CONTENTS

COMPANY INFORMATION

Board of Directors	Sh. Naseem Ahmad	Chairman & Chief Executive Officer
	Mr. Amir Naseem Sheikh	
	Mr. Rehman Naseem	
	Mr. Fazal Ahmad Sheikh	
	Mr. Faisal Ahmad Mukhtar	
	Mr. Fahd Mukhtar	
	Mr. Firasat Ali	Nominee NIT Ltd.
Audit Committee	Sh. Naseem Ahmad	Chairman
	Mr. Rehman Naseem	Member
	Mr. Faisal Ahmad Mukhtar	Member
Company Secretary	Mr. M.D. Kanwar	
Chief Financial Officer	Mr. Faizan-ul-Haq	
Auditors	M. Yousuf, Adil, Saleem & Co., Chartered Accountants	
Bankers	Habib Bank Limited United Bank Limited MCB Bank Limited Askari Bank Limited Bank Al Habib Limited National Bank of Pakistan Soneri Bank Limited Allied Bank Limited Meezan Bank Limited	
Head office & Shares Department:	129/1 Old Bahawalpur Road, Multan. Phone: (92) 61-4587632,4781637 e-mail: kanwar@fazalcloth.com Website: www.fazalcloth.com	
Shares Registrar:	Vision Consulting Ltd. 3-C, LDA Flats, Lawrence Road Lahore. Phone: (92) 42-6375531, 6375339	
Registered Office:	1st Floor, 16-Bank Square, Lahore. Phone: (92) 42-7322981	
Mills:	i) Fazal Nagar, Jhang Road, Muzaffargarh-Pakistan Ph. (92) 66-2422216 & 18 Fax: (92) 66-2422217 ii) Qadirpur Rawan Bypass, Khanewal Road, Multan -Pakistan Ph. (92) 61-6740041-43 Fax: (92) 61-6740052	

CORPORATE VISION / MISSION STATEMENT

Vision

The Company aims at becoming a Complete Textile Unit, which can explore local and international market of very high value products. The Company would keep its emphasis on product and market diversification, value addition and cost effectiveness. We want to fully equip the Company to play a meaningful role on the sustainable basis in the economic development of the country.

Mission

The Company should provide a secure and rewarding investment to its shareholders and investors, quality products to its customers, a secure place of work to its employees and an ethical partner to all its business associates.

STATEMENT OF ETHICS

INTRODUCTION

The Company's policy is to conduct business with honesty and integrity and be ethical in all its dealings, showing respect for the interest of those with whom it has relationships.

EMPLOYEES

1. This Code of Ethics is established on the basis that unless a limitation is specifically stated, the objectives and fundamental principles are equally valid for all employees, whether they are at mills or at head office.

2. An employee is distinguished by certain characteristics including:

   2.1 Master of particular intellectual skills, acquired by training and education.

   2.2 Acceptance of duty to society as a whole in addition to duties to the organization and the employer.

   2.3 Rendering personal services to a high standard of conduct and performance.

3. The specialized knowledge, skills, training and experience required to be a proficient employee.

4. The efforts of the services of superiors to train those working directly and indirectly under them would be appreciated.

THE PUBLIC INTEREST

5. A distinguishing mark of a profession is acceptance of its responsibility to the organization. The organization is responsible towards customers, credit grantors, government, employees, investors, the business and financial community and others who rely on the objectivity and integrity of the organization to maintain the orderly functioning of commerce and industry. This reliance imposes a public interest responsibility on the organization. The public interest is defined as the collective well being of the community of people and institution served by the organization.

6. An organization's responsibility is not exclusively to satisfy the needs of an individual customer or director. The standards of service are heavily determined by the public interest for example:

   6.1 Transparent dealings help to maintain the integrity and efficiency of the Organization presented to the shareholders, financial institutions, customers, employees, government regulations and tax authorities. The transparent dealings would help to secure loans and to obtain capital from share holders.

   6.2 Financial planning serves in efficient and effective use of the organization's resources.

   6.3 Internal auditors provide assurance about a sound internal control system, which enhances the reliability of the external financial information of the organization.

   6.4 Directors help to establish confidence and efficiency for fair resolution of organization's affairs.

   6.5 Management has responsibility towards the organization in advocating sound management decision making.

7. The organization has an important role towards society, shareholders, creditors, employees and other sectors of the business community, as well as the government and the public at large for sound financial accounting, reporting effective financial management and variety of business and taxation matters. Sound business practices of the organization have an impact on the economic well being of the country.

8. It is in the best interest of the organization that services are provided at the highest level of performance and in accordance with ethical standards to ensure continued good performance.

