vide SECP Circular No. 29 of 2004, the Company has closed its first financial year after the change for nine months ending on June 30, 2005.

### 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)
- Mr. Abdul Amin (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, 2006.

### PATTERN OF SHAREHOLDING

The pattern of share holding of the company as at June 30, 2005 is annexed.

### 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: 30-09-05

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2005 (FORM-34)**

NUMBER OF SHAREHOLDERS	FROM	SHARE HOLDING	TO	TOTAL SHARES HELD
11	101	-	500	5,500
1	10,001	-	15,000	11,622
1	45,001	-	50,000	50,000
1	140,001	-	145,000	141,384
1	705,001	-	710,000	707,400
1	715,001	-	720,000	717,732
1	1,010,001	-	1,015,000	1,013,681
1	1,020,001	-	1,025,000	1,024,750
1	1,550,001	-	1,555,000	1,551,053
1	1,580,001	-	1,585,000	1,584,397
1	2,425,001	-	2,430,000	2,428,400
1	2,775,001	-	2,780,000	2,779,081
<b>* 22</b>				<b>12,015,000</b>

S.NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE %
1	INDIVIDUALS	22	12,015,000	100
		<b>22</b>	<b>12,015,000</b>	<b>100</b>

\* Includes 1 shareholder of CDC beneficial owner.

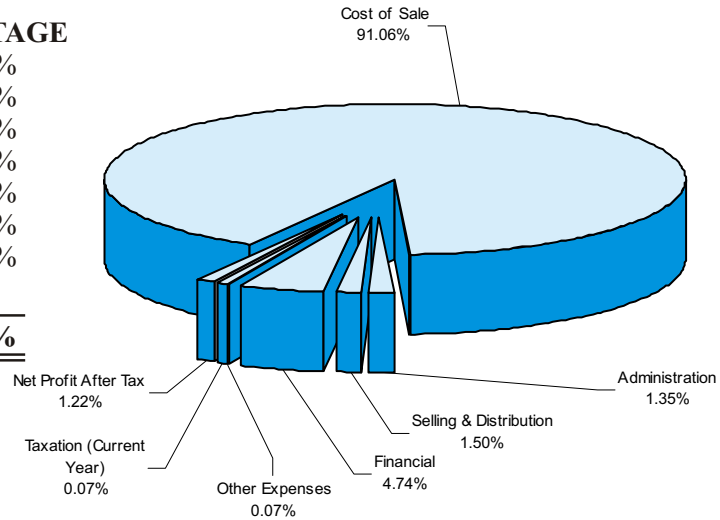
**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2005  
 ADDITIONAL INFORMATION**

Category No.	Category of	Number of Shares Held	Category Wise No. of S/H	Category Wise Shares Held	Percentage
1.	Individual	-	15	4,883,432	40.64
2.	Investment Companies	-	-	-	-
3.	Joint Stock Companies	-	-	-	-
4.	Directors, Chief Executive Officer and their Spouse and Minor Children	-	7	7,131,568	59.36
	MR. ZAHID MAZHAR	2,428,400			
	MR. SHAHID MAZHAR	2,829,081			
	MR. OMER BIN ZAHID	707,400			
	MRS. RAFIA SULTANA	1,013,681			
	MRS. NAILA ZAHID	11,622			
	MRS. GHAZALA SHAHID	141,384			
	MR. ABDUL AMIN	-	-	-	-
5.	EXECUTIVES	-	-	-	-
6.	NIT / ICP	-	-	-	-
7.	Associated Companies, undertakings and related parties	-	-	-	-
8.	Public Sector Companies and Corporation	-	-	-	-
9.	Banks, DFIs, NBFIs, Modaraba & Insurance Companies, Mutual Funds	-	-	-	-
			-	-	-
Total			22	12,015,000	100.00

## APPLICATION OF REVENUE FOR THE YEAR ENDED JUNE 30, 2005

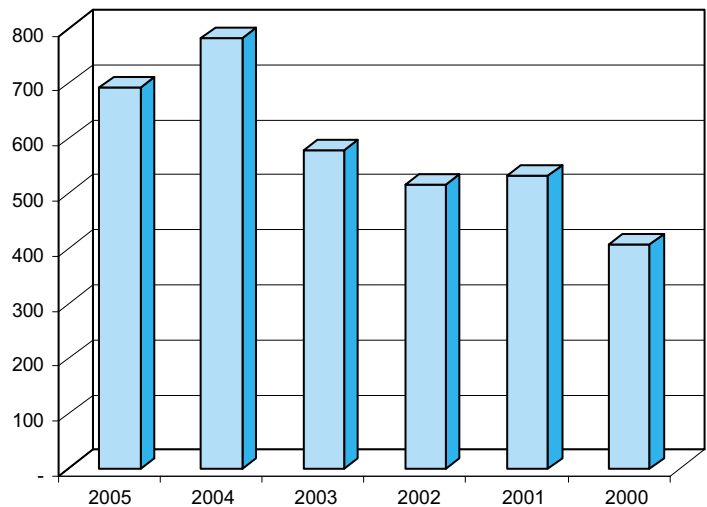
	RUPEES	PERCENTAGE
Cost of Sale	634,447,293	91.06%
Administration	9,379,140	1.35%
Selling & Distribution	10,431,209	1.50%
Financial	33,001,058	4.74%
Other Expenses	472,544	0.07%
Taxation	460,130	0.07%
Net Profit After Tax	8,518,207	1.22%

