



CONTENTS

Company Information	2
Notice of Annual General Meeting	3
Directors' Report	4-6
Mission & Vision Statement	7
Year Wise Statistical Summary	8
Statement of Compliance with best practice of Code of Corporate Governance	9-10
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	11
Auditors' Report to the Members	12
Balance Sheet	13-14
Profit and Loss Account	15
Cash Flow Statement	16-17
Statement of Changes in Equity	18
Notes to the Accounts	19-40
Pattern of Shareholding	41-42
Form of Proxy	



COMPANY INFORMATION

BOARD OF DIRECTORS	:	A. RAZAK HAJI SATTAR (Chairman) HAMID HAJI LATIF HANIYA ASIF 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 HANIYA ASIF - 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 BANK LIMITED STANDARD CHARTERED BANK (PAKISTAN) LIMITED HABIB METROPOLITAN BANK LIMITED BANK ALFALAH LIMITED ABN AMRO BANK
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 that the 35th 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 Tuesday October 30, 2007 at 02:30 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 year ended June 30, 2007.
2. To appoint Auditors for the year ending June 30 2008 and fix their remuneration. The members are hereby notified that the Company has received a notice from a member under section 253(1) of the Companies Ordinance, 1984 proposing the name of Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants for the year ending June 30, 2008 in place of retiring Auditors.

3. 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.500 Million to Rs.750 Million and to amend the clauses of Memorandum and Articles of Association of the Company accordingly.

4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board
RAUF DAWOOD
Company Secretary

Karachi : October 05, 2007

NOTES :

1. The share transfer books of the Company will remain closed from October 29, 2007 to November 5, 2007 (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 National Identity Card (CNIC) 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 CNIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
4. A proxy must be a members 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.500 to Rs.750 Million to enable the company to expand its capital to facilitate the issue of further capital commensurate with company's business as the directors may deem necessary from time to time.



DIRECTORS' REPORT

Your Directors are presenting the 35th Annual Report together with the audited financial statements of the Company for the year ended June 30, 2007.

FINANCIAL RESULTS

	Rupees
Loss before taxation (after charging depreciation of Rs. 143,870,958)	(481,817,177)
Provision for taxation	(16,000,000)
Loss after taxation	(497,817,177)
Accumulated Loss brought forward	(37,520,089)
Accumulated Loss carried forward	(535,337,266)

The main reason for the huge loss is substantially lower utilization of the production capacity during the year due to curtailment of orders by a large customer as per their strategic policy. In order to keep the company afloat, we had sell off inventories of finished products at lower prices, thus adding to the losses. Other factors that contributed towards the global scenario; the prices of the raw material touched the highest ever level during the year and energy and other costs have been continuously rising.

EARNING PER SHARE

Earning per share (EPS) is Rs. 14.69 (minus), being negative due to loss for the year.

DIVIDEND

The company has not declared any dividend because of net loss.

ECONOMIC OUTLOOK

The entire textile industry is facing serious crisis. The prices of raw materials have been rising. Other inflationary factors are also active. During the year, the government has come to support the value added textile sectors through measures like encouraging research and development in order to improve product quality and swapping long-term loans obtained from January 2003 onwards from commercial banks for import of machinery with fixed priced loan from State Bank of Pakistan. However, these measures are insufficient to mitigate the crisis the textile industry is presently facing. In order to achieve a sustainable position, more support is needed from the government.

PLANS AND PROSPECTS

In view of huge recent losses and to put the company back on track, the Directors have chalked out a revival plan. The company has entered to a strategic marketing alliance with a US Company who have assured to market and sell at least 85% of the production of the company; the positive results are being seen in the form of increased export orders. Further equity injection has also been planned.

The fabric processing segments have been closed in July 2007 and process to sell the fabric plant and machinery together with Head Office property and Nooriabad land has already commenced after approval of the shareholders in the extraordinary general meeting held on August 21, 2007. With injection of the



equity and realizations from the sale of assets, the company plans to pay off bank liabilities to the extent of 40%, thus reducing financial cost substantially. More than 40% of the bank loans have already been restructured and restructuring of other bank borrowings is at advanced stage. With completion of the restructuring of the financial facilities, the repayments will be deferred for a period of one and half year and also the company will benefit in the form of waiver and lower rates of mark-up. The profitability of the company will thus start improving during the financial year 2007-2008.

AUDITORS' OBSERVATION/OPINION

We refer to the auditors' observation regarding going concern. The matter has been addressed above under the title ' PLANS AND PROSPECTS' where we have explained the revival plan.

As regards the auditors' opinion regarding actuarial valuation of the gratuity, we state that during the last three years, the company has paid off the gratuity with the introduction of provident fund scheme phase wise. Subsequent to June 2007, substantial liability has been paid off with the closure of fabric unit in July, 2007. In the last phase, the balance gratuity will be paid off during the financial year 2007-08.

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:

- (a) The financial statements for the year ended June 30, 2007, prepared by the management of the Company, present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
- (b) The Company has maintained the proper books of accounts.
- (c) In preparation of the financial statements, appropriate accounting policies have been consistently applied and the accounting estimates are based on prudent judgment.
- (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements, and the non-applicability, if any, has been adequately disclosed.
- (e) The sound system of internal controls has been effectively implemented and is being continuously monitored. The process of review will continue and any weaknesses in controls will be removed.
- (f) There are no significant doubts about the Company's ability to continue as a going concern.
- (g) There is no material departure from the best practices of corporate governance as defined in the listing regulations of the stock exchange.
- (h) There are no outstanding dues on account of taxes, levies and charges except of a normal and routine nature.
- (i) During the year, none of the Directors, CEO, CFO, Company Secretary and their spouse and minor children has traded in the shares of the Company.



Key operating and financial data for the last six years in a summarized form is annexed.

The present Audit Committee comprises of:

1. Mr. Junaid Haji Latif (Chairman)
2. Mr. Hamid Haji Latif
3. Ms. Haniya Asif

The Audit Committee held four meetings during the year.

BOARD OF DIRECTORS

The last election of the Board of Directors was held on March 31, 2005 for a term of three years.

Four meetings of Board of Directors were held during the year. Attendance by the directors is as follows:

<u>DIRECTORS</u>	<u>ATTENDANCE</u>
Mr. A. Razak Haji Sattar (Chairman)	4
Mr. Hamid Haji Latif	3
Mr. Junaid Haji Latif	4
Ms. Haniya Asif	4
Mr. Mustafa A. Razak	4
Mr. Murtaza A. Razak	4
Mr. Muhammad Asif A. Ghaffar (Chief Executive)	4

Leaves of absence were granted to the directors who could not attend the Board meeting.

AUDITORS

The auditors M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire at the forthcoming Annual General Meeting of the Company to be held on October 30, 2007. The Company has received a notice from a member under section 253(1) of the Companies Ordinance, 1984 proposing the name of Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountant for the year ended June 30, 2008 in place of retiring auditors.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2007 prepared in accordance with the requirements of the Code of Corporate Governance is annexed to this report.

For and on behalf of the Board

A. RAZAK HAJI SATTAR
Chairman

Karachi:

Dated : October 05, 2007.



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 and 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.



