Nakshbandi

ANNUAL REPORT 2010

NAKSHBANDI INDUSTRIES LIMITED
E-mail: info@nakshbandi.com
Website: http:/www.nakshbandi.com

CONTENTS

COMPANY INFORMATION

Board Of Directors	:	Abdul Rahman Yaqub		
		Jawed Yunus Tabba		
		Jonathan R. Simon		
		Khaleequr Rahman	-	Chairman
		Perwez Ahmed		
		Rehan Rahman	-	Chief Executive
		Shabbir Ahmed		
		Sheikh Zafar Ahmed		
Company Secretary	:	Abdul Aleem, FCA		
Audit Committee	:	Jawed Yunus Tabba	-	Member
		Khaleequr Rahman	-	Chairman
		Shabbir Ahmed	-	Member
Registered Office	:	H-23/4-A Landhi, Karachi.		
Mills	:	H-23/4-A Landhi, Karachi.		
Bankers	:	Askari Bank Limited		
		Bank Al Habib Limited		
		Bank Alfalah Limited		
		Habib Bank Limited		
		Habib Metropolitan Bank Limited		
		Standard Chartered Bank (Pakistan) Limited		
Auditors	:	Rahman Sarfaraz Rahim Iqbal Rafiq		
		Chartered Accountants		
		180-A, S.M.C.H.S.,		
		Karachi		
Legal Advisor	:	M. Adam Patel & Co.		
Share Registrar	:	FAMCO Associates (Pvt) Ltd.		
		First Floor, State Life Building No. 1-A		
		Off I.I. Chundrigar Road,		
		Karachi.		

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 priducts 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 reasonble 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 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 38th Annual General Meeting of the Members of the Company will be held at the Registered Office at H-23/4A, Scheme 3, Landhi Industrial Area, Karachi on Monday, October 25, 2010 at 11:30 a.m. to transact the following businesses:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2010 together with the Directors' and Auditors' Reports thereon.

2. To consider and approve the final cash dividend of Rs. 2.0 per share recommended by the Board of Directors for payment to minority shareholders.

3. To appoint Messrs. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, as auditors for the year ending June 30, 2011 and to fix their remuneration.

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

By Order of the Board
(Abdul Aleem)
Company Secretary

Karachi: October 01, 2010

Notes:

1. The Share Transfer Books of the Company will remain closed from Saturday, October 23, 2010 to Friday, October 29, 2010 (both days inclusive). Transfers received at the office of Share Registrar at the close of business on Friday, October 22, 2010 will be considered in time to attend and vote at the meeting.

2. A member of the Company entitled to attend and vote at this meeting may appoint a proxy to attend, speak and vote instead of him/her. A proxy must be a member of the Company. An instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must to be valid, be received at the Registered Office of the Company or at the Office of the Share Registrar not later than forty eight hours before the time appointed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a Member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments shall be rendered invalid. The proxy shall produce his/her original National Identity Card or Passport to prove his/her identity.

3. Members are requested to notify any change in their address immediately.

4. Members should quote their Folio Number in all correspondence and at the time of attending the Meeting.

5. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company are requested to send the same at the earliest to enable the Company to comply with relevant laws.

6. **GUIDELINES FOR CDC ACCOUNT HOLDERS ISSUED BY SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**

   For personal attendance:

   (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For appointing proxy

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy must be witnessed by two persons whose names, addresses and Computerised National Identify Card (CNIC) numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company

DIRECTORS' REPORT

Your directors are pleased to present the 38th Annual Report together with the audited financial statements for the year ended June 30, 2010.

OPERATING AND FINANCIAL PERFORMANCE

The company was able to produce 4.857 million kg during the year under report inspite of all the bottlenecks faced by the management. The same has included 0.996 million kg produced for third parties. The export orders situation which was discouraging during the first half of the year started to improve and in order to fulfill the same approximately 1 million kg was got processed from outside resources. This has enabled the company to despatch 4.271 million kg as compared to 4.190 million last year. However, processing done for other was short by approximately 1.00 million kg as compared to last year.

By the Grace of Almighty Allah inspite of phenomenal and unprecedented increase in the prices of yarn, upward revision of gas prices, increase in cost bank financing and higher inflation, with focused efforts and dedication the management has been able to earn from operational activities after tax profit of Rs. 131.94 million after many years of continuous losses. Your company earned Rs. 124.449 million after tax profit from operational activities besides earning Rs. 44.356 million by disposing of the assets pertaining to discontinued operation after suffering losses for continuous period of 5 years. This has been made possible by making efforts to reduce costs, eliminate inefficiencies and reducing wastages and huge differences will be observed if comparative costs are reviewed. Despite almost 100% increase in the yarn prices the gross margin has improved by 4% whereas inspite of high inflation rate the administrative, distribution and financial cost have reduced substantially. The earnings per share for the year is Rs. 1.20 against loss per share of Rs. 0.09. All debts obligations of the company were met at scheduled dates.

FUTURE OUTLOOK

The textile value added sector was not even fully recovered from the aftershocks of the world economic crisis has to face the substantial continuous increase in the prices of yarn and now the country had worst ever natural disaster which has affected the cotton crop. The cost of production which is further expected to increase in view of higher cotton prices is also to take the burden of government measures to meet cost of rehabilitation of affected people and infrastructure and enhancement in utilities prices. However, the management is committed to continue with the efforts for cost reduction and elimination of inefficiencies beside acquiring new and improved technologies and adopting methods for better operational results and is hopeful for better prospects. However, the same would be dependant to a great extent on measures taken by the government.

DIVIDEND & SUBSEQUENT APPROPRIATION

The Board has recommended cash dividend @ 20 % i.e., Rs. 2.00 per share and accordingly the following appropration has been made. However, directors, their relatives and associates have voluntarily waived their right to receive this dividend, thus same will be paid only to the minority shareholders.

	2010 Rupees	2009 Rupees
Accumulated loss brought forward	659,801,879	654,414,651
Profit (loss) after taxation for the year	168,805,126	(5,387,228)
Accumulated loss	490,996,753	659,801,879
Cash dividend	524,350	-
Accumulated loss carried forward	490,472,403	659,801,879

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is globally a business imperative and is permanent part of budget of every responsible corporate entity. Your company always realized its responsibility and role to play and had made plans to:

Conserving natural resources
Waste reduction and recycling
Improving energy efficiency
Enhancing environmental performance by reducing spills and releases
Health and safety of staff and workers
Improved working conditions
Contributing for cause of humanity

In the year under report the waste heat recovery plant has been completed at a cost of Rs. 19.0 million whereas waste water treatment project is under completion and estimated to complete at Rs. 50.0 million. A new sustainable target has been set for reduction in the gas consumption. The “Social Responsibility Squad” managed jointly by management and staff has made significant contribution for the flood affected citizens besides contributing to other social causes. This year we also established “Medical Assistance Clinic” which has provided all possible medical assistance to staff including conducting health awareness programs

CORPORATE GOVERNANCE

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:

1. The financial statements for the year ended June 30, 2010, 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.

2. The Company has maintained the proper books of accounts.

3. In preparation of the financial statements, appropriate accounting policies have been consistently applied and the accounting estimates are based on prudent judgment.

4. International Accounting Standards, as applicable to Pakistan, have been followed in preparation of the financial statements, and the non-applicability, if any, has been adequately disclosed.

5. 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.

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. The value of Provident Fund Investments as per audited accounts of Provident Fund Trust for the year ended June 30, 2009 was Rs. 23.236 million.

9. There are no outstanding dues on account of taxes, levies and charges except of a normal and routine nature.

10. During the year none of the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children has traded in the shares of the company with the exception of the following :

    Mr. Shabbir Ahmed 1,129,413 (acquired)

    Mr. Khaleequr Rahman 202,533 (sold)

11. Key operating and financial data for the last six years is annexed.

12. Four meetings of Board of Directors were held during the year. Attendance by the directors is given below

DRIECTORS	ATTENDANCE
Mr. Khaleequr Rahman (Chairman)	4
Mr. Shabbir Ahmed	3
Mr. Abdul Rahman Yaqub	1
Mr. Jawed Yunus Tabba	3
Mr. Perwez Ahmed	3
(Alternate Director for Mr. Abdul Rahman Yaqub)	
Mr. Abdul Razak Teli	3
Mr. Murtaza Teli	3
Mr. Muhammad Asif Teli	3
Mr. Rehan Rahman	2

Directors who could not attend meeting due to illness or some other engagements were granted Leave of absence.

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

AUDITORS

The auditors M/s Rahman Sarfaraz Rahim Iqbal Raifq, Chartered Accountants, retires and being eligible, has offered themselves for re-appointment.

PATTERN OF SHAREHOLDING

Statements showing the pattern of shareholding as at June 30, 2010 required under the Companies Ordinance, 1984 and the Code of Corporate Governance.

ACKNOWLEDGMENTS

The Directors are pleased to place on record their appreciation for the contributions made by the employees of the Company. In addition, management also acknowledges the role of all the bank, customers, suppliers and other stakeholders for their continued support.