**TOTAL** 696,709,581 100.00%



### TURNOVER

Year	Sales in (M)
2005	693
2004	783
2003	578
2002	515
2001	532
2000	407



### Key Operating & Financial Data For the period From October 1999 To June 2005

PERIODS	Oct - June 2004 - 2005	Oct - Sep 2003 - 2004	Oct - Sep 2002 - 2003	Oct - Sep 2001 - 2002	Oct - Sep 2000 - 2001	Oct - Sep 1999 - 2000
Net Sales Revenue	693,032,010	783,026,573	578,015,996	515,168,527	532,480,038	406,747,684
Cost Of Goods Sold	634,447,293	709,477,219	503,998,087	457,289,041	434,527,683	309,376,813
Gross Profit	58,584,717	73,549,354	74,017,909	57,879,486	97,952,355	97,370,871
Operating Profit	38,774,367	44,581,437	50,260,472	37,840,346	79,578,334	83,953,639
Profit/(Loss) Before Tax	8,978,337	28,948,350	40,639,589	21,312,969	50,549,214	68,461,724
Profit/(Loss) After Tax	7,249,120	9,559,982	18,936,922	8,688,126	47,830,602	54,361,724
Paid Up Capital	120,150,000	120,150,000	120,150,000	89,000,000	89,000,000	89,000,000
Current Assets	529,567,401	518,018,719	188,855,599	213,893,756	214,766,672	186,186,352
Current Liabilities	469,416,161	459,555,560	159,089,788	163,553,926	186,853,060	136,869,768

## **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 NBFI or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. No casual vacancy occurred in the Board 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 in which they were briefed regarding recent substitution of Fourth Schedule to the Companies Ordinance 1984, 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: 30-09-05

  
**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 provision 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 our audit of financial statement we are required to obtain an understanding of the accounting and internal control system 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 to Board's statement on internal control covers all control and effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statements 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 from October 01, 2004 to June 30, 2005.



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

Karachi:  
Dated: 30-09-2005

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NADEEM TEXTILE MILLS LIMITED** as at June 30, 2005, and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the period from October 01, 2004 to June 30, 2005 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 except for the change as noted in note 2.19 with we concur;
  - (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, 2005 and of the Profit, its cash flows and changes in equity for the period from October 01, 2004 to June 30, 2005; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements for the year ended September 30, 2004 were audited by another firm of Chartered Accountants, who expressed an unqualified opinion in their report dated December 09, 2004.



**KHALID MAJID RAHMAN**

**SARFARAZ RAHIM IQBAL RAFIQ**

**CHARTERED ACCOUNTANTS**

Karachi:

Dated: 30-09-2005

**NADEEM TEXTILE MILLS LIMITED**  
**BALANCE SHEET AS AT JUNE 30, 2005**

<b>EQUITY AND LIABILITIES</b>	<b>NOTE</b>	<b>June 30, 2005 RUPEES</b>	<b>Sep. 30, 2004 RUPEES</b>
<b>SHARE CAPITAL AND RESERVES</b>			
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		160,984,782	164,481,575
		<u>296,709,782</u>	<u>300,206,575</u>
<b>NON CURRENT LIABILITIES</b>			
Long term financing	5	126,432,746	73,424,350
Deferred Liabilities	6	43,081,527	43,214,974
<b>CURRENT LIABILITIES</b>			
Trade and other payable	7	39,473,739	70,114,862
Accrued markup		11,027,997	3,010,785
Short term finances	8	381,005,047	358,884,462
Current portion of long term financing	5	29,996,608	17,539,428
Provision for taxation		7,912,770	10,006,023
		469,416,161	459,555,560
<b>CONTINGENCY AND COMMITMENTS</b>	9		
		<u>935,640,216</u>	<u>876,401,459</u>

