

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
Auditor's 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

NADEEM TEXTILE MILLS LIMITED

Vision Statment

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
MR. AHMED BIN SHAHID
MST. RAFIA SULTANA
MST. NAILA ZAHID
MST. GHAZALA SHAHID
- AUDITORS** : M/S. RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
- LEGAL ADVISOR** : MR. ABDUL GHANI KHAN (ADVOCATE)
- AUDIT COMMITTEE** : MR. SHAHID MAZHAR (CHAIRMAN)
MR. OMER BIN ZAHID (MEMBER)
MST. NAILA ZAHID (MEMBER)
- CHIEF FINANCIAL OFFICER** : MR. OMER BIN ZAHID (M.B.A.)
- BANKERS** : CITI BANK
SONERI BAN LIMITED
ALLIED BANK LIMITED
BANK AL-FALAH LIMITED
ASKARI BANK LIMITED
JS BANK LIMITED
- REGISTERED OFFICE** : 201-202, COMMERCE CENTRE,
HASRAT MOHANI ROAD,
KARACHI - PAKISTAN.
PHONE : (021) 2635807 - 2635809
FAX : (92-21) 2637896 - 2632712
- SHARE REGISTRAR** : M/S. HAMEED MAJEED ASSOCIATES (PVT.) LTD.
5TH FLOOR, KARACHI CHAMBERS,
HASRAT MOHANI ROAD, KARACHI.
PHONE : 2424826-2412754 FAX : 2424835
E-MAIL: majeed@hmaconsultants.com
- HEAD OFFICE** : A 801-804, LAKSON SQUARE BUILDING # 3,
SARWAR SHAHEED ROAD,
KARACHI - PAKISTAN.
PHONE : (021) 5220481-8
FAX : (92-21) 5220495-6
- MILLS** : A-265, S.I.T.E., NOORIABAD,
DISTRICT DADU, SINDH.
- URL** : www.shadmangroup.com.pk

NADEEM TEXTILE MILLS LIMITED NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 22nd Annual General Meeting of the Company will be held at 801-804, Lakson Square Building No. 3, Block-A, Sarwar Shaheed Road, Karachi, on Thursday, 30th October, 2008 at 4:00 p.m. to transact the following business.

1. Recitation from the Holy Quran.
2. To confirm the Minutes of the 21st Annual General Meeting of the Company held on 30th October, 2007.
3. To receive, consider, and adopt the audited accounts for the period ended 30th June, 2008 together with the Directors' and Auditors' report thereon.
4. To appoint Auditors and fix their remuneration for the next term.
5. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

BY ORDER OF THE BOARD

Karachi:
Dated: September 30, 2008

Company Secretary

Notes:

1. The share transfer books of the company will remain closed from 20th October, 2008 to 27th October, 2008 (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 or Registrar M/S Hameed Majeed Associates (Pvt.) Ltd. Karachi Chambers, Hasrat Mohani Road, Karachi, 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 22nd annual Report together with the audited accounts of the Company for the year ended June 30, 2008.

SUMMARY OF FINANCIAL RESULTS

	RUPEES
Loss before taxation	(21,950,288)
TAXATION	
Current	7,544,819
Prior Year	373
Deferred Tax	<u>(4,974,416)</u>
	<u>2,570,776</u>
Loss after Tax	<u><u>(24,521,064)</u></u>

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of your shares as on June 30, 2008 was Rs. 21.74 as compared to Rs. 23.78 as at June 30, 2007.

The loss per share for the year ended June 30, 2008 is Rs. (2.04) as per computation below:

	RUPEES
Loss after taxation	(24,521,064)
No. of ordinary shares	12,015,000
	<u>Rs. (2.04)</u>

OVERVIEW

During the year under review, the Company's net sales amounted to Rs. 1,480 million as compared to Rs. 1.606 million in the previous year.

The gross profit percentage for the year under review is 6.49% as compared to 7.09% of last year. The Company made a pre-tax loss of Rs. (21,950,288/=) during the period under review, as compared to pre-tax profit of Rs. 1,592,393/= of the last year.

The overall textile industry remained in crisis during the year. Majority of textile Mills of Paksitan have made losses during the period under review. The cost of production shot up drastically due to astronomical increase in prices of raw material, gas prices, electricity, interest rates and labour costs.

The political and economic situation remained very unstable resulting in heavy inflation and depreciation of Pak rupee. A sharp increase is also observed in financial charges, which increased to Rs. 80.73 million during the year as compared to Rs. 76 million of previous year. This increase is mainly due to sharply rising rates of markup.

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 11.00 million kgs. (2007: 10.30 million kgs.).

FUTURE OUTLOOK

Due to prevailing inflation, rising interest rates and increasing costs of labour and utilities, the cost of production has increased significantly. The management of your company is making every effort to turn the situation in favour. The performance of Textile industry now depends on current cotton season. The Government should give its special attention to the cotton crop. The industry may get some profits if Pakistan achieves the production of 15 million bales of cotton or more.

EXPANSION AND MODERNIZATION

The previous BMR programme has been implemented successfully and the management is embarking on a fresh BMR programme.

DIVIDEND

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

CODE OF CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the period ended June 30, 2008:

- 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 transactions are in compliance with the directives issued by the Security & Exchange Commission of Pakistan (SECP) in this regard.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of Internal Control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the accounts.

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

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

The company operates an unfunded gratuity covering all its employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme. The company has adopted the revised IAS 19 and as a result thereof actuarial valuation has been carried out as at June 30, 2008.

