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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Muhammad Ashraf	-	Chairman
	Mr. Muhammad Sohail	-	Chief Executive
	Mr. Shahid Umer		
	Mr. Abdul Aziz		
	Mrs. Parsa Sohail		
	Mrs. Nasreen Ashraf		
	Mr. Abdullah Ghulam Ali	-	N.I.T. Nominee
AUDIT COMMITTEE	Mrs. Parsa Sohail	-	Chairman
	Mrs. Nasreen Ashraf	-	Member
	Mr. Abdul Aziz	-	Member
COMPANY SECRETARY	Mr. Ghulam Akbar		
AUDITORS	Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants		
BANKERS	MCB Bank Limited Askari Commercial Bank Limited Bank Al-Habib Limited Soneri Bank Limited Meezan Bank Limited		
SHARE REGISTRAR	M/s. Yours Secretary Office No. 1020, Uni Plaza, I.I. Chundrigar Road, Karachi.		
HEAD OFFICE	301, Anum Blessing, Near Durty Free Shop, K.C.H.S., Block 7/8, P.E.C.H.S., Karachi.		
FACTORY	C-126, To C-135, H.I.T.E., Hub Balochistan.		
E-MAIL	moonlt@cyber.net.pk		
WEBSITE	www.moonlitepak.com		

VISION & MISSION STATEMENT

VISION

Moonlite to remain market leader in woollen yarn industry by producing quality woollen yarn for customers.

MISSION

A growth oriented company through market leadership in woollen yarn and tufted products dedicated to achieve excellence in performance, aiming and enhancing customer satisfaction.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 40th Annual General Meeting of the Shareholders of **MOONLITE (PAK) LIMITED** will be held at Head Office of the Company 301, Anum Blessing, K.C.H.S., Block 7/8, Near Duty Free Shop Karachi on Wednesday October 27, 2010 at 3.00 P.M. to transact the following business:-

Ordinary Business

1. To confirm the minutes of 39th Annual General Meeting held on October 26, 2009.

2. To receive, consider and adopt the annual audited accounts of the Company for the year ended June 30, 2010 together with the Director's and Auditors reports thereon.

3. To appoint auditors for the year 2010-2011 and fix their remuneration.

Special Business

4. To elect Seven Directors in accordance with the section 178 & 180 of the Companies Ordinance, 1984 for a period of three years. The retiring Directors are:

   1) Mr. Muhammad Ashraf 2) Mr. Muhammad Sohail 3) Mr. Abdul Aziz 4) Mr. Shahid Umer
   5) Mrs. Nasreen Ashraf 6) Mrs. Parsa Sohail 7) Mr. Abdullah Ghulam Ali (N.I.T. Nominee).

General Business

5. To consider any other business with the permission of the Chairman.

On Behalf of the Board

Muhammad Sohail
Chief Executive

Karachi : September 30, 2010

NOTES :

1. The Share Transfer Books of the company will be closed from October 24, 2010 to October 27, 2010 (both days inclusive).

2. A member of the company entitled to attend and vote in meeting may appoint a proxy and vote for him/her. A proxy must be a member of the company and in order to be effective must be received by the company not less than 48 hours before the time of holding the meeting.

3. The number of Directors to be elected shall be seven. Any person who seeks to consent election as Director must file with the Company at its registered office a notice of his intention and offer himself for election. Such notice must be filed with the company not later than 14 days before the date of Annual General Meeting.

4. Members who have not yet submitted copy of their CNIC to the Company are requested to send the same at earliest.

5. The Shareholders are requested to communicate change in their mailing address, if any, immediately to the Share Register.

6. CDC account holders will further have to follow the under-mentioned guidelines as laid down in circular I dated January 26, 2000 issued by the SECP.

   A. For attending the Meeting:

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

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

   B. 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 upload as per the Regulations, shall submit the proxy form as per the above requirement.

      ii. Attested copies of CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.

      iii. The proxy shall produce his original passport at the time of the meeting.

      iv. In case of corporate entity, the Board of Director's 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

On behalf of the Board of Directors I welcome you to the 40th Annual General Meeting of the Company and take pleasure to present the Annual Report together with the Audited Accounts for the year ended June 30, 2010.

1. FINANCIAL HIGHLIGHTS

		2010 RUPEES
	Operating Loss	(39,076,465)
	Other Income	321,930
	Loss Before Taxation	(38,754,535)
Less:	Taxation	
	Current	(478,750)
	Loss After Taxation	(39,233,285)

2. OPERATING RESULTS

2.1 During the period the hand knotted carpet industry remained in crisis, its export declined due to slump in global economic conditions and trend of woollen yarn changed from desi/local wool to imported and hand spun, which declined the Company's woollen yarn sale.

2.2 Due to low demand during the period the production remain under pressure. No of produced units reduced as compared to corresponding period, alternatively fixed cost increased, which is the major reason for gross losses.

2.3 During the period the Company has written down its slow moving inventory stock which increased the cost/losses.

2.4 Earning per share at the year end computes negative Rs.18.17 (2009: negative Rs.13.97) mainly as a result of matter mentioned in 2.1, 2.2 & 2.3 above.

2.5 Pattern of Shareholdings is annexed to the report.

3. DIVIDEND

During the period the Company paid nil dividends to its share holders due to heavy losses.

4. REPLY TO AUDITOR'S QUALIFICATION ON IMPAIRMENT OF FIXED ASSETS

Due to shortage of time the Company was not able to assess its fixed assets from recognized valuer. The management of the Company observes that the written down value of the Company fixed assets is below from market value and there is no impairment on the Company assets. However, the Company will make it sure to arrange assessment from recognized valuer before close of half year review.

5. DIRECTORS

The present Board of Directors will continue to hold the office upto 24th October, 2010.

6. FUTURE OUTLOOK

The management of the Company changed its woolen yarn product line from desi/local to imported and hand spun yarn. The management of the Company hopeful that after introducing new quality of woollen yarn and injection of fresh equity/ interest free loan to the Company, the result of financial improvement will start to come.

7. AUDITORS

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants retire and offer themselves for reappointment as auditors for the ensuing year.