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



**ZAHID MAZHAR**  
Chief Executive

Karachi:  
Dated: 30-09-2005

**NADEEM TEXTILE MILLS LIMITED**  
**BALANCE SHEET AS AT JUNE 30, 2005**


<b>PROPERTY AND ASSETS</b>	<b>NOTE</b>	<b>June 30, 2005 RUPEES</b>	<b>Sep. 30, 2004 RUPEES</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	10	373,210,647	298,442,658
Capital work in progress	11	36,229,349	42,357,112
		409,439,996	340,799,770
 LONG TERM DEPOSITS	 12	 799,910	 774,910
LONG TERM LOAN	13	20,000,000	27,733,028
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	14	10,929,276	8,257,541
Stock in trade	15	321,577,013	304,683,259
Trade debts	16	142,486,505	168,203,778
Loan and advances	17	21,065,916	20,183,331
Trade deposits and short term prepayments	18	1,032,871	889,490
Other Receivables	19	3,465,053	2,339,018
Cash and bank balances	20	4,843,676	2,537,334
		505,400,310	507,093,751
		935,640,216	876,401,459

  
**SHAHID MAZHAR**  
 Director

**NADEEM TEXTILE MILLS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2005**

	NOTE	For 9 months ended 2005 RUPEES	For Year ended 2004 RUPEES
Sales - Net	21	693,032,010	783,026,573
Cost of goods sold	22	634,447,293	709,477,219
Gross profit		<u>58,584,717</u>	<u>73,549,354</u>
Administrative expenses	23	9,379,140	11,906,191
Selling and distribution expenses	24	10,431,210	17,061,726
		<u>19,810,349</u>	<u>28,967,917</u>
Operating profit		38,774,367	44,581,437
Other income	25	3,677,572	1,473,301
		<u>42,451,939</u>	<u>46,054,738</u>
Financial charges - Net	26	33,001,058	15,582,791
Workers profit participation fund	7.1	472,544	1,523,597
		<u>33,473,602</u>	<u>17,106,388</u>
Profit before taxation		8,978,337	28,948,350
Taxation	27		
Current year		3,465,160	4,447,610
Prior year		(1,735,943)	1,371,844
Deferred tax		(1,269,087)	13,568,914
		<u>460,130</u>	<u>19,388,368</u>
Profit after taxation		<u>8,518,207</u>	<u>9,559,982</u>
Earnings per share	28	0.71	0.87

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



**ZAHID MAZHAR**  
Chief Executive



**SHAHID MAZHAR**  
Director


Karachi:  
Dated: 30-09-05

**NADEEM TEXTILE MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2005**

PAID UP CAPITAL	CAPITAL RESERVE	UNAPPRO- PRIATED PROFIT	TOTAL
←————— RUPEES —————→			

Balance at September 30, 2003	120,150,000	15,575,000	154,921,593	290,646,593
Net profit for the year 2004	-	-	9,559,982	9,559,982
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 months ended June 30, 2005	-	-	8,518,207	8,518,207
Balance as at June 30, 2005	120,150,000	15,575,000	160,984,782	296,709,782

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



**ZAHID MAZHAR**  
Chief Executive



**SHAHID MAZHAR**  
Director

Karachi:  
Dated: 30-09-05

**NADEEM TEXTILE MILLS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2005**

	NOTE	2005 For 9 months ended June 30 RUPEES	2004 For year ended September 30 RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	29	45,108,215	(247,379,672)
Taxes paid		(4,074,830)	(6,243,017)
Gratuity paid		(731,550)	(950,250)
Financial charges paid		(24,904,583)	(13,459,693)
Workers' profit participation fund paid		(1,602,860)	(2,204,871)
Net cash (used in) / generated from operating activities		13,794,392	(270,237,503)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(98,236,202)	(103,955,371)
Proceeds from disposal of fixed assets		-	860,000
Long term deposits		(25,000)	-
Long term loans		7,733,028	110,721
Net cash used in investing activities		(90,528,174)	(102,984,650)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(8,546,037)	-
Proceeds from long term finances		81,528,047	93,493,888
Repayments of long term finances		(16,062,471)	(9,830,110)
Repayment of liabilities against assets subject to finance leases		-	(8,672,001)
Net cash from / (used in) financing activities		56,919,539	74,991,777
Net (decrease) / increase in cash and cash equivalents		(19,814,243)	(298,230,376)
Cash and cash equivalents at the beginning of the year		(356,347,128)	(58,116,752)
Cash and cash equivalents at the end of the year		(376,161,371)	(356,347,128)
<b>Cash and cash equivalents</b>			
Cash and bank balances		4,843,676	2,537,334
Short term finances		(381,005,047)	(358,884,462)
		(376,161,371)	(356,347,128)

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



**ZAHID MAZHAR**  
Chief Executive



**SHAHID MAZHAR**  
Director

Karachi:  
Dated: 30-09-05

# NADEEM TEXTILE MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2005

### 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.

The Fourth Schedule to the Companies Ordinance, 1984, was substituted by Security and Exchange Commission of Pakistan and became effective from the financial year ending on or after July 5, 2004. The Company has accordingly changed its dividend recognition policy. Dividend proposed at year end is recognized upon approval by the shareholders in the Annual General Meeting of the Company.

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 ended on June 30, 2005. Since the audited comparative figures are available for year ended September 30, 2004 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 benefits

##### 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 valuation. The most recent valuation was carried out as at 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 taking into account available tax credits and rebates if any or minimum tax on turnover.

