CONTENTS

COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN/CHIEF EXECUTIVE	MR. MOHAMMAD ARSHAD CHAUDHRY
DIRECTORS	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 AND MISSION STATEMENT

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.

1. 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 concer 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 21st ANNUAL GENERAL MEETING.

NOTICE is hereby given that the 21st Annual General Meeting of the Shareholders of GHAZI FABRICS INTERNATIONAL LTD. will be held on Wednesday the 27th October, 2010 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 20th Annual General Meeting of the members of the Company held on Saturday the 24th October, 2009.

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

3. To approve as recommended by directors dividend @ 10% in the form of cash dividend i.e. Rs. 1 per share.

4. To appoint Auditors and fix their remuneration for the year ending June 30, 2011. The present auditors M/s. Qadeer & Co., Chartered Accountants, retire and being eligible has offered themselves for reappointment.

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

By order of the Board

L A H O R E:
October 06, 2010.

(NAUMAN IQBAL)
Company Secretary

NOTES:-

I. Share Transfer Books of the Company will remain closed from 20th October, 2010 to 29th October, 2010 (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. Members who desire to stop deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law (if not submitted earlier.)

IV. 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.

V. Members are requested to provide by fax or courier of their latest Computerized National Identity Card Number or Passport Number if foreigner (unless it has been provided earlier) to enable the Company comply with relevant law.

Shareholders are requested to notify the change in their addresses, if any, immediately.

DIRECTOR 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, 2010. 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.

Financial highlights

Despite the economic challenges, by the Grace of Almighty Allah, the results of your Company for the year ended June 30, 2010 substantially bounced back from the bottom line losses in last years and turning into profits.

Financial results are summarized below;

	2010	2009
	Rupees "000"	
Sales	3,827,201	3,061,957
Operating profit	299,617	30,995
Financial charges	(166,451)	(161,632)
Profit/ (loss) before tax	133,165	(130,636)
Profit/ (loss) after tax	112,208	(153,967)
Earning per share (EPS) Rs.	3.44	(4.72)

Your Company has posted a after tax profit of Rs. 112.208 million as compared to a loss of Rs. 153.966 million last year. Earning per share in Rs. 3.44 as compared to loss per share of Rs. 4.72. Sales revenue increased by 25 % amounting Rs. 3.827 billion during the year as compared to last year. Profit from operation also increased to 299.617 million as compared to Rs. 30.995 million last year. The board of directors of the company in its meeting held on 24th September 2010 has proposed a final cash dividend of Rs. 1 (2009:Nil) per share.

Future prospects

During the year under review, our economy experiences moderate recovery despite the most serious economic crises in the country's recent history. The economy grew by overall 4.1 % in said year as compared to 1.2 % last year. The resilience came at the back of growth of 4.4 % in the Large Scale Manufacturing sector despite the energy power shortages while the service sector also grew by 4.6 % as compared to 1.6 % last year. However, the recovery is still fragile in the presence of political tensions, deteriorating law and order situation, aggravated power shortage, the negative impact of monetary tightening and rising cost of doing business. Especially the Country faced the most devastating floods in the history of recent times destroying the basic infrastructure of 1/4th of the Country and damaging almost 20% of the cotton area under cultivation. As a result the cotton prices for the ensuing year will remain firm and significantly higher.

Despite all the problems the management of your company is striving hard by taking serious steps to optimize its processes and develop a stronger/ loyal customer base. This will yield positive results in the long term and we remain hopeful and optimistic for the continuation of positive results going forward.

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.
10. Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board.
11. During the year under review, four meetings of the Boards were held and following were in attendance:

Sr #	Director's Name	Meeting Attended
1.	Mr. Mohammad Arshad Chaudhry	03
2.	Mr. Mohammad Tariq	04
3.	Mr. Kamran Arshad	04
4.	Mr. Rizwan Arshad	04
5.	Mrs. Azra Yasmin	04
6.	Miss Fareeha Arshad	04
7.	Miss Wajeeha Arshad	04

12. To the best of our knowledge, directors, chief executive, CFO and Company Secretary, Company's auditors, their spouses and minor children have not undertaken any trading of company's shares.
13. Statement of Compliance with the Code of Corporate Governance is enclosed with this report and this report was found to be in order after review by the auditors.

Financial statements

As required under the listing regulations 37 (xxiv) of the Karachi Stock Exchange the Chief Executive Officer and Chief Financial Officer present the financial statements duly endorsed under their respective signatures, for consideration and approval of the board of directors and board after consideration and approval authorize the signing of financial statements for issuance and circulation.

The financial statements of the Company have been duly audited and approved without qualification by auditor of the Company and their report is annexed to the financial statements.

No material changes and commitments affecting the financial position of your Company have occurred between end of the financial year to which this Balance Sheet relates and the date of Directors' report.

Audit Committee

The committee comprises of 3 members, two of them are non-executive directors. The committee meets every quarter for review of audit reports, interim and annual financial results prior to the approval of the Board and before and after completion of external audit.

The committee also meets the external auditors without the CFO and the head of Internal audit being present, during the year and head of internal audit and other members of internal audit function without the CFO and external auditors being present, during the year.

Auditors

The present auditors M/s. Qadeer & Company, Chartered Accountants retire and being eligible have offered themselves for reappointment. The Audit Committee has recommended their reappointment. The external auditors have been given satistactory rating under the quality control review of the Institute of Chartered Accountants of Pakistan.

Combined pattern of CDC and physical shareholdings

Combined pattern of CDC and physical shareholding is annexed to the directors' report.