8. CORPORATE GOVERNANCE

The Board has started to regularly review Company's strategic directions. The Board periodically reviews these targets in the light of Company overall objectives and performance. The Company has complied with the provisions of Code of Corporate Governance implemented through listing rules of the Karachi Stock Exchange (Guarantee) Ltd.

The Board is pleased to inform the stakeholders that there has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations. The Board hereby further declares that for the year ended June 30, 2010.

a) the financial statements, prepared by the management of the Company, present fair state of affairs, the result of its operations, cash flow and changes in equity.

b) proper books of account of the Company have been maintained.

c) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

e) the system of internal control has been effectively implemented and is being continuously reviewed.

f) there is no doubt about the Company 's ability to continue as a going concern.

g) Significant variations from last year's operating results are disclosed in notes and future prospects are also disclosed in directors' report.

h) key operating and financial data for last six years in summarised form in annexed to this report.

i) all major government levies in the normal course of business, payable as at 30-06-2010, have been cleared subseq-uent to the year end.

j) there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

k) value of investments in employees' provident funds maintained by trustees based on audited accounts for the year ended June 30, 2010 :-

Staff Provident Fund Investment	Rs. Nil

l) during the year the Board of Directors held four meetings. Attendance of each director are as follows:

Mr. Mohammed Sohail	04
Mr. Mohammed Ashraf	04
Mr. Shahid Umer	04
Mr. Abdul Aziz	04
Mrs.Parsa Sohail	02
Mrs. Nasreen Ashraf	02
Mr. Abdullah Ghulam Ali (N.I.T. Nominee)	04

during the year the audit committee held four meetings. Attendance of each director is as follows:

Mrs. Nasreen Ashraf	04
Mrs. Parsa Sohail	04
Mr. Abdul Aziz	04

9. ACKNOWLEDGMENT

Under the slum economic conditions we appreciate the efforts of our workforce at all levels. The response of our esteemed clients and dealers never let us down despite sluggish market conditions.

On behalf of the Board

Muhammed Sohail
Chief Executive

Karachi: September 30, 2010.

SEVEN YEARS AT A GLANCE

(Rupees in '000)

	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
PROFIT AND LOSS SUMMARY							
Sales	88,003	105,340	104,193	156,863	250,167	292,757	240,375
Processing Income	586	—	—	—	2,826	1,086	1,674
Cost of goods sold	108,755	114,726	105,773	152,387	222,251	244,579	205,855
Financial charges	3,371	2,007	99	4,681	16,393	11,718	8,719
Profit / (Loss) after tax	(39,233)	(30,170)	(19,947)	211,720	(20,082)	4,860	4,256
BALANCE SHEET SUMMARY							
Paid-up capital	21,596	21,596	21,596	21,596	21,596	21,596	21,596
Reserve	399	399	399	399	399	399	399
Unappropriate profit/(loss)	153,837	215,066	223,471	243,418	(22,444)	(5,052)	(9,912)
Long term loans	—	—	—	—	99,324	124,434	150,869
Long term deposits	1,159	1,159	1,156	317	322	332	307
Fixed assets (W.D.V)	90,658	104,254	112,904	82,878	101,706	109,471	48,659
MISCELLANEOUS							
Contribution to national exchequer	—	—	900	1,000	2,500	30,775	35,000
Earning/(loss) per share	(18.17)	(13.97)	(9.24)	98.04	(9.30)	2.25	1.97

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

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes one independent non-executive director and none of the director representing minority shareholders.

2. The directors have confirmed that:

    a. They are not directors in more than ten listed Companies, including this Company;

    b. They have not been convicted by a court of competent jurisdiction as a defaulter in payment;

    c. They and their spouses are not engaged in the business of stock exchange.

3. All the resident working directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to 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.

4. The directors filled up a casual vacancy occurring in the Board on September 01, 2009 within 30 days thereof.

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

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

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for the 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 minuses of the meetings were appropriately recorded and circulated to the members.

9. The Board arranged Nil orientation courses for its directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and head of internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The director's report for this year has been prepared with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has formed an audit committee; it comprises three members, of whom two are non-executive directors including the chairman of the committee.

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

17. The Board has set-up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children of 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 Accountant of Pakistan.

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

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

On behalf of Directors

Muhammad Sohail
(Chief Executive)

Karachi: September 30, 2010

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Moonlite (Pak) Limited** ("the Company"), to comply with the Listing Regulation no. 37 of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

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

Karachi:
Dated : September 30, 2010

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Moonlite (Pak) Limited** (the Company) as at June 30, 2010, the related profit & loss Account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 purpose 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.

Except as discussed in paragraph (a) below, 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 included examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

(a) considering the circumstances faced by the Company disclosed in note 1 to the financial statements and the requirement of the International Accounting Standard – 36 'Impairment of Assets', the carrying values of the items of property, plant and equipment including that of plant and machinery need to reassessed to determine as to whether any impairment losses need to be recognized there-against.

In this respect, we have not been shown to our satisfaction, any formal assessment of the recoverable amounts of the assets including plant and machinery, and therefore, we are unable to determine as to whether any adjustments are required to the carrying values of such assets disclosed in the financial statements.

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

(c) in our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes resulted from initial application of standards, amendments or an interpretation to existing standards disclosed in note 2.3 (a) to the financial statements with which we concur;

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

(iii) the business conducted and the expenditure incurred during the period were in accordance with the objects of the company;

(d) except for the effects of the adjustments that might have been determined to be necessary had we been able to satisfy ourselves as to the matter referred to in paragraph (a) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement 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, of the loss, comprehensive loss and cash flows for the year then ended ; and

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

Without qualifying our opinion, we draw attention to note 1 to the financial statements which indicates that the Company has incurred continuous losses since last 3 years including year 2010 owing to continuous decline in the demand of the Company's products resulting from decline in Pakistan's hand knotted carpet exports and inability to sell its products at prices sufficient to generate a net profit position for the Company. These conditions, along-with other matters as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