For and on behalf of the Board

Khaleequr Rahman
Chairman

Karachi:
Date: October 01, 2010

YEAR WISE STATISTICAL SUMMARY

Year Ended June 30	2010	2009	2008	2007	2006	2005
Towel Prodicton (Tonnes)	4,857.00	4,123.00	3,910.00	3,275.00	4,666.00	3,664.00
ASSETS EMPLOYED				(Rs. in million)		
Fixed Assets	1,483.84	1,544.10	1,365.22	1,648.51	1,680.23	1,349.56
Investments, Long term Advances and Deposits	2.98	3.03	3.03	4.92	3.70	1.76
Current Assets	900.38	843.31	725.53	535.88	1,082.71	1,066.57
Assets classified as held for sale	5.09	70.88	94.82	-	-	-
Total Assets Employed	2,392.29	2,461.32	2,188.60	2,189.31	2,766.64	2,417.89
FINANCED BY						
Shareholders' Equity	900.13	304.41	(100.27)	18.81	516.63	467.10
Right shares subscription account	-	423.50	341.87	-	-	-
Long Term Liabilities	335.90	486.01	790.76	784.78	328.95	518.85
Obligation under Finance Lease	-	-	-	10.81	19.50	1.64
Deferred Liabilities		-	-	11.83	21.29	17.31
Current Liabilities	588.21	641.11	683.50	1,024.63	1,541.83	1,412.99
Liabilities classified as held for sale		0.00	134.30	-	-	-
Total Funds Invested	1,824.24	1,855.04	1,850.17	1,850.86	2,428.19	2,417.89
TURNOVER & PROFIT						
Turnover (Net)	1,771.99	1,749.09	1,277.42	1,617.29	1,938.45	1,335.14
Gross (Loss) / profit	323.55	248.64	113.14	(201.82)	215.83	176.28
Operating Profit / (loss)	187.37	63.74	(35.57)	(336.15)	70.13	65.24
Profit / (loss) Before Taxation	137.25	10.63	(92.82)	(481.82)	(74.98)	0.12
Profit/(Loss) After Taxation	124.45	(6.42)	(105.11)	(497.82)	(95.98)	(11.33)
Dividend	-	-	-	-	-	0.25
Transfer to Reserves	-	-	-	-	-	(11.00)
(Loss) / profit C/F	(491.00)	(659.80)	(654.41)	(535.34)	(37.52)	0.46
Financial Charges	30.76	50.88	58.72	144.98	144.31	65.10
Profit/(Loss) per share - Basic & Diluted						
- from continuing operations	1.20	(0.09)	(3.12)	(14.69)	(3.47)	(0.47)
- from discontinued operations	0.18	0.01	(0.04)	-	-	-
Breakup value of shares			Rupees			
No. of Shares	117,587,632	74,896,581	33,889,856	33,889,856	33,889,586	24,207,040
Capital ,Reserves & Accumulated loss	900,129,667	304,414,031	(100,265,990)	18,811,394	516,628,571	467,316,531
Surplus on revaluation of property	568,060,000	593,560,000	338,441,900	338,441,900	338,441,900	-
Breakup Value per share without revaluation	7.65	4.06	(2.96)	0.56	15.24	19.30
Breakup Value per share with revaluation	4.83	7.93	7.03	10.54	25.23	19.30

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2010

No. of Shareholders	Shareholding					Total Shares held
411	From	1	to	500	Share	36,873
26	From	501	to	1,000	Share	18,601
13	From	1,001	to	1,500	Share	17,765
4	From	1,501	to	2,000	Share	7,416
4	From	2,001	to	2,500	Share	8,798
4	From	2,501	to	3,000	Share	11,708
4	From	3,001	to	3,500	Share	13,069
1	From	3,501	to	4,000	Share	4,000
1	From	4,001	to	4,500	Share	4,067
1	From	5,501	to	6,000	Share	5,861
1	From	6,501	to	7,000	Share	6,920
1	From	7,501	to	8,000	Share	7,735
2	From	8,501	to	9,000	Share	17,702
1	From	10,501	to	11,000	Share	10,986
1	From	15,501	to	16,000	Share	15,589
1	From	28,001	to	28,500	Share	28,156
1	From	33,001	to	33,500	Share	33,131
1	From	58,500	to	59,000	Share	58,812
1	From	115,001	to	115,500	Share	115,407
1	From	595,501	to	596,000	Share	595,797
3	From	999,501	to	1,000,000	Share	3,000,000
1	From	1,131,501	to	1,132,000	Share	1,131,929
1	From	1,628,001	to	1,628,500	Share	1,628,441
3	From	1,723,501	to	1,724,000	Share	5,170,647
2	From	1,969,501	to	1,970,000	Share	3,939,540
1	From	2,346,501	to	2,347,000	Share	2,346,826
1	From	2,556,501	to	2,557,000	Share	2,556,723
1	From	2,636,501	to	2,637,000	Share	2,636,995
2	From	2,938,501	to	2,939,000	Share	5,877,404
1	From	3,176,501	to	3,177,000	Share	3,176,916
1	From	3,286,501	to	3,287,000	Share	3,286,608
2	From	3,447,001	to	3,447,500	Share	6,894,193
1	From	3,499,501	to	3,500,000	Share	3,500,000
1	From	4,440,501	to	4,44,000	Share	4,440,501
1	From	5,533,001	to	5,533,500	Share	5,533,235
1	From	8,351,501	to	8,352,000	Share	8,351,972
1	From	8,723,001	to	8,723,500	Share	8,723,114
1	From	10,538,001	to	10,538,500	Share	10,538,184
1	From	10,179,501	to	10,180,000	Share	10,179,688
1	From	11,351,501	to	11,352,000	Share	11,351,971
1	From	12,304,001	to	12,304,500	Share	12,304,352
508						**117,587,632**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2010

Categories of Shareholders	Number of Shareholding	Share held	Percentage
Directors, Chief Executive Officer, their spouse and minor children	8	32,065,231	27.27
NIT and ICP	2	2,977	0.00
Banks, Development Finance Institutions, Non-Banking Finance Institutions & Others	3	33,670	0.03
Insurance	1	5,861	0.00
Public Sector Companies	1	102	0.00
Shareholding 10% or more	1	12,304,352	10.46
General Public	492	73,175,439	62.23
	508	117,587,632	100.00

Pattern of shareholding
Additional information (Code of Corporate Governance)
As at June 3., 2010

Shareholders' Category		Number of Shareholders	Number of Shares held
Associated Companies, undertaking and related parties		-	-
NIT and ICP			
M/s National Investment Trust		1	2,971
M/s Investment Corporation of Pakistan		1	6
Directors, CEO, their Spouses and minor children (name wise details):			
and Minor Children (name wise details):			
Mr.Khaleequr Rahman	Director/Chairman	1	1,628,441
Mr.Rehan Rahman	Director/Chief Executive		-
Mr.Shabbir Ahmed	Director	1	8,351,972
Mr.Rahman Yaqub	Director		-
Mr.Jawed Yunus Tabba	Director	1	1,105
Mr.Abdul Razak Teli	Director	1	10,179,688
Mr. Muhammad Asif Teli	Director	1	4,440,501
Mr.Murtaza Teli	Director	1	1,000,000
Mrs.Jamila Razak Teli		1	3,286,608
Mrs.Mahjabeen Asif		1	3,176,916
Banks, Development Finance Institutions		3	33,670
Insurance Companies		1	5,861
Public Sector Companies		1	102
Shareholders holding 10% or more voting interest:			
1888 Mills, LLC (Foreign Company)		1	12,304,352
General Public		492	73,175,439

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 Regulation of Karachi Stock Exchange 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.

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present Board includes seven none-executive directors.

2. The Directors have voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. Directors, Chief Executive, CFO, Company Secretary and their spouse and minor children have not made transactions in the Company's shares during the year other than that disclosed in the Directors Report.

4. The Directors have voluntarily declared that all the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

5. No casual vacancy occurred in the Board during the year under review.

6. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and Employees of the Company.

7. 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.

8. All powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The Board of directors and members has approved appointment and determination of remuneration and terms and conditions of employment of the present CEO and other executive director.

9. 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.

10. The Board arranged in house orientation during the year for its directors to apprise them of their duties and responsibilities.

11. The Board has approved the appointment and terms and conditions of employment of CFO and Company Secretary during the year. No appointment of Head of Internal Audit has been made during the year.

12. 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.

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

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

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

16. The Board has formed an audit committee. It comprises 3 members, all of them are nonexecutive directors.

17. 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.

18. The Board has set-up an effective internal audit function and has outsourced the internal audit function to a Chartered Accountants firm.

19. The related party transactions have been reviewed and approved by the Board of Directors and placed before the Audit Committee in accordance with the listing regulations of the stock exchange.

20. 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.

21. 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.