Acknowledgement

We would like to take this opportunity to express our appreciation to the management and employees of the Company for their hard-work and dedication. We also express our gratitude to our valued customers.

For and on behalf of the Board

Lahore — (Mohammad Arshad Chaudhry)

September 24, 2010 — Chief Executive

PATTERN OF SHAREHOLDING

As At 30th June, 2010

NUMBER OF SHAREHOLDERS	HOLDINGS FROM	HOLDINGS TO	TOTAL SHARES HELD
606	1	100	58,944
3,974	101	500	1,814,689
349	501	1,000	340,388
293	1,001	5,000	737,590
48	5,001	10,000	372,902
12	10,001	15,000	155,400
9	15,001	20,000	161,088
3	20,001	25,000	71,700
3	25,001	30,000	85,100
2	30,001	35,000	68,500
2	35,001	40,000	75,475
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	945,001	950,000	946,324
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
5,314			32,635,600

CATEGORIES OF SHAREHOLDING

SL. NO.	CATEGORY	NAME	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
1	INDIVIDUALS	--	5275	15,949,437	48.8713
2	ICP	Investment Corp. of Pakistan	1	14,900	0.0457
3	CHIEF EXECUTIVE	Mr. Mohammad Arshad Chaudhry	1	16,300,000	49.9455
4	DIRECTOR	Mrs. Azra Yasmin	1	1,000	0.0031
5	-DO-	Mr. Kamran Arshad	1	1,000	0.0031
6	-DO-	Mr. Mohammad Tariq	1	1,000	0.0031
7	-DO-	Miss. Fareeha Arshad	1	1,000	0.0031
8	-DO-	Miss. Wajeeha Arshad	1	500	0.0015
9	-DO-	Mr. Rizwan Arshad	1	1,000	0.0031
10	PUBLIC SECTOR COMPAINES	Joint Stock Companies	25	211,363	0.6476
11	NON BANKING FINANCIAL INSTITUTIONS	Investment Banks	3	27,100	0.0830
12	INSURANCE COMPANIES		1	124,500	0.3815
13	MODARBAS		2	2,800	0.0086
			5,314	32,635,600	100.0000

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY

NAME OF SHAREHOLDER	NO. OF SHARES	PERCENTAGE %
Mr. Mohammad Arshad Chaudhry	16,312,500	49.9455
	16,312,500	49.9838

SUMMARY OF LAST SIX YEARS FINANCIAL RESULTS

Description	2010	2009	2008	2007	2006	2005
Operating performance						**Rupees in '000'**
Sales - net	3,827,202	3,093,333	2,894,539	2,758,729	2,423,485	1,690,006
Cost of sales	3,378,485	2,888,225	2,828,777	2,709,747	2,236,963	1,636,404
Gross profit	448,717	205,108	65,762	48,982	186,522	53,602
Operating profit	299,617	30,996	(44,962)	(54,524)	80,087	(31,140)
Profit after tax	112,208	(153,997)	(184,252)	(183,249)	6,595	(102,722)
Financial position						**Rupees in '000'**
Property, plant and equipement-net	1,406,574	1,530,188	1,581,353	1,683,150	1,781,739	1,593,238
Capital work in progress	158		69,082	37,809	54,594	77,963
Fixed assets	1,406,732	1,530,188	1,650,435	1,720,959	1,836,333	1,671,201
Current asets						
Stores, spares and loose tools	68,590	53,855	34,702	29,555	27,707	25,558
Stocks in trade	732,389	733,463	582,302	359,710	343,524	179,517
Other current assets	249,021	216,792	172,939	188,388	127,710	175,230
Cash and cash equivalent	19,371	3,544	2,902	3,878	4,593	14,898
	1,069,371	1,007,654	792,844	581,531	503,534	395,203
Current liabilities						
Short term borrowings	912,210	859,276	757,793	296,618	208,028	99,523
Current portion of long term loans	122,819	136,335	249,466	285,716	194,583	151,250
Other current liabilities	262,746	181,422	152,257	128,335	112,115	134,496
	1,297,775	1,177,032	1,159,516	710,669	514,726	385,269
Net working capital	228,404	(169,379)	(366,672)	(129,138)	(11,192)	9,934
Long term loans	1,001,682	1,300,545	1,115,587	1,224,759	1,229,207	1,020,427

STATEMENT OF VALUE ADDITION

Value Added	2010	2009
	Rupees	
Sales	3,827,201,634	3,093,333,451
Less: Manufacturing, Administration and General Expenses	3,154,744,237	2,693,847,619
	672,457,397	399,485,832
Other Income	3,587,817	1,601,946
Total Value Added	676,045,214	401,087,778
Distribution		
Employees:		
Salaries and wages	246,797,581	226,565,265
Government:		
Corporate Tax	20,957,312	23,330,453
Development surcharge	2,663,970	2,748,192
	23,621,283	26,078,645
Lenders:		
Markup on Loans	157,824,356	153,371,690
Retained In Business:		
Depreciation	138,258,139	149,038,799
Profit / (loss)	112,207,826	(153,966,621)
	250,465,965	(4,927,822)
Total Value Added	676,045,214	401,087,778

Distribution	2010	2009
	Percentage	
Employees	36.51%	56.49%
Government	3.49%	6.50%
Lenders	23.35%	38.24%
Depreciation	20.45%	37.16%
Retained in business	16.60%	-38.39%
	100.00%	100.00%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

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 2010

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

Lahore
September 24, 2010

(Mohammad Arshad Chaudhry)
Chief Executive

QADEER & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REVIEW REPORT TO THE MEMBERS
On Statement of Compliance with 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, 2010 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 Boards statement on internal control covers all controls and the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, listing regulations of the Stock Exchanges, where the company is listed, requires the company to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in 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 to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the 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.