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	3
3- Mr. Omer Bin Zahid	5
4- Mst. Rafia Sultana	4
5- Mst. Naila Zahid	5
6- Mst. Ghazala Shahid	-
7- Mr. Ahmed Bin Shahid	-

ASSOCIATED COMPANIES

Following is the list of associated companies:

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

AUDIT COMMITTEE

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee.

AUDITORS

The present auditors of the Company M/S 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, 2009.

PATTERN OF SHAREHOLDING

The pattern of share holding of the company as at June 30, 2008 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 Board of Directors



ZAHID MAZHAR
Chief Executive

Karachi:

Dated: September 30, 2008

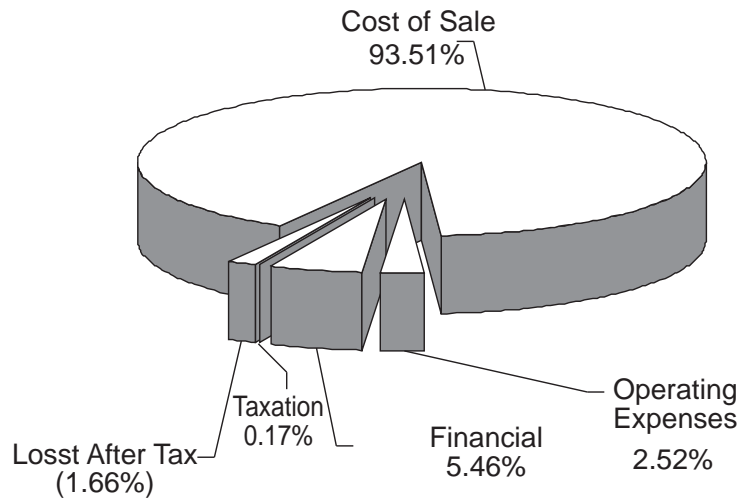
PATTERN OF SHAREHOLDING AS AT JUNE 30, 2008 (FORM-34)

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

	Categories of shareholders	Shares held	Percentage
2.	Categories of shareholders		
2.1	Directors, Chief Executive Officer, and their spouse and minor children.		
	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.	NIL	NIL
2.3	NIT and ICP	NIL	NIL
2.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	NIL	NIL
2.5	Insurance Companies	NIL	NIL
2.6	Modarabas and Mutual Funds	NIL	NIL
2.7	Share holders holding 10%		
	Mr. Zahid Mazhar	2,340,400	19.48
	Mr. Shahid Mazhar	2,867,081	23.86
	Mrs. Nusrat Shamim	1,515,704	12.61
2.8	General Public		
	a. Local	4,883,432	40.63
	b. Foreign	NIL	NIL
2.9	Others (to be specified)	NIL	NIL

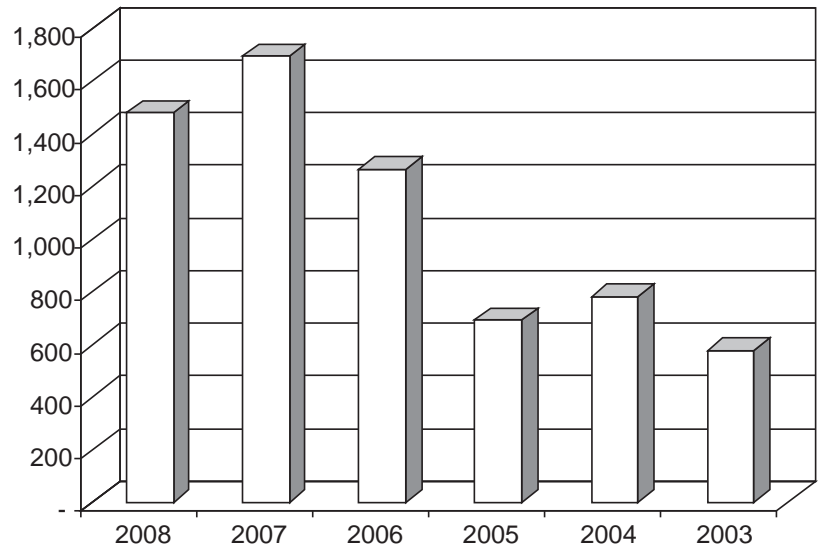
**APPLICATION OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2008**

	Rupees	Percentage
Cost of Sale	1,383,613,882	93.51%
Operating Expenses	37,256,191	2.52%
Financial	80,730,832	5.46%
Taxation	2,570,776	0.17%
Loss After Tax	(24521064)	-1.66%
TOTAL	1,479,650,617	100%



TURNOVER

Year	Sales in (M)
2008	1,480
2007	1,605
2006	1,265
2005	693
2004	783
2003	578



**Key Operating & Financial Data
For The Period From October 2002 To June 2008**

PERIODS	Jul - Jun 2007-2008	Jul - Jun 2006-2007	Oct - Jun 2005-2006	Oct - Sept 2004-2005	Oct - Sept 2003-2004	Oct - Sept 2002-2003
Net Sales Revenue	1,479,650,617	1,605,537,256	1,265,261,803	693,032,010	783,026,573	578,015,996
Cost Of Goods Sold	1,383,613,882	1,491,572,827	1,171,019,818	634,447,293	709,477,219	503,998,087
Gross Profit	96,036,735	113,964,429	94,241,985	58,584,717	73,549,354	74,017,909
Operating Profit	60,129,898	76,281,676	65,955,727	38,774,367	44,581,437	50,260,472
Profit/(Loss) Before Tax	(21,950,288)	1,592,393	6,984,414	8,978,337	28,948,350	40,639,589
Profit/(Loss) After Tax	(24,521,064)	(15,897,912)	4,912,707	8,518,207	9,559,982	18,936,922
Paid Up Capital	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000
Current Assets	600,869,288	369,769,750	438,897,578	505,400,310	507,093,751	188,855,599
Current Liabilities	747,065,476	457,474,600	458,913,643	469,416,161	459,555,560	159,089,788

