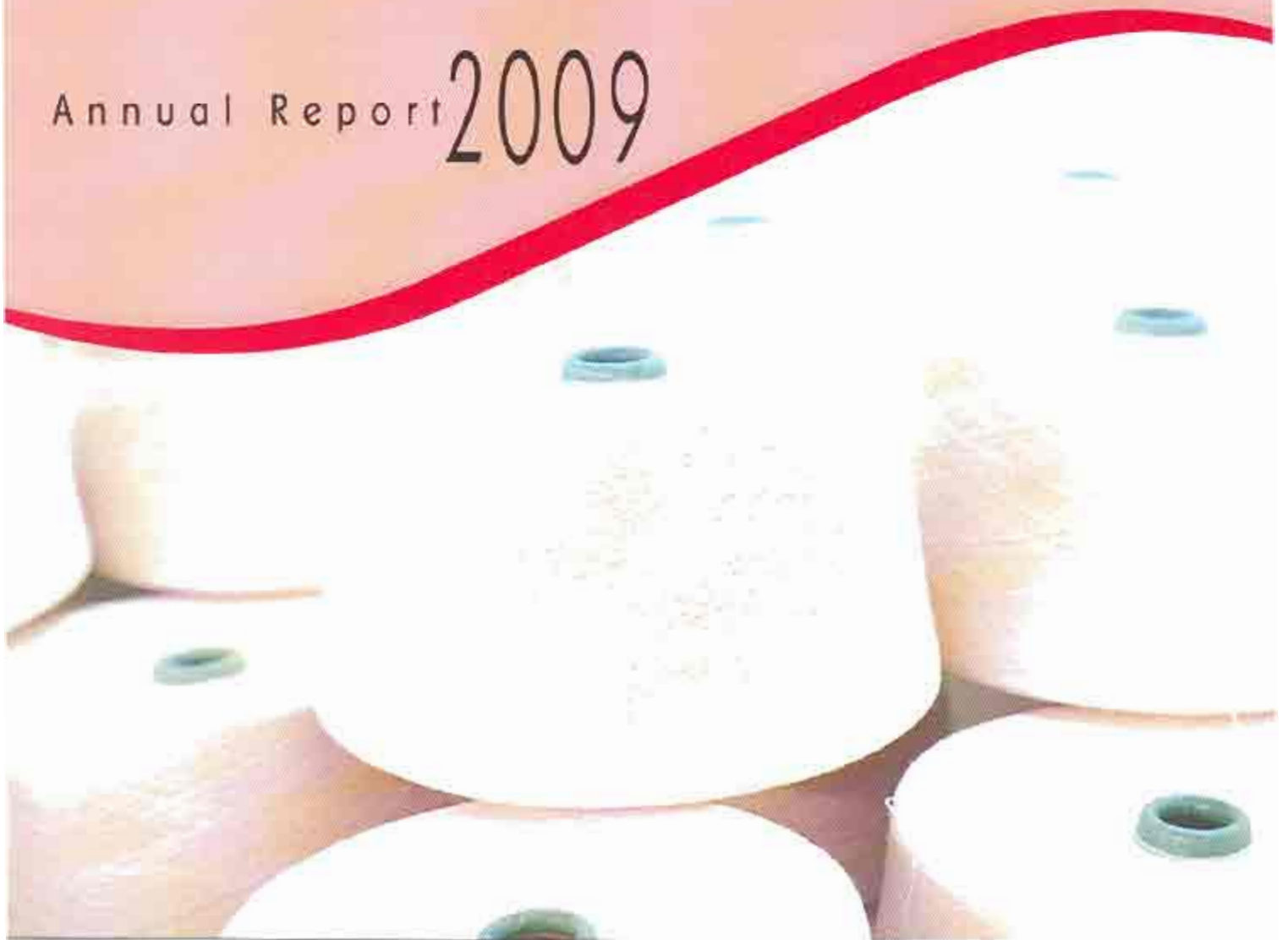


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Azam Textile Mills Limited

Annual Report **2009**



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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chairman / Chief Executive
Mr. M. Azam Saigol	
Mr. Muhammad Omer Farooq	
Mr. Muhammad Athar Rafiq	
Mr. Rashid Ahmed Javaid	
Mr. Saced Mian Ansari	
Mr. Jamal Nasim	(NIT Nominee)

AUDIT COMMITTEE

Mr. M. Azam Saigol	Chairman/Member
Mr. Rashid Ahmed Javaid	Member
Mr. Muhammad Athar Rafiq	Member

COMPANY SECRETARY

Sultan Ali

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shamil, ACA

AUDITORS

M/s S.P. Anjad & Co.
Chartered Accountants

BANKERS

Askari Commercial Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Royal Bank of Scotland
Standard Chartered Bank Limited
United Bank Limited
The Bank of Punjab
My Bank Limited
Meezan Bank Limited
NIB Bank Limited

REGISTERED OFFICE

17-Aziz Avenue, Canal Bank,
Gulberg - V, Lahore.
Tel: 5717364-65 & 5718274-75
Fax: 5715105 E-mail: shares@saigols.com

SHARES REGISTRAR

M/s. CORPLINK (PVT) LTD.
Wings Arcade, I-K Commercial, Model Town, Lahore
Tel: 042-5839182, 5887262, 5916719
Fax: 042-5869037

MILLS

51-KM, Multan Road,
Bhai Pheru, District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of Shareholders of **Azam Textile Mills Limited** will be held on Saturday, October 31, 2009 at 10:30 A.M. at 17-Aziz Avenue, Canal Bank Gulberg-V, Lahore the Registered Office of the Company to transact the following business:-

1. To confirm the minutes of Extraordinary General Meeting held on 25 March, 2009.
2. To receive and adopt the Annual Audited Accounts for the year ended 30 June, 2009 alongwith Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board

Lahore : October 9, 2009

(SULTANALI)
Company Secretary

Notes:

1. Share Transfer Books of the Company will remain closed from October 31, 2009 to November 06, 2009 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg V, Lahore, the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or original Passports along with their Account Numbers in Central Depository System for attending the meeting.
4. Members are requested to notify the Company change in their addresses, if any.



To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by marketing high quality of yarn through team work by means of honesty, integrity and commitment.



To transform the Company into a modern and dynamic Yarn manufacturing Company and to provide quality products to customers and explore new markets to promote / expand sales of the Company through Good Governance and foster a sound and dynamic team, so as to achieve optimum profitability for the Company for sustainable and equitable growth and prosperity of the Company, its employees and shareholders.

KEY OPERATING AND FINANCIAL DATA

PARTICULARS	2009 (,000)	2008 (,000)	2007 (,000)	2006 (,000)	2005 (,000)	2004 (,000)
Sales - Net	465,215	456,409	476,150	428,367	232,534	283,644
Gross Profit	22,125	55,777	52,765	55,369	24,020	17,398
Profit/(Loss) Before Tax	(29,237)	10,490	6,159	5,875	399	(16,512)
Profit/(Loss) After Tax	(33,805)	(23,356)	3,476	3,304	(818)	(18,239)
Share Capital	132,750	132,750	132,750	132,750	132,750	132,750
Shareholders Equity	(87,655)	(65,223)	(51,480)	(67,545)	(83,894)	(93,241)
Fixed Assets - Net	519,874	457,228	458,093	470,203	480,332	460,086
Total Assets	713,397	627,040	605,091	593,516	580,176	544,057
Bank Borrowings	148,320	153,825	217,235	236,704	447,248	219,733
RATIOS						
Profitability:						
Gross Profit Margin	4.76	12.22	11.08	12.93	10.33	6.13
Profit/(Loss) After Tax	(7.27)	(5.12)	0.73	0.77	(0.35)	(6.43)
(Loss)/Earning Per Share - Rs.	(2.55)	(1.76)	0.26	0.25	(0.06)	(1.37)
Activity:						
Sales to Fixed Assets - Times	0.89	1.00	1.04	0.91	0.48	0.62
Liquidity:						
Current Ratio - Times	0.87	0.77	0.98	1.13	1.12	1.15
Break Up Value Per Share - Rs.	(6.60)	(4.91)	(3.88)	(5.09)	(6.32)	(7.02)

DIRECTORS' REPORT

The Directors of your Company are pleased to submit their report along with the Audited Financial Statements for the year ended June 30, 2009.