Karachi:
Dated : September 30, 2010

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
NON CURRENT ASSETS			
Property, Plant and Equipment	3	**90,658,051**	104,253,737
Long term investment	4	**1,815,000**	1,815,000
Long term deposits	5	**1,159,330**	1,159,330
CURRENT ASSETS			
Stores and spares	6	**1,885,222**	3,413,681
Stock in trade	7	**83,571,153**	108,652,073
Trade debts	8	**28,564,535**	44,967,605
Loans and advances	9	**248834**	945,234
Other receivables	10	**2,219,185**	2,285,052
Cash and bank balances	11	**713,537**	421,257
		117,202,466	160,684,902
		210,834,857	267,912,969
SHARE CAPITAL & RESERVES			
Authorized share capital 4,000,000 (2008 : 4,000,000) Ordinary shares of Rs. 10/- each	12	**40,000,000**	40,000,000
Issued, Subscribed and Paid - up Capital	12	**21,595,860**	21,595,860
Reserve	13	**399,305**	399,305
Unappropriated profits		**153,837,336**	193,070,621
		175,832,501	215,065,786
CURRENT LIABILITIES			
Director's loan	14	**—**	4,716,331
Short term borrowings	15	**15,499,836**	16,499,447
Trade & other payables	16	**18,340,424**	30,902,733
Accrued mark up on short term borrowings		**683,346**	728,672
Taxation		**478,750**	—
		35,002,356	52,847,183
CONTINGENCIES AND COMMITMENTS	17	**—**	—
		210,834,857	267,912,969

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

Chief Executive

Director

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

	Note	2010 Rupees	2009 Rupees
Sales	18	88,003,104	105,339,630
Cost of sales	19	(108,754,518)	(114,726,455)
		(20,751,414)	(9,386,825)
Processing receipt		585,770	—
Gross Profit/(Loss)		(20,165,644)	(9,386,825)
Operating expenses			
Administrative expenses	20	(9,993,000)	(13,913,088)
Distribution cost	21	(5,546,823)	(5,130,974)
Loss from operations		(35,705,467)	(28,430,887)
Financial cost	22	(3,370,998)	(2,007,071)
		(39,076,465)	(30,437,958)
Other income	23	321,930	134,997
Loss before taxation		(38,754,535)	(30,302,961)
Taxation			
- Current	24	(478,750)	—
- Prior		—	132,832
		(478,750)	132,832
Loss after taxation		(39,233,285)	(30,170,129)
Loss per share	25	(18.17)	(13.97)

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

Chief Executive Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) before taxation		**(38,754,535)**	(30,302,961)
Adjustment :			
Depreciation		**6,631,925**	7,929,295
Gain on disposal of operating fixed assets		**(321,930)**	(79,382)
Finance Cost		**3,370,998**	2,007,071
		(29,073,542)	(20,445,977)
Decrease/(Increase) in working capital	27	**31,533,291**	(37,577)
Cash generated from / (used in) operations		**2,459,749**	(20,483,554)
Finance cost paid		**(3,416,324)**	(1,278,398)
Taxes paid		**(312,791)**	(631,728)
Net cash used in operating activities		**(1,269,366)**	(22,393,680)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(1,383,850)**	—
Long term deposits		**—**	(3,500)
Proceeds from disposal of property, plant and equipment		**8,669,531**	800,000
Net cash generated from investing activities		**7,285,681**	796,500
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from/(repayment of) loan from Directors		**(4,716,331)**	4,716,331
Cash dividend paid		**(8,093)**	(187,688)
		(4,724,424)	4,528,643
Increase/(decrease) in cash and cash equivalents during year		**1,291,891**	(17,068,537)
Cash and cash equivalents at the beginning of the year		**(16,078,190)**	990,347
Cash and cash equivalents at the end of the year	28	**(14,786,299)**	(16,078,190)

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

Chief Executive Director

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

	2010 Rupees	2009 Rupees
Loss for the year	**(39,233,285)**	(30,170,129)
Other comprehensive income	**—**	—
Total comprehensive loss for year transferred to equity	**(39,233,285)**	(30,170,129)

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

Chief Executive

Director

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

	Issued Subscribed and paid-up capital	General Reserve	Unappropriated Profitt	Total
	Rupees			
Balance as at July 01, 2008	21,595,860	399,305	223,470,750	245,465,915
Total comprehensive loss for the period	—	—	(30,170,129)	(30,170,129)
Cash dividend for the year to the minority shareholders @ 5%	—	—	(230,000)	(230,000)
Balance as at June 30, 2009	21,595,860	399,305	193,070,621	215,065,786
Total comprehensive loss for the period	—	—	(39,233,285)	(39,233,285)
Balance as at June 30, 2010	21,595,860	399,305	153,837,336	175,832,501

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

Chief Executive Director

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

1. LEGAL STATUS AND OPERATIONS

Moonlite (Pak) Limited ("the Company") was incorporated in Pakistan in April 10, 1964 as a public limited Company under the Companies Act, 1913, (now Companies Ordinance, 1984) and converted into public listed Company in September 1970. The Company is listed on the Karachi Stock Exchange and principally engaged in the business of manufacturing of Woollen Yarn. The manufacturing facility of the Company is located at C-126 to C-135, H.I.T.E, Hub, Balochistan. The registered office of the Company is situated at 301, Annum Blessing, Near Duty Free Shop, K.C.H.S., Block 7/8, Karachi.

The Company has incurred continuous losses since last 3 years including year 2010 owing to continuous decline in the demand of the Company's products resulting from decline in Pakistan's hand knotted carpet exports and inability to sell its products at prices sufficient to generate a net profit position for the Company. The operating cash flows position is also showing a declining trend for the last two years.

These conditions indicate existence of material uncertainty which may cast significant doubt about the ability of the Company to continue on a going concern.

The Board of directors of the Company is of the view that the un-profitability of the Company is due to lesser sales volumes in recent years which resulted in inability to the cover the fixed costs of running the operations of the Company. They are considering various options to revive the operations of the Company to ensure that the Company's operation run smoothly in ensuing year, with good profitability, including the following:

(a) injection of fresh equity/interest free loan to the Company; and

(b) Making of hand-spun yarn.

Further, the Marketing Management of the Company is striving hard to collect fresh orders with favorable prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basisi of preparation

2.1.1 These financial statements have been prepared under the historical cost convention.

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and of the said directives have been followed.