Lahore
September 24, 2010

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

Financial Statements

For the year ended June 30, 2010

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Ghazi Fabrics International Limited ("the Company") as at June 30, 2010 and the related Profit and Loss Account, Statement of comprehensive income, 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 except for the changes as described in note 3.23 to the financial statements, with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of comprehensive income, 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, 2010 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore
September 24, 2010

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010	2009
CAPITAL AND LIABILITIES		Rupees	
Share Capital and Reserves			
Authorized capital			
40,000,000 (2009: 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		(460,503,108)	(590,572,916)
		(134,147,108)	(264,216,916)
Surplus on Revaluation of Property, Plant and Equipment	5	203,776,515	228,219,043
Non Current Liabilities			
Long term financing	6	1,001,682,731	1,300,545,337
Deferred liabilities	7	112,712,553	101,958,638
		1,114,395,285	1,402,503,975
Current Liabilities			
Trade and other payables	8	197,481,836	134,680,059
Accrued interest / mark up	9	26,970,103	35,092,918
Short term borrowings	10	912,209,911	859,275,549
Current portion of long term financing	6	122,818,866	136,334,930
Provision for taxation	11	38,294,764	11,648,838
		1,297,775,480	1,177,032,294
Contingencies and Commitments	12	-	-
		2,481,800,171	2,543,538,396
ASSETS			
Non Current Assets			
Property, plant and equipment	13	1,406,573,950	1,530,187,688
Capital work in progress	14	157,700	-
		1,406,731,650	1,530,187,688
Long term deposits		5,697,180	5,697,180
		1,412,428,830	1,535,884,868
Current Assets			
Stores, spares and loose tools	15	68,589,843	53,855,133
Stock in trade	16	732,389,073	733,462,685
Trade debts	17	189,740,745	175,771,418
Loans and advances	18	36,684,890	21,861,010
Trade deposits and short term prepayments	19	924,340	2,137,643
Other receivables	20	1,378,113	4,629,907
Sales tax refundable		20,292,976	8,314,688
Cash and bank balances	21	19,371,361	7,621,043
		1,069,371,341	1,007,653,528
		2,481,800,171	2,543,538,396

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

CHIEF EXECUTIVE DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		Rupees	
Sales - Net	22	3,827,201,634	3,093,333,451
Cost of goods sold	23	(3,378,484,688)	(2,888,224,510)
Gross Profit		448,716,946	205,108,941
Operating expenses:			
- Selling and distribution costs	24	74,107,655	100,521,185
- Administrative and general expenses	25	54,162,977	49,486,873
- Other operating charges	26	24,417,147	25,706,921
		152,687,779	175,714,979
		296,029,167	29,393,962
Other operating income	27	3,587,817	1,601,946
Porfit from operation		299,616,984	30,995,908
Finance cost	28	166,451,845	161,632,076
Profit / (loss) before taxation		133,165,139	(130,636,168)
Taxation	29	(20,957,312)	(23,330,453)
Profit / (loss) for the year		112,207,826	(153,966,621)
Earning per share - basic	30	3.44	(4.72)

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

CHIEF EXECUTIVE DIRECTOR

STATEMENT OF COMPREHSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		Rupees	
Profit / (loss) for the year		112,207,826	(153,966,621)
Other comprehensive income		-	-
Total comprehensive income for the year		112,207,826	(153,966,621)

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	133,165,139	(130,636,168)
Adjustments for:		
- Depreciation	138,258,138	149,038,799
- Gain/(loss) on disposal of property, plant and equipment	(78,741)	3,913,672
- Provision for gratuity	10,531,399	8,130,615
- Finance cost	166,451,845	161,632,076
	315,162,642	322,715,162
Operating profit before working capital changes	448,327,780	192,078,994
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(14,734,710)	(19,153,439)
- Stock in trade	1,073,613	(151,160,863)
- Trade debts	(13,969,327)	(56,104,683)
- Loans and advances	(3,761,589)	11,093,176
- Trade deposits and short term prepayments	1,213,303	(175,321)
Other receivables	3,251,796	1,174,940
- Sales tax refundable	(11,978,288)	3,114,197
Increase / (decrease) in current liabilities:		
- Trade and other payables	62,802,093	19,833,528
	23,896,891	(191,378,465)
Cash generated from operations	472,224,671	700,529
Income tax paid / deducted	(22,711,130)	(21,291,052)
Gratuity paid	(6,109,316)	(4,430,674)
Finance cost paid	(174,574,661)	(149,337,725)
Net cash generated from/used in operating activities	268,829,565	(174,358,922)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(14,655,659)	(25,951,603)
Capital work in progress	(157,700)	(7,874,017)
Proceeds from disposal of property, plant and equipment	90,000	1,120,692
Net cash used in investing activities	(14,723,359)	(32,704,928)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(129,668,302)	(12,388,000)
Payment of long term security deposits	-	(5,207,100)
Loan from directors and others - net	(182,710,368)	84,215,019
Due to associated undertakings	17,088,738	39,602,971
Short term borrowings	52,934,362	101,482,985
Dividend paid	(316)	-
Net cash used in financing activities	(242,355,886)	207,705,875
Net decrease in cash and cash equivalents	11,750,320	642,025
Cash and cash equivalents at the beginning of the year	7,621,043	6,979,018
Cash and cash equivalents at the end of the year	19,371,362	7,621,043

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

CHIEF EXECUTIVE DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital	Accumulated Loss	Total
		Rupees	
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	-	2,532,947	2,532,947
Balance as at June 30, 2009	326,356,000	(590,572,916)	(264,216,916)
Net profit for the year	-	112,207,826	112,207,826
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation (net of deferred tax) charged during the year	-	17,861,982	17,861,982
Balance as at June 30, 2010	326,356,000	(460,503,108)	(134,147,108)

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS.