9. In formulating this code of ethics, the Board of Directors has considered the public service and employees expectations of the ethical standards of the organization.

OBJECTIVES OF THE ORGANIZATION

10. The code recognizes that the objectives of the organization work to the highest standards of professionalism, to attain the highest levels of performance and generally to meet the interested group requirements set out above. These objectives require four basic needs to be met:

10.1 Credibility
In the whole of society there is a need for credibility in information and information systems.

10.2 Professionalism
The customers, employees and other interested parties can rely on the professionalism of the organization.

10.3 Quality of Services
There is a need for assurance that all services provided, are carried out to the highest standards of performance.

10.4 Confidence
Interested groups should be able to feel confident that there exists a framework of professional ethics, which governs the provision of services provided by the organization to the community and the country.

FUNDAMENTAL PRINCIPLES

11. In order to achieve the objectives of the organization, employer and employees have to observe a number of prerequisites or fundamental principles.

The fundamental principles are:

11.1 Integrity
An interested group connected with the organization should be straight forward and honest in performing professional services.

11.2 Objectivity
The organization should be fair and should not allow prejudice or bias or influence of other to override objectivity.

11.3 Professional Competence, Due Care and Timeliness
An organization should perform and provide goods and services with due care, competence and diligence, and has a continuing duty to maintain a level required to ensure that a customer or an employee receives goods and services based on up to date product line. Further all industrial obligations should be adhered to for timely compliance.

11.4 Confidentiality
The organization should respect the confidentiality of information acquired during the course of providing goods and services and should not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.

11.5 Organizational Behaviour

The organization should act in a manner consistent with the good reputation of the industry and refrain from any conduct, which might bring discredit to the company.

11.6 Technical Standards

The organization should provide goods and services in accordance with the relevant technical and professional standards. The organization has a duty to carry out with care and skill, the instructions of the customers in so far as they are compatible with the requirements of commercial trade practice. In addition they should conform with the technical and professional standards promulgated by:

- PCSIR (Pakistan Council for Scientific & Industrial Research)
- International Standards
- Relevant Legislation

12. In addition to observing the fundamental principles listed above; the organization should be and appear to be free of any interest, which might be, regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.

13. The objectives as well as the fundamental principles are of a general nature and are not intended to be used to solve the organization's ethical problems in a specific case. However, the code provides some guidance as to the application in practice of the objectives and the fundamental principles with regard to a number of typical situations occurring in the industrial process and company procedure.

NOTICE OF MEETING

Notice is hereby given that the **44th Annual Genera. Meeting** of the Shareholders of the Company **M/S. FAZAL CLOTH MILLS LIMITED** will be held on **Saturda\ 1e 31st day of October, 2009** at **11:00 a.m.** at ***129/1, OLD BAHAWALPUR ROAD, MULTAN*** to transact the . ,wing business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Extra Ordina., General Meeting of the Company held on 31-03-2009.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended **30th June, 2009** together with the Auditor's and Director's Report thereon.

3. To appoint External Auditors of the Company for the Financial Year Ending **30th June, 2010** and fix their remuneration. M/S. M. Yousuf Adil Saleem & CO., Chartered Accountants, MULTAN, External Auditors of the Company retire and being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit to pass the following resolutions as Special Resolutions with or with-out modifications:

   "Resolved to make an **investment of Rs. 500.000 (M)** within a period of one year by acquiring 50.000 (M) ordinary shares of Rs. 10/- each, as recommended by the Board of Directors, in **FATIMA FERTILIZER CO LTD,** an associated undertaking of the Company having its Plant (near completion) at SADIQABAD, District RAHIM YAR KHAN. The proposed investment of Rs.500.000 (M) shall comply with the requirements of section 208 of the Companies Ordinance, 1984".

5. "**RESOLVED THAT** the compliance of section 172 of the Companies Ordinance, 1984 be made by filing **Form 26** with the **Joint Registrar of Companies, Securities & Exchange Commission of Pakistan, LAHORE** for registration".

   "**FURTHER RESOLVED THAT** Mr. M.D KANWAR, Company Secretary **singly** be and is hereby authorized to take all such steps as may be necessary or incidental for complying with mandatory requirements of the law in connection with the above Ordinary/Special Resolutions on behalf of the Company".

6. Any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

MULTAN.
Dated:October 05, 2009

Sd/-
(M.D KANWAR)
Company Secretary

NOTES.

BOOK CLOSURE FOR ORDINARY SHARES

I. The Share Transfer Books of the Company will remain closed from 28th October, 2009 to 03rd November, 2009 (both days inclusive).