2.1.2 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

		Note
a)	Useful lives and residual values of property, plant and equipment	**2.5**
b)	Current and deferred taxation	**2.4**
c)	Estimation for impairment in respect of trade debtors	
d)	Provision for obsolete inventory	
e)	Provision for slow moving and obsolete stores and spares	

2.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

2.3 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in 2009 and are relevant to the Company

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.

b) 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.

c) 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 analyzed in detail.

2.4 Property, Plant and Equipment

These are stated at cost or revalued amounts less accumulated depreciation and impairment losses, if any, except for Capital work-in-progress which is stated at cost less identified impairment losses, if any. All expenditures incurred, advances made connected to the specific assets, incurred during the installation and construction period, are carried under Capital work-in-progress. These are transferred to specified assets as and when assets are available for intended use. Cost of Property, Plant and Equipment includes expenditure that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the assest's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the entity and the cost can be measured reliably. Cost incurred to replace a component of an item of Property, Plant and Equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

An assets carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Depreciation on all Property, Plant and Equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 11 after taking into account residual value, if any. Depreciation on additions to Property, Plant and Equipment is charged from the quarter in which the assets become available for intended use, While, on disposals, depreciation is charged upto the quarter in which assets is disposed.

Any surplus arising from the revaluation of Property, Plant and Equipment is credited to the surplus on revaluation on Property, Plant and Equipment account. Revaluation is carried out with sufficient regularity in order to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation, charged on the revalued assets, the related surplus on revaluation of Property, Plant and Equipment - net of deferred taxation is transferred directly to equity.

Gains or losses on disposal of an item of Property, Plant and equipment are recognized in the profit and loss account currently.

The assets' residual value and useful life are reviewed at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of residual value of Property, Plant and Equipment as at June 30, 2010 did not require any adjustment as its impact is considered insignificant.

2.5 Stores, spares and loose tools

These are valued by the using of moving average cost method, less impairment loss, if any, other than stores and spares in transit, which are valued at cost comprising invoice value plus other charges paid thereon less impairment loss, if any.

Provision is made in the financial statements for obsolete and slow moving stores and spares on management estimate.

2.6 Stock-in-trade

'These are valued at lower of cost and net realizable value. Cost is determined by applying the following basis.

a.	Raw and packing material	:	at weighted average cost.
b.	Work-in-process	:	at weighted average cost of direct materials, labor and appropriate manufacturing overheads
c.	Finished goods	:	at weighted average manufacturing cost.
d.	Raw material in bonded warehouse	:	at actual cost.
e.	Raw material in transit	:	at actual cost.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management estimate.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation/amortization 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 recognized 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.

2.8 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.

2.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, demand deposits and finances under mark up arrangement. In balance sheet, finances under mark up arrangement are included in current liabilities.

2.10 Financial assets

2.10.1 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 categorized 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.

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

The carrying amount of the Company's non-financial assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.10.2 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 recognized 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 recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized 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 recognized in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognized 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 recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.11 Employee retirement benefits - Defined contribution plan

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 recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized 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.

2.12 Provisions

Provisions are recognized 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.

2.13 Taxation

Income tax expenses comprises of current and deferred tax. Income tax expenses is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years from assessments framed during the years for such years.

Defferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

2.14 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.

2.15 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.

2.16 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.

2.17 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 derecognised when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. After initial recognition financial liabilities are carried at fair value and all other financial liabilities are measured at amortized cost. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently. Financial instruments carried on the balance sheet include investments, long term deposits, trade debts and other receivables, loans and advances, trade deposits, cash and bank balances, borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.18 Offseting of financial assets and liabilities

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

2.19 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted (if any) for on an accrual basis and are included in trade and other payables to the extent of the amount remaining unpaid.

2.20 Trade and other payables

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

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

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognised on the following basis:

- Sales are recorded on dispatch of goods.
- Export rebates are recorded when received.
- Processing income recognized on accrual bases.

2.22 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

2.23 Borrowing costs

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the related Property, Plant and Equipment, acquired and constructed out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to profit and loss account.

2.24 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

	Note	2010 Rupees	2009 Rupees
3. PROPERTY PLANT AND EQUIPMENT			
Operating fixed assets	3.1	**90,658,061**	104,253,737

3.1 PROPERTY, PLANT AND EQUIPMENTS

PARTICULARS	Leasehold land	Factory building on leasehold land	Plant & Machinery	Electric & Gas Fittings	Factory & Office Equipment	Furniture & Fixture	Vehicles	Total
COST								
Balance as at 01 July 2008	–	–	151,191,819	–	3,052,435	817,171	3,269,920	158,331,345
Additions during the year	18,464,158	30,744,552	16,539,419	11,304,893	–	191,600	–	77,244,622
Disposals / transfers	–	–	(3,500,000)	–	–	–	–	(3,500,000)
Balance as at 30 June 2009	18,464,158	30,744,552	164,231,238	11,304,893	3,052,435	1,008,771	3,269,920	232,075,967
Balance as at 01 July 2009	18,464,158	30,744,552	164,231,238	11,304,893	3,052,435	1,008,771	3,269,920	232,075,967
Additions during the year	–	–	–	–	43,850	–	1,340,000	1,383,850
Disposals / transfers	–	–	(53,365,672)	–	–	–	–	(53,365,672)
Balance as at 30 June 2010	**18,464,158**	**30,744,552**	**110,865,566**	**11,304,893**	**3,096,285**	**1,008,771**	**4,609,920**	**180,094,145**
DEPRECIATION								
Balance as at 01 July 2008	–	–	117,450,761	–	2,183,462	714,529	2,323,565	122,672,317
Charge for the year	–	1,537,228	4,955,986	1,130,489	86,897	29,424	189,271	7,929,295
Disposals / transfers	–	–	(2,779,382)	–	–	–	–	(2,779,382)
Balance as at 30 June 2009	–	1,537,228	119,627,365	1,130,489	2,270,359	743,953	2,512,836	127,822,230
Balance as at 01 July 2009	–	1,537,228	119,627,365	1,130,489	2,270,359	743,953	2,512,836	127,822,230
Charge for the year	–	1,460,366	3,625,627	1,017,440	82,593	26,482	419,417	6,631,925
Disposals / transfers	–	–	(45,018,071)	–	–	–	–	(45,018,071)
Balance as at 30 June 2010	**–**	**2,997,594**	**78,234,921**	**2,147,929**	**2,352,952**	**770,435**	**2,932,253**	**89,436,084**
Written down value as at 30 June 2009 Rupees	18,464,158	29,207,324	44,603,873	10,174,404	782,076	264,818	757,084	104,253,738
Written down value as at 30 June 2010 Rupees	**18,464,158**	**27,746,958**	**32,630,645**	**9,156,964**	**743,333**	**238,336**	**1,677,667**	**90,658,061**
Annual rates of depreciation	–	**5%**	**10%**	**10%**	**10%**	**10%**	**20%**	–