OVERVIEW

The year under review started on positive note and your Company was able to earn Gross Profit of 12.49% for the first quarter ended September 30, 2008 but from the month of October 2008 onward increased cost of doing business, unprecedented increase in cost of raw material in local and international market coupled with rather depressed yarn prices throughout the period resulted in net loss before tax of Rs. 29,237 million for the year 2008-09. The circumstance resulted in these losses are similar to the trends prevailing in the Country in general and for textile industry in particular, which includes regular stoppage of production due to electricity shortages.

CURRENT SCENARIO OF INDUSTRY

At the moment textile industry is going through multiple challenges and non conducive environment for doing business. The over all security position and prevailing political crises have effected business environment very badly. These factors combined resulted in negative impact on competitiveness of the industry in international market.

The growth of textile industry is gradually declining due to increased cost of doing business. The most effected components are electricity, wages and mark up's. These combined with unprecedented shut down's of WAPDA supply resulted in sever problems for textile industry throughout the period.

The cost of raw material has also gone up quite considerable and at the moment cotton in local market is traded at Rs. 3,550/- per maund level which is high by all standards.

It is high time for the government to intervene to control increasing prices of raw cotton and other input costs along with present economic and security environment enabling the industry to remain competitive.

The Central bank also needs to play its due role to bring down mark up rates by controlling Kibor Rate and bringing it to single digit range. Here we would like to add that without taking positive steps it will not be possible to achieve ambitious export target of 25 billion for the next five years set out in the recently announced textile policy by the Federal Government.

OPERATING RESULTS

During the year under review, the cost of production of your Company increased because of increase in cost of raw material, fuel and power, salaries and wages and other consumables due to cost push inflation. Production of raw cotton was 11.3 million bales against target for 14 million bales which resulted in increase in cotton prices in local market and cost of imported cotton was 11.9% higher than last year without corresponding increase in selling rates of yarn.

Gross profit for the year under review has gone down to 4.75% as compared to 12.22% last year mainly due to factors narrated in above paragraphs. These factors/cost components are totally beyond control of the management of your Company. In spite of all these odds where ever possible the management have exercised complete control and due diligence and have achieved remarkable control over remaining cost component and administrative expenses.

FUTURE OUTLOOK

In spite of unprecedented increase in raw material prices Yarn Prices have started picking up from the month of September 2009. We hope during upcoming season of fine count yarn, prices will remain at the prevailing levels and with the little support from Central Bank in the shape of reduction in Kibor rate, bringing it down to single digit your Company will be able to perform much better in the first half of year 2009-10.

AUDIT OBSERVATION

The Auditors of the Company have drawn the attention of the members to the note No.6.1 and 6.2 of the financial accounts. The C.F.O. explained that our request for rescheduling of over due portion of long term loan have been recommended by the National Bank of Pakistan's, Corporate and Investment Banking Group, Lahore to Head Office Karachi for final approval. We have shown current portion of long term loan of Rs. 41,999 million as long term loan on the strength of letter received from National Bank of Pakistan, Main Branch Lahore confirming the same.

STATEMENT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE

The Directors state that:

- The financial statements, prepared by the management, present true and fair state of affairs of the company the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no outstanding statutory payments on account of duties, levies and charges.
- Significant deviation from last year in operating results of the Company and reasons thereof have been explained.
- The Key operating and Financial Data of Last Six Years is attached to the Report.
- There are no significant plans for corporate restructuring and discontinuation of operations except for improvement in the normal business activities to increase the business.
- Directors meeting of the Board of Directors of the Company during the year under review were Four (4), held on October 10, 2008, October 31, 2008, February 27, 2009 and April 30, 2009. Following was the attendance of the Directors:-

NAME OF DIRECTOR	NO. OF MEETING ATTENDED
Mr. M. Naseem Saigol	1
Mr. M. Azam Saigol	4
Mr. Shahid Sethi	2 (Resigned)
Mr. Muhammad Omer Farooq	2 (Appointed)
Mr. Muhammad Athar Rafiq	4
Mr. Muhammad Asif Bajwa	2 (Resigned)
Mr. Rashid Ahmed Javaid	2 (Appointed)
Mr. Saeed Mian Ansari	2
Mr. Jamal Nasim (NIT Nominee)	2

- Since the last Annual General Meeting Mr. Muhammad Omer Farooq Replaced Mr. Shahid Sethi and Mr. Rashid Ahmed Javaid replaced Mr. Muhammad Asif Bajwa. Outgoing Directors during the tenure of their Directorship.
- During the year under review no Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children sell, buy or take any position in shares of the Company.

PATTERN OF SHARE HOLDING

A statement showing Pattern of Share Holding as on June 30, 2009 is Annexed.

ACKNOWLEDGEMENT

We wish to thank to our banks and shareholders for their continued support and confidence on the Company. We are pleased to record our appreciation of the services rendered by the employees of the Company and hope that the same spirit of devotion will continue in future.

For and on behalf of the Board

Lahore
October 9, 2009

Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, 43 and 36 of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manners:

1. The Board of the Company comprises of five non-executive and two executive directors. At present there is no representation of independent non-executive director and director representing minority shareholders on the Board of the Company. We shall encourage their representation in the forthcoming elections.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred in the Board during the year.
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 Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors, have been taken by the Board.
8. The meeting of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors. An executive director is the Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function, members of which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any or the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All related party transactions were approved and reviewed by the Board of Directors and placed before the Audit Committee. All records prescribed in this context were maintained.

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

For and on behalf of the Board

Lahore
October 9, 2009

Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **AZAM TEXTILE MILLS LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulation's of Chapter No. XIII of the Lahore Stock Exchange (Guarantee) Limited and Listing Regulation's No. 36 of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

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

LAHORE:
October 9, 2009

(S.P. AMJAD & CO.)
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **AZAM TEXTILE MILLS LIMITED** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements, subject to draw attention to note No. 6.1 and 6.2 (two paras) and without qualifying our opinion, we state that the company has re-classified current portion of long term loan DF-1 facility from M/S National Bank Of Pakistan Ltd, as long term loan. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009.
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

LAHORE:
October 9, 2009

S.P. AMJAD & CO.
(CHARTERED ACCOUNTANTS)

AZAM TEXTILE MILLS LIMITED

BALANCE SHEET

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
SHARE CAPITAL AND RESERVE			
Authorised:			
15,000,000 Ordinary shares of Rs. 10 each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up Unappropriated (Loss)	4	<u>132,750,000</u> <u>(220,405,342)</u>	<u>132,750,000</u> <u>(197,973,036)</u>
		(87,655,342)	(65,223,036)
SURPLUS ON REVALUATION OF FIXED ASSETS	5	221,779,342	152,074,229
NON-CURRENT LIABILITIES			
Long Term Financing	6	43,499,667	25,500,000
Long Term Deposits	7	36,000,000	36,000,000
Loan from Directors	8	145,029,697	135,529,697
Deferred liabilities	10	138,635,802	118,289,698
CURRENT LIABILITIES			
Trade & other payables	11	87,141,703	109,857,300
Mark up accrued on loans & other payables	12	5,896,053	4,940,518
Short term borrowings-secured	13	97,320,107	95,615,052
Current portion of Long Term borrowings		7,500,000	32,359,000
Current portion of Lease		-	350,772
Provision for Taxation	14	-	5,272,230
		<u>197,857,862</u>	<u>248,394,872</u>
CONTINGENCIES AND COMMITMENTS	15		
		<u>695,147,028</u>	<u>650,565,460</u>

The annexed notes (1) to (39) form an integral part of these financial statements.