##### Deferred

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amount used for taxation purposes. 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 at the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax asset is recognized for deductible temporary differences only to the extent it is probable that future taxable profits will be available and the credits can be utilized.

## 2.5 **Property, Plant & Equipment Owned**

These are stated at cost less accumulated depreciation and impairment losses, if any except leasehold and freehold 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 depreciation charged is from the date of commencement of commercial production. No depreciation is charged on assets deleted or retired during the period. However, during the current period the company has charged nine months depreciation on its property, plant & equipment due to change in the year end of textile companies from September 30 to June 30.

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 operating assets.

Gain or loss on disposal of operating assets are included in the current profit and loss account.

### **Leased**

Assets subject to finance lease are initially recorded at the lower of present value of minimum lease payment under the lease agreement and the fair value of the leased assets acquired at the inception of lease. The related obligations under the lease less financial charges allocated to future period are shown as a liability. Financial charges are allocated to accounting period in a manner to provide constant periodic rate of financial charge on the outstanding balance of principal liability of each period. Leased assets are depreciated on the same basis and on the same rate as owned assets.

### **Capital work in progress**

Capital work in progress is stated at cost including where relevant financing cost less impairment losses, if any. These cost are transferred to operating assets as and when assets are available for use.

## 2.6 **Stores spares and loose tools**

These are valued at lower of cost and net realizable value. 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.

## 2.7 **Stock in trade**

These are valued at lower of cost and NRV 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.

## 2.8 **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.

**2.9 Cash and cash equivalent**

Cash in hand, cash at bank and short-term finances, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

**2.10 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 in profit and loss account.

**2.11 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.

**2.12 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.

**2.13 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**

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

**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.

## 2.19 Change in accounting policy

Upto September 30, 2004, the exchange differences on foreign currency loans obtained for acquisition of fixed assets were capitalized in the carrying amount of relevant assets. During the period, this policy has been changed to bring it with the International Accounting Standard "The effects of changes in foreign exchange rates - (IAS-21)" and henceforth, such exchange differences will be charged to profit and loss account. Since the impact of amount capitalized in previous years cannot be quantified reliably, this policy is being applied prospectively. There is no impact of the change on the current period's financial statements.

## 3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

				June 30, 2005	Sep. 30, 2004
				RUPEES	RUPEES
June 30, 2005	Sep. 30, 2004				
No. of shares	No. of shares				
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

Share premium		15,575,000	15,575,000
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The Company has issued 3,115,000 Ordinary right shares at premium of Rs. 5 per share in 2003.

## 5. LONG TERM FINANCES-SECURED

Particulars	Askari Commercial Bank		Soneri Bank	Bank Al-Falah	Total 2005	Total 2004
	TF-I	TF-II				
Opening Balance	43,829,712	35,428,233	11,705,833	-	90,963,778	7,300,000
Add: Obtained during the period	-	44,571,767	-	39,956,280	81,528,047	93,493,888
	43,829,712	80,000,000	11,705,833	36,956,280	172,491,825	100,793,888
Less: Paid during the period	(4,869,968)	(8,000,002)	(3,192,501)	-	(16,062,271)	(9,830,110)
Closing Balance	38,959,744	71,999,998	8,513,332	36,956,280	156,429,354	90,963,778
Less: Current maturity	(9,739,940)	(16,000,000)	(4,256,668)	-	(29,996,608)	(17,59,428)
Long term portion	<u>29,219,804</u>	<u>55,999,998</u>	<u>4,256,664</u>	<u>36,956,280</u>	<u>126,432,746</u>	<u>73,424,350</u>

Significant terms and conditions 5.1 5.1 5.2 5.3

- 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 10 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.
- 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 installments commencing from September, 2004. It carries mark up at the rate of six 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.

