CONTENTS

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 machiery 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 BANK LIMITED ALLIED BANK LIMITED BANK AL-FALAH LIMITED ASKARI 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 23rd Annual General Meeting of the Company will be held at 801-804, Lakson Square Building No.3, Block-A, Sarwar Shaheed Road, Karachi, on Friday, 30th October, 2009 at 7:00 p.m. to transact the following business.

1. To confirm the Minutes of the 22nd Annual General Meeting of the Company held on 30th October, 2008.

2. To receive, consider, and adopt the audited accounts for the year ended 30th June, 2009 together with the Directors' and Auditors' reports thereon.

3. To elect seven (7) Directors as fixed by the Board for a term of three years in accordance with the Section 178 of the Companies Ordinance, 1984 and to fix their remuneration. The retiring directors are M/s. (1) Zahid Mazhar (2) Shahid Mazhar (3) Omer Bin Zahid (4) Ahmed Bin Shahid (5) Rafia Sultana (6) Naila Zahid (7) Ghazala Shahid. The retiring directors have offered themselves for re-election.

4. To appoint Auditors and fix their remuneration for the year ending June 30, 2010.

5. SPECIAL BUSINESS
   To pass the following special resolution with or without modification(s), addition(s) or deletion(s)

   Resolved that the following sub-clause be added as sub-clause No. 35 in object clause III of the Memorandum of Association of the Company.

   “To generate electrical power by conventional, non-conventional methods including Wind, Gas, Oil, Waste, Thermal, Solar, Hydel, Coal, Tidal waves and other types of power for distribution and supply to all concerns whether Public, Private, Government and Non-Government, various organization, WAPDA, HESCO, KESC, industries, cities, towns, buildings, streets, docks, markets, theaters and all places both public and private and to carry on the business of establishing operating and managing transmission systems for electricity generation, steam / process, air and suppliers of and dealers in electrical and related appliances, generators, cables, wire lines, dry cells, accumulators lamps and works and to generate, accumulate, distribute and supply electricity for the purpose of light, heat, motive power and for all other purposes for which electrical energy can be employed”

   To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

Karachi
Dated: September 30, 2009

BY ORDER OF THE BOARD
Company Secretary

Notes:

1. The share transfer books of the company will remain closed from 20th October, 2009 to 30th October, 2009 (both days inclusive).

2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf.

3. 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.

4. 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.

5. Any member who seeks to contest election of the office of the director, shall whether he/she is retiring director or otherwise, file with the Company, not later than fourteen (14) days before the date of the meeting at which elections are to be held, a notice of his/ her intention to offer himself/herself for election as a director in terms of section 178 (3) of the Companies Ordinance, 1984 along with consent to act as director under section 184 of the Companies Ordinance, 1984. He/she should also furnish the declaration as required under clause II to V of the Code of Corporate Governance.

6. Shareholders are requested to promptly notify any change in their address.

STATEMENT U/S 160 OF THE COMPANIES ORDINANCE, 1984 PERTAINING TO THE SPECIAL BUSINESS

1. Change in Object Clause

The Company was incorporated as a public limited company on July 15, 1984 with main object of manufacture and sale of yarn. The Company has its own power plant having power generation capacity of 5 MW. Now, the management of the Company has decided to expand the business of the Company by sale of surplus electricity generation and setting up of electrical generation plant. Therefore, the change in Memorandum of Association of the Company is required to widen the object clause and following resolution is proposed to be passed with or without amendments and subject to the approval of the Securities and Exchange Commission of Pakistan.

Resolved that the following sub-clause be added as sub-clause No. 35 in object clause III of the Memorandum of Association of the Company.

“To generate electrical power by conventional, non-conventional methods including Wind, Gas, Oil, Waste, Thermal, Solar, Hydel, Coal, Tidal waves and other types of power for distribution and supply to all concerns whether Public, Private, Government and Non-Government, various organization, WAPDA, HESCO, KESC, industries, cities, towns, buildings, streets, docks, markets, theaters and all places both public and private and to carry on the business of establishing operating and managing transmission systems for electricity generation, steam / process, air and suppliers of and dealers in electrical and related appliances, generators, cables, wire lines, dry cells, accumulators lamps and works and to generate, accumulate, distribute and supply electricity for the purpose of light, heat, motive power and for all other purposes for which electrical energy can be employed”

2. Interest of Directors in Special Business

The Directors of the Company have no special interest in the special business other than shareholders of the Company.

NADEEM TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE SHARE HOLDERS

Dear Shareholders,

The Board of Directors of Nadeem Textile Mills Ltd. is pleased to present its 23rd annual Report together with the audited accounts of the Company for the year ended June 30, 2009.

SUMMARY OF FINANCIAL RESULTS

	2009		2008	
	Rupees in million	% of Sales	Rupees in million	% of Sales
Sales	1,631.66	100.00%	1,481.77	100.00%
Gross profit	159.43	9.77%	98.16	6.62%
Profit / (Loss) before tax	11.04	0.67%	(21.95)	(1.48%)
Profit / (Loss) after tax	8.08	0.50%	(24.52)	(1.65%)
EPS (in Rupees)	0.67		(2.04)	

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of your shares as on June 30, 2009 was Rs. 22.41 as compared to Rs. 21.74 as at June 30, 2008.

The earning per share for the year ended June 30, 2009 is Rs. 0.67 as per computation below:

	2009 RUPEES	2008 RUPEES
Profit / Loss after taxation	8,080,717	(24,521,064)
No. of ordinary shares	12,015,000	12,015,000
Earning per share	Rs. 0.67	Rs. (2.04)

OVERVIEW

The financial results of your company have improved significantly as compared to previous year. The revenue generated from sales has increased to Rs. 1,632 million as compared to Rs. 1,482 million during the previous year demonstrating an increase of Rs. 150 million.

The company earned a gross profit of Rs. 159.43 million at 9.77% as compared to gross profit of Rs. 98.16 million at 6.62% for the previous year. The profit before tax increased to Rs. 11.04 million as against a loss of Rs. (21.95) million during the previous financial year.

OPERATING PERFORMANCE

The plant has continued to operate satisfactorily throughout the year on a three shifts basis and achieved the production of 11.22 million Kgs. after conversion into 20/1 count during the year as compared to the production of 10.99 million Kgs. of previous year thus showing an increase of 2% over the last year. The management is continuously making efforts to improve the efficiency and productivity of plant through better utilization of resources.

