



**COMPANY INFORMATION**

**BOARD OF DIRECTORS**

A. RAZAK HAJI SATTAR (Chairman)  
HAMID HAJI LATIF  
ASHFAQ AHMAD A. GHAFAR  
JUNAID HAJI LATIF  
MUSTAFA A. RAZAK  
MURTAZA A. RAZAK  
MUHAMMAD ASIF A. GHAFAR (Chief Executive)

**CHIEF FINANCIAL OFFICER (CFO) :**

MUHAMMAD HANIF

**COMPANY SECRETARY**

RAUF DAWOOD

**AUDIT COMMITTEE**

JUNAID HAJI LATIF - Chairman  
HAMID HAJI LATIF - Member  
ASHFAQ AHMAD A. GHAFAR - Member

**REGISTERED OFFICE**

H-23/4-A LANDHI, KARACHI.

**MILLS**

H-23/4-A LANDHI, KARACHI.

**SHARES DEPARTMENT**

177-A, S.M.C.H.S., KARACHI.

**BANKERS**

HABIB BANK LIMITED  
BANK AL HABIB LIMITED  
ASKARI COMMERCIAL BANK LIMITED  
CITIBANK N.A.  
UNION BANK LIMITED  
HABIB BANK AG ZURICH  
BANK ALFALAH LIMITED  
ABN AMRO BANK N.V.

**AUDITORS**

KHALID MAJID RAHMAN SARFARAZ  
RAHIM IQBAL RAFIQ  
Chartered Accountants  
180-A, S.M.C.H.S.,  
KARACHI.

**LEGAL ADVISOR**

M. ADAM PATEL & CO.



**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given to the Members that the 33rd Annual General Meeting of the shareholders of **NAKSHBANDI INDUSTRIES LIMITED** will be held at the Registered Office of the Company at H-23/4A, Landhi Industrial Area, Karachi, on Saturday, October 29, 2005 at 2:00 p.m. to transact the following business :

1. To receive, consider and adopt the Directors' Report, Audited Accounts of the Company and Auditors Report thereon for the period ended June 30, 2005.
2. To appoint Auditors for the Year 2005-2006 and fix their remuneration.
3. To transact any other ordinary business with the permission of the Chair.

**SPECIAL BUSINESS**

To consider and, if deem fit, pass the following resolution as a special resolution :

Resolved that the Authorized Capital of the Company be and is hereby increased from Rs. 300 Million to Rs. 500 Million and to amend the clauses of Memorandum and Articles of Association of the Company accordingly.

By Order of the Board  
**RAUF DAWOOD**  
Company Secretary

Karachi : September 28, 2005

**NOTES :**

1. The Share Transfer Books of the Company will remain closed from October 25, 2005 to November 2, 2005 (both days inclusive).
2. A Member eligible to attend and vote at this meeting may appoint another member as his /her proxy. Proxies in order to be effective must be received by the Company at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited must bring their Original Card (NIC) or Original Passport at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the NIC or the Passport of the beneficial owners. Representative of corporate members should bring the usual documents required for such purpose.
4. A Proxy must be a member of the Company.
5. Shareholders are requested to immediately notify the change of address if any.

**Statement U/S 160(1)(b) of the companies ordinance, 1984 :**

The authorized capital of the Company is being increased from Rs. 300 million to 500 million to enable the company to expand its capital to facilitate the issue of further capital commensurate with the company's business as the directors may deem necessary from time to time.



# NAKSHBANDI INDUSTRIES LIMITED

## DIRECTORS' REPORT

The Directors are presenting the 33rd Annual Report together with the audited financial statements of the Company for the period ended June 30, 2005.

### OPERATING RESULTS

Operating results are as follows:

|   | <u>Rupees</u>              |
|---|----------------------------|
| Profit before taxation<br>(after charging depreciation of Rs. 97,355,537) | 165,293                    |
| Provision for taxation  | <u>(11,500,000)</u>        |
| Loss after taxation   | <u><u>(11,334,707)</u></u> |

Although we have been able to achieve the capacity utilization and quantitative sales targets to a greater extent during the period under report, the increase in financial charges, rise in gas prices and freights together with the competition in the post quota WTO regime have affected profitability of the Company. The Company has earned pre-tax profit of Rs. 165,293.

### EARNING PER SHARE

Earning per share (EPS) for the period ended June 30, 2005 stands at Re. (0.47) (-).

### ECONOMIC OUTLOOK

The forecasts of another bumper cotton crop this year are encouraging and should help the textile industry in improving its profitability. However, on the other side, sharply increasing interest rates and rising oil prices will erode the profits. Due to increase in production capacities, requirement of cotton is still high and the country will need to import cotton this year also. There is dire shortage of water and gas for the industrial sector and the Government must address the issues on top priority. Due to adverse global economic scenario, our textile industry, specially value added sector, has remained under pressure.

### FUTURE PROSPECTS

In order to achieve growth in sales volume, the Company has invested to enhance and consolidate capacities in certain areas of its operations. The towel weaving capacity has increased with addition of 9 looms during the period. The bleaching, dyeing, finishing and confection capacities will increase with completion of the BMR project by the end of December 2005. Thus, we will be able to strengthen the diversification of the customer base to improve the profitability.

### CORPORATE GOVERNANCE

The Statement of Compliance with the Best Practices of Code of Corporate Governance is annexed.

The directors have taken all necessary measures in order to comply with the Code of Corporate Governance in accordance with the listing rules of the stock exchange and state that:

The financial statements of the Company for the period ended June 30, 2005 present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.

2. The Company has maintained proper books of accounts.



## NAKSHBANDI INDUSTRIES LIMITED

3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on prudent judgement.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements, and the departure, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed.
6. There are no significant doubts about the Company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance as defined in the listing regulations of the stock exchange.
8. There are no outstanding dues on account of taxes, levies and charges except of a normal and routine nature.
9. None of the Directors, CEO, CFO, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the October 2004-June 2005 period.

Key operating data for the last six years is annexed.

The present Audit Committee comprises of:

1. Mr. Junaid Haji Latif (Chairman).
2. Mr. Hamid Haji Latif.
3. Mr. Ashfaq Ahmad A. Ghaffar.

The Audit Committee held three meetings during the period.

### **BOARD OF DIRECTORS**

The elections of the Board of Directors were held on March 31, 2005 for three years term. The Board welcomes Mr. Ashfaq Ahmad A. Ghaffar as new Director and appreciates the contribution of the outgoing Director Ms. Ambreen A. Razak.

During the nine months period, three meetings of Board of Directors were held. Attendance by the directors is as follows:

| <u>DIRECTORS</u>                               | <u>ATTENDANCE</u> |
|--|-------------------|
| Mr. A. Razak Haji Sattar (Chairman)            | 3                 |
| Mr. Hamid Haji Latif                           | 3                 |
| Mr. Ashfaq Ahmed A. Ghaffar                    | 1                 |
| Ms. Ambreen A. Razak                           | 2                 |
| Mr. Junaid Haji Latif                          | 3                 |
| Mr. Mustafa A. Razak                           | 1                 |
| Mr. Murtaza A. Razak                           | 2                 |
| Mr. Muhammad Asif A. Ghaffar (Chief Executive) | 3                 |

Leaves of absence in accordance with the law were granted to the Directors who could not attend the Board Meeting.



**CHANGE OF ACCOUNTING YEAR**

In compliance with the requirements of SRO.684(I)/2004 dated August 10, 2004 of the Central Board of Revenue, Government of Pakistan and Circular No. 29 dated November 05, 2004 of the Securities and Exchange Commission of Pakistan regarding the change of accounting year of textile industry from October-September to July-June, the Company's Accounting Year has been changed to end on June 30, 2005 and comprised of nine months this year.

**AUDITORS**

The present auditors, M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire at the forthcoming Annual General Meeting of the Company and offer themselves for reappointment.

**PATTERN OF SHAREHOLDING**

The pattern of shareholding as on June 30, 2005 is annexed to this report and the requirements of the Code of Corporate Governance in this regard have been complied with.

**ACKNOWLEDGMENT**

The directors place on record their appreciation for executives, staff members and workers for their committed efforts towards the Company.

For and on behalf of the Board

**A. RAZAK HAJI SATTAR**  
Chairman

Karachi:

Dated : September 28, 2005.