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

On behalf of the Board of Directors

Rehan Rahman
Chief Executive

Karachi:

Dated : October 01, 2010

REVIEW REPORT TO THE MEMBERS ON STATEMENTS 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 (the Code) for the year ended June 30, 2010 prepared by the Board of Directors of Nakshbandi Industries Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does no. 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 required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xii) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the company to place before the Board of Directors for their consideration and approval, related party transaction distinguishing between transactions carried out on terms equivalent to those that prevail in the arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi:

Dated : October 01, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Nakshbandi Industries Limited** as at **June 30, 2010**, and the related profit & loss account, statement of comprehensive income, statement of cash flows, statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes resulted from initial application of standards, amendments or an interpretation to existing standards stated in note 2.2.2 to the financial statements with which we concur;

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

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

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, statement of cash flows 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, 2010, and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi:

Dated : October 01, 2010

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		(Rupees)	
SHARE CAPITAL & RESERVES			
Authorized 125,000,000 ordinary shares of Rs. 10/- each (2009: 125,000,000 ordinary shares of Rs. 10/- each)		1,250,000,000	1,250,000,000
Issued, subscribed and paid-up capital	4	1,175,876,320	748,965,810
Reserves	5	215,250,100	215,250,100
Accumulated losses		(490,996,753)	(659,801,879)
		900,129,667	304,414,031
Surplus on revaluation of property, plant and equipment	6	568,060,000	593,560,000
Subscription against right shares		—	423,504,770
NON-CURRENT LIABILITIES			
Long term finances from banks	7	335,895,055	486,013,695
CURRENT LIABILITIES			
Trade and other payables	8	214,754,516	206,608,426
Accrued interest / mark-up	9	13,708,729	17,854,008
Short term borrowings	10	194,109,676	276,900,000
Current portion of long term liabilities	7	165,013,136	134,914,840
Taxes payable - net		628,299	4,832,475
		588,214,356	641,109,749
CONTINGENCIES AND COMMITMENTS	11	—	—
		2,392,299,078	2,448,602,245
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,483,840,785	1,544,095,134
Long term investment		10,000	10,000
Long term deposits		2,971,019	3,028,019
CURRENT ASSETS			
Stores, spares and chemicals	13	72,755,613	52,377,897
Stock-in-trade	14	379,520,467	263,996,980
Trade debts	15	391,472,858	271,322,546
Loans and advances	16	16,611,010	5,203,744
Short term prepayments		571,404	613,161
Other receivables	17	28,430,559	25,696,820
Cash and bank balances	18	11,019,568	211,376,636
		900,381,479	830,587,784
Assets classified as held for sale	19	5,095,795	70,881,308
		2,392,299,078	2,448,602,245

The annexed notes 1 to 34 form an integral part of these financial statements.

REHAN RAHMAN — CHIEF EXECUTIVE

SHABBIR AHMED — DIRECTOR

NAKSHBANDI INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees)	
Sales - net	20	1,771,988,555	1,749,087,719
Cost of sales	21	(1,448,441,465)	(1,500,444,197)
		323,547,090	248,643,522
Administrative expenses	22	(51,626,510)	(72,185,776)
Distribution costs	23	(84,548,267)	(112,719,259)
		(136,174,777)	(184,905,035)
		187,372,313	63,738,487
Other income/(charges)	24	(7,796,853)	(195,276)
Finance costs	25	(30,758,290)	(50,877,029)
Workers' welfare fund		(3,353,466)	(1,419,226)
Workers' profits participation fund		(8,215,991)	(617,089)
		(50,124,600)	(53,108,620)
Profit before taxation from continuing operations		137,247,713	10,629,867
Provision for taxation			
- Current		(17,515,854)	(17,500,000)
- Prior year reversal		4,717,157	447,058
	26	(12,798,697)	(17,052,942)
Profit / (loss) after taxation from continuing operations		124,449,016	(6,423,075)
Profit from discontinued operation	29	18,856,110	1,035,847
Profit / (loss) after taxation		143,305,126	(5,387,228)
Earnings / (loss) per share basic and diluted (2009: Restated)			
-from continuing operations	27		
- Basic		1.20	(0.08)
- Diluted		1.20	(0.08)
-from discontinued operation	29.7		
- Basic		0.182	0.013
- Diluted		0.182	0.013

The annexed notes 1 to 34 form an integral part of these financial statements.

REHAN RAHMAN
CHIEF EXECUTIVE

SHABBIR AHMED
DIRECTOR

NAKSHBANDI INDUSTRIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees)	2009 (Rupees)
CONTINUING OPERATIONS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation from continuing operations		137,247,713	10,629,867
Adjustments for:			
Depreciation		92,770,033	103,754,601
Finance costs		30,758,290	50,877,029
Workers' profits participation fund		8,215,991	617,089
Workers' welfare fund		3,353,466	1,419,226
Bad debts written off		847,388	4,542
Property, plant and equipment written off		4,176,378	—
Loss on disposal of property, plant and equipment		2,813,975	10,341,228
		142,935,521	167,013,715
Cash flows from operating activities before working capital changes		280,183,234	177,643,582
Working capital changes			
(Increase)/decrease in current assets			
(Increase)/decrease in stores and spares		(20,377,716)	24,768,910
(Increase)/decrease in stock-in-trade		(115,523,487)	19,296,968
(Increase) in trade debtors		(120,997,701)	(221,222,196)
(Increase)/decrease in loans and advances		(11,407,266)	7,380,455
Decrease in short term prepayments		41,757	1,998,481
(Increase)/decrease in other receivables		(2,733,739)	3,518,967
Increase/(decrease) in current liabilities			
(Decrease) in trade and other payables		(3,423,367)	(30,807,151)
		(274,421,519)	(195,065,566)
Cash generated from/(used in) operating activities		5,767,715	(17,421,984)
Finance costs paid		(34,903,560)	(42,667,625)
Income taxes paid		(17,002,872)	(16,556,666)
		(51,906,440)	(59,224,291)
Net cash used in operating activities		(46,144,725)	(76,646,275)
CASH FLOW FROM INVESTING ACTIVITIE S			
Fixed capital expenditure		(48,331,585)	(41,818,359)
Sales proceeds on disposal of property, plant and equipment		8,825,546	1,961,921
Long term deposits		57,000	—
Cash used in investing activities		(39,449,039)	(39,856,438)
CASH FLOWS FROM FINANCING ACTIVITIE S			
Advance against right issue subscription		—	217,724,360
Issuance of share capital		3,405,740	68,195,680
Payment to sponsors		—	(6,159,740)
Repayment of long term finances		(120,020,344)	(117,986,612)
Repayment of finance lease obligations		—	(8,585,618)
		(116,614,604)	153,188,070
Net cash (outflow)/inflow from financing activities		(116,614,604)	153,188,070
Net increase in cash & cash equivalents during the year from continuing operations		(202,208,368)	36,685,356
DISCONTINUED OPERATION			
Net cash generated from/(used in) discontinued operation	29.8	84,641,624	(60,289,587)
Cash and cash equivalents at the beginning of the year		(65,523,364)	(41,919,133)
Cash and cash equivalents at the end of the year		(183,090,108)	(65,523,364)

CASH AND CASH EQUIVALENT S

Cash and cash equivalents comprise the following:

	Note	2010	2009
Cash and bank balances	19	11,019,568	211,376,636
Short term borrowings	10	(194,109,676)	(276,900,000)
		(183,090,108)	(65,523,364)

The annexed notes 1 to 34 form an integral part of these financial statements.

REHAN RAHMAN — CHIEF EXECUTIVE

SHABBIR AHMED — DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital	Reserves	Accumulated losses	Total
	Rupees			
Balance as at July 1, 2008	338,898,560	215,250,100	(654,414,651)	(100,265,991)
Issuance of shares	410,067,250	—	—	410,067,250
Comprehensive income for the year comprising the following:				
-(Loss) / profit for the year ended				
-from continuing operations	—	—	(6,423,075)	(6,423,075)
-from discontinued operation	—	—	1,035,847	1,035,847
Balance as at June 30, 2009	748,965,810	215,250,100	(659,801,879)	304,414,031
Balance as at July 1, 2009	748,965,810	215,250,100	(659,801,879)	304,414,031
Issuance of shares	426,910,510	—	—	426,910,510
Comprehensive income for the year comprising the following:				
-Surplus on revaluation realized during the year	—	—	25,500,000	25,500,000
-Profit for the year ended				
-from continuing operations	—	—	124,449,016	124,449,016
-from discontinued operation	—	—	18,856,110	18,856,110
Balance as at June 30, 2010	1,175,876,320	215,250,100	(490,996,753)	900,129,667

The annexed notes 1 to 34 form an integral part of these financial statements.

REHAN RAHMAN
CHIEF EXECUTIVE

SHABBIR AHMED
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees)	
Profit / (loss) for the year		
- from continuing operations	124,449,016	(6,423,075)
- from discontinued operation	18,856,110	1,035,847
	143,305,126	(5,387,228)
Other comprehensive income		
Surplus on revaluation of property, plant and equipment realized during the year	25,500,000	–
Total Comprehensive for the year	168,805,126	(5,387,228)

The annexed notes 1 to 34 form an integral part of these financial statements.

REHAN RAHMAN
CHIEF EXECUTIVE

SHABBIR AHMED
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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. The registered office of the Company is situated at H-23/4-A, Scheme # 3, Landhi Industrial Area, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

2.2.1 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention, except that the land have been included at revalued amounts, certain exchange elements have been incorporated in the cost of the relevant assets.

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.

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. Where various assumptions and estimates are significant to the companies financial statements or where judgments were exercised in application of accounting policy are as follows:

	Note
a) Useful life and residual values of property, plant and equipment	3.7 and 3.17
b) Provision for taxation	3.3
c) Estimation for impairment in respect of trade debtors	3.10
d) Provision for obsolete inventory	3.9

2.2.2 Amendments to published standards and new interpretations effective in current year

The following standards, interpretations and amendments in approved accounting standards are effective in 2009 and are relevant to the company;

- IAS 1 (revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period

  The Company has preferred to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IAS 36 (amendment), 'Impairment of assets' (effective from January 1, 2009). In accordance with new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have any effect on the Company's financial statements.