FOR THE YEAR ENDED JUNE 30, 2010

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 measurement

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 as applicable in Pakistan 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 results of which form the basis of making the judgements about the carrying values of assets and liabilites that are not readily apparent from other sources, actual results may differ from the estimates. 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 as applicable in Pakistan 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

Items included in the financial statements are prepared using the currency of the primary economic environment in which the company operates i.e 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 statements.

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, 2010. Charge for the current year is based on estimates provided by the actuary as at June 30, 2010. The following significant assumptions were used in the latest actuarial valuation:

	2010	2009
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.

3.1 Capital work in progress

Capital work in progress in 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.

3.2 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 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.

3.23 Changes in accounting policies and disclosures

During the year, the Company has adopted the following new and amended IFRSs as of July 01, 2009 which has resulted in extended disclosures as described below:

IAS 1 - Presentation of Financial Statements (Revised)
IFRS 7 - Financial Instruments : Disclosures (Amended)

IAS 1 - "Presentation of Financial Statements"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced a statement of comprehensive income, which presents all items of recognised income and expenses, either as a single statement, or in two linked statements. The Company has opted to present two linked statements and accordingly has presented a separate statement of comprehensive income in these financial statements. Comparative figures have also been re-presented to bring in conformity with the revised standard.

IFRS - "Financial Instruments: Disclosures" (Amendments)

The amended standard, which became effective for the financial years starting on or after January 01,

3.24 Standards and interpretations that became effective but not relevant to the Company

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of

IFRS 3	Business Combinations (Revised)
IAS 23	Borrowing Costs (Revised)
IAS 27	Consolidated and Separate Financial Statements (Revised)
IAS 32	Financial Instruments (Amended for Puttable instruments and obligations arising on liquidation)
IAS 39	Financial Instruments: Recognition and Measurement (Amended)
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

3.25 Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations which have been issued but are not yet effective for the current financial year:

		Effective for periods beginning on or after
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation - Amendments relating to Classification of Right Issue	February 01, 2010
IFRS 2	Share-based Payment: Amendments relating to Group Cash - Settled Share-based Payment Transactions	January 01, 2010
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not effect the Company's financial statements in the period of initial application except for the implication of IAS 24 - Related Party Disclosures (revised), which may effect certain disclosures.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010	2009		2010	2009
No. of shares			Rupees	
		Ordinary shares of Rs. 10 each		
32,635,600	32,635,600	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

	2010	2009
Land - freehold	31,521,323	31,521,323
Buildings on freehold land	45,693,474	49,243,518
Plant and machinery	150,772,324	169,770,089
Grid station and generators	231,922	256,714
	228,219,043	250,791,644
Incremental depreciation on revalued property, plant and equipment during the year - transferred to retained earnings	(17,861,982)	(20,039,653)
Change in revaluation surplus due to change in local sales proportion	(6,580,546)	-
Adjustment relating to property, plant and equipment disposed off during the year	-	(2,532,948)
	203,776,515	228,219,043

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

	NOTE	2010	2009
Loan from banking companies - Secured		Rupees	
Habib Bank Limited:			
- Term finance - II	6.01	76,923,077	100,000,000
- State Bank of Pakistan's LTF-EOP scheme	6.02	-	31,772,322
		76,923,077	131,772,322
United Bank Limited:			
- NIDF - I	6.03	1,843,556	2,765,332
- NIDF - II	6.04	-	35,000,000
- NIDF - IV	6.05	54,000,000	63,000,000
- NIDF - V	6.06	73,333,333	80,000,000
- State Bank of Pakistan's LTF-EOP scheme-1	6.07	65,195,560	76,061,486
- State Bank of Pakistan's LTF-EOP scheme-11	6.08	98,917,504	111,282,192
		293,289,953	368,109,010
Less: Current portion		(122,818,866)	(136,334,930)
		247,394,164	363,546,402
Loan from related parties - Unsecured			
Loan from directors and others	6.09	754,288,567	936,998,935
		1,001,682,731	1,300,545,337

6.01 Term finance - II

	2010	2009
Opening balance	100,000,000	-
Finance obtained during the year	-	100,000,000
Payments made during the year	(23,076,923)	-
	76,923,077	100,000,000

This term finance is created for reducing the running finance facility by Rs. 50 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.

6.02 State Bank of Pakistan's LTF-EOP scheme

	2010	2009
Opening balance	31,772,322	63,544,647
Payments made during the year	(31,772,322)	(31,772,325)
	-	31,772,322

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 installmentsand carries mark up @ 6% per annum . This loan has been fully paid.

Loans from Habib Bank Limited are secured against first pari passu equitable mortgage of property, plant

	2010	2009
	Rupees	

6.03 NIDF - I

	2010	2009
Opening balance	2,765,332	3,687,108
Payment made during the year	(921,776)	(921,776)
	1,843,556	2,765,332

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.

6.04 NIDF - II

	2010	2009
Opening balance	35,000,000	70,000,000
Payments made during the year	(35,000,000)	(35,000,000)
	-	35,000,000

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. This loan has been fully paid.