BOOK CLOSURE FOR THE ENTITLEMENT OF 16.69% DIVIDEND ON PREFERENCE SHARES (NON VOTING) FOR THE YEAR ENDED 30 JUNE, 2009.

II. The share transfer Books of preference shares (non voting) of the Company will remain closed from 28th October, 2009 to 03rd November, 2009 (both days inclusive) for entitlement of preference Dividend @ 16.69% per annum with effect from 1st July, 2008 to 30th June, 2009. Physical transfers/CDS Transactions IDs received at Company's Share Department at **129/1 Old Bahawalpur Road, MULTAN** or Company's **Share Registrar VISION CONSULTING LIMITED, 3-C, LDA Flats, Lawrence Road, LAHORE** at the close of business on 27th October 2009 will be treated in time for entitlement purpose of preferred Dividend. The preference shareholders are not entitled to attend meeting.

III. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her. A corporate Body being a member of the Company may appoint its proxy either under its Seal or under the hand of any officer or attorney duly authorized. The instrument of appointing proxy must be deposited with Company's Share Department at **129/1 Old Bahawalpur Road, MULTAN** or Company's **Share Registrar VISION CONSULTING LIMITED, 3-C, LDA Flats, Lawrence Road, LAHORE** not later than 48 hours before the time of meeting.

IV. **CDC Accountholders** will further have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:-

a. **For attending the meeting**

In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per regulations shall authenticate their identity by showing their original National Identity Cards (NIC) or original Passport at the time of attending the meeting.

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

b. **For appointing proxies**

- In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per regulations shall submit the proxy form as per the above requirements.
- The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxies shall produce their original NIC or original passport at the time of meeting.
- In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

V. Shareholders are requested to promptly notify any change in their addresses.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 READ WITH NOTIFICATION NO. SRO 865(1)/2000 DATED 06-12-2001 REGARDING INVESTMENT IN ASSOCIATED UNDERTAKING (FATIMA FERTILIZER COMPANY LIMITED)

a. The investment of Rs. 1,000.000 (Million) in PAK ARAB FERTILIZERS LIMITED will be implemented during three years till June, 2011 as approved by the Shareholders in the Annual General Meeting of the Company on 31st day of Oct 2008. The statement of major changes in financial position of investee company (Based on half year ended on 30th June 2009) is as under:

- Capital & Reserves - Equity increased by Rs.1,460 million.
- Non Current Liabilities - Non current liabilities increased by Rs.277 million.
- Current Liabilities - Current liabilities decreased by Rs.950 million.
- Total Assets - Total assets increased by Rs.747 million.

b. The investment of **Rs.500.000 (Million)** in **FATIMA FERTILIZER COMPANY LIMITED** as recommended by the Board of Directors in their meeting held on 05 Oct, 2009. They have decided to make the investment subject to the approval by the **Securities and Exchange Commission of Pakistan, ISLAMABAD** and by the **Shareholders** in the Annual General Meeting of the Company to be held on **31st day of October, 2009.** They have further decided that the investment will be made within a period of one year up-to 31st Oct 2010. The proposed investment shall comply with the requirements of Section 208 of the Companies Ordinance, 1984 and notification SRO # 865 (1)/2000 dated 06-12-2000.

The Statement pursuant to clause (b) of sub-section (1) of Section 160 of the Ordinance contains the following information:

1.	Name of the Company	**Fatima Fertilizers Company Limited (FFCL)**
2.	Nature, Amount & Extent of the Investment	Rs. 500.000 (Million).
3.	Average Market price of the shares	The Company is still unlisted.
4.	Break up value of shares on the basis of last published financial statements.	Rs. 9.79 per Share.
5.	Price at which the Shares will be purchased.	At face value i-e Rs.10/- per share.
6.	Earnings per share of the Investee company for the last 3 years	Operations of the Company are still not started.
7.	Source of funds/finance	Free Cash Flow available to the Company for the year ended 30th June 2009 is Rs. 403 Million (Rs. 142 million is after Tax profit without adjustment of deferred tax plus Rs. 261 million is depreciation charges) or 4.7% of the Sales. Company expects healthy improvement in cash flows during the year ending 30th June 2010. Based on the cash flow of the Company, improved amount would be available to the Company during the next year.
8.	Period of Investment	The investment will be made within a period of one year.
9.	Purpose of investment	To enable the investee Company to contribute towards project financing / cost.
10.	Purchase price ceiling	Purchase Price Ceiling shall be at or below the fair value of the Investee Company's share based on the Discounted Cash Flow valuation method.