- IAS 23 (amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Company's current accounting policy is in compliance with this amendment, and therefore there is no effect on the Company's financial statements.

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective from January 1 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of the fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on profit for the year.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Company's financial statements.

2.2.3 Standards, amendments to published standards and interpretations that are effective in 2009 but not relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

2.2.4 New accounting standards, interpretation and amendments that are not yet effective

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning July 1, 2009 and have not been early adopted by the Company:

- IAS 1 (amendment), ‘Presentation of financial statements’. The amendment is part of the IASB’s annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company’s financial statements.

- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.

- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, ‘Related party disclosures’, issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company’s financial statements.

- IAS 38 (amendment), ‘Intangible assets’. The amendment is part of the IASB’s annual improvements project published in April 2009 and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any impact on the Company’s financial statements.

- IAS 39 (amendment); 'Cash flow hedge accounting'. This amendment provides clarification when to recognise gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The Company will apply IAS 39 (Amendment) from July 1, 2010. It is not expected to have any affect on the Company's financial statements.

- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions' In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of the Company's arrangements that were not covered by that interpretation. The new guidance is not expected to have any material impact on the Company's financial statements.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company's financial statements.

- IFRS 9, 'Financial Instruments', effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.

- IFRIC 18, 'Transfers of assets from customers' (effective for periods beginning on or after July 1, 2009). The interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. This interpretation is not expected to have any impact on the Company's financial statements.

- IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation will have no impact on the Company's financial statements.

- There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 and May 2010(not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analysed in detail.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

3.1.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company operates an approved defined contribution provident fund for its eligible employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 8.33% of basic salary since begining of the year which was changed to 10% of the basic salary with effect from the month of January 2010 consequent to the changes in relevant rules of the fund.

3.1.2 Employees' compensation absences

The Company accounts for the liability in respect of employees' compensation absences in the year in which these are earned.

3.2 Provisions

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

3.3 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Currently, no deferred income tax is recognised since Company's income is wholly chargeable to tax under the final tax regime provisions of the Income Tax Ordinance, 2001.

3.4 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.6 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.7 Property, plant and equipment

Owned

These are stated at historical cost less accumulated depreciation and impairment loss, if any, except for Leasehold Land that are shown at revalued amounts. Depreciation is charged to profit & loss applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 12 to the financial statements. Previously, depreciation on additions was charged for the full year in which an asset is put to use and no depreciation charged in the year in which assets disposed. In the current year, depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are in curred.

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses/ income' in the profit and loss account.

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

Depreciation method, useful lives and residual values are reviewed annually.

Capital work in progress

Capital work-in-progress is stated at cost less impairment, if any. 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.

3.8 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, based on management's best estimate regarding their future usability.

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

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

3.9 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.

By products [Waste products] are valued at net realizable value.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding there future usability.

3.10 Trade and other receivables

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

3.11 Cash & cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria has been met for each of the Company's activities as described below:

- Sale of goods & services

Sales are recorded on dispatch of goods to the customer or on performance of services.

- Interest / Mark up income

Income on deposits and other operating income are recorded on accrual basis.

3.13 Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed off or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operations, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

3.14 Non current assets held for sale

Non-current assets held (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sales rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, assets (or components of the disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset. Borrowing costs includes exchange differences arising on foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

3.16 Foreign currency transactions and translation

These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

3.17 Impairment of non-financial assets

Assets that are subject to depreciation/amortisation are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.18 Financial assets
3.18.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.There were no held to maturity financial assets at the balance sheet date.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise loans and deposits', 'trade debts and other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

3.18.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other operating income/expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 31.2.

3.19 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include investments, trade debts and other receivables, loans and advances, cash and bank balances, deposits, borrowings, trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the company has a legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.21 Transactions with related parties

Transactions with related parties are carried out on commercial terms and conditions.

3.22 Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.23 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

4 ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2010	2009		2010	2009
Number of shares			(Rupees)	
116,728,612	74,037,561	Ordinary shares of Rs.10/- issued for cash consideration	1,167,286,120	740,375,610
859,020	859,020	Ordinary shares of Rs.10/-each issued as fully paid bonus shares	8,590,200	8,590,200
117,587,632	74,896,581		1,175,876,320	748,965,810

5 RESERVES
Capital Reserve

Share premium	215,250,100	215,250,100
	215,250,100	215,250,100

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

The revaluation was done by an independent valuer M/s Iqbal A. Nanji & Company (an approved valuer from Pakistan Bank's Association) on October 29, 2008 & December 31, 2005 in respect of leasehold office and certain other assets, on the basis of present market value.

7 LONG TERM FINANCES FROM BANKS, Secured

	Type of loan	Mark - up rate p.a.	Installments Number	Installments Commencing from	Unavailed credit as at June 30, 2010	2010 (Rupees)	2009 (Rupees)
Long term finance utilised. under mark-up arrangements:							
Habib Bank Limited	Term Loan	7%	9 half yearly	September 30,2010	-	106,518,192	106,518,193
Bank Al habib Limited	Term Loan	7%	16 quarterly	September 14,2009	-	83,515,626	116,921,876
"	Term Loan	7%	11 quarterly	June 14,2010	-	123,974,373	136,371,810
"	SBP SWAP EOP	SBP rate i.e 5%	8 half yearly	March 14,2010	-	9,375,000	12,500,000
Askari Bank Limited	Term Loan	Nil	Monthly 36	September 01 2009	-	26,000,000	44,907,323
Standard Chartered Bank (Pakistan) Limited	Term Loan	7%	14 quarterly	Feburary 10,2011		130,000,000	108,809,158
""	Term Loan	Interest free	4 quarterly	March 31,2009	-	-	37,500,000
Bank Alfalah Limited	Term Loan	7%	Monthly 12	January 31, 2010	-	15,000,000	37,825,175
"	SBP SWAP EOP	SBP rate + 2%	8 half yearly	June 27, 2007	-	6,525,000	19,575,000
						500,908,191	620,928,535
Less: Current portion shown under current liabilities						165,013,136	134,914,840
						335,895,055	486,013,695

7.1 The loan 1 from Askari Bank Ltd was restructured during the year. The markup rate per annum is revised from 3 month KIBOR + 1% to 0%.

7.2 The loan 7 of Bank Al- Falah Ltd was restructured during the year. As per the revised terms the markup rate is revised from 3 month KIBOR + 1% to 7% flat on restructured loans. The repayment of the loan 7 commence from January 31, 2010.

7.3 The loan 1 of Standard chartered Bank was restructured during the year. As per the revised terms of the loan, grace period is extended on loan 1 from August 10, 2009 to Janaury 10, 2012. The repayment of the loan 1 commences from August 10, 2010 in 14 equal quarterly installments of Rs. 9.3 million.The markup rate per annum is revised from 3 month KIBOR + 1% to 7% flat.

7.4 All long term finances are secured by way of first pari passu charge and equitable mortgage of the fixed and current assets of the Company.

8 TRADE AND OTHER PAYABLES

	Note	2010 (Rupees)	2009 (Rupees)
Creditors	8.1	177,438,009	178,957,329
Accrued expenses		12,946,005	24,916,766
Unclaimed dividend		212,428	212,428
Workers' profits participation fund	8.2	8,215,991	632,726
Workers' welfare fund		3,373,422	1,419,226
Right shares subscription	8.3	105,323	105,323
Others		12,463,338	364,628
		214,754,516	206,608,426

8.1 This includes an amount of Rs. 109.447 million (2009: 41.260 million) payable to related parties.

8.2 Workers' profits participation fund

	Note	2010 (Rupees)	2009 (Rupees)
Opening balance		632,726	15,637
5% contribution for the year		8,215,991	617,089
		8,848,717	632,726
Less: Payment during the year		(632,726)	—
Closing balance		8,215,991	632,726

8.3 This represents the balance refundable to applicants for right shares called but were subsequently cancelled. The Securities and Exchange Commission of Pakistan (formerly Corporate Law Authority), Islamabad granted permission in 1995 for cancellation.

9 ACCRUED INTEREST/ MARK-UP

	2010 (Rupees)	2009 (Rupees)
On:		
Long-term finances	10,913,647	7,956,241
Long-term finances from related party	—	5,149,602
Short-term finances	2,795,082	4,748,165
	13,708,729	17,854,008

10 SHORT TERM BORROWINGS - SECURED

	2010	2009
Export refinance		
- Bank Al-Falah Limited	—	80,000,000
- Habib Metropolitan Bank Limited	150,000,000	196,900,000
	150,000,000	276,900,000
Running / short term finances		
- Habib Metropolitan Bank Limited	44,109,676	—
	194,109,676	276,900,000

10.1 These balances represent short term working capital finance facilities and export Re - finance facilities of Rs 180 million (2009: Rs. 410 million) which is secured by pari passu equitable mortgage on land, building, plant and machinery of Rs. 90 million, hypothecation charge over stocks of stores and spares, cotton yarn, finished goods and export bills under collection and trade debts amounting to Rs. 267.5 million of the Company. The rate of mark-up for running finance is 3 months KIBOR + 2.5 % per annum (2009: 3 months KIBOR + 0.5% to 3 months KIBOR + 3% per annum). The rates of mark-up for Export Re-finance is SBP rate + 1% per annum (2009: SBP rate + 1% per annum).

