

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN/CHIEF EXECUTIVE DIRECTORS

MR. MOHAMMAD ARSHAD CHAUDHRY
 MR. KAMRAN ARSHAD
 MR. MOHAMMAD TARIQ
 MR. RIZWAN ARSHAD
 MRS. AZRA YASMIN
 MISS. FAREEHA ARSHAD
 MISS. WAJEEHA ARSHAD

COMPANY SECRETARY

MR. NAUMAN IQBAL, ACA

AUDIT COMMITTEE

MR. MOHAMMAD TARIQ	Chairman
MR. KAMRAN ARSHAD	Member
MISS. FAREEHA ARSHAD	Member

CHIEF FINANCIAL OFFICER

MR. ABID RAFI

INTERNAL AUDITOR

MR. RAO SADAT ALI

AUDITORS

M/S. QADEER & CO.,
 Chartered Accountants
 Lahore

LEGAL ADVISOR

M/s. ZAFAR, IQBAL & RAJA
 Advocates & Legal Consultants

BANKERS

UNITED BANK LIMITED
 HABIB BANK LIMITED

REGISTERED OFFICER

8-C, Block E-III,
 GULBERG - III, LAHORE - 54660
 FAX: (042) 35764032
 EMAIL: info@ghazifabrics.com
 WEBSITE: www.ghazifabrics.com

MILLS

46-K.M. MULTAN ROAD,
 BHAIPHERU,
 DISTT. KASUR.



VISION STATEMENT

A modern dynamic industrial unit, which is a true model of socially responsible and professionally managed successful business enterprise.

MISSION STATEMENT

Ghazi Fabric International Ltd., strives to excel in the global competitive environment as the most progressive and quality-oriented company in terms of industry benchmarks, profitability and stake holders interest.

To realize our mission, we firmly believe in continuous process of balancing, modernization and replacement of our technology; commitment in developing innovative products, services and human resources; and the betterment of all those involved directly or indirectly with the company.



STATEMENT OF ETHICS AND BUSINESS PRACTICES

It is a strong belief of the management of the Company that a clear vision, a positive mission and fully spelled out code of ethics and business practices is a pre-requisite to good corporate governance.

Therefore, the Company in addition to the adherence of its mission statement shall observe the compliance of the following codes of ethics and best business practices.

I. ETHICS

Discipline

It shall be the joint and several responsibility of management and every employee of the company to maintain the discipline in the Company.

Coordination among staff

The management shall provide a conducive environment for the effective coordination among the members of the staff and management.

Conflict of interest

Management and employees of the Company are hereby committed not to engage in any activity which is against the interest of the Company. Staff members shall not conduct any personal business in the Company premises and with the use of facilities provided by the Company for official use. If any employee has a direct or indirect relationship with any organization dealing with the Company he should disclose it immediately to the Company.

Confidentiality

Management and employees of the Company are hereby committed to the confidentiality of the business information to the outsider of the Company unless it is required by a competent authority having jurisdiction to the affairs of the Company. Even if they leave the Company shall not loose the confidentiality of Company secrets.

Kick Backs/ Undue favour or unwarranted gifts

Neither employees nor member of the board of directors shall accept any personal gift, favour or kick backs from any organization dealing with the Company. In case this favour is considered to be for the purpose of the Company the same should be disclosed to the management of the Company immediately.

2. BUSINESS PRACTICES

Environment

i) Pollution free environment

The Company shall not engage in any business or production process, which does not meet the international standards of environment protection.

ii) Drugs free environment

The use of drugs shall be strictly banned in the premises of the Company and employment should not be given to any person apparently engaged in the trafficking of drugs or appears to be an addict of drugs.

Health and safety

Health and safety of all the staff and employees particularly and of the society in general is a great concern



for the management of the Company and therefore the management of the Company shall take every measure to protect the health and safety of its employees.

Commitment

A bi-lateral commitment with the employees, management, shareholders, suppliers and customers shall be of prime importance in every instance. All the management and employee the Company shall not make any commitment, the compliance of which is beyond their control and it they commit, every effort shall be made to fulfill the commitment.

Financial discipline and books of accounts

Compliance with all the approved accounting standards applicable in Pakistan and requirements of the Companies Ordinance 1984, rules and procedures shall be followed at all time. All transactions if duly authorized shall be properly and fully recorded. All the payments made shall be for the purpose of the business of the Company. Books of accounts shall reflect a true and fair position of all the assets, liabilities and funds. Company shall not maintain the integrity and reputation of the Company.

Relationship with Govt. Officials, Suppliers, Customers and Agents

Only the concerned and knowledgeable members of the relevant field of the Company shall conduct dealing with Govt. officials, suppliers, customers and agents. The dealing members shall always maintain the integrity and reputation of the Company.

Training

Training of the employees shall be an important part of business practices. The management shall take steps that training of every employee is ensured from his joining to the retirement.

Child / forced labour

Policy of the Company is not to employ child labour or forced labour directly or indirectly.

Equality policy

There is absolutely no discrimination in the Company on the basis of race, caste, national origin, religion, disability, gender or political affiliation. Corporal punishment, mental or physical coercion and verbal abuse of workers is strictly forbidden.

The management of the Company shall ensure implementation of these codes, regular monitoring, review for modification/ amendment where necessary.



NOTICE OF 20TH ANNUAL GENERAL MEETING.

NOTICE is hereby given that the 20th Annual General Meeting of the Shareholders of **GHAZI FABRICS INTERNATIONAL LTD.** will be held on Saturday the 24th October, 2008 at 10:30 a.m. at Qasr-e-Noor, 9-E-2, Gulberg-III, Lahore to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of 19th Annual General Meeting of the members of the Company held on Monday the 27th October, 2008.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2009 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2010. The present auditors M/s. Qadeer & Co., Chartered Accountants, retire and being eligible has offered themselves for reappointment.
4. To transact any other ordinary business with the permission of the Chair.

By order of the Board

LAHORE:
October 02, 2009.

NAUMAN IQBAL, ACA
Company Secretary

NOTES:-

- I. Share Transfer Books of the Company will remain closed from 17th October, 2009 to 24th October, 2009 (both days inclusive).
- II. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her. Proxy Forms must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.
- III. Shareholders whose shares are deposited with CDC must bring their Original Computerised National Identity Card or Passport alongwith Participant's ID number and their account number at the time of attending the meeting to prove identity and in case of proxy must enclose an attested copy of CNIC. Representatives of Corporate Members should bring the usual documents required for this purpose.
- IV. Shareholders are requested to notify the change in their addresses, if any, immediately.



DIRECTORS' REPORT

The Board of directors are pleased to present the annual report of the Company alongwith the audited financial statements for the year ended June 30, 2009. In compliance with the Code of Corporate Governance, these financial statements are have been endorsed by the Chief Executive Officer and Chief Financial Officer of the Company, recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

Overall market scenario and future outlook

The year under review presented unprecedented challenges. The global economic meltdown resulted in deteriorating trade and worsening financial environment followed by unprecedented international financial crises. On the domestic front financial markets remain illiquid as a result of macroeconomic imbalance. The rupee devalued by more than 30% during the year. Interest rates also increase by more than 60 % with lending rates crossing 18%. Inflation remains around 25%. Oil prices touched a level of \$147/ barrel, and as the government started passing energy costs on the consumers, the impact of the inflation was compounded, and last but not the least energy shortage added more to the gravity of the situation. All of these factors made the trading and business environment very volatile and extremely difficult. All the major economic sectors, including agriculture, manufacturing and investment showed poor performance and the economy grew not only less than budgeted but the growth was even lower than last year.

Financial highlights

	2009	2008
	Rupees in thousands	
Sales	3,061,957	2,894,539
Operating profit/ (loss)	54,551	(44,962)
Financial charges	(161,632)	(106,535)
Loss before tax	(130,636)	(161,723)
Loss after tax	(153,967)	(184,251)
Earning per share (EPS) Rs.	(4.72)	(5.65)

Your Company has posted a after tax loss of Rs. 153.967 million as compared to a loss of Rs. 184.251 million last year. On account of accumulated losses, the Company has not declared any dividend.