YEAR WISE STATISTICAL SUMMARY

Year Ended June/September 30,	2007	2006	2005	2004	2003	2002
TOWEL PRODUCTION SUMMARY						
Towel (Kgs, 000)	3,275.00	4,666.00	3,664.00	4,979.00	2,894.00	1,695.00
CLOTH PRODUCTION SUMMARY						
Cloth (Sq.mtr, 000)	—	—	—	—	—	1,381.00
ASSETS EMPLOYED						
	(Rs. in million)					
Fixed Assets	1,648.51	1,680.23	1,349.56	1,091.77	1,037.16	1,052.54
Investments, Long term						
Advances and Deposits	4.92	3.70	1.76	0.38	0.45	0.27
Current Assets	535.88	1,082.71	1,066.57	1,287.79	1,091.53	798.80
Total Assets Employed	2,189.31	2,766.64	2,417.89	2,379.94	2,129.14	1,851.61
FINANCED BY						
Shareholders' Equity	18.81	516.63	467.10	478.70	377.49	429.41
Long Term Liabilities	784.78	328.95	518.85	580.01	500.50	510.00
Obligation under Finance Lease	10.81	19.50	1.64	2.52	13.09	25.39
Deferred Liabilities	11.83	21.29	17.31	33.11	32.88	36.74
Current Liabilities	1,024.63	1,541.83	1,412.99	1,285.60	1,205.18	850.07
Total Funds Invested	1,850.87	2,428.19	2,417.89	2,379.94	2,129.14	1,851.61
TURNOVER & PROFIT						
Turnover (Net)	1,617.29	1,938.45	1,335.14	1,991.87	1,147.10	1,094.98
Gross (Loss) / Profit	(201.82)	215.83	176.28	242.51	145.87	196.45
Operating (Loss) / Profit	(336.15)	70.13	65.24	79.21	40.68	102.41
(Loss)/Profit Before Taxation	(481.82)	(74.98)	0.12	26.22	(49.77)	19.22
(Loss)/Profit After Taxation	(497.82)	(95.98)	(11.33)	10.69	(51.67)	8.77
Dividend	0.00	0.00	0.25	0.25	0.25	9.08
Transfer to Reserves	0.00	0.00	(11.00)	10.00	(51.00)	0.00
(Loss)/Profit C/F	(535.34)	(37.52)	0.46	0.79	0.35	1.28
Financial Charges	144.98	144.31	65.10	52.03	90.46	83.31
Earning per share	(14.69)	(2.83)	(0.47)	0.44	(2.85)	0.48
Breakup value of shares						
	(Amount in Rupees)					
No. of Shares	33,889,586	33,889,586	24,207,040	24,207,040	18,155,280	18,155,280
Capital + Rev.Reserves	18,811,394	516,628,571	467,316,531	478,949,594	377,484,290	429,408,133
Breakup Value	0.56	15.24	19.30	19.79	20.79	23.65



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. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
5. 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.
6. 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.
7. 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.
8. The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities.
9. 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.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.



12. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises 3 members, all of them are non-executive directors.
15. 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.
16. The Board has set-up an effective internal audit function.
17. 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.
18. 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.
19. 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. GHAFAR
Chief Executive

Karachi:

Dated : October 05, 2007.



**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Nakshbandi Industries Limited**, to comply with the Listing Regulation No.37 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable for the year ended June 30, 2007.

Karachi:
Dated : October 05, 2007

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, 2007**, and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

1. Company has not carried out actuarial valuation in respect of provision for employees' gratuity in accordance with the requirement of IAS 19 (Employee Benefits)
 - (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
 - (b) in our opinion
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
 - (c) in our opinion and to the best of our information and according to the explanations given to us, except for effect of the matter referred to in para (1), above 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, 2007** and of the Loss, its cash flows and changes in equity for the year ended; and
 - (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVII of 1980).

Without qualifying our opinion we draw attention to note 1.2 to the financial statements, which indicate the existence of material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern. The going concern assumption used in the preparation of these financial statements is dependent on the ultimate outcome of matters disclosed in note 1.3 by the management.

Karachi:
Dated : October 05, 2007

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants



BALANCE SHEET AS AT

	NOTE	June 30, 2 0 0 7 Rupees	June 30, 2 0 0 6 Rupees
SHARE CAPITAL & RESERVES			
Authorised Capital 50,000,000 Ordinary Shares of Rs. 10/- each		500,000,000	500,000,000
Issued, Subscribed and Paid - up Capital	3	338,898,560	338,898,560
Reserves	4	215,250,100	215,250,100
Accumulated (Loss)		(535,337,266)	(37,520,089)
		18,811,394	516,628,571
Surplus on revaluation property, Plant & Equipment	5	338,441,900	338,441,900
NON-CURRENT LIABILITIES			
Long term finance from sponsors	6	50,000,000	—
Long term finance from associated undertaking	7	150,000,000	—
Long term finance from banks	8	584,784,000	328,950,000
Liability against assets subject to finance lease	9	10,811,359	19,498,272
Deferred liabilities	10	11,827,633	21,286,506
CURRENT LIABILITIES			
Trade and other payables	11	287,316,596	294,155,374
Accrued interest/mark-up	12	35,765,554	36,088,365
Short term borrowing	13	481,354,500	974,559,755
Current portion of long term liabilities	14	204,195,447	216,026,259
Taxation		16,000,000	21,000,000
		1,024,632,097	1,541,829,753
CONTINGENCIES AND COMMITMENTS	15	—	—
		2,189,308,383	2,766,635,002

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



NAKSHBANDI INDUSTRIES LIMITED

30TH JUNE, 2007

	NOTE	June 30, 2 0 0 7 Rupees	June 30, 2 0 0 6 Rupees
FIXED ASSETS			
PROPERTY, PLANT AND EQUIPMENT	16	1,648,513,121	1,680,229,579
LONG TERM DEPOSITS		4,919,819	3,699,320
CURRENT ASSETS			
Stores, spares and chemicals	17	135,827,950	189,591,041
Stock-in-trade	18	259,164,838	694,993,148
Trade debts	19	81,091,813	80,201,360
Loans and advances	20	10,942,436	54,643,358
Short term prepayments	21	2,282,010	9,000,659
Other receivables	22	28,277,628	31,606,793
Taxation recoverable		12,062,976	17,932,755
Cash and bank balances	23	6,225,792	4,736,989
		535,875,443	1,082,706,103
		<u>2,189,308,383</u>	<u>2,766,635,002</u>

MUHAMMAD ASIF A. GHAFAR
Chief Executive

MURTAZA A. RAZAK
Director



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

	NOTE	June 30, 2007 Rupees	June 30, 2006 Rupees
Sales	24	1,617,294,480	1,938,453,103
Cost of sales	25	(1,819,109,690)	(1,722,624,671)
Gross (Loss)/profit		(201,815,210)	215,828,432
Administrative expenses	26	(54,999,960)	(50,209,943)
Distribution cost	27	(79,330,844)	(95,488,912)
		(134,330,804)	(145,698,855)
		(336,146,014)	70,129,577
Other charges	28	(689,730)	(793,460)
Finance cost	29	(144,981,433)	(144,313,815)
		(145,671,163)	(145,107,275)
(Loss) before taxation		(481,817,177)	(74,977,698)
Provision for taxation - Current year's	30	(16,000,000)	(21,000,000)
(Loss) after taxation		(497,817,177)	(95,977,698)
(Loss) per share basic and diluted	31	(14.69)	(2.83)

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

MUHAMMAD ASIF A. GHAFFAR
Chief Executive

MURTAZA A. RAZAK
Director



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

	June 30, 2007 Rupees	June 30, 2006 Rupees
CASH FROM OPERATING ACTIVITIES		
Net (Loss) before taxation	(481,817,177)	(74,977,698)
Adjustment For :		
Depreciation	143,870,958	134,551,285
Deferred liabilities	926,755	5,622,343
Finance cost	144,981,432	144,313,815
(Gain)/Loss on sales of fixed assets	(19,670)	11,960
	289,759,475	284,499,403
Cash flow from operating activities before working capital changes	(192,057,702)	209,521,705
(Increase)/Decrease in Current Assets		
Stores and spares	53,763,091	(4,710,290)
Stock-in-trade	435,828,310	(134,733,829)
Trade debtors	(890,453)	46,580,465
Loans and advances	43,700,922	14,508,879
Short term prepayments	6,718,649	5,272,357
Other receivables	3,329,165	50,077,218
(Decrease) in Current Liabilities		
Trade and other payables	(6,838,778)	(1,730,245)
	535,610,906	(24,735,445)
Cash generated from operating activities	343,553,204	184,786,260
Gratuity paid	(10,385,628)	(1,648,575)
Finance cost	(145,304,245)	(132,112,264)
Income tax paid	(15,130,222)	(21,495,659)
	(170,820,095)	(155,256,498)
Net cash from operating activities	172,733,109	29,529,762
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(115,848,238)	(114,548,472)
Sale proceeds of fixed assets	3,713,411	2,763,000
Long term deposits	(1,220,499)	(1,940,800)
Net cash used in Investing Activities	(113,355,326)	(113,726,272)