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

- Guarantees issued by commercial banks to Sui Southern Gas Company Limited on behalf of the Company amounting to Rs. 36.083 million (2009: Rs. 36.083 million).

- Guarantees issued by commercial banks to supplier and Central Excise Department on behalf of the Company amounting to Rs. 1.33 million and Rs. 0.2 million respectively (2009: Rs. 1.33million and Rs. 0.2 million).

- In terms of renegotiated restructuring package approved by banks (refer note 7) the markup amounting to Rs. 130.717 million for the period of 18 months from December 2007 to June 30, 2009 was not charged by the financial instituition on long term loans and to be waived if the company fulfills its obligation as per agreed repayment schedule. The company has not made any provision in this respect as it continues to fulfill its obligations under the aforesaid renegotiated restructuring package and in anticipation that it shall settle the same as per the conditions made therein.

- Karachi Water & Sewerage Board raised an arrears of sewerage charges amounting to Rs.0.857 million (2009: Rs. 33.167 million) which have not been incorporated in these financial statements. The management believes that the said arrears amount has been billed to the Company due to an error by the Department. The Company raised the matter with the appropriate authority through its legal counsel and is optimistic that the Department will reverse the arrears.

11.2 Commitments

- No commitments exists at the reporting date.

12 PROPERTY, PLANT AND EQUIPMENT

		2010	2009
		(Rupees)	
Operating assets	12.2	1,426,305,217	1,572,831,268
Capital work in progress	12.1	61,977,412	41,491,223
Less: Assets classified as held for sale		(4,441,844)	(70,227,357)
		1,483,840,785	1,544,095,134

12.1 CAPITAL WORK-IN-PROGRESS

	2010	2009
	(Rupees)	
Opening balance at the beginning of the year	41,491,223	52,580,745
Additions during the year:		
Machines under installation	24,286,739	20,295,351
Building under construction	17,843,105	687,767
	42,129,844	20,983,118
Transferred to property, plant and equipment	(21,643,655)	(32,072,640)
Closing balance at the end of the year	61,977,412	41,491,223

12.2 1PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2010

	Cost or Revaluaed Amounts						Depreciation				
Particulars	As on July 1, 2009	Additions / transfer during the period	Surplus on revaluation of fixed assets	Disposals / write offs *	As on June 30, 2010	Rate % p.a	As on July 1, 2009	Disposals / write offs *	For the year ended	As on June 30, 2010	Written down value as at June 30, 2010
Leasehold land	603,510,000	-	-	-	603,510,000	-	-	-	-	-	603,510,000
Building on leasehold land	428,293,298	-	-	-	428,293,298	10%	218,330,739	-	20,996,256	239,326,995	188,966,303
Plant & machinery	1,272,829,882	20,281,230	-	24,275,815	1,268,675,297	10%	642,858,606	17,937,819	63,407,402	688,211,150	580,464,147
				☆160,000				117,039			
Electric fitting	45,444,539	-	-	18,570	45,425,969	10%	19,527,734	11,361	2,591,126	22,107,499	23,318,470
Office equipments	11,461,485	1,656,278	-	639,131	6,166,912	15%	7,123,880	477,010	732,026	1,917,977	4,248,935
				☆6,311,720				5,460,919			
Computers	20,909,788	514,866	-	17,500	10,035,193	30%	16,696,979	12,921	1,111,648	7,726,503	2,308,690
				☆11,371,961				10,069,203			
Furniture & Fixtures	18,414,606	284,722	-	1,375,048	10,491,933	10%	9,821,009	1,060,184	729,894	4,638,230	5,853,703
				☆ 6,832,347				4,852,489			
Vehicles	38,899,872	5,108,300	-	18,528,680	25,479,492	20%	22,822,829	13,715,927	3,198,349	12,305,251	13,174,241
Arms & ammunition	41,995	-	-	-	41,995	15%	19,779	-	3,332	23,111	18,884
	2,439,805,465	**27,845,396**	**-**	**69,530,772**	**2,398,120,089**		**937,201,555**	**53,714,872**	**92,770,033**	**976,256,716**	**1,421,863,373**
Discontinued Operations											
Leasehold land	4,308,100	-	-	-	4,308,100		-	-	-	-	4,308,100
Leasehold land Office	27,000,000	-	(25,500,000)	1,500,000	-		-	-	-	-	-
Office Bldg on leasehold land	5,782,139	-	-	5,782,139	-		4,357,262	4,357,262	-	-	-
Plant & machinery	69,358,985	-	(5,215,930)	58,851,183	5,291,872		31,864,604	26,706,476	-	5,158,128	133,744
				☆ 5,215,930							
	106,449,224	**-**	**(30,715,930)**	**66,133,322**	**9,599,972**		**36,221,866**	**31,063,738**	**-**	**5,158,128**	**4,441,844**
Total Rupees: June 30, 2010	**2,546,254,689**	**27,845,396**	**(30,715,930)**	**135,664,094**	**2,407,720,061**		**973,423,421**	**84,778,610**	**92,770,033**	**981,414,844**	**1,426,305,217**

For the year ended June 30, 2009

	Cost						Depreciation				
Particulars	As on July 1, 2008	Additions / transfer during the period	Surplus on revalution of fixed assets	Disposals / write off ☆	As on June 30, 2009	Rate % p.a	As on July 1, 2008	Disposals / Adjustments	For the year ended	As on June 30, 2009	Written down value as at June 30, 2009
Leasehold land	347,791,900	-	255,718,100	-	603,510,000	-	-	-	-	-	603,510,000
Leasehold land Office	-	-	-	-	-	-	-	-	-	-	-
Building on leasehold land	421,491,521	6,801,777	-	-	428,293,298	10%	195,001,566	-	23,329,173	218,330,739	209,962,559
Office Bldg on leasehold land	-	-	-	-	-	10%	-	-	-	-	-
Plant & machinery	1,281,791,858	36,010,919	-	31,730,305	1,304,694,488	10%	620,044,231	15,317,829	69,996,808	674,723,210	629,971,277
		18,622,016									
Electric fitting	44,909,739	534,800	-	-	45,444,539	10%	16,648,089	-	2,879,645	19,527,734	25,916,805
Office equipments	9,038,142	2,423,342	-	-	11,461,484	15%	6,358,420	-	765,460	7,123,880	4,337,604
Computers	20,276,146	996,537	-	362,895	20,909,788	30%	15,188,043	296,553	1,805,489	16,696,979	4,212,809
Furniture & Fixtures	17,688,746	725,860	-	-	18,414,606	10%	8,866,165	-	954,844	9,821,009	8,593,597
Vehicles	24,205,925	5,414,647	-	628,700	38,899,872	20%	14,148,565	316,391	4,019,261	22,822,829	16,077,043
		9,908,000						4,971,394			
Arms & ammunition	41,996	-	-	-	41,996	15%	15,858	-	3,921	19,779	22,217
	2,167,235,973	**81,437,898**	**255,718,100**	**32,721,900**	**2,471,670,071**		**876,270,937**	**20,902,167**	**103,754,601**	**969,066,159**	**1,502,603,911**
Assets subject to finance Lease											
Plant & machinery	18,622,016	-	-	18,622,016	-	10%	4,487,978	(4,487,978)	-	-	-
Vehicles	9,908,000	-	-	9,908,000	-	20%	4,971,394	(4,971,394)	-	-	-
	28,530,016	**-**	**-**	**28,530,016**	**-**		**9,459,372**	**(9,459,372)**	**-**	**-**	**-**
Discontinued Assets											
Land - Nooriabad	4,308,100	-	-	-	4,308,100	-	-	-	-	-	4,308,100
Land - SMCHS	27,600,000	-	(600,000)	-	27,000,000	-	-	-	-	-	27,000,000
Building - SMCHS	5,782,139	-	-	-	5,782,139	-	4,357,262	-	-	4,357,262	1,424,877
Machinery	79,170,082	-	-	41,675,702	37,494,380	-	21,854,412	21,854,412	-	-	37,494,380
	116,860,321	-	(600,000)	41,675,702	74,584,619		26,211,674	21,854,412	-	4,357,262	70,227,357
Total Rupees: JUNE 2010.	**2,312,626,309**	**81,437,898**	**255,118,100**	**102,927,618**	**2,546,254,689**	**-**	**911,941,983**	**33,297,207**	**103,754,601**	**973,423,421**	**1,572,831,268**

12.1.1Depreciation charge for the year has been allocated as under:-

	2010	2009
	(Rupees)	
Cost of goods manufactured	90,193,133	100,224,887
Administrative expenses	2,576,900	3,529,174
	92,770,033	103,754,061

12.1.2 Security

As at the balance sheet date all the assets of the company are subject to a registered charge to secure bank loans.

