



CONTENTS

Company Information	2
Vision / Mission Statement	3
Statement of Ethics and Business Practices	4
Notice of Annual General Meeting	5
Directors' Report	6-7
Statement of Compliance with the Code of Corporate Governance	8-9
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	9
Six Year's Financial Data	10
Auditors' Report to the Members	11
Balance Sheet	12-13
Profit and Loss Account	14
Cash Flow Statement	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17-32
Pattern of Shareholding	33-34
Form of Proxy	

**COMPANY INFORMATION****BOARD OF DIRECTORS**

Mian Aamir Naseem
Mian Farrukh Naseem
Mian Shahzad Aslam
Mian Sajjad Aslam
Mst. Nusrat Shamim
Mr. Mazhar Hussain
Syed Arif Hussain

Chief Executive Officer

AUDIT COMMITTEE

Mian Farrukh Naseem
Mian Shahzad Aslam
Mst. Nusrat Shamim

Chairman
Member
Member

CHIEF FINANCIAL OFFICER

Mr. Mazhar Hussain

COMPANY SECRETARY

Mr. Mazhar Hussain

AUDITORS

Fazal Mahmood & Company
Chartered Accountants

BANKERS

National Bank of Pakistan
Bank Al-falah Limited

REGISTERED OFFICE

A-601/A, City Towers,
6-K Main Boulevard,
Gulberg-II, Lahore.
Ph: 042-5788714-16

MILLS

Nasimabad, Shahkot,
District Nankana Sahib.



VISION / MISSION STATEMENT

VISION

To Strive for excellence through commitments, integrity, honesty and team work.

MISSION

To be a model amongst the textile spinning, capable of producing high quality blended and hundred percent cotton yarn both for knitting and weaving.

- Complete satisfaction of Buyers/Consumers is our Motto.
- Manufacturing of blended and hundred percent cotton yarn as per the customers' requirements and market demand.
- Keeping pace with the rapidly changing technology by continuously balancing, modernization and replacement (BMR) of plant and machinery.
- Enhancing the profitability by improved efficiency and cost controls.
- Betterment of Mills Employees as quality policy.
- Protecting the environment and contributing towards the economic strength of the country and function as a good corporate citizen.



STATEMENT OF ETHICS AND BUSINESS PRACTICES

- Formulate, implement, follow up and monitor the objectives, strategies, policies, procedures and overall business plan of the company.
- Oversee that the affairs of the company are being carried out prudently within the framework of objectives, existing laws/regulations and high business ethics.
- Ensure compliance of the company affairs as per legal and regulatory requirements and guidelines of the statutory authorities.
- Motive and encourage initiatives and self realization in fellow members.
- Protect the interest and assets of the company.
- Maintain organizational effectiveness for the achievement of the organizational goals.
- Foster the conducive environment through respective policies.
- Company employees will avoid making personal gain (other than approved benefits) at the company's expenses and/or participating in or assisting activities which are against the company's interest.
- Company employees will not engage directly or indirectly without the permission of the company in any other business or paid occupation while in the service of the company.
- The company will not knowingly assist fraudulent activities of others.
- Ensure that the company interest supersedes all other interest.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the Shareholders of SHADAB TEXTILE MILLS LIMITED will be held on Wednesday the 31st October, 2007 at 11:00 a.m. at the Registered Office of the Company at A-601/A, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore to transact the following business:

1. To confirm the minutes of Extra Ordinary General Meeting held on 28th March, 2007.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2007 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2007-2008 and fix their remuneration.
4. To transact any other business of the Company with the permission of the Chair.

By order of the Board

LAHORE: October 04, 2007.

(Mazhar Hussain)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 25, 2007 to October 31, 2007 (both days inclusive).
2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time of holding the meeting. A proxy must be a member.
3. Any Individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original N.I.C. or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her N.I.C or Passport. Representative of corporate members should bring the usual documents required for such purposes.
4. Shareholders are requested to immediately notify the change of address, if any.



DIRECTORS' REPORT

Dear Shareholders,

The Directors of the Company welcome you to the 28th Annual General Meeting and pleased to present the Annual Report together with the Audited Accounts of the Company for the year ended June 30, 2007.

During the period under review, the company earned a pretax profit of Rs. 3.217 million as compared to previous year pretax profit of Rs. 30.550 million. Sales were made amounting to Rs. 705.739 million. The production line remained smooth and produced 12.099 million Kgs. of blended yarn based on 20/s count. The financial results of the Company have affected mainly due to increase in prices of cotton & fibre which touched its peak, higher rate of mark up and increase in quantum of borrowings from financial institutions for BMR & working capital requirements and increase in the cost of energy & wages. The yarn prices did not increase corresponding with the price hike of raw cotton & fibre and high direct and indirect costs.

The financial results of the company in comparative form are given below:-

	(RUPEES IN THOUSAND)	
	June 30, 2007	June 30, 2006
Sales – net	705,739	678,830
Cost of sales	<u>654,903</u>	<u>607,318</u>
Gross profit	50,836	71,512
OPERATING EXPENSES:-		
Administrative and general	<u>20,817</u>	<u>19,342</u>
Selling and distribution	<u>474</u>	<u>223</u>
	<u>21,291</u>	<u>19,565</u>
OPERATING PROFIT	<u>29,545</u>	<u>51,947</u>
Financial and other charges	<u>26,622</u>	<u>20,307</u>
	<u>2,923</u>	<u>31,640</u>
Other income	<u>471</u>	<u>523</u>
	<u>3,394</u>	<u>32,163</u>
Workers' profit participation fund	<u>177</u>	<u>1,613</u>
PROFIT BEFORE TAXATION	<u>3,217</u>	<u>30,550</u>
Taxation	<u>1,263</u>	<u>7,158</u>
PROFIT AFTER TAXATION	<u>1,954</u>	<u>23,392</u>
Basic earning per share - (Rupees)	<u>0.65</u>	<u>7.80</u>

BMR plan in the existing facilities is in progress. One set High Speed Draw Frame DX8, 2 sets complete Fly Frame with SKF Drafting System FA-415A and one set Murata Mach Coner 21-C imported and have erected during the year. Our Captive power generation plant consisting 3 Waukesha Generators is in operation. This addition is helpful to improve the continuous supply of power without electric surges.