## **MISSION STATEMENT**

**Our mission is to manage and operate the Company in a manner that allows continued growth and profitability without high risk for investors, customers or employees. We do this by offering quality products to our customers, by constantly striving to improve our products to meet or exceed our customers' needs, allowing us to prosper as a business, and to provide stable, secure income and employment for our employees and a reasonable return for our stake holders, the owners of our business.**

## **VISION STATEMENT**

**The future of our Industry will be characterized by tough competition. In future, we will be constrained of capacity utilization, tough and sluggish market and rising cost but we will strive hard to be able to make profit and thus create value for our stake holders and to continue as a successful company.**



# NAKSHBANDI INDUSTRIES LIMITED

## YEAR WISE STATISTICAL SUMMARY

| Year Ended June/September 30,                     | 2005            | 2004            | 2003            | 2002            | 2001            | 2000            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>TOWEL PRODUCTION SUMMARY</b>                   |                 |                 |                 |                 |                 |                 |
| Towel (Kgs, 000)                                  | 3,664.00        | 4,979.00        | 2,894.00        | 1,695.00        | 1,487.00        | 1,477.00        |
| <b>CLOTH PRODUCTION SUMMARY</b>                   |                 |                 |                 |                 |                 |                 |
| Cloth (Sq.mtr, 000)                               | —               | —               | —               | 1,381.00        | 3,834.00        | 6,530.00        |
| <b>ASSETS EMPLOYED</b> (Rs. in million)           |                 |                 |                 |                 |                 |                 |
| Fixed Assets                                      | 1,349.56        | 1,091.77        | 1,037.16        | 1,052.54        | 687.38          | 544.37          |
| Investments, Long term<br>Advances and Deposits   | 1.76            | 0.38            | 0.45            | 0.27            | 0.27            | 0.27            |
| Current Assets                                    | 1,073.31        | 1,287.79        | 1,091.53        | 798.80          | 659.93          | 532.86          |
| <b>Total Assets Employed</b>                      | <b>2,424.63</b> | <b>2,379.94</b> | <b>2,129.14</b> | <b>1,851.61</b> | <b>1,347.58</b> | <b>1,077.50</b> |
| <b>FINANCED BY</b>                                |                 |                 |                 |                 |                 |                 |
| Shareholders' Equity                              | 467.37          | 478.70          | 377.49          | 429.41          | 429.71          | 262.59          |
| Long Term Liabilities                             | 518.85          | 580.01          | 500.50          | 510.00          | 167.38          | 145.55          |
| Obligation under Finance Lease                    | 1.64            | 2.52            | 13.09           | 25.39           | 30.41           | 0.00            |
| Deferred Liabilities                              | 17.31           | 33.11           | 32.88           | 36.74           | 36.86           | 34.96           |
| Current Liabilities                               | 1,419.47        | 1,285.60        | 1,205.18        | 850.07          | 683.21          | 634.42          |
| <b>Total Funds Invested</b>                       | <b>2,424.63</b> | <b>2,379.94</b> | <b>2,129.14</b> | <b>1,851.61</b> | <b>1,347.57</b> | <b>1,077.52</b> |
| <b>TURNOVER &amp; PROFIT</b>                      |                 |                 |                 |                 |                 |                 |
| Turnover (Net)                                    | 1,335.42        | 1,991.87        | 1,147.10        | 1,094.98        | 1,185.62        | 1,067.19        |
| Gross Profit                                      | 176.28          | 242.51          | 145.87          | 196.45          | 200.91          | 172.33          |
| Operating Profit                                  | 65.24           | 79.21           | 40.68           | 102.41          | 107.25          | 96.70           |
| Profit/(Loss) Before Taxation                     | 0.12            | 26.22           | (49.77)         | 19.22           | 36.54           | 35.73           |
| (Loss)/Profit After Taxation                      | (11.33)         | 10.69           | (51.67)         | 8.77            | 26.44           | 27.63           |
| Dividend  | 0.25            | 0.25            | 0.25            | 9.08            | 13.62           | 11.35           |
| Transfer (from)/to Reserves                       | (11.00)         | 10.00           | (51.00)         | 0.00            | 12.00           | 16.00           |
| Profit C/F  | 0.46            | 0.79            | 0.35            | 1.28            | 1.58            | 0.76            |
| <b>Financial Charges</b>                          | <b>65.10</b>    | <b>52.03</b>    | <b>90.46</b>    | <b>83.31</b>    | <b>68.71</b>    | <b>58.75</b>    |
| <b>(Loss)/Earning per share</b>                   | <b>(0.47)</b>   | <b>0.45</b>     | <b>(2.85)</b>   | <b>0.48</b>     | <b>1.46</b>     | <b>3.04</b>     |
| <b>Breakup value of shares</b> (Amount in Rupees) |                 |                 |                 |                 |                 |                 |
| No. of Shares                                     | 24,207,040      | 24,207,040      | 18,155,280      | 18,155,280      | 18,155,280      | 9,077,640       |
| Capital + Rev. Reserves                           | 467,316,531     | 478,949,594     | 377,484,290     | 429,408,133     | 429,711,631     | 262,568,416     |
| <b>Breakup Value</b>                              | <b>19.30</b>    | <b>19.79</b>    | <b>20.79</b>    | <b>23.65</b>    | <b>23.67</b>    | <b>28.92</b>    |



**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE**

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

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

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes at least 2 independent non-executive directors representing minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the period.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a mission & vision 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 Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, a director elected by the Board for this purpose and the Board met at least 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 meeting were appropriately recorded and circulated.
9. The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities.
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 period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.





## NAKSHBANDI INDUSTRIES LIMITED

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- 12.. The financial statements of the Company were duly endorsed by 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 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 3 members, all of them 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 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 programme of 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 others services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20.. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors  
**MUHAMMAD ASIF A.GHAFFAR**  
Chief Executive

Karachi:

Dated : September 28, 2005.



## **NAKSHBANDI INDUSTRIES LIMITED**

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### **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 **Nakshbandi Industries Limited**, to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited 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 statements on internal control 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 period from October 01, 2004 to June 30, 2005.

Karachi:

Dated : September 28, 2005

**KHALID MAJID RAHMAN SARFARAZ**  
**RAHIM IQBAL RAFIQ**  
Chartered Accountants



**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **NAKSHBANDI INDUSTRIES LIMITED** as at **June 30, 2005**, and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the period from October 01, 2004 to June 30, 2005 then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of 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;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **June 30, 2005** and of the **Loss**, its cash flows and changes in equity for the period from October 01, 2004 to June 30, 2005; and
- (d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi:

Dated : September 28, 2005

**KHALID MAJID RAHMAN SARFARAZ**  
**RAHIM IQBAL RAFIQ**  
Chartered Accountants



# NAKSHBANDI INDUSTRIES LIMITED

## BALANCE SHEET AS AT

|   | NOTE | June 30,<br>2005<br>Rupees | September 30,<br>2004<br>Rupees |
|---|------|----------------------------|---------------------------------|
| <b>SHARE CAPITAL &amp; RESERVES</b>               |      |                            |                                 |
| <b>Authorised Capital</b>                         |      |                            |                                 |
| 30,000,000 Ordinary Shares of Rs. 10/- each       |      | 300,000,000                | 300,000,000                     |
| <b>Issued, Subscribed and Paid - up Capital</b>   | 3    | 242,070,400                | 242,070,400                     |
| <b>Reserves</b>                                   | 4    | 224,836,020                | 235,836,020                     |
| <b>Unappropriated Profit</b>                      |      | 457,609                    | 1,043,174                       |
|   |      | 467,364,029                | 478,949,594                     |
| <b>NON-CURRENT LIABILITIES</b>                    |      |                            |                                 |
| Long Term Loans                                   | 5    | 508,850,000                | 580,010,000                     |
| Liability against assets subject to finance lease | 6    | 1,637,231                  | 2,516,588                       |
| Deferred Liabilities                              | 7    | 17,312,738                 | 33,111,171                      |
| <b>CURRENT LIABILITIES</b>                        |      |                            |                                 |
| Trade and other payables                          | 8    | 295,885,620                | 268,377,009                     |
| Accrued mark-up on finances                       | 9    | 23,904,315                 | 6,941,831                       |
| Short Term Borrowing                              | 10   | 907,976,825                | 844,293,539                     |
| Current Portion of Long Term Liabilities          | 11   | 174,051,679                | 149,587,438                     |
| Taxation  |      | 27,650,000                 | 16,150,000                      |
|   |      | 1,429,468,439              | 1,285,349,817                   |
| <b>CONTINGENCIES AND COMMITMENTS</b>              | 12   | —                          | —                               |
|   |      | 2,424,632,437              | 2,379,937,170                   |

The annexed notes from 1 to 39 form an integral part of these financial statements..



# NAKSHBANDI INDUSTRIES LIMITED

30TH JUNE, 2005

|                                      | NOTE | June 30,<br>2005<br>Rupees | September 30,<br>2004<br>Rupees |
|--------------------------------------|------|----------------------------|---------------------------------|
| <b>FIXED ASSETS</b>                  |      |                            |                                 |
| <b>PROPERTY, PLANT AND EQUIPMENT</b> | 13   | 1,349,560,023              | 1,091,767,582                   |
| <b>LONG TERM DEPOSITS</b>            |      | 1,758,520                  | 379,105                         |
| <b>CURRENT ASSETS</b>                |      |                            |                                 |
| Stores and Spares                    | 14   | 184,880,751                | 186,471,162                     |
| Stock-In-Trade                       | 15   | 560,259,319                | 508,846,860                     |
| Trade Debts                          | 16   | 126,781,825                | 304,791,362                     |
| Loans and advances                   | 17   | 69,152,238                 | 165,255,740                     |
| Short term prepayments               | 18   | 14,273,015                 | 19,898,839                      |
| Other receivables                    | 19   | 81,684,012                 | 83,008,035                      |
| Taxation recoverable                 |      | 24,087,096                 | 12,494,444                      |
| Cash and Bank Balances               | 20   | 12,195,638                 | 7,024,041                       |
|                                      |      | <b>1,073,313,894</b>       | <b>1,287,790,483</b>            |
|                                      |      | <b>2,424,632,437</b>       | <b>2,379,937,170</b>            |