FUTURE OUTLOOK

The textile industry of Pakistan has been facing massive challenges since last few years. But now the government is taking the problems seriously which will have a positive impact on the textile industry. The recently announced 5 years Textile Policy shows that the government is sincere in implementing a long term strategy that will provide a level-playing field against its regional competitors. The recent reduction in the rates of markup and other incentives may also help the textile industry of Pakistan in getting better results.

The use of B. T. Technology in growing cotton is another major factor that will contribute positively to the Textile Industry of Pakistan. We expect substantial increase in size of cotton crop due to the use of B. T. Technology. It is hoped that in the current season the country will have a bumper crop of 13 million bales as compared to 11 million bales of last year.

The management of your company is making its untiring efforts to deliver exemplary results in future.

EXPANSION AND MODERNIZATION
The management is embarking on a fresh BMR program to streamline the production facilities. It is expected that after the implementation of BMR the Company will be able to increase its productivity with better quality at reduced cost.

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

HUMAN RESOURCE
The Company ensures effective and efficient recruitment and selection in hiring the most suitable candidates. The management of the Company is upgrading its manpower through the induction of qualified staff and continuously developing its human resource to face the global challenges.

CODE OF CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the period ended June 30, 2009:

- 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, NBFI 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, 2009.

BOARD MEETINGS

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

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

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

ELECTION OF DIRECTORS

The following directors of the Company retire and offer themselves for re-appointment.

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

The election of directors will be held on October 30, 2009 in the 23rd Annual General Meeting of the Company.

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 auditors of the Company M/S Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible, 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, 2009 is annexed.

ACKNOWLEDGMENT

The Directors of the Company would like to take the opportunity to thank the shareholders, valued clients and bankers for the co-operation extended by them during the course of business activities. The Directors are also pleased to record their appreciation for the hard work and devoted services rendered by the staff members and workers of the Company.

On behalf of the Board

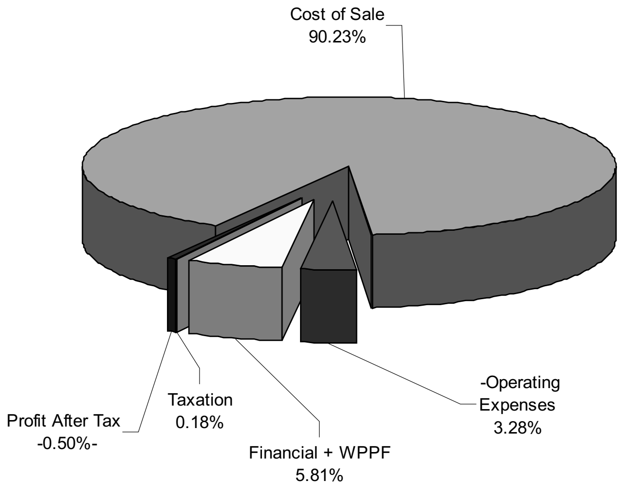
ZAHID MAZHAR
Chief Executive

Karachi:

Dated: September 30, 2009

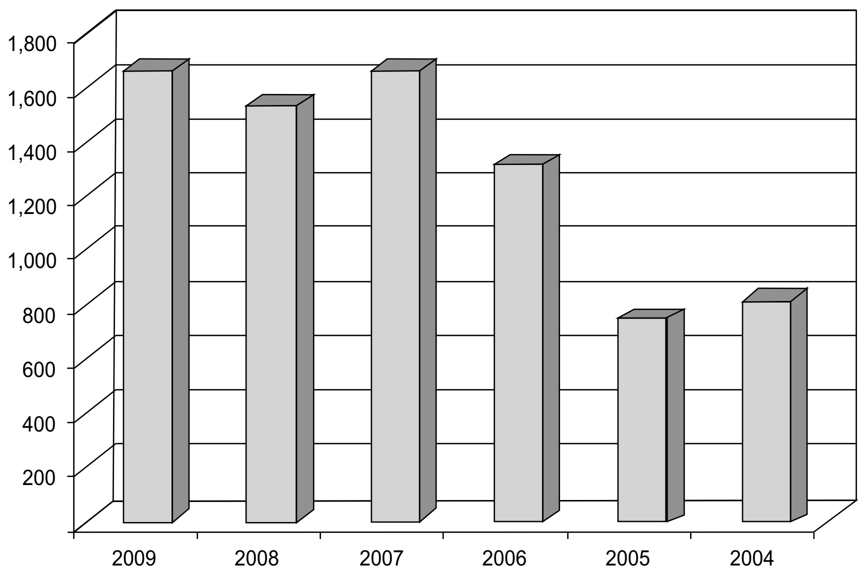
APPLICATION OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2009

	RUPEES	PERCENTAGE
Cost of Sale	1,472,228,501	90.23%
Operating Expenses	53,571,859	3.28%
Financial Charges + WPPF	94,824,657	5.81%
Taxation	2,954,919	0.18%
Profit after Tax	8,080,717	0.50%
TOTAL	**1,631,660,653**	**100%**



TURNOVER

Year	Sales in (M)
2009	1,632
2008	1,480
2007	1,605
2006	1,265
2005	693
2004	783



Key Operating & Financial Data For the period From October 2003 To June 2009

PERIODS	July - June 2008 - 2009	July - June 2007 - 2008	July - June 2006 - 2007	July - June 2005 - 2006	Oct - June 2004 - 2005	Oct - Sep 2003 - 2004
Net Sales Revenue	1,631,660,653	1,479,650,617	1,605,537,256	1,265,261,803	693,032,010	783,026,573
Cost Of Goods Sold	1,472,228,501	1,383,613,882	1,491,572,827	1,171,019,818	634,447,293	709,477,219
Gross Profit	159,432,152	96,036,735	113,964,429	94,241,985	58,584,717	73,549,354
Operating Profit	118,257,809	60,129,898	76,281,676	65,955,727	38,774,367	44,581,437
Profit/(Loss) Before Tax	11,035,636	(21,950,288)	1,592,393	6,984,414	8,978,337	28,948,350
Profit/(Loss) After Tax	8,080,717	(24,521,064)	(15,897,912)	4,912,707	8,518,207	9,559,982
Paid Up Capital	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000	120,150,000
Current Assets	451,943,036	600,869,288	369,769,750	438,897,578	505,400,310	507,093,751
Current Liabilities	581,968,435	747,065,476	457,474,600	458,913,643	469,416,161	459,555,560

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. There was no casual vacancy of directors during the year.

5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and senior employees of the Company.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

8. The meetings of the Board were presided by the Chairman. The Board met atleast once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged orientation course for its directors during the year apprising them of their duties and responsibilities.