The directors have not recommended any dividend due to tight liquidity position resulting from heavy repayment of long term liabilities to financial institutions and substantial capital investments during the year.

The textile industry is passing through a critical stage due to un-precedented increase in the cost of production besides competition from the regional countries. The substantial increase in cost could not be passed on to customers and it would affect the profitability of the company. The cotton crop in Pakistan looks to be very good so far but however, we are not dependent only on local cotton and shall also look for opportunities in the international market. Hopefully the current season prices would stabilize. The profitability of the company mainly depends on the price trend in the local market.

The Company continues to operate the high standard fo quality and had obtained latest version of ISO 9001 - 2000 Certification thourgh BVQI after a detail verification that quality control system is being effectively implemented. The quality control certification will help to build up trust of new customers and strengthen the confidence of our old clients.

**Corporate and Financial Reporting Framework**

- a. The financial statements prepared by the management present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- b. Proper books of accounts have been maintained by the Company.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Operating and financial data of last six years is annexed to the annual report.
- i. There are no outstanding statutory payments on account of taxes, duties, levies and charges except the routine payments of various levies.
- j. Value of investments of provident fund is Rs. 21.145 million un-audited (2006:Rs.15.231 million audited).
- k. The pattern of shareholding is annexed to the annual report.
- l. During the year under review the trading in shares of the Company by the Directors, CEO and their spouses as follows:
Mrs. Fatima Aamir (Director's Spouse) has purchased 1000 shares of the company.
- m. During the period 2006-2007, four meetings of the Board of Directors were held.

The attendance position of each Director is as follows

Sr. No.	Name of Director	No. of Meetings Attended
1.	Mian Aamir Naseem	4
2.	Mian Farrukh Naseem	4
3.	Mian Shahzad Aslam	4
4.	Mian Sajjad Aslam	4
5.	Mst. Nusrat Shamim	3
6.	Syed Arif Hussain*	3
7.	Mr. Mazhar Hussain	4
8.	Mrs. Shireen Abid**	--

*Retired **Elected in EOGM held on 28.03.2007.

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee. The names of its members are given in the Company profile.

Syed Arif Hussain has retired from the Board of Directors & Audit Committee and Mrs. Shireen Abid has been elected as Director and Mst. Nusrat Shamim has been appointed as Member Audit Committee in his place. Moreover, Mrs. Shireen Abid has resigned from directorship of the company and Syed Arif Hussain has been appointed as director in her place w.e.f 25-07-2007 for the remainder period.

The present Auditors M/s Fazal Mahmood & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment. The audit committee of the board has recommended the re-appointment of M/s Fazal Mahmood & Company, Chartered Accountants, as external auditors of the Company for the year 2007-2008.

The board avails the opportunity to appreciate the devoted work done by the executives, officers, staff and workers of the company.

for and on behalf of the Board

Mian Aamir Naseem
Chief Executive Officer

Lahore: October 04, 2007



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 listing regulation of Karachi and Lahore Stock Exchanges 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 of Directors comprises of seven Directors. The Company encourages representation of independent non-executive directors on its Board of Directors. Presently working directors are not more than 28.56% of elected directors including the Chief Executive.
2. The directors have confirmed that none of them is serving as 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 that stock exchange.
4. During the period no casual vacancy occurred in the Board.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and key employees of the Company.
6. The Board has developed a vision/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 over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meeting, 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 in time.
9. The Directors of the company have participated in orientation course at group level to apprise them of their duties and responsibilities. Director (s), who have not participated in these, have been apprised and adequately briefed.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year 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 CEO and CFO before approval by the Board.
13. The directors, CEO, their spouse 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 audit committee continued its functions during the year. The committee comprises three members, of whom majority are non-executive directors including the chairman of the committee.
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 set up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality control Review program 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 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.

for and on behalf of the Board

Mian Aamir Naseem
Chief Executive Officer

LAHORE: October 04, 2007.

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 SHADAB TEXTILE MILLS LIMITED to comply with the listing regulation No. 37 (Chapter XI) and Chapter XIII of the Karachi and Lahore Stock Exchanges respectively 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 inquires of the company personnel and review of various documents prepared by the company to comply with the code.

As part of our audit of financial 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 to the company for the year ended June 30, 2007.

LAHORE: October 04, 2007

FAZAL MAHMOOD & COMPANY
Chartered Accountants

**SIX YEAR'S FINANCIAL DATA AT A GLANCE**

(RUPEES IN MILLION)