		Note	2010 Rupees	2009 Rupees
3.1	**The depreciation charge for the year has been allocated as follows:**			
	Cost of sales	**19**	**6,297,777**	7,744,954
	Administrative expenses	**20**	**194,343**	121,251
	Distribution cost	**21**	**139,805**	63,090
			6,631,925	7,929,295

3.2 Detail of disposal of Property, plant & equipment

Fixed Assets	Cost/ Revalution	Accumulated Depreciation	Carrying Amount	Sales Proceed	Gain / (Loss)	Mode of Disposal	Sold to
	Rs.	Rs.	Rs.	Rs.	Rs.		
Plant & Machinery	53,365,672	45,018,071	8,347,601	8,669,531	321,930	By Negotiation	Fragram traders & Mariana Tra
Rupees - 2010	53,365,672	45,018,071	8,347,601	8,669,531	321,930		
Plant & Machinery	3,500,000	2,779,382	720,618	800,000	79,382	By Negotiation	Mr. A. Razzak
Rupees - 2009	3,500,000	2,779,382	720,618	800,000	79,382		

3.3 The Company did not comply with the requirement of section 195 read with section 160 of the Companies Ordinance, 1984 in respect of above disclosed disposal of plant and machinery to include this matter in the agenda of the annual general meeting specifically. However, this matter was approved by the shareholders in the annual general meeting and communicated later to the Securities and Exchange Commission of Pakistan in April 2010, before entering into the above referred disposal transactions.

	Note	2010 Rupees	2009 Rupees
4. LONG TERM INVESTMENT - Held to maturity			
PLS Term deposit - Soneri Bank Limited		**1,815,000**	1,815,000

4.1 This term deposits have the maturity on 27-02-2013.

4.2 The effective yield on this term deposits is 7 % per annum.

4.3 The Soneri Bank Limited has given a guarantee to Sui Southern Gas Company Limited on behalf of the Company.

	Note	2010 Rupees	2009 Rupees
5. LONG TERM DEPOSITS			
Utilities		**889,005**	889,005
Others		**270,325**	270,325
		1,159,330	1,159,330
6. STORES AND SPARES			
Stores		**146,514**	158,143
Spares	**6.1**	**1,738,708**	3,255,538
		1,885,222	3,413,681

4.3 It includes the write off of spares amounting to Rs.1,427,929/- (2008: Nil).

	Note	2010 Rupees	2009 Rupees
7. Stock-in-trade			
Raw material	7.1	**49,378,355**	63,086,585
Packing material		**304,907**	330,264
Work-in-process		**25,704,004**	24,074,834
Finished goods		**8,183,887**	21,160,390
		83,571,153	108,652,073

7.1 It includes the raw material inventory carried at fair value.

8. Trade debts - unsecured

	Note	2010 Rupees	2009 Rupees
Considered good		**28,564,535**	44,967,605
Considered doubtful		**2,883,113**	4,557,408
		31,447,648	49,525,013
Less:			
Bad debts written-off	8.1	**—**	1,674,295
Provision against doubtful debts	8.1	**2,883,113**	2,883,113
		2,883,113	4,557,408
		28,564,535	44,967,605

8.1 Trade debts includes old outstanding balances of Rs. 2.883 million (2009: 4.557 million). The management of the Company has made Nil provision against doubtful debts (2009: 2.883 million) on prudent basis. Whereas, the Company has written off balance amount of these old outstanding trade debts of some debtors upon receipts of lump-sum payments. The aggregate amount written off during the year amounted to Rs. Nil (2009: 1.674 million).

9. LOANS AND ADVANCES

Considered good

	2010 Rupees	2009 Rupees
Loan to employees	**59,932**	108,932
Advances to suppliers	**163,392**	752,905
Advances to others	**25,510**	83,397
	248,834	945,234

10. OTHER RECEIVABLES

	2010 Rupees	2009 Rupees
Advance income tax	**1,071,052**	758,261
Sales tax refundable	**1,021,082**	1,015,232
Other receivables	**127,051**	511,559
	2,219,185	2,285,052

11. Cash and bank balances

	2010 Rupees	2009 Rupees
Cash in hand	**108,365**	217,281
Cash at banks:		
- Current accounts	**605,172**	203,976
	713,537	421,257

12. SHARE CAPITAL

Authorize share capital

2010	2009		2010	2009
(Number os shares)			Rupees	Rupees
4,000,000	4,000,000	Ordinary shares of Rs.10/- each	**40,000,000**	40,000,000

Issued, Subscribed and paid up capital

1,234,050	1,234,050	Ordinary shares of Rs. 10/- each fully paid in cash	**12,340,500**	12,340,500
925,536	925,536	Ordinary shares of Rs. 10/- each issued as fully paid bonus share	**9,255,360**	9,255,360
2,159,586	2,159,586		**21,595,860**	21,595,860

	Note	2010 Rupees	2009 Rupees
13. RESERVE			
Capital reserve		**399,305**	399,305
14. DIRECTOR'S LOAN	14.1	**—**	4,716,331

14.1 It represents the interest free loan from the director of the Company repayable with in one year.

	Note	2010 Rupees	2009 Rupees
15. SHORT TERM BORROWINGS-SECURED	15.1	**15,499,836**	16,499,447

15.1 Short term borrowings facility is available from Soneri Bank Limited under mark-up arrangement, amounting to Rs.16.5 million (2009: 16.5 million). This facility has maturity date upto 31 December 2010. This arrangement are secured against the first charge of Rs. 30 million on current assets, Rs. 60 million on fixed assets (Land & Building) of the Company including, personal guarantees of directors and outstanding amount to be repaid in full on demand. This short term borrowing facility carries mark-up 6 months KIBOR + 3% per annum (2009: 6 months KIBOR + 3% per annum) calculated on a daily product basis that is payable quarterly.