10. No new appointment of CFO, Company Secretary and Head of Internal Auditor has been made during the year.

11. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee, it comprises three members, two of which are non-executive Directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.
The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has setup an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company. They are involved in the internal audit function on full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

Karachi:
Dated: September 30, 2009

ZAHID MAZHAR
Chief Executive

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Blcok-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 of the 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.

further, Sub-Regulation (xiii) of Listing Regulation 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the period ended June 30, 2009.

Rahman Sarfaraz Rahim Iqbal Rafiq

Karachi:
Dated: September 30, 2009

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Russell Bedford
Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Plot No. 180, Blcok-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

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Nadeem Textile Mills Limited** ("the Company") as at June 30, 2009, and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009, and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVII of 1980).

Rahman Sarfaraz Rahim Iqbal Rafiq

Karachi:

Dated: September 30, 2009

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

NADEEM TEXTILE
BALANCE SHEET AS AT

	NOTE	2009 RUPEES	2008 RUPEES
SHARE CAPITAL AND RESERVES			
Share capital	3	**120,150,000**	120,150,000
Capital reserve	4	**15,575,000**	15,575,000
Unappropriated profit		**133,559,230**	125,478,513
		269,284,230	261,203,513
NON-CURRENT LIABILITIES			
Long-term finance	5	**9,571,436**	39,878,300
Deferred tax liability - net	6	**34,978,401**	38,274,348
CURRENT LIABILITIES			
Trade and other payables	7	**76,133,478**	38,447,580
Mark-up accrued on finance	8	**17,755,875**	17,868,938
Short-term borrowings	9	**449,690,523**	633,466,554
Current portion of long-term finance	5.1	**30,306,843**	49,737,578
Provision for taxation		**8,081,716**	7,544,819
		581,968,435	747,065,469
		895,802,502	1,086,421,630
CONTINGENCIES AND COMMITMENTS	10	-	-

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

Chief Executive

Karachi:
Dated: September 30, 2009

MILLS LIMITED
JUNE 30, 2009

NON-CURRENT ASSETS	NOTE	2009 RUPEES	2008 RUPEES
PROPERTY, PLANT AND EQUIPMENT	11	**443,054,756**	484,747,632
LONG-TERM DEPOSITS	12	**804,710**	804,710
CURRENT ASSETS			
Stores, spares and loose tools	13	**23,109,296**	16,457,639
Stock-in-trade	14	**287,024,128**	376,331,133
Trade debts	15	**105,900,587**	168,903,630
Investments at fair value through profit and loss	16	**7,864,149**	16,841,181
Loan and advances	17	**12,757,862**	11,874,649
Trade deposits and short term prepayments	18	**9,951,634**	7,056,543
Other receivables	19	**4,403,011**	2,533,059
Cash and bank balances	20	**932,369**	871,454
		451,943,036	600,869,288
		895,802,502	1,086,421,630

Director

NADEEM TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES
Sales - net	21	**1,631,660,653**	1,481,777,767
Cost of sales	22	**(1,472,228,501)**	(1,383,613,882)
Gross profit		**159,432,152**	98,163,885
General and administration expenses	23	**(25,117,492)**	(20,635,680)
Selling and distribution expenses	24	**(16,056,851)**	(15,271,157)
		(41,174,343)	(35,906,837)
Operating profit		**118,257,809**	62,257,048
Other operating loss / charges	25	**(12,397,516)**	(3,476,504)
		105,860,293	58,780,544
Financial cost	26	**(93,840,595)**	(80,730,832)
Workers' profit participation fund		**(600,985)**	-
Workers' welfare fund	7.2	**(383,077)**	-
		(94,824,657)	(80,730,832)
Profit / (Loss) before taxation		**11,035,636**	(21,950,288)
Taxation	27	**(2,954,919)**	(2,570,776)
Profit / (Loss) after taxation		**8,080,717**	(24,521,064)
Earning / (Loss) per share basic and diluted (Rupees)	28	**0.67**	(2.04)

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

Chief Executive

Director

Karachi:
Dated: September 30, 2009

NADEEM TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	PAID UP CAPITAL	CAPITAL RESERVE	UNAPPRO-PRIATED PROFIT	TOTAL EQUITY
	RUPEES			
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
Net profit for the year ended June 30, 2009	-	-	8,080,717	8,080,717
Balance as at June 30, 2009	120,150,000	15,575,000	133,559,230	269,284,230

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

Chief Executive

Director

Karachi:
Dated: September 30, 2009

NADEEM TEXTILE MILLS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**336,399,697**	(108,803,997)
Taxes paid		**(8,562,203)**	(5,971,875)
Gratuity paid		**(2,589,282)**	(3,325,450)
Financial charges paid		**(93,953,658)**	(73,984,487)
Workers' profit participation fund paid		**-**	(89,725)
Net cash (used in) / generated from operating activities		**231,294,554**	(192,175,534)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(4,589,149)**	(14,479,692)
Proceeds from disposal of fixed assets		**285,000**	50,000
Long term deposits		**-**	-
Investments at fair value through profit and loss		**6,584,140**	(14,062,288)
Net cash used in investing activities		**2,279,991**	(28,491,980)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of loan to directors		**-**	(6,850,000)
Repayments of long term finance		**(49,737,599)**	(49,737,581)
Net cash from / (used in) financing activities		**(49,737,599)**	(56,587,581)
Net (decrease) / increase in cash and cash equivalents		**(183,836,946)**	(277,255,095)
Cash and cash equivalents at beginning of the year		**(632,595,100)**	(355,340,005)
Cash and cash equivalents at the end of the year		**(448,758,154)**	(632,595,100)
Cash and cash equivalents			
Cash and bank balances		**932,369**	871,454
Short term borrowings		**(449,690,523)**	(633,466,554)
		(448,758,154)	(632,595,100)

The annexed notes form an integral part of these financial statements

Chief Executive

Director

Karachi:
Dated: September 30, 2009

NADEEM TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

a) Statement Of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. 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, provision and directives issued under the Companies Ordinance, 1984. In case requirements differ the provisions or directives of the companies ordinance, 1984 shall prevail.

b) Basis of measurement

These financial statements have been prepared under the basis of 'historical cost' convention, except for measurement of short term investment at fair value 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) Significant Estimates

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. 35 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:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.
- Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company’s financial statements.

- Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.
- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard will not effect the Company's separate financial statements.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of this standard is not likely to have an effect on the Company's financial statements.
- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently, the Company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

The Accounting Standards Board made certain amendments to existing standards as part of its annual improvement project.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items.
- IFRS 5 (Amendment) - Non-current assets held-for-sale and discontinued operations.
- IAS 23 (Amendment) - Borrowing costs - definition of borrowing costs and use of effective interest method. has been amended.
- IAS 36 (Amendment) - Impairment of assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.
- IAS 38 (Amendment) - Intangible assets. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- IAS 19 (Amendment) - Employee benefits. The amendment among other things clarifies treatments in case of plan amendments and modifies definition of return on plan assets.
- IAS 28 (Amendment) - Investments in associates (and consequential amendments to IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial instruments: Disclosures).
- IAS 31 (Amendment) - Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7).
- IAS 40 (Amendment) - Investment property (and consequential amendments to IAS 16).
- IAS 41 (Amendment) - Agriculture.
- Amendment to IFRS 7 - Improving disclosures about financial instruments.
- IFRIC Interpretation 17 – Distribution of non-cash assets to owners.

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, 2009. 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 recognized whenever, the carrying amount of the asset or its cash generating unit exceed its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account.

2.8 Financial Instruments

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.

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.

Financial instruments are derecognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognizing of financial assets and financial liabilities is included in the profit and loss account for the year.

2.9 Stores, spares and loose tools

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

2.10 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.

2.11 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 pervious repayment pattern. Balances considered bad and irrecoverable are written off.

2.12 Trade and other payables

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

2.13 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.

2.14 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.

2.15 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.

2.16 Offsetting

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

2.17 Revenue recognition

- **Local sales**
  Local sales are recorded on dispatch of goods to the customers.
- **Export sales**
  Export sales are recorded on shipment of goods to the customers.
- **Dividend income**
  Dividend income on equity investments is recognized when right to receive dividend is established.
- **Profit on bank deposits**
  Profit on bank deposits is recognized on time proportion basis.

2.18 Borrowing cost

Borrowing cost are 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 that are capitalized as a part of the cost of that asset.

2.19 Dividend

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

3. SHARE CAPITL
ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2009 No. of shares	2008 No. of shares		2009 Rupees	2008 Rupees
5,515,000	5,515,000	Ordinary shares of Rs.10/- each issued as fully paid 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
12,015,000	12,015,000		120,150,000	120,150,000

H

AUTHORIZED SHARE CAPITAL

This represents 12,500,000 (2008 : 12,500,000) ordinary share of Rs. 10/ each

		2009 RUPEES	2008 RUPEES
4. CAPITAL RESERVE			
Share premium	4.1	15,575,000	15,575,000

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	**9,571,436**	39,878,298
		9,571,436	39,878,298

5.1 From banking companies

Particulars	Askari Commercial Bank		Bank Al-Falah		TOTAL 2009	TOTAL 2008
	TF-II	LTF	TF	LTF		
Opening Balance	21,182,007	12,370,060	37,409,768	18,654,043	89,615,878	139,353,464
Add: Obtained during the period			-		-	-
	21,182,007	12,370,060	37,409,768	18,654,043	89,615,878	139,353,464
Less: Paid/Adjustment during year	(14,121,338)	(12,370,060)	(16,263,921)	(6,982,280)	(49,737,599)	(49,737,586)
Closing Balance	7,060,669	-	21,145,847	11,671,763	39,878,279	89,615,878
Less: Current maturity	(7,060,669)	-	(16,263,894)	(6,982,280)	(30,306,843)	(49,737,578)
Long term portion	-	-	4,881,953	4,689,483	9,571,436	39,878,300
Significant terms and conditions	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 This represents facility availed during the period for retirement of import documents of machinery. It is secured against first pari passucharge 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 anum. LTF is repayable in semi annual instalments carrying markup rate of 7%.

		2009 RUPEES	2008 RUPEES
6. DEFERRED LIABILITIES			
Gratuity	6.1	**8,630,258**	6,691,946
Deferred tax liabilities-net	6.2	**26,348,143**	31,582,402
		34,978,401	38,274,348

6.1 Movement in the net liability recognized in the balance sheet

	2009	2008
Opening net liability	**6,691,946**	6,901,600
Expense for the year	**4,527,594**	3,115,796
	11,219,540	10,017,396
Benefits paid	**(2,589,282)**	(3,325,450)
Closing net liability	**8,630,258**	6,691,946

		2009 RUPEES	2008 RUPEES
Expense recognized in the profit and loss account			
Current service cost		**3,772,719**	1,693,296
Interest cost		**797,874**	535,570
Net actuarial loss / (gain) recognized in the year		**(42,999)**	886,930
		4,527,594	3,115,796

Principal assumption

Following are a few important actuarial assumptions used in the valuation

	2009	2008
Discount rate	**12%**	12%
Expected rate of increase in salary	**9%**	9%

6.2 DEFERRED TAX LIABILITIES - NET

The liability for deferred taxation comprises of temporary differences.

		2009 RUPEES	2008 RUPEES
Taxable temporary difference			
Accelerated tax depreciation allowance		**43,099,525**	53,898,503
Deductible temporary differences			
Provision for doubtful debts		**2,182,950**	1,378,970
Provision for gratuity		**1,665,553**	1,479,557
Un used tax losses		**12,902,879**	19,457,574
		16,751,382	22,316,101
		26,348,143	31,582,402

7 TRADE AND OTHER PAYABLES

		2009 RUPEES	2008 RUPEES
Creditors		**22,461,249**	12,870,197
Accrued expenses	7.1	**52,687,071**	25,477,455
Workers' profit participation fund	7.2	**600,985**	-
Worker’s welfare fund		**383,077**	-
Income tax payable		**-**	98,832
Unclaimed dividend		**1,096**	1,096
		985,158	99,928
		76,133,478	38,447,580

7.1 This includes:

a) Accrual during the period amounting to Rs. 7,779,861/- against disputed electricity charges for the year 2003-2005 demanded by HESCO upon decision given against the company by the High Court of Sindh. This amount was recognized as a contingent liability in previous financial statements since the case was pending in the High Court (Refer Note 10.1).

b) Accrual during the period amounting to Rs.4,549,332/- against infrastructure charges for the year 2004-2008 at port raised by Excise and Taxation Officer. Till the last year it was disclosed as contingencies in the financial statements as the case was pending in the High Court. During the year, court decided the matter against the company. (Refer Note 10.1)

7.2 WORKERS’ PROFIT PARTICIPATION FUND

		2009 RUPEES	2008 RUPEES
Opening balance		**-**	83,810
Add: Interest charged	26	**-**	5,915
		-	89,725
Less: Payment during the year		**-**	89,725
Add: Allocation for the year		**(600,985)**	-
		(600,985)	-

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.