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

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

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

1. The Board comprises seven directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present, the Board includes two non executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. There was no casual vacancy of directors during the year.
5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and senior employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided by the Chairman. The Board met atleast once in every quarter. Written notices of the Board Meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors during the year apprising them of their duties and responsibilities.
10. Mr. Shaikh Farukh Jamil CFO resigned w.e.f. September 29, 2007. In his place Mr. Omer Bin Zahid was appointed as Chief Financial Officer.
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.

On behalf of Board of Directors



ZAHID MAZHAR
Chief Executive

Karachi:
Dated: September 30, 2008



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.,
Karachi-74400, PAKISTAN.
Tel No. : (021) 4549345-9
Fax No. : (021) 4548210
E-mail: : info@rsrir.com
: rirmri@fascom.com
Website : www.rsrir.com
Other Offices at lahore - Islamabad

**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 year ended on June 30, 2008.

Karachi:
Dated: September 30, 2008


Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants.



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.,
Karachi-74400, PAKISTAN.
Tel No. : (021) 4549345-9
Fax No. : (021) 4548210
E-mail: : info@rsrir.com
: rirmri@fascom.com
Website : www.rsrir.com
Other Offices at lahore - Islamabad

AUDITORS'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nadeem Textile Mills Limited ("the Company") as at June 30, 2008 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, 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, 2008, and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).

The financial statements of the company for the year ended June 30, 2007 were audited by another firm of Chartered Accountants, who vide their report dated September 29, 2007 issued a unmodified report.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants.

Karachi:
Dated: September 30, 2008

**NADEEM TEXTILE
BALANCE SHEET AS AT**

	NOTE	2008 RUPEES	2007 RUPEES
SHARE CAPITAL AND RESERVES			
Authorised share capital			
12,500,000 (2007: 12,500,000) Ordinary shares of Rs.10 each		<u>125,000,000</u>	<u>125,000,000</u>
Issued, subscribed and paid-up share capital	3	120,150,000	120,150,000
Capital reserve	4	15,575,000	15,575,000
Unappropriated profit		125,478,513	149,999,577
		261,203,513	285,724,577
NON-CURRENT LIABILITIES			
Long-term finance	5	39,878,292	96,465,879
Deferred tax liability - net	6	38,274,348	43,458,420
CURRENT LIABILITIES			
Trade and other payables	7	38,447,582	30,679,495
Mark-up accrued on finance	8	17,868,938	11,128,508
Short-term borrowings	9	633,466,554	356,728,535
Current portion of long-term finance	5.1	49,737,584	49,737,578
Taxation		7,544,819	9,200,484
		747,065,477	457,474,600
CONTINGENCIES AND COMMITMENTS	10	-	-
		<u>1,086,421,630</u>	<u>883,123,476</u>

The annexed notes form an integral part of these financial statements



Chief Executive

Karachi:

Dated: September 30, 2008

MILLS LIMITED
JUNE 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES
PROPERTY, PLANT AND EQUIPMENT	11	484,747,632	512,549,016
LONG-TERM DEPOSITS	12	804,710	804,710
CURRENT ASSETS			
Stores, spares and loose tools	13	16,457,639	16,213,559
Stock-in-trade	14	376,331,133	137,062,405
Trade debts	15	168,903,630	177,803,556
Investments-at fair value through profit and loss	16	16,841,181	6,267,276
Loan and advances	17	11,874,649	15,077,131
Trade deposits and short term prepayments	18	7,056,543	14,717,320
Other receivables	19	2,533,059	1,239,973
Cash and bank balances	20	871,454	1,388,530
		600,869,288	369,769,750
		1,086,421,630	883,123,476


 Director

NADEEM TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES
Sales - net	21	1,479,650,617	1,605,537,256
Cost of sales	22	1,383,613,882	1,491,572,827
Gross profit		<u>96,036,735</u>	113,964,429
Administration and general expenses	23	20,635,680	20,692,866
Selling and distribution expenses	24	15,271,157	16,989,887
		<u>35,906,837</u>	<u>37,682,753</u>
Operating profit		60,129,898	76,281,676
Other operating (loss)/income	25	(1,349,354)	1,359,034
		<u>58,780,544</u>	<u>77,640,710</u>
Financial cost	26	80,730,832	75,964,507
Workers profit participation fund	7.1	-	83,810
		<u>80,730,832</u>	<u>76,048,317</u>
(Loss)/Profit before taxation		(21,950,288)	1,592,393
Taxation	27	2,570,776	17,490,305
		<u>(24,521,064)</u>	<u>(15,897,912)</u>
(Loss) after taxation		<u>(24,521,064)</u>	<u>(15,897,912)</u>
(Loss) per share (baisc and diluted)	28	<u>(2.04)</u>	<u>(1.32)</u>

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



Chief Executive



Director

Karachi:

Dated: September 30, 2008

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	PAID UP CAPITAL	CAPITAL RESERVE	UNAPPROPRIATED PROFIT	TOTAL
	←————— RUPEES —————→			
Balance as at June 30, 2006	120,150,000	15,575,000	165,897,489	301,622,489
Net loss for the year ended June 30, 2007	-	-	(15,897,912)	(15,897,912)
Balance as at June 30, 2007	120,150,000	15,575,000	149,999,577	285,724,577
Net loss for the year ended June 30, 2008	-	-	(24,521,064)	(24,521,064)
Balance as at June 30, 2008	120,150,000	15,575,000	125,478,513	261,203,513

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



Chief Executive



Director

Karachi:

Dated: September 30, 2008

NADEEM TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	NOTE	2008 RUPEES	2007 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	(108,803,997)	208,602,813
Taxes paid		(5,971,875)	(9,680,567)
Gratuity paid		(3,325,450)	(2,299,300)
Financial charges paid		(73,984,487)	(82,465,878)
Workers' profit participation fund paid		(89,725)	(395,301)
Net cash (used in) / generated from operating activities		(192,175,534)	113,761,744
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(14,479,692)	(45,122,411)
Proceeds from disposal of fixed assets		50,000	-
Long term deposits		-	(4,800)
Investments at fair value through profit and loss		(14,062,288)	(4,821,526)
Net cash used in investing activities		(28,491,980)	(49,948,737)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finances		-	1,650,000
Repayments of loan from directors		(6,850,000)	-
Repayments of long term finances		(49,737,581)	(66,499,634)
Net cash from / (used in) financing activities		(56,587,581)	(64,849,634)
Net (decrease)/increase in cash and cash equivalents		(277,255,095)	(1,036,627)
Cash and cash equivalents at the beginning of the year		(355,340,005)	(354,303,378)
Cash and cash equivalents at the end of the year		(632,595,100)	(355,340,005)
Cash and cash equivalents			
Cash and bank balances		871,454	1,388,530
Short term borrowings		(633,466,554)	(356,728,535)
		(632,595,100)	(355,340,005)

The annexed notes form an integral part of these financial statements



Chief Executive



Director

Karachi:

Dated: September 30, 2008

NADEEM TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1 THE COMPANY AND ITS OPERATIONS

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

a) Statement of compliance

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

b) Accounting convention

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved Accounting Standard, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are discussed in note No. 33 to these financial statements.

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

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after July 01, 2008 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Preparation of Financial statement- Amendments Relating to Capital Disclosures;
- IAS 23 - Borrowing Costs (as revised);
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combination;
- IFRS 7 - Financial Instruments Disclosure;
- IFRIC 12 - Services Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their intersection.
- IFRIC 15 - Agreement for the Construction of Real Estate;
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation;

2.2 Employees' retirement benefit

The company operates an approved gratuity scheme-unfunded for all employees eligible for the benefit. The latest actuarial valuation was carried out as at 30 June, 2008. Contribution is made on the basis of actuarial recommendations using the Project Unit Credit Method with the following significant assumptions for the valuation of the scheme:

- discount rate at 12% per annum
- expected rate of increase in salary level at 9% per annum

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

2.3 Provisions

A provision is recognized in the Balance Sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the outflow can be made. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**2.4 Taxation
Current**

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

Deferred

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

2.5 Property, plant & equipment

These are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any), except for capital work - in - progress which is stated at cost less accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work - in - progress. These are transferred to specified assets as and when assets are available for use.

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

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

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

Depreciation on addition is charged from the month in which the assets become available for use while on disposals depreciation is charged upto the month of deletion.

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

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

2.6 Capital work in progress

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

2.7 Impairment

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

2.8 Financial assets

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

2.9 Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, liabilities against assets subject to finance lease, short term finances utilized under mark up arrangements, creditors, accrued and other liabilities and unclaimed dividends.

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

2.10 Stores, spares and loose tools

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

2.11 Stock in trade

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

2.12 Trade debts and other receivables

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

2.13 Trade and other payables

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

2.14 Cash and cash equivalent

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

2.15 Investments-at fair value through profit or loss

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

2.16 Foreign currency translation

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

2.17 Offsetting

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

2.18 Revenue recognition

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

2.19 Borrowing cost

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

2.20 Related party transactions

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

2.21 Dividend

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

3 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2008	2007		2008	2007
NO. OF SHARES			RUPEES	RUPEES
5,515,000	5,515,000	Ordinary shares of Rs.10/- each issued as fully paid as in cash	55,150,000	55,150,000
6,500,000	6,500,000	Ordinary shares of Rs.10/- each issued as 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		2008	2007
			RUPEES	RUPEES
	Share premium	4.1	<u>15,575,000</u>	<u>15,575,000</u>

4.1 This represents premium of Rs. 5 per share received on public issue of 3,115 thousand ordinary shares in 2003.

5	LONG TERM FINANCE			
	From banking companies	5.1	39,878,292	89,615,878
	From directors	5.2	-	6,850,000
			<u>39,878,292</u>	<u>96,465,878</u>