		June 30, 2005 RUPEES	Sep. 30, 2004 RUPEES
<b>6.</b>	<b>DEFERRED LIABILITIES</b>		
	Gratuity	6.1 7,782,813	6,647,173
	Deferred taxation	6.2 35,298,714	36,567,801
		<u>43,081,527</u>	<u>43,214,974</u>
<b>6.1</b>	<b>Movement in the net liability recognized in the balance sheet</b>		
	Opening net liability	6,647,173	4,817,342
	Expense for the year	1,867,190	2,780,081
		<u>8,514,363</u>	<u>7,597,423</u>
	Benefits paid	(731,550)	(950,250)
	Closing net liability	<u>7,782,813</u>	<u>6,647,173</u>
	<b>Expense recognized in the profit and loss account</b>		
	Current service cost	1,850,303	1,814,854
	Interest cost	489,840	337,138
	Net actuarial loss/(Gain) recognized in the year	(472,953)	628,089
		<u>1,867,190</u>	<u>2,780,081</u>
	<b>Principal actuarial assumption</b>		
	Following are a few important actuarial assumptions used in the valuation		
		%	%
	Discount rate	9	7.5
	Expected rate of increase in salary	8	8
		<b>June 30, 2005 RUPEES</b>	<b>Sep. 30, 2004 RUPEES</b>
<b>6.2</b>	<b>DEFERRED TAXATION</b>		
	The liability for deferred taxation comprises of temporary differences.		
	<b>Taxable temporary difference</b>		
	Accelerated tax depreciation allowance	43,948,794	38,374,659
	<b>Deductible temporary differences</b>		
	Provision for doubtful debts	-	178,299
	Provision for gratuity	1,779,449	1,628,559
	Un used tax losses	6,870,631	-
		<u>8,650,080</u>	<u>1,806,858</u>
		<u>35,298,714</u>	<u>36,567,801</u>
<b>7.</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors - unsecured	13,859,202	38,976,152
	Accrued expenses	21,582,418	27,535,303
	Workers' profit participation fund	7.1 472,544	1,523,597
	Income tax payable	90,612	2,079,810
	Unclaim dividend	3,468,963	-
		<u>39,473,739</u>	<u>70,114,862</u>

		<b>June 30, 2005</b>	<b>Sep. 30, 2004</b>
		<b>RUPEES</b>	<b>RUPEES</b>
<b>7.1 WORKERS PROFIT PARTICIPATION FUND</b>			
Opening balance		1,523,597	2,138,926
Add: Interest charged	26	<u>79,263</u>	<u>65,9451</u>
		<b>1,602,860</b>	<b>2,204,871</b>
Less: Payment during the year		<u>1,602,860</u>	<u>2,204,871</u>
		-	-
Add: Allocation for the year		<u>472,544</u>	<u>1,523,597</u>
		<b>472,544</b>	<b>1,523,597</b>

The company retains workers' profit participation fund for its business operation till the date of allocation to the workers. The 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.

## **8. SHORT TERM FINANCES - SECURED**

From banking companies			
Finances under mark up arrangement	8.1	<b>381,005,047</b>	349,814,462
Finances against foreign bills (Export)	8.2	-	9,070,000
		<u>381,005,047</u>	<u>358,884,462</u>

**8.1** Facilities amounting to Rs.560 million (2004: Rs.460 million) were available. It carries mark up at the rates ranging from six month's average KIBOR plus 1% to 2% (2004: 3 to 5.5 percent). The facility is renewable. It is secured against pledge of raw cotton, yarns, stock in trade and book debts.

**8.2** Its carries markup at the rates six month's average KIBOR plus 1% to 2% per annum. It is secured against original shipping documents.

## **9. CONTINGENCY AND COMMITMENTS**

### **9.1. Contingency**

The Company has claimed exemption for the payment of infrastructure charges payable Rs. 1,553,478/- to Excise and Taxation Officer (E.T.O.) at sea port and airport, against 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. 2,000,000/-. The appeal are still pending for hearing. In view of opinion of its legal advisor the chances of success in the appeal are good. Hence, no provision has been made in these accounts.

### **9.2 Commitments**

Letter of credit for capitalization		<b>12,455,000</b>	215,631,000
Estimated further cost of capital work in progress		<b>142,154,000</b>	2,658,000
Bank guarantee to Excise & taxation officer		<b>2,000,000</b>	1,000,000

## 10. OPERATING ASSETS

PARTICULARS	C O S T				RATE%	D E P R E C I A T I O N				WRITTEN DOWN VALUE AS AT 30.6.2005
	AS AT 1.10.2004	ADDITIONS/ (DELETION)	TRANSFER IN/(OUT)	AS AT 30.06.2005		AS AT 1.10.2004	ADJUSTMENT TRANSFER IN (OUT)	FOR THE PERIOD	AS AT 30.06.2005	
<b>OWNED ASSETS</b>										
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	21,687,711	-	23,796,601	45,484,312	10	11,485,656	-	2,549,899	14,035,555	31,448,757
Non factory building	28,033,853	6,367,521	-	34,401,374	5	9,649,869	-	928,181	10,578,050	23,823,324
Plant and machinery	449,616,694	70,894,498	-	520,511,192	10	187,925,388	-	24,943,935	212,869,323	307,641,869
		-								
Office equipment	1,054,505	74,900	-	1,129,405	10	402,241	-	54,537	456,778	672,627
Computer equipment	146,530	46,100	-	192,630	30	14,154	-	40,157	54,311	138,319
Furniture and fixture	621,250	85,255	-	706,505	10	309,955	-	29,741	339,696	366,809
Vehicles	8,663,435	3,099,100	-	11,762,535	20	4,765,640	-	1,049,534	5,815,174	5,947,361
	512,995,561	80,567,374	23,796,601	617,359,536		214,552,903	-	29,595,986	244,148,889	373,210,647
Total Rupees 2005	512,995,561	80,567,374	23,796,601	617,359,536		214,552,903	-	29,595,986	244,148,889	373,210,647
Total Rupees 2004	439,376,229	77,519,332	160,000	512,995,561		185,056,609	-	32,627,496	214,552,903	298,442,658
		(4,060,000)								(3,131,202)