	June 30, 2 0 0 7 Rupees	June 30, 2 0 0 6 Rupees
CASH FLOW FROM FINANCING ACTIVITIES		
Right Issue of shares at Premium	—	145,242,240
Loan from sponsors	50,000,000	—
Loan from associated undertaking	150,000,000	—
Long term loans disbursements	402,359,000	12,000,000
Obligation under finance lease disbursements	748,000	13,137,070
Repayment of long term finance	(160,746,973)	(156,600,000)
Repayment of finance lease	(7,043,752)	(3,624,379)
Net cash inflow financing activities	435,316,275	10,154,931
Net increase/(decrease) in cash and cash equivalent	494,694,058	(74,041,579)
Cash and cash equivalent at the beginning	(969,822,766)	(895,781,187)
Cash and cash equivalent at the end	(475,128,708)	(969,822,766)
CASH AND CASH EQUIVALENTS		
Cash and bank balance	6,225,792	4,736,989
Short term borrowing	(481,354,500)	(974,559,755)
	(475,128,708)	(969,822,766)

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

MUHAMMAD ASIF A. GHAFAR
Chief Executive

MURTAZA A. RAZAK
Director



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

	Share Capital Rupees	Reserves Rupees	Accumulated Profit/(Loss) Rupees	Total Rupees
Balance as at July 1, 2005	242,070,400	224,836,020	457,609	467,364,029
Issue of right shares	96,828,160	—	—	96,828,160
Premium of right shares	—	48,414,080	—	48,414,080
(Loss) for the year ended	—	—	(95,977,698)	(95,977,698)
Transfer from general reserve	—	(58,000,000)	58,000,000	—
Balance as at June 30, 2006	338,898,560	215,250,100	(37,520,089)	516,628,571
(Loss) for the year ended	—	—	(497,817,177)	(497,817,177)
Balance as at June 30, 2007	338,898,560	215,250,100	(535,337,266)	18,811,394

MUHAMMAD ASIF A. GHAFAR
Chief Executive

MURTAZA A. RAZAK
Director



**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007**

1. THE COMPANY AND ITS OPERATIONS

- 1.1 The Company was incorporated in Pakistan as a public limited company. The shares of the Company are quoted on Karachi Stock Exchange. The Company is principally engaged in production and export of towels and fabrics. The registered office of the Company is situated at H-23/4-A Landhi, Karachi.
- 1.2 The financial statements of the company reflect loss after tax of Rs. 497.817 million for the year (2006: Rs. 95.977 million). Accumulated losses stood at Rs. 535.337 million (2006: Rs. 37.520 million) leaving a net capital of Rs. 18.81 million (2006: Rs. 516.628 million). Company's current liabilities exceeds current assets by Rs. 488.757 million (2006: Rs. 459.124 million).
- 1.3 Under the above circumstances emanating from fall in export and high cost of production, the company embarked on a revival strategy comprising of restructuring of finance liabilities, settlement of liabilities through sale of its fixed assets, entering into a strategic marketing alliance to boost export and dropping fabric production that had been its major contributor of loss.

Company's effort for restructuring have met with success as during the year more than 40% of the finance liabilities have already been restructured and remaining 60% is in process under active consideration of the financial institutions concerned. As referred in Note. 42 a substantial amount of liabilities are expected to be settled through sale of loss making fabric plant and other assets of the company. The sale of assets coupled with equity injunction been arranged by the sponsors would bring in about Rs. 600 million during the period subsequent to balance sheet date by June 2008. These measures are expected to meet the working capital requirement to execute increased orders for export of towels and is expected to make the operations for the year 2007-08 profitable.

In view of the above, these financial statements have accordingly been prepared using going concern assumption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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



The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures;
- IAS 23 - Borrowing Costs (as revised);
- IAS 41 - Agriculture;
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programs;
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

2.2 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention, except that the leasehold land have been included at revalued amounts, certain exchange elements have been incorporated in the cost of the relevant assets and staff retirement benefits have been recognized at values determined by actuary.

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

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

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

2.3 Staff retirement benefits

The retirement benefits comprises of Gratuity and Provident fund schemes :
The Company operates an unfunded gratuity scheme. Provision for employees' gratuity is made annually for employees eligible for such benefits.

Company operates a provident fund for eligible employees. The company contribute equal amount of employees contribution i.e. 8.33% of basic salary.



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 taxation is based on applicable tax laws at the current rates of taxation. Presently provision for current taxation is based on final tax regime in accordance with the provisions of section 154 of the Income Tax Ordinance, 2001.

2.6 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss, if any, except for Leasehold Land that are shown at revalued amounts. Depreciation is charged to the profit and loss account on written down value of respective assets applying reducing balance method. Depreciation on additions is charged for the full year in which an asset is put to use and no depreciation charged in the year in which assets disposed.

Maintenance and normal repairs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The carrying values of tangible Property, Plant & Equipments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exist and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of tangible fixed assets is greater of net selling price and value in use.

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

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.



2.7 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

2.8 Stores, spares and chemicals

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.

Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

2.9 Stock-in-trade

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

2.10 Trade debts

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

2.11 Cash & cash equivalent

Cash in hand and at books, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in bank, net of short term running finances (if any) that are highly liquid in nature and are readily convertible into known amounts of cash, which are subject to insignificant risks of changes in value.

2.12 Revenue recognition

Sales are recognized on dispatch of goods or on performance of services.

2.13 Borrowing cost

Borrowing cost is recognized as an expense in the period in which they are incurred



except borrowing cost that are directly attributable to acquisition, construction or production of qualifying asset is capitalized as a part of the cost of that asset.

2.14 Foreign Currency Translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

2.15 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transaction using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the company to do so.

3. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2 0 0 7 No. of shares	2 0 0 6 No. of shares		2 0 0 7 Rupees	2 0 0 6 Rupees
17,296,260	17,296,260	Ordinary shares of Rs.10/- each fully paid-up in cash	172,962,600	172,962,600
6,051,760	6,051,760	Ordinary shares of Rs.10/-each issued as fully paid right shares at premium of Rs. 5 per share	60,517,600	60,517,600
859,020	859,020	Ordinary shares of Rs.10/-each issued as bonus shares	8,590,200	8,590,200
9,682,816	9,682,816	Ordinary shares of Rs.10/-each issued as fully paid right shares at premium of Rs. 5 per share	96,828,160	96,828,160
33,889,856	33,889,856		338,898,560	338,898,560

4. RESERVES

General Reserve

Opening Balance	—	58,000,000
Less: Transfer to Profit & Loss Account	—	(58,000,000)

—

—

Capital Reserve

Share Premium	215,250,100	166,836,020
Add: Premium on Right Issue during the year	—	48,414,080

215,250,100

215,250,100

215,250,100

215,250,100



5. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

The revaluation was done by an independent valuer M/s Iqbal A. Nanji & Company (an approved valuer from Pakistan Bank's Association) on December 31, 2005. The Company incorporated surplus on revaluation only on property.

6. LONG TERM FINANCE FROM SPONSORS

Ashfaq Ahmed Teli	25,000,000	—
Mohammad Ali Teli	25,000,000	—
	<hr/>	<hr/>
	50,000,000	—
	<hr/>	<hr/>

This represents interest free loan obtained from sponsors during the year and payable after one year. The sponsors have an option to convert above loan into equity subject to completion of necessary legal formalities from various authorities.

7. LONG TERM FINANCE FROM ASSOCIATED UNDERTAKING

This represents unsecured loan obtained from Naz Textile (Pvt.) Limited, no markup will be charged for the first year. Thereafter, the lender will charge actual financing cost to the company. The lender has an option to convert above loan into equity subject to completion of necessary legal formalities from various authorities.