PARTICULARS	2007	2006	2005	2004	2003	2002
ASSETS EMPLOYED						
Operating fixed assets	271.772	212.528	178.360	139.049	118.652	99.663
Assets subject to finance lease	-	-	6.339	6.853	7.614	8.460
Capital work-in-progress	39.049	62.352	12.442	12.120	8.198	8.005
Long term deposits	0.354	0.433	0.571	0.747	0.695	0.695
Current assets	120.881	148.532	129.391	144.279	90.478	57.890
TOTAL ASSETS EMPLOYED	432.056	423.845	327.103	303.048	225.637	174.713
FINANCE BY						
Share holders' equity	112.707	110.753	91.111	78.021	65.942	60.499
Long term liabilities	135.798	162.734	110.760	84.648	62.988	48.928
Deferred taxation	26.830	29.096	24.597	14.819	10.512	10.034
Current liabilities	156.721	121.262	100.635	125.560	86.195	55.252
TOTAL FUNDS INVESTED	432.056	423.845	327.103	303.048	225.637	174.713
PROFIT & (LOSS)						
Sales – net	705.739	678.830	492.861	605.757	453.203	399.546
Cost of sales	654.903	607.318	442.467	558.928	419.141	356.188
Gross profit	50.836	71.512	50.394	46.829	34.062	43.358
Administrative & general	20.817	19.342	12.865	16.781	15.547	14.605
Selling & distribution	0.474	0.223	0.358	0.263	0.632	1.462
Operating profit	29.545	51.947	37.171	29.785	17.883	27.291
Other income	0.471	0.523	0.251	0.817	0.183	0.138
	30.016	52.470	37.422	30.602	18.066	27.429
Financial and other charges	26.622	20.307	10.346	9.443	9.978	8.650
W.P.P.F.	0.177	1.613	1.356	1.066	0.412	0.962
PROFIT BEFORE TAXATION	3.217	30.550	25.720	20.093	7.676	17.817
Taxation	1.263	7.158	12.630	8.014	2.233	4.178
PROFIT AFTER TAXATION	1.954	23.392	13.090	12.079	5.443	13.639
PREVIOUS YEAR'S BALANCE B/F	20.753	1.111	3.021	0.942	0.499	20.610
Profit available for appropriation	22.707	24.503	16.111	13.021	5.942	34.249
Dividend	-	3.750	-	-	-	3.750
Bonus shares	-	-	-	-	-	-
Transfer to general reserve	-	-	15.000	10.000	5.000	30.000
BALANCE CARRIED TO B/S	22.707	20.753	1.111	3.021	0.942	0.499
Dividend Proposed (%)	-	-	12.50	-	-	12.50
EARNING PER SHARES (Rs.)	0.65	7.80	4.36	4.03	1.81	4.55
Number of spindles installed	26880	26400	25920	24000	23040	20160
Number of spindles worked	26880	26400	25920	24000	23040	20160
Number of shifts per day	3	3	3	3	3	3
Actual production converted into 20's count (kgs. In million)	12.099	11.763	8.106	9.735	9.382	8.714



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SHADAB TEXTILE MILLS LIMITED as at June 30, 2007 and the related profit and 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 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 account 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 account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 1.10 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the 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 (XVIII of 1980).

LAHORE: October 04, 2007

FAZAL MAHMOOD & COMPANY
Chartered Accountants

**BALANCE SHEET AS**

(RUPEES IN THOUSAND)

	Note	2007	2006
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES:			
Authorized 6,000,000 ordinary shares of Rs. 10/- each.		<u>60,000</u>	<u>60,000</u>
Issued, subscribed and paid up	2	30,000	30,000
Reserves	3	60,000	60,000
Unappropriated profit		22,707	20,753
		112,707	110,753
NON CURRENT LIABILITIES			
Long term loans	4	135,798	141,615
Deferred liabilities	5	26,830	29,096
CURRENT LIABILITIES			
Trade and other payables	6	38,096	32,696
Accrued mark up on secured loans	7	7,069	5,977
Short term borrowings	8	77,884	79,195
Current portion of long term liabilities	9	30,143	21,119
Provision for taxation	10	3,529	3,394
		156,721	142,381
CONTINGENCIES AND COMMITMENTS	11	-	-
		<u>432,056</u>	<u>423,845</u>


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

(Mian Aamir Naseem)
Chief Executive Officer



AT 30 JUNE 2007

		(RUPEES IN THOUSAND)	
	Note	2007	2006
PROPERTY AND ASSETS			
Non Current Assets			
Property Plant and Equipment			
Operating Fixed Assets	12	271,772	212,528
Capital work in progress	13	39,049	62,352
LONG TERM DEPOSITS	14	354	433
CURRENT ASSETS			
Stores, spares and loose tools	15	20,128	22,420
Stock in trade	16	67,402	89,890
Trade debts	17	18,948	21,331
Loans and advances	18	712	1,151
Deposits, prepayments and other receivables	19	11,943	12,644
Cash and bank balances	20	1,748	1,096
		120,881	148,532
		<u>432,056</u>	<u>423,845</u>


(Mian Farrukh Naseem)
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007**

		(RUPEES IN THOUSAND)	
		2007	2006
	Note		
Sales - net	21	705,739	678,830
Cost of sales	22	654,903	607,318
GROSS PROFIT		<u>50,836</u>	<u>71,512</u>
OPERATING EXPENSES:			
Administrative and general	23	20,817	19,342
Selling and distribution	24	474	223
		<u>21,291</u>	<u>19,565</u>
OPERATING PROFIT		29,545	51,947
Financial and other charges	25	26,622	20,307
		<u>2,923</u>	<u>31,640</u>
Other Income	26	471	523
		<u>3,394</u>	<u>32,163</u>
Workers' profit participation fund		177	1,613
PROFIT BEFORE TAXATION		<u>3,217</u>	<u>30,550</u>
Taxation	27	1,263	7,158
PROFIT AFTER TAXATION		<u>1,954</u>	<u>23,392</u>
Basic earning per share (Rupees)	31	<u>0.65</u>	<u>7.80</u>

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

(Mian Aamir Naseem)
Chief Executive Officer

(Mian Farrukh Naseem)
Director



**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

	Note	(RUPEES IN THOUSAND) 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,217	30,550
Adjustments for:			
Depreciation		26,331	20,676
Profit on sale of assets		(455)	(461)
Financial charges		26,622	20,215
Balances written off		(16)	(62)
Operating profit before working capital changes		<u>55,699</u>	<u>70,918</u>
Adjustments for working capital changes: (Increase)/Decrease In Current Assets			
Stores, spares and loose tools		2,292	(9,206)
Stock in trade		22,488	(34,627)
Trade debts		2,383	5,721
Loans and Advances		439	2,174
Deposits and other receivables		<u>(1,231)</u>	<u>8,060</u>
		26,371	(27,878)
Increase/(Decrease) In Current Liabilities			
Short term finances		(1,311)	12,626
Trade and other payable		5,417	1,421
		<u>4,106</u>	<u>14,047</u>
Cash Generated from Operations		<u>86,176</u>	<u>57,087</u>
Financial charges paid		(25,530)	(20,684)
Income tax paid		(1,462)	(433)
		<u>(26,992)</u>	<u>(21,117)</u>
Net cash in flow from operating activities		<u><u>59,184</u></u>	<u><u>35,970</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(23,713)	(37,807)
Capital work in progress		(39,049)	(62,352)
Sale proceed of fixed assets		944	2,205
Long term deposit		79	(75)
Net Cash (out flow) from investing activities		<u><u>(61,739)</u></u>	<u><u>(98,029)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Sponsor's advance		-	10,000
Long term loan		3,207	55,161
Payment of lease liability		-	(2,940)
Dividend paid		-	(3,722)
Net cash In flow from financing activities		<u>3,207</u>	<u>58,499</u>
NET INFLOW / (OUTFLOW) OF CASH		<u>652</u>	<u>(3,560)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,096	4,656
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	32	<u><u>1,748</u></u>	<u><u>1,096</u></u>