12.1.3 The particulars of disposal of operating assets made during the year, are as follows :

Amounts in Rupees

Continuing Operations	Cost / Revalued amount*	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain/(Loss)	Mode of Disposal	Party
Motor Vehicles							
Honda Civic AFU-446	1,201,315	894,598	306,717	325,000	18,283	Negotiation	Muhammad Faraz
Suzuki Baleno AES-937	560,000	445,617	114,383	125,000	10,617	Negotiation	Sohail Ahmed
Suzuki Baleno AHW-627	795,140	594,843	200,297	205,000	4,703	Negotiation	Muhammad Ali Raza
Suzuki Baleno AHW-629	795,140	605,203	189,937	210,000	20,063	Negotiation	Rafi Khan (Ex-Employee)
Suzuki Baleno AKG-467	847,465	529,270	318,195	325,000	6,805	Negotiation	Doulat Shah
Suzuki Baleno AKJ-811	847,280	529,155	318,125	345,000	26,875	Negotiation	Syed Sajid Hussain Zaidi
Suzuki Cultus AES-936	560,000	439,378	120,622	122,000	1,378	Negotiation	Abdul Bari Qureshi
Suzuki Mehran AGN-451	297,000	221,171	75,829	80,000	4,171	Negotiation	Muhammad Mustakeen
Suzuki Mehran AKR-810	317,850	202,848	115,002	120,000	4,998	Negotiation	Yasmeen Jameel Ahmed
Suzuki Cultus AKN-901	570,200	363,894	206,306	220,000	13,694	Negotiation	Muhammad Anwer
Suzuki Cultus VXR AED-172	555,000	467,609	87,391	110,000	22,609	Negotiation	Sami-Ur-Rehman
Suzuki Cultus AHW-019	565,150	394,622	170,528	200,000	29,472	Negotiation	Shazad Nisar
Suzuki Baleno AHW-630	795,140	615,563	179,577	200,000	20,423	Negotiation	Muhammad Younis
Suzuki Baleno AKG-468	847,965	546,949	301,016	210,000	(91,016)	Negotiation	Naveed Ali
Honda City AHB-446	929,950	649,349	280,601	300,000	19,399	Negotiation	Syed Rais-Ul-Hassan
Suzuki Mehran AGD-731	303,050	229,896	73,154	85,000	11,846	Negotiation	Zeeshan Kaleem Ali
Suzuki Baleno AHX-816	795,140	619,017	176,123	200,000	23,877	Negotiation	Azeem ud din Khan
Honda City AFS-772	1,046,320	798,605	247,715	350,000	102,285	Negotiation	Ashfaq Haji
Suzuki Cultus AFG-453	661,520	379,271	282,249	250,000	(32,249)	Negotiation	Shehzad Amin
Honda Civic AFV-476	1,268,250	1,031,586	236,664	300,000	63,336	Negotiation	Ausaf Hussain
Suzuki Baleno AHW-628	795,140	622,470	172,670	150,000	(22,670)	Negotiation	Muhammad Zahid
Suzuki Cultus AED-173	555,000	472,556	82,444	110,000	27,556	Negotiation	Fahad Habib
Suzuki Baleno AKG-983	847,265	558,065	289,200	200,000	(89,200)	Negotiation	Salman Haider Zaidi
	16,756,280	**12,211,535**	**4,544,745**	**4,742,000**	**197,255**		
Plant and Machinery							
Diesel Generator (Head Office)	580,000	432,265	147,735	175,000	27,265	Negotiation	Associated Industries LTD
Generator Waukesha 635 Kw L-7042	18,268,781	13,421,398	4,847,383	2,200,000	(2,647,383)	Negotiation	Quetta Textile Mills
Proctor Loop Dryer	5,427,034	4,084,157	1,342,877	887,040	(455,837)		
	24,275,815	**17,937,820**	**6,337,995**	**3,262,040**	**(3,075,955)**		
Office Equipments							
Communication Equipment	477,386	382,935	94,451	95,000	549	Negotiation	Associated Industries LTD
	477,386	**382,935**	**94,451**	**95,000**	**549**		
Furniture and Fixtures							
Carpentry works Head Office	220,600	170,029	50,571	50,000	(571)	Negotiation	Associated Industries LTD
Head office Furniture	216,775	132,617	84,158	70,000	(14,158)	Negotiation	Associated Industries LTD
Head office Furniture	447,556	389,976	57,580	42,162	(15,418)	Negotiation	Associated Industries LTD
	884,931	**692,622**	**192,309**	**162,162**	**(30,147)**		
Total Continuing Operations	**42,394,412**	**31,224,912**	**11,169,500**	**8,261,202**	**(2,908,298)**		
Discontinued Operation							
Plant and Machinery							
Thermosol Dyeing Machine	☆ 58,851,183	26,706,476	32,144,707	29,746,035	(2,398,672)	Negotiation	Zabeer & Zubair
Land							
Lease Hold Land Office(Head Office)	☆ 27,000,000	-	27,000,000	50,000,000	23,000,000	Negotiation	Associated Industries LTD
Building							
Head Office Building	5,782,139	4,357,262	1,424,877	4,895,589	3,470,712	Negotiation	Associated Industries LTD
Total Discontinue Operation	**91,633,322**	**31,063,738**	**60,569,584**	**84,641,624**	**24,072,040**		
Items in aggregate having net book value of Rs.50,000 each	2,460,332	1,990,310	470,022	564,345	94,323		
Total Disposals	**136,488,066**	**64,278,960**	**72,209,106**	**93,467,171**	**21,258,065**		

13 STORES, SPARES AND CHEMICALS

	Note	2010 (Rupees)	2009 (Rupees)
Stores		13,885,366	9,613,430
Chemicals		30,333,218	18,080,927
Spare parts	13.1	29,190,980	23,254,030
Goods in transit		-	2,083,461
Less: Assets classified as held for sale - stores & spares		(653,951)	(653,951)
		72,755,613	52,377,897

13.1 This includes provision against slow moving spares amounting to Rs. 23.928 million (2009: Rs. 23.928 million).

14 STOCK-IN-TRADE

	Note	2010 (Rupees)	2009 (Rupees)
Raw material	14.1	32,040,308	50,585,495
Work-in-process	14.2	288,478,547	71,852,358
Finished goods		59,001,612	141,559,127
		379,520,467	263,996,980

14.1 This include provision against slow moving stocks amounting to Rs. 1.99 million (2009: Rs. 1.99 million).

14.2 Stock in trade includes Rs. Nil (2009: Rs. 5.942) held with third parties.

15 TRADEDEBTS, Considered Good

	Note	2010 (Rupees)	2009 (Rupees)
Local		32,819,024	54,176,274
Export		358,653,834	217,146,272
		391,472,858	271,322,546

15.1 Trade debts include an amount of Rs. 66.229 million (2009: Rs.48.794 million) receivable from related party.

	Note	2010 (Rupees)	2009 (Rupees)
16 LOANS AND ADVANCES , Considered Good			
Suppliers		14,107,120	1,495,078
Employees	16.1	274,169	2,251,978
Others		2,229,721	1,456,688
		16,611,010	5,203,744

16.1 This represents advances provided interest free to employees in accordance with the Company's policy. The advances are unsecured and are recoverable within one year in equal monthly installments.

	Note	2010	2009
		(Rupees)	
17 OTHER RECEIVABLES			
Sales tax refundable		13,506,000	8,937,528
Export rebate		4,283,418	5,832,824
Receivable research & development support		—	1,404,452
Receivable income on fixed deposits		646,204	759,208
Duty drawback		9,994,937	—
Others		—	8,762,808
		28,430,559	25,696,820

18 CASH AND BANK BALANCES		
Cash in hand	975,871	71,988
Cash at banks		
- current accounts	10,043,697	194,865,003
- deposit accounts	—	16,439,645
	10,043,697	211,304,648
	11,019,568	211,376,636

19 NON-CURRENT ASSETS HELD FOR SALE

Fabric processing plant is presented as a disposal group held for sale. Efforts to sell the disposal group have been substantially materialized in current calendar year. At June 30, 2010 the disposal group comprise assets of Rs. 5.095 million (2009: 70.881 million). Due to the prevailing real state market situation in Pakistan, despite the rigorous efforts of the management of the company they unable to receive any appropriate selling price of the land and building classified held for sale. However, the company's management still committed for the sale of these assets as soon as they receive the appropriate price of the remaining assets held for sale.

Assets classified as held for sale		
Plant and machinery	133,744	37,494,380
Land and building	4,308,100	32,732,977
Stores, spares and chemicals	653,951	653,951
	5,095,795	70,881,308

20 SALES - Net		
Local	203,032,203	240,150,877
Export	1,609,830,680	1,544,631,450
Export rebate	32,883,267	9,250,329
	1,845,746,150	1,794,032,656
Less: Sales tax	(413,644)	(210,441)
Special excise duty	—	(7,318)
Commission & others	(73,343,951)	44,727,178)
	(73,757,595)	44,944,937)
	1,771,988,555	1,749,087,719

	Note	2010	2009
		(Rupees)	
21 COST OF SALES			
Opening stock of finished goods		141,559,127	70,472,769
Add: Cost of goods manufactured	21.1	1,365,883,950	1,571,530,555
		1,507,443,077	1,642,003,324
Less: Closing stock of finished goods		(59,001,612)	(141,559,127)
		1,448,441,465	1,500,444,197

21.1 Cost of goods manufactured

	Note	2010	2009
Raw materials consumed	21.1.1	871,321,052	719,181,077
Stores consumed		182,658,307	238,519,908
Salaries, wages and benefits	21.1.2	136,814,033	174,531,275
Fuel, power and water		130,213,128	158,198,646
Outside manufacturing charges		139,230,957	45,000,180
Insurance		4,603,455	6,979,792
Repair and maintenance		5,714,091	22,429,451
Other manufacturing expenses		15,662,756	16,483,445
Depreciation		90,193,133	100,224,887
Work-in-process opening		77,951,585	167,933,479
Work-in-process closing		(288,478,547)	(77,951,585)
		1,365,883,950	1,571,530,555