			2009 RUPEES	2008 RUPEES
8	**MARK-UP ACCRUED ON FINANCE**			
	Mark - up			
	Long-term finance		**1,544,191**	2,394,227
	Short-term borrowings		**16,211,684**	15,474,711
			17,755,875	17,868,938
9	**SHORT TERM BORROWINGS**			
	Running/cash finances:			
	- Askari Commercial Bank Ltd.	9.1	**69,799,463**	73,840,430
	- Bank Al-Falah Limited	9.2	**-**	113,295,518
	- Allied Bank Ltd.	9.3	**58,455,203**	194,336,323
	- Soneri Bank Limited	9.4	**47,619,940**	88,452,448
	- Citi Bank. N. A.	9.5	**105,000,000**	119,786,835
	Finance against foreign bill:			
	-Bank Al- Falah		-	24,000,000
	-Soneri Bank Ltd.		-	19,755,00
	Foreign currency finances:			
	-Bank Al- Falah	9.2	**84,717,590**	-
	- Soneri Bank Ltd.	9.4	**55,001,166**	-
	-Allied Bank Limited	9.3	**29,097,161**	-
			449,690,523	633,466,554

	BANK	PURPOSE	LIMIT	SECURITY	MARKUP
9.1	Askari Bank Ltd.	CF/RF for working capital management	200 M	Pledge and hypothecation charge over company's stock & book debts	3 months KIBOR + 1.50% to 2.75%
9.2	Bank Al-Falah Ltd.	CF/RF and foreign currency finance facility for working capital management	223.5 M	Pledge and hypothecation charge over company's stock & book debts	CF/RF 3 months KIBOR + 1.50% to 3.0%
9.3	Allied Bank Limited	CF/RF & foreign currency finance facilities for working capital management	350 M	Pledge and hypothecation charge over company's stock & book debts	3 months KIBOR + 1.50%
9.4	Soneri Bank Ltd.	CF/RF & foreign currency finance facilities for working capital management	200 M	Pledge and hypothecation charge over company's stock & book debts	CF/RF 6 months KIBOR + 1.5% to 2%
9.5	Citi Bank N. A.	CF/RF for working capital management	120 M	Pledge and hypothecation charge over company's stock & book debts	Relevant KIBOR + 0.50% to 2.10%

			2009 RUPEES	2008 RUPEES
10	**CONTINGENCIES AND COMMITMENTS**			
	10.1 Commitments			
	i Letter of credit		**16,163,840**	104,642,119
	ii Estimated further cost of capital work in progress		**840,000**	-
	iii Bank guarantee to Excise & Taxation Officer		**4,250,000**	4,250,000
	iv Bank guarantee to HESCO		**10,290,000**	10,290,000
11	**PROPERTY, PLANT AND EQUIPMENT**			
	- Operating fixed assets	11.1	**436,094,396**	478,477,129
	- Capital work in progress	11.2	**6,960,360**	6,270,503
			443,054,756	484,747,632

PARTICULARS	COST AS ON 1.07.2008	ADDITION	(DELETION)	TRANSFER IN / (OUT)	AS ON 30.6.2009	RATE %	DEPRECIATION AS ON 1.07.2008	(DELETION)	FOR THE YEAR	AS ON 30.6.2009	WRITTEN DOWN VALUE
OWNED ASSETS											
Lease hold land	2,028,820	-	-	-	2,028,820	-	-	-	-	-	2,028,820
Free hold land	1,142,763	-	-	-	1,142,763	-	-	-	-	-	1,142,763
Factory building	61,621,356	-	-	-	61,621,356	10	25,491,589	-	3,612,977	29,104,566	32,516,790
Office premises	65,458,712	797,308	-	-	66,256,020	5	16,334,450	-	2,466,480	18,800,930	47,455,090
Plant and machinery	715,114,906	2,646,048	-	-	717,760,954	10	336,603,536	-	37,993,301	374,596,837	343,164,117
Office equipment	2,692,594	53,400	-	-	2,745,994	10	795,187	-	190,591	985,778	1,760,216
Computer equipment	776,669	177,500	-	-	954,169	30	432,232	-	132,924	565,156	389,013
Furniture and fixture	2,196,939	183,037	-	-	2,379,976	10	572,391	-	171,332	743,723	1,636,253
Vehicles	18,426,621	42,000	(1,675,100)	-	16,793,521	20	10,752,866	(1,477,084)	1,516,405	10,792,187	6,001,334
TOTAL RUPEES 2009	**869,459,380**	**3,899,293**	(1,675,100)	-	**871,683,573**		**390,982,251**	(1,477,084)	**46,084,010**	**435,589,177**	**436,094,396**

11.1 Operating fixed assets

PARTICULARS	COST AS ON 1.07.2007	ADDITION	(DELETION)	TRANSFER IN / (OUT)	AS ON 30.6.2008	RATE %	DEPRECIATION AS ON 1.07.2007	(DELETION)	FOR THE YEAR	AS ON 30.6.2008	WRITTEN DOWN VALUE
OWNED ASSETS											
Lease hold land	2,028,820	-	-	-	2,028,820	-	-	-	-	-	2,028,820
Free hold land	1,142,763	-	-	-	1,142,763	-	-	-	-	-	1,142,763
Factory building	61,621,356	-	-	-	61,621,356	10	21,477,170	-	4,014,419	25,491,589	36,129,767
Office premises	57,807,259	65,480	-	7,585,973	65,458,712	5	14,082,942	-	2,251,508	16,334,450	49,124,262
Plant and machinery	702,669,929	12,444,977	-	-	715,114,906	10	295,513,767	-	41,089,769	336,603,536	378,511,370
Office equipment	1,735,599	-	-	956,995	2,692,594	10	672,926	-	122,261	795,187	1,897,407
Computer equipment	660,079	116,590	-	-	776,669	30	314,010	-	118,222	432,232	344,437
Furniture and fixture	1,231,743	175,175	-	790,021	2,196,939	10	473,654	-	98,737	572,391	1,624,548
Vehicles	17,151,121	1,630,000	(354,5,00)	-	18,426,621	20	9,363,829	(311,086)	1,700,123	10,752,866	7,673,755
TOTAL RUPEES 2008	**846,048,669**	**14,432,222**	(354,5,00)	**9,332,989**	**869,459,380**		**341,898,298**	(311,086)	**49,395,039**	**390,982,251**	**478,477,129**