NAKSHBANDI INDUSTRIES LIMITED

8. LONG TERM FINANCE FROM BANKS - Secured

PARTICULARS	Habib Bank Limited		Bank Al-Habib Limited						
	Loan No. 3	Loan No. 10	Loan No. 2	Loan No. 3	Loan No. 4	Loan No. 5	Loan No. 6	Loan No. 7	SBP SWAP EOP
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Opening balance	50,000,000	—	30,000,000	37,500,000	70,000,000	90,000,000	9,000,000	—	—
Obtained during the year	—	144,000,000	—	—	—	—	—	198,359,000	—
Outstanding balance	50,000,000	144,000,000	30,000,000	37,500,000	70,000,000	90,000,000	9,000,000	198,359,000	—
Restructured and EOP SWAP	—	—	—	—	—	(25,000,000)	—	—	25,000,000
Repaid during the year	12,500,000	5,118,973	20,000,000	15,000,000	20,000,000	16,875,000	6,000,000	—	3,125,000
Net outstanding balance	37,500,000	138,881,027	10,000,000	22,500,000	50,000,000	48,125,000	3,000,000	198,359,000	21,875,000
Current Portion									
Over dues	12,500,000	9,281,027	—	—	—	—	—	—	—
Current Maturity	25,000,000	28,800,000	—	—	—	—	—	—	6,250,000
	37,500,000	38,081,027	—	—	—	—	—	—	6,250,000
Closing balance	—	100,800,000	10,000,000	22,500,000	50,000,000	48,125,000	3,000,000	198,359,000	15,625,000
Significant terms & conditions:									
Date of disbursement	12-Feb-02	31-Dec-06	17-Feb-01	09-Aug-02	09-Dec-03	18-Sep-04	30-Sep-05	14-Jun-07	23-Dec-06
	14-Mar-02		17-Feb-01			3-Dec-04			
	05-Jul-02		12-Mar-01			17-Dec-04			
	12-Jul-02		20-Aug-01			05-Jan-05			
	08-Aug-02		19-Oct-01			18-Jan-05			
Amount of disbursements	4,500,000	144,000,000	3,076,315	75,000,000	100,000,000	27,010,000	12,000,000	198,359,000	25,000,000
	105,313,000		74,334			5,150,000			
	4,522,668		49,154,000			2,772,000			
	8,700,000		3,800,000			3,850,000			
	1,964,332		43,895,351			23,645,000			
						12,625,000			
Installments	Half-yearly	Monthly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
No. of installment	10	60	16	16	16	16	16	16	16
Installment amount (Rupees)	12,500,000	2,400,000	625,000	1,406,250	3,125,000	3,007,813	187,500	12,397,438	3,125,000
Repayment date	12-Aug-03	31-Jan-07 restructured	14-Mar-09 restructured	14-Mar-09 restructured	14-Mar-09 restructured	14-Mar-09 restructured	14-Mar-09 restructured	14-Mar-09 restructured	14-Mar-09
Rate of mark-up	6 month KIBOR+ 1.75%	1 month KIBOR+ 1.25%	1 year KIBOR with the ceiling of 7.5% p.a. thereafter 3 Months KIBOR						5%

1st Pari-passu charge and equitable mortgage of the fixed assets of the company



NAKSHBANDI INDUSTRIES LIMITED

Askari Bank Ltd.	Standard Chartered Pakistan	Bank Al-Falah Limited								Habib Metropolitan Bank	Total	
		Loan No. 1	Loan No. 2	Loan No. 3	Loan No. 4	Loan No. 5	Loan No. 6	Loan No. 7	SBP SWAP EOP		Loan No. 1	June 07
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
40,000,000	90,000,000	30,000,000	14,350,000	8,750,000	10,500,000	9,800,000	20,250,000	27,000,000	—	—	537,150,000	681,750,000
—	—	—	—	—	—	—	—	—	—	60,000,000	402,359,000	12,000,000
40,000,000	90,000,000	30,000,000	14,350,000	8,750,000	10,500,000	9,800,000	20,250,000	27,000,000	—	60,000,000	939,509,000	693,750,000
—	—	—	(12,300,000)	(7,500,000)	(9,000,000)	(8,400,000)	(13,750,000)	750,000	52,200,000	—	—	—
10,000,000	30,000,000	8,428,000	2,050,000	1,250,000	1,500,000	1,400,000	4,500,000	3,000,000	—	—	160,746,973	156,600,000
30,000,000	60,000,000	21,572,000	—	—	—	—	—	24,750,000	52,200,000	60,000,000	778,762,027	537,150,000
10,000,000	15,000,000	1,572,000	—	—	—	—	—	—	6,525,000	—	54,878,027	19,300,000
20,000,000	30,000,000	10,000,000	—	—	—	—	—	6,000,000	13,050,000	—	114,100,000	188,900,000
30,000,000	45,000,000	11,572,000	—	—	—	—	—	6,000,000	19,575,000	—	193,978,027	208,200,000
—	15,000,000	10,000,000	—	—	—	—	—	18,750,000	32,625,000	60,000,000	584,784,000	328,950,000

22-Jan-02 31-Dec-02 07-Feb-03 20-Jan-03 15-Aug-03 04-Oct-03 02-Jan-04 12-May-04 22-Sep-04 27-Dec-06 30-Jun-07
 27-Feb-02
 18-Apr-02

33,785,000 150,000,000 50,000,000 20,500,000 12,500,000 15,000,000 14,000,000 27,000,000 36,000,000 52,200,000 60,000,000
 14,391,600
 51,823,400

Half-yearly Half-yearly Half-yearly Half-yearly Half-yearly Half-yearly Half-yearly Half-yearly Half-yearly Half-yearly Quarterly
 10 10 10 10 10 10 10 12 12 8 8
 10,000,000 15,000,000 5,000,000 2,050,000 1,250,000 1,500,000 1,400,000 2,250,000 3,000,000 6,525,000 3,750,000
 18-Oct-03 30-Jun-04 06-Aug-04 19-Dec-04 14-Feb-05 03-Apr-05 02-Jan-05 11-Nov-05 22-Mar-04 27-Jun-07 30-Dec-08

6 month Tbill + 2%	6 month Tbill + 1.50%	3 months KIBOR + 1.50%	7%	3 month KIBOR + 0.5%
				2nd pari passu charge on fixed assets



	June 30, 2007 Rupees	June 30, 2006 Rupees
9. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	27,324,531	2,788,910
Obtained during the year	748,000	28,160,000
Repaid during the year	(7,043,752)	(3,624,379)
	21,028,779	27,324,531
Transfer to current portion	(10,217,420)	(7,826,259)
Closing Balance	10,811,359	(19,498,272)

Future minimum lease payment and the period in which they become due are :

	2007		2006	
	Minimum Lease Payments Rupees	Present Value Rupees	Minimum Lease Payments Rupees	Present Value Rupees
Within one year	11,345,420	10,217,420	8,991,789	7,826,259
After one year but not more than five years	12,292,859	10,811,359	23,114,135	19,498,272
Total minimum lease payments	23,638,279	21,028,779	32,105,924	27,324,531
Less : Amount representing financial charges	(2,609,500)	—	(4,781,393)	—
Present value of minimum lease payment	21,028,779	21,028,779	27,324,531	27,324,531
Less : Current portion	(10,217,420)	(10,217,420)	(7,826,259)	(7,826,259)
	10,811,359	10,811,359	19,498,272	19,498,272

These represents finance lease entered into with leasing companies for plant and machinery and vehicles. Rates of financial charges ranging from 10.49% to 14% (2006 : 10.49% to 14%) per annum are used as discounting factors.

These are secured against demand promissory notes.