6.05 NIDF - IV

	2010	2009
Opening balance	63,000,000	60,924,600
Finance obtained during the year		2,075,400
	63,000,000	63,000,000
Payments made during the year	9,000,000	-
	54,000,000	63,000,000

This loan was created to retire the letters of credit established to facilitate the import of gas engines and is repayble in seven equal half yearly installment starting from June 2010 . It carried mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis.

6.06 NIDF - V

	2010	2009
Opening balance	80,000,000	-
Finance obtained during the year	-	80,000,000
	80,000,000	80,000,000
Payments made during the year	6,666,667	-
	73,333,333	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.

6.07 State Bank of Pakistan's LTF - EOP scheme -1

	2010	2009
Opening balance	76,061,486	86,927,412
Finance obtained during the year	-	-
	76,061,486	86,927,412
Payments made during the year	(10,865,926)	(10,865,926)
	65,195,560	76,061,486

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.

6.08 State Bank of Pakistan's LTF - EOP scheme-11

	2010	2009
Opening balance	111,282,192	123,646,880
Finance obtained during the year	-	-
	111,282,192	123,646,880
Payments made during the year	(12,364,688)	(12,364,688)
	98,917,504	111,282,192

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.

6.09 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. 676.00 million (2009: Rs. 620.00 million) with Habib Bank Limited and United Bank Limited.

6.09 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. 676.00 million (2009: Rs. 620.00 million) with Habib Bank Limited and United Bank Limited.

7 DEFERRED LIABILITIES

	NOTE	2010	2009
		Rupees	
Due to related parties	7.01	69,211,588	52,122,850
Deferred tax - net	7.02	14,644,888	25,401,794
Staff retirement benefits	7.03	28,856,077	24,433,994
		112,712,553	101,958,638

	2010	2009
7.01 Opening balance	52,122,850	12,519,879
Amount repaid/adjusted during the year	(57,034,000)	(18,247,029)
	(4,911,150)	(5,727,150)
Amount received during the year	74,122,738	57,850,000
	69,211,588	52,122,850

7.02 Deferred tax - net

	2010	2009
Credit / (debit) balance arising in respect of:		
- Accelerated tax depreciation	132,588,788	141,555,294
- Surplus on revaluation of property, plant and equipment	44,829,677	36,101,931
- Recognized losses	(156,814,797)	(147,755,664)
- Staff retirement benefits	(5,958,780)	(4,499,767)
	14,644,888	25,401,794

7.03 Staff retirement benefits

	2010	2009
The amounts recognized in the balance sheet are as follows		
Present value of defined benefit obligation	26,847,236	22,214,173
Unrecognized actuarial gain / (loss)	2,008,841	2,219,821
Benefits due but not paid	-	-
	28,856,077	24,433,994
Balance sheet liability		
Opening balance	24,433,994	20,734,055
Amount recognized during the year	10,531,399	8,130,614
	34,965,393	28,864,669
Benefits paid during the year	(6,109,316)	(4,430,675)
Closing balance	28,856,077	24,433,994
Charge for the defined benefit plan		
Service cost	7,865,299	6,173,595
Interest cost	2,665,701	2,169,276
Actuarial gains recognized	399	(212,257)
	10,531,399	8,130,614

7.04 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, 2010, using Project Unit Credit Method.

(b) Comparison for five years

	2010	2009	2008	2007	2006
Present value of of defined benefit obligation	26,847,000	22,214,000	18,077,000	15,830,000	12,243,000
Experience adjustment arising on plan liabilities	211,000	225,000	1,069,000	Nil	2,508,000

adjustment arising on plan liabilities

8 TRADE AND OTHER PAYABLES

	NOTE	2010	2009
		Rupees	
Creditors for:			
- Goods supplied		101,557,988	72,065,407
- Services		28,546,047	28,737,788
Accrued liabilities		39,719,951	28,737,121
Advances from customers		15,624,925	3,092,667
Security deposits		87,000	97,000
Worker's profit participation fund		6,873,749	-
Worker's welfare fund		2,612,025	-
Unclaimed dividend		1,871,693	1,872,009
Tax deducted at source		588,460	78,067
		197,481,836	134,680,059

9 ACCRUED INTEREST/ MARKUP

Long term financing		20,565,978	12,134,370
Short term borrowings		6,404,125	22,958,548
		26,970,103	35,092,918

10 SHORT TERM BORROWINGS - From banking companies - Secured

Habib Bank Limited	10.1	674,784,958	535,887,876.00
United Bank Limited	10.2	237,424,954	323,387,673.00
		912,209,911	859,275,549.00

10.1 These represent utilized portion of short term finance facilities of Rs. 950 million (2009: Rs. 1,015 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. 420 million (2009: Rs. 520 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.

11 PROVISION FOR TAXATION-Net

	2010	2009
	Rupees	
Opening balance	11,648,838	14,612,235
Provision for the year	38,294,764	15,372,555
Payments / adjustments against advance tax	(11,648,838)	(18,335,952)
	38,294,764	11,648,838

11.1 Income tax return upto and including tax year 2009 has been filed to the tax authorities under the provision of Income Tax Ordinance, 2001.

12 CONTINGENCIES AND COMMITMENTS

Contingencies

12.1 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.

12.2 The Company has provided bank guarantee in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 53.130 million (2009: Rs. 47.400 million) on account of security deposits against the consumption of natural gas.

12.3 Export bills discounted Rs. 62.1746 million (2009: Rs. Nil)

12.4 Post dated cheques issued in the favour of Collector of Custom against import Rs. 9.566 million (2009: Rs

Commitments

Commitments in respect of irrevocable letters of credit for the import of raw material as at the balance sheet date amount to Rs. 147.702 million (2009: Rs. 3.875 million).