Details of Disposal	Cost & Revaluation	Accumulated Depreciation	Book Value	Sale Proceds	Profit / (Loss)	Mode of Disposal	Particulars of Purchaser
Vehicle							
ADB-335	889,000	742,859	146,141	150,000	3,859	Negotiation	M. Rizwan Siddique
HONDA CIVIC LOY-9306	786,100	734,225	51,875	135,000	83.125	Negotiation	Mr. Ahmed Afzal
TOTAL RUPEES 2009	1,675,100	1,477,084	198,016	285,000	86,984		
TOTAL RUPEES 2008	354,500	311,086	43,414	50,000	6,586		

Depreciation is allocated as under :

		2009 RUPEES	2008 RUPEES
Cost of sales	22	**41,606,278**	45,104,188
Administrative expenses	23	**4,477,732**	4,290,851
		46,084,010	49,395,039

		2009 RUPEES	2008 RUPEES
11.2	**CAPITAL WORK IN PROGRESS**		
	Civil works	**6,960,360**	6,270,503
12.	**LONG TERM DEPOSITS**		
	Security deposits		
	- WAPDA	**715,160**	715,160
	- Others	**89,550**	89,550
		804,710	804,710
13.	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	**5,693,689**	5,836,016
	Spares	**17,193,270**	10,454,345
	Loose tools	**222,337**	167,278
		23,109,296	16,457,639
14	**STOCK IN TRADE**		
	Raw material	**192,360,746**	316,964,363
	Work-in-process	**16,207,290**	13,209,500
	Finished goods	**78,023,702**	45,262,776
	Waste	**432,390**	894,494
		287,024,128	376,331,133

Stocks with carrying value of Rs. 260 million have been pledged as security with certain banks against finance facilities.

		2009 RUPEES	2008 RUPEES
15	**TRADE DEBTS**		
	Considered good		
	Export trade debts - Secured	**17,136,133**	58,088,574
	Local trade debts - Unsecured	**88,764,454**	117,052,056
	Considered doubtful		
	Local trade debts - Unsecured	**6,237,000**	-
	Less: Provision for doubtful debts	**(6,237,000)**	**(6,237,000)**
		105,900,587	168,903,630

16 INVESTMENTS - at fair value through profit or loss

No. of Shares 2009	No. of Shares 2008	Name of Script/ Company	(Rupees) 2009	(Rupees) 2008
42,087	42,187	The Bank of Punjab	**462,115**	1,313,281
10,000	-	Arif Habib Security Limited	**276,400**	-
-	13,000	Fauji Cement Company Limited	-	131,560
-	5,000	ICI Pakistan Limited	-	806,850
-	12,000	Muslim Commercial Bank Limited	-	3,916,560
24,480	20,400	National Bank of Pakistan Limited	**1,640,894**	3,009,000
-	50,000	NIB Bank Limited	-	568,500
18,000	-	Azgard Nine Limited	**398,520**	-
-	17,000	Pak Suzuki Motors Company Limited	-	2,036,430
9,000	-	Pakistan State Oils Limited	**1,922,850**	-
60,000	-	Jahangir Siddiqui Company Limited	**1,391,400**	-
5,500	5,000	Pakistan Petroleum Limited	**1,042,470**	1,229,950
5,000	-	Pakistan Oil Field Limited	**729,500**	-
-	45,000	United Bank Limited	-	3,829,050
174,067	209,587		**7,864,149**	16,841,181

		2009 RUPEES	2008 RUPEES
17	**LOAN AND ADVANCES**		
	To staff and workers	**390,191**	416,900
	Income tax refundable	**3,067,553**	3,817,002
	Advance Income tax	**9,300,118**	7,640,747
		12,757,862	11,874,649

			2009 RUPEES	2008 RUPEES
18	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposit		**6,094,000**	5,871,000
	Advance against raw material		**-**	191,643
	Advance against import of machinery		**24,587**	3,019
	Advance to suppliers		**3,769,705**	906,083
	Prepayments		**63,342**	84,798
			9,951,634	7,056,543
19	**OTHER RECEIVABLES**			
	Sales tax refundable		**3,848,839**	2,533,059
	Subsidy receivable		**554,172**	-
			4,403,011	2,533,059
20	**CASH AND BANK BALANCES**			
	Cash in hand		**72,654**	78,418
	Cash at bank			
	- Current account		**798,329**	792,712
	- Deposit account	20.1	**61,386**	324
			859,715	793,036
			932,369	871,454

20.1 This carries markup at the rate ranging from 4 to 6% (2008: 3 to 5%).

21	**SALES - NET**			
	Local		**836,027,972**	934,197,349
	Export		**763,808,128**	570,824,059
	Less: Ocean freight		**(12,315,789)**	(12,835,105)
	FOB value		**751,492,339**	557,988,954
			1,587,520,311	1,492,186,303
	Add:			
	- Waste		**16,527,809**	14,645,076
	- Raw Material		**54,186,780**	-
	- Processing of Yarn		**1,161,500**	2,127,150
			1,659,396,400	1,508,958,529
	Less:			
	- Commission on export sales		**(18,100,697)**	(11,738,424)
	- Commision on local sales		**(7,658,536)**	(14,138,346)
	- Export development charges		**(1,976,514)**	(1,303,992)
			(27,735,747)	(27,180,762)
			1,631,660,653	1,481,777,767
22	**COST OF SALES**			
	Raw material consumed	22.1	**992,552,889**	934,997,154
	Store and spares consumed		**23,295,057**	18,758,940
	Packing material consumed		**26,806,990**	20,383,856
	Salaries, wages and other benefits	22.2	**89,339,945**	72,323,058
	Repair and maintenance		**6,275,188**	5,380,541
	Insurance		**3,875,252**	2,303,735
	Fuel and power		**126,815,380**	92,233,566
	Other manufacturing expenses		**11,527,549**	9,642,764
	Depreciation	11.1	**41,606,278**	45,104,188
			1,322,094,528	1,201,127,802