While the aforementioned challenging and volatile business conditions had an impact on our performance, operating performance of the business depicted a positive sign as compared to last year and we are optimistic going forward as the Company's operations keeps on improving.

However, the increase in financial costs, energy shortfall and rapid rupee devaluation were the major shocks for the Company. The trading conditions remain challenging and volatile for 2009.

Future prospects

With global pricing remain under pressure for the foreseeable future, our challenge remains to maintain pricing and margins.

We remain hopeful of the improving macro and micro economic situation of the country. This will create stable business environment and management of your company is striving hard to make a quick turn around in the operational results by taking serious steps to optimize its processes and develop a stronger and more loyal



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Financial highlights

Sr. #	Particulars	Total number of meetings held	Total number of meeting attended
1.	Mr. Mohammad Arshad Chaudhry	5	5
2.	Mr. Mohammad Tariq	5	4
3.	Mr. Kamran Arshad	5	5
4.	Mr. Rizwan Arshad	5	5
5.	Mrs. Azra Yasmin	5	5
6.	Miss Fareeha Arshad	5	5
7.	Miss Wajeeha Arshad	5	5

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Related parties

The transactions between the related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the stock exchanges in Pakistan.

Corporate governance

Your Company complies with the requirements of best practices of Code of Corporate Governance. In order to protect and enhance the long term value of shareholders the Board is responsible for the overall corporate governance of the Company including approving strategic policies and decisions, capital expenditures, appointing, removing and creating succession policies. In compliance with the Code of Corporate Governance following statements are given for corporate reporting frame work:

1. Financial statements prepared by the management represent fairly and accurately Company's state of affairs, results of its operations, cash flows, and changes in equity,
2. Proper books of accounts have been maintained,
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements.
5. System of internal control is sound in design, has been effectively implemented and being monitored continuously. On-going review will continue in future for further improvements in controls.
6. The Company has sound potentials to continue as going concern.
7. Keeping in view the accumulated losses the Company is not declaring dividend.
8. Financial highlights for the last six years are annexed
9. There has been no material departure from best practices of corporate governance.

For and on behalf of the Board

Lahore

September 19, 2009

(Mohammad Arshad Chaudhry)

Chief Executive



FORM – 34
THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2009

NUMBER OF SHAREHOLDERS	HOLDINGS		TOTAL SHARES HELD
	FROM	TO	
594	1	100	58,676
4,015	101	500	1,832,244
351	501	1,000	343,288
303	1,001	5,000	757,922
50	5,001	10,000	390,500
14	10,001	15,000	177,970
10	15,001	20,000	180,200
3	20,001	25,000	71,700
3	25,001	30,000	85,100
2	30,001	35,000	68,500
1	35,001	40,000	35,500
1	40,001	45,000	43,400
1	65,001	70,000	68,000
1	95,001	100,000	100,000
1	105,001	110,000	106,000
1	120,001	125,000	124,500
1	145,001	150,000	150,000
1	300,001	305,000	301,400
1	875,001	880,000	877,200
1	885,001	890,000	886,500
2	3,220,001	3,225,000	6,447,000
1	3,225,001	3,230,000	3,230,000
1	16,295,001	16,300,000	16,300,000
5,359			32,635,600



CATEGORIES OF SHAREHOLDING

Sr. #	Category	Name	No. of Shareholders	No. of Shares held	Percentage
1	Individuals	--	5317	15,978,000	48.96
2	ICP	Investment Corp. of Pakistan	1	15,900	0.05
3	Chief Executive Officer	Mr. Mohammad Arshad Chaudhry	1	16,300,000	49.95
4	Director	Mrs. Azra Yasmin	1	1,000	0.00
5	-do-	Mr. Kamran Arshad	1	1,000	0.00
6	-do-	Mr. Mohammad Tariq	1	1,000	0.00
7	-do-	Miss. Fareeha Arshad	1	1,000	0.00
8	-do-	Miss. Wajeeha Arshad	1	500	0.00
9	-do-	Mr. Rizwan Arshad	1	1,000	0.00
10	Public sector companies	(Joint Stock Companies)	27	181,300	0.56
11	Non banking financial institution	(Investment Banks)	4	27,600	0.08
12	Insurance companies		1	124,500	0.38
13	Modarabas		2	2,800	0.01
			5,359	32,635,600	100.00

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY

Name of the shareholder	No. of shares	Percentage
Mr. Mohammad Arshad Chaudhry	16,300,000	49.95
	16,300,000	49.95



SUMMARY OF LAST SIX YEARS FINANCIAL RESULTS

Description	2009	2008	2007	2006	2005	2004
Operating performance						
<i>Rupees in '000'</i>						
Sales - net	3,061,957	2,894,539	2,758,729	2,423,485	1,690,006	2,060,539
Cost of sales	2,888,225	2,828,777	2,709,747	2,236,963	1,636,404	2,003,935
Gross profit	173,733	65,762	48,982	186,522	53,602	56,604
Operating profit	54,551	(44,962)	(54,524)	80,087	(31,140)	(7,785)
Profit after tax	(153,997)	(184,252)	(183,249)	6,595	(102,722)	(67,830)
Financial position						
<i>Rupees in '000'</i>						
Property, plant and equipment-net	1,530,188	1,581,353	1,683,150	1,781,739	1,593,238	1,249,699
Capital work in progress		69,082	37,809	54,594	77,963	296,550
Fixed assets	1,530,188	1,650,435	1,720,959	1,836,333	1,671,201	1,546,249
Current assets						
Stores, spares and loose tools	53,855	34,702	29,555	27,707	25,558	20,615
Stocks in trade	733,463	582,302	359,710	343,524	179,517	299,435
Other current assets	216,792	172,939	188,388	127,710	175,230	189,992
Cash and cash equivalent	3,544	2,902	3,878	4,593	14,898	6,013
	1,007,654	792,844	581,531	503,534	395,203	516,055
Current liabilities						
Short term borrowings	859,276	757,793	296,618	208,028	99,523	292,763
Current portion of long term loans	136,335	249,466	285,716	194,583	151,250	52,500
Other current liabilities	181,422	152,257	128,335	112,115	134,496	166,151
Net working capital	1,177,032	1,159,516	710,669	514,726	385,269	511,414
	(169,379)	(366,672)	(129,138)	(11,192)	9,934	4,641
Long term loans	1,300,545	1,115,587	1,224,759	1,229,207	1,020,427	821,889



STATEMENT OF VALUE ADDITION

	2009	2008
Value Added		
<i>Rupees</i>		
Sales	3,093,333,451	2,923,578,550
Less: Manufacturing, Administration and General Expenses	2,693,847,619	2,643,505,165
	399,485,832	280,073,385
Other Income	1,601,946	5,232,405
Total Value Added	401,087,778	285,305,790
Distribution		
Employees:		
Salaries and wages	226,565,265	188,466,970
Government:		
Corporate Tax	23,330,453	22,528,354
Development surcharge	2,748,192	2,709,883
	26,078,645	25,238,237
Lenders:		
Markup on Loans	153,371,690	99,109,299
Retained In Business:		
Depreciation	149,038,799	156,742,856
P/L Before Tax	(153,966,621)	(184,251,572)
	(4,927,822)	(27,508,716)
Total Value Added	401,087,778	285,305,790
Distribution		
Employees	56.49%	66.06%
Government	6.50%	8.85%
Lenders	38.24%	34.74%
Depreciation	37.16%	54.94%
Retained in business	-38.39%	-64.58%
	100.00%	100.00%



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed with the best practices of corporate governance.