MUHAMMAD ASIF A. GHAFAR  
Chief Executive

MURTAZA A. RAZAK  
Director



# NAKSHBANDI INDUSTRIES LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM OCTOBER 01, 2004 TO JUNE 30, 2005

|                                     | NOTE | For nine months<br>June 30,<br>2005<br>Rupees | For year ended<br>September 30,<br>2004<br>Rupees |
|-------------------------------------|------|---|---|
| Sales                               | 21   | 1,335,417,800                                 | 1,991,866,089                                     |
| Cost of sales                       | 22   | (1,161,004,136)                               | (1,749,351,129)                                   |
| <b>Gross profit</b>                 |      | <b>174,413,664</b>                            | <b>242,514,960</b>                                |
| <b>Operating expenses</b>           |      |   |   |
| Administrative expenses             | 23   | (33,197,942)                                  | (41,900,253)                                      |
| Selling expenses                    | 24   | (75,929,630)                                  | (121,406,339)                                     |
|                                     |      | (109,127,572)                                 | (163,306,592)                                     |
| <b>Operating profit</b>             |      | <b>65,286,092</b>                             | <b>79,208,368</b>                                 |
| Other (loss)/Income                 | 25   | (13,061)                                      | 422,750   |
| Financial charges                   | 26   | (65,099,038)                                  | (52,027,655)                                      |
| Workers' profit participation fund  |      | (8,700)                                       | (1,380,173)                                       |
|                                     |      | (65,120,799)                                  | (52,985,078)                                      |
| <b>Profit before taxation</b>       |      | <b>165,293</b>                                | <b>26,223,290</b>                                 |
| Provision for taxation              | 27   | (11,500,000)                                  | (16,150,000)                                      |
| - Current year's                    |      |   |   |
| - Adjustment deferred taxation      |      | —   | 615,614   |
|                                     |      | (11,500,000)                                  | (15,534,386)                                      |
| <b>(Loss)/Profit after taxation</b> |      | <b>(11,334,707)</b>                           | <b>10,688,904</b>                                 |
| <b>(Loss)/Earning Per Share</b>     | 28   | <b>(0.47)</b>                                 | <b>0.45</b>                                       |

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD ASIF A. GHAFFAR  
Chief Executive

MURTAZA A. RAZAK  
Director



**CASH FLOW STATEMENT  
FOR THE PERIOD FROM OCTOBER 01, 2004 TO JUNE 30, 2005**

|   | For nine months<br>June 30,<br>2005<br>Rupees | For year ended<br>September 30,<br>2004<br>Rupees |
|---|---|---|
| <b>CASH FROM OPERATING ACTIVITIES</b>   |   |   |
| Net Profit before taxation  | 165,293                                       | 26,223,290  |
| Adjustment For :  |   |   |
| Depreciation  | 97,355,537                                    | 118,633,616                                       |
| Deferred liabilities  | 3,997,351                                     | 3,583,095   |
| Financial Charges   | 65,099,038                                    | 52,027,655  |
| Loss /(Gain) on sales of fixed assets   | 13,061  | (422,750)   |
|   | 166,464,987                                   | 73,821,616  |
| <b>Cash flow from operating activities<br/>before working capital changes</b> | 166,630,280                                   | 200,044,906                                       |
| <b>(Increase)/Decrease In Current Assets</b>                                  |   |   |
| Stores and spares   | 1,590,411                                     | - (56,042,065)                                    |
| Stock-in-trade  | (51,412,459)                                  | 78,187,143  |
| Trade debtors   | 178,009,537                                   | (210,037,610)                                     |
| Loans and advances  | 96,103,502                                    | (6,155,741)                                       |
| Short term prepayments  | 5,625,823                                     | (1,724,717)                                       |
| Other receivables   | 1,324,023                                     | 8,598,903   |
| <b>Increase/(Decrease) In Current Liabilities</b>                             |   |   |
| Trade and other payables  | 10,510,910                                    | 92,530,350  |
| Accrued mark-up on finances   | 16,962,483                                    | (10,522,232)                                      |
|   | 258,714,232                                   | (105,165,969)                                     |
| <b>Cash generated from operating activities</b>                               |   | 94,878,937  |
| Gratuity paid   | (19,795,785)                                  | (2,734,388)                                       |
| Financial Charges Paid  | (48,136,555)                                  | (62,549,887)                                      |
| Dividend Paid   | (215,641)                                     | (250,697)   |
| Income Tax Paid   | (11,592,650)                                  | (13,190,087)                                      |
|   | (79,740,631)                                  | (78,725,059)                                      |
| <b>Net cash from operating activities</b>                                     | 345,603,881                                   | 16,153,878  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                    |   |   |
| Fixed Capital Expenditure   | (356,463,039)                                 | (177,180,566)                                     |
| Sale Proceeds of Fixed Assets   | 1,302,000                                     | 3,874,497   |
| Long Term Deposits  | (1,379,415)                                   | 75,000  |
| <b>Net cash used in Investing Activities</b>                                  | (356,540,454)                                 | (173,231,069)                                     |



# NAKSHBANDI INDUSTRIES LIMITED

|  | For nine months<br>June 30,<br>2 0 0 5<br>Rupees | For year ended<br>September 30,<br>2 0 0 4<br>Rupees |
|--|--|--|
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                 |  |  |
| Right Issue of shares at Premium                           | —  | 90,776,400   |
| Long Term Loans Disbursements                              | 72,990,000                                       | 219,010,000  |
| Repayment of Long Term Loans                               | (110,750,000)                                    | (100,000,000)  |
| Repayment of Finance Lease                                 | (9,815,116)                                      | (14,093,380)   |
| <b>Net Cash from financing Activities</b>                  | <b>(47,575,116)</b>                              | <b>195,693,020</b>                                   |
| <b>Net (Decrease)/Increase in Cash and Cash Equivalent</b> | <b>(58,511,699)</b>                              | <b>38,615,829</b>                                    |
| Cash and cash equivalent at the beginning                  | (837,269,498)                                    | (875,885,327)  |
| Cash and cash equivalent at the end                        | <u>(895,781,187)</u>                             | <u>(837,269,498)</u>                                 |
| <b>CASH AND CASH EQUIVALENTS</b>                           |  |  |
| Cash and bank balance                                      | 12,195,638                                       | 7,024,041  |
| Short Term Borrowing                                       | (907,976,825)                                    | (844,293,539)  |
|  | <u>(895,781,187)</u>                             | <u>(837,269,498)</u>                                 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

**MUHAMMAD ASIF A. GHAFAR**  
Chief Executive

**MURTAZA A. RAZAK**  
Director





## NAKSHBANDI INDUSTRIES LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM OCTOBER 01, 2004 TO JUNE 30, 2005

|                                       | Share<br>Capital<br>Rupees | Reserves<br>Rupees | Unappropriated<br>Profit<br>Rupees | Total<br>Rupees    |
|---------------------------------------|----------------------------|--------------------|------------------------------------|--------------------|
| Balance as at October 1, 2003         | 181,552,800                | 195,577,220        | 354,270                            | 377,484,290        |
| Issue of right shares                 | 60,517,600                 | —                  | —                                  | 60,517,600         |
| Premium on right issue                | —                          | 30,258,800         | —                                  | 30,258,800         |
| Profit for the year                   | —                          | —                  | 10,688,904                         | 10,688,904         |
| Transfer to general reserve           | —                          | 10,000,000         | (10,000,000)                       | —                  |
| <b>Balance as at October 01, 2004</b> | <b>242,070,400</b>         | <b>235,836,020</b> | <b>1,043,174</b>                   | <b>478,949,594</b> |
| Dividend paid                         | —                          | —                  | (250,858)                          | (250,858)          |
| (Loss) for the period ended           | —                          | —                  | (11,334,707)                       | (11,334,707)       |
| Transfer from general reserve         | —                          | (11,000,000)       | 11,000,000                         | —                  |
| <b>Balance as at June 30, 2005</b>    | <b>242,070,400</b>         | <b>224,836,020</b> | <b>457,609</b>                     | <b>467,364,029</b> |

The annexed notes from 1 to 39 form an integral part of these financial statements.

MUHAMMAD ASIF A. GHAFAR  
Chief Executive

MURTAZA A. RAZAK  
Director



**NOTES TO THE ACCOUNTS  
FOR THE PERIOD FROM OCTOBER 01, 2004 TO JUNE 30, 2005**

**1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan as a Public Limited Company on October 26, 1972 and its shares are quoted at Karachi Stock Exchange. The Registered Office and Factory of the Company is situated at H-23/4-A, Landhi, Karachi. It is principally engaged in production and export of towels and fabrics.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 (i) Basis for preparation of financial statements**

These financial statements have been prepared in accordance with the approved accounting standard as applicable in Pakistan and the requirements of the companies ordinance 1984. Approved accounting standard comprised of such International Accounting Standards (IAS) as notified under the provision of the Companies Ordinance 1984. Where ever the requirements of the Companies Ordinance 1984 or the directive issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance 1984 or the requirements of the said directives take precedence.

As per SRO 684 (1) 2004 dated August 10, 2004 issued by the Central Board of Revenue, the company's tax year / financial year is required to end on June 30, instead of September 30 and further clarified by the Securities and Exchange Commission of Pakistan vide Circular No. 29 of 2004 dated November 05, 2004. In order to make the company's accounting period consistent with the aforementioned requirement the company has prepared its financial statements covering period of nine months ended on June 30, 2005. Since the audited comparative figures are available for the year ended September 30, 2004 the same has been disclosed as comparatives.

**(ii) Accounting convention**

These financial statements have been prepared on the basis of historical cost convention.

**2.2 Foreign Currency Translation**

Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the year end except where exchange risk cover has been obtained for repayment of liabilities in which case rate contracted for, is used. All other exchange differences are taken to profit and loss account.

**2.3 Employees Retirement Benefits**

The Company operates an unfounded gratuity scheme for employees with gross salary below Rs.9,000. Provision for gratuity is made annually for employees eligible for such benefits. Provision of Rs.3,997,351 (2004: Rs.3,583,094) in respect of gratuity has been made in these financial statements during the year. Company operates a provident fund for employees with a gross salary of Rs.9,000 and above. Equal contribution @ 8.33% of basic salary per month.