			2009 RUPEES	2008 RUPEES
	Work in process			
	Opening		**13,209,500**	10,198,804
	Closing		**(16,207,290)**	(13,209,500)
			(2,997,790)	(3,010,696)
	Cost of goods manufactured		**1,319,096,738**	1,198,117,106
	Cost of raw material sold		**45,302,055**	-
	Finished goods and waste			
	Opening		**46,157,270**	24,300,416
	Yarn purchased for export		**140,128,530**	207,353,630
	Closing		**(78,456,092)**	(46,157,270)
			107,829,708	185,496,776
			1,472,228,501	1,383,613,882
22.1	**RAW MATERIAL CONSUMED**			
	Opening stock		**316,964,363**	102,563,185
	Add: Purchases		**913,251,327**	1,149,398,332
			1,230,215,690	1,251,961,517
	Raw material sold		**(45,302,055)**	-
	Closing stock		**(192,360,746)**	(316,964,363)
			992,552,889	934,997,154

22.2 This includes staff retirement benefits amounting to Rs 3,087,328/= (2008: 2,643,442/=).

23	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Directors' remuneration		**696,000**	696,000
	Salaries and other benefits	23.1	**8,769,935**	4,840,604
	Traveling and conveyance		**617,256**	421,872
	Legal and professional		**1,131,632**	718,798
	Fees and subscription		**265,443**	142,404
	Rent, rates and taxes		**642,682**	563,563
	Electricity, gas and water		**598,791**	501,777
	Repair and maintenance		**669,554**	329,243
	Communication expenses		**750,968**	759,307
	Printing and stationery		**470,198**	493,074
	Motor vehicle expenses		**4,237,899**	2,237,283
	Advertisement expenses		**22,680**	70,020
	Entertainment expenses		**694,211**	816,685
	Bad debts expenses	15	**-**	3,118,500
	Charity and donation	23.2	**14,500**	-
	Audit fee	23.3	**380,000**	245,000
	Miscellaneous expenses		**678,011**	390,698
	Depreciation	11	**4,477,732**	4,290,851
			25,117,492	20,635,680

23.1 This includes staff retirement benefits amounting to Rs.1,440,266/= (2008: Rs.472,354/=)

23.2 None of directors and their spouse have any interest in the donee's fund.

23.3 Auditors Remuneration

Audit fee	**300,000**	200,000
Half yearly review	**80,000**	45,000
	380,000	245,000

		Note	2009 RUPEES	2008 RUPEES
24	**SELLING AND DISTRIBUTION EXPENSE**			
	Freight and octroi charges local		**4,838,751**	5,190,914
	Others		**11,218,100**	10,080,243
			16,056,851	15,271,157
25	**OTHER OPERATING INCOME / (LOSS)**			
	Profit on saving deposit account		**119,185**	5,293
	Profit on sale of fixed assets		**86,984**	6,586
	Exchange Gain / (Loss)		**984,605**	-
	Electricity charges for prior year		**(7,779,861)**	-
	Infrastructure charges for prior years		**(4,141,736)**	-
	Dividend Income		**341,100**	464,013
	Capital gain		**385,098**	3,495,021
	Gain / (Loss) on remeasurement of investment		**(2,392,891)**	(7,447,417)
			(12,397,516)	(3,476,504)
26	**FINANCIAL COST**			
	Mark-up on			
	- Short term borrowings		**78,221,170**	60,332,069
	- Long term finance		**6,142,564**	10,321,776
	- Inland letter of credit and FAFB		**7,743,859**	8,534,926
			92,107,593	79,188,771
	Interest on workers' profit participation fund	7.2	**-**	5,915
	Bank charges and guarantee commission		**1,733,002**	1,536,146
			93,840,595	80,730,832
27	**TAXATION**			
	Current year		**8,081,716**	7,544,819
	Prior year		**107,462**	373
	Deferred tax		**(5,234,259)**	(4,974,416)
			2,954,919	2,570,776

The assessment has been finalized under upto and including accounting year 30-6-2008 (Tax year 2008).

Relationship between tax expense and accounting profit		
Profit for the current year	**11,035,636**	(21,950,288)
Tax at the rate 35%	**3,862,473**	(7,682,601)
Tax effect of expenses:		
that are not deductible in determining taxable profit	**9,490,369**	11,609,883
that are deductible in determining taxable profit	**(5,012,970)**	(8,701,024)
Tax expense for the current year	**8,339,872**	(4,773,742)
Tax effect of brought forward losses	**(6,548,843)**	-
Tax effect of export sales being treated as PTR	**6,375,962**	8,374,846
Tax effect of Dividend Income being taxable @ 10%	**(85,275)**	(162,405)
Total tax expense for the year	8,081,716	3,438,699
or		
Tax under section 113 which ever is higher	**-**	7,544,819

28	**EARNINGS PER SHARE - BASIC & DILUTED**		
	Profit after taxation in rupees	**8,080,717**	(24,521,064)
	Weighted average number of ordinary shares	**12,015,000**	12,015,000
	Earning per share in rupees	**0.67**	(2.04)

	2009 RUPEES	2008 RUPEES

29 FINANCIAL INSTRUMENTS

29.1 Financial instruments by category

FINANCIAL ASSETS

Loans and receivables		
Long term deposits	**804,710**	804,710
Trade debts	**105,900,587**	168,903,630
Loans and advances	**12,757,862**	11,874,649
Short term deposits, prepayments	**9,951,634**	7,056,543
Other receivables	**4,403,011**	2,533,059
Cash and bank balances	**932,369**	871,454
	134,750,173	192,044,045

FINANCIAL LIABILITIES

Financial liabilities at amortized cost		
Long Term Loans	**39,878,279**	89,615,876
Trade & other payables	**76,005,228**	38,447,581
Markup accrued	**17,755,875**	17,868,938
Short term running finance	**449,690,523**	633,466,554
	583,329,905	779,398,949

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

30.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. To manage exposure to credit risk, Company applies credit limits and deal with credit worthy parties. It makes full provision against those balances considered doubtful and by dealing with variety of major banks and financial institutions. The carrying amounts of financial assets against which the Company did not hold and collateral are represent the maximum credit exposure, as:

Long term deposits	**804,710**	804,710
Trade debts	**105,900,587**	168,903,630
Loans and advances	**12,757,862**	11,874,649
Short term deposits, prepayments	**9,951,634**	7,056,543
Other receivables	**4,403,011**	2,533,059
Bank balances	**859,715**	793,036
	134,677,519	191,965,627

Impairment losses

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross Value	Impairment	Gross Value	Impairment
Not past due	69,555,606	-	149,751,050	-
Past due 1-60 days	22,120,716	-	8,459,496	-
Past due 61 days to 1 year	5,249,760	-	1,419,381	-
More than 1 year	8,974,505	6,237,000	9,273,703	6,237,000
Total	**105,900,587**	**6,237,000**	**168,903,630**	**6,237,000**

The company believes that no impairment losses is necessary in respect of trade debts past due except for which has already been provided. Trade debts are essentially due from credit worthy parities. The company is actively pursuing for recovery of debts and the company does not expect these parties to fail to meet their obligations.