The Company has applied the principle contained in the Code of Corporate Governance in the following manner:

1. The Company encourages the representation of independent directors, non-executive directors and directors elected from minority interest, at present board consists of one chief executive and one unpaid whole time director assisting the chief executive and five non executive directors. However, there are expectations of independent directors coming on the board in the next election of directors.
2. No director of GFIL is on the Board of Directors of more than ten companies.
3. There has been no casual vacancy in the Board during the year 2009.
4. All the directors of the Company are regular tax payers and none of them has ever defaulted in payment of any loan to any banking company, development financial institution or non-banking financial institution. None of the directors of the Company is a member of the Stock Exchanges on which shares of the Company are traded.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Company.
6. The Company has adopted vision/ mission statement and overall corporate strategy. A complete record of all the significant policies approved and adopted has been maintained.
7. All the powers of the Board have been exercised by the board especially approval of material transactions, appointment and the terms and conditions of the employment of CEO, Executive Director, CFO, Company Secretary and other executives of the Company.
8. All the meetings of the board were presided over by the chairman and the board met at least once in every quarter. Written notice of the board meeting along-with agenda and working papers were issued at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The directors are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations.
10. No new appointment of Chief Financial Officer or Head of Internal Audit has been made during the year, except for the Company Secretary. However, the Board has approved their annual remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
11. The Directors' report has been prepared in compliance with the requirement of Code of Corporate Governance and all the salient matters required to be disclosed has been spelled out properly.
12. The financial statements of the Company were duly endorsed by CEO and CFO before the approval of the Board.



13. The directors, CEO and other executive of the Company do not hold any interest in the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting framework requirements.
15. The Company has formed an audit committee. It comprises three members. Two of them 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 the approval 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 setup an effective internal audit function headed by a whole time suitably qualified person.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
20. We confirm that all the material principles contained in the code have been complied with.

For and on behalf of the Board

(Mohammad Arshad Chaudhry)
Chief Executive

Lahore
September 19, 2009



AUDITORS' REVIEW REPORT TO THE MEMBERS
On Statement of Compliance with the Best Practices of the Code of
Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009 prepared by the Board of Directors of **Ghazi Fabrics International Limited** ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

Lahore
September 19, 2009

QADEER AND COMPANY
CHARTERED ACCOUNTANTS

FINANCIAL STATEMENTS

**AUDITOR'S REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of **Ghazi Fabrics International Limited** ("the Company") as at June 30, 2009 and the related Profit and Loss Account, Cash Flow Statement and Statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and statement of changes in equity together with the notes forming part thereof, conform with the 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, 2009 and of the loss, cash flow and changes in equity for the per year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore
September 19, 2009

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
Nawaz Khan


BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009	2008
		Rupees	
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
40,000,000 (2008: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	4	326,356,000	326,356,000
Accumulated loss		(590,572,916)	(459,178,896)
		(264,216,916)	(132,822,896)
Surplus on Revaluation of Property, Plant and Equipment	5	228,219,043	250,791,644
Non Current Liabilities			
Long term financing	6	1,300,545,337	1,115,586,952
Deferred liabilities	7	101,958,638	50,697,830
		1,402,503,974	1,166,284,781
Current Liabilities			
Trade and other payables	8	134,680,059	114,846,530
Accrued interest / mark up	9	35,092,918	22,798,567
Short term borrowings	10	859,275,549	757,792,564
Current portion of long term financing	11	136,334,930	249,466,296
Provision for taxation	12	11,648,838	14,612,235
		1,177,032,294	1,159,516,192
Contingencies and Commitments	13	-	-
		2,543,538,396	2,443,769,722
ASSETS			
Non Current Assets			
Property, plant and equipment	14	1,530,187,688	1,581,352,845
Capital work in progress	15	-	69,082,387
		1,530,187,688	1,650,435,232
Long term deposits		5,697,180	490,080
		1,535,884,868	1,650,925,312
Current Assets			
Stores, spares and loose tools	16	53,855,133	34,701,694
Stock in trade	17	733,462,685	582,301,822
Trade debts	18	175,771,418	119,666,735
Loans and advances	19	21,861,010	29,999,087
Trade deposits and short term prepayments	20	2,137,643	1,962,322
Other receivables	21	8,707,261	9,882,201
Sales tax refundable		8,314,688	11,428,885
Cash and bank balances	22	3,543,689	2,901,664
		1,007,653,528	792,844,410
		2,543,538,396	2,443,769,722

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

CHIEF EXECUTIVE

DIRECTOR


PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		Rupees	
Sales - Net	23	3,061,957,044	2,894,538,835
Cost of goods sold	24	(2,888,224,510)	(2,828,777,335)
Gross Profit		173,732,534	65,761,500
Operating expenses:			
- Selling and distribution costs	25	69,144,777	65,162,532
- Administrative and general expenses	26	50,036,354	45,561,404
		(119,181,131)	(110,723,936)
Operating (Loss) / Profit		54,551,403	(44,962,436)
Finance cost	27	(161,632,076)	(106,535,021)
Other operating charges	28	(25,157,440)	(15,458,166)
Other operating income	29	1,601,946	5,232,405
(Loss) / Profit before Taxation		(130,636,168)	(161,723,218)
Taxation	30	(23,330,453)	(22,528,354)
(Loss) / Profit after Taxation		(153,966,621)	(184,251,572)
Earning per share - basic	31	(4.72)	(5.65)

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

CHIEF EXECUTIVE

DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(130,636,168)	(161,723,218)
Adjustments for:		
- Depreciation	149,038,799	156,742,856
- Loss on disposal of property, plant and equipment	3,913,672	3,141,628
- Provision for gratuity	8,130,614	8,470,022
- Finance cost	161,632,076	106,535,021
	322,715,162	274,889,527
Operating profit before working capital changes	192,078,994	113,166,309
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(19,153,439)	(5,146,593)
- Stock in trade	(151,160,863)	(222,591,405)
- Trade debts	(56,104,683)	26,179,424
- Loans and advances	11,093,176	(8,785,201)
- Trade deposits and short term prepayments	(175,321)	211,596
- Other receivables	1,174,940	(3,757,344)
- Sales tax refundable	3,114,197	(1,016,224)
Increase / (decrease) in current liabilities:		
- Trade and other payables	19,833,528	17,977,271
	(191,378,464)	(196,928,476)
Cash generated from operations	700,529	(83,762,167)
Income tax paid / deducted	(21,291,052)	(12,968,681)
Gratuity paid	(4,430,675)	(5,155,322)
Finance cost paid	(149,337,725)	(100,354,724)
	(174,358,922)	(202,240,894)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(25,951,602)	(18,968,041)
Capital work in progress	(7,874,017)	(71,249,479)
Proceeds from disposal of property, plant and equipment	1,120,692	856,413
	(32,704,927)	(89,361,107)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(12,388,000)	(224,791,739)
Payment of long term security deposits	(5,207,100)	-
Loan from directors and others - net	84,215,019	79,369,714
Due to associated undertakings	39,602,971	(25,109,933)
Short term borrowings	101,482,985	461,173,781
Dividend paid	-	(16,087)
	207,705,875	290,625,736
Net cash from financing activities	207,705,875	290,625,736
Net decrease in cash and cash equivalents	642,026	(976,265)
Cash and cash equivalents at the beginning of the year	2,901,664	3,877,929
Cash and cash equivalents at the end of the year	3,543,689	2,901,664

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



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital	Accumulated Loss	Total
	R u p e e s		
Balance as at June 30, 2007	326,356,000	(300,170,416)	26,185,584
Net profit for the year	-	(184,251,572)	(184,251,572)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation (net of deferred tax) charged during the year	-	23,222,154	23,222,154
Surplus realized on disposal of property, plant and equipment - Net of deferred tax	-	2,020,938	2,020,938
	326,356,000	(459,178,896)	(132,822,896)
Balance as at June 30, 2008	326,356,000	(459,178,896)	(132,822,896)
Net loss for the year	-	(153,966,621)	(153,966,621)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation (net of deferred tax) charged during the year	-	20,039,654	20,039,654
Surplus realized on disposal of property, plant and equipment - Net of deferred tax	-	2,532,948	2,532,948
	326,356,000	(590,572,916)	(264,216,916)
Balance as at June 30, 2009	326,356,000	(590,572,916)	(264,216,916)

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



NOTES TO THE FINANCIAL STATEMENTS.
FOR THE YEAR ENDED JUNE 30, 2009

1 REPORTING ENTITY

Ghazi Fabrics International Limited ("the Company") was incorporated in Pakistan on April 30, 1989 as a Private Limited Company and converted into Public Limited Company on January 07, 1990. Its shares are quoted on Karachi and Lahore Stock Exchanges. The main activities of the Company are textile manufacturing, production of cotton and P.C. yarn and grey cloth that are marketed both within and outside Pakistan. The registered office of the Company is situated at 8-C, E-III, Gulberg III, Lahore.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of preparation

These accounts have been prepared under the historical cost convention except for certain financial instruments at fair value and certain items of property, plant and equipment that are stated at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgment, estimates and assumptions

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for doubtful receivables, slow moving inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of approved standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent year are as follows;

2.3.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 Recoverable amount of assets/ cash generating units

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 Fair value of financial instruments having no active market

Fair value of financial instruments having no active market is determined using discount cash flow analysis after incorporating all factors that market participants would consider in setting a price and using inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.