**2.4 Provisions**

Provision are recognized when the company has a present legal or constructive obligation



as a result of 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 of the obligation can be made.

## 2.5 Taxation

Provision for current taxation is calculated in accordance with the provision of the Income Tax Ordinance, 2001.

## 2.6 Fixed Assets

### Owned

Fixed assets are stated at cost less accumulated depreciation except lease hold land and capital work-in-progress which are stated at cost.

Depreciation is charged to Profit and Loss Account by applying reducing balance method.

Full year's depreciation is charged on addition during the year whereas no depreciation is charged on disposals during the year.

Normal repair and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gain and losses on disposal of fixed assets are taken to profit and loss account.

### Impairment of Assets

In accordance with IAS-36, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceed their recoverable amount, an impairment loss is recognized in the profit & loss account.

### Leased

Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of the present value of minimum lease payments under the lease agreements and fair value of the assets acquired on lease. Depreciation is charged on the same basis as used for own assets.

Financial charges under the lease agreements is allocated over the periods during the lease term, so as to produce a constant periodic rate of financial charge on the outstanding balance of principal liability of each period.

### Capital Work In Progress

Cost and expenditure connected with specific assets incurred during the implementation period is carried under this head. These are transferred to fixed assets as and when assets are available for use.

## 2.7 Financial Assets

Financial Assets are trade debts, advance, deposits, other receivables and cash and bank balances which have been stated as per requirements of IAS-39 (Financial Instruments : Recognition and Measurement). Financial assets are initially recognized at cost representing fair value of the consideration given for it and subsequent to initial recognition financial assets are carried at fair value except for the financial assets whose fair value can not be reliably measured.



## **2.8 Financial Liabilities**

Financial Liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, short term finances, creditors, accrued and other liabilities.

Financial Instruments are offset when the company has the legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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

## **2.9 Stores And Spares**

Store and spares are valued at the cost. Cost is determined using moving average method. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

## **2.10 Stock-In-Trade**

Raw materials are valued at cost. Finished goods are valued at lower of average cost and net realizable value.

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

Waste products are valued at market rates.

## **2.11 Trade Debts**

Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

## **2.12 Trade And Other Payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the company.

## **2.13 Cash & Cash Equivalent**

Cash and 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 are included as a component of cash equivalents for a purpose of the statement of cash flows.

## **2.14 Revenue Recognition**

Sales are recorded on dispatch of goods to buyers.

## **2.15 Borrowing Cost**

Borrowing cost are charged to the year in which they are incurred.



**2.16 Related Party Transactions**

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

|  | June 30,<br>2 0 0 5<br>Rupees | September 30,<br>2 0 0 4<br>Rupees |
|--|-------------------------------|------------------------------------|
| <b>3. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL</b>   |                               |                                    |
| 17,296,260 Ordinary shares of Rs.10/- each fully paid-up in cash (2004: 17,296,260)                      | 172,962,600                   | 172,962,600                        |
| 6,051,760 Ordinary shares of Rs.10/-each issued as fully paid right shares at premium of Rs. 3 per share | 60,517,600                    | 60,517,600                         |
| 859,020 Ordinary shares of Rs.10/-each issued as bonus shares  | 8,590,200                     | 8,590,200                          |
| <b>24,207,040</b>  | <b>242,070,400</b>            | <b>242,070,400</b>                 |
| <b>4. RESERVES</b>   |                               |                                    |
| <b>General Reserve</b>   |                               |                                    |
| Opening Balance  | 69,000,000                    | 59,000,000                         |
| Add: Transfer from unappropriated profit   | —                             | 10,000,000                         |
| Less: Transfer to Profit & Loss Account  | (11,000,000)                  | —                                  |
|  | 58,000,000                    | 69,000,000                         |
| <b>Capital Reserve</b>   |                               |                                    |
| Share Premium  | 166,836,020                   | 136,577,220                        |
| Add: Premium on Right Issue during the year  | —                             | 30,258,800                         |
|  | 166,836,020                   | 166,836,020                        |
|  | <b>224,836,020</b>            | <b>235,836,020</b>                 |



# NAKSHBANDI INDUSTRIES LIMITED

## 5. LONG TERM LOANS - Secured

| PARTICULARS                            | Bank Al-Habib Limited |            |             |             | Union Bank Ltd. |
|--|-----------------------|------------|-------------|-------------|-----------------|
|  | Loan No. 2            | Loan No. 3 | Loan No. 4  | Loan No. 5  | Loan No. 1      |
|  | Rupees                | Rupees     | Rupees      | Rupees      | Rupees          |
| Opening balance as on October 01, 2004 | 70,000,000            | 80,000,000 | 100,000,000 | 27,010,000  | 135,000,000     |
| Obtained during the year               |                       |            |             | 72,990,000  |                 |
| Outstanding balance                    | 70,000,000            | 80,000,000 | 100,000,000 | 100,000,000 | 135,000,000     |
| Repaid during the year                 | 20,000,000            | 7,500,000  | 10,000,000  |             | 30,000,000      |
|  | 50,000,000            | 62,500,000 | 90,000,000  | 100,000,000 | 105,000,000     |
| Current Portion                        |                       |            |             |             |                 |
| Current Maturity                       | 20,000,000            | 15,000,000 | 20,000,000  | 10,000,000  | 30,000,000      |
| Closing balance as on June 30, 2005    | 30,000,000            | 37,500,000 | 70,000,000  | 90,000,000  | 75,000,000      |

### Significant terms and conditions:

|                             |   |             |             |  |             |
|-----------------------------|---|-------------|-------------|--|-------------|
| Date of disbursement        | 17-Feb-01<br>17-Feb-01<br>12-Mar-01<br>20-Aug-01<br>19-Oct-01 | 09-Aug-02   | 19-Dec-03   | 18-Sep-04<br>03-Dec-04<br>17-Dec-04<br>05-Jan-05<br>13-Jan-05<br>18-Jan-05     | 31-Dec-02   |
| Amount of disbursements     | 3,076,315<br>74,334<br>49,154,000<br>3,800,000<br>43,895,351  | 75,000,000  | 100,000,000 | 27,010,000<br>5,180,000<br>27,720,000<br>3,650,000<br>23,645,000<br>12,625,000 | 150,000,000 |
| Installments                | Half-yearly   | Half-yearly | Half-yearly | Half-yearly  | Half yearly |
| No. of installment          | 10  | 10          | 10          | 10   | 10          |
| Installment amount (Rupees) | 10,000,000  | 7,500,000   | 10,000,000  | 10,000,000   | 15,000,000  |
| Repayment date              | 19-Mar-03   | 09-Feb-04   | 19-Jun-05   | 15-Apr-06  | 30-Jun-04   |

### Rate of mark up per 1000 per day

|                     |                       |                      |
|---------------------|-----------------------|----------------------|
| 18 Month TBill + 2% | 12 Month KIBOR +1.50% | 6 Month TBill +1.50% |
|---------------------|-----------------------|----------------------|

### Securities

Pari-Passu charge and equitable mortgage of the fixed assets of the Company.



# NAKSHBANDI INDUSTRIES LIMITED

| Bank Alfalah Limited |            |            |            |            |            |            | Habib Bank Ltd | Askan Com. Bank Ltd. | Total       |             |
|----------------------|------------|------------|------------|------------|------------|------------|----------------|----------------------|-------------|-------------|
| Loan No. 1           | Loan No. 2 | Loan No. 3 | Loan No. 4 | Loan No. 5 | Loan No. 6 | Loan No. 7 | Loan No. 3     | Loan No. 1           | 2003        | 2004        |
| Rupees               | Rupees     | Rupees     | Rupees     | Rupees     | Rupees     | Rupees     | Rupees         | Rupees               | Rupees      | Rupees      |
| 46,000,000           | 80,800,000 | 12,800,000 | 15,000,000 | 14,000,000 | 27,000,000 | 36,000,000 | 87,800,000     | 70,000,000           | 719,510,000 | 800,800,000 |
| -                    | -          | -          | -          | -          | -          | -          | -              | -                    | 72,890,000  | 818,010,000 |
| 46,000,000           | 80,800,000 | 12,800,000 | 15,000,000 | 14,000,000 | 27,000,000 | 36,000,000 | 87,800,000     | 70,000,000           | 782,500,000 | 818,510,000 |
| 8,000,000            | 4,100,000  | 1,250,000  | 1,500,000  | 1,400,000  | 4,500,000  | 8,000,000  | 12,500,000     | 10,000,000           | 110,750,000 | 100,000,000 |
| 40,000,000           | 18,400,000 | 11,250,000 | 13,500,000 | 12,600,000 | 22,500,000 | 33,000,000 | 78,000,000     | 60,000,000           | 681,750,000 | 718,510,000 |
| 10,000,000           | 4,100,000  | 2,500,000  | 3,000,000  | 2,800,000  | 4,500,000  | 6,000,000  | 26,000,000     | 20,000,000           | 172,900,000 | 159,500,000 |
| 30,000,000           | 12,300,000 | 8,750,000  | 10,500,000 | 9,800,000  | 18,000,000 | 27,000,000 | 50,000,000     | 40,000,000           | 508,850,000 | 589,010,000 |

|             |             |             |             |             |             |             |   |  |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---|--|
| 07-Feb-03   | 20-Jun-03   | 15-Aug-03   | 04-Oct-03   | 02-Jan-04   | 12-May-04   | 23-Sep-04   | 11-Feb-02<br>14-Mar-02<br>05-Jul-02<br>12-Jul-02<br>08-Aug-02   | 22-Jan-02<br>27-Feb-02<br>15-Apr-02    |
| 80,000,000  | 20,800,000  | 12,800,000  | 15,000,000  | 14,000,000  | 27,000,000  | 36,000,000  | 4,800,000<br>106,313,000<br>4,822,988<br>8,700,000<br>1,964,332 | 33,785,000<br>14,381,800<br>51,823,400 |
| Half-yearly | Half-yearly | Half-yearly | Half-yearly | Half-yearly | Half-yearly | Half-yearly | Half-yearly   | Half-yearly                            |
| 10          | 10          | 10          | 10          | 10          | 12          | 12          | 10  | 10                                     |
| 8,000,000   | 2,080,000   | 1,250,000   | 1,500,000   | 1,400,000   | 2,250,000   | 3,000,000   | 12,500,000  | 10,000,000                             |
| 08-Aug-04   | 19-Dec-04   | 14-Feb-05   | 03-Apr-05   | 02-Jan-05   | 11-Nov-05   | 22-Mar-04   | 08-Mar-04   | 22-Jul-03                              |

|                      |                       |                  |
|----------------------|-----------------------|------------------|
| 3 Month KIBOR + 1.5% | 6 Month KIBOR + 1.75% | 6 Month TBM + 2% |
|----------------------|-----------------------|------------------|