No restriction has been imposed on the company under the lease arrangement



9.1 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
Plant & Machinery						
Megatern Hemming Machine	-	13.50	581,560	11	Quarterly	July 25, 2006
Fong's High Temperature Package Dyeing Machine	-	14.00	1,278,030	12	Quarterly	August 20, 2006
Vehicles						
Suzuki Cultus AKN-893	55,500	10.49	16,253	36	Monthly	January 1, 2006
Suzuki Cultus AKN-895	55,500	10.49	16,253	36	Monthly	January 1, 2006
Suzuki Cultus AKN-897	55,500	10.49	16,253	36	Monthly	January 1, 2006
Suzuki Cultus AKN-901	55,500	10.49	16,253	36	Monthly	January 1, 2006
Suzuki Mehran AKN-892	31,500	10.49	8,994	36	Monthly	January 1, 2006
Suzuki Mehran AKR-804	31,500	10.49	8,994	36	Monthly	January 1, 2006
Suzuki Mehran AKR-809	31,500	10.49	8,994	36	Monthly	January 1, 2006
Suzuki Mehran AKR-810	31,500	10.49	8,994	36	Monthly	January 1, 2006
Suzuki Baleno AKG-467	74,900	11.36	21,646	36	Monthly	February 1, 2006
Suzuki Baleno AKG-468	74,900	11.36	21,646	36	Monthly	February 1, 2006
Suzuki Baleno AKG-983	74,900	11.36	21,646	36	Monthly	February 1, 2006
Suzuki Baleno AKJ-811	74,900	11.36	21,646	36	Monthly	February 1, 2006
Honda City (M/T) AKU-103	88,600	11.36	28,921	36	Monthly	February 1, 2006
Hyundai Shehzore KN-8952	64,900	11.36	15,403	36	Monthly	February 1, 2006
Mitsubishi Minibus-L300	114,900	10.87	33,488	36	Monthly	May 2, 2006
1 Suzuki Ravi Pickup CNG	34,400	10.87	10,026	36	Monthly	May 2, 2006
1 Suzuki Bolan CNG	40,400	10.87	11,775	36	Monthly	May 2, 2006

**June 30,
2007
Rupees**

**June 30,
2006
Rupees**

10. DEFERRED LIABILITIES

Gratuity

11,827,633

21,286,506

11. TRADE AND OTHER PAYABLES

Creditors

259,611,508

274,230,482

Accrued Expenses

26,898,829

18,240,838

Unclaimed Dividend

212,428

212,428

Workers Profit Participation Fund

11.1

141,474

256,143

Right Shares Subscription

11.2

105,323

105,323

Others

347,034

1,110,160

287,316,596

294,155,374



	June 30, 2 0 0 7 Rupees	June 30, 2 0 0 6 Rupees
11.1 Worker's Profit Participation Fund		
Opening Balance	256,143	256,143
Add: Interest for year	15,637	—
5% contribution on current year's profit	—	—
	15,637	—
	271,780	256,143
Less: Payment during the year	130,306	—
Closing Balance	141,474	256,143
11.2 This represent the balance refundable to applicants for right shares called but were 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	105,323	105,323
Less : Refund during the year	—	—
	105,323	105,323
	105,323	105,323
12. ACCRUED INTEREST/MARK-UP		
Long-term finances	15,593,073	16,873,438
Short-term finances	20,172,481	19,214,927
	35,765,554	36,088,365
	35,765,554	36,088,365
13. SHORT TERM BORROWING - SECURED		
Export Refinance		
- Bank Al-Habib Limited	—	250,000,000
- Habib Bank Limited	—	144,000,000
- Bank Alfalah Limited	—	80,000,000
- Askari Bank Limited	75,000,000	75,000,000
- Standard Chartered Bank (Pakistan) Limited	—	110,000,000
- ABN Amro Bank	—	70,000,000
- Habib Metropolitan Bank Limited	—	70,000,000
	75,000,000	799,000,000
Running / Short Term Finances		
- Bank Al-Habib Limited	2,138,863	8,896,332
- Habib Bank Limited	20,797,318	21,229,493
- Bank Alfalah Limited	99,924,421	19,673,539
- Standard Chartered Bank (Pakistan) Limited	148,930,413	67,780,771
- ABN Amro Bank	8,774,077	28,521,261
- Askari Bank Limited	2,584,852	—
- Habib Metropolitan Bank Limited	123,204,556	29,458,359
	406,354,500	175,559,755
	481,354,500	974,559,755
	13.2	



13.1 During the year, Habib Bank Limited vide their offer letter dated September 15, 2006 has restructured working capital finance of Rs 144 million into a Term Loan of five years payable in equal monthly installments. Restructured term loan is priced at 1 month KIBOR + 1.25% and is secured through pari passu equitable mortgage charge of Rs 340 million over all piece and parcel of Plot No. H-23/4-A situated at KDA Scheme No. 3, Landhi Industrial Area, Karachi.

13.2 This represents short term working capital finance facility of Rs.481 Million (2006: Rs. 975 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 collect and trade debts of the company. The rate of mark-up for running finance ranges between 10.5% to 12.5% per annum (2006 : 9% to 12%), and between 7% to 8.5% per annum (2006: 6% to 9%) for export refinance.

13.3 As disclosed in Note 1.3 the company is in the process of negotiating restructuring arrangements with the banks. Substantial portion of the above short term loans and current portion of long term liabilities as disclosed in Note 14 will be restructured and transferred to long term loan in case of successful finalization of arrangement.

	June 30, 2007 Rupees	June 30, 2006 Rupees
14. CURRENT PORTION OF LONG TERM LIABILITIES		
Current maturity of long term finance	193,978,027	208,200,000
Current maturity of lease liabilities	10,217,420	7,826,259
	204,195,447	216,026,259

15. CONTINGENCIES AND COMMITMENTS

- (i) Guarantees issued by commercial banks to Sui Southern Gas Company Limited on behalf of the company Rs. 37.583 million (2006: Rs. 37.264 million)
- (ii) Aggregate commitments for capital expenditure Rs. 1.2 million (2006: Rs. 25 million).
- (iii) Commitments for export against orders/letters of credit Rs. 235 million (2006: Rs.500million).

16. PROPERTY, PLANT AND EQUIPMENT

Operating Property, Plant & equipment	16.1	1,632,458,590	1,530,865,690
Capital work in progress	16.2	16,054,531	149,363,889
		1,648,513,121	1,680,229,579



16.1 PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost				Depreciation					Written Down value as at June 30, 2007
	As on July 01, 2006	Additions/ (Disposals)	Surplus on Revaluation of Fixed Assets	As on June 30, 2007	Rate %	As on July 01, 2006	Reversal on deletions/ transfers	For the Period	As on June 30, 2007	
Leasehold land	352,100,000	—	—	352,100,000	—	—	—	—	—	352,100,000
Leasehold land Office	27,600,000	—	—	27,600,000	—	—	—	—	—	27,600,000
Building on leasehold land	316,933,530	100,580,782	—	417,514,312	10%	142,316,204	—	27,519,811	169,836,015	247,678,297
Office Bldg. on leasehold land	5,782,139	—	—	5,782,139	10%	4,198,942	—	158,320	4,357,262	1,424,877
Plant & machinery	1,576,096,718	126,205,684 (1,281,907)	—	1,701,020,495	10%	678,638,469	943,698	102,332,572	780,027,343	920,993,152
Electric fitting	37,647,919	5,811,586	—	43,459,505	10%	10,179,951	—	3,327,955	13,507,906	29,951,599
Office equipments	8,957,464	301,464 (27,500)	—	9,231,428	15%	5,600,544	6,755	545,646	6,139,435	3,091,993
Computers	18,549,098	1,138,989 (246,370)	—	19,441,717	30%	10,711,978	187,020	2,675,028	13,199,986	6,241,731
Furniture & Fixtures	17,476,411	341,964 (35,400)	—	17,782,975	10%	6,975,068	3,540	1,081,145	8,052,673	9,730,302
Vehicles	33,698,665	4,228,045 (7,528,250)	—	27,440,460	20%	17,888,112	4,830,228 (1,365,834)	2,603,348	17,027,066	10,413,394
	2,394,841,944	238,608,515 (9,119,427)	—	2,621,373,031		876,509,268	5,971,241 (1,365,834)	140,243,825	1,012,147,686	1,609,225,345
Assets subject to finance Lease										
Plant & machinery	5,862,930	12,759,086	—	18,622,016	10%	1,172,586	—	1,744,943	2,917,529	15,704,487
Vehicles	11,318,000	2,906,000 (2,958,000)	—	11,266,000	20%	3,475,331	254,445 1,365,834	1,882,190	3,737,242	7,528,758
	17,180,930	15,665,086 (2,958,000)	—	29,888,016		4,647,917	1,620,279	3,627,133	6,654,771	23,233,245
Total Rupees:2007	2,412,022,874	254,273,601 (12,077,427)	—	2,651,261,047		881,157,185	6,225,686	143,870,958	1,018,802,457	1,632,458,590
Total Rupees:2006	1,962,918,287	126,031,927 (15,369,240)	338,441,900	2,412,022,874		752,458,179	—	134,551,286	881,157,185	1,530,865,689