11.	Benchmark for calculating purchase price of Shares	The b enchmark will be based on P/E multiples of other fertilizer manufacturing companies quoted on the stock exchanges.
12.	Benefit likely to accrue to the Company and the shareholders from the proposed investment	Investee company belongs to Fertilizer sector of the economy and is directly linked with the agriculture sector. The agriculture sector accounts for about 26% of the country's GDP and 50% of the Country's export earnings. The significance of fertilizer usage and its industry self evident. Fatima Fertilizer Company Ltd will produce for main types of fertilizers i.e NP, NPK, CAN and Urea. The phosphate fertilizers of the Company which are very much suited to the Country's soil will also result in import substitution. Project of the Company is under erection. Technical and advisory services are being sought from Japan, Europe and China. Project is expected to cost approximately Rs.60.00 billion and will be completed within next year. The Company expects to earn handsome dividend income and earn capital gains on its investment.
13.	Interest of directors or relatives in the Investee company	The Directors are sponsors of the investee Company.

14. The brief about the financial positions of Fatima Fertilizers Company Limited is as under:

Particulars	Half Yr Ended 30 June 2009 RS.	Year Ended 31 Dec 2008 RS.	Year Ended 31 Dec 2007 RS.	Year Ended 31 Dec 2006 RS.
Authorized Capital	25,000,000,000	25,000,000,000	25,000,000,000	25,000,000,000
Paid up capital	8,934,788,330	8,934,788,330	7,434,788,330	100,000,000
Share deposit money	11,103,353,000	6,573,898,000	8,153	2,913,426,122
General / Hedging reserves	-	(10,056,000)	28,644,216	-
Non-current assets	48,214,217,000	37,205,335,000	10,380,282,266	4,306,773,565
Current assets	534,904,000	892,413,000	921,078,958	906,893,576
Long term liabilities	24,857,205,000	19,246,716,000	2,944,760,865	1,105,381,363
Current liabilities	4,044,711,000	3,505,688,000	902,251,470	1,094,859,656
Profit / (loss) after taxation	(37,650,000)	(144,195,000)	58,213,609	-
Sales-net	-	-	-	-

Dear Shareholders,
Assalam-o-Alaikum,

It is a pleasure to welcome you to the 44th Annual General Meeting of the Company and place before you the Audited Financial Statement of the Company for the year ended June 30, 2009.

FINANCIAL AND OPERATING RESULTS:

Sales for the year were Rs.8,651 Million as compared to Rs. 7,021 Million last year. This represents an increase of 23.21%. Profit for the year after tax is Rs. 87,251 Million after charging depreciation of Rs. 261,447 Million and contribution to Workers Profit Participation Fund of Rs. 9.697 Million. Earning per Share (EPS) is Rs.4.65 (2008:Rs.7.49). EBITDA of Rs. 1,194 Million was generated. EBITDA per share is Rs.63.65 (2008:Rs. 62.17).

Auditors have qualified valuation of investment in associated companies, which we have valued at cost. As explained previously, we are of the view that as your company is holding only 5.73% (2008: 5.73%) of total equity of the Company concerned, it does not exercise significant control over the Company concerned's policies and profits. So in lieu of prudence, your company is following it's policy of valuing investment in Associated Companies at cost and booking profits/gains only after they are realized.

Dividend of Rs. 41 Million (2008:Rs. 31 Million) on Preference Shares was approved for the year in accordance with the agreement reached with the Preference Share holders. This amount has been included in Financial Charges for the year. The auditors of the Company have qualified this treatment of dividend paid on preference shares. However, in our view, terms and conditions under which these Preference Shares have been issued result in qualification of the same as "Financial Liability" of the Company, and not as an Equity Instrument, as defined by IAS 32.

Your Directors and Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children have made following transaction in Company's shares.

Description	Sh. Naseem Ahmad	Amir Naseem Sh.	Rehman Naseem	Fawad A. Mukhtar	Fazal A. Sheikh	Faisal A. Mukhtar	Company Secretary	CFO
Opening Balance as on 01.07.2008	5,515	10,000	10,000	1,537,258	1,276,361	1,275,270	424	608
Purchase	-	-	-	-	-	-	-	-
Bonus	-	-	-	-	-	-	-	-
Inherited	-	-	-	-	-	-	-	-
Gift	-	-	-	-	-	-	-	-
Transfer as Gift	-	-	-	-	-	-	-	-
Closing Balance as on 30.06.2009	5,515	10,000	10,000	1,537,258	1,276,361	1,275,270	424	608

During the year 2008-2009, four board meetings were held which were attended as follow:

Sh. Naseem Ahmad	Chairman/Chief Executive	4
Mr. Firasat Ali	Nominee of NIT Ltd.	1
Sh. Amir Naseem		3
Mr. Rehman Naseem		4
Mr. Fazal Ahmad Sheikh		4
Mr. Faisal Mukhtar		1
Mr. Fawad Ahmad Mukhtar		2
Mr. Fahd Mukhtar		-