Lahore
October 9, 2009

Chief Executive

AZAM TEXTILE MILLS LIMITED

AS AT JUNE 30, 2009

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
TANGIBLE FIXED ASSETS			
Property, Plant & Equipments	16	519,873,714	457,228,339
Long Term Deposits		2,648,660	2,905,010
CURRENT ASSETS			
Stores and Spares	17	5,977,009	4,808,805
Stock-in-trade	18	136,695,547	139,810,778
Trade debtors	19	6,553,409	6,545,072
Loans and advances	20	11,713,623	24,624,305
Trade deposits and prepayments	21	456,354	344,115
Tax refunds due from Government	22	9,274,066	9,804,414
Cash & Bank Balances	23	1,954,546	4,494,622
		172,624,654	190,432,111
		695,147,028	650,565,460

Director

AZAM TEXTILE MILLS LIMITED

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

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
Sales	24	465,215,183	456,408,893
Cost of Sales	25	443,090,369	400,631,601
Gross profit		22,124,814	55,777,292
Distribution Cost	26	847,133	542,481
Administrative & General	27	19,718,415	19,339,094
Other Operating expenses	28	-	777,473
Other Operating Income	29	-	(467,591)
		20,565,548	20,191,457
Operating Profit		1,559,266	35,585,835
Financial Charges	30	30,796,066	25,095,586
Profit / (Loss) before taxation		(29,236,800)	10,490,249
Provision for taxation / Excess provision	31	-	2,589,810
Prior year adjustment		(891,820)	-
Deferred Tax		5,460,077	31,256,595
		4,568,257	33,846,405
Profit / (Loss) After Taxation		(33,805,057)	(23,356,156)
EARNINGS PER SHARE	32	(2.55)	(1.76)

The annexed notes (1) to (39) form an integral part of these financial statements.

Lahore
October 9, 2009

Chief Executive

Director

AZAM TEXTILE MILLS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	June 30, 2009 Rupees	June 30, 2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) before taxation		(29,236,800)	10,490,248
Adjustments for:			
Depreciation		23,843,781	23,829,553
Financial cost		30,763,003	24,972,042
Provision for employee benefits- Net		2,275,197	1,316,622
Lease charges		-	90,360
Worker's welfare fund		-	214,087
Interest on workers profit participation fund		33,063	33,185
Workers profit participation fund		-	563,386
Profit/loss on sale vehicles		-	(228,011)
Operating profit before working capital changes		27,678,244	61,281,472
Increase / (decrease) in stores and spares		(1,168,204)	13,022
Increase / (decrease) in stock in trade		3,115,231	(3,798,007)
Increase / (decrease) in trade debts		(8,337)	11,513,887
Increase / (decrease) in loans and advances		12,910,682	29,703,638
Increase / (decrease) in Trade deposits and prepayments		(112,239)	(190,514)
Increase / (decrease) in tax refunds due from government		530,348	8,372,589
Increase / (decrease) in trade & other payables		(19,644,507)	18,629,932
		(4,377,027)	64,244,547
Cash generated from operations		23,301,217	125,526,019
Finance cost paid		(29,807,468)	(27,008,334)
Lease charges paid		-	(90,360)
Income taxes paid		(6,888,115)	(295,604)
workers profit participation paid.		(596,449)	(705,175)
Net cash inflow / (outflow) from operating activities		(13,990,815)	97,426,546
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(9,666,866)	(23,799,327)
Advance for purchase of machinery-recovered		16,735,737	-
Security deposit		256,350	-
Sale proceed of property plant & equipment		130,667	1,062,916
Net cash outflow from investing activities		7,455,888	(22,736,411)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Long Term financing		(6,859,333)	(15,266,000)
Loan from directors		9,500,000	15,000,000
Dividend paid		-	(2,150,734)
Deferred liabilities paid		-	(24,328,466)
Lease liability paid		(350,772)	(895,667)
Net cash inflow from financing activities		2,289,895	(27,640,867)
Net increase / (decrease) in cash		(4,245,032)	47,049,268
Cash and cash equivalents at the beginnig of the period		(91,120,430)	(138,169,698)
Cash and cash equivalents as at June 30, 2009		(95,365,462)	(91,120,430)
Cash and cash equivalents Comprises of:			
Cash and Bank balances		1,954,645	4,494,622
Short Term Borrowings		(97,320,107)	(95,615,052)
		(95,365,462)	(91,120,430)

Lahore

October 9, 2009

Chief Executive

Director

AZAM TEXTILE MILLS LIMITED

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

	Share Capital	Accumulated Loss	Total
	(R u p e e s)		
Balance as at 30 June, 2007	132,750,000	(184,229,552)	(51,479,552)
Profit for the year ended 30 June, 2008	-	(23,356,156)	(23,356,156)
Prior year dividend paid during the year	-	(2,150,734)	(2,150,734)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - current year	-	11,763,406	11,763,406
Realization of surplus on disposal of an asset	-	-	-
Balance as at 30 June, 2008	132,750,000	(197,973,036)	(65,223,036)
Profit for the year ended 30 June, 2009	-	(33,805,057)	(33,805,057)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	-
Realization of surplus on disposal of an asset	-	11,372,751	11,372,751
Balance as at 30 June, 2009	132,750,00	(220,405,342)	(87,655,342)

The annexed notes (1) to (39) form an integral part of these financial statements.

Lahore
October 9, 2009

Chief Executive

Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated on 10 March, 1987 as a Public Company and its shares are quoted on Stock Exchanges in Pakistan. The Company is principally engaged in manufacture and sale of yarn.

2. GOING CONCERN ASSUMPTION

These financial statements, have been prepared on the 'going concern basis' on the assumption. During the year it has made loss of Rs.29.237 Million against profit of Rs. 10.490 Million in last year. The circumstances resulting in these losses are similar to the trend prevailing in the country in general and textile sector in particular, which includes regular stoppages in production due to electricity shortages. The management however expects that the situation will improve in the near future with continued support from its bankers. The company also expects to avail any relaxation facilitated by the govt of Pakistan, and the state bank of Pakistan relating to finances from banks and financial institutions and further financial support from its sponsors and directors.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency adjustments as stated in note 3.3;
- land, building and plant & machinery which are stated at revalued amounts.
- certain employees benefits which are carried at their present value.
- cash flow statement.

3.3 Foreign currency translations

Foreign liabilities and assets (except those for which foreign exchange rates have been booked and translated at the fixed rates) are converted into local currency at the rates prevailing at the balance sheet date.

3.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the Company's functional currency, and is not considered hyperinflationary. (IAS 29)

3.5 Uses of estimates and judgements

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements

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about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the future years.

3.5.1 Income taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

3.5.2 Trade and other debts

Impairment loss against doubtful trade and other debts is made on judgement basis, for which provisions may differ in the future years based on the actual experience. The difference in provisions if any, would be recognised in the future years.

3.5.3 Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of land, buildings and plant & machinery are based on a valuation carried out by external professional valuer of the Company. The Company reviews the value of the assets for possible impairment on annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Major renewals and improvement for assets are capitalized and the assets so replaced, if any, are retired. Maintenance and normal repairs are charged to profit and loss account.