Aamir Naseem

(Mian Aamir Naseem)

Chief Executive Officer

Farrukh Naseem

(Mian Farrukh Naseem)

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007**

(RUPEES IN THOUSAND)

	Share Capital		Revenue Reserve	
	Paid up ordinary share capital	General Reserve	Un-Appropriated profit	TOTAL
Balance as at June 30, 2005	30,000	60,000	1,111	91,111
Final Dividend for the period ended June 30, 2005 @ Rs. 1.25 / Share	-	-	(3,750)	(3,750)
After tax profit for the year ended June 30, 2006	-	-	23,392	23,392
Balance as at June 30, 2006	30,000	60,000	20,753	110,753
After tax profit for the year ended June 30, 2007	-	-	1,954	1,954
Balance as at June 30, 2007	30,000	60,000	22,707	112,707

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

(Mian Aamir Naseem)
Chief Executive Officer

(Mian Farrukh Naseem)
Director



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

THE COMPANY AND ITS OPERATIONS

The company is registered as a public limited company in Pakistan and quoted on the Karachi and Lahore Stock Exchanges and engaged in the business of manufacturing, selling, buying and dealing in yarn of all types. The registered office of the company is situated at 6th Floor, A-601/A, City Towers, Main Boulevard, Gulberg-II, Lahore.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been adopted in the preparation of company's account are as follows:

1.1 STATEMENT OF COMPLIANCE

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

Following Standards and amendments of approved accounting standards are effective for accounting period beginning July 01, 2007. These Standards 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 increase in disclosures in certain cases:

IAS-1 Presentation of financial statements	
Capital Disclosures	effective from January 1, 2007
IFRS-2 Share Based Payment	effective from January 1, 2007
IFRS-3 Business Combinations	effective from January 1, 2007
IFRS-5 Non-current Assets Held For Sale & Discontinued Operations	effective from January 1, 2007
IFRS-6 Exploration For & Evaluation of Mineral Resources	effective from January 1, 2007

1.2 ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention without any adjustment for the effect of inflation or current values except to the extent of exchange gain or loss as stated in Note No. 1.3.

The preparation of financial statements in conformity with International Accounting Standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amount of assets and liabilities, income and expenses. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Significant areas requiring the use of management estimates in the financial statements relate to provision for doubtful balances, provisions for income taxes, useful life and residual values of property plant and equipment. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in next year.



1.3 FOREIGN CURRENCY

Liabilities in foreign currency are converted into Pak Rupee at the rate of exchange prevailing at the balance sheet date. In past exchange gain or loss on translation of foreign currency loan were adjusted against the cost of fixed assets acquired from the proceeds of loan. Monetary assets and liabilities denominated in foreign currencies are translated into pak rupees at the exchange rates prevailing on the balance sheet date.

1.4 STAFF RETIREMENT BENEFITS

Defined Contribution Plan

The company operates a funded provident fund scheme covering all permanent employees. Monthly contribution @ 6.25% of basic pay of employees is made by the company to the trust.

1.5 TANGIBLE FIXED ASSETS - PROPERTY PLANT AND EQUIPMENT

Company owned assets

These are stated at cost, including exchange differences previously capitalized, less accumulated depreciation except freehold land and capital work in progress which are stated at cost. Depreciation on fixed assets has been provided on reducing balance method at the rates stated in note # 12. Maintenance and normal repairs are charged to income as and when incurred.

Major renewals and improvements are capitalized. Gain or loss on disposal of fixed assets are included in current year's income. Depreciation is calculated on reducing balance method. Depreciation on additions is charged from the date when the assets is available for use and on disposals upto the date when the asset is disposed.

Leased assets

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are amortized over their expected useful life.

1.6 STORES, SPARES AND LOOSE TOOLS

These are valued at moving average cost.

1.7 STOCK IN TRADE

The basis of valuation are as under:

Raw material	At average cost.
Work in Process	At estimated manufacturing cost.
Finished Goods	At lower of average cost and net realizable value.
Wastes	At net realizable value.

Cost:

Cost of finished goods comprises cost of direct material, labour and appropriate manufacturing overheads.



Net Realizable Value:

It is determined on the basis of selling prices prevailing in the market less selling expenses incidental to sales.

1.8 TRADE DEBTS

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

1.9 REVENUE RECOGNITION

Revenue from local sales is recognized at the time of dispatch of goods and export revenue is incorporated at the time of issuance of bill of lading.

1.10 BORROWING COST

During the year company has changed its accounting policy with respect to borrowing cost as per allowed alternative treatment of IAS 23 - Borrowing Cost. Previously Borrowing Costs were charged off to the income in the year in which they are incurred. As a result of change in accounting policy, now the mark-up, interest and other charges on long term financing are capitalised for the period upto the date of commissioning of the respective assets acquired out of the proceeds of such borrowings and all other mark-up, interest and other charges are charged to the income during the period. The change in policy has been applied retrospectively, however there is no change in the figures of comparative period. Had there been no change in accounting policy cost of Plant & Machinery would have been lower by Rs.1.666 million, financial charges would have been higher by Rs.1.666 million & profit for the year would have been lower by Rs.1.666 million.

1.11 IMPAIRMENT OF ASSETS

The carrying amount of the assets are reviewed at each balance sheet date to identify the circumstances indicating the occurrence of impairment loss or reversal of previous impairment losses. If and such indication exists, the recoverable amount of such assets is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of such assets is increased to the revised recoverable amount. Reversal of the impairment loss is recognized in income.