5.1 From banking companies

Particulars	Askari Commercial Bank		Bank Al-Falah		TOTAL	TOTAL
	TF-II	LTF	TF	LTF	2008	2007
Opening Balance	34,739,749	24,740,120	53,314,005	26,559,585	139,353,456	205,853,090
Add: Obtained during the period			-		-	-
	34,739,749	24,740,120	53,314,005	26,559,585	139,353,456	205,853,090
Less: Paid/Adjustment during year	(13,557,742)	(12,370,060)	(15,904,237)	(7,905,542)	(49,737,581)	(66,499,634)
Closing Balance	21,182,007	12,370,060	37,409,768	18,654,043	89,615,875	139,353,456
Less: Current maturity	(14,121,338)	(12,370,060)	(16,263,906)	(6,982,280)	(49,737,584)	(49,737,578)
Long term portion	7,060,669	-	21,145,862	11,671,763	39,878,292	89,615,878
Significant terms and conditions	5.1.1	5.1.1	5.1.1		5.1.2	5.1.2

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

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

5.2	From directors		2008	2007
			RUPEES	RUPEES
	- Zahid Mazhar		-	2,000,000
	- Omer Bin Zahid		-	2,300,000
	- Naila Zahid		-	2,550,000
			<u>-</u>	<u>6,850,000</u>

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

6. DEFERRED LIABILITIES

	Gratuity	6.1	6,691,946	6,901,600
	Deferred tax liabilities-net	6.2	31,582,402	36,556,820
			<u>38,274,348</u>	<u>43,458,420</u>

		2008	2007
		RUPEES	RUPEES
6.1	Movement in the net liability recognized in the balance sheet		
	Opening net liability	6,901,600	5,840,550
	Expense for the year	<u>3,115,796</u>	<u>3,360,350</u>
		10,017,396	9,200,900
	Benefits paid	<u>(3,325,450)</u>	<u>(2,299,300)</u>
	Closing net liability	<u>6,691,946</u>	<u>6,901,600</u>
	Expense recognized in the profit and loss account		
	Current service cost	1,693,296	1,528,550
	Interest cost	535,570	443,646
	Net actuarial loss/(Gain) recognized in the year	<u>886,930</u>	<u>1,388,154</u>
		<u>3,115,796</u>	<u>3,360,350</u>
	Principal assumption		
	Following are a few important actuarial assumptions used in the valuation		
	Discount rate	12%	9%
	Expected rate of increase in salary	9%	9%
6.2	DEFERRED TAX LIABILITIES - NET		
	The liability for deferred taxation comprises of temporary differences.		
	Taxable temporary difference		
	Accelerated tax depreciation allowance	53,898,503	56,235,879
	Deductible temporary differences		
	Provision for doubtful debts	<u>1,378,970</u>	<u>683,591</u>
	Provision for gratuity	<u>1,479,557</u>	<u>1,512,866</u>
	Un used tax losses	<u>19,457,574</u>	<u>17,482,602</u>
		22,316,101	19,679,059
		<u>31,582,402</u>	<u>36,556,820</u>
7.	TRADE AND OTHER PAYABLES		
	Creditors	12,870,199	16,092,247
	Accrued expenses	25,477,455	14,502,342
	Workers' profit participation fund	-	83,810
	Income tax payable	98,832	-
	Unclaim dividend	1,096	1,096
		<u>99,928</u>	<u>84,906</u>
		<u>38,447,582</u>	<u>30,679,495</u>
7.1	Workers' Profits Participation Fund		
	Opening balance	83,810	367,601
	Add: Interest charged	5,915	27,700
		<u>89,725</u>	<u>395,301</u>
	Less: Payment during the year	<u>89,725</u>	<u>395,301</u>
		-	-
	Add: Allocation for the year	-	83,810
		<u>-</u>	<u>83,810</u>

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

	2008	2007
	RUPEES	RUPEES
8. MARK-UP ACCURED ON FINANCE		
Long-term finance	2,394,227	3,812,499
Short-term borrowings	<u>15,474,711</u>	<u>7,316,009</u>
	<u>17,868,938</u>	<u>11,128,508</u>
9. SHORT TERM BORROWINGS		
Running/cash finances:		
- Askari commercial bank ltd	9.1 73,840,430	41,650,366
- Bank Al-Falah Limited	9.2 113,230,202	25,082,014
- Allied Bank Ltd.	9.3 194,336,323	67,213,352
- Soneri Bank limited	9.4 88,452,448	13,837,773
- Citi bank. N.A	9.5 119,786,835	120,000,000
- Temp. O/D	65,316	66,062
Finance against foreign bill		
-Bank Al- Falah	9.2 24,000,000	
-Soneri bank ltd.	9.4 19,755,000	
Foreign currency		
- Soneri bank ltd.	9.4	88,878,968
	<u>633,466,554</u>	<u>356,728,535</u>

	BANK	PURPOSE	LIMIT	SECURITY	MARKUP
9.1	Askari Bank Ltd.	CF/RF for working capital management	250 M	Hypothecation charge over company's stocks & book debts	3 months KIBOR + 1.50%
9.2	Bank Al-Falah Ltd.	CF and foreign currency finance facility for working capital management	200 M	Pledge of cotton and yarn at mills premises	CF 3 months KIBOR + 1.00% FE 6 months LIBOR + 1.00% to 1.50%
9.3	Allied Bank Limited	CF/RF & foreign currency finance facilities for working capital management	250 M	Hypothecation charge over company's stocks & book debts	3 months KIBOR + 1.50%
9.4	Soneri Bank Ltd.	CF/RF & foreign currency finance facilities for working capital management	200 M	Hypothecation charge over company's stocks & book debts	CF/RF 6 months KIBOR + 1.50% FE 6 months LIBOR + 1.25% to 3.50%
9.5	Citi Bank N. A.	CF/RF for working capital management	144.4 M	Hypothecation charge over company's stocks & book debts	Relevant KIBOR + 0.50% to 1.50%