3.5.4 Stock in trade and stores and spares

The company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

3.6 Staff retirement benefits

The Company operates an un-funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The latest actuarial valuation was carried out as at June 30, 2008. Based upon this valuation the company accounts for the provision and current service cost. The policy for recognition of actuarial gains/losses is based on the minimum 10% corridor. However, the standard also permits to adopt any systematic method that can result in faster recognition of accumulated actuarial gains and losses.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

The future contribution rates for this plan includes allowances for deficit and surplus. As per actuarial valuation, the following significant assumptions were used for calculation of this plan.

	2009	2008
Discount rate	12%	12%
Expected rate of salary increase in future years	12%	12%
Average expected remaining working life time of employees	10 years	10 years
 Actuarial valuation method	 Projected unit Credit Method	 Projected unit Credit Method

3.7 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at the rate of 0.5% of turnover, whichever is higher.

(b) Deferred

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax asset is recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

3.8 Tangible fixed assets and depreciation thereon

Operating assets are stated at cost, except land, building and plant & machinery which are stated at revalued amount. Depreciation is charged to income on reducing balance method using the rates specified in the fixed assets schedule at note 16. Management has reviewed the residual value of assets, useful lives and depreciation method at each financial year end. Full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal.

Surplus on revaluation of land, building and plant & machinery is credited to surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value to the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of property plant and equipment is transferred to retained earnings / unappropriated profit.

Gains and losses on disposal of fixed assets are taken to the profit and loss account, and the related surplus on revaluation of property, plant and equipment is transferred directly to the retained earnings / unappropriated profit.

3.9 Leases

3.9.1 Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligation of leases is accounted for as liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rate stated in Note 16 applying reducing balance method to write off the cost of the asset over its estimated remaining useful life in view of certainty of ownership so asset at the end of lease period.

Financial charges and depreciation on leased asset are charged to income currently.

3.9.2 Operating Lease

Leases where the lessors retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the period in the profit and loss account.

3.10 Capital work-in-progress

Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as an when assets are ready for their intended use.

3.11 Impairment

The carrying amounts of the company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the assets recoverable amount is estimated in order to determine the extent of the impairment loss. Impairment losses are recognized as expense in the profit and loss account.

3.12 Stores, spares and loose tools

These are valued at moving average cost except items-in-transit, which are valued at cost accumulated to the balance sheet date.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the "plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

3.13 Stock-in-trade

Basis of valuation are as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials	- At lower of annual average Cost or At net realizable value.
Work-in-process	- Cost of direct material and appropriate manufacturing overheads.
Finished goods	- At lower of cost and net realizable value.
Waste	- At realizable value.
Purchased yarn	- At cost (FIFO).

3.14 Trade debtors

Trade debtors are carried at original invoice amount less an estimate for doubtful debtors based on review of

outstanding amounts at the year-end. Bad debts are written-off when identified.

3.15 Revenue recognition

Sales are recorded when goods are delivered to customers and invoices raised. No customer loyalty programmes are in operation. (IFRIC 13).

3.16 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.17 Financial instruments

All financial assets and liabilities are recognised at the time when company becomes party to the contractual provisions of the instruments.

The Company's principal financial assets and financial liabilities are security deposits, trade debtors, deposits and other receivables, cash & bank balances, long term finances, long term loans, short term loans, creditors, accrued & other liabilities and unclaimed dividend payable.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their values. Any gain and losses on derecognition of financial assets and liabilities are taken to profit and loss account currently.

3.18 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the company intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

3.19 Creditors, accrued and other liabilities

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

3.20 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and with banks, short term running finances under mark-up arrangements and short term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

3.21 Dividend and appropriation to reserves.

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

3.22 Related party transactions

Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method.

3.23 Contingencies and commitment

These are accounted for as and when these become due.

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	Note	2009 Rupees	2008 Rupees
4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
8,850,937 ordinary shares of Rs.10 each issued for cash		88,509,370	88,509,370
4,424,063 ordinary shares of Rs.10 each issued by conversion of sponsors' loans		44,240,630	44,240,630
		132,750,000	132,750,000

4.1 At 30 June 2009, none of the associated companies of the company had any shareholding in the company.

5. SURPLUS ON REVALUATION OF FIXED ASSETS

Balance as at 01 July,		152,074,229	242,064,286
Add : Surplus for the year		93,688,694	-
		245,762,923	242,064,286
Less: Transferred to loss on account of incremental depreciation		11,372,751	11,763,407
		234,390,172	230,300,879
Less: Related deferred tax liability on; Building and Plant & machinery		(12,610,830)	(78,226,650)
		221,779,342	152,074,229

6. LONG TERM FINANCES

From banking companies-Secured

National Bank of Pakistan (NBP):

Restructured / rescheduled finances:

- Demand finance - I (DF - I) - mark-up bearing	6.1 & 6.2	41,999,667	44,359,000
- Demand finance - III (DF - III)	6.3	9,000,000	13,500,000
		50,999,667	57,859,000

Less: Current portion grouped under current liabilities

- Instalments due within following twelve months

- DF - I

- DF - III

-	26,359,000
7,500,000	6,000,000
7,500,000	32,359,000
43,499,667	25,500,000

6.1 The schedule of loan was again revised by M/s National Bank of Pakistan vide its letter No. CIBGN/ATML/2008 dated July 31, 2008 the loan is repayable in 7 equal quarterly principal installments of Rs. 6 million starting from September 30, 2008 till March 31, 2010. The down payment amounting to Rs. 2.359 million regarding above credit was duly paid.

It carries mark-up 3 months Kibor + 2% p.a. However markup is calculated on product basis. The rates will be reviewed quarterly and will be set on last working day before beginning each quarter.

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- 6.2 Due to persistence of crises faces by Textile Industry the Company have applied for moratorium of 2 years in repayment of its DF-I Facility from M/s National Bank of Pakistan.

The Bank vides its letter No.CIBGN/AZAM/235/09 have confirmed, that the loan is under process for allowing moratorium in repayment of the loan is requested by the client. Resulted in re-classification of Rs.41.999 million from crurent portion of long term loan to long term loan.

- 6.3 The company obtained Demand Finance facility (DF-III) of Rs. 30.000 million during 2005 to finance the import of 15 ring frames from China. As per repayment schedule the loan is payable in 60 equal monthly installments of Rs. 0.500 million commencing from 31-10-2005 extended upto 30-09-2010.

It carries mark up 6 months Kibor + 2.5% with floor at 7% p.a

- 6.4 As per rescheduling of 2001 these finances are secured against first charge (5% registered and 95% equatable mortgage) for the aggregate long term debt on fixed assets of the company duly registered with the registrar of Securities and Exchange commission of Pakistan (SECP), first charge on stock in trade, book debts and other assets of the companyduly registered with the SECP, demand promissory note executed by the company and personal guarantees of two directors and some of the sponsoring shareholders of the company.

As per rescheduling of 2006 the securities are as under:

The entire credit exposure (Short and Long term from National Bank of Pakistan) is secured by following collateral:

- A- 1st charge over present and future fixed assets of Rs. 327.3 million.
- B- 1st charge over current assets of the company of Rs. 61.8 million.
- C- Personal guarantee of sponsor directors of the Company.