16. Trade and other payables

	2010 Rupees	2009 Rupees
Trade creditor	11,020,368	20,888,484
Accrued expenses	7,096,269	9,144,662
Workers' welfare fund	29,352	29,352
Unclaimed dividend	150,331	158,424
Provident fund payable	31,974	658,659
Tax deducted at source	—	11,022
Others	12,130	12,130
	18,340,424	**30,902,733**

17. CONTINGENCIES AND COMMITMENTS

Contingencies

Guarantee issued by Soneri Bank Limited on behalf of the Company to Sui Southern Gas Company Limited amounted to Rs.1.815 million (2009 : 1.815 million).

Commitments

In respect of outstanding letter of credit of Rs. NIL (2009 : NIL) established for import of raw material.

		Note	2010 Rupees	2009 Rupees
18.	**SALES**			
	Local sales		**88,003,104**	105,339,630
19.	**COST OF SALES**			
	Raw material and packing material consumed	19.1	**51,593,637**	87,097,799
	Stores and spares consumed	19.2	**2,335,278**	1,646,170
	Fuel, water and power		**4,906,002**	6,196,739
	Salaries, wages and other benefits	19.4	**19,546,620**	19,456,307
	Repairs and maintenance		**1,130,014**	1,252,067
	Write down of inventory to net realizable value	19.3	**11,514,070**	9,913,584
	Insurance		**—**	642,262
	Rent, rates and taxes		**83,787**	496,577
	Depreciation	3.1.1	**6,297,777**	7,744,954
			97,407,185	134,446,459
	Work-in-process			
	Opening		**24,074,834**	19,573,929
	Closing		**(25,704,004)**	(24,074,834)
			(1,629,170)	(4,500,905)
	Cost of goods manufactured		**95,778,015**	129,945,554
	Finished goods			
	Opening		**21,160,390**	5,941,291
	Closing		**(8,183,887)**	(21,160,390)
			12,976,503	(15,219,099)
			108,754,518	114,726,455

19.1 Raw and packing material consumed

	Raw Materials Rupees	Packing Materials Rupees	2010 Rupees	2009 Rupees
Opening stock	63,086,585	330,264	**63,416,849**	75,934,283
Add: Purchases	55,734,292	479,063	**56,213,355**	84,493,949
	118,820,877	809,327	**119,630,204**	160,428,232
Less: Cost of raw material sale	(6,839,235)	—	**(6,839,235)**	(9,913,584)
Cost of raw material available for use	111,981,642	809,327	**112,790,969**	150,514,648
Closing stock	(60,892,425)	(304,907)	**(61,197,332)**	(63,416,849)
	51,089,217	504,420	**51,593,637**	87,097,799

19.2 Stores and spares consumed

	2010 Rupees	2009 Rupees
Opening stores and spares	**3,413,681**	3,456,098
Add: stores and spares purchases	**806,819**	1,603,753
	4,220,500	5,059,851
Closing stores and spares	**(1,885,222)**	(3,413,681)
Stores and spares consumed	**2,335,278**	1,646,170

19.3 It includes the cost of inventory being written down during the year.

19.4 Salaries, wages and benefits include Rs.125,005/- (2009: Rs.131,777/-) on account of defined provided fund contribution.

		Note	2010 Rupees	2009 Rupees
20.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration	**26**	**3,242,000**	3,245,000
	Salaries and other benefits	**20.1**	**3,848,090**	3,922,936
	Traveling and vehicles running		**750,864**	1,463,685
	Repair and maintenance		**82,069**	154,758
	Postage, telegram, telephone and telex		**338,734**	422,353
	Printing and stationery		**16,429**	162,331
	Entertainment		**203,238**	282,637
	Electricity, gas & water		**52,184**	59,775
	Fees and subscription		**242,115**	303,510
	Newspaper and periodicals		**3,331**	38,767
	Provision for doubtful debts	**8.1**	**—**	3,000,000
	General expenses		**587,603**	319,585
	Legal & professional		**122,000**	159,500
	Auditors' remuneration	**20.2**	**310,000**	257,000
	Depreciation	**3.1.1**	**194,343**	121,251
			9,993,000	13,913,088

20.1 Salaries and benefits include Rs. 162,551/- (2009: Rs.188,920/-) on account of defined provided fund contribution.

20.2 Auditors' Remuneration

	2010 Rupees	2009 Rupees
- Statutory audit	**250,000**	200,000
- Half yearly review & certification charges	**50,000**	50,000
- Out of Pocket expenses	**10,000**	7,000
	310,000	257,000

		Note	2010 Rupees	2009 Rupees
21.	**DISTRIBUTION COST**			
	Salaries and other benefits	**21.1**	**1,124,852**	893,532
	Handling, storage and transportation		**2,959,966**	2,809,406
	Postage, telegram and telephone		**138,972**	162,338
	Rent, rates and taxes		**214,206**	226,820
	Depreciation	**3.1.1**	**139,805**	63,090
	Security services		**969,022**	975,788
			5,546,823	5,130,974

21.1 Salaries and benefits includes Rs.26,990/- (2009: Rs.26,988) on account of defined provided fund contribution.

		Note	2010 Rupees	2009 Rupees
22	**Finance costs**			
	- On finance under mark up arrangement		**2,788,494**	1,900,872
	- Bank charges		**582,504**	106,199
			3,370,998	2,007,071
23	**Other income**			
	Gain on disposal of fixed assets	**3.2**	**321,930**	79,382
	Loss on disposal of poly jersey		**—**	(71,435)
	Interest income		**—**	127,050
			321,930	134,997

24. TAXATION

Current

24.1 The tax assessment of the Company have been finalized upto and including the tax year 2009. The Company has assessed tax losses amounting to Rs.123.149 million (2009: 85.37 million) are available to the Company.