**2005  
RUPEES**

**2004  
RUPEES**

### 10.1 Depreciation is allocated as under:

Cost of sales	22	27,493,835	30,563,699
Administrative expenses	23	2,102,151	2,063,797
		<u>29,595,986</u>	<u>32,627,496</u>

### 10.2 Disposal of operating assets

DESCRIPTION	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALES PROCEEDS	GAIN/ (LOSS)	MODE OF DISPOSAL	PARTICULARS OF BUYER
2005	-	-	-	-	-	-	-
2004	4,060,000	3,131,202	928,798	860,000	(68,798)		

	<b>June 30, 2005</b>	<b>Sep. 30, 2004</b>
	<b>RUPEES</b>	<b>RUPEES</b>
<b>11 CAPITAL WORK IN PROGRESS</b>		
Civil works	12,062,258	31,432,144
Advance to contractors and suppliers	11,712,137	10,712,847
Machinery in transit	12,454,954	212,121
	<u>36,229,349</u>	<u>42,357,112</u>
<b>12. LONG TERM DEPOSITS</b>		
WAPDA security deposits	715,160	715,160
Others	84,750	59,750
	<u>799,910</u>	<u>774,910</u>
<b>13. LONG TERM LOANS</b>		
Unsecured		
Related parties		
Shadman Cotton Mills Limited	13.1 <u>20,000,000</u>	<u>27,733,028</u>
<b>13.1</b>	Mark up charged at the rate of six months average KIBOR plus 2% (2004: 5% per annum). The maximum amount due at the end of any month was Rupees 27,733,028/- (2004: Rupees 27,938,625/-). The loan has been given on long term basis for period over one year.	
<b>14. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	1,960,288	2,102,566
Spares	8,917,652	6,119,718
Loose tools	51,336	35,257
	<u>10,929,276</u>	<u>8,257,541</u>
<b>15. STOCK IN TRADE</b>		
Raw material	262,195,559	235,579,263
Work-in-process	6,705,906	6,973,830
Finished goods	51,819,248	61,678,102
Waste	856,299	452,064
	<u>321,577,013</u>	<u>304,683,259</u>
<b>16. TRADE DEBITS</b>		
<b>Secured - Against letter of credits.</b>		
Export debtors	3,644,271	9,713,064
<b>Unsecured</b>		
Considered good	138,842,234	158,490,714
Considered doubtful	-	727,750
	<u>138,842,234</u>	<u>159,218,464</u>
Less: Provision for doubtful debts	-	(727,750)
	<u>142,486,505</u>	<u>168,203,778</u>
<b>17. LOAN AND ADVANCES</b>		
To staff and workers	1,483,515	853,280
Income tax refundable	5,459,811	1,112,728
Income tax	14,122,590	18,217,323
	<u>21,065,916</u>	<u>20,183,331</u>

		<b>June 30, 2005</b>	<b>Sep. 30, 2004</b>
		<b>RUPEES</b>	<b>RUPEES</b>
<b>18.</b>	<b>TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
	Deposit	985,500	585,500
	Prepayments	47,371	303,990
		<u>1,032,871</u>	<u>889,490</u>
<b>19.</b>	<b>OTHER RECEIVABLES</b>		
	Sales tax refundable	2,073,830	954,240
	Accrued markup from associated undertaking 13.1	1,391,223	1,384,778
		<u>3,465,053</u>	<u>2,339,018</u>
<b>20.</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	354,416	1,552,887
	Cash in bank		
	In current account	4,335,667	690,401
	In deposit account 20.1	153,593	294,046
		4,489,260	984,447
		<u>4,843,676</u>	<u>2,537,334</u>
<b>20.1</b>	It carries markup at the rate ranging from 0.75% to 1.5%		
		<b>for 9 months</b>	<b>For year ended</b>
		<b>ended June 30, 2005</b>	<b>Sep. 30, 2004</b>
		<b>RUPEES</b>	<b>RUPEES</b>
<b>21.</b>	<b>SALES - NET</b>		
	Local including sales tax	504,419,107	711,180,924
	Export	257,316,544	156,317,865
	Less: Ocean Freight	6,417,053	2,546,240
	FOB Value	250,899,491	153,771,625
		755,318,598	864,952,549
		9,299,485	17,869,177
		<u>764,618,083</u>	<u>882,821,726</u>
	Less:		
	Sales Tax	60,994,174	94,998,925
	Commission on export sales	10,072,303	4,425,473
	Export development charges	519,596	370,755
		71,586,073	99,795,153
		<u>693,032,010</u>	<u>783,026,573</u>
<b>22.</b>	<b>COST OF SALES</b>		
	Raw material consumed 22.1	391,352,312	571,980,661
	Store and spares consumed	10,460,017	16,954,341
	Packing material consumed	10,638,818	8,773,384
	Salaries, wages and other benefits 22.2	35,172,031	44,539,981
	Repair and maintenance	2,840,670	1,585,536
	Insurance	1,044,119	1,395,383
	Fuel and power	40,688,285	41,488,540
	Other manufacturing expenses	4,045,080	3,953,832
	Depreciation 10.1	27,493,835	30,563,699
		<u>523,735,166</u>	<u>721,235,357</u>