2.3.4 Taxation

The Company takes into account income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by tax department at the assessment stage and where the Company considers that its view of items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.3.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.3.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4 Functional currency

These financial statements are prepared in Pak Rupees which is the Company's functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial

3.1 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

3.2 Surplus/ deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is credited directly to the equity after reversing deficit relating to the same item previously recognized in profit and loss, if any. Deficit arising on revaluation is recognized in profit and loss after reversing the surplus relating to the same item previously recognized in equity, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit and loss every year.

3.3 Employee benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The latest actuarial valuation was carried out as at June 30, 2009. Charge for the current year is based on estimates provided by the actuary as at June 30, 2009. The following significant assumptions were used in the latest actuarial valuation:

	2009	2008
Discount rate	12%	12%
Expected rate of salary increase in future years	11%	11%
Average expected remaining working life time of employees	4 years	4 years
Actuarial valuation method	Projected unit credit method.	

3.4 Borrowings

These are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.



3.5 Provisions

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

3.6 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences 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, as required by IAS - 12 (Income Taxes), are recognized to the extent of potential available taxable profit against which temporary differences, unused tax losses and tax credits can be utilized.

3.7 Trade and other payables

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

3.8 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

3.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land that is stated at revalued amount. Buildings, plant and machinery and grid station and generators are stated at revalued amounts less accumulated depreciation. Cost of property, plant and equipment consists of historical cost, revalued amount, borrowing costs pertaining to the erection / construction period and other directly attributable costs incurred to bring the assets to their working condition.

The management reviews the market value of revalued assets at each balance sheet date to ascertain whether the fair value of revalued assets have differed materially from the carrying value of such assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 14. Depreciation on additions is charged from the month in which the asset was available for use upto the month in which the asset was disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

3.10 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of property, plant and equipment. These costs are transferred to property, plant and equipment as and when related items become available for intended use.

3.11 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment loss is recognized in the profit and loss account.

3.12 Stores, spares and loose tools

These are valued at lower of moving average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus incidental charges paid thereon.



3.13 Stock in trade

These are valued at lower of cost or net realizable value and cost is determined by using following basis:

Raw materials	- At weighted average cost.
Work in process	- At annual average material cost plus appropriate manufacturing costs.
Finished goods	- At average manufacturing cost.
Wastes	- At net realizable value.

Net realizable value signifies the estimated selling price at which goods in stock could be currently sold less any further costs that would be incurred to complete the sale.

Costs in relation to work in process and finished goods represent annual average costs which consist of prime costs and appropriate manufacturing overheads.

3.14 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 and cash with banks in current and saving accounts.

3.15 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. It ceases to recognize financial assets when it loses control of contractual rights and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

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 amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.16 Foreign currency translation

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange ruling on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the profit and loss account.

3.17 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

3.18 Revenue recognition

- Local sales are recorded on dispatch of goods to customers.
- Export sales are recorded at the time of receipt of bill of lading.

3.19 Borrowing costs

Borrowing costs are charged to income as and when incurred except to the extent of costs directly attributable to the acquisition, construction or production of qualifying assets that are capitalized as part of the cost of asset.

3.20 Dividends

Dividend is recognized as a liability in the period in which it is declared.

3.21 Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Subsequent to initial recognition grants related to assets are recognized in profit and loss on a systematic basis over the useful life of the assets whereas grants relating to income are recognized in profit and loss on a systematic basis in the same period in which related expenses are recognized. Grants that compensate the Company for expenses or losses already incurred are recognized in profit and loss in the period in which these become receivable.



3.22 Segment reporting

A segment is a distinguishable component within the Company that is engaged in providing products under a common control environment (business segment) or in providing products within a particular economic environment (geographical segment) which is subject to risks and returns that are different from those of other segments.

3.23 Earning per share (EPS)

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.24 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The International Accounting Standards Board has published following standards, interpretations and amendments that are not yet effective and have not been applied in preparing these financial statements.

IFRS 8 - Operating segments

This standard introduces the "management approach" to segment reporting. IFRS 8 is effective for periods beginning on or after January 01, 2009, however, it is not expected to have any impact on the Company's financial statements.

IFRS 23 - Borrowing costs (revised)

The revised standard removes the option to expenses borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset. The revised IAS 23 is effective for periods beginning on or after January 01, 2009, however this would not constitute a change in accounting policy since the Company's accounting policy for borrowing costs is already in accordance with the requirements of the revised standard.

IAS 1 - Presentation of Financial Statements (revised)

The revised standard introduced the term "Total Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The revised standard is effective for periods beginning on or after 01 January 2009, the standard will have impact on the presentation of Company's financial statements for the year ending June 30, 2009.

Amendments to IAS 32 - Financial Instruments: Presentation and IAS 1 - Presentation of Financial Statements, regarding Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments are effective for periods beginning on or after 01 January 2009 with retrospective application required. However these are not expected to have any impact on the Company's Financial Statements.

Amendments to IFRS 2 - Share Based Payments regarding vesting conditions and cancellations.

These amendments clarify the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. These amendments are effective for periods beginning on or after 01 January 2009 with retrospective application. No impact is expected on the financial statements of the Company.



IFRIC 13 Customer loyalty programmes

This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is effective for the periods beginning on or after January 01, 2009, with retrospective application required. However, it is not expected to have any impact on the Company's financial statements.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009		2008	
No. of shares		Rupees	
32,635,600	32,635,600	Ordinary shares of Rs. 10 each fully paid in cash	326,356,000
			326,356,000

There is no movement in ordinary share capital of the Company during year.

5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Land - freehold	31,521,323	31,521,323
Buildings on freehold land	49,243,518	53,254,805
Plant and machinery	169,770,089	190,973,369
Grid station and generators	256,714	285,239
	250,791,645	276,034,736
charged on revalued property, plant and equipment during the year - transferred to retained earnings	(20,039,654)	(23,222,154)
Adjustment relating to property, plant and equipment disposed off during the year	(2,532,948)	(2,020,938)
	228,219,043	250,791,644

5.1 The revaluation was carried out as at September 30, 1998 by M/s Unicorn International Surveyors on the basis of market, replacement and current values and was certified by an independent firm of Chartered Accountants that resulted in revaluation surplus of Rs. 978.123 million.