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

	June 30, 2007 Rupees	June 30, 2006 Rupees
- Cost of goods manufactured	139,416,245	129,433,306
- Administrative expenses	4,454,713	5,117,980
	<u>143,870,958</u>	<u>134,551,286</u>

Had there been no revaluation, the value of the assets would have been lower by Rs. 338,441,900 (see note # 5)


16.1.1 Details of Disposal of Operating Fixed Assets during the year 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							
Honda City ADE-768	800,000	515,853	284,147	260,000	(24,147)	Negotiation	Mr. Ashan Rafiq Choudhry S/o. Rafiq Ahmed Choudry House#. 7-E, Askari Apartment, 1 Frontier Town, Clifton, Karachi
Honda City ADE-769	800,000	515,853	284,147	260,000	(24,147)	Negotiation	Mr. Ashan Rafiq Choudhry S/o. Rafiq Ahmed Choudry House#. 7-E, Askari Apartment, 1 Frontier Town, Clifton, Karachi
Suzuki Cultus ADY-184	600,000	361,771	238,229	225,000	(13,229)	Negotiation	Mr. Ashan Rafiq Choudhry S/o. Rafiq Ahmed Choudry House#. 7-E, Askari Apartment, 1 Frontier Town, Clifton, Karachi
Honda City ADK-449	800,000	515,853	284,147	260,000	(24,147)	Negotiation	Mr. Muhammad Sajid S/o. Noor Muhammad House #. A-63, Ghulshan-e-Iqbal Block-13-D, Karachi
Honda City ADG-422	800,000	515,853	284,147	260,000	(24,147)	Negotiation	Mr. Syed Abdul Qadeem Aga S/o. Syed Abdul Ali House #. 1006, P.I.B. Colony, Dakhna P.I.B, Karachi House #. A-32, Block-19A, Gulshan-e-Iqbal, Karachi
Honda City AAT-256	800,000	664,436	135,564	210,000	74,436	Negotiation	Mr. Muhammad Ismail S/o. Abdul Aziz Ismail F-402, Zainab Plaza, Block-17, Ghulshan-e-Iqbal, Karachi
Mazda Van CK-1458	750,000	620,140	129,860	150,000	20,140	Negotiation	Mr. Nusrat Iqbal S/o. Mushtaq Ahmed 1-B-1/2, Nazimabad, Karachi.
Suzuki Baleno AHW-631	800,000	254,445	545,555	800,000	254,445	Claim	EFU General Insurance Co. Ltd (Tower Branch) Office #. 10. 5th Floor, KDLB Building, 58, West Wharf Road, Karachi
Toyota Corolla AFB-475	1,169,000	660,251	508,749	406,999	(101,750)	Negotiation	Mr. Bosti Khan S/o. Shaista Khan Kari Haider, Tehseel/Zila, Tang NIC #. 12201-1473429-9
Honda Civic AFH-077	1,009,250	460,218	549,032	468,275	(80,757)	Negotiation	Mr. Haji Saifur Rehman S/o. Haji Mehrban Bilal Masjid, Mohalla Maidan, Tang NIC #. 12201-1954478-9
	8,328,250	5,084,673	3,243,577	3,300,274	56,697		
Office Equipment Furnitures							
Mobile Phone I-Mate K-Jam	27,500	6,755	20,745	15,000	(5,745)	Negotiation	Farooq Electronics, Abdullah Haroon Road, Karachi.
Table	35,400	3,540	31,860	30,000	(1,860)	Claim	EFU General Insurance Co. Ltd (Tower Branch) Office #. 10. 5th Floor, KDLB Building, 58, West Wharf Road, Karachi
	62,900	10,295	52,605	45,000	(7,605)		
Computers							
IBM 16 Port Hub Netinfinity 3500 Server Model 8657 with 15" Monitor	246,370	187,020	59,350	57,000	(2,350)	Negotiation	Naz Textiles (Pvt) Ltd. E-32/A Estate Avenue S.I.T.E., Karachi
	246,370	187,020	59,350	57,000	(2,350)		



16.1.1 Details of Disposal of Operating Fixed Assets during the year are as follows :

Particulars	Original Cost	Accumulated Depreciation/ Adjustment	W.D.V.	Selling Price	Gain/ (Loss) on Sales	Mode of Disposal	Name of Purchaser
Plant and Machinery Juki Sewing Machine DDL 8500 1 Needle	196,850	77,384	119,466	95,008	(24,458)	Negotiation	Naz Textiles (Pvt) Ltd. E-32/A Estate Avenue S.I.T.E., Karachi
Plant and Machinery Jigger Dyeing Machine	803,057	650,116	152,941	148,353	(4,588)	Negotiation	M/s. Fatima Enterprises Karachi
Folding Machine	57,000	43,598	13,402	13,804	402	Negotiation	M/s. Fatima Enterprises Karachi
Piece Dyeing Machine	150,000	106,459	43,541	44,847	1,306	Negotiation	M/s. Fatima Enterprises Karachi
Hydraulic Press (Bailing Press)	75,000	66,141	8,859	9,125	266	Negotiation	M/s. Fatima Enterprises Karachi
	1,281,907	943,698	338,209	311,137	(27,072)		
Rupees- June-2007	9,919,427	6,225,686	3,693,741	3,713,411	19,670		

**June 30,
2 0 0 7
Rupees**

**June 30,
2 0 0 6
Rupees**

16.2 CAPITAL WORK-IN-PROGRESS

Opening Balance

149,363,889

139,082,414

Additions during the year:

Machines under installation
Advance for machinery
Building under construction

25,614,504

23,263,435

—

11,830,200

46,594,262

48,001,398

72,208,766

83,095,033

Transferred to Fixed Assets

(205,518,124)

(72,813,558)

Closing Balance

16.21

16,054,531

149,363,889

16.2.1 This represents warping and sizing machines installation in progress.

17. STORES, SPARES AND CHEMICALS

Stores
Chemicals
Spare parts

9,708,330

61,866,143

36,741,916

46,052,491

89,377,704

81,672,407

135,827,950

189,591,041

18. STOCK-IN-TRADE

Raw Materials
Work-in-Process
Finished Goods

24,987,610

37,019,538

28,510,930

49,210,410

205,666,298

608,763,200

259,164,838

694,993,148



NAKSHBANDI INDUSTRIES LIMITED

	June 30, 2 0 0 7 Rupees	June 30, 2 0 0 6 Rupees
19. TRADE DEBTS - Considered Good		
Local - Unsecured	39,926,984	44,401,924
Bills under collection - Secured 19.1	41,164,829	35,799,436
	81,091,813	80,201,360
19.1 These are secured by irrevocable Letter of Credit and Export Documents.		
20. LOANS AND ADVANCES		
Considered good :		
Suppliers	632,462	21,827,821
Employees	6,030,001	4,236,113
Others	4,279,973	28,579,424
	10,942,436	54,643,358
20.1 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.		
21. SHORT TERM PREPAYMENTS		
Prepayments	2,282,010	9,000,659
22. OTHER RECEIVABLES		
Sales tax refundable	22,898,129	30,294,753
Export rebate	940,857	1,312,040
Receivable research & development support	4,438,642	—
	28,277,628	31,606,793
23. CASH & BANK BALANCES		
-in hand	3,012,551	1,536,013
-with banks in current account	3,213,241	3,200,976
	6,225,792	4,736,989
24. SALES		
Local	249,280,824	147,197,911
Export	1,365,957,198	1,784,165,321
Export rebate	9,038,908	17,629,135
	1,624,276,930	1,948,992,367
Less: Sales tax	(72,522)	(96,753)
Commission	(6,909,928)	(10,442,511)
	(6,982,450)	(10,539,264)
	1,617,294,480	1,938,453,103