	Note	2009 Rupees	2008 Rupees
7. LONG TERM DEPOSITS-Unsecured		36,000,000	36,000,000
These represent interest free security deposits by the yarn dealers, which are long term in nature.			
8. LOAN FROM DIRECTORS & OTHERS - Unsecured		145,029,697	135,529,697
These represent interest-free loans provided by the Company's Chief Executive, Directors and members. These loans, are being considered by the Company's management as long term. However there is no agreement reduced in writing containing terms and conditions. The loan is subordinated to demand finances obtained from NBP.			
9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Balance as on 1st July		350,772	1,246,439
Obtained during the year		-	-
		350,772	1,246,439
Less: Paid / adjusted during the year		350,772	895,667
		-	350,772
Less: Current portion		-	350,772
		-	-

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Future minimum lease payments under finance lease together with present value of the net minimum lease payments are as follows:

	June 30, 2009		June 30, 2008	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
Within one year	-	-	351,708	350,772
After one year but not more than five year	-	-	-	-
Total minimum lease payments	-	-	350,772	350,772
Amount representing finance charge	-	-	936	-
Present value of minimum lease payments	-	-	350,772	350,772
Current portion	-	-	350,772	350,772
	-	-	-	-
No of monthly installments	39			
Last installments due on	July, 2008			
Adjustable security deposits	268,700			

The company entered into lease agreements with Faysal Bank Limited for leases of vehicle. Rate of finance charge range from 13.30 % to 14 % and are used as discounting factor. The rental are payable in equal monthly installments commencing from March,2005 upto July 2008.

Purchase option are available to the company after payment of last instalment and surrender of deposit at the end of lease period. Taxes, insurance and repairs are borne by the company. Liabilities are secured by the two personnel guarantees of directors.

	Note	2009 Rupees	2008 Rupees
10. DEFERRED LIABILITIES			
Staff gratuity	10.1	11,081,650	8,806,453
Deferred taxation		127,554,152	109,483,245
		138,635,802	118,289,698
10.1.1 Reconciliation of payable to defined benefit plan.			
Present value of obligation		11,081,650	8,806,453
Unrecognised actuarial loss		-	-
		11,081,650	8,806,453
10.1.2 Movement in net liability recognized in the balance sheet.			
Balance sheet liability as at Jul, 01		8,806,453	7,489,831
Expense recognized during the year		3,876,281	3,482,278
Benefit paid during the year		(1,601,084)	(2,165,656)
		11,081,650	8,806,453
10.1.3 Expense recognized during the year			
Current service cost		3,876,281	2,689,781
Interest cost recognised during the year		-	770,740
		3,876,281	3,460,521
Actuarial loss recognised during the year		-	21,757
		3,876,281	3,482,278

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	Note	2009 Rupees	2008 Rupees
11. TRADE AND OTHER PAYABLES			
Due to an associated undertaking	11.1	1,574,000	9,099,728
Creditors		10,268,353	9,572,492
Due to employees against car scheme		1,162,632	797,360
Accrued expenses		17,265,912	15,112,563
Advance payments		1,135,912	1,826,245
Security deposits		10,000	10,000
Foreign Bills payable		53,697,275	67,718,871
Other payable		1,828,580	4,743,155
Un-claimed dividend		199,039	199,413
Worker's participation fund	11.2	-	563,386
Worker's welfare fund		-	214,087
		87,141,703	109,857,300
11.1 Due to an associated undertaking:			
Saritow Spinning Mills Limited	(a)	-	7,525,728
Pak Elektron Limited	(b)	1,574,000	1,574,000
		1,574,000	9,099,728
11.2 Worker's Profit Participation Fund			
Balance at beginning		563,386	671,990
Add : Interest on funds utilized by the company		33,063	33,185
		596,449	705,175
Less : Payments made during the year		596,449	705,175
Contribution for the year @ 5%		-	563,386
		-	563,386
12. MARK UP ACCRUED ON LOANS			
From banking companies (secured)			
Long term financing		1,981,149	1,744,582
Short term finances		3,914,904	3,195,936
		5,896,053	4,940,518
13. SHORT TERM BORROWINGS			
From banking companies-Secured	Sanctioned Limit 13.1		
-Cash finance (Pledge)	120 Million	77,334,477	76,166,380
-Cash finance (Hypo)	20 Million	19,985,630	19,448,672
		97,320,107	95,615,052

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Securities

13.1 These facilities are secured against first equitable mortgage charge on present and future fixed assets, first registered charge on stock-in-trade, book debts and other assets of the company, pledge of cotton bales, cotton yarn and synthetic / polyester fiber of appropriate value (drawing against yarn will not exceed 15% of the limit); hypothecation of stocks in process, raw material, semi finished / finished goods, stores and spares of textile machinery of appropriate value; personal guarantees of the sponsor directors. These limits will expire on September 30, 2009.

Mark up

These facilities carrying rate of mark up ranges between 15.27% to 18.02% p.a.

	Note	2009 Rupees	2008 Rupees
14. PROVISION FOR TAXATION			
Provision for taxation			
Opening Balance at the beginning of the period		5,272,230	2,682,420
Admitted tax liability for assessment year		(5,272,230)	-
		-	2,682,420
Provision for:			
- Current year		-	2,589,810
		-	5,272,230

15. CONTINGENCIES AND COMMITMENTS

15.1 Counter guarantee issued by the Company to its banker outstanding as at 30 June, 2009 was for Rs. 1,010,000 (2008:Rs.10,000).

15.2 Commitments for irrevocable letters of credit outstanding as at 30 June, 2009 were Rs. Nil Million (2008:Rs. 1.278 Million).

16. FIXED ASSETS

Property, plant and equipment			
Operating assets-note annexed	16.1	519,873,714	440,492,602
Advance for purchase of machinery		-	16,735,737
		519,873,714	457,228,339

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16.1 Operating Assets

Particulars	COST				Rate %	DEPRECIATION				Net Book Value as at 30 June 2009
	As at 01 July, 2008	Additions	Disposals	As at 30 June, 2009		To 01 July 2008	For the Year	On Disposals	To 30 June, 2009	
Freehold Land										
- Cost	4,018,835	-	-	4,018,835	-	-	-	-	-	4,018,835
- Revaluation	6,796,165	46,285,000	-	53,081,165	-	-	-	-	-	53,081,165
	10,815,000	46,285,000	-	57,100,000	-	-	-	-	-	57,100,000
Buildings on freehold land										
- Cost	22,469,308	208,159	-	22,677,467	5	3,977,020	929,818	-	4,906,838	17,770,629
- Revaluation	33,969,949	47,403,694	-	81,373,643	5	11,416,604	1,325,83	-	12,741,787	68,631,856
	56,439,257	47,611,853	-	104,051,110		15,393,624	2,255,001	-	17,648,625	86,402,485
Plant and machinery										
- Cost	211,842,405	3,533,597	-	215,376,002	5	33,737,167	9,039,802	-	42,776,969	172,599,033
- Revaluation	309,683,157	-	-	309,683,157	5	108,731,789	10,047,568	-	118,779,357	190,903,800
	521,525,562	3,533,597	-	525,059,159		142,468,956	19,087,370	-	161,556,326	363,502,833
Generator and pumps	1,311,014	-	-	1,311,014	10	1,125,301	18,571	-	1,143,872	167,142
Furniture and fixtures	4,374,808	-	-	4,374,808	10	3,230,478	114,433	-	3,344,911	1,029,897
Office equipment	5,430,050	150,849	-	5,580,899	10	3,229,183	231,800	-	3,460,983	2,119,916
Vehicles	10,355,266	5,738,961	263,157	15,831,070	20	4,331,432	2,133,850	132,490	6,332,792	9,498,278
Arms	53,220	35,300	-	88,520	10	32,061	2,756	-	35,357	53,163
2009 Rupees	610,304,177	103,355,560	263,157	713,396,580		169,811,575	23,843,781	132,490	193,522,866	519,873,714
2008 Rupees	605,091,288	7,063,590	1,850,701	610,304,177		146,997,818	23,829,553	1,015,796	168,811,575	440,492,602