COMPARISON OF LAST SIX YEARS OF OPERATIONS:

Salient features of the financial performance of the company for the last six years are reproduced below:

	2009	2008	2007	2006	2005	2004
					Nine Months	
Production in Kgs (000)	41,995	38,422	38,859	35,232	23,012	24,411
Sales net (Rs. In millions)	8,651	7,021	5,982	5,128	3,392	3,852
Gross Profit (Rs. In millions)	1,196	944	817	726	540	438
Net Profit before tax (Rs. In millions)	180	340	183	181	222	181
Provision for taxation including deferred tax (Rs. In millions)	92	200	83	72	25	80
Profit after taxation (Rs. In million)	87	141	100	109	198	101
Un-appropriated profit brought forward (Rs. In million)	1,006	768	693	599	426	325
Appropriation (Rs. In million)	1,093	909	793	708	624	426
Dividend / Bonus Shares %age	Nil	Nil	Nil	15%	10%	20%
Gross Profit ratio	13.83%	13.44%	13.66%	14.16%	15.92%	11.37%
Net profit ratio	2.08%	4.85%	3.06%	3.53%	6.56%	4.69%
Earnings before interest, tax and depreciation allowance (EBITDA) (Rs. In million)	1,194	1,166	830	748	537	479

CORPORATE GOVERNANCE:

As required by the code of corporate governance the board of directors hereby declares that:

- The financial statements for the year ended June 30, 2009 present fairly the state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2009 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standard (IAS) 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 is no doubt about the company to continue as going concern;
- There has been no material departure from best practices of corporate governance as detailed in listing regulations;

PATTERN OF SHAREHOLDING:
The pattern of share holding as on June 30, 2009 is annexed.

FUTURE OUTLOOK:
The year under review was one of the toughest years for Textile Business across the world. Unemployment in all western countries, which are major consumers of textile products, rose to high levels resulting in a fall in consumption of textile products. Prices for yarn fell to uneconomical levels. Many spinning mills shut down across the world due to losses incurred. In Pakistan the situation was even worse as unprecedented load shedding and comparatively high interest rates compounded the problem.

The world economy is gradually recovering from the recession. Western economies are expected to resume growth in 2010. We are seeing signs of revival of demand for textile products. Due to closure of spinning capacity across the world, supply of yarn is sharply reduced. Yarn prices are improving and margins have increased. Cotton Crop in Pakistan is expected to be higher than last year. Government of Pakistan has announced a good textile policy which aims to give priority to the Textile Industry for supply of Gas and exempt it from load shedding. An interest rate subsidy of 5% on loans obtained by the industry for purchase of machinery has also been announced. In view of the above, we remain cautiously optimistic about prospects for next year.

DIVIDEND/BONUS SHARES
Your Directors have skipped the Bonus shares/ dividend for the year ended June 30, 2009 (2008: Nil) due to uncertain future outlook.

AUDITORS:
M/s.Yousaf, Adil, Saleem & Co., Chartered Accountants, auditors of the Company retire and being eligible offers themselves for reappointment for the year 2009-2010.

MANAGEMENT/LABOUR RELATIONS:
The management/labour relations remained warm and cordial throughout the year under review. We place great importance on our employees. We continue to invest in the professional development and improvement of skills of our human resources, since we believe that by investing in our people we invest in our future. Company's human resource policy is based on the underlying values of fairness, merit, equal opportunity and social responsibility. Complying with our human resource policies we do not hire any child labour.
The employees and management of the company continued to make joint efforts to keep up high standards of productivity. By the grace of Allah the Almighty, relationship of management and employees continued to remain in total harmony.
The board wishes to place on record its deep appreciation to all of them for their hard work and dedication to achieve these results.

Dated: October 05, 2009

Sd/-
(SHEIKH NASEEM AHMAD)
Chairman / Chief Executive Officer

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

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and the Listing Regulation Clause 40 (Chapter XIII) of the Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner: -

1. The Board of Directors comprises of seven directors including the Chief Executive Officer (CEO). The number of executive directors on the Board is three (3).

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 Development Financial Institution or a Non-banking Financial Institution. None of the directors of the Company are members of any Stock Exchange.

4. One vacancy has been created in the Board and has been filled immediately.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and key 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 executive directors, have been taken by the Board.

8. The related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.

9. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose. The Board met at-least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The directors are conversant with the relevant laws applicable to the Company including the Companies Ordinance, 1984, Listing Regulations, Code of Corporate Governance, Company Memorandum and Articles of Association and other relevant rules and regulations and are fully aware of their duties and responsibilities.