# NAKSHBANDI INDUSTRIES LIMITED

|   | June 30,<br>2005<br>Rupees | September 30,<br>2004<br>Rupees |
|---|----------------------------|---------------------------------|
| <b>6. LIABILITY AGAINST ASSETS<br/>SUBJECT TO FINANCE LEASE</b> |                            |                                 |
| Opening Balance   | 12,604,026                 | 27,183,730                      |
| Obtained during the year  | —                          | —                               |
| Repaid during the year  | (9,815,116)                | (14,093,380)                    |
| Adjustment  | —                          | (488,324)                       |
|   | <u>2,788,910</u>           | <u>12,604,026</u>               |
| Transfer to current portion                                     | (1,151,679)                | (10,087,438)                    |
| Closing Balance   | <u><u>1,637,231</u></u>    | <u><u>2,516,588</u></u>         |

6.1 Future minimum lease payment under finance lease and the present value of the minimum lease payment are as follows :

|   | 2005                                   |                            | 2004                                   |                            |
|---|--|----------------------------|--|----------------------------|
|   | Minimum<br>Lease<br>Payments<br>Rupees | Present<br>Value<br>Rupees | Minimum<br>Lease<br>Payments<br>Rupees | Present<br>Value<br>Rupees |
| Within one year                                 | 1,151,679                              | 1,151,679                  | 10,087,438                             | 10,087,438                 |
| After one year but not more than<br>five years  | 2,466,069                              | 1,637,231                  | 3,295,321                              | 2,516,588                  |
| Total minimum lease payments                    | <u>3,617,748</u>                       | <u>2,788,910</u>           | <u>13,382,759</u>                      | <u>12,604,026</u>          |
| Less : Amount representing<br>financial charges | (828,838)                              |                            | (778,733)                              |                            |
| Present value of minimum<br>lease payment       | <u>2,788,910</u>                       | <u>2,788,910</u>           | <u>12,604,026</u>                      | <u>12,604,026</u>          |
| Less : Current portion                          | (1,151,679)                            | (1,151,679)                | (10,087,438)                           | (10,087,438)               |
|   | <u><u>1,637,231</u></u>                | <u><u>1,637,231</u></u>    | <u><u>2,516,588</u></u>                | <u><u>2,516,588</u></u>    |

These represents finance lease entered into with leasing companies for plant and machinery and vehicles. Rates of financial charges ranging from 9% to 16.50% (2004 : 9% to 16.50%) per annum are used discounting factors. The lease terms are of 4 years.

The Company intends to exercise the option to purchase the leased assets upon completion of the leased periods.

These are secured against demand promissory notes.





# NAKSHBANDI INDUSTRIES LIMITED

## 6.1 Significant terms and conditions - Finance Lease

| Description  | Lease Key | Implicit Rate of Interest %age | Lease Rentals (Rupees) | No of installments | Frequency of installment | Date of first installment |
|--|-----------|--------------------------------|------------------------|--------------------|--------------------------|---------------------------|
| <b>Vehicles</b>                                    |           |                                |                        |                    |                          |                           |
| Hyundai Shehzore KH-9136                           | -         | 16.50                          | 49,680                 | 16                 | Quarterly                | Dec. 25, 2001             |
| Toyota Corolla ADS-363                             | -         | 16.50                          | 71,610                 | 16                 | Quarterly                | Dec. 25, 2001             |
| Honda City ADQ-963                                 | -         | 16.50                          | 61,995                 | 16                 | Quarterly                | Dec. 25, 2001             |
| Suzuki Mehran ADR-552                              | -         | 16.50                          | 25,220                 | 16                 | Quarterly                | Jan. 20, 2002             |
| Toyota Corolla ADT-363                             | -         | 16.50                          | 68,235                 | 16                 | Quarterly                | Feb. 15, 2002             |
| 2 Suzuki Cultus ADY-183,184                        | -         | 16.25                          | 93,170                 | 16                 | Quarterly                | May 15, 2002              |
| 3 Suzuki Cultus AED-071,172,173                    | -         | 14.00                          | 137,725                | 16                 | Quarterly                | Sept. 25, 2002            |
| 5 Suzuki Mehran VX AED-072, AED-073, 074, 075, 309 | -         | 14.00                          | 123,665                | 16                 | Quarterly                | Sept. 15, 2002            |
| 1 Suzuki Mehran VX AEE-773                         | -         | 14.00                          | 24,735                 | 16                 | Quarterly                | Jan. 11, 2002             |
| 1 Suzuki Baleno AEK-320                            | -         | 14.00                          | 59,225                 | 16                 | Quarterly                | Jan. 25, 2003             |
| 2 Suzuki Cultus AES-936,937                        | -         | 14.00                          | 85,425                 | 16                 | Quarterly                | May 25, 2003              |

June 30,  
2005  
Rupees

September 30,  
2004  
Rupees

## 7. DEFERRED LIABILITIES

Gratuity

17,312,738

33,111,171



# NAKSHBANDI INDUSTRIES LIMITED

|  |  | June 30,<br>2005<br>Rupees     | September 30,<br>2004<br>Rupees |
|--|--|--------------------------------|---------------------------------|
| <b>8. TRADE AND OTHER PAYABLES</b>                                 |  |                                |                                 |
| Creditors  |  | 255,814,962                    | 231,944,742                     |
| Accrued Expenses   |  | 37,907,308                     | 33,258,445                      |
| Unclaimed Dividend   |  | 212,428                        | 177,211                         |
| Workers Profit Participation Fund                                  | 8.1  | 256,143                        | 1,506,010                       |
| Right Shares Subscription  | 8.2  | 105,323                        | 105,473                         |
| Others   |  | 1,589,456                      | 1,385,129                       |
|  |  | <u>295,885,620</u>             | <u>268,377,009</u>              |
| <b>8.1 Worker's Profit Participation Fund</b>                      |  |                                |                                 |
| Opening Balance  |  | 1,506,010                      | 125,837                         |
| Add: Interest for year<br>5% contribution on current year's profit |  | <u>121,606</u><br><u>8,700</u> | <u>—</u><br><u>1,380,173</u>    |
|  |  | <u>130,306</u>                 | <u>1,380,173</u>                |
|  |  | 1,636,316                      | 1,506,010                       |
| Less: Payment during the year                                      |  | <u>1,380,173</u>               |                                 |
| Closing Balance  |  | <u>256,143</u>                 | <u>1,506,010</u>                |
| <b>8.2</b>   | This represent the balance refundable to applicants for right shares called but were over subsequently cancelled. The Security and Exchange Commission of Pakistan (formerly Corporate Law Authority), Islamabad granted permission in 1995 for cancellation of right issue vide their letter No. CLA/CI/457/90 dated April, 1995. |                                |                                 |
| Right shares subscription money                                    |  | 105,473                        | 110,725                         |
| Less : Refund during the period                                    |  | (150)                          | (5,252)                         |
|  |  | <u>105,323</u>                 | <u>105,473</u>                  |
| <b>9. ACCRUED MARK-UP ON FINANCES</b>                              |  |                                |                                 |
| Long-term finances   |  | 15,195,378                     | 5,198,857                       |
| Short-term finances  |  | 8,708,937                      | 1,742,974                       |
|  |  | <u>23,904,315</u>              | <u>6,941,831</u>                |



# NAKSHBANDI INDUSTRIES LIMITED

|  | June 30,<br>2005<br>Rupees | September 30,<br>2004<br>Rupees |
|--|----------------------------|---------------------------------|
| <b>10. SHORT TERM BORROWING - SECURED</b>  |                            |                                 |
| <b>Export Refinance</b>                    |                            |                                 |
| - Bank Al-Habib Limited                    | 250,000,000                | 250,000,000                     |
| - Habib Bank Limited                       | 144,000,000                | 144,000,000                     |
| - Bank Alfalah Limited                     | 60,000,000                 | 60,000,000                      |
| - Askari Commercial Bank Limited           | 75,000,000                 | 75,000,000                      |
| - Union Bank Limited                       | 115,000,000                | 115,000,000                     |
| - ABN Amro Bank N.V.                       | 70,000,000                 | —                               |
| - Citi Bank N.A.                           | 50,000,000                 | —                               |
|  | <b>764,000,000</b>         | <b>644,000,000</b>              |
| <b>Running / Short Term Finances</b>       |                            |                                 |
| - Bank Al-Habib Limited                    | 59,953,964                 | 59,859,300                      |
| - Habib Bank Limited                       | 13,772,870                 | 19,509,322                      |
| - Bank Alfalah Limited                     | 14,450,447                 | 19,297,970                      |
| - Union Bank Limited                       | 31,928,783                 | 112,222                         |
| - ABN Amro Bank N.V.                       | 23,870,761                 | —                               |
| - Habib Bank A.G Zurich                    | —                          | 1,514,725                       |
| - Habib Bank A.G Zurich Money Market Loan  | —                          | 50,000,000                      |
| - Askari Commercial Bank Money Market Loan | —                          | 50,000,000                      |
|  | <b>143,976,825</b>         | <b>200,293,539</b>              |
|  | <b>907,976,825</b>         | <b>844,293,539</b>              |

This represents short term working capital finance facility of Rs. 908 million (2004: Rs. 844 million) which is secured by pari passu charge by way of hypothecation of stock of stores and spares, cotton yarn, finished goods and export bills under collection and trade debts of the company. The rate of mark-up for running finance ranges between 5% to 10% (2004: 5% to 7% per annum), and between 3% to 6% (2004: 2% to 4% per annum) for export refinance.