Breakup of debtors is constituted as follows:

	2009	2008
Manufacturers	**90%**	90%
Traders	**10%**	10%
	100%	**100%**

30.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facility. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Company treasury aims at maintaining flexibility in funding by keeping committed credit line available.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying value	Cantractual cash flow	Maturity	
			Upto one year	More than one year
Long term financing	41,422,470	43,056,275	33,294,692	9,761,583
Trade and other payables	76,005,228	76,005,228	76,005,228	-
Short term borrowings	465,902,207	465,902,207	465,902,207	-
Jun-09	**583,329,905**	**584,963,710**	**575,202,127**	**9,761,583**
Long term financing	92,010,103	105,370,071	31,156,898	74,213,173
Trade and other payables	38,447,581	38,447,581	38,447,581	-
Short term borrowings	648,941,265	648,941,265	648,941,265	-
Jun-08	**779,398,949**	**792,758,917**	**718,545,744**	**74,213,173**

Contractual cash flows include interest related cash flows upto the year end. The future interest related cash flows depends on the interest rates applicable at that time and the extent of utilization of running finance facilities.

30.3 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Company's market risk comprises of two types of risk: foreign exchange or currency risk and interest/markup rate risk. The market risks associated with the Company's business activities are discussed as under:

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company is not exposed to foreign currency risk on export. Company's risk exposure is on import of material and machinery that are entered in a currency other than local currency.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows on notional amount.

		2009	2008
Trade Debtors	$	**213,583**	875,788
Short term foreign currency finances	$	**(2,067,556)**	-
Net Exposure - Asset / (Liability)	$	**(1,853,973)**	875,788
	Rs	**186,180,215**	59,553,584

Sensitivity analysis

The following table summarizes the financial assets/liabilities as of 30 June 2009 and 2008 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets (and the resulting change in profit and loss account and equity) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant.

The following significant exchange rates applied during the year:

	Average rate		Reporting date and spot rate	
	2009	2008	2009	2008
USD 1	78.2	62.61	81.41	68.08

Change of the Rupees against foreign currencies as at balance sheet date would have had the following effect on profit and (loss) account and equity.

	Weakening of the PKR by				Strengthening of the PKR by		
	-20%	-10%	-5%		5%	10%	20%
Jun-2009	**37,236,043**	**18,618,022**	**9,309,011**	**-**	**(9,309,011)**	**(18,618,022)**	**(37,236,043)**
Jun-2008	**(11,910,717)**	**(5,955,358)**	**(2,977,679)**	**-**	**2,977,679**	**5,955,358**	**11,910,717**

b) Interest rate risk management

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2009	2008	2009	2008
	Effective interest rate (%)		Carrying amount	
Financial liabilities				
Long Term financing	7.00%-17.30%		39,878,279	89,615,876
Short term borrowings	4.24%-18.18%		449,690,523	633,466,554

Sensitivity analysis

The Company does not have any fixed rate liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rate at reporting date would not effect fair value of any financial instrument.

A change of 100 basis points in interest rate would have decreased profit by Rs. 4,770 thousand (2008: Rs. 6,912 thousand)

Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties at arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

31 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term financing' and 'short term borrowings' as shown in the balance sheet). Total capital comprises shareholders' equity and surplus on revaluation of fixed assets as shown in the balance sheet under 'share capital and reserves.'

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

		2009 RUPEES	2008 RUPEES
32	**CASH GENERATED FROM OPERATIONS**		
	Profit / (Loss) before taxation	**11,035,636**	(21,950,288)
	Adjustments for non cash charges and other items		
	Depreciation	**46,084,010**	49,395,039
	Provision for gratuity	**4,527,594**	3,115,796
	Provision for doubtful debt	**-**	3,118,500
	Loss /(Gain) on investment	**2,392,891**	3,488,383
	Loss /(Gain) on disposal on fixed assets	**(86,984)**	(6,586)
	Workers' profit participation fund	**383,077**	-
	Workers' Welfare Fund	**600,985**	-
	Financial cost	**93,840,595**	80,730,832
		147,742,168	139,841,964
	Operating profit before working capital changes	**158,777,804**	117,891,676
	(Increase)/decrease in current assets		
	Stores, spares and loose tools	**(6,651,657)**	(244,080)
	Stock in trade	**89,307,005**	(239,268,728)
	Trade debts	**63,003,043**	5,781,426
	Loans and advances	**26,709**	(26,500)
	Trade deposits and short term prepayments	**(2,895,090)**	503,399
	Other receivables	**(1,869,952)**	(1,293,086)
		140,920,058	(234,547,569)
	Increase/(decrease) in current liabilities	**36,701,835**	7,851,896
	Trade and other payables	**336,399,697**	(108,803,997)
33	**CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE REMUNERATION**		
	Managerial remuneration	**464,000**	464,000
	Remuneration allowance	**232,000**	232,000
		969,000	969,000
	No. of person	2	2

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

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

34 RELATED PARTIES TRANSACTIONS

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:

	2009 RUPEES	2008 RUPEES
Sale of raw material	**54,186,780**	2,127,150
Purchase of yarn	**135,330,460**	178,596,080
Reprocessing income	**1,161,500**	2,127,150
Reprocessing charges	**2,274,054**	3,215,760
Sale of yarn	**35,446,200**	1,206,750

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

35 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.

		2009 RUPEES	2008 RUPEES
36	**PLANT CAPACITY AND ACTUAL PRODUCTION**		
	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.)	**11,218,535**	10,998,281

37 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on September 30 , 2009 by the Board of Directors of the Company

38 GENERAL

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

Chief Executive

Director

Karachi:
Dated: September 30, 2009

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2009 (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**	**Shares held**	**Percentage**
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.	N I L	N I L
2.3	NIT and ICP	N I L	N I L
2.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	N I L	N I L
2.5	Insurance Companies	N I L	N I L
2.6	Modarabas and Mutual Funds	N I L	N I L
2.7	Share holders holding 10%		
	Mr. Zahid Mazhar	2,340,400	19.48
	Mr. Shahid Mazhar	2,867,081	23.86
	Mrs. Nusrat Shamim	1,515,704	12.61
2.8	General Public		
	a. Local	4,883,432	40.63%
	b. Foreign	NIL	NIL
2.9	Others (to be specified)	NIL	NIL