11. There was no appointment of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit during the year.

12. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

16. The Board has formed an Audit Committee which comprises of three (3) members out of which two (2) are non-executive directors.

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

18. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedure of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality control review programme 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 Institute of Chartered Accountants of Pakistan.

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

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

On behalf of the Board of Directors

Place : **MULTAN**
Dated: October 05, 2009.

Sd/-
(SHEIKH NASEEM AHMAD)
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practice contained in the Code of Corporate Governance prepared by the Board of Directors of FAZAL CLOTH MILLS LIMITED to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Clause 40 (Chapter XIII) of the Listing Regulations of the Lahore 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 he objectively verified, whether the Statement a 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's 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 the internal control covers all controls and the effectiveness of such internal controls.

The Code of Corporate Governance requires board of directors to approve related party transactions bifurcating 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. In this connection we are only required and have ensured compliance of requirement to the extent of board of directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

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.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of FAZAL CLOTH 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 misstatements. 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 out audit provides a reasonable basis for our opinion and, after due verification, we report that;

1. The company has valued one of its investment in associate at cost (refer note 5.2 to the financial statements) and the other at par value (refer note 5.4 to the financial statements) contrary to the requirement of IAS-28 "Investment in associates" which requires re-measurement of investment in associates on equity basis. Had the investment been valued using equity method the value of investment would have increased by Rs. 499 million and profit for the year would have increased by Rs. 369 million with increase of Rs. 130 million in unappropriated profits.

2. The company has shown dividend on redeemable preference shares as finance cost in profit and loss account (refer note 35 to the financial statements) during the year contrary to the provisions of Companies Ordinance. 1984 instead of appropriation of profits in statement of changes in equity.

a) Except for the effects of adjustments, if any, as mentioned in paragraphs l and 2 above, 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. Except for the effects of adjustments, if any, as mentioned in paragraphs l and 2 above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, l984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of 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) Except for the effects of adjustments, if any, as mentioned in paragraphs l and 2 above in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, the financial statements give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity fir the year then ended; and

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

Sd/-
Mushtaq Ali Hirani (Engagement Partner)
M. YOUSAF ADIL SALEEM & CO.
CHARTERED ACCOUNTANTS

Dated: **October 05, 2009**
Place: **KARACHI**

BALANCE SHEET

	Note	2009 Rupees	2008 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	3	5,726,901,838	5,760,032,259
Intangible assets	4	7,062,749	2,990,093
Long term investments	5	467,888,456	467,888,456
Long term loans	6	952,200	175,000
Long term deposits		11,448,365	12,263,365
		6,214,253,608	6,243,349,173
CURRENT ASSETS			
Stores, spares and loose tools	7	135,097,368	107,973,690
Stock-in-trade	8	2,222,090,661	2,012,300,392
Trade debts	9	739,099,799	737,223,584
Loans and advances	10	291,926,142	125,803,075
Trade deposits and short term prepayments	11	4,463,247	8,907,395
Interest / markup accrued	12	37,751,496	27,422,791
Other receivables	13	18,869,570	6,222,367
Other financial assets	14	9,214,100	27,664,300
Tax refunds due from government	15	49,039,261	47,210,404
Cash and bank balances	16	77,400,115	369,532,995
		3,584,951,759	3,470,260,993
		9,799,205,367	9,713,610,166

Sd/-
(SHEIKH NASEEM AHMED)
Chief Executive Officer

Sd/-
(AMIR NASEEM SHEIKH)
Director

AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
40,000,000 Ordinary shares of Rs. 10 each		400,000,000	400,000,000
30,000,000 Preference shares of Rs. 10 each		300,000,000	300,000,000
		700,000,000	700,000,000
Issued, subscribed and paid up capital	17	437,551,940	437,551,940
Capital reserves	18	127,616,000	77,616,000
Unappropriated profits		1,135,491,465	1,006,488,092
		1,700,659,405	1,521,656,032
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	19	2,284,908,235	2,362,418,723
NON-CURRENT LIABILITIES			
Long term financing	20	1,569,695,888	1,501,499,920
Long term musharika	21	118,777,283	166,288,199
Deferred liabilities	22	896,490,598	843,809,062
Custom duties	23	84,183,386	70,668,537
		2,669,147,155	2,582,265,718
CURRENT LIABILITIES			
Trade and other payables	24	288,870,787	248,056,372
Interest / mark-up accrued on loans	25	151,221,975	96,120,505
Short term borrowings	26	2,248,333,323	2,383,650,851
Current portion of non current liabilities	27	418,292,230	427,599,030
Provision for taxation	28	37,772,257	91,842,935
		3,144,490,572	3,247,269,693
CONTINGENCIES AND COMMITMENTS	29		
		9,799,205,367	9,713,610,166