13 PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost / Revalued Amount				Depreciation				Rupees
	As at July 01, 2009	Additions	Disposals	As at June 30, 2010	Rate %	As at July 01, 2009	Disposals	For the year	As at June 30, 2010
Owned									
Land - freehold	89,416,871	-	-	89,416,871	-	-	-	-	-
Buildings on freehold land	428,018,197	-	-	428,018,197	5-10	184,283,254	-	17,500,801	201,784,056
Plant and machinery	2,249,771,095	12,322,472	-	2,262,093,567	10	1,110,338,619	-	114,058,897	1,224,397,516
Grid station and generators	18,772,344	985,000	-	19,757,344	10	6,929,658	-	1,192,477	8,122,135
Furniture and fixtures	13,818,224	47,000	-	13,865,224	10	7,909,393	-	594,071	8,503,463
Vehicles	29,314,894	-	(150,700)	29,164,194	20	20,296,006	(148,438)	1,774,090	21,921,658
Equipment	14,784,606	1,041,214	(72,000)	15,753,820	10	8,690,664	(63,003)	641,917	9,269,578
Electric installations	59,908,063	259,973	-	60,168,036	10	35,169,013	-	2,495,885	37,664,898
Rupees 2010	2,903,804,294	14,655,659	(222,700)	2,918,237,253		1,373,616,606	(211,441)	138,258,138	1,511,663,303
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

13.1 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:

	As at June 30, 2010		Rupees
	Cost	Accumulated Depreciation	Book value
Land - freehold	57,895,548	-	57,895,548
Buildings on freehold land	294,892,394	134,238,736	160,653,658
Plant and machinery	1,675,737,695	825,731,057	850,006,638
Grid station and generators	18,881,295	6,977,801	11,903,494

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

	Note	2010	2009
		Rupees	
Cost of sales	23	135,081,996	145,403,132
Administrative expenses	25	3,176,143	3,635,667
		138,258,138	149,038,799

13.3 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
Electric installations							
Air conditioner - SANYO	72,000	63,003	8,997	-	(8,997)	Derecognized	-
Vehicle:							
Suzuki Mehran - LOG 9197	150,700	148,438	2,262	90,000	87,738	Negotiation	Muhammad Naeem H. No, 04 Saeed Street, Suleman Park, Ferozepur Road, Lahore.
June 30, 2010	222,700	211,441	11,259	90,000	78,741		
June 30, 2009	14,438,433	9,404,069	5,034,364	1,120,692	(3,913,672)		

		NOTE	2010	2009
			Rupees	
14	**CAPITAL WORK IN PROGRESS**			
	Buildings on freehold land:			
	- Opening balance		-	-
	- Additions during the year			316,293
			-	316,293
	- Transferred to property, plant and equipment		-	(316,293)
			-	-
	Plant and machinery:			
	- Opening balance		-	67,542,896
	- Additions during the year		157,700	2,595,920
			157,700	70,138,816
	- Transferred to property, plant and equipment		-	(70,138,816)
			157,700	-
	Electric installations:			
	- Opening balance		-	1,539,491
	- Additions during the year			4,961,804
			-	6,501,295
	- Transferred to property, plant and equipment		-	(6,501,295)
			-	-
			157,700	-
15	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		15,033,625	18,124,625
	- In transit		7,497,496	-
	Spares		45,854,061	35,446,364
	Loose tools		204,661	284,144
			68,589,843	53,855,133

15.1 No identifiable store and spare are held for specific capitalization.

		NOTE	2010	2009
16	**STOCK IN TRADE**			
	Raw material:			
	- In hand	16.1	283,821,676	420,223,542
	- In transit		143,706,973	14,434,702
	Work in process		45,146,387	32,844,792
	Finished goods		259,714,037	265,959,650
			732,389,073	733,462,685

16.1 This includes an amount of Rs. 167.990 million (2009: Rs. 206.353 million) approximately, which is pledged against short term finances. Also, it includes sizing material of Rs. 8,539765 (2009: Rs. 8,667,915).

		2010	2009
		Rupees	
17	**TRADE DEBTS**		
	Local debts		
	(Unsecured - considered good)	122,570,190	56,049,870
	Foreign debts		
	(Secured - considered good)	67,170,555	119,721,548
		189,740,745	175,771,418
18	**LOANS AND ADVANCES**		
	Employees	1,120,480	979,800
	Suppliers	7,993,202	4,071,082
	Income tax deducted at source	27,100,998	16,038,707
	Letters of credit	470,209	771,421
		36,684,890	21,861,010
19	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		
	Trade deposits	583,394	583,394
	Prepayments	340,946	1,554,249
		924,340	2,137,643

		NOTE	2010	2009
20	OTHER RECEIVABLES		Rupees	
	Export rebate receivable		466,525	308,474
	Excise duty refundable		-	4,310,043
	Other receivable	20.01	911,588	11,390
			1,378,113	4,629,907

20.01 An amount of Rs. 9,565,795 (2009: Rs. 4,077,354) paid to sales tax department against exemption received under Duties And Tax remission for exporters have been reclassified in Cash with banks in current accounts in Note 21 and made a disclosre in contingencies under Note 12.