NAKSHBANDI INDUSTRIES LIMITED

		June 30, 2 0 0 7 Rupees	June 30, 2 0 0 6 Rupees
25. COST OF SALES			
Opening stock of finished goods		608,763,200	464,193,405
Add: Cost of goods manufactured	25.1	1,416,012,788	1,867,194,466
		2,024,775,988	2,331,387,871
Less: Closing stock of finished goods		(205,666,298)	(608,763,200)
		1,819,109,690	1,722,624,671
25.1 Cost of Goods Manufactured			
Raw materials consumed	25.1.1	626,515,486	1,017,881,327
Stores consumed		187,823,591	210,246,485
Salaries, wages and benefits	25.1.2	156,966,861	178,564,810
Fuel, power and water		153,735,502	153,599,558
Manufacturing charges		82,869,543	146,090,990
Insurance		8,081,877	7,502,832
Repair and maintenance		30,596,782	37,087,930
Building repairs		529,144	343,650
Other manufacturing expenses		8,678,277	8,228,464
Depreciation		139,416,245	129,433,306
Work-in-process opening		49,210,410	27,425,524
Work-in-process closing		(28,510,930)	(49,210,410)
		1,416,012,788	1,867,194,466
25.1.1 Raw Material Consumed			
Opening stock		37,019,538	68,640,390
Purchases during the year		614,483,558	986,260,475
		651,503,096	1,054,900,865
Less : Closing stock		(24,987,610)	(37,019,538)
		626,515,486	1,017,881,327
25.1.2	Its includes employees retirement benefits amounting to Rs.926,755 (2006: 5,000,000).		
26. ADMINISTRATIVE EXPENSES			
Salaries & Benefits		13,969,723	13,478,988
Bad debts expenses		3,300,328	—
Provident Fund		508,181,	413,877
Rent, Rates & Taxes		4,068,239	2,346,028
Vehicle Running Expenses		9,557,692,	9,223,855
Conveyance & Traveling		1,518,755	2,790,260
Printing & Stationery		3,956,292	4,490,535
Postage, Telegram & Telephone		3,013,201	3,753,690
Staff welfare		3,146,307	2,315,830
Legal and professional		3,743,041	2,793,435
Miscellaneous		3,763,489	3,485,466
Depreciation		4,454,713	5,117,980
		54,999,960	50,209,943



	June 30, 2 0 0 7 Rupees	June 30, 2 0 0 6 Rupees
27. DISTRIBUTION COST		
Freight and Insurance	44,339,602	39,234,538
Forwarding Charges	15,480,609	19,191,717
Sales promotion	831,178	31,819,688
Export Development Surcharge	3,814,952	4,502,693
Advertisement	267,912	740,276
Market research	6,025,253	—
Exhibitions	8,571,338	—
	79,330,844	95,488,912
28. OTHER CHARGES		
Loss on disposal of fixed assets	(19,670)	11,960
Audit fees	28.1 260,000	175,000
Donations	28.2 449,400	606,500
	689,730	793,460
28.1 Auditors' remuneration		
Audit fee	200,000	125,000
Fee for the half yearly review	60,000	50,000
	260,000	175,000
28.2	None of the directors and their spouses had any interest in these donations.	
29. FINANCE COST		
Mark-up on :		
-Long term loans	57,217,177	57,902,633
-Obligation under finance lease	2,548,544	1,117,279
-Short term running finance	81,397,203	80,293,891
Guarantee commission	376,282	506,618
Interest on WPPF	15,637	—
Bank commission & charges	3,426,590	4,493,394
	144,981,433	144,313,815
30. PROVISION FOR TAXATION		
Current	16,000,000	21,000,000
30.1	The Income Tax Assessments of the Company have been finalized upto and including tax year 2006.	



NAKSHBANDI INDUSTRIES LIMITED

		June 30, 2007 Rupees	June 30, 2006 Rupees
31. LOSS PER SHARE - BASIC & DILUTED			
Net (loss) after tax		(497,817,177)	(95,977,698)
Number of ordinary shares	31.1	33,889,856	33,889,856
(Loss) per share		(14.69)	(2.83)

31.1 Previous year's number of ordinary shares is restated on account of right issue during last year.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	2007				2006			
	Chief Executive	Directors	Executive	Total	Chief Executive	Directors	Executive	Total
Meeting Fee	—	5,500	—	5,500	—	5,500	—	5,500
Managerial remuneration	990,000	786,900	4,076,133	5,853,033	839,994	1,280,000	3,638,400	5,758,394
House Rent allowance	396,000	319,410	1,630,454	2,345,864	336,012	512,000	1,455,360	2,303,372
Utilities allowance	99,000	78,690	407,614	585,304	83,994	128,000	363,840	575,834
	1	6	5	12	1	6	5	12

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

33. SEGMENT INFORMATION

Segmental results and other information is provided below on the basis of product categories. These categories are :

- Towel - represents terry towel
- Fabric - represents fabric processing

Particulars	2007				2006			
	Towel	Fabric	Unallocated	Total	Towel	Fabric	Unallocated	Total
Profit and loss account								
Sales	1,170,120,254	447,174,226	—	1,617,294,480	1,339,185,882	599,267,221	—	1,938,453,103
Cost of sales	(1,232,966,391)	(515,998,762)	(70,144,537)	(1,819,109,689)	(1,035,604,245)	(601,471,101)	(85,549,325)	(1,722,624,671)
Gross profit/(loss)	(62,846,137)	(68,824,536)	(70,144,537)	(201,815,209)	303,581,637	(2,203,880)	(85,549,325)	215,828,432
Administrator expenses	(26,288,761)	(9,653,351)	(19,057,848)	(54,999,960)	(23,436,822)	(4,244,200)	(22,528,921)	(50,209,943)
Distribution cost	(48,559,347)	(30,771,498)	—	(79,330,986)	(58,403,986)	(37,084,926)	—	(95,488,912)
	(74,848,108)	(40,424,849)	(19,057,848)	(134,330,805)	(81,840,808)	(41,329,126)	(22,528,921)	(145,698,855)
Other charges	—	—	(689,730)	(689,730)	—	—	(793,460)	(793,460)
Finance cost	—	—	(144,981,433)	(144,981,433)	—	—	(144,313,815)	(144,313,815)
	—	—	(145,671,163)	(145,671,163)	—	—	(145,107,275)	(145,107,275)
Loss before taxation	(137,694,245)	(109,249,385)	(234,873,547)	(481,817,177)	221,740,829	(43,533,006)	(253,185,521)	(74,977,698)
Provision for taxation - Current	—	—	(16,000,000)	(16,000,000)	—	—	(21,000,000)	(21,000,000)
Loss after taxation	(137,694,245)	(109,249,385)	(250,873,547)	(497,817,177)	221,740,829	(43,533,006)	(274,185,521)	(95,977,698)
Balance sheet								
Total assets	1,561,969,594	286,832,346	340,506,443	2,189,308,383	1,916,695,220	396,817,829	453,121,953	2,766,635,002
Total liabilities	178,132,946	67,916,695	1,586,005,448	1,832,055,089	185,165,698	63,167,602	1,663,231,231	1,911,564,531



34. 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.

	June 30, 2 0 0 7 Rupees	June 30, 2 0 0 6 Rupees
Associated undertaking		
Sales of goods	20,906,850	9,017,223
Sale of assets	152,008	—
Manufacturing and other charges	28,729,857	27,335,101
Loan from associated undertaking	150,000,000	—
Loan from sponsors		
Ashfaq Ahmed Teli	25,000,000	—
Muhammad Ali Teli	25,000,000	—

35. CAPACITY AND PRODUCTION

Towel	Looms		Production (000 Kgs)		% of Capacity Attained	No. of Shifts Worked
	Installed	Worked	Capacity	Actual		
2007	96	96	5434	3275	60.27%	Three
2006	96	96	5434	4666	85.87%	Three

Reason for low production:

Substantial under utilization of the production capacity during the year was due to curtailment of orders by large customer as per thier strategic policy.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES

The company's activities expose it to a variety of financial risk, including the affects of changes in foreign exchange rates, credit and liquidity risk associated with various financial assets and liabilities instruments is limited as there is no significant exposure to market risk in respect of such instruments, management of working capital with a view to maintaining a reasonable mix between the various respectively. The company finances its operations through equity and management of working capital with a view maintaining a reasonable mix between the various sources of finance to minimize risk. Taken as a whole, risk arising from the Company's financial instrument is limited as there is no significant exposure to market risk in respect of such instrument.