## 11. CURRENT PORTION OF LONG TERM LIABILITIES

|                                       |                    |                    |
|---------------------------------------|--------------------|--------------------|
| Current maturity of long term loan    | 172,900,000        | 139,500,000        |
| Current maturity of lease liabilities | 1,151,679          | 10,087,437         |
|                                       | <b>174,051,679</b> | <b>149,587,437</b> |

## 12. CONTINGENCIES AND COMMITMENTS

- (i) Guarantee issued by commercial banks on behalf of the company Rs. 37.264 million (2004: Rs. 22.263 million)

### Commitments

- (ii) Aggregate commitment for capital expenditure Rs. 50 million (2004: Rs. 150 million).
- (iii) Commitment for export against orders/letters of credit Rs. 450 million (2004: Rs. 400 million).



# NAKSHBANDI INDUSTRIES LIMITED

|  |      | June 30,<br>2 0 0 5<br>Rupees | September 30,<br>2 0 0 4<br>Rupees |
|--|------|-------------------------------|------------------------------------|
| <b>13. PROPERTY, PLANT AND EQUIPMENT</b> |      |                               |                                    |
| Operating Property, Plant & equipment    | 13.1 | 1,210,477,608                 | 1,082,296,373                      |
| Capital work in progress                 | 13.3 | 139,082,415                   | 9,471,210                          |
|  |      | <b>1,349,560,023</b>          | <b>1,091,767,583</b>               |

## 13.1 PROPERTY, PLANT AND EQUIPMENT

| Particulars                            | Cost                   |                             |              |                     | Depreciation |                            |              |                |                     | Written Down value as at June 30, 2005 |
|--|------------------------|-----------------------------|--------------|---------------------|--------------|----------------------------|--------------|----------------|---------------------|--|
|  | As on October 01, 2004 | Additions/ (Disposals)      | Adjustment   | As on June 30, 2005 | Rate %       | As on October 01, 2004     | Adjustment   | For the Period | As on June 30, 2005 |  |
| Leasehold land                         | 39,758,100             | —                           | —            | 39,758,100          | —            | —                          | —            | —              | —                   | 39,758,100                             |
| Leasehold land/Office                  | 1,500,000              | —                           | —            | 1,500,000           | —            | —                          | —            | —              | —                   | 1,500,000                              |
| Building on leasehold land             | 264,361,884            | 48,818,213                  | —            | 313,180,097         | 10%          | 107,487,320                | —            | 15,426,959     | 122,914,279         | 190,265,818                            |
| Office Bldg. on leasehold land         | 5,782,139              | —                           | —            | 5,782,139           | 10%          | 3,880,401                  | —            | 142,630        | 4,023,031           | 1,759,108                              |
| Plant & machinery                      | 1,293,236,391          | 154,456,841                 | 40,000,000   | 1,487,693,232       | 10%          | 494,396,642                | 10,840,000   | 73,684,244     | 578,920,886         | 908,772,346                            |
| Electric fitting                       | 23,202,242             | 10,183,308                  | —            | 33,385,550          | 10%          | 4,998,961                  | —            | 2,128,994      | 7,127,955           | 26,257,595                             |
| Office equipments                      | 7,362,167              | 397,351                     | —            | 7,759,518           | 15%          | 4,659,380                  | —            | 348,766        | 5,008,146           | 2,751,372                              |
| Computers                              | 12,138,073             | 2,493,467                   | —            | 14,631,540          | 15%          | 6,430,607                  | —            | 922,605        | 7,353,212           | 7,278,328                              |
| Furniture & Fixtures                   | 15,259,187             | 719,004                     | —            | 15,972,191          | 10%          | 4,984,149                  | —            | 824,103        | 5,808,252           | 10,163,939                             |
| Vehicles                               | 23,829,590             | 9,789,650<br>(2,438,820)    | 3,193,000    | 34,373,420          | 20%          | 12,558,546<br>(1,123,759)  | 1,885,147    | 3,158,023      | 16,477,957          | 17,895,463                             |
|  | 1,686,429,773          | 226,851,834<br>(2,438,820)  | 43,193,000   | 1,954,035,787       |              | 639,396,006<br>(1,123,759) | 12,725,147   | 96,636,324     | 747,633,718         | 1,206,402,069                          |
| <b>Assets subject to finance Lease</b> |                        |                             |              |                     |              |                            |              |                |                     |  |
| Plant & machinery                      | 40,000,000             | —                           | (40,000,000) | —                   | 10%          | 10,840,000                 | (10,840,000) | —              | —                   | —                                      |
| Vehicles                               | 12,093,000             | —                           | (3,193,000)  | 8,900,000           | 20%          | 5,990,395                  | (1,885,147)  | 719,213        | 4,824,461           | 4,075,338                              |
|  | 52,093,000             | —                           | (43,193,000) | 8,900,000           |              | 16,830,395                 | (12,725,147) | 719,213        | 4,824,461           | 4,075,338                              |
| <b>Total Rupees:2005</b>               | 1,738,522,773          | 226,851,834<br>(2,438,820)  | —            | 1,962,935,787       |              | 656,226,401<br>(1,123,759) | —            | 97,355,537     | 752,458,179         | 1,210,477,608                          |
| <b>Total Rupees:2004</b>               | 1,577,957,286          | 172,769,483<br>(12,203,996) | —            | 1,738,522,773       |              | 545,858,710<br>(8,265,925) | —            | 118,633,616    | 656,226,401         | 1,082,296,373                          |

Depreciation charge for the period has been allocated as under:-

|                             | June 30,<br>2 0 0 5<br>Rupees | September 30,<br>2 0 0 4<br>Rupees |
|-----------------------------|-------------------------------|------------------------------------|
| -Cost of goods manufactured | 95,260,063                    | 116,007,783                        |
| -Administrative expenses    | 2,095,474                     | 2,625,833                          |
|                             | <b>97,355,537</b>             | <b>118,633,616</b>                 |



# NAKSHBANDI INDUSTRIES LIMITED



13.2 Details of Disposal of Operating Fixed Assets during the period are as follows :

| Particulars                                | Original Cost     | Accumulated Depreciation/ Adjustment | W.D.V.           | Selling Price    | Gain/(Loss) on Sales | Mode of Disposal | Name of Purchaser   |
|--|-------------------|--------------------------------------|------------------|------------------|----------------------|------------------|---|
| Motor Vehicles<br>Suzuki Mehran<br>AFC-951 | 363,000           | 67,800                               | 295,400          | 333,000          | 37,600               | Claim            | EFU General Insurance Co. Ltd. Adamjee House, I.I. Chundrigar Road, Karachi.                                    |
| Suzuki Mehran<br>AGL-690                   | 375,000           | 70,000                               | 305,000          | 350,000          | 45,000               | Claim            | EFU General Insurance Co. Ltd. Adamjee House, I.I. Chundrigar Road, Karachi.                                    |
| Honda Motor Cycle<br>KCM-7829              | 48,000            | 28,866                               | 19,134           | 17,000           | (2,134)              | Negotiation      | Mr. Amjad Ali S/o. Buksh Ilahi HC-18, Alamgir Road, Bhadurabad, Karachi.  |
| Honda Motor Cycle<br>KCX-1780              | 50,000            | 30,350                               | 19,650           | 17,000           | (2,650)              | Negotiation      | Mr. Amjad Ali S/o. Buksh Ilahi HC-18, Alamgir Road, Bhadurabad, Karachi.  |
| Suzuki Khyber<br>AB-8386                   | 616,000           | 303,402                              | 206,598          | 150,000          | (56,598)             | Negotiation      | Mr. Muhammad Sudhir S/o. Muhammad Jawed 3/0/01 Masoom Shah Colony, Chanesar Goth, Karachi.                      |
| Suzuki Baleno<br>ABNS-683                  | 600,000           | 420,578                              | 259,422          | 275,000          | 15,578               | Negotiation      | Mr. Israr-Ullah S/o. Fatch Muhammad Khan House No. C-679, Faisal Colony, Alfalah, Nathan Khan Village, Karachi. |
| Suzuki Khyber<br>AAD-926                   | 412,820           | 202,963                              | 209,857          | 160,000          | (49,857)             | Negotiation      | Mr. Mohd. Sudhir S/o. Muhammad Jawed 3/0/01 Masoom Shah Colony, Chanesar Goth, Karachi.                         |
| <b>Rupees- June-2005</b>                   | <b>2,436,820</b>  | <b>1,123,759</b>                     | <b>1,313,061</b> | <b>1,302,000</b> | <b>(13,061)</b>      |                  |   |
| <b>Rupees- September 2004</b>              | <b>12,203,996</b> | <b>8,752,249</b>                     | <b>3,451,747</b> | <b>3,874,497</b> | <b>422,750</b>       |                  |   |

|                      |                           |
|----------------------|---------------------------|
| <b>June 30, 2005</b> | <b>September 30, 2004</b> |
| <b>Rupees</b>        | <b>Rupees</b>             |