Year Ended 30 June, 2008

Particulars	COST				Rate %	DEPRECIATION				Net Book Value as at 30 June 2008
	As at 01 July, 2007	Additions	Disposals	As at 30 June, 2008		To 01 July 2006	For the Year	On Disposals	To 30 June, 2008	
Freehold Land										
- Cost	4,018,835	-	-	4,018,835	-	-	-	-	-	4,018,835
- Revaluation	6,796,165	-	-	6,796,165	-	-	-	-	-	6,796,165
	10,815,000	-	-	10,815,000	-	-	-	-	-	10,815,000
Buildings on freehold land										
- Cost	22,342,729	126,579	-	22,469,308	5	3,008,183	968,837	-	3,977,020	18,492,288
- Revaluation	33,969,949	-	-	33,969,949	5	10,229,586	1,187,018	-	11,416,604	22,553,345
	56,312,678	126,579	-	56,439,257		13,237,769	2,155,855	-	15,393,624	41,045,633
Plant and machinery										
- Cost	208,038,472	3,803,933	-	211,842,405	5	24,478,735	9,258,432	-	33,737,167	178,105,238
- Revaluation	309,683,157	-	-	309,683,157	5	98,155,401	10,576,388	-	108,731,789	200,951,368
	517,721,629	3,803,933	-	521,525,562		122,634,136	19,834,820	-	142,468,956	379,056,606
Generator and pumps	1,311,014	-	-	1,311,014	10	1,104,666	20,655	-	1,125,301	185,713
Furniture and fixtures	4,374,807	37,001	-	4,374,808	10	3,105,423	125,055	-	3,230,478	1,144,330
Office equipment	5,088,800	341,250	-	5,430,050	10	3,005,598	223,585	-	3,229,183	2,200,867
Vehicles	6,104,400	2,754,827	1,850,701	7,008,526	20	2,719,713	1,030,005	1,015,796	2,733,922	4,274,604
Arms	53,220	-	-	53,220	10	30,310	2,291	-	32,601	20,619
Vehicles-Leased	3,346,740	-	-	3,346,740	20	1,160,203	437,307	-	1,597,510	1,749,230
2008 Rupees	605,091,288	7,063,590	1,850,701	610,304,177		146,997,818	23,829,553	1,015,796	168,811,575	440,492,602

- 16.2 (a) The Company revalued its freehold land, buildings on freehold land and plant & machinery as at 30 September, 1999. The revaluation exercise was carried-out by the Independent Valuer's - Razzaque Umerani & Co., Lahore - and certified by M. Yousuf Adil Saleem & Co., Chartered Accountants, Lahore, vide their certificate dated 04 October, 1999. The Revaluation exercise was carried out to replace the carrying amounts of assets with the market value / depreciated market value. Fixed assets (freehold, Building and Plant & Machinery) were revalued for second time by M/S Surval, surveys, valuation and Inspections Consulting Engineers vide their report dated 26th July 2004 while revaluation surplus was determined by M. Yousuf Adil Saleem & Co., Chartered Accountants at Rs.36.997 Million vide their certificate dated 4th August, 2004.

Fixed assets (freehold land & building on freehold land) were revalued for third time by M/S Star Tech Consultants, Lahore vide their certificate STC/HH/ATML/165/2009 dated 25th August, 2009 and surplus was determined by SP Amjad & Co, Chartered Accountants at Rs.93.689 Million vide their certificate

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dated 30th June 2009. Total revaluation surplus thus amounted to Rs. 449.919 million (including Rs.319.233 Million computed in 1999 & RS.36.997 Million in 2004) that was respectively credited to 'Surplus on Revaluation of Fixed Assets account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

- (b) As per report of valuer the basis used for determining revaluation surplus as on 30th June, 2004 are as follows:

Land: The ascertained value is based on average prices taking into consideration, the status and nature of land; inquiries from the brokers, dealers and estate agents in the vicinity of the land and properties bought and sold in the neighbour hood.

Building : The values determined is based on the age, existence, condition and level of maintenance, type of construction and structure and the present construction rates, depreciated at 3% per annum on straight line basis.

Plant & Machinery: The plant & machinery value has been assessed taking into consideration present day condition, manufacturing date, country of manufacturing, replacement value maintenance and present status of machinery etc. Depreciation factor has been applied to the present day market value considering all the above factors.

- (c) If there had been no revaluation the cost, accumulated depreciation and book value of revalued assets as on 30th June, 2009 would have been as follows:

Particulars	Cost Rs.	Accumulated Depreciation Rs.	Book Value Rs.
Land	4,018,835	-	4,018,835
Building	63,696,126	45,925,497	17,770,629
Plant & Machinery	444,479,010	271,864,146	172,614,864

Note

	2009 Rupees	2008 Rupees
--	----------------	----------------

16.4 Depreciation for the year has been allocated as follows:

Cost of sales	23,247,686	23,233,814
Administrative expenses	596,095	595,739
	23,843,781	23,829,553

16.5 Disposal of operating fixed assets

PARTICULARS	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(Loss)	Sold through negotiations
-------------	------	--------------------------	------------	---------------	-------------	---------------------------

Vehicles

Suzuki Cultus LRE-1700	263,157	132,490	130,667	130,667	-	Mr. Muhammad Aziz Dy. Manager (Employee)
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AZAM TEXTILE MILLS LIMITED

	Note	2009 Rupees	2008 Rupees
17 STORE, SPARES AND LOOSE TOOLS			
Stores		2,563,768	2,536,386
Spares		3,410,762	2,269,939
Loose tools		2,480	2,480
		5,977,009	4,808,805
18 STOCK-IN-TRADE			
Raw materials		98,092,547	112,842,290
Work-in-process		10,922,000	7,313,703
Finished goods	18.1	27,681,000	19,654,785
		136,695,547	139,810,778
19 TRADE DEBTORS			
Unsecured - considered good		6,553,409	6,545,072
20 LOANS AND ADVANCES			
Advances - considered good			
- Executives	20.1	-	58,951
- Employees and others		2,398,929	2,698,645
- Suppliers		8,025,695	9,026,695
- Letters of credit		1,289,000	7,587,383
Due from Associated Undertakings	20.2	-	5,031,186
		11,713,623	24,624,305
20.1	Maximum aggregate amount due from the executives at any month-end during the year was Rs. Nil (2008:Rs. 28,714).		
20.2	Due from associated undertaking		
		-	5,031,186
		-	5,031,186
		-	5,031,186
		It represents advance and subsequently adjusted against electric bills.	
21 TRADE DEPOSIT AND SHORT TERM PREPAYMENTS			
Margin deposits		-	-
Prepayments		456,354	344,115
		456,354	344,115
22 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax refundable		9,274,066	7,851,682
Advance income tax		-	1,952,732
		9,274,066	9,804,414