24.2 In view of the section 113 of Income Tax Ordinance, 2001 through Finance Act, 2009, due to tax losses the Company made a provision for minimum turnover tax @ 0.5% for current tax.

24.3 The reconciliation between the average effective tax rate and the application tax rate is not presented here for current year in view of no provision for current tax in these financial statements. Similarly, in corresponding year 2008, this reconciliation has also not been presented in view of Company was liable to pay minimum tax. Therefore, no numerical tax reconciliation is prepared.

Deferred

24.4 There is no deferred tax liability of the Company as at June 30, 2010 (2009: NIL) as Company's unused tax losses Rs. **123.149** million (2009: Rs. 85.370 million) are higher than deferred credit against accelerated tax depreciation adjusted by deferred debits in respect of other assets and liabilities. The remaining loss is not recognized as their utilization against future taxable profit is not presently ascertainable.

25. LOSS PER SHARE - BASIC & DILUTED

25.1 Basic (loss) per share

	Note	2010 Rupees	2009 Rupees
(Loss) after taxation	*Rupees*	**(39,233,285)**	(30,170,129)
Weighted average number of ordinary shares	*Numbers*	**2,159,586**	2,159,586
(Loss) per share - Basic and diluted	*Rupees*	**(18.17)**	(13.97)

25.2 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2010 and 30 June 2009 which would have any effect on the earnings per share if the option to convert is exercised.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVE

Particulars	Chief Executive		Directors		Executive		Total	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Managerial Remuneration	**1,080,000**	1,080,000	**2,162,000**	2,165,000	**1,436,000**	1,440,000	**4,678,000**	4,685,000
Contribution to provident fund	—	—	—	—	**78,655**	86,447	**78,655**	86,447
Other perquisites and benefits	**58,965**	59,850	**289,610**	290,120	**42,000**	36,500	**390,575**	386,470
	1,138,965	1,139,850	**2,451,610**	2,455,120	**1,556,655**	1,562,947	**5,147,230**	5,157,917
Number	**1**	1	**3**	3	**1**	1	**5**	5

27. CHANGES IN WORKING CAPITAL

	2010 Rupees	2009 Rupees
(Increase) / decrease in current assets		
Stores and spares	**1,528,459**	42,417
Stock in trade	**25,080,920**	(7,202,570)
Trade debts	**16,403,070**	(9,724,078)
Loans and advances	**696,400**	2,987,022
Other receivables	**378,658**	447,600
	44,087,507	(13,449,609)
Increase / (decrease) in current liabilities		
Trade & other payable	**(12,554,216)**	13,412,032
	31,533,291	(37,577)

28. CASH AND CASH EQUIVALENTS

	2010 Rupees	2009 Rupees
Cash and bank balances	**713,537**	421,257
Running finance under mark up arrangement	**(15,499,836)**	(16,499,447)
	(14,786,299)	(16,078,190)

29. TRANSACTIONS WITH RELATED PARTY

Parties are considered to be related if one party has the ability to control the other party a exercise of significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and 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 are in accordance with staff service rules.

Details of transactions with related parties are as follows:	**2010 Rupees**	**2009 Rupees**
Transactions during the year		
Contribution to staff provident fund	**314,546**	347,685
Payable as on balance sheet date with:		
Employees' provident fund trust	**31,974**	658,659

The remunerations of Chief Executive, Directors and Executives are disclosed in Note 28 to theses financial statements.

30. FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note present information about the Company's exposure to each of the above risks, the Company's objectives, policies & processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosure are included throughout these financial statements.

The Board of Directors has overall responsibility of the establishment and oversight of the Company's risks Management framework. The Board is responsible developing and monitoring the Company's risk management policies.

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.

30.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of trade debts of Rs. 44.967 million (2007: 35.244 million) as disclosed in note 16 to these financial statements. To manage exposure to credit risk, the Company applies credit limits, maintains procedures covering the application for credit approvals, deal with credit worthy parties, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposure are categorized under the following headings:

30.1.1 Counterparties

The Company conducts transaction with the following major types of counterparties:

Trade debts

Trade debts of the Company comprise due from Woollen Yarn, Fabrics and Bed Sheets parties. Due to slum economic activity / condition and current financial crunch, the Company has extended the credit period for its regular Woolen Yarn parties from 90 days to 180 days. Due to the Company's long standing business relationships with these counterparties and giving due consideration to their financial standing, management of the Company does not expect non performance by these counter parties on their obligation to the Company. Majority sales of the Company's to the customers are made on 90 days credit terms during the year. The Company makes full provision against those balances considered doubtful, as disclosed in the note 16 to these financial statements.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. This allowance is based on the management's assessment of a specific loss component that relates to individually significant exposures.

Banks

The Company limits its exposure to credit risk by maintaining bank accounts only with counterparties that have a satisfactory credit rating upon this management does not expect any counterparty to fail to meet its obligations.

30.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2010 Rupees	2009 Rupees
Long term investments		**1,815,000**	1,815,000
Long term deposits		**1,159,330**	1,159,330
Trade debts		**28,564,535**	44,967,605
Loans and advances		**248,834**	945,234
Other receivables		**127,051**	511,559
Bank balances		**713,537**	421,257
		32,628,287	49,819,985

The maximum exposure to credit risk for trade debts at the reporting date by type of product was:

	2010 Rupees	2009 Rupees
Woollen Yarn	**21,323,335**	33,906,277
Bed spreads, fabrics & others	**7,241,200**	11,061,328
	28,564,535	44,967,605

30.1.2 Impairment Losses

The aging of trade debts at the reporting date was:

	2010		2009	
	Gross Value Rupees	Impaired Rupees	Gross Value Rupees	Impaired Rupees
Net Past Due	**20,158,535**	**—**	28,906,277	—
Past due upto 180-365 days	**724,351**	**—**	866,170	—
Over 1 years	**7,681,649**	**(4,557,408)**	19,752,566	(4,557,408)
	28,564,535	**(4,557,408)**	49,525,013	(4,557,408)

The Company believes that no impairment allowance is necessary in respect of trade debts past due other than of amount provided. The Company is actively pursuing for recovery of debts and the Company does not expect these parties to fail to meet their obligations.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage the liquidity, through the effective cash management and planning policy, 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.