6 LONG TERM FINANCING

Loan from banking companies - Secured

		2009	2008
		Rupees	
Habib Bank Limited:			
- Demand finance - V	6.1	-	5,205,353
- Term finance - I	6.2	-	65,000,000
- Term finance - II	6.3	100,000,000	-
- State Bank of Pakistan's LTF-EOP scheme	6.4	31,772,322	63,544,647
		131,772,322	133,750,000
United Bank Limited:			
- NIDF - I	6.5	2,765,332	3,687,108
- NIDF - II	6.6	35,000,000	70,000,000
- NIDF - III	6.7	-	33,333,332
- NIDF - IV	6.8	63,000,000	60,924,600
- NIDF - V	6.9	80,000,000	-
- State Bank of Pakistan's LTF-EOP scheme-I	6.10	76,061,486	86,927,412
- State Bank of Pakistan's LTF-EOP scheme-II	6.11	111,282,192	123,646,880
		368,109,010	378,519,332
		(136,334,930)	(249,466,296)
		363,546,402	262,803,036
Less: Current portion			

Loan from related parties - Unsecured

Loan from directors and others	6.12	936,998,935	852,783,916
		1,300,545,337	1,115,586,952
6.1 Demand finance - V			
Opening balance		5,205,353	10,410,703
Payments made during the year		(5,205,353)	(5,205,350)
		-	5,205,353



Demand finance - V was created for import of plant and machinery and three gas generators. It is payable in five years in eight half yearly equal installments including grace period of one year commencing from December 02, 2005. It carries mark up at six months KIBOR plus 1.5% per annum payable on quarterly basis. During the year 2007, an amount of Rs. 190.634 million was converted into LTF - EOP loan under the scheme of State Bank of Pakistan.

	2009	2008
6.2 Term finance - I		
	Rupees	
Opening balance	65,000,000	130,000,000
Payments made during the year	(65,000,000)	(65,000,000)
	-	65,000,000

This term finance is created by converting the running finance facility of Rs. 130 million out of Rs. 225 million obtained from Habib Bank Limited. It is payable in eight equal quarterly installments after a grace period of 12 months commencing from June 30, 2006 and carries mark up at three months KIBOR plus 1.10% per annum payable on quarterly basis.

	2009	2008
6.3 Term finance - II		
	Rupees	
Opening balance	-	-
Finance obtained during the year	100,000,000	-
	100,000,000	-

This term finance is created for reducing the running finance facility by Rs. 50.0 million. It is payable in thirteen equal quarterly installments commencing from October 31, 2009 and carries mark up at three months KIBOR plus 2.5% per annum payable on quarterly basis.

	2009	2008
6.4 State Bank of Pakistan's LTF-EOP scheme		
	Rupees	
Opening balance	63,544,647	127,089,297
Payments made during the year	(31,772,325)	(63,544,650)
	31,772,322	63,544,647

This loan has been created by converting an amount of Rs. 190.634 million from outstanding Demand Finance - V. This is payable in six equal half yearly installments and carries mark up @ 6% per annum.

Loans from Habib Bank Limited are secured against first pari passu equitable mortgage of property, plant and equipment of the Company valuing Rs. 932 million and personal guarantee of the chief executive of the Company.

	2009	2008
6.5 NIDF - I		
	Rupees	
Opening balance	3,687,108	4,608,884
Payment made during the year	(921,776)	(921,776)
	2,765,332	3,687,108

Demand finance - I has been created to facilitate the addition of looms. The finance is payable in ten half yearly installments with a grace period of two years from first draw down of loan with first installment due on November 04, 2007. It carries mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis. During the year 2007, an amount of Rs. 130.391 million was converted into LTF - EOP loan under the scheme of State Bank of Pakistan.

	2009	2008
6.6 NIDF - II		
	Rupees	
Opening balance	70,000,000	105,000,000
Payments made during the year	(35,000,000)	(35,000,000)
	35,000,000	70,000,000

Demand finance - II has been created for re-profiling of short term facilities of Habib Bank Limited. The finance is payable in ten equal half yearly installments commencing from August 09, 2005 and carries mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis.

	2009	2008
6.7 NIDF - III		
	Rupees	
Opening balance	33,333,332	66,666,667
Payments made during the year	(33,333,332)	(33,333,335)
	-	33,333,332

Demand finance - III represents conversion of short term facilities into long term loan by the bank. The finance is payable in twelve equal quarterly installments commencing from September 30, 2006 and carries mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis.

	2009	2008
6.8 NIDF - IV		
	Rupees	
Opening balance	60,924,600	-
Finance obtained during the year	2,075,400	60,924,600
Payments made during the year	(63,000,000)	(60,924,600)
	63,000,000	60,924,600



This loan was created to retire the letters of credit established to facilitate the import of gas engines. It carried mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis.

	2009	2008
6.9 NIDF - V		
	Rupees	
Opening balance	-	-
Finance obtained during the year	80,000,000	-
Payments made during the year	(80,000,000)	-
	80,000,000	-

This loan was created to retire the running finance facility to Rs. 20 million. It carried mark up at six months KIBOR plus 1.50% per annum. It is payable on twelve equal quarterly installments commencing from March 2010.

	2009	2008
6.10 State Bank of Pakistan's LTF - EOP scheme - I		
	Rupees	
Opening balance	86,927,412	-
Finance obtained during the year	-	108,659,264
	86,927,412	108,659,264
Payments made during the year	(10,865,926)	(21,731,852)
	76,061,486	86,927,412

This loan has been created by converting an amount of Rs. 130.391 million from outstanding NIDF - I. This is payable in 12 equal half yearly installments and carries mark up @ 7% per annum.

	2009	2008
6.11 State Bank of Pakistan's LTF - EOP scheme - II		
	Rupees	
Opening balance	123,646,880	148,376,256
Finance obtained during the year	-	-
	123,646,880	148,376,256
Payments made during the year	(12,364,688)	(24,729,376)
	111,282,192	123,646,880

This loan has been obtained under SBP-LTF-EOP scheme. This is payable in 12 equal half yearly installments commencing from October 08, 2007 and carries mark up @ 7% per annum. Loan from UBL are secured against first pari passu equitable mortgage of property plant and equipment of the Company valuing Rs. 885 million and personal guarantee of chief executive and one director of the Company.

6.12 This loan has been provided by the chief executive of the Company and others for the repayment of long term loans and working capital requirements of the Company. The loan is unsecured and interest free. The terms of repayment have yet not been finalized due to the subordination loan agreement of Rs. 620.00 million (2008: Rs. 420.414 million) with Habib Bank Limited and United Bank Limited.

		2009	2008
7 DEFERRED LIABILITIES		Rupees	
Due to related parties	7.1	52,122,850	12,519,879
Deferred tax - net	7.2	25,401,794	17,443,896
Staff retirement benefits	7.4	24,433,994	20,734,055
		101,958,638	50,697,830
7.1			
Opening balance		12,519,879	37,629,812
Amount repaid/adjusted during the year		(18,247,029)	(25,109,933)
		(5,727,150)	12,519,879
Amount received during the year		57,850,000	-
		52,122,850	12,519,879
7.2			
Deferred tax - net		52,122,850	12,519,879
Credit / (debit) balance arising in respect of:			
- Accelerated tax depreciation		141,555,294	120,185,072
- Surplus on revaluation of property, plant and equipment		36,101,931	48,788,086
- Recognized losses		(147,755,664)	(147,755,664)
- Staff retirement benefits		(4,499,767)	(3,773,598)
		25,401,794	17,443,896



7.3 The management being prudent has not accounted for deferred tax asset on losses amounting to Rs. 88.653 million (2008: 74.856 million) in view of uncertainty of taxable profits in the foreseeable future.

7.4 Staff retirement benefits

The amounts recognized in the balance sheet are as follows

	2009	2008
	Rupees	
Present value of defined benefit obligation	22,214,173	18,077,299
Unrecognized actuarial gain / (loss)	2,219,821	2,656,756
Benefits due but not paid	-	-
	<u>24,433,994</u>	<u>20,734,055</u>
Balance sheet liability		
Opening balance	20,734,055	17,419,356
Amount recognized during the year	8,130,614	8,470,022
	<u>28,864,669</u>	<u>25,889,378</u>
Benefits paid during the year	(4,430,675)	(5,155,323)
Closing balance	<u>24,433,994</u>	<u>20,734,055</u>
Charge for the defined benefit plan		
Service cost	6,173,595	7,046,911
Interest cost	2,169,276	1,424,700
Actuarial gains recognized	(212,257)	(1,589)
	<u>8,130,614</u>	<u>8,470,022</u>

7.5 DEFINED BENEFIT PLAN

(a) General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2009, using Project Unit Credit Method.