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

In the year 2004, the Company filed an appeal in the High Court of Sindh contesting demand for the payment of infrastructure charges at ports amounting to Rs. 4,141,736/- raised by Excise and Taxation Officer (E.T.O.). The High Court granted stay against bank guarantee submitted to the E.T.O of Rs. 4,250,000/=. The appeal is still pending for hearing. In view of opinion of its legal advisor the appeal is likely to be decided in favour of company on merits and therefore, no provision has been made in these financial statements in respect of demanded amount of charges. The HESCO raised a demand for fixed electricity charges against the company amounting to Rs 7.780 million. The company filed a suit contesting demand and was granted a stay by Honourable High court of Sindh in lieu of bank guarantee of Rs 10.29 million. The case was referred by the court to the Board of Directors of HESCO along with cases of other companies. The matter is currently in the process of approval of HESCO. The officials concerned have recommended withdrawal of the demand to the Board. The Company has filed an application for return of the bank guarantee which has been duly acknowledged by HESCO. No provision has hence been made against the impugned demand as it is being withdrawn by HESCO.

10.2 Commitments

	2008	2007
	RUPEES	RUPEES
i Letter of credit	104,642,119	219,530
ii Estimated further cost of capital work in progress	-	1,000,000
iii Bank guarantee to Excise & Taxation Officer	4,250,000	3,250,000
iv Bank guarantee to HESCO	10,290,000	10,290,000

11 PROPERTY, PLANT AND EQUIPMENT

- Operating fixed assets	11.1 478,477,129	504,150,371
- Capital work in progress	11.2 6,270,503	8,398,645
	<u>484,747,632</u>	<u>512,549,016</u>

11.1 Operating fixed assets

PARTICULARS	C O S T			RATE %	DEPRECIATION (DELETION)		WRITTEN DOWN VALUE
	AS ON 1-07-07	ADDITION (DELETION)	TRANSFER IN / (OUT)		AS ON 1-07-07	FOR THE YEAR	
OWNED ASSETS							
Lease hold land	2,028,820	-	-	-	-	-	2,028,820
Free hold land	1,142,763	-	-	-	-	-	1,142,763
Factory building	61,621,356	-	-	10	4,014,419	25,491,589	36,129,767
Office premises	57,807,259	65,480	7,585,973	5	2,251,508	16,334,450	49,124,262
Plant and machinery	702,669,929	12,444,977	-	10	41,089,769	336,603,536	378,511,370
Office equipment	1,735,599	-	956,995	10	672,926	795,187	1,897,407
Computer equipment	660,079	116,590	-	30	314,010	432,232	344,437
Furniture and fixture	1,231,743	175,175	790,021	10	473,654	572,391	1,624,548
Vehicles	17,151,121	1,630,000	(354,500)	20	9,363,829	10,752,866	7,673,755
TOTAL RUPEES 2008	846,048,669	14,432,222	(354,500)		341,898,298	49,395,039	478,477,129
TOTAL RUPEES 2007	795,911,126	39,044,867	-		289,930,603	51,967,695	504,150,371

Details of Disposal Vehicle	Cost & Accumulated		Book Value	Sale Proceeds	Profit / (Loss)	Mode of Disposal	Particulars of Purchaser
	Revaluation	Depreciation					
Suzuki Khyber ABL-920	354,500	311,086	43,414	50,000	6,586	Negotiation	Mr. M. Sajid S/o. Noor Muhammad N.I.C. 42201-451444-1
TOTAL RUPEES 2008	354,500	311,086	43,414	50,000	6,586		
TOTAL RUPEES 2007	-	-	-	-	-		

	2008 Rupees	2007 Rupees
Depreciation is allocated as under :		
Cost of sales	45,104,188	47,685,587
Administrative expenses	4,290,851	4,282,108
	<u>49,395,039</u>	<u>51,967,695</u>

		2008	2007
		RUPEES	RUPEES
18 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposit		5,871,000	6,484,000
Advance against raw material		191,643	-
Advance against import of machinery		3,019	217,395
Advance to suppliers		906,083	7,517,925
Prepayments		84,798	498,000
		<u>7,056,543</u>	<u>14,717,320</u>
19 OTHER RECEIVABLES			
Sales tax refundable		2,533,059	1,199,973
Dividend Receivable		-	40,000
		<u>2,533,059</u>	<u>1,239,973</u>
20 CASH AND BANK BALANCES			
Cash in hand		78,418	186,353
Cash at bank			
- In current account		792,712	842,041
- In deposit account	20.1	324	360,136
		<u>793,036</u>	<u>1,202,177</u>
		<u>871,454</u>	<u>1,388,530</u>
20.1	It carries markup at the rate ranging from 4 to 6%(2007: 3 to 5%).		
21 SALES - NET			
Local		934,197,349	971,939,859
Export	21.1	570,824,059	610,228,949
Less: Ocean freight		(12,835,105)	(9,475,707)
FOB value		557,988,954	600,753,242
		<u>1,492,186,303</u>	<u>1,572,693,101</u>
Add:			
- Waste		14,645,076	18,390,474
- Raw Material		-	32,570,251
		<u>1,506,831,379</u>	<u>1,623,653,826</u>
Less:			
- Commission on export sales		(11,738,424)	(9,554,014)
- Commission on local sales		(14,138,346)	(7,028,944)
- Export development charges		(1,303,992)	(1,533,612)
		<u>(27,180,762)</u>	<u>(18,116,570)</u>
		<u>1,479,650,617</u>	<u>1,605,537,256</u>
22 COST OF SALES			
Raw material consumed	22.1	934,997,154	811,387,992
Store and spares consumed		18,758,940	16,628,209
Packing material consumed		20,383,856	20,581,977
Salaries, wages and other benefits	22.2	72,323,058	66,138,145
Repair and maintenance		5,380,541	3,308,098
Insurance		2,303,735	1,523,187
Fuel and power		92,233,566	97,658,180
Other manufacturing expenses		9,642,764	11,496,202
Depreciation	11.1	45,104,188	47,685,587
		<u>1,201,127,802</u>	<u>1,076,407,577</u>