Work in process		<b>6,973,830</b>	3,987,975
Opening		<b>(6,705,906)</b>	(6,973,830)
Closing		<b>267,924</b>	(2,985,855)
Cost of goods manufactured		<b>524,003,090</b>	718,249,502
Finished goods and waste			
Opening		<b>62,130,166</b>	42,443,683
Yarn purchased for export		<b>100,989,585</b>	10,914,200
Closing		<b>(52,675,547)</b>	(62,130,166)
		<b>110,444,204</b>	(8,772,283)
		<b>634,447,293</b>	709,477,219
<b>22.1 RAW MATERIAL CONSUMED</b>			
Opening stock		<b>235,579,263</b>	30,613,163
Add: Purchases		<b>417,968,608</b>	776,946,761
		<b>653,547,871</b>	807,559,924
Cost of raw material sold	23	-	-
		<b>653,547,871</b>	807,559,924
Closing stock		<b>(262,195,559)</b>	(235,579,263)
		<b>391,352,312</b>	571,980,661
<b>22.2</b>	It includes staff retirement benefits amounting to Rs. 1,814,950 (2004: 2,507,504).		
<b>23. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		<b>783,000</b>	1,044,000
Salaries and other benefits	23.1	<b>2,642,657</b>	3,928,095
Travelling conveyance		<b>152,496</b>	294,651
Legal and professional		<b>451,009</b>	919,132
Fees and subscription		<b>131,283</b>	64,086
Rent, rates and taxes		<b>253,235</b>	445,798
Electricity, gas and water		<b>254,165</b>	375,020
Repair and maintenance		<b>521,878</b>	315,825
Communication expenses		<b>283,883</b>	422,502
Printing and stationery		<b>187,870</b>	216,157
Motor vehicle expenses		<b>1,020,779</b>	1,202,895
Advertisement expenses		<b>21,553</b>	19,434
Entertainment expenses		<b>257,286</b>	294,657
Charity and donation		-	5,000
Audit fee	23.2	<b>160,000</b>	160,000
Miscellaneous expenses		<b>150,901</b>	129,656
Newspaper and periodicals		<b>4,994</b>	5,486
Depreciation	10.1	<b>2,102,151</b>	2,063,797
		<b>9,379,140</b>	11,906,191
<b>23.1</b>	It includes staff retirement benefits amounting to Rs.52,241 (2004: Rs.272,576)		
<b>23.2 Auditors Remuneration</b>			
Audit fee		<b>125,000</b>	125,000
Half Yearly review		<b>35,000</b>	35,000
		<b>160,000</b>	160,000



(Increase) / decrease in current assets		
Stocks, stores, spares and loose tools	(2,671,735)	(3,923,986)
Stock in trade	(16,893,754)	(227,638,438)
Trade debts	25,717,273	(105,739,788)
Loans and advances	(630,235)	5,762
Trade deposits and short term prepayments	(143,381)	2,104,354
Other receivables	(1,126,035)	12,628,716
	<b>4,252,133</b>	<b>(322,563,380)</b>
Increase/(Decrease) in current liabilities		
Trade and other payables	(33,059,033)	(6,347,405)
	<b>45,108,215</b>	<b>(247,379,672)</b>

### 30. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE REMUNERATION

	DIRECTORS		EXECUTIVE		TOTAL	
	2005	2004	2005	2004	2005	2004
Managerial remunerating	522,000	696,000	-	-	522,000	696,000
Remuneration allowances	261,000	348,000	-	-	261,000	348,000
	<b>783,000</b>	<b>1,044,000</b>	<b>-</b>	<b>-</b>	<b>783,000</b>	<b>1,044,000</b>
Number of person	3	3	-	-	3	3

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

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

### 31 FINANCIAL INSTRUMENTS

#### 31.1 Mark up Rate Risk Exposure

Mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market mark up rates. Sensitivity to 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 mark up rate risk in respect of the following:

	June 30, 2005						TOTAL
	Mark up bearing			non interest/mark up bearing			
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total	
	← RUPEES →						
<b>FINANCIAL ASSETS</b>							
Long term loan	-	20,000,000	20,000,000	-	-	-	20,000,000
Longer term deposits	-	-	-	-	799,910	799,910	799,910
Trade debts	-	-	-	142,486,505	-	142,486,505	142,486,505
Loan and advances	-	-	-	13,195,652	-	13,195,652	13,195,652
Trade deposits	-	-	-	985,500	-	985,500	985,500
Other receivables	-	-	-	1,391,223	-	1,391,223	1,391,223
Cash and bank balances	153,593	-	153,593	4,690,083	-	4,690,083	4,843,676
	<b>153,593</b>	<b>20,000,000</b>	<b>20,153,593</b>	<b>162,748,963</b>	<b>799,910</b>	<b>163,548,873</b>	<b>183,702,466</b>
<b>FINANCIAL LIABILITIES</b>							
Long term financing	29,996,608	126,432,746	156,429,354	-	-	-	156,429,354
Short term finance	381,005,047	-	381,005,047	-	-	-	381,005,047
Trade and other payables	472,544	-	472,544	38,910,583	-	38,910,583	39,383,127
	<b>411,474,199</b>	<b>126,432,746</b>	<b>537,906,945</b>	<b>38,910,583</b>	<b>-</b>	<b>38,910,583</b>	<b>576,817,528</b>
On balance sheet gap	(411,320,606)	(106,432,746)	(517,753,352)	123,838,380	799,910	124,638,290	(393,115,062)

September 30, 2004							
Mark up bearing			non interest/mark up bearing			TOTAL	
Within one year	More than one year	Sub total	Within one year	More than one year	Sub total		
← RUPEES →							
<b>FINANCIAL ASSETS</b>							
Long term loan	-	27,733,028	27,733,028	-	-	-	27,733,028
Longer term deposits	-	-	-	-	774,910	774,910	774,910
Trade debts	-	-	-	168,203,778	-	168,203,778	168,203,778
Loan and advances	-	-	-	13,195,652	-	13,195,652	13,195,652
Trade deposits	-	-	-	585,500	-	585,500	585,500
Other receivables	-	-	-	1,391,223	-	1,391,223	1,391,223
Cash and bank balances	294,046	-	294,046	2,243,288	-	2,243,288	2,537,337
	294,046	27,733,028	28,027,074	185,619,441	774,910	186,394,351	214,421,425
<b>FINANCIAL LIABILITIES</b>							
Long term financing	17,539,428	73,424,350	90,963,778	-	-	-	90,963,778
Short term finance	358,884,462	-	358,884,462	-	-	-	358,884,462
Trade and other payables	1,523,597	-	1,523,597	66,511,455	-	66,511,455	68,035,052
	377,947,487	73,424,350	451,371,837	66,511,455	-	66,11,455	517,883,292
On balance sheet gap	(377,653,441)	(45,691,322)	(423,344,763)	119,107,986	774,910	119,882,896	(303,461,867)

Effective mark up rate was mentioned in the relevant notes.

### 31.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.183,702,466/- (2004: Rs.214,421,425/-), the financial asset which are subject to credit risk amounted to Rs.142,486,505/- (2004: Rs.168,203,778/-). The Company follows effective credit risk policy. The management monitors and limits the Company's exposure of credit risk through limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

### 31.3 Fair value of financial instruments

The carrying value of all the financial assets and liabilities reflected in the financial statement approximates their fair value.

### 31.4 Foreign exchange risk management

Foreign currency risk is the risk of loss through changes in foreign currency rates. The exchange risk against foreign currency letter of credits is managed through forward contracts, where appropriate. The outstanding foreign currency letter of credits as at June 30, 2005 was Rs.12,455,000.

### 31.5 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

### 32 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 30, 2005 by the Board of Directors of the Company.

### 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:

	<b>For 9 months ended June 30, 2005 RUPEES</b>	<b>For year ended Sep. 30, 2004 RUPEES</b>
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Interest income	1,391,233	1,384,778
Sale of yarn	-	9,457,500
Sale of Machinery	-	620,000
Purchase of yarn	97,089,585	3,075,200
Reprocessing income	3,673,100	1,510,000
Reprocessing charges	665,159	1,304,727

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

### 34 PLANT CAPACITY AND ACTUAL PRODUCTION

Total number of spindles installed	24,240	24,240
Average numbers of spindle worked	23,274	23,294
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (kgs)	6,213,658	8,277,318
Actual production after conversion into 20/s count (kgs)	6,174,388	7,984,752

### 35 NUMBER OF EMPLOYEES

Number of employees	640	690
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### 36 CORRESPONDING FIGURES

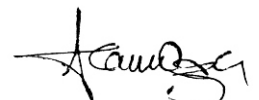
Corresponding figures have been re-arranged as the re-classification made is considered more appropriate for the purposes of presentation in accordance with the requirements of revised Fourth schedule of The Company Ordinance, 1984.

### 37 GENERAL

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



**ZAHID MAZHAR**  
Chief Executive



**SHAHID MAZHAR**  
Director

Karachi:  
Dated: 30-09-05