AZAM TEXTILE MILLS LIMITED

	Note	2009 Rupees	2008 Rupees
23 CASH AND BANK BALANCES			
Cash in hand		104,758	115,400
Cash at banks on current accounts	23.1	1,849,887	4,379,222
		<u>1,954,645</u>	<u>4,494,622</u>
23.1 These include foreign currency balance of U.S.\$ 8643 (2008 U.S.\$2,145) which has been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date i.e. 1 U.S.\$=Rs. 81.50 (2008:Rs.67.14).			
24 SALES			
Local:			
Yarn		457,119,996	448,072,885
Waste		8,125,047	8,634,920
		<u>465,245,043</u>	<u>456,707,805</u>
Less: Commission		29,860	298,912
		<u>465,215,183</u>	<u>456,408,893</u>
25 COST OF SALES			
Raw materials consumed	25.1	280,513,093	239,999,564
Packing materials consumed		8,396,486	6,817,563
Salaries, wages and benefits	25.2	44,736,491	42,267,475
Power and fuel		82,309,425	73,101,742
Stores consumed		7,191,695	7,941,545
Repair and maintenance		2,042,160	2,671,777
Vehicles' running and maintenance		895,831	787,737
Communication		82,510	77,583
Insurance		867,253	824,067
Depreciation		23,247,686	23,233,814
Other expenses		529,251	1,440,645
		<u>450,811,881</u>	<u>399,163,512</u>
Adjustment of work-in-process			
Opening		7,313,703	7,375,883
Closing		(10,922,000)	(7,313,703)
		<u>(3,608,297)</u>	<u>62,180</u>
Cost of goods manufactured		447,203,584	399,225,692
Finished goods purchased		3,913,000	3,608,450
Adjustment of finished goods			
Opening stock		19,654,785	17,452,244
Closing stock		(27,681,000)	(19,654,785)
		<u>(8,026,215)</u>	<u>(2,202,541)</u>
		<u>443,090,369</u>	<u>400,631,601</u>

AZAM TEXTILE MILLS LIMITED

	Note	2009 Rupees	2008 Rupees
25.1 Raw materials consumed			
Opening stock		112,842,290	111,184,644
Purchases - for manufacturing		297,792,835	302,807,196
		<u>410,635,125</u>	<u>413,991,840</u>
Less: - Closing stock		98,092,547	112,842,290
- Sale of Raw materials		32,206,765	61,254,211
		<u>130,299,312</u>	<u>174,096,501</u>
		<u>280,335,813</u>	<u>239,895,339</u>
Cotton cess		177,280	104,225
		<u>280,513,093</u>	<u>239,999,564</u>

25.2 Salaries ,wages and benefits include provision for gratuity for the year Rs. 3,079,443 (2008: Rs.2,766,434).

26 DISTRIBUTION AND SELLING COST

Salaries and benefits	26.1	603,529	360,533
Communication		5,600	2,600
Vehicles' running and maintenance		144,000	120,250
Others		94,004	59,098
		<u>847,133</u>	<u>542,481</u>

26.1 Salaries ,wages and benefits include provision for gratuity for the year Rs. 170,418 (2008: Rs.153,096).

27 ADMINISTRATIVE EXPENSES

Salaries and benefits	27.1	13,216,275	12,308,147
Travelling and conveyance		1,605,547	1,757,995
Entertainment		282,189	317,357
Communication		479,208	666,669
Printing and stationery		261,166	401,888
Rent, rates and taxes		744,350	758,872
Repair and maintenance		112,945	243,985
Insurance		185,435	108,890
Advertisement		129,600	42,630
Vehicles' running and maintenance		1,007,222	884,959
Fees and subscription		245,090	281,548
Charity and donation	27.2	5,000	5,000
Depreciation		596,095	595,739
Auditors' remuneration	27.3	250,000	275,000
Legal and professional charges (other than Auditors')		271,643	177,508
Electricity		170,506	313,283
General		156,144	199,624
		<u>19,718,415</u>	<u>19,339,094</u>

27.1 Salaries ,wages and benefits include provision for gratuity for the year Rs. 626,420 (2008: Rs.562,748).

AZAM TEXTILE MILLS LIMITED

	Note	2009 Rupees	2008 Rupees
27.2			
None of the directors or their spouses had any interest in the donee.			
27.3 Auditor's Remuneration			
Annual audit		150,000	140,000
Half yearly review		50,000	50,000
Consultancy and out of pocket expenses		50,000	85,000
		250,000	275,000
28 OTHER OPERATING EXPENSES			
Worker's profit participation fund		-	563,386
Worker's welfare fund		-	214,087
		-	777,473
29 OTHER INCOME			
Gain on sale of fixed assets		-	228,011
Mark-up income		-	239,580
		-	467,591
30 FINANCIAL COST			
Mark-up on:			
- long term finances		8,843,034	7,529,283
- short term finances		21,174,429	16,297,120
- WPPF		33,063	33,185
Lease finance charges		-	90,360
Operating lease rent		-	134,096
Bank charges		745,540	1,011,542
		30,796,066	25,095,586
31 TAXATION			
31.1			
In view of the the B/F losses Rs.37,720,157.No tax was payable no provision made in the accounts.The provision of minimum tax u/s 113 of the income tax ordinance 2001 is applicable from tax year 2010.			
31.2			
Assesments of the company are completed up to tax year 2008.Assesments for tax year 2003 was completed u/s 122(1)/177 creating demand of Rs.18.942 million which is incorrect,the previous losses not having been correctly brought forward. Losses available for carry forward for setting off the income to future period are amounting to Rs.55.912 million.			
31.3			
The company during the proceeding years,filed a writ petition in respect of assessment years 1995-96 & 1997-98 with Honourable Lahore High Court on a point of law that tax paid on export proceeds under section 80cc of the repealed ordinance,should be adjusted against minimum tax payable on total turnover under section 80D of the repealed ordinance.The writ petition is decided by the Honourable Lahore High Court on 25/07/2009 and it is declared that aggregate of section 80c or 80cc after inclusion of the turnover from other sources like local sale etc minimum tax should be charge @ 0.5%.In the light of the Honourable Lahore High Court desicion no tax liability is payable by the company.			

AZAM TEXTILE MILLS LIMITED

	2009	2008
	Rupees	Rupees
32 EARNING PER SHARE - basic and diluted		
Earnings for the year	<u>(33,805,057)</u>	<u>(23,356,156)</u>
Weighted average number of ordinary shares issued and subscribed at the end of the year	<u>13,275,000</u>	<u>13,275,000</u>
Earnings per share	<u>(2.55)</u>	<u>(1.76)</u>
33 NUMBER OF EMPLOYEES		
Total number of employees at the year-end	<u>508</u>	<u>506</u>

34 FINANCIAL INSTRUMENTS

34.1 Financial assets and liabilities

Mark-up Rate %	Mark-up bearing			Non mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	

(R u p e e s)

Financial assets:

Trade debtors	-	-	-	6,533,409	-	6,533,409	6,533,409
Loan and advances	-	-	-	-	-	-	-
Trade deposit and short term prepayments	-	-	-	-	-	-	-
Cash and bank balances	-	-	-	1,954,645	-	1,954,645	1,954,645
2009	-	-	-	8,508,054	-	8,508,054	8,508,054
2008	-	-	-	16,070,880	840,472	16,911,352	16,911,352

Financial liabilities:

Long term finances	14.77 to 18.20	50,999,667	1,500,000	52,499,667	-	-	-	52,499,667
Loan from directors & others		-	-	-	-	145,029,697	145,029,697	145,029,697
Short term finances	15.27 to 18.02	97,320,107	-	97,320,107	-	-	-	97,320,107
Trade and other payables		-	-	-	83,544,582	3,597,120	87,141,702	87,141,702
Interest/mark up payable		-	-	-	5,896,053	-	5,896,053	5,896,053
2009		148,319,774	1,500,000	149,819,774	89,440,635	148,626,816	238,067,451	387,887,225
2008		128,324,824	25,500,000	153,824,824	108,494,504	135,529,697	244,024,201	397,849,025
Off balance sheet gap								
Guarantees		-	-	-	-	1,010,000	1,010,000	1,010,000
Commitment for lease rental		-	-	-	-	-	-	-
Letter of credits		-	-	-	-	1,010,000	1,010,000	1,010,000
2009		-	-	-	-	1,010,000	1,010,000	1,010,000
2008		-	-	-	-	1,287,729	-	1,287,729

34.2 Interest rate risk

Interest rate risk is the risk that value of financial instrument will fluctuate due to changes in market interest rates. Changes in interest rates can adversely affect the rate charged on interest bearing assets. This can resulting an increase in interest expense relative to finance income or vice versa. The company manages its risk by maintaining a fair balance between interest rates, financial assets and liabilities. The rate of financing and their maturity period had been disclosed in the relevent notes.