	2008	2007
	RUPEES	RUPEES
Work in process		
Opening	10,198,804	10,565,494
Closing	(13,209,500)	(10,198,804)
	(3,010,696)	366,690
	1,198,117,106	1,076,774,267
Cost of goods manufactured	24,300,416	44,055,729
Finished goods and waste	207,353,630	395,043,247
Opening	(46,157,270)	(24,300,416)
Yarn purchased for export	185,496,776	414,798,560
Closing	1,383,613,882	1,491,572,827
22.1 RAW MATERIAL CONSUMED		
Opening stock	102,563,185	161,494,474
Add: Purchases	1,149,398,332	752,456,703
	1,251,961,517	913,951,177
Closing stock	(316,964,363)	(102,563,185)
	934,997,154	811,387,992
22.2	It includes staff retirement benefits amounting to Rs.2,643,442 (2007: 2,145,350).	
23 ADMINISTRATION AND GENERAL EXPENSES		
Directors' remuneration	696,000	696,000
Salaries and other benefits	23.1 4,840,604	5,590,345
Traveling conveyance	421,872	522,270
Legal and professional	718,798	738,808
Fees and subscription	142,404	465,018
Rent, rates and taxes	563,563	244,199
Electricity, gas and water	501,777	483,152
Repair and maintenance	329,243	409,743
Communication expenses	759,307	834,130
Printing and stationery	493,074	353,781
Motor vehicle expenses	2,237,283	1,841,639
Advertisement expenses	70,020	26,000
Entertainment expenses	816,685	543,490
Bad debt expenses	15 3,118,500	3,118,499
Charity and donation	23.2 -	1,440
Audit fee	23.3 245,000	254,550
Miscellaneous expenses	390,699	287,694
Depreciation	11 4,290,851	4,282,108
	20,635,680	20,692,866
23.1	It includes staff retirement benefits amounting to Rs.472,354 (2007: Rs.1,215,000)	
23.2	None of directors and their spouse have any interest in the donee's fund.	
23.3 Auditors Remuneration		
Audit fee	200,000	200,000
Half yearly review	45,000	40,000
Out of pocket expenses	-	14,550
	245,000	254,550

	2008	2007
	RUPEES	RUPEES
24 SELLING AND DISTRIBUTION EXPENSE		
Freight and octroi charges local	5,190,914	5,482,253
Others	<u>10,080,243</u>	<u>11,507,634</u>
	<u>15,271,157</u>	<u>16,989,887</u>
25 OTHER OPERATING INCOME		
Income from processing of yarn	2,127,150	453,300
Profit on saving deposit account	5,293	2,253
Profit on sale of fixed assets	6,586	-
Exchange Gain / (Loss)	-	-
Gain / (Loss) on investment	<u>(3,488,383)</u>	<u>903,481</u>
	<u>(1,349,354)</u>	<u>1,359,034</u>
26 FINANCIAL COST		
Mark-up on	<u>60,332,069</u>	<u>48,473,068</u>
- Short term borrowings	<u>10,321,776</u>	<u>18,151,500</u>
- Long term finance - from banking companies	<u>8,534,926</u>	<u>7,748,629</u>
- Inland letter of credit and FAFB	79,188,771	74,373,197
Interest on workers' profit participation fund	7.1 5,915	27,700
Bank charges and guarantee commission	<u>1,536,146</u>	<u>1,563,610</u>
	<u>80,730,832</u>	<u>75,964,507</u>
27 TAXATION		
Current year	7,544,819	9,200,484
Prior year	373	(204,752)
Deferred tax	<u>(4,974,416)</u>	<u>8,494,573</u>
	<u>2,570,776</u>	<u>17,490,305</u>
The assessment has been finalized under upto and including accounting year 30-6-2007 (Tax year 2007).		
Relationship between tax expense and accounting profit		
Profit for the current year(attributable to local sales)	(13,865,997)	977,889
Tax at the rate 35%	(4,853,099)	342,261
Tax effect of expenses:		
that are not deductible in determining taxable profit	11,609,883	11,892,243
that are deductible in determining taxable profit	<u>(8,701,024)</u>	<u>(11,128,299)</u>
Tax expense for the current year	<u>(1,944,240)</u>	<u>1,106,205</u>
or		
Tax under section 113 which ever is higher	<u>7,544,819</u>	<u>8,165,648</u>
Tax charge for the current year-PTR	7,544,819	9,200,484
Tax charge for the prior years	373	(204,752)
Deferred tax adjustment	<u>(4,974,416)</u>	<u>8,494,573</u>
	<u>2,570,776</u>	<u>17,490,305</u>
28 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit / (loss) after taxation in rupees	<u>(24,521,064)</u>	<u>(15,897,912)</u>
Weighted average number of ordinary shares	<u>12,015,000</u>	<u>12,015,000</u>
Earning / (loss) per share in rupees	<u>(2.04)</u>	<u>(1.32)</u>

29 INTEREST / MARKUP RATE RISK EXPOSURE

29.1 Interest rate risk:

Interest rate risk arise from the possibility that changes in the interest rates will affect the value of financial instruments. The rate of return and terms of repayment of long term finance and short term borrowings under mark-up arrangements are disclosed in the note No. 5.1 and 9 to the financial statements.