38. MARK-UP RATE RISK MANAGEMENT

Mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company monitors its exposure to fluctuation in markup rate. The following table indicate their effective periods in which they will re-price or mature:

Interest Bearing		Non-Interest Bearing	Total	
Maturity upto one year	Maturity after one year		2007	2006

Financial Assets

Long term deposits	—	—	4,919,819	4,919,819	(1,220,499)
Trade debtors	—	—	81,091,813	81,091,813	80,201,360
Loans and advances	—	—	10,942,436	10,942,436	54,643,358
Short term prepayments	—	—	2,282,010	2,282,010	9,000,659
Other receivable	—	—	28,277,628	28,277,628	31,606,793
Cash and bank balances	—	—	6,225,792	6,225,792	4,736,989
	—	—	133,739,498	133,739,498	178,968,660

Financial Liabilities

Long term finance from					
- sponsors	—	—	50,000,000	50,000,000	—
- associated undertaking	—	—	150,000,000	150,000,000	—
Long term finance - bank	193,978,027	584,784,000	—	778,762,027	537,150,000
Obligation under finance lease	10,217,420	10,811,359	—	21,028,779	27,324,531
Short term borrowing	481,354,500	—	—	481,354,500	974,559,755
Trade and other payables	—	—	287,316,596	287,316,596	294,155,374
Accrued mark-up on finance	—	—	35,765,554	35,765,554	36,088,365
	685,549,947	595,595,359	523,082,150	1,804,227,456	1,869,278,025

Markup rate risk sensitivity gap (685,549,947) (595,595,359) (389,342,652) (1,670,487,958) (1,690,309,365)

Interest rates have been disclosed in respective notes to the financial statements.

Rate of Interest

Long term finance	Refer Note No. 8
Obligation under finance lease	Refer Note No. 9
Short term borrowings	Refer Note No. 13

39. CREDIT RISK

Credit risk represent the accounting laws that would be recognize at the reporting date if counter parties fail completely to perform as contracted. Out of the financial assets of Rs. 133.739 million (2006: 180.909 million) the financial assets which are subject to credit risk amounted to Rs. 130.727 million (2006: 179.373 million). The company foresee that it is not exposed to major concentration of credit risk. To manage exposure to credit risk the Company applies restrictive credit period for its major customers. Deposits with leasing companies are guaranteed by assets acquired against them.



40. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transaction in / based on other than 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.

41. 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.

42. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

In the absence of adequate number of outside processing orders the capacity was under utilized since last few years. This resulted in heavy unabsorbed fixed charges. Heavy unabsorbed losses adversely effected the business operation and as a viable option the company has decided to dispose off fabric processing machinery.

The company is vigorously working in implementing the agreed plan for disposal of fabric processing machinery, corporate head office and Nooriabad land. After obtaining necessary approval from members in EOGM held on August 21, 2007, The company has published in newspaper and invite tender/bid for the sale of above assets. A number of serious inquires have been received and the Company expected that these will be materialized before June 2008.

Category	Description	Cost	W.D.V.	Appro. Market Price	Location
Plant & machinery	Complete plant for fabric processing	Rs. 462 million	Rs. 202 million	Rs. 220 million	Landhi Industrial Area, Karachi.
Land	Open land of 32 acres	Rs. 4.308 million	Rs. 4.308 million	Rs. 30 million	Plot # B-77 SITE Nooriabad.
Land and Building	Corporate headoffice 600 sq. yards	Rs. 7.282 million	Rs. 2.925 million	Rs. 60 million	Plot # 177-A, SMCHS Karachi.

43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 5, 2007 by the Board of Directors of the Company.

44. GENERAL

Figures have been rounded off to the nearest rupee.

MUHAMMAD ASIF A. GHAFAR
Chief Executive

MURTAZA A. RAZAK
Director



**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2006**

No of Shareholders	Shareholding					Total shares held
274	From	1	to	100	Share	9,187
133	From	101	to	500	Share	29,621
33	From	501	to	1,000	Share	22,580
36	From	1,001	to	5,000	Share	76,386
3	From	5,001	to	20,000	Share	37,663
3	From	20,001	to	120,000	Share	189,554
1	From	120,001	to	500,000	Share	234,286
1	From	500,001	to	1,000,000	Share	540,288
3	From	1,000,001	to	2,000,000	Share	5,113,702
7	From	2,000,001	to	4,000,000	Share	21,057,938
1	From	4,000,001	to	to and above	Share	6,578,651
495						33,889,856

Categories of Shareholders	Number of Share Holders	Share held	Percentage
Financial Institutions	1	234,286	0.69
Insurance Companies	2	4,518	0.01
Investment Companies	2	19	0.00
Public Sector Companies	3	4,488	0.01
Director, CEO, their Spouses & Minor	10	25,533,780	75.34
Charitable Institution	2	1,412	0.00
Individual	464	8,111,353	23.93
	495	33,889,856	100.00



**DETAILS OF PATTERN OF SHAREHOLDING AS PER
REQUIREMENT OF CODE OF CORPORATE GOVERNANCE**

Categories of Shareholders	No of shareholders	Share held
FINANCIAL INSTITUTIONS		
National Bank of Pakistan Trustee Wing	1	234,286
INSURANCE COMPANIES		
Habib Insurance Co Limited		4,187
Pakistan Reinsurance Company Ltd		331
	2	4,518
INVESTMENT COMPANIES		
Investment Corporation of Pakistan		6
Shirazi Investment Ltd		13
	2	19
PUBLIC SECTOR COMPANIES		
	3	4,488
DIRECTORS, CEO, THEIR SPOUSES AND MINOR CHILDREN		
A.RAZAK HAJI SATTAR	Chairman	3,557,054
HAMID HAJI LATIF	Director	40,035
JUNAID HAJI LATIF	Director	40,035
MUSTAFA A.RAZAK	Director	2,554,206
MURTAZA A.RAZAK	Director	2,155,133
HANIYA ASIF	Director	540,288
MUHAMMAD ASIF A.GHAFFAR	Chief Executive	3,626,268
JAMILA A.RAZAK		3,265,194
ASIFUN MAHJABEEN		3,176,916
ASHFAQ AHMED A. GHAFFAR		6,578,651
	10	25,533,780
SPONSOR		
	4	7,836,869
CHARITABLE INSTITUTION		
	2	1,412
INDIVIDUAL		
	460	274,484
	<u>484</u>	<u>33,889,856</u>



PROXY FORM

I/We, _____

of _____

being a member of **NAKSHBANDI INDUSTRIES LIMITED** holding _____

ordinary shares hereby appoint _____

as per Share Register Folio No. _____ and /or CDC Participant I.D. No. _____

and Sub Account No. _____ hereby appoint _____

of _____

another member of the Company, as my/our proxy to vote for me/us and on my behalf at the **35th Annual General Meeting** of the Company to be held on Tuesday, October 30, 2007 at 2:00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2007.

Please affix Rs. 5/-
Revenue
Stamp

Signed _____

WITNESSES :

1. Signature _____

2. Signature _____

Name _____

Name _____

Address _____

Address _____

NIC or _____

NIC or _____

Passport No. _____

Passport No. _____

Note :

1. The proxy order to be valid must be signed across a Five Rupees Revenue Stamp and should be deposited in the Registered Office of the Company not later than 48 hours before the time of holding the Meeting.
2. No person shall act as proxy unless he is a member of the Company.
3. Signature should agree with the specimen signature registered with the Company.
4. If the member is a corporation its common seal should be affixed to the proxy.
5. CDC Shareholders and their Proxies must attach either an attested photocopy of their National Identity Card or Passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.