### 13.3 Capital Work-In-Progress

Opening Balance

|                  |                  |
|------------------|------------------|
| <b>9,471,210</b> | <b>5,060,127</b> |
|------------------|------------------|

Additions during the period:

Machines under installation  
Building under construction

|                    |                   |
|--------------------|-------------------|
| <b>170,897,451</b> | <b>98,189,271</b> |
| <b>52,352,459</b>  | <b>19,862,053</b> |

Transferred to Fixed Assets  
Closing Balance

|                     |                      |
|---------------------|----------------------|
| <b>223,249,910</b>  | <b>116,051,324</b>   |
| <b>(93,638,705)</b> | <b>(111,640,241)</b> |

|                    |                  |
|--------------------|------------------|
| <b>139,082,415</b> | <b>9,471,210</b> |
|--------------------|------------------|



# NAKSHBANDI INDUSTRIES LIMITED

|  | June 30,<br>2 0 0 5<br>Rupees   | September 30,<br>2 0 0 4<br>Rupees |
|--|---|------------------------------------|
| <b>14. STORES AND SPARES</b>             |   |                                    |
| Store                                    | 79,303,247  | 82,721,258                         |
| Chemical                                 | 39,268,175  | 36,861,250                         |
| Spare parts                              | 66,309,329  | 66,504,278                         |
| Goods in bond                            | —   | 384,376                            |
|  | <b>184,880,751</b>  | <b>186,471,162</b>                 |
| <b>15. STOCK-IN-TRADE</b>                |   |                                    |
| Raw Material                             | 68,640,390  | 45,281,707                         |
| Work-in-Process                          | 27,425,524  | 27,373,087                         |
| Finished Goods                           | 464,193,405   | 436,192,086                        |
|  | <b>560,259,319</b>  | <b>508,846,860</b>                 |
| <b>16. TRADE DEBTS - Considered Good</b> |   |                                    |
| Local - Unsecured                        | 37,730,544  | 33,907,685                         |
| Bills under collection - Secured         | 89,051,281  | 270,883,677                        |
|  | <b>126,781,825</b>  | <b>304,791,362</b>                 |
| <b>16.1</b>                              | These are secured by irrevocable Letter of Credit and Export Documents. It includes gain on foreign currency translation amounting to Rs. 275,091/- (2004: Rs. 14,217/-) on the balance sheet date and accordingly also has been credited to sales. |                                    |
| <b>17. LOANS AND ADVANCES</b>            |   |                                    |
| <b>Considered good:</b>                  |   |                                    |
| Suppliers                                | 9,500,767   | 94,078,088                         |
| Employees                                | 4,681,693   | 7,297,251                          |
| Advance to associated undertaking        | 37,500,000  | —                                  |
| Others                                   | 17,469,778  | 63,880,401                         |
|  | <b>69,152,238</b>   | <b>165,255,740</b>                 |
| <b>17.1</b>                              | Loans and advances are unsecured but are considered to be good. No loans / advances were made to Director or Chief Executive of the Company during the year.  |                                    |
| <b>17.2</b>                              | It represents advance payment to M/s. Naz Textiles (Pvt) Ltd. against purchase of land.   |                                    |



# NAKSHBANDI INDUSTRIES LIMITED

|                                       | June 30,<br>2 0 0 5<br>Rupees                              | September 30,<br>2 0 0 4<br>Rupees                             |
|---------------------------------------|--|--|
| <b>18. SHORT TERM PREPAYMENTS</b>     |  |  |
| Prepayments                           | 14,273,015   | 19,898,839   |
| <b>19. OTHER RECEIVABLES</b>          |  |  |
| Deposits against export quota         | —  | 12,332,912   |
| Sales tax refundable                  | 79,462,312   | 62,816,287   |
| Export rebate                         | 2,221,700  | 7,742,895  |
| Letter of guarantee margin            | —  | 115,941  |
|                                       | 81,684,012   | 83,008,035   |
| <b>20. CASH &amp; BANK BALANCES</b>   |  |  |
| -In hand                              | 2,008,367  | 995,122  |
| -with banks in current account        | 10,187,271   | 6,028,919  |
|                                       | 12,195,638   | 7,024,041  |
|                                       | <b>For nine months<br/>June 30,<br/>2 0 0 5<br/>Rupees</b> | <b>For year ended<br/>September 30,<br/>2 0 0 4<br/>Rupees</b> |
| <b>21. SALES</b>                      |  |  |
| Local                                 | 164,007,836  | 207,540,495  |
| Export                                | 1,205,353,544  | 1,837,897,698  |
|                                       | 1,369,361,380  | 2,045,438,193  |
| Less: Sales tax                       | (24,259,879)   | (44,120,452)   |
| Brokerage                             | (1,227,766)  | (1,318,011)  |
| Commission                            | (8,455,935)  | (8,133,641)  |
|                                       | (33,943,580)   | (53,572,104)   |
|                                       | 1,335,417,800  | 1,991,866,089  |
| <b>22. COST OF SALES</b>              |  |  |
| Opening stock of finished goods       | 436,192,086  | 532,370,341  |
| Add: Cost of goods manufactured       | 1,189,005,455  | 1,653,172,874  |
|                                       | 1,625,197,541  | 2,185,543,215  |
| Less: Closing stock of finished goods | (464,193,405)  | (436,192,086)  |
|                                       | 1,161,004,136  | 1,749,351,129  |



# NAKSHBANDI INDUSTRIES LIMITED

|   |        | For nine months<br>June 30,<br>2005<br>Rupees | For year ended<br>September 30,<br>2004<br>Rupees |
|---|--------|---|---|
| <b>22.1 Cost of Goods Manufactured</b>  |        |   |   |
| Raw materials consumed  | 22.1.1 | 668,351,908                                   | 1,034,019,847                                     |
| Stores consumed   |        | 133,381,051                                   | 172,001,010                                       |
| Salaries, wages and benefits  | 22.1.2 | 122,981,063                                   | 137,856,657                                       |
| Fuel, power and water   |        | 103,622,937                                   | 114,071,379                                       |
| Manufacturing charges   |        | 38,772,544                                    | 50,033,150  |
| Insurance   |        | 6,149,142                                     | 7,847,169   |
| Repair and Maintenance  |        | 15,545,660                                    | 16,149,045  |
| Building repairs  |        | 474,704                                       | 213,153   |
| Other manufacturing expenses  |        | 4,518,839                                     | 5,405,145   |
| Depreciation  |        | 95,260,063                                    | 116,007,783                                       |
| Work-in-process opening   |        | 27,373,068                                    | 26,941,604  |
| Work-in-process closing   |        | (27,425,524)                                  | (27,373,068)                                      |
|   |        | <u>1,189,005,455</u>                          | <u>1,653,172,874</u>                              |
| <b>22.1.1 Raw Material Consumed</b>   |        |   |   |
| Opening stock   |        | 45,281,707                                    | 27,722,059  |
| Purchases during the year   |        | 691,710,591                                   | 1,051,579,495                                     |
|   |        | <u>736,992,298</u>                            | <u>1,079,301,554</u>                              |
| Less : Closing stock  |        | (68,640,390)                                  | (45,281,707)                                      |
|   |        |   | <u>1,034,019,847</u>                              |
| <b>22.1.2</b>   |        |   |   |
| Its includes employees retirement benefits amounting to Rs. 4,974,741 (2004 Rs. 3,583,094). |        |   |   |
| <b>23. GENERAL &amp; ADMINISTRATIVE EXPENSES</b>  |        |   |   |
| Salaries & Benefits   |        | 10,336,408                                    | 12,173,098  |
| Provident Fund  |        | 266,928                                       | —   |
| Rent, Rates & Taxes   |        | 1,115,114                                     | 1,538,464   |
| Vehicle Running Expenses  |        | 5,223,387                                     | 5,738,276   |
| Conveyance & Traveling  |        | 3,722,802                                     | 3,376,645   |
| Printing & Stationery   |        | 973,263                                       | 4,182,888   |
| Postage, Telegram & Telephone   |        | 3,240,833                                     | 5,122,774   |
| Miscellaneous   |        | 5,553,846                                     | 6,715,375   |
| Depreciation  |        | 2,095,474                                     | 2,625,833   |
| Auditor's remuneration  | 23.1   | 175,000                                       | 175,000   |
| Donations   | 23.2   | 494,887                                       | 251,900   |
|   |        | <u>33,197,942</u>                             |   |
| <b>23.1 Auditors' remuneration</b>  |        |   |   |
| Audit fee   |        | 125,000                                       | 125,000   |
| Fee for half yearly review  |        | 50,000  | 50,000  |
|   |        |   | <u>175,000</u>                                    |
| <b>23.2</b>   |        |   |   |
| None of the directors and their spouses had any interest in these donations.                |        |   |   |