	Interest bearing			Non interest bearing			2008 TOTAL	2007 TOTAL
	Within one year	More than one year	Sub total	Within one year	More than one year	Sub total		
FINANCIAL ASSETS								
Long term deposits	-	-	-	-	804,710	804,710	804,710	804,710
Trade debts	-	-	-	168,903,630	-	168,903,630	168,903,630	177,803,556
Investments	-	-	-	16,841,181	-	16,841,181	16,841,181	6,267,276
Loan and advances	-	-	-	416,900	-	416,900	416,900	390,400
Trade deposits	-	-	-	5,871,000	-	5,871,000	5,871,000	14,219,320
Other receivables	-	-	-	2,533,059	-	2,533,059	2,533,059	1,239,973
Cash and bank balances	324	-	324	871,130	-	871,130	871,454	1,388,530
Total Financial Assets	324	-	324	195,436,900	804,710	196,241,610	196,241,934	202,113,765

FINANCIAL LIABILITIES

Long term finance	49,737,584	39,878,292	89,615,876	-	-	-	89,615,876	139,353,457
Short term borrowing	633,466,554	-	633,466,554	-	-	-	633,466,554	356,728,535
Markup accrued on finance	-	-	-	17,868,938	-	17,868,938	17,868,938	11,128,508
Trade and other payables	-	-	-	38,348,749	-	38,348,749	38,348,749	30,679,495
Total Financial Liabilities	683,204,138	39,878,292	723,082,430	56,217,687	-	56,217,687	779,300,117	537,889,995
On balance sheet gap	(683,203,814)	(39,878,292)	(723,082,106)	139,219,213	804,710	140,023,923	(583,058,183)	(335,776,230)

29.2 Liquidity risk:

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

29.3 Foreign Exchange risk:

Foreign Exchange risk arise mainly where receivable and payables exist due to transactions with foreign undertakings. In appropriate cases, the management takes out forward contracts to mitigate the risk. The company is exposed to foreign exchange risk in respect of foreign currency loan equaled to Rs. 19,294,493/- availed from Bank Alfalah Ltd. (Ref into 9.2)

29.4 Credit risk:

Credit risk represents the accounting loss that would be recognized at the report date, if counter parties failed completely to perform as contracted. The company manages credit risk in trade receivables by limiting significant exposure to any individual customer by securing through letter of credit, obtaining advance against sales and review of the credit worthiness of the counter parties.

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

	2008 RUPEES	2007 RUPEES
Trade debts	<u>168,903,630</u>	<u>177,803,556</u>

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

	2008 RUPEES	2007 RUPEES
30 CASH GENERATED FROM OPERATIONS		
Profit / (loss) before taxation	(21,950,288)	1,592,393
Adjustments for non cash charges and other items		
Depreciation	49,395,039	51,967,695
Provision for gratuity	3,115,796	3,360,350
Provision for doubtful debt	3,118,500	-
Loss /(Gain) on investment	3,488,383	-
Loss /(Gain) on disposal on fixed assets	(6,586)	-
Workers' profit participation fund	-	83,810
Financial cost	80,730,832	75,964,507
	139,841,964	131,376,362
Operating profit before working capital changes	117,891,676	132,968,755
 (Increase)/decrease in current assets		
Stores, spares and loose tools	(244,080)	(3,206,794)
Stock in trade	(239,268,728)	79,053,293
Trade debts	5,781,426	(57,275,684)
Loans and advances	(26,500)	62,181
Trade deposits and short term prepayments	503,399	47,636,442
Other receivables	(1,293,086)	7,733,215
	(234,547,569)	74,002,653
Increase/(decrease) in current liabilities		
Trade and other payables	7,851,896	1,631,402
	(108,803,997)	208,602,813
 31 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE REMUNERATION		
Managerial remuneration	464,000	464,000
Remuneration allowances	232,000	232,000
	696,000	696,000
No. of person	2	2

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 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:

	2008	2007
	RUPEES	RUPEES
Sale of raw material	-	32,570,251
Purchase of yarn	178,596,080	289,140,520
Reprocessing income	2,127,150	453,300
Reprocessing charges	3,215,760	3,616,152
Sale of yarn	1,206,750	5,275,750
Sale of Wastes	203,300	-

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

33 ACCOUNTING ESTIMATES AND JUDGMENTS

Income Tax

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

Property, plant and equipment

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

34 PLANT CAPACITY AND ACTUAL PRODUCTION	2008	2007
Total number of spindles installed	32,304	32,304
Average numbers of spindle worked	32,304	32,304
Number of shifts worked per day	3	3
Installed capacity after conversion into 20/s count (kgs.)	11,030,960	11,030,960
Actual production after conversion into 20/s count (kgs.)	10,998,281	10,299,991

35 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 30 , 2008 by the Board of Directors of the Company

36 GENERAL

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



Chief Executive



Director

Karachi:

Dated: September 30, 2008