1.12 PROVISIONS

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

1.13 TAXATION

Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and rebates, if any.



Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

1.14 FINANCIAL INSTRUMENTS

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently.

1.15 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

1.16 CASH AND CASH EQUIVALENT

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and deposits in banks.

1.17 RELATED PARTY TRANSACTIONS

All transactions between company and related party are accounted for at arm's length price in accordance with 'Comparable Uncontrolled Price Method'.

1.18 DIVIDEND

Dividend is recognized as liability in the period in which it is approved by the shareholders.

	(RUPEES IN THOUSAND)	
	2007	2006
2. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
2,000,000 ordinary shares of Rs. 10/- each fully paid in cash.	20,000	20,000
1,000,000 ordinary shares of Rs. 10/- each issued as bonus shares	10,000	10,000
	30,000	30,000
2.1 Associated companies holds 450,000 (2006: 450,000) shares of Rs. 10/- each as at June 30, 2007.		



		(RUPEES IN THOUSAND)	
		2007	2006
3.	RESERVES		
	Revenue Reserve		
	General Reserve	<u>60,000</u>	<u>60,000</u>
4.	LONG TERM LOANS		
	Loan from Banking Companies - Secured	<u>135,798</u>	<u>141,615</u>
	National Bank of Pakistan		
	Demand Finance III	4.1 6,861	9,607
	Demand Finance IV	4.2 14,000	21,000
	Demand Finance V	4.3 19,250	24,750
	Demand Finance VI	4.4 40,500	45,000
	Demand Finance VII	4.5 45,240	45,240
	Demand Finance VIII	4.6 40,090	17,137
	Balance as at 30th June	165,941	162,734
	Less:		
	Current portion shown under Current Liabilities	<u>(30,143)</u>	<u>(21,119)</u>
		<u>135,798</u>	<u>141,615</u>

- 4.1** This loan is repayable in 8 equal half yearly installments, without mark-up starting, w.e.f Dec, 2005 and repayable by 30th June, 2009.
- 4.2** This loan carries mark-up @ 8% p.a. and is repayable in 10 bi-annual installments, commenced from October 2004 and is repayable by April 2009.
- 4.3** This loan carries mark up @ 6 months Kibor plus 3% with floor of 6% p.a. and is repayable in 10 bi-annual installments, commenced from January 2006 and is repayable by July 2010.
- 4.4** This represents Term Finance Facility obtained for import of Machinery . It carries mark up @ 6 months Kibor plus 3 % with floor of 6 % p.a. The loan is repayable by September 2012 in 10 half yearly installments commenced from March, 2007.
- 4.5** This loan carries mark-up @ 7% p.a. and is repayable in 10 equal half yearly installments, commencing from December 31, 2007 and repayable by June 30, 2012.
- 4.6** The approved limit of this loan is Rs. 50.00 Million. Its tenor is 6 years including one year grace period and is repayable in 20 equal quarterly installments. The loan carries mark-up @ 3 months Kibor plus 3 % p.a without floor & cap. The repayment schedule of this loan has not been finalized yet.

The finances stated in notes from 4.1 to 4.6 above are secured against first equitable / registered mortgage ranking pari passu over fixed assets of the company, demand promissory note and personal guarantees of the directors of the company.



		(RUPEES IN THOUSAND)	
		2007	2006
5.	DEFERRED LIABILITIES		
	Deferred Taxation	26,830	29,096
	The liability / (assets) for deferred taxation comprises of following temporary differences:		
	Accelerated tax depreciation allowance.	43,354	30,155
	Tax Loss	(11,841)	-
	Minimum tax available for carry forward	(4,683)	(1,059)
		26,830	29,096
6.	TRADE AND OTHER PAYABLES		
	Creditors	10,118	8,075
	Contractors retention money 6.1	696	385
	Security deposits - Interest free	5,530	4,030
	Provident fund trust	306	245
	Accrued charges	17,224	16,051
	Unclaimed dividend	75	75
	Advances from customers	3,570	2,022
	Workers' profit participation fund 6.2	177	1,613
	Others	400	200
		38,096	32,696
6.1	No interest is payable on the deposits which are refundable on completion of contracts.		
6.2	WORKERS' PROFIT PARTICIPATION FUND		
	Balance as Beginning of year	1,613	1,381
	Allocation for the year	177	1,613
	Interest accrued	139	92
		1,929	3,086
	Less:		
	Paid during the year	(1,752)	(1,473)
		177	1,613
7.	ACCRUED MARK UP ON SECURED LOANS		
	Mark up on long term financing and short term bank borrowings	7,069	5,977
8.	SHORT TERM BORROWINGS		
	From Banking Companies - Secured 8A	77,884	69,195
	From Related Parties - Unsecured 8B	-	10,000
		77,884	79,195



- 8A.** These have been obtained from banking companies on mark-up basis and are secured by pledge and hypothecation of stocks & stores, charge on stocks, book debts, and other movable assets of the company and against personal guarantee of directors. The borrowing form a part of total credit facilities available to the extent of Rs. 345.000 million (2006: Rs. 365.000 million). Unavailed facilities as at balance sheet date is Rs. 267.116 million. Mark-up is paid at the rate ranging from 3 months Kibor plus 1.75% to 2% with floor of 5 % to 10% p.a. It includes inland letter of credit for purchase of raw material amounting to Rs. 14.497 (2006: RS. 21.457) million.
- 8B.** This represented, loan provided by sponsoring directors and it was unsecured & interest free.

		(RUPEES IN THOUSAND)			
		2007	2006		
9.	CURRENT PORTION OF LONG TERM LIABILITIES				
	National Bank of Pakistan	4 30,143	21,119		
		<u>30,143</u>	<u>21,119</u>		
10.	PROVISION FOR TAXATION				
	Opening balance	3,394	6,040		
	Less:				
	Adjusted during the year	<u>(3,394)</u>	<u>(5,305)</u>		
		-	735		
	Current	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">3,529</td></tr></table>	3,529	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">3,394</td></tr></table>	3,394
3,529					
3,394					
	Prior	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">-</td></tr></table>	-	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">(735)</td></tr></table>	(735)
-					
(735)					
		<u>3,529</u>	<u>2,659</u>		
		<u>3,529</u>	<u>3,394</u>		
11.	CONTINGENCIES AND COMMITMENT				

Commitments for non capital expenditure are amounting to Rs 5.780 million (June 30, 2006: Rs. 2.014 million).