21.1.1 Raw materials consumed

	2010	2009
Opening stock	50,585,495	44,887,699
Purchases during the year	852,775,865	724,878,873
	903,361,360	769,766,572
Less : Closing stock	(32,040,308)	(50,585,495)
	871,321,052	719,181,077

21.1.2 This includes an amount of Rs.3.396 million (2009: 4.215 million) in respect of staff retirement benefits.

22 ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries, wages & benefits	22.1	35,144,855	43,804,173
Bad debts expenses		847,388	4,542
Rent, rates & taxes		175,892	941,909
Vehicle running expenses		3,782,449	5,685,449
Conveyance & traveling		792,238	626,340
Printing & stationery		396,831	1,252,980
Postage, telegram & telephone		532,229	1,633,653
Legal and professional		4,105,840	10,258,421
Miscellaneous		3,271,888	4,448,595
Depreciation		2,576,900	3,529,714
		51,626,510	72,185,776

22.1 This includes amount of Rs.2.245 million (2009: 1.865 million) in respect of staff retirement benefits.

		Note	2010	2009
			(Rupees)	
23	**DISTRIBUTION COSTS**			
	Freight and insurance		64,078,453	82,417,709
	Forwarding charges		13,280,707	13,073,015
	Sales promtion		2,321,399	9,277,998
	Export development surcharge		3,656,258	3,215,409
	Advertisement		—	51,556
	Market research		838,591	3,436,911
	Exhibitions		372,859	1,246,661
			84,548,267	112,719,259
24	**OTHER OPERATING INCOME/(CHARGES)**			
	Loss on disposal of property, plant and equipment		2,813,975	10,341,228
	Assets written off		4,176,378	—
	Auditors' remuneration	24.1	800,000	900,000
	Donations	24.2	6,500	94,653
	Interest on fixed deposit		—	(11,140,605)
			7,796,853	195,276

24.1 Auditors' remuneration

	2010	2009
Audit fee	500,000	500,000
Half yearly review	200,000	200,000
Other certifications	100,000	200,000
	800,000	900,000

24.2 None of the directors and their spouses had any interest in these donations.

		2010	2009
25	**FINANCE COSTS**		
	Mark-up on :		
	- Long term finances	36,091,971	23,185,719
	- Long term finance from related party	—	23,132,487
	- Obligation under finance lease	—	1,910,515
	- Short term running finance	6,420,102	16,984,333
	Guarantee commission	435,996	473,393
	Bank commission & charges	8,907,359	2,601,043
	Exchange gain - net	(21,097,138)	(17,410,461)
		30,758,290	50,877,029

26 PROVISION FOR TAXATION

26.1 The income tax assessments of the Company have been finalized upto and including tax year 2009.

26.2 The Company's income is chargeable to tax under final tax regime prescribed under the Income Tax Ordinance, 2001 and hence tax reconcilation with accounting loss is not been presented.

		2010	2009
		(Rupees)	
27	**PROFIT / (LOSS) PER SHARE -BASIC & DILUTED**		
	-BEFORE DISCONTINUED OPERATION - BASIC	(Rupees)	
	Net profit / (loss) after tax and before discontinued operation	124,449,016	(6,423,075)
		(Number)	
	Weighted average number of ordinary shares	103,857,579	80,513,825
		(Rupees)	
	Earnings / (loss) per share (2009: Restated)	1.20	(0.08)
	-BEFORE DISCONTINUED OPERATION - DILUTED	(Rupees)	
	Net profit / (loss) after tax and before discontinued operation	124,449,016	(6,423,075)
		(Number)	
	Weighted average number of ordinary shares	103,857,579	80,513,825
		(Rupees)	
	Earnings / (loss) per share (2009: Restated)	1.20	(0.08)

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	2010				2009			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executive	Total
	Rupees							
Meeting fees	—	7,500	—	7,500	—	7,500	—	7,500
Managerial remuneration	6,440,222	840,060	5,309,730	12,590,012	6,902,000	3,332,000	7,068,133	17,302,133
Utilities allowance	459,778	59,940	103,355	623,073	493,000	238,000	503,667	1,234,667
	6,900,000	907,500	5,413,085	13,220,585	7,395,000	3,577,500	7,571,800	18,544,300
No. of Persons	2	5	3	10	1	6	5	12

28.1 The Chief Executive and Directors are provided with the Company's maintained cars.

		Note	2010	2009
			(Rupees)	
29	**RESULTS FROM DISCONTINUED OPERATION**			
	Sale	29.1	—	5,897,105
	Cost of sales	29.2	—	(1,053,528)
			—	4,843,577
	Administrative expenses	29.4	—	(3,480,878)
		29.5	—	1,362,699
	Other operating income / (charges)	29.6	18,856,110	(267,880)
			18,856,110	1,094,819
	Provision for taxation		—	(58,972)
	Profit after taxation		18,856,110	1,035,847

The Company closed fabric processing plant, which is hence classified as assets held for sale.

		2010	2009
		(Rupees)	
29.1	**Sales**		
	Local	—	3,475
	Export	—	5,893,630
		—	5,897,105
29.2	**Cost of sales**		
	Opening stock of finished goods	—	892,676
	Add: Cost of goods manufactured	—	160,852
		—	1,053,528
	Less: Closing stock of finished goods	—	—
		—	1,053,528
29.3	**Cost of goods manufactured**		
	Outside manufacturing charges	—	160,852
29.4	**Administrative expenses**		
	Bad debts	—	3,480,878
29.5	**Other operating charges**		
	Property, plant and equipment written off	(5,215,930)	(237,555)
	Gain/(loss) on disposal of fixed assets	24,072,040	(237,555)
	Loss on sale of stores, spares and chemicals	—	(30,325)
		18,856,110	(267,880)
29.6	**Provision for taxation**		
	Current	—	58,972

The income tax assessments of the Company have been finalized upto and including tax year 2009.

		2010	2009
29.7	**Earnings per share from discontinued operation**		
	- Discontinued operation - Basic	(Rupees)	
	Profit from discontinued operation	18,856,110	1,035,847
		(Number)	
	Weighted average number of ordinary shares	103,857,579	80,513,825
		(Rupees)	
	Earnings per share (2009:Restated)	0.182	0.013
	- Discontinued operation - Diluted	(Rupees)	
	Profit from discontinued operation	18,856,110	1,035,847
		(Number)	
	Weighted average number of ordinary shares	103,857,579	80,513,825
		(Rupees)	
	Earnings per share (2009:Restated)	0.182	0.013

29.8 Cash flows generated from/(used in) discontinued operations

Cash flows from operating activities		
Profit before taxation	18,856,110	1,094,819
Adjustments for:		
Property, plant and equipment written off	(5,215,930)	—
- Bad debts written off	—	3,480,878
- (gain) / loss on sale of fixed assets	(24,072,040)	237,555
	—	4,813,252
(Increase)/decrease in current assets		
Decrease in stores and spares	—	1,737,712
Decrease in stock-in-trade	—	892,676
Decrease in trade debts	—	11,905
Increase /(decrease) in current liabilities		
Decrease in trade and other payables	—	(281,913)
Cash flows (used in)/generated from operating activities	—	7,173,632
Cash flows from investing activities		
Sales proceeds of fixed assets	84,641,624	19,583,192
Cash flows generated from investing activities	84,641,624	19,583,192
Cash flows from financing activities	—	
Repayment of long term loans		(87,046,411)
Cash flows used in financing activities	—	(87,046,411)
Cash inflows/(outflows) from discontinued operation	84,641,624	(60,289,587)

30 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of chief Executive, directors and executives is disclosed in note to the financial statements. Transactions with related parties and balances outstanding at the year end, other than those disclosed elsewhere in the financial statements are given below:

		2010	2009
		(Rupees)	
Nature of transactions	**Relationship**		
Sales of goods	Associate	222,876,282	723,847,232
Income from manufacturing and other services	"	123,365,375	215,258,881
Purchase of assets	"	—	7,709,500
Purchases	"	169,679,154	110,505,653
Manufacturing expenses and other charges	"	131,722,226	50,280,887
Interest accrued on long term loan	Other related party	—	23,132,487
Right shares subscription			
- Cash	Associate	58,912,050	217,724,360
- exercise of option	"	—	205,780,410
Payment of loan from sponsors	Other related party		(6,160,720)

31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES
FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

31.1 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The companies finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance. In addition the Company has been investing heavily in capital expenditure which has been financed through debt.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the company's performance to development affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the company applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

The maximum exposure to credit risk at the reporting date is as follows:

	2010		2009	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	(Rupees)			
Trade debtors	391,472,858	391,472,858	271,322,546	271,322,546
Loans and advances	16,611,010	16,611,010	5,203,744	5,203,744
Other receivables	646,204	646,204	9,522,016	9,522,016
Cash and bank balances	11,019,568	10,043,697	211,376,636	211,304,648
	419,749,640	418,773,769	497,424,942	497,352,954

The maximum exposure to credit risk at the reporting date by geographic region is as follows:

	2010	2009
	(Rupees)	
Domestic	32,819,024	54,176,274
United States	329,747,258	176,801,103
Gulf states	11,649,407	11,778,084
European countries	17,246,575	14,001,245
Other regions	10,594	14,565,840
	391,472,858	271,322,546

Impairment losses

The aging of trade debtors at the balance sheet date was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Not past due	328,084,036	—	216,209,218	—
Past due 1-60 days	38,269,116	—	34,245,148	—
Past due 61 days -75 days	15,258,315	—	4,875,313	—
More than 75 days	9,861,389	—	15,992,867	—
Total	391,472,856	—	271,322,546	—

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors past due upto one year do not require any impairment except as provided in these financial statements, if any. None of the other financial assets are either past due or impaired.