# NAKSHBANDI INDUSTRIES LIMITED

|  | For nine months<br>June 30,<br>2 0 0 5<br>Rupees | For year ended<br>September 30,<br>2 0 0 4<br>Rupees |
|--|--|--|
| <b>24. SELLING EXPENSES</b>  |  |  |
| Freight and Insurance  | 22,684,108                                       | 32,414,871   |
| Forwarding Charges   | 11,011,771                                       | 16,963,997   |
| Sales promotion  | 25,907,869                                       | 24,088,358   |
| Quota Premium  | 12,287,036                                       | 42,062,639   |
| Export Development Surcharge   | 3,263,088  | 4,790,393  |
| Advertisement  | 775,758  | 1,086,081  |
|  | <u>75,929,630</u>                                | <u>121,406,339</u>                                   |
| <b>25. OTHER INCOME/(CHARGES)</b>  |  |  |
| (Loss)/Gain on disposal of fixed assets  | <u>(13,061)</u>                                  | <u>422,750</u>                                       |
| <b>26. FINANCIAL CHARGES</b>   |  |  |
| Mark-up on :   |  |  |
| - Long term loans  | 32,696,259                                       | 26,294,958   |
| - Obligation under finance lease   | 599,042  | 1,336,984  |
| - Short term running finance   | 28,811,131                                       | 21,262,086   |
| Guarantee commission   | 495,382  | 381,374  |
| Interest on WPPF   | 121,606  | —  |
| Bank commission & charges  | 2,375,618  | 2,752,253  |
|  | <u>65,099,038</u>                                | <u>52,027,655</u>                                    |
| <b>27. PROVISION FOR TAXATION</b>  |  |  |
| Current  | <u>11,500,000</u>                                | <u>16,150,000</u>                                    |
| 27.1 The Income Tax Assessments of the Company have been finalized upto and including Tax year 2003. |  |  |
| <b>28. EARNINGS PER SHARE (BASIC)</b>  |  |  |
| Net (loss)/profit after tax  | (11,334,707)                                     | 10,688,904   |
| Number of ordinary shares  | 24,207,040                                       | 23,843,273   |
|  | <u>(0.47)</u>                                    | <u>0.45</u>  |



**29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

| Particulars             | 2005            |           |           |           | 2004            |           |           |           |
|-------------------------|-----------------|-----------|-----------|-----------|-----------------|-----------|-----------|-----------|
|                         | Chief Executive | Directors | Executive | Total     | Chief Executive | Directors | Executive | Total     |
| Meeting Fee             |                 | 6,500     |           | 6,500     |                 | 6,500     |           | 6,500     |
| Managerial remuneration | 468,000         | 682,500   | 2,555,551 | 3,706,051 | 548,000         | 780,000   | 3,279,380 | 4,805,380 |
| House Rent allowance    | 205,200         | 299,250   | 1,022,221 | 526,671   | 239,400         | 342,000   | 1,437,862 | 2,019,262 |
| Utilities allowance     | 46,800          | 68,250    | 255,555   | 370,605   | 54,600          | 78,000    | 327,938   | 460,538   |
|                         | 1               | 6         | 5         | 12        | 1               | 6         | 5         | 12        |

The Chief Executive and Directors have been provided with the company's maintained cars.

**30. CAPACITY AND PRODUCTION**

| Towel | Looms     |        | Production (000 Kgs) |        | % of Capacity Attained | No. of Shifts Worked |
|-------|-----------|--------|----------------------|--------|------------------------|----------------------|
|       | Installed | Worked | Capacity             | Actual |                        |                      |
| 2005  | 96        | 96     | 4087                 | 3664   | 89.65%                 | Three                |
| 2004  | 87        | 87     | 4875                 | 4979   | 102.13%                | Three                |

Nine additional looms were installed in the middle of the period and therefore these were not utilized through out the period.

**31. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

**32. INTEREST/MARK-UP RATE RISK MANAGEMENT**

Interest/Mark-up risk arises from the possibility that changes in interest/mark-up rate will effect the value of financial instruments. In respect of interest bearing financial liabilities, the following table indicate their effective interest/mark-up rates at the balance sheet date. The Company manages its interest and mark-up risk by entering into agreement in respect of finance required on fixed rate basis.



# NAKSHBANDI INDUSTRIES LIMITED

|                                | 2005                  |                     |                      | Total                |
|--------------------------------|-----------------------|---------------------|----------------------|----------------------|
|                                | Interest Bearing      |                     | Non-Interest Bearing |                      |
|                                | One month to one year | One year to on ward |                      |                      |
| <b>Financial Assets</b>        |                       |                     |                      |                      |
| Long Term Deposits             | —                     | —                   | 1,758,520            | 1,758,520            |
| Trade Debtors                  | —                     | —                   | 126,781,825          | 126,781,825          |
| Loans and Advances             | —                     | —                   | 69,152,238           | 69,152,238           |
| Short term prepayments         | —                     | —                   | 14,273,015           | 14,273,015           |
| Other receivables              | —                     | —                   | 81,684,012           | 81,684,012           |
| Taxation recoverable           | —                     | —                   | 24,087,096           | 24,087,096           |
| Cash and Bank Balances         | —                     | —                   | 12,195,638           | 12,195,638           |
|                                | —                     | —                   | <b>329,932,344</b>   | <b>329,932,344</b>   |
| <b>Financial Liabilities</b>   |                       |                     |                      |                      |
| Long Term Loan                 | 162,900,000           | 518,850,000         | —                    | 681,750,000          |
| Obligation under finance lease | 1,151,679             | 1,637,231           | —                    | 2,788,910            |
| Short Term Finances            | 907,976,825           | —                   | —                    | 907,976,825          |
| Trade and other payables       | —                     | —                   | 295,885,620          | 295,885,620          |
| Accrued mark-up on finances    | —                     | —                   | 23,904,315           | 23,904,315           |
|                                | <b>1,072,028,504</b>  | <b>520,487,231</b>  | <b>319,789,935</b>   | <b>1,912,305,670</b> |

(a) Effective rates of mark-up for financial liabilities are as follows :

|                                 | <u>Rate of Interest</u> |
|---------------------------------|-------------------------|
| Long Term Loans                 | Refer Note #. 5         |
| Obligations under Finance Lease | Refer Note #. 6         |
| Short Term Finances             | Refer Note #. 10        |

|                                | 2004                  |                     |                      | Total                |
|--------------------------------|-----------------------|---------------------|----------------------|----------------------|
|                                | Interest Bearing      |                     | Non-Interest Bearing |                      |
|                                | One month to one year | One year to on ward |                      |                      |
| <b>Financial Assets</b>        |                       |                     |                      |                      |
| Long Term Deposits             | —                     | —                   | 379,105              | 379,105              |
| Trade Debtors                  | —                     | —                   | 304,791,362          | 304,791,362          |
| Loans and advances             | —                     | —                   | 165,255,740          | 165,255,740          |
| Short term prepayments         | —                     | —                   | 19,898,839           | 19,898,839           |
| Other receivables              | —                     | —                   | 83,008,035           | 83,008,035           |
| Taxation recoverable           | —                     | —                   | 12,494,444           | 12,494,444           |
| Cash and Bank Balances         | —                     | —                   | 7,024,041            | 7,024,041            |
|                                | —                     | —                   | <b>592,851,566</b>   | <b>592,851,566</b>   |
| <b>Financial Liabilities</b>   |                       |                     |                      |                      |
| Long Term Loan                 | 139,500,000           | 580,010,000         | —                    | 719,510,000          |
| Obligation under finance lease | 10,087,438            | 2,516,588           | —                    | 12,604,026           |
| Short Term Finances            | 844,293,539           | —                   | —                    | 844,293,539          |
| Trade and other payables       | —                     | —                   | 268,377,009          | 268,377,009          |
| Accrued mark-up on finances    | —                     | —                   | 6,941,831            | 6,941,831            |
|                                | <b>993,880,977</b>    | <b>582,526,588</b>  | <b>275,318,840</b>   | <b>1,851,726,405</b> |



**33. CREDIT RISK**

Credit risk represent the accounting laws that could be recognize at the reporting that if counter parties failed complete to perform as contracted. To reduce exposure to credit risk, export sales are made to buyer against irrevocable letter of credit and export documents while local sales are made against payments. As substantial portion of trade debtors stands realized, the company is not materially exposed to credit risk.

**34. FOREIGN EXCHANGE RISK MANAGEMENT**

Foreign currency risk arises mainly where receivables and payables exist due to transaction in / based on other then Pak Rupees. The company incurs foreign currency risk on export sales and imports. The Company's foreign currency risk arising on exports is managed by making forward sales or discounting of export bills if required. To hedge against its foreign currency risk arising on imports, it enters into forward foreign exchange contracts, when considered appropriate.

**35. LIQUIDITY RISK MANAGEMENT**

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

**36. AGGREGATE TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies, directors and key management personnel. Transactions with associated undertakings and related parties, other than remunerations and benefits to key management personnel under the term of their employment as disclosed in note 27 are as follows:

|                                  | June 30,<br>2 0 0 5<br>Rupees | September 30,<br>2 0 0 4<br>Rupees |
|----------------------------------|-------------------------------|------------------------------------|
| Sales of goods                   | 29,358,340                    | 54,818,677                         |
| Manufacturing and other charges  | 25,861,627                    | 12,350,189                         |
| Quota purchase                   | —                             | 15,825,145                         |
| Advance against purchase of land | 37,500,000                    | —                                  |

**37. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 28, 2005 by the Board of Directors of the Company.

**38. NUMBER OF EMPLOYEES**

Total number of employees including contractor's employees as at June 30, 2005 were 911 (2004: 912)

**39. GENERAL  
FIGURES**

have been rounded off to the nearest rupee.