(b) Comparison for five years

	2009	2008	2007	2006	2005
Present value of defined benefit obligation	22,214,000	18,077,000	15,830,000	12,243,000	11,514,000
Experience adjustment arising on plan liabilities	225,000	1,069,000	Nil	2,508,000	Nil

8 TRADE AND OTHER PAYABLES

	2009	2008
	Rupees	
Creditors for:		
- Goods supplied	72,065,406	60,370,574
- Services	28,737,788	16,604,632
Accrued liabilities	28,737,121	25,884,000
Bills payable	-	3,801,750
Advances from customers	3,032,667	6,080,377
Security deposits	157,000	97,000
Unclaimed dividend	1,872,009	1,872,009
Tax deducted at source	78,067	136,188
	<u>134,680,058</u>	<u>114,846,530</u>

9 ACCRUED INTEREST/ MARKUP

Long term financing	12,134,370	7,754,123
Short term borrowings	22,958,548	15,044,444
	<u>35,092,918</u>	<u>22,798,567</u>

10 SHORT TERM BORROWINGS

From banking companies - Secured

Habib Bank Limited	10.1	535,887,875	542,094,966
United Bank Limited	10.2	323,387,673	215,697,598
		<u>859,275,549</u>	<u>757,792,564</u>



10.1 These represent utilized portion of short term finance facilities of Rs. 1,015 million (2008: Rs. 1,145 million) available from Habib Bank Limited under mark up arrangement. These facilities carry mark up ranging from 1 month KIBOR plus 0.90% per annum to 1 month KIBOR plus 1.5% per annum and LIBOR plus 3.25% per annum to LIBOR plus 4% per annum payable quarterly and shall expire by January 31, 2010. These short term borrowings along with long term financing are secured by first pari passu equitable mortgage charge on property, plant and equipment of the Company valuing Rs. 932 million, pledge of cotton and polyester and personal guarantee of the chief executive of the Company.

10.2 These represent utilized portion of short term finance facilities of Rs. 520 million (2008: Rs. 730 million) available from United Bank Limited under mark up arrangement. These facilities carry mark up at 1 month KIBOR plus 1.25% per annum and LIBOR plus 5.25% per annum. These borrowings along with long term financing are secured by first pari passu charge on present and future fixed assets of the Company premises valuing Rs. 885 million, pledge of cotton and polyester and personal guarantee of the chief executive of the Company.

		2009	2008
		Rupees	
11 CURRENT PORTION OF LONG TERM LOANS			
Long term financing	6	136,334,930	249,466,296
		<u>136,334,930</u>	<u>249,466,296</u>
12 PROVISION FOR TAXATION-Net			
Opening balance		14,612,235	14,831,000
Provision:			
- For current year		15,372,555	15,366,716
		<u>29,984,790</u>	<u>30,197,716</u>
Payments / adjustments against advance tax		(18,335,952)	(15,585,481)
		<u>11,648,838</u>	<u>14,612,235</u>

12.1 Income tax return upto and including tax year 2008 has been filed to the tax authorities under the provision of Income Tax Ordinance, 2001.

13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 Income tax assessment for the assessment year 2001-2002 resulted in demand for Workers' Welfare Fund amounting to Rs. 1.721 million. The liability has not been admitted by the management based upon the decision of the Supreme Court of Pakistan and an appeal has been filed that is pending adjudication before Appellate Authorities and therefore, no provision has been made in these financial statements.

13.2 The Sindh High Court has decided the case regarding the excise duty on bank loans amounting to Rs. 28.043 million in favour of the Company by quashing the liability. However, the Government of Pakistan has filed an appeal in the Supreme Court of Pakistan against the relief. Meanwhile, the Company has reached a settlement with Habib Bank Limited in respect of excise duty payable and a refundable amount of Rs. 4.310 million has been deposited with the bank (refer to the Note 20) that shall be considered as full and final discharge of the excise duty liability, if the case is decided against the Company.

13.3 The Company has provided bank guarantee in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 47.400 million (2008: Rs. 37.128 million) on account of security deposits against the consumption of natural gas.

Commitments

Commitments in respect of irrevocable letters of credit for the import of raw material as at the balance sheet date amount to Rs. 3,874,785. (2008: Rs. 254,471,755).



14 PROPERTY, PLANT AND EQUIPMENT

Rupees

Particulars	Cost / Revalued Amounts			As at June 30, 2009	Rate %	Depreciation			Book Value as at June 30, 2009
	As at July 01, 2008	Additions	Disposals			As at July 01, 2008	Disposals	For the year	
Owned									
Land - freehold	89,416,871	-	-	89,416,871	-	-	-	-	89,416,871
Buildings on freehold land	427,652,764	365,433	-	428,018,197	5-10	165,345,380	-	19,037,874	194,283,254
Plant and machinery	2,172,527,948	91,650,587	(14,407,440)	2,249,771,095	10	997,453,991	(9,373,731)	122,258,359	1,110,338,619
Grid station and generators	9,721,049	9,051,293	-	18,772,344	10	5,424,915	-	1,504,743	6,929,658
Furniture and fixtures	13,787,664	30,560	-	13,818,224	10	7,255,048	-	654,345	7,909,393
Vehicles	28,385,206	960,681	(30,993)	29,314,894	20	18,159,099	(30,338)	2,167,245	20,296,006
Equipment	14,655,406	129,200	-	14,784,606	10	8,021,788	-	668,876	8,690,664
Electric installations	59,187,813	720,250	-	59,908,063	10	32,421,655	-	2,747,358	35,169,013
Rupees 2009	2,815,334,721	102,908,006	(14,438,433)	2,903,804,294		1,233,981,876	(9,404,069)	149,038,799	1,373,616,606
Rupees 2008	2,771,584,546	58,944,082	(15,193,907)	2,815,334,721		1,088,434,885	(1,195,866)	156,742,856	1,581,352,845

14.1 Revaluation of land, buildings, plant and machinery and grid station and generators was carried out by an independent valuer as on September 30, 1998. Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

	Rupees		
	As at June 30, 2009		
	Cost	Accumulated Depreciation	Book value
Land - freehold	57,895,548	-	57,895,548
Buildings on freehold land	294,892,394	116,388,330	178,504,064
Plant and machinery	1,663,415,223	732,526,539	930,888,684
Grid station and generators	17,896,295	5,755,515	12,140,780

14.2 The depreciation charged for the year has been allocated as under:

	2009	2008
Cost of sales	145,403,132	153,562,271
Administrative expenses	3,635,668	3,180,585
	149,038,799	156,742,856

14.3 Disposal of property, plant and equipment

Rupees

Particulars	Cost / Revalued Amount	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser
Plant and machinery:							
Morata Mash Corner	6,622,939	5,538,539	3,064,400	862,070	(2,202,330)	Negotiation	Yusuf Traders Textile 50 - Gulestan Market, Railway Road, Faisalabad
Crossroll carding	5,784,501	3,815,192	1,969,309	258,621	(1,710,688)	Negotiation	Noor Enterprises 92 - Bazaar Gulestan Market, Railway Road, Faisalabad
Vehicle:							
Honda CD 70 - LOJ 2659	30,993	30,338	655	1	(654)	Negotiation	Mohammad Saleem 454 - Block B Sher Shah Colony - Rawalpindi Road, Lahore
	14,438,433	9,404,069	5,034,364	1,120,692	(3,913,672)		



15 CAPITAL WORK IN PROGRESS

2009 2008

Rupees

Buildings on freehold land:		
- Opening balance	-	-
- Additions during the year	316,293	1,922,796
- Transferred to property, plant and equipment	(316,293)	(1,922,796)
Plant and machinery:		
- Opening balance	67,542,896	37,808,949
- Additions during the year	2,595,920	67,787,192
- Transferred to property, plant and equipment	(70,138,816)	(38,053,245)
Electric installations:		
- Opening balance	1,539,491	-
- Additions during the year	4,961,804	1,539,491
- Transferred to property, plant and equipment	(6,501,295)	-
	-	1,539,491
	-	69,082,387

16 STORES, SPARES AND LOOSE TOOLS

Stores	18,124,625	15,945,411
Spares	35,446,364	18,496,846
Loose tools	284,144	259,437
	53,855,133	34,701,694

16.1 No identifiable stores and spares are held for specific capitalization.

17 STOCK IN TRADE

Raw material:		
- In hand	17.1	420,223,542
- In transit		14,434,702
Work in process		32,844,792
Finished goods		265,959,650
		733,462,685

17.1 This includes an amount of Rs. 206.353 million (2008: Rs. 286.230 million), approximately, which is pledged against short term finances.