			2010	2009
21	CASH AND BANK BALANCES		Rupees	
	Cash in hand		1,339,912	342,511
	Cash with banks in current accounts	20.01	18,031,449	7,278,532
			19,371,361	7,621,043
22	SALES - NET			
	Local:			
	- Yarn		1,578,158,653	1,297,631,592
	- Fabric		1,120,750,022	568,374,952
			2,698,908,675	1,866,006,544
	Export:			
	- Yarn		19,650,812	31,068,107
	- Fabric		1,036,578,483	1,133,815,707
			1,056,229,295	1,164,883,814
	Waste		68,546,613	61,751,494
	Doubling income		2,291,778	-
	Rebate on export		1,225,273	691,599
		39.02	3,827,201,634	3,093,333,451
23	COST OF GOODS SOLD			
	Raw materials consumed	23.01	2,524,704,373	2,174,454,770
	Salaries, wages and other benefits	23.02	212,485,258	197,757,989
	Fuel and power		290,632,116	237,392,240
	Packing materials consumed		42,134,181	36,918,813
	Sizing materials consumed		63,743,771	51,846,738
	Stores and spares consumed		101,686,432	84,293,693
	Insurance		2,572,678	2,886,315
	Depreciation	13.2	135,081,996	145,403,132
	Other manufacturing expenses		11,499,864	9,693,640
			3,384,540,669	2,940,647,330
	Opening work in process		32,844,792	33,289,465
	Closing work in process		(45,146,387)	(32,844,792)
			(12,301,595)	444,673
	Cost of goods manufactured		3,372,239,074	2,941,092,003
	Opening finished goods		265,959,650	213,092,157
	Closing finished goods		(259,714,037)	(265,959,650)
			6,245,613	(52,867,493)
			3,378,484,688	2,888,224,510
23.01	Raw material consumed			
	Opening stock		411,555,627	330,819,122
	Purchases		2,381,006,920	2,248,025,317
	Cotton cess		944,552	988,836
	Cotton handling charges		6,479,186	6,177,122
			2,799,986,284	2,586,010,397
	Closing stock		(275,281,911)	(411,555,627)
			2,524,704,373	2,174,454,770

23.02 Salaries and benefits include Rs. 6,318 million (2009: Rs.4.878 million) on account of staff retirement benefits.

	NOTE	2010	2009
		Rupees	
24 SELLING AND DISTRIBUTION			
Export development surcharge		2,663,970	2,748,192
Commission to selling agents		20,829,798	28,628,215
Carriage and freight - export		39,968,774	57,746,055
-local		772,166	554,385
Export expenses		9,026,990	9,799,339
Samples		845,957	1,044,998
	39.02	74,107,655	100,521,185
25 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits	25.1	34,312,323	28,807,276
Traveling and conveyance		1,268,614	810,656
Repairs and maintenance		1,165,100	2,806,379
Rent, rates and taxes		69,610	167,610
Printing and stationery		2,566,690	2,006,687
Insurance		999,167	1,026,185
Fees and subscription		766,359	722,467
Telephone and Postage		1,376,854	2,144,694
Vehicle running and maintenance		5,206,773	4,672,633
Utilities		1,501,738	1,356,312
Advertisement		70,410	-
Books and periodicals		59,913	155,159
Entertainment	.	1,623,283	1,175,148
Depreciation	13.2	3,176,143	3,635,668
		54,162,977	49,486,873

25.1 Salaries and benefits include Rs. 4,212 million (2009: Rs. 3.252 million) on account of staff retirement benefits.

	2010	2009
26 OTHER OPERATING CHARGES		
Auditors' remuneration		
- Statutory audit	500,000	180,000
- Half yearly review	95,000	50,000
- Certification charges	50,000	45,000
- Out of pocket	25,000	25,000
	670,000	300,000
Legal and professional charges	624,906	549,481
Balances written off	4,310,043	-
Provision for doubtful debts	858,000	-
Worker's profit participation fund	6,873,749	-
Worker's welfare fund	2,612,025	-
Loss on disposal of property, plant and equipment	8,997	3,913,672
Exchange loss	8,459,427	20,943,768
	24,417,147	25,706,921
27 OTHER OPERATING INCOME		
Gain on disposal of property, plant and equipment	87,738	-
Scrap sales	3,500,079	1,601,946
	3,587,817	1,601,946
28 FINANCE COST		
Interest / mark up on:		
- Long term financing	50,202,408	60,268,483
- Short term borrowings	107,621,948	93,103,207
	157,824,356	153,371,690
Bank charges and commission	8,627,490	8,260,387
	166,451,845	161,632,076
29 TAXATION		
Taxation:		
- Current year	38,294,764	15,372,555
- Deferred	(17,337,452)	7,957,898
	20,957,312	23,330,453

29.1 Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to accumulated accounting losses.

30 EARNING PER SHARE - Basic

		2010	2009
(Loss) / profit after taxation for the year	Rupees	112,207,826	(153,966,621)
Outstanding weighted average ordinary shares	No. of shares	32,635,600	32,635,600
Earnings per share - Basic	Rupees	3.44	(4.72)

30.1 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.

31 CHIEF EXECUTIVE'S DIRECTORS' AND EXECUTIVES' REMUNERATION

	2010	2009
Managerial remuneration - Executives (Rupees)	10,440,000	1,800,000
Number of persons	14	2

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

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

32 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:

	2010	2009
	Rupees	
Associated undertakings		
Loan obtained during the year	48,500,000	57,850,000
Repayment of loan during the year	34,500,000	31,307,508
Payment made for stores/electricity bill	23,674,586	790,972
Purchase of Cotton	102,456,748	58,138,691
Directors		
Loan obtained from directors	50,000,000	125,000,000
Payment made during the year	232,710,368	40,784,981

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.

33 PLANT CAPACITY AND PRODUCTION

Spinning		2010	2009
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	15,243,286	15,951,196
Weaving			
No. of looms installed		168	168
No. of looms worked		160	154
No. of shifts		3	3
Actual production converted to 40 picks based on three shifts per day	Sq. meters	63,781,008	62,053,270

33.1 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.