The credit quality of Company's liquid funds is minimal since the counter parties are banks reasonable external credit ratings.

31.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

On the reporting date, the Company has cash and bank balances and unutilized credit lines of Rs. 11.019 million (2009:Rs. 211.377 million) and Rs. Nil (2009:Rs.133 million) as mentioned in note 18 and 10.

The following are the contractual maturities of financial liabilities (including interest payments):

	2010				
	Carrying Amount	Contractual cash flows	twelve months or less	Two to Five years	More than five years
Non-Derivative Financial liabilities			(Rupees)		
Long term finance from financial institutions	511,821,838	570,833,434	193,671,351	377,162,083	—
Short term borrowings	196,904,758	196,904,758	196,904,758	—	—
Trade and other payables	214,754,516	214,754,516	214,754,516	—	—
	923,481,112	982,492,708	605,330,625	377,162,083	—

	2009				
	Carrying Amount	Contractual cash flows	twelve months or less	Two to Five years	More than five years
Non-Derivative Financial liabilities			(Rupees)		
Long term finance from financial institutions	628,884,776	718,618,662	178,842,095	539,776,567	—
Short term borrowings	281,648,165	281,648,165	281,648,165	—	—
Trade and other payables	206,608,426	206,608,426	206,608,426	—	—
	1,117,141,367	1,206,875,253	667,098,686	539,776,567	

31.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk.

31.4.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Company is exposed to currency risk on trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. The currencies in which these transactions are denominated are the US Dollars and the Euro. The Company's exposure to foreign currency risk is as follows:

	2010				2009			
	Rupees	US Dollars	Euro	GBP	Rupees	US Dollars	Euro	GBP
Trade debts	358,653,833	4,199,570	—	—	217,146,272	2,667,451	—	—
Trade payables	(16,225,545)	(192,476)	—	—	(30,819,876)	(378,576)	—	—
Gross balance sheet	342,428,288	4,007,094	—	—	186,326,396	2,288,875	—	—

The following significant exchange rates were applied during the year:

	Average rates		Reporting date rate	
	2010	**2009**	**2010**	**2009**
US Dollars	83.53	79.73	85.40	81.41

Sensitivity Analysis

A 10 percent strengthening of the Rupee against US Dollar and Euro at 30 June would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009

	Profit and loss (Rupees)
As at June 30, 2010	
Effect in US Dollars	34,220,583
As at June 30, 2009	
Effect in US Dollars	18,633,733

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

31.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and term deposits with banks. At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	2010	**2009**
	(Rupees)	
Fixed rate instruments		
Financial assets	—	16,439,645
Financial liabilities	468,383,191	409,811,879
Variable rate instruments		
Financial assets	—	—
Financial liabilities	200,634,676	488,016,656

	Interest Bearing		Non - Interest Bearing		Total
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	2010
	(Rupees)				
On balance sheet					
Financial assets					
Long term investment	—	—	—	10,000	10,000
Trade debtors	—	—	391,472,858	—	391,472,858
Loans and advances	—	—	16,611,010	—	16,611,010
Other receivables	—	—	646,204	—	646,204
Cash and bank balances	—	—	11,019,568	—	11,019,568
	—	—	419,749,640	10,000	419,759,640
Off balance sheet	—	—	—	—	—
	—	—	419,749,640	10,000	419,759,640
Financial liabilities					
Long term finances from financial institutions	153,013,136	299,895,055	12,000,000	36,000,000	500,908,191
Short term borrowings	194,109,676	—		—	194,109,676
Trade and other payables	—	—	214,754,516	—	214,754,516
Accrued mark-up on finances	—	—	13,708,729	—	13,708,729
	347,122,812	299,895,055	240,463,245	36,000,000	923,481,112
Off balance sheet					
open letter of credit / guarantee	—	36,416,333	—	—	36,416,333
On balance sheet gap	(347,122,812)	(299,895,055)	179,286,395	(35,990,000)	(503,721,472)
Off balance sheet gap	—	(36,416,333)	—	—	(36,416,333)

	Interest Bearing		Non - Interest Bearing		Total
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	2009
On balance sheet	(Rupees)				
Financial assets					
Long term investment	—	—	-	10,000	10,000
Trade debtors	—	—	271,322,546	—	271,322,546
Loans and advances	—	—	5,203,744	—	5,203,744
Other receivables	—	—	9,522,016	—	9,522,016
Cash and bank balances	16,439,645	—	194,936,991	—	211,376,636
	16,439,645	—	480,985,297	10,000	497,434,942
Off balance sheet	—	—	—	—	—
	16,439,645	—	480,985,297	10,000	497,434,942
Financial liabilities					
Long term finance from financial institutions	134,914,840	486,013,695	—	—	620,928,535
Short term borrowings	276,900,000	—		—	276,900,000
Trade and other payables	—	—	206,608,426	—	206,608,426
Accrued mark-up on finances	—	—	17,854,008	—	17,854,008
	411,814,840	486,013,695	224,462,434	—	1,122,290,969
Off balance sheet					
open letter of credit / guarantee	—	37,916,333	—	—	37,916,333
On balance sheet gap	(395,375,195)	(486,013,695)	256,522,862	10,000	(624,856,028)
Off balance sheet gap	—	(37,916,333)	—	—	(37,916,333)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

31.5 Financial instruments by categories

Amounts in Rupees

As at June 30, 2010 Financial assets as per balance sheet	Asset at fair value through profit and loss	Loans and receivables	Total
Long term investment	—	10,000	10,000
Long term deposits	—	2,971,019	2,971,019
Trade debts	—	391,472,858	391,472,858
Loans and advances	—	16,611,010	16,611,010
Other receivables	—	28,430,559	28,430,559
Cash and bank balances	—	11,019,568	11,019,568
	—	450,515,014	450,515,014

As at June 30, 2010 Financial liabilities as per balance sheet	Financial liabilities at amortized cost
Finances from banks	500,908,191
Short term borrowings	194,109,676
Trade and other payables	214,754,516
Accrued interest / mark-up	13,708,729
	923,481,112

As at June 30, 2009 Assets as per balance sheet	Asset at fair value through profit and loss	Loans and receivables	Total
Long term investment	—	10,000	10,000
Long term deposits	—	3,028,019	3,028,019
Trade debts	—	271,322,546	271,322,546
Loans and advances	—	5,203,744	5,203,744
Other receivables	—	25,696,820	25,696,820
Cash and bank balances	—	211,376,636	211,376,636
	—	516,637,764	516,637,764

As at June 30, 2009 Financial liabilities as per balance sheet	Financial liabilities at amortized cost
Finances from banks	620,928,535
Short term borrowings	276,900,000
Trade and other payables	206,608,426
Accrued interest / mark-up	17,854,008
	1,122,290,969

31.6 Fair value of financial assets and liabilities

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

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect the profit and loss account and equity of the Company.

32 NON - ADJUSTING EVENT AFTER BALANCE SHET DATE

The Board of Directors in its meeting held on October 01, 2010 has proposed a cash dividend of Rs. 2.00 per share amounting to Rs. 524,350 in aggregate for minority shareholder of the Company, for approval of the members at the Annual General Meeting to be held on October 25, 2010. These financial staements do not include the effect of this proposed cash dividend which will be accounted for in the financial statements for the year ending June 30, 2011.

33 DATE OF AUTHORIZATION FOR ISSUE

Theses financial statements were authorized for issue on October 01, 2010 by the Board of Directors of the Company.

34 GENERAL

Figures have been rounded- off to the nearest rupees.

REHAN RAHMAN	**SHABBIR AHMED**
CHIEF EXECUTIVE	DIRECTOR

NAKSHBANDI INDUSTRIES LIMITED

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 my behalf at the **38th Annual General Meeting** of the Company to be held on Monday, October 25, 2010 at 11:30 a.m. and at any adjournement thereof.

Signed this ____________ day of __________ 2010.

Please affix Rs. 5/- Revenue Stamp

Signed ______________________________

WITNESSES:

1. Signature ____________________
   Name ____________________
   Address ____________________
   ____
   NIC or ____________________
   Passport No. ____________________

2. Signature ____________________
   Name ____________________
   Address ____________________
   ____
   NIC or ____________________
   Passport No. ____________________

Note :

1. The proxy order to be valid must be signed across a Five Rupees Revenue Stem 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 prson shall act as proxy unless he is a member of 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 affixxed to the proxy.
5. CDC Shareholders and thrir 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.

Nakshbandi

1888 MILLS

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for Certificate

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CONFIDENCE
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Tested for harmful substances
according to Oeko-Tex Standard 100
Test-No. CAA 24237 TESTEX Zürich