18 TRADE DEBTS

2009 2008

Rupees

Local debts		
(Unsecured - considered good)	56,049,870	62,352,075
Foreign debts		
(Secured - considered good)	119,721,548	57,314,660
	175,771,418	119,666,735

19 LOANS AND ADVANCES

Employees	979,800	1,015,844
Suppliers	4,071,082	4,988,924
Income tax deducted at source	16,038,707	13,083,607
Letters of credit	771,421	783,982
Margin deposit	-	10,126,729
	21,861,010	29,999,087



	2009	2008
20 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Rupees	
Trade deposits	583,394	583,394
Prepayments	1,554,249	1,378,928
	<u>2,137,643</u>	<u>1,962,322</u>
21 OTHER RECEIVABLES		
Export rebate receivable	308,474	1,311,063
Excise duty refundable	4,310,043	4,310,043
Other receivable	21.1 4,088,744	4,261,095
	<u>8,707,261</u>	<u>9,882,201</u>
21.1	It includes Rs. 4,077,354 (2008: Rs. 4,077,354) paid to Sales Tax Department against exemption received under Duties and Tax Remission for Exporters	
22 CASH AND BANK BALANCES		
	Rupees	
Cash in hand	342,511	272,059
Cash with banks in current accounts	3,201,178	2,629,605
	<u>3,543,689</u>	<u>2,901,664</u>
23 SALES - NET		
Local:		
- Yarn	1,297,631,592	1,127,224,781
- Fabric	568,374,952	601,672,095
	<u>1,866,006,544</u>	<u>1,728,896,876</u>
Export:		
- Yarn	31,068,107	209,103,350
- Fabric	1,133,815,707	934,573,021
	<u>1,164,883,814</u>	<u>1,143,676,371</u>
Waste	61,751,494	49,873,794
Rebate on export	691,599	1,131,509
	<u>3,093,333,451</u>	<u>2,923,578,550</u>
Less: Export development surcharge	(2,748,192)	(2,709,883)
Commission to selling agents	(28,628,215)	(26,329,832)
	<u>3,061,957,044</u>	<u>2,894,538,835</u>
24 COST OF GOODS SOLD		
Raw materials consumed	2,174,454,770	2,156,842,864
Salaries, wages and other benefits	24.1 197,757,989	161,143,610
Fuel and power	237,392,240	139,706,203
Packing materials consumed	36,918,813	36,137,725
Sizing materials consumed	51,846,738	45,542,710
Stores and spares consumed	84,293,693	104,754,343
Insurance	2,886,315	3,242,543
Depreciation	14.2 145,403,132	153,562,271
Other manufacturing expenses	9,693,640	7,461,451
	<u>2,940,647,330</u>	<u>2,808,393,720</u>
Opening work in process	33,289,465	35,259,100
Closing work in process	(32,844,792)	(33,289,465)
	<u>444,673</u>	<u>1,969,635</u>
Cost of goods manufactured	2,941,092,003	2,810,363,355
Opening finished goods	213,092,157	231,506,137
Closing finished goods	(265,959,650)	(213,092,157)
	<u>(52,867,493)</u>	<u>18,413,980</u>
	<u>2,888,224,510</u>	<u>2,828,777,335</u>

24.1 Salaries and benefits include Rs. 4.878 million (2008: Rs.5.08 million) on account of staff retirement benefits.



	2009	2008
25 SELLING AND DISTRIBUTION		
	Rupees	
Carriage and freight - export	57,746,055	53,711,727
Carriage and freight - local	554,385	604,770
Export expenses	9,799,339	9,254,675
Samples	1,044,998	1,591,360
	<u>69,144,777</u>	<u>65,162,532</u>
26 ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries, wages and other benefits	26.1 28,807,276	27,323,360
Traveling and conveyance	810,656	1,263,011
Repairs and maintenance	2,806,379	983,612
Rent, rates and taxes	167,610	167,610
Printing and stationery	2,006,687	1,762,415
Insurance	1,026,185	1,011,550
Fees and subscription	722,467	778,602
Telephone and Postage	2,144,694	2,003,112
Vehicle running and maintenance	4,672,633	4,161,084
Utilities	1,356,312	953,649
Advertisement	-	59,471
Books and periodicals	155,159	17,596
Legal and professional charges	549,481	962,061
Entertainment	1,175,148	933,686
Depreciation	14.2 3,635,668	3,180,585
	<u>50,036,354</u>	<u>45,561,404</u>
26.1	Salaries and benefits include Rs. 3.252 million (2008: Rs. 3.388 million) on account of staff retirement	
27 FINANCE COST		
	Rupees	
Interest / mark up on:		
- Long term financing	60,268,483	53,245,874
- Short term borrowings	93,103,207	45,863,425
	<u>153,371,690</u>	<u>99,109,299</u>
Bank charges and commission	8,260,387	7,425,722
	<u>161,632,076</u>	<u>106,535,021</u>
28 OTHER OPERATING CHARGES		
Auditors' remuneration		
- Statutory audit	180,000	180,000
- Review and certifications	95,000	95,000
- Out of pocket	25,000	25,000
	<u>300,000</u>	<u>300,000</u>
Loss on disposal of property, plant and equipment	3,913,672	3,141,628
Exchange loss / (gain)	20,943,768	12,016,538
	<u>25,157,440</u>	<u>15,458,166</u>
29 OTHER OPERATING INCOME		
Sale of scrap	1,601,946	5,232,405
	<u>1,601,946</u>	<u>5,232,405</u>
30 TAXATION		
Taxation:		
- Current year	15,372,555	15,366,716
- Deferred	7,957,898	7,161,637
	<u>23,330,453</u>	<u>22,528,354</u>
30.1	Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to accumulated accounting and tax losses.	



		2009	2008
31 EARNING PER SHARE - Basic			
(Loss) / profit after taxation for the year	Rupees	(153,966,621)	(184,251,572)
Outstanding weighted average ordinary shares	No. of shares	32,635,600	32,635,600
Earnings per share - Basic	Rupees	(4.72)	(5.65)

31.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.

32 CHIEF EXECUTIVE'S DIRECTORS' AND EXECUTIVES' REMUNERATION

Managerial remuneration - Executives		1,800,000	1,800,000
Number of persons		2	2

32.1 No remuneration has been paid to any director or chief executive of the Company.

32.2 No meeting fee has been paid to any director of the Company.

32.3 Executives are defined as employees with basic salary exceeding Rs. 500,000. One executives is provided with a Company maintained car.

33 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, related group companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2009	2008
Associated undertakings		
Amount received during the year	57,850,000	-
Repayment of deferred payable (refer to Note 7.1)	18,247,029	25,109,933
Directors		
Loan from directors - net	84,215,019	79,369,714

There were no transactions with key management personnel other than undertaken as per terms of their

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

34 PLANT CAPACITY AND PRODUCTION

	2009	2008
Spinning		
No. of spindles installed	51,072	51,072
No. of spindles worked	51,072	51,072
No. of shifts	3	3
Actual production of yarn converted into 20/S count based on three shifts per day	Kgs	
	15,951,196	15,776,802
Weaving		
No. of looms installed	168	168
No. of looms worked	154	159
No. of shifts	3	3
Actual production converted to 40 picks based on three shifts per day	Sq. meters	
	62,053,270	63,516,433

34.1 It is difficult to calculate precisely the production capacity of weaving and spinning unit since it fluctuates widely depending on various factors such as count of yarn spun, width of fabric woven, spindles / looms speed, twist, maintenance of machinery, power shutdown and raw materials used etc. It also varies according to the pattern of production adopted in any particular year.