34 FINANCIAL INSTRUMENTS BY CATEGORY

	2010	2009
	Rupees	
Financial assets as per balance sheet		
Long term deposits	5,697,180	5,697,180
Trade debts	189,740,745	175,771,418
Loans and advances	1,590,689	1,751,221
Trade deposits	583,394	583,394
Cash and bank balances	19,371,361	3,543,689
	216,983,370	187,346,903
Financial liabilities as per balance sheet		
Long term financing	1,124,501,597	1,436,880,267
Trade and other payables	181,268,452	131,569,324
Accrued interest/mark-up	26,970,103	35,092,918
Short term borrowings	912,209,911	859,275,549
	2,244,950,062	2,462,818,057

34 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between

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

35 FINANCIAL INSTRUMENTS

35 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

	2010	2009
	Rupees	
Foreign trade debts	67,170,555	119,721,548
Foreign currency short term borrowings		
- Habib Bank Limited	(136,444,517)	(53,658,000)
- United Bank Limited	(144,369,794)	(158,535,000)
Foreign creditors	-	-
Gross balance sheet exposure	(213,643,756)	(92,471,452)
Outstanding letter of credit	(147,702,000)	(3,874,785)
Net exposure	(361,345,756)	(96,346,237)
The following significant exchange rates have been applied at the reporting dates:		
USD to PKR	85.60	81.30

At June 30,2010, 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 have been higher/lower by Rs. 21,364,376(2009:9,247,145), 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

	2010	2009	2010	2009
	Percentage		Rupees	
Long term financing				
- Fixed rate	6 to 7	6 to 7	164,113,064	219,116,000
- Variable rate	13.87 to 14.04	14.93 to 15.26	206,099,966	280,765,332
Short term borrowings	13.25 to 13.95	14.43 to 14.76	912,209,911	859,275,549
			1,282,422,941	1,359,156,881
Total yield / mark up rate risk sensitivity gap			(1,282,422,941)	(1,359,156,881)

(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, ramains constants. This analysis is performed on the same basis for 2009.

	Effect on Profit and Loss 1% rate	
	Increase	Decrease
As at June 30, 2010		
Cash flow sensitivity - variable rate financial liabilities	(12,824,229)	12,824,229
As at June 30, 2009		
Cash flow sensitivity - variable rate financial liabilities	(8,012,520)	8,012,520

(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. 216,983,370 (2009: Rs. 209,010,940), the financial assets exposed to credit risk amount to Rs. 215,643,458 (2009: Rs. 187,346,903).

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

	2010	2009
	Rupees	
Local debts	122,570,190	56,049,870
Foreign debts	67,170,555	119,721,548
	189,740,745	175,771,418

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:

Yarn	114,715,167	106,269,466
Fabric	73,181,108	67,793,278
Others	1,844,470	1,708,674
	189,740,745	175,771,418

The aging of loans and receivables at the reporting date was:	2010 Rupees	2009 Rupees
Past due 0-6 months	165,226,707	164,561,444
Past due 6-12 months	24,514,038	11,209,974
	189,740,745	175,771,418

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:

	2010 Rupees	2009 Rupees
Long term deposits	5,697,180	5,697,180
Trade debts	189,740,745	175,771,418
Loans and advances	1,590,689	1,751,221
Short term trade deposits	583,394	583,394
Cash and bank balances	19,371,361	3,543,689
	216,983,370	187,346,903

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	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan	JCR-VIS	A1+	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

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.

2010	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years (Rupees)
Non-Derivative Financial Liabilities					
Long term financing	370,213,030	(370,213,030)	(61,409,451)	(122,818,895)	(185,984,684)
Trade and other payables	197,481,836	(197,481,836)	(197,481,836)	-	-
Short term borrowings	912,209,911	(912,209,911)	(912,209,911)	-	-
	1,479,904,777	(1,479,904,777)	(1,171,101,198)	(122,818,895)	(185,984,684)

2009	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years (Rupees)
Non-Derivative Financial Liabilities					
Long term financing	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)	-	-
	1,493,836,940	(1,742,169,572)	(1,200,600,894)	(101,683,015)	(439,885,663)

The contractual cash flows relating to the above financial liablities 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.

36 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.

37 POST BALANCE SHEET EVENTS

The board of directors of the company in its meeting held on 24th September 2010 has proposed a final cash dividend of Rs. 1 (2009: Nil) per share for approval of the members at the annual general meeting to be held on October 27, 2010. The financial statements for the year ended June 30, 2010 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending on June 30, 2011.

38 AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts have been authorized for issue by the Board of Directors of the Company on September 24, 2010.

39 GENERAL

39.01 Figures have been rounded off to the nearest of rupees;

39.02 Comparative figures have been rearranged / reclassified, wherever necessary, to facilitate comparison. However, following material re-arrangements / re-classifications have been made in these financial statements.

Export development surcharge and Commission to selling agents of Rs. 2,663,970 and 20,829,798 (2009: 2,748,192 and 28,628,215) respectively; which were included in Sales-Net has been presented under Selling and distribution expenses.

CHIEF EXECUTIVE **DIRECTOR**

PROXY FORM
(21st 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 21st Annual General Meeting of the Company to be held on October 27, 2010 and/or any adjournment thereof.

As witness my/our hand this ____________ day of October, 2010

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, duty 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.

AFFIX
CORRECT
POSTAGE

The Company Secretary,
Ghazi Fabrics International Ltd.
8-C, Block E-III, Gulberg-III, Lahore