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

Sd/-
(FAIZAN-UL-HAQ)
Chief Financial Officer

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

	Note	2009 Rupees	2008 Rupees
Sales - net	30	8,651,230,022	7,021,394,793
Cost of sales	31	(7,455,193,255)	(6,077,674,258)
Gross profit		1,196,036,767	943,720,535
Distribution cost	32	(157,206,669)	(164,722,561)
Administrative expenses	33	(90,019,759)	(73,990,016)
Other operating expenses	34	(25,849,347)	(30,098,749)
Finance cost	35	(752,731,269)	(557,786,235)
		170,229,723	117,122,974
Other operating income	36	9,296,137	223,111,753
Profit before taxation		179,525,860	340,234,727
Provision for taxation	37	(92,274,975)	(199,670,151)
Profit for the year		**87,250,885**	**140,564,576**
Earnings per share	38		
Basic		**4.65**	**7.49**
Diluted		**2.95**	**3.21**

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

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMED)	**(AMIR NASEEM SHEIKH)**	**(FAIZAN-UL-HAQ)**
Chief Executive Officer	**Director**	**Chief Financial Officer**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	179,525,860	340,234,727
Adjustments for:		
Depreciation of property, plant and equipment	261,446,826	250,215,379
Amortization of Intangible assets	598,017	598,017
Provision for gratuity	24,789,797	23,578,622
Provision for infrastructure cess	13,514,849	15,220,946
Gain on disposal of property, plant and equipment	(1,112,374)	(2,177,602)
Special dividend received from associates	-	(214,921,750)
Gain on disposal of other financial assets	(1,299,030)	(4,138,234)
Loss on re-measurement of other financial assets	6,150,700	398,947
Dividend income	(1,531,900)	(415,000)
Finance cost (inclusive of preference dividend)	752,731,269	557,766,235
Operating cash flows before movement in working capital	1,234,814,014	966,380,287
(Increase) / decrease in current assets		
Stores, spares and loose tools	(27,123,678)	(18,446,228)
Stock-in trade	(209,790,268)	(666,670,093)
Trade debts	(1,876,215)	(158,873,799)
Loans and advances	(182,440,583)	12,263,481
Trade deposits and short term prepayments	4,444,148	35,417,496
Tax refunds due from government	(10,224,355)	(3,144,520)
Interest / markup accrued	(10,328,705)	18,763,663
Other receivables	(12,647,203)	(1,175,403)
Increase in trade and other payables	40,814,416	12,926,051
	(409,172,443)	(769,139,350)
Cash generated from operations	825,641,571	197,240,937
Gratuity paid	(12,488,261)	(13,471,037)
Income taxes paid	(67,010,638)	(38,554,126)
Net cash inflow from operating activities	746,142,672	145,215,774
Long term loans to employees - net	(777,200)	(50,000)
Long term deposits	815,000	(6,478,240)
Net cash from operating activities (A)	746,180,472	138,687,534
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(230,904,113)	(456,925,546)
Proceeds from disposal of property, plant and equipment	3,700,081	2,320,000
Purchase of intangible assets	(4,670,673)	-
Proceeds from disposal of other financial assets	13,598,530	(23,925,013)
Dividend received from trading investment	1,531,900	415,000
Net cash used in investing activities (B)	(216,744,275)	(478,115,559)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing obtained	406,150,657	772,444,474
Long term financing repaid	(359,139,217)	(343,799,935)
Long term Musharika - net	(35,633,187)	(29,000,000)
Bills payable repaid	-	(292,031,091)
Short term borrowings - net	(135,317,531)	853,365,707
Finance cost paid	(697,629,799)	(532,536,914)
Net cash (used in) / from financing activities (C)	(821,569,077)	428,442,241
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(292,132,880)	89,014,216
Cash and cash equivalents at beginning of the year	369,532,995	280,518,779
Cash and cash equivalents at end of the year	77,400,115	369,532,995

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

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMED)	**(AMIR NASEEM SHEIKH)**	**(FAIZAN-UL-HAQ)**
Chief Executive Officer	**Director**	**Chief Financial Officer**