12. SCHEDULE OF TANGIBLE PROPERTY PLANT AND EQUIPMENT

(RUPEES IN THOUSAND)

PARTICULARS	C O S T			Accumulated Depreciation as at 01/07/2006	Accumulated Depreciation as at 30/06/2007	Book Value as at 30/06/2007	DEPRECIATION	
	As at 01/07/2006	Additions/ (Deletions)	As at 30/06/2007				Charged for the year	RATE %
Land - Freehold	3,351	-	3,351	-		3,351	-	-
Building on Freehold Land	55,024	8,974	63,998	25,874	29,235	34,763	3,361	10
Plant and Machinery	308,232	75,927 (1,718)	382,441	137,287 (1,450)	157,318	225,123	21,481	10
Electric Installations	2,425	-	2,425	1,417	1,518	907	101	10
Factory Equipments	150	-	150	125	127	23	2	10
Furniture and Fixtures	3,297	253	3,550	1,836	1,991	1,559	155	10
Vehicles	9,120	623 (919)	8,824	3,980 (697)	4,356	4,468	1,073	20
Office Equipments	2,856	288	3,144	1,408	1,566	1,578	158	10
June 30, 2007	384,455	86,065 (2,637)	467,883	171,927 (2,147)	196,111	271,772	26,331	
June 30, 2006	327,275	59,649 (2,469)	384,455	151,976 (725)	171,927	212,528	20,676	

12.a Depreciation charged for the year has been allocated as follows:

	2007	2006
Cost of Sales	24,945	19,503
Administrative and General Expenses	1,386	1,173
	<u>26,331</u>	<u>20,676</u>



**12.b DISPOSAL OF FIXED ASSETS**

(RUPEES IN THOUSAND)

Particulars of Assets	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Basis of Sale	Sold to
Plant and Machinery						
Chinese ring frames	1,718	1,450	268	384	Negotiation	Punjab Traders Gulshan Ali Housing Scheme, Faisalabad.
Vehicle						
Toyota Corolla LXV-3666	919	697	222	560	Negotiation	Ch. Javed Ahmed Arif Wala, Chak No. 67E-B, Dist. Pakpattan.
June 30, 2007	<u>2,637</u>	<u>2,147</u>	<u>490</u>	<u>944</u>		
June 30, 2006	<u>2,469</u>	<u>725</u>	<u>1,744</u>	<u>2,205</u>		



	(RUPEES IN THOUSAND)	
	2007	2006
13. CAPITAL WORK IN PROGRESS		
Factory Building - civil works	13,865	9,451
Plant & Machinery	25,184	52,901
	<u>39,049</u>	<u>62,352</u>
14. LONG TERM DEPOSITS		
Others	354	433
	<u>354</u>	<u>433</u>
15. STORES, SPARES AND LOOSE TOOLS		
Stores	3,460	6,035
Spares	16,662	16,382
Loose tools	6	3
	<u>20,128</u>	<u>22,420</u>
16. STOCK IN TRADE		
Raw material	51,393	73,763
Work in process	6,243	5,570
Finished goods	9,526	10,411
Waste	240	146
	<u>67,402</u>	<u>89,890</u>
17. TRADE DEBTS		
These are unsecured but considered good.	<u>18,948</u>	<u>21,331</u>
18. LOANS AND ADVANCES		
(Unsecured but considered good):-		
Advances to :		
Suppliers and contractors	462	302
Against expenses	217	740
Employees	33	109
	<u>712</u>	<u>1,151</u>
19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Income tax	3,246	5,178
Letters of credit	2,864	1,853
	6,110	7,031
Deposits:		
Sales tax	3,274	2,878
Margin on bank guarantee	1,679	1,868
Security Deposit	213	213
	5,166	4,959
Prepayments	343	330
Other receivables	324	324
	<u>11,943</u>	<u>12,644</u>



		(RUPEES IN THOUSAND)	
		2007	2006
20.	CASH AND BANK BALANCES		
	Cash in hand	254	185
	Cash with banks:		
	In current accounts	1,494	911
		<u>1,748</u>	<u>1,096</u>
21.	SALES - net		
	Local	702,768	680,619
	Export	4,675	-
		<u>707,443</u>	<u>680,619</u>
	Waste	3,534	3,748
		<u>710,977</u>	<u>684,367</u>
	Less:		
	Commission	(5,238)	(5,537)
		<u>705,739</u>	<u>678,830</u>
22.	COST OF SALES		
	Raw material consumed	22.1 470,386	435,575
	Salaries, wages and benefits	22.2 53,460	43,041
	Stores and spares	17,626	13,018
	Packing materials	7,862	7,937
	Fuel and power	74,391	80,602
	Repair and maintenance	2,969	4,967
	Insurance	1,866	1,552
	Other factory overhead	1,280	1,079
	Depreciation	24,945	19,503
		184,399	171,699
		<u>654,785</u>	<u>607,274</u>
	Opening stock in process	5,570	6,203
		<u>660,355</u>	<u>613,477</u>
	Closing stock in process	(6,243)	(5,570)
		<u>654,112</u>	<u>607,907</u>
	Cost of goods manufactured		
	Opening stock of finished goods	10,557	9,968
		<u>664,669</u>	<u>617,875</u>
	Closing stock of finished goods	(9,766)	(10,557)
		<u>654,903</u>	<u>607,318</u>



(RUPEES IN THOUSAND)

2007 2006

22.1 RAW MATERIAL CONSUMED

Opening stock	73,763	39,092
Purchases	448,016	470,246
	<u>521,779</u>	<u>509,338</u>
Less:		
Closing stock	(51,393)	(73,763)
	<u>470,386</u>	<u>435,575</u>

22.2 Salaries, wages and other benefits include Rs. 1.427 million (2006: Rs. 1.126 million) in respect of staff retirement benefits.

23. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, allowances and benefits	23.1	14,806	13,139
Travelling and conveyance		344	164
Vehicle running and maintenance		1,509	1,731
Printing and stationery		331	311
Newspaper and periodicals		19	21
Postage, telegram and telephone		499	539
Advertisement		106	79
Rent, rates, and taxes		460	166
Legal and professional		152	130
Auditor's remuneration	23.2	152	198
Subscription and Donations	23.3	144	398
Insurance		415	607
Entertainment		154	165
Computerization		68	162
General		83	131
Lighting charges		189	228
Depreciation		1,386	1,173
		<u>20,817</u>	<u>19,342</u>

23.1 Salaries, allowances and benefits include Rs. 0.302 million (2006: Rs. 0.262 million) in respect of staff retirement benefits.

23.2 Auditors Remuneration

Statutory audit fee	125	125
Half yearly review fee	15	15
Provident fund audit & other certification fee	12	58
	<u>152</u>	<u>198</u>

23.3 No director or his spouse had any interest in the donee's fund.



		(RUPEES IN THOUSAND)	
		2007	2006
24.	SELLING AND DISTRIBUTION EXPENSES		
	Freight and expenses on local sales	321	209
	Forwarding and export	83	-
	Steamer freight	40	-
	Certification / surveillance audit fee	30	14
		<u>474</u>	<u>223</u>
25.	FINANCIAL AND OTHER CHARGES		
	Mark-up on:		
	Long term loans-secured	14,525	10,267
	Short term bank borrowings - secured	10,796	9,040
	Workers' profit participation fund	6.2 139	92
		25,460	19,399
	Lease finance charges	-	183
	Bank charges and commission	1,162	725
		<u>26,622</u>	<u>20,307</u>
26.	OTHER INCOME		
	Profit on sale of fixed assets	455	461
	Balances written off	16	62
		<u>471</u>	<u>523</u>
27.	TAXATION		
	Current	3,529	3,394
	Prior	-	(735)
	Deferred tax	(2,266)	4,499
		<u>1,263</u>	<u>7,158</u>

27.1 Provision for current taxation has been made in these financial statements on the basis of turnover under section 113 of Income Tax Ordinance, 2001, as the tax computation results in tax loss.

**28. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION**

The aggregate amount charged in the accounts during the period for remuneration including benefits to Chief Executive, Director and Executives is as follows:

	(RUPEES IN THOUSAND)		
	Chief Executive 2007	Directors 2007	Executives' 2007
Managerial Remuneration	576	580	1,150
House rent	259	246	517
Medical allowance	60	58	115
Utility allowance	65	66	135
	<u>960</u>	<u>950</u>	<u>1,917</u>
Number	<u>1</u>	<u>2</u>	<u>2</u>
	Chief Executive 2006	Director 2006	Executives' 2006
Managerial Remuneration	643	490	1,149
House rent	290	220	481
Utility allowance	27	21	85
	<u>960</u>	<u>731</u>	<u>1,715</u>
Number	<u>1</u>	<u>1</u>	<u>2</u>

Chief Executive of the company has been provided with a free Company maintained car.

No meeting fee was paid to the directors of the company during the year (June 30, 2006: Rs. Nil).

29. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKING

Transaction with Related Parties/ Associated Undertakings, other than remuneration and benefits to key management personnel's under the terms of their employment (refer note 28) and other than the payments made to the retirement benefit plans are as under:

There was no sale and purchase transactions with related parties.

The maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. Nil (2006: Rs. Nil).



30. FINANCIAL ASSETS AND LIABILITIES

	(RUPEES IN THOUSAND)					
	Interest/mark-up bearing		Non Interest/mark-up bearing		June 30, 2007	June 30, 2006
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	Total	Total
FINANCIAL ASSETS						
Cash and bank balances	-	-	1,748	-	1,748	1,096
Trade debts	-	-	18,948	-	18,948	21,331
Deposit, Prepayments & other Receivables	-	-	2,216	-	2,216	2,405
Long term deposits	-	-	354	-	354	433
			<u>23,266</u>		<u>23,266</u>	<u>25,265</u>
FINANCIAL LIABILITIES						
Long term loans	30,143	135,798	-	-	165,941	162,734
Short term borrowings	77,884	-	-	-	77,884	79,195
Trade and other payables	-	-	37,613	-	37,613	30,838
Accrued mark-up on secured loans	-	-	7,069	-	7,069	5,977
	<u>108,027</u>	<u>135,798</u>	<u>44,682</u>		<u>288,507</u>	<u>278,744</u>

30.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

The objective of financial risk management is to minimize potential adverse effects on the financial performance of the company. The company finances its operation through equity, borrowings and management of working capital with a view to maintain reasonable mix between the various sources of finance to minimize risk. Cash flow risk is the risk that future cash flows associated with monetary financial instruments will fluctuate in amount. Cash flow risk associated with accrued interest in respect of borrowings is referred to in Note 8.

Market risk is the risk that value of financial instrument will fluctuate as the result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Taken as a whole, risk arising from the companies financial instrument is limited as there is no significant exposure to market risk in respect of such instrument.

30.2 INTEREST RATE RISK

Interest rate risk is the risk that the values of financial instruments will fluctuate due to changes in market interest rates. The Company usually manages miss-matches through risk management strategy where significant change in Gap position can be adjusted. The rates of financing and their maturity period has been disclosed in the relevant notes.

30.3 CREDIT RISK

Financial assets worth Rs.21,518 million (June 30, 2006: Rs. 24,169 million) out of total financial assets of Rs.23,266 million (June 30, 2006:Rs. 25,266 million) are subject to credit risk. The company's financial assets are not subject to significant concentration of credit risk. The company manage its credit risk exposure by sanction of credit limit and repayment time periods.

30.4 FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The company believes that it is not exposed to foreign exchange risk.