35 SEGMENT INFORMATION

The entire revenue and expenses of the Company arise from manufacturing and sales of yarn and fabric. There are no reportable segments of the Company and, therefore, segment information has not been prepared.

**36 FINANCIAL INSTRUMENTS BY CATEGORY****Financial assets as per balance sheet**

	2009	2008
	Rupees	
Long term deposits	5,697,180	490,080
Trade debts	175,771,418	119,666,735
Loans and advances	1,751,221	11,926,555
Trade deposits	583,394	583,394
Cash and bank balances	3,543,689	2,901,664
	<u>187,346,903</u>	<u>135,568,428</u>

Financial liabilities as per balance sheet

Long term financing	1,436,880,267	1,365,053,248
Trade and other payables	131,569,324	108,629,965
Accrued interest/mark-up	35,092,918	22,798,567
Short term borrowings	859,275,549	757,792,564
	<u>2,462,818,057</u>	<u>2,254,274,344</u>

36.1 Fair values 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 arms length transaction.

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

37 FINANCIAL INSTRUMENTS**37.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

(a) Market risk**(i) Currency risk**

The company is exposed to currency risk on the import of raw material and stores and spares and export of goods mainly denominated in US dollars and on foreign currency debtors and loans. The company's exposure to foreign currency risk for US dollars is as follows:

	2009	2008
	Rupees	
Foreign trade debts	119,721,548	57,314,660
Foreign currency short term borrowings		
- Habib Bank Limited	(53,658,000)	(174,518,473)
- United Bank Limited	(158,535,000)	(134,530,987)
Foreign creditors	-	(3,801,750)
Gross balance sheet exposure	(92,471,452)	(255,536,549)
Outstanding letter of credit	(3,874,785)	(254,471,755)
Net exposure	<u>(96,346,237)</u>	<u>(510,008,304)</u>

The following significant exchange rates have been applied at the reporting dates:

USD to PKR	81.30	68.20
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At June 30, 2009, if the Pakistan Rupee had weakened/strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss/profit for the year would have been higher/lower by Rs. 9,247,145(2008: Rs. 25,553,655), mainly as a result of foreign exchange losses/gains on translation of foreign debts, foreign currency borrowings and foreign creditors.

(ii) 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. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

At the reporting date, the interest rate profile of the company's significant interest bearing financial instruments was as follows:

(iii) Financial liabilities

	2009	2008	2009	2008
	Percentage		Rupees	
Long term financing				
- Fixed rate instrument	6 to 7	6 to 7	219,116,000	274,118,939
- Variable rate instrument	14.93 to 15.26	11.39 to 15.64	280,765,332	238,150,393
Short term borrowings	14.43 to 14.76	10.29 to 14.54	859,275,549	757,792,564
			1,359,156,881	1,270,061,896
Total yield / mark up rate risk sensitivity gap			(1,359,156,881)	(1,270,061,896)

(iv) 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 profit and loss account.

(v) Cash flow sensitivity analysis for variable rate instruments:

A change of 1% in interest rates at the reporting date would have decreased / (increased) loss for the year by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remains constants. This analysis is performed on the same basis for 2008.

	Effect on Profit and Loss 1% rate	
	Increase	Decrease
	Rupees	
As at June 30, 2009		
Cash flow sensitivity - variable rate financial liabilities	(8,012,520)	8,012,520
As at June 30, 2008		
Cash flow sensitivity - variable rate financial liabilities	(7,967,543)	7,967,543

(vi) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as there is no investment in listed securities.



(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 209,010,940 (2008: Rs. 155,019,888), the financial assets exposed to credit risk amount to Rs. 187,346,903(2008: Rs. 135,568,428).

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

	2009	2008
	Rupees	
Local debts	56,049,870	62,352,075
Foreign debts	119,721,548	57,314,660
	175,771,418	119,666,735

The majority of foreign debtors of the company are situated in Asia, America, and Europe.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of goods are:

	2009	2008
	Rupees	
Yarn	106,269,466	72,349,192
Fabric	67,793,278	46,154,263
Others	1,708,674	1,163,280
	175,771,418	119,666,735

The aging of loans and receivables at the reporting date was:

Past due 0-6 months	164,561,444	107,196,320
Past due 6-12 months	11,209,974	12,470,415
	175,771,418	119,666,735

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which have not impaired are as under:

	2009	2008
	Rupees	
Long term deposits	5,697,180	490,080
Trade debts	175,771,418	119,666,735
Loans and advances	1,751,221	11,926,555
Short term trade deposits	583,394	583,394
Cash and bank balances	3,543,689	2,901,664
	187,346,903	135,568,428

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Short Term Borrowings	Long Term Loans
United Bank Limited	JCR-VIS	AI+	AA+
Habib Bank Limited	JCR-VIS	AI+	AA+
National Bank of Pakistan	JCR-VIS	AI+	AAA

**(c) Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to growing nature of the businesses the Company maintains flexibility in funding by maintaining committed credit lines available.

The table shows analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2009				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Non-Derivative Financial Liabilities					
Long term financing (from banking companies)	499,881,332	(694,369,671)	(152,800,993)	(101,683,015)	(439,885,663)
Trade and other payables	134,680,059	(134,680,059)	(134,680,059)	-	-
Short term borrowings	859,275,549	(913,119,842)	(913,119,842)	-	-
	<u>1,493,836,940</u>	<u>(1,742,169,572)</u>	<u>(1,200,600,894)</u>	<u>(101,683,015)</u>	<u>(439,885,663)</u>
	2008				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Non-Derivative Financial Liabilities					
Long term financing (from banking companies)	512,269,332	(1,029,223,398)	(154,677,507)	(180,226,219)	(694,319,672)
Trade and other payables	114,846,530	(114,846,530)	(114,846,530)	-	-
Short term borrowings	757,792,564	(799,375,402)	(799,375,402)	-	-
	<u>1,384,908,426</u>	<u>(1,943,445,330)</u>	<u>(1,068,899,439)</u>	<u>(180,226,219)</u>	<u>(694,319,672)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June. The rates of mark-up have been disclosed in note 06 and 10 to these financial statements.

37.2 Capital risk management

The Company's objectives when managing capital are to 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. There were no changes to Company's approach to capital management during the year. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.



The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

38 AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts have been authorized for issue by the Board of Directors of the Company on September 19, 2009.

39 GENERAL

- Figures have been rounded off to the nearest of rupees;
- Comparative figures have been rearranged / reclassified, wherever necessary, to facilitate comparison. No material rearrangements / reclassifications have been made in these financial statements.



PROXY FORM.
(20th ANNUAL GENERAL MEETING)

I/We _____ son/daughter/wife
of _____ of _____ being member (s)
of GHAZI FABRICS INTERNATIONAL LIMITED, holder of _____
ordinary shares of the Company, under Folio No. / Participant's ID/CDC sub account No. _____
hereby appoint _____ of _____ failing him/her _____
of _____ who is/are member(s) of GHAZI FABRICS INTERNATIONAL LIMITED
under Folio No. / Participant's ID/CDC sub-account No. _____ respectively, as my/our proxy
in my/our absence to attend and vote for me/us and on my/our behalf at the 20th Annual General
Meeting of the Company to be held on October 24, 2009 and/or any adjournment thereof.

As witness my/our hand this _____ day of October, 2009

Signed in the presence of.

Witness _____

Name _____

Occupation _____

Address _____

Signature of
shareholder (s) on
revenue stamp
worth Rupees 5/-

The signature should agree with the
specimen registered with the Company.

IMPORTANT:

- 1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, at 8-C, E-III Gulberg III, Lahore Not less than 48 hours before the time of holding the meeting.
2. No person shall act as Proxy unless he/she is a member of the Company, except that a Corporation/Company may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. In case of Proxy for an individual beneficial Owner of CDC, attested copies of beneficial Owner's NIC or Passport, Account and Participant's I.D. Nos. must be deposited along with the Form of Proxy. In case of Proxy for Corporate members, he/she should bring the usual documents required of such purpose.
5. Shareholders are requested to notify change in their address, if any.