34.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are not covered through any forward foreign exchange contracts or through hedging. No forward foreign exchange contracts were outstanding at the year-end.

34.4 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 6.553 Million (2008: 12.417 Million) are subject to credit risk. The company believe that it is not expected to major concentration of credit risk.

34.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The company manages its liquidity risk exposure by having diversified funding sources and assets are managed with liquidity in mind. To ensure adequate liquidity, the maturity profile is monitored on continuous basis.

34.6 Fair values of financial assets and liabilities

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

35 REMUNERATION OF DIRECTOR AND EXECUTIVES

Particulars	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
Managerial remuneration	-	-	2,340,000	2,340,000	910,008	823,336
House rent	-	-	1,026,000	1,026,000	363,996	329,332
Provision for gratuity	-	-	300,000	300,000	113,750	113,750
Utilities	-	-	234,000	234,000	90,996	82,332
Rupees:	-	-	3,900,000	3,900,000	1,478,750	1,348,750
Number of persons	1	1	1	1	1	1

35.1 No meeting fee was paid to the directors and chief executive during the year (2008: Nil).

35.2 Executive has been provided with free use of the Company's car and housing at the Company's residential colony.

36 TRANSACTIONS WITH RELATED PARTIES

36.1 Related parties comprise of Associated Undertakings, directors and executives. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Remunerations of director and executives are disclosed in note 35. Aggregate transactions with Associated Undertakings are as follows:

	2009 Rupees	2008 Rupees
Sales:		
- Yarn	-	825,500
- Cotton	32,206,765	58,831,172
- Stores	20,272	257,992
Purchases:		
- Yarn	3,913,000	3,608,450
- Cotton	77,594,359	84,784,144
- Stores	192,497	92,828
- Electricity	42,327	2,086,850

36.2 Interest has not been charged or paid on the balances of Associated Undertakings as these have arisen due to normal trading transactions.

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AZAM TEXTILE MILLS LIMITED

		2009	2008
37 CAPACITY AND PRODUCTION			
No. of spindles installed		25,440	25,440
No. of spindles / shifts worked		27,856,800	27,855,360
Installed capacity at 80's count based on 1,094 shifts	Kgs.	1,499,113	1,499,112
Actual production of yarn	Kgs.	2,163,977	1,957,353
Actual production converted into 80's count	Kgs.	1,264,700	1,429,017
No. of shifts worked		1,095	1,095

37.1 It is difficult to describe precisely the production capacity in spinning mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year. The company is not now producing yarn of 20's count, hence capacity installed or achieved or installed is not reflected in these terms.

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the board of directors of the company in its meeting held on October 09, 2009.

39 CORRESPONDING FIGURES

- Figures in the financial statements have been rounded-off to the nearest Rupee;

Lahore
October 9, 2009

Chief Executive

Director

AZAM TEXTILE MILLS LIMITED

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2009**

NUMBER OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
	FROM	TO		
146	1	100	Shares	9,091
214	101	500	" "	74,699
122	501	1,000	" "	95,540
135	1,001	5,000	" "	341,087
31	5,001	10,000	" "	227,500
8	10,001	15,000	" "	102,345
6	15,001	20,000	" "	111,025
7	20,001	25,000	" "	162,625
1	25,001	30,000	" "	25,100
1	40,001	45,000	" "	40,750
1	50,001	55,000	" "	51,500
1	75,001	80,000	" "	76,500
2	80,001	85,000	" "	166,875
1	95,001	100,000	" "	100,000
1	115,001	120,000	" "	120,000
1	290,001	295,000	" "	292,851
1	620,001	625,000	" "	620,655
1	635,001	640,000	" "	639,326
1	1,045,001	1,050,000	" "	1,046,500
1	1,165,001	1,170,000	" "	1,167,019
1	1,430,001	1,435,000	" "	1,433,000
1	2,040,001	2,045,000	" "	2,042,845
1	4,325,001	4,330,000	" "	4,328,167
685				13,275,000

Note: The slabs not applicable, have not been shown.

AZAM TEXTILE MILLS LIMITED

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2009**

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
(i) ASSOCIATED COMPANIES & UNDERTAKINGS	NIL	NIL	NIL
(ii) INVESTMENT CORPORATION OF PAKISTAN	1	25,100	0.19
(iii) NATIONAL INVESTMENT TRUST LTD.	NIL	NIL	NIL
(iv) CEO, DIRECTORS AND THEIR SPOUSES			
1) M. NASEEM SAIGOL (CHIEF EXECUTIVE & DIRECTOR)		4,328,167	
2) M. AZAM SAIGOL (DIRECTOR)		1,167,019	
3) RASHID AHMED JAVAID (DIRECTOR)		500	
4) MUHAMMAD ATHAR RAFIQ		500	
5) SAEED MIANANSARI (DIRECTOR)		500	
6) MUHAMMAD OMER FAROOQ (DIRECTOR)		1,500	
7) MRS. AMBER SAIGOL W/O M. AZAM SAIGOL		2,042,845	
8) MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL		1,433,000	
	8	8,974,031	67.60
(v) EXECUTIVES	NIL	NIL	NIL
(vi) PUBLIC SECTOR COMPANIES & CORPORATIONS	NIL	NIL	NIL
(vii) JOINT STOCK COMPANIES	17	1,131,700	8.53
(viii) FINANCIAL INSTITUTIONS/NON BANKING FINANCIAL INSTITUTIONS etc.	10	1,574,702	11.86
(ix) INSURANCE COMPANIES	4	96,550	0.73
(x) MODARABAS AND MUTUAL FUNDS	3	41,150	0.31
(xi) FOREIGN COMPANIES/FOREIGNERS	3	14,100	0.10
(xii) OTHER/INDIVIDUALS	639	1,417,667	10.68
	<u>685</u>	<u>13,275,000</u>	<u>100.00</u>
SHAREHOLDERS HOLDING 10% OR MORE SHARES			
M. NASEEM SAIGOL (CHIEF EXECUTIVE & DIRECTOR)		4,328,167	
MRS. AMBER SAIGOL W/O M. AZAM SAIGOL		2,042,845	
MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL		1,433,000	

* NOMINEE DIRECTOR
NATIONAL INVESTMENT TRUST LTD.
MR. JAMAL NASIM

FORM OF PROXY

Shares Held

Ledger Folio/CDC Ac No.

I/We _____

Of _____

Appoint _____

Of _____

(or failing him) _____

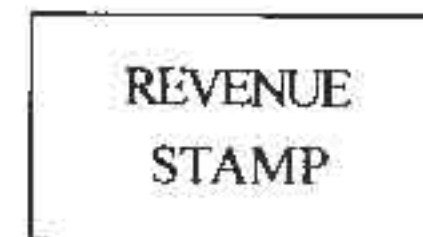
Of _____

Being another member of the Company as my / our proxy to attend and vote for me / us on my / our behalf, at the 23rd Annual General Meeting of the Company to be held on Saturday October 31, 2009 at 10.30 A.M. and at every adjournment thereof.

As witness my / our hand(s) this _____ Day of October, 2009

Signed by the said

Witnesses:



(1) Name _____

N.I.C. No. _____

Address _____

(2) Name _____

N.I.C. No. _____

Address _____

Notes:

1. A member entitled to attend and vote at this meeting may appoint another member as Proxy. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore. the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

1

2

3