30.5 LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The company manages its liquidity risk exposure by having diversified funding sources and assets are managed with liquidity in mind. To ensure adequate liquidity, the maturity profile is monitored on continuous basis.

30.6 CARRYING VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are carried at approximate fair values.



(RUPEES IN THOUSAND)

	2007	2006
31. BASIC EARNING PER SHARE		
There is no dilutive effect on the basic earning per share of the company.		
Profit after taxation	1,954	23,392
Weighted average number of issued shares (in Thousand)	3,000	3,000
Basic earning per share (in Rupees)	<u>0.65</u>	<u>7.80</u>

32. CASH AND CASH EQUIVALENTS

Cash and bank balances	<u>1,748</u>	<u>1,096</u>
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33. PLANT CAPACITY AND ACTUAL PRODUCTION

Production at normal capacity Converted to 20/s (Kgs.)	12,282,744	11,942,112
Actual production converted to 20/s (Kgs.)	12,098,503	11,762,980
No. of shifts worked per day	3	3

REASON FOR LOW PRODUCTION

Reason for low production is due to normal maintenance and electric shut down.

34. NUMBER OF EMPLOYEES

At the year end number of employees of the company	871	860
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35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on October 04, 2007 by the Board of Directors of the company.

36. GENERAL

Figures have been rounded off to the nearest thousand rupee.

(Mian Aamir Naseem)
Chief Executive Officer

(Mian Farrukh Naseem)
Director



THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)

FORM 34

PATTERN OF SHAREHOLDING

1. Incorporation Number **0007162**
 2. Name of the Company **SHADAB TEXTILE MILLS LIMITED**
 3. Pattern of holding of the shares held by the shareholders as at **3 0 0 6 2 0 0 7**

4.	No. of Shareholders	Shareholdings			Total shares held
		From		To	
	60	1	-	100	2280
	75	101	-	500	14540
	14	501	-	1000	10760
	8	1001	-	5000	15090
	3	5001	-	10000	22950
	1	15001	-	20000	16800
	6	25001	-	30000	169350
	2	30001	-	35000	62025
	5	35001	-	40000	183866
	2	40001	-	45000	85720
	1	45001	-	50000	46550
	1	50001	-	55000	52650
	1	55001	-	60000	56250
	2	60001	-	65000	127540
	1	65001	-	70000	68500
	1	70001	-	75000	75000
	1	80001	-	85000	83050
	2	90001	-	95000	185639
	1	95001	-	100000	97043
	2	100001	-	125000	208491
	1	125001	-	150000	132450
	1	175001	-	200000	193200
	1	200001	-	225000	204300
	1	225001	-	250000	243900
	1	250001	-	275000	267056
	1	350001	-	375000	375000
	195				3000000

5.	Categories of shareholders	Shares Held	Percentage
5.1	Directors, Chief Executive Officer, and their spouse and minor children.	1126160	37.5387
5.2	Associated Companies, undertakings and related parties.	450000	15.0000
5.3	NIT and ICP	191850	6.3950
5.4	Banks Development Financial Institution, Non Banking Financial Institutions.	-	-
5.5	Insurance Companies	-	-
5.6	Modarabas and Mutual Funds	-	-
5.7	Shareholders holding 10%	375000	12.5000
5.8	General public		
	a. Local	1231490	41.0497
	b. Foreign	-	-
5.9	Others (to be specified)		
	Joint Stock Companies	500	0.0167

Note: One of the shareholder is reflected in more than one category.

**DETAILS OF CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2007**

	Shareholding	%age
● ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
Husein Sugar Mills Limited	375000	12.5000
Sargodha Textile Mills Limited	75000	2.5000
	450000	15.0000
● NIT & ICP		
NBP Trustee Department	191250	6.3750
Investment Corporation of Pakistan	600	0.0200
	191850	6.3950
● DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN		
Mian Aamir Naseem	204300	6.8100
Mian Farrukh Naseem	132450	4.4150
Mian Shahzad Aslam	234620	7.8207
Mian Sajjad Aslam	45820	1.5273
Mst. Nusrat Shamim	267056	8.9019
Mrs. Shireen Abid	35182	1.1727
Mr. Mazhar Hussain	600	0.0200
Mst. Seema Sajjad (Director spouse)	91432	3.0477
Mrs. Hina Farrukh (Director spouse)	30150	1.0050
Mrs. Fatima Aamir (Director spouse)	84550	2.8183
	1126160	37.5387
● EXECUTIVES	-	-
● PUBLIC SECTOR COMPANIES AND CORPORATIONS	500	0.0167
● BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABA & MUTUAL FUNDS; AND	-	-
● GENERAL PUBLIC	1231490	41.0497
	Total	3000000
● SHAREHOLDERS HOLDING 10% OR MORE		
Husein Sugar Mills Limited	375000	12.5000



FORM OF PROXY

I / We _____
 Son / Daughter / Wife of _____
 being a member of SHADAB TEXTILE MILLS LIMITED and holder of _____
 (Number of Shares)
 Ordinary Shares as per Registered Folio No. _____
 hereby appoint Mr. _____ of _____
 of failing him Mr. _____ of _____
 who is also a member of SHADAB TEXTILE MILLS LIMITED, Vide Registered Folio No. _____
 as my / our proxy to vote for me / us and on my / our behalf at the 28th Annual General Meeting of the
 Company to be held on Wednesday, the 31st October, 2007 at 11:00 a.m. and at any adjournment thereof.

As witness my / our hand (s) this _____ day of _____ 2007

1. Witness:

Signature _____
 Name _____
 Address _____

Affix
Revenue
Stamps of
Rs. 5/-

Signature of Member

2. Witness:

Signature _____
 Name _____
 Address _____

Shareholder's Folio No. _____

CDC A/c No. _____

NIC No.

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NOTE:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his / her behalf. Proxies in order to be valid must be received at the Registered Office of the Company 48 hours before the time of the meeting. A proxy must be member of the Company.
2. CDC shareholders are requested to bring with them their National Identity Cards alongwith the participants' ID numbers and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.
3. Signature should agree with specimen signature registered with the company.