The following are the contractual maturity of financial liabilities of the Company, including estimated interest payments are as follows:

	Carrying Value	Contractual Cash flows	Upto one year	More than one year
	Rupees	Rupees	Rupees	Rupees
Directors loan	**—**	**—**	**—**	**—**
Short term borrowings	**15,499,836**	**15,499,836**	**15,499,836**	**—**
Trade and other payables	**18,340,424**	**18,340,424**	**18,340,424**	**—**
Accrued mark up	**728,672**	**728,672**	**728,672**	**—**
June 30, 2010	**34,568,932**	**34,568,932**	**34,568,932**	**—**
Directors loan	4,716,331	—	—	—
Short term borrowings	16,499,447	—	—	—
Trade and other payables	30,902,733	30,902,733	30,902,733	—
June 30, 2009	52,118,511	30,902,733	30,902,733	—

30.3 Market risk

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

30.3.1 Foreign currency risk management

PKR is the functional currency of the Company as a result currency exposures arise from transactions and balances in currencies other than PKR. Currently, the Company is potentially exposed to foreign currency risk exposures on account of import of raw material "Wool", which is mitigated through the efficient handling of import transactions that is made from Dubai, U.A.E and New Zealand. The related exposure of foreign currency denominated in currencies other than functional currency of the Company are periodically restated to PKR equivalents, and the associated gain or loss, if any, is taken to the profit and loss account. The foreign currency risk related to monetary items is managed through as part of the risk management strategy.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

Trade and other payable (in US Dollars)	—	144,105

In respect of commitments outstanding letter of credit of Rs. NIL (2009: NIL) established for import of raw material.

The following significant exchange rates applied during the year.

	Average Rate		Balance Sheet date rate	
	2010	2009	2010	2009
USD 1	**84.00**	79.73	**85.50**	81.41

Foreign currency sensitivity analysis

The table summarizes the financial assets / liabilities as of 30 June 2010 and 2009 that are subject to foreign currency risk and shows the estimated changes in the value of financial assets (and the resulting change in profit and loss account and equity) assuming changes in the underlying exchange rates applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular interest rate, remain constant.

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

	Weakening of the PKR by				Strenghtening of the PKR by		
	-20%	-10%	-5%	0%	+5%	+10%	+20%
June 2010 (Rupees in '000)	**12,934**	**13,550**	**14,782**	—	**14,782**	**13,550**	**12,934**
June 2009 (Rupees in '000)	12,318	12,905	14,078	—	14,078	12,905	12,318

30.3.2 Interest rate risk management

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

	2010	2009	2010	2009
Fixed rate instruments	%		(Rupees '000)	
Long term investments-Held to maturity	7%	7%	1,815,000	1,815,000
Variable rate instruments				
Short term borrowings	16% to 18%		15,499,836	16,499,447
			17,314,836	18,314,447

Sensitivity analysis of interest rate risk

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

A change of 100 basis points in interest rate would have had increased loss by Rs. 155,000 (2009: Rs.165,000).

30.4 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investors and creditors confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns to the shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost 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 shareholders. There were no changes in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 30, 2010 by the Board of Directors of the Company.

33. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. However, no significant re-arrangement or re-classification has been made in these financial statements.

34. GENERAL

Figures have been rounded off to the nearest Pak. rupee.

Chief Executive　　　　　　　　　　　　　　　　Director

PATTERN OF SHAREHOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON JUNE 30, 2010

SIZE OF HOLDING OF SHARES

NUMBER OF SHARE HOLDERS	FROM		TO	TOTAL SHARES HELD
1,998	1	-	100	61,215
189	101	-	500	37,376
17	501	-	1000	12,553
21	1001	-	5000	43,391
1	15001	-	20000	17,325
4	30001	-	35000	127,242
1	45001	-	50000	48,500
2	115001	-	120000	234,429
1	120001	-	125000	123,793
3	125001	-	130000	381,288
2	130001	-	135000	263,393
1	145001	-	150000	147,687
1	185001	-	190000	189,829
1	230001	-	235000	234,318
1	235001	-	240000	237,247
2,243				2,159,586

S. NO.	CATEGORIES OF SHAREHOLDERS	NUMBERS	SHARES HELD	PERCENTAGE %
1.	Individual	2,236	1,920,769	88.94
2.	Investment Companies	—	—	—
3.	Insurance Companies	—	—	—
4.	Joint Stock Companies	4	679	0.03
5.	Financial Institutions	6	236,913	10.97
6.	Modaraba Companies	—	—	—
7.	Others	1	1,225	0.06
		2,243	2,159,586	100.00

* Administrator Abandoned Properties Government of Pakistan.

DISCLOSURE TO PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2010

S. No.	CATAGORIES	NUMBER OF SHARES HELD	PERCENTAGE
1.	**National Investment (Unit) Trust**	236,929	10.97
2.	**Directors, CEO and their spouse and minor children**		
	Mr. M. Sohail Umer	237,247	10.99
	Mr. Ashraf T. Ismail	133,282	6.17
	Mr. Shahid Umer	234,318	10.85
	Mr. Abdul Aziz	147,687	6.84
	Mrs. Parsa Sohail	128,443	5.95
	Mrs. Nasreen Ashraf	130,111	6.02
	Mrs. Afshan Shahid	123,793	5.73
	Mrs. Quratul-Ain-Aziz	127,125	5.89
		1,262,006	58.44
3.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, modarabas and Mutual Funds:**		
	M/s. A.Sattar Mottiwala Securities (Pvt) Ltd.	150	0.01
	M/s. Sarfraz Mehmood (Pvt) Ltd.	17	0.00
	M/s. Capital Vision Securities (Pvt) Ltd.	500	0.02
	M/s. ZHV Securities (Pvt) Ltd.	100	0.00
	M/s. Durvesh Securities (Pvt) Ltd.	85	0.00
		852	0.04
4.	**Government Department**		
	Administrator Abandoned	1,225	0.06
	Individuals (2,228)	658,574	30.50
	GRAND TOTAL	**2,159,586**	**100.00**