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

	Note	Share capital	Capital reserves		Un-appropriated profits	Total
			Share premium	Capital redemption reserve fund		
		...Rupees...				
Balance as at June 30, 2007		437,551,940	77,616,000	-	768,867,334	1,284,035,274
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	19	-	-	-	97,056,182	97,056,182
Profit for the year ended June 30, 2008		-	-	-	140,564,576	140,564,576
Balance as at June 30, 2008		437,551,940	77,616,000	-	1,006,488,092	1,521,656,032
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment - net of deferred tax	19	-	-	-	91,752,488	91,752,488
Profit for the year ended June 30, 2009		-	-	-	87,250,885	87,250,885
Transfer to capital redemption reserve fund from unappropriated profits		-	-	50,000,000	(50,000,000)	-
Balance as at June 30, 2009		437,551,940	77,616,000	50,000,000	1,135,491,465	1,700,659,405

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

Sd/-
(SHEIKH NASEEM AHMED)
Chief Executive Officer

Sd/-
(AMIR NASEEM SHEIKH)
Director

Sd/-
(FAIZAN-UL-HAQ)
Chief Financial Officer

1. **THE COMPANY AND ITS OPERATIONS**

1.1 Fazal Cloth Mills Limited (the Company) was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act 1913 (now Companies Ordinance, 1984) and its shares are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Ist floor, 16 Bank Square, Lahore. The Company is engaged in manufacture and sale of yarn. The manufacturing facilities are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

1.2 These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

2. **SIGNIFICANT ACCOUNTING POLICIES**

2.1 Statement of compliance

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

2.1.1 Adoption of new International Financial Reporting Standards

In the current year, the company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securites and Exchange Commission of Pakistan that are relevant to its operations and effective for company's accounting period beginning on July 01, 2008. The adoption of these new Standards and Interpretations has resulted in changes to the Company's accounting policies in the following areas:

IFRS 7 - Financial Instruments: Disclosures	**April 28, 2008**

IFRS 7 requires extensive disclosures about the significance of financial instruments for the company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements incorporate many of the requirements previously in IAS 32 - Financial Instruments : Presentation. The company has adopted this standard from the financial year beginning July 01, 2008 and its initial application has led to extensive disclosures in the company's financial statements.

IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	**January 01, 2008**

IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The company has not yet determined the potential effect of the interpretation.

2.1.2 New accounting standards and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

IFRS 8 - Operating Segments	**January 01, 2009**
IFRIC 15 - Agreements for the Construction of Real Estate	**January 01, 2009**
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	**October 01, 2008**
IFRIC 17 - Distributions of Non-cash Assets to Owners	**July 01, 2009**

IFRIC 18 - Transfer of Assets from Customers	**July 01, 2009**

Interpretations to existing standards that are effective and not relevant for the Company's operation

IFRIC 12 - Service Concession Agreements	**January 01, 2008**
IFRIC 13 - Customer Loyalty Programs	**July 01, 2008**

2.2 Accounting convention and basis of preparation

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

- modification of foreign currency translation adjustments as stated in note 2.3,
- recognition of employee retirement benefits at present value,
- long term investments,
  property, plant and equipment as stated in note 2.7, and
- revaluation of certain Property, plant and equipment
- certain financial instruments at fair value

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of fixed 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 circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables, provision for slow moving inventory, deferred tax and post employment benefits. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustments to the carrying amounts of assets and liabilities in the next year.

2.3 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. All exchange fluctuations are taken to profit and loss account.

2.4 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision for gratuity is made annually to cover obligation under the scheme in accordance with actuarial recommendations. The projected unit credit method is based on assumptions stated in note 22.1.

2.5 Trade and other payables

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

2.6 Taxation

Current

Charge 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. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base (the amounts used for taxation purposes). In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets and liabilities are based on the expected tax rates applicable at the time of reversal.

2.7 Property, plant and equipment

Property, plant and equipment except furintures and fixtures, office equipment, vehicles and capital work in progress are stated at revalued amount being the fair value at the time of valuation determined by market value/ depreciated replacement cost less accumulated depreciation and any identified impairment in value. Capital work in progress is stated at cost. Property, plant and equipment except mentioned above are stated at cost less accumulated depreciation and any identified impairment in value. Cost includes borrowing cost in respect of qualifying assets as stated in note 2.10.

For capital work in progress, all costs / expenditure connected with specific assets are collected under this head. These are transferred to specific assets as and when assets are available for use.

Depreciation is charged to income applying reducing balance method to write-off the cost over estimated remaining useful life of assets. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Freehold land are not depreciated. Rates of depreciation are stated in note 3.1.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Gain/ loss on disposal of operating assets is taken to profit and loss account.

Major improvements and modifications are capitalized and assets replaced, if not kept as stand by, are retired. Minor repairs and replacements are taken to profit and loss account.

Surplus arising on revaluation of operating assets is credited to surplus on revaluation of operating assets account. The surplus on revaluation of operating assets to the extent of incremental depreciation charged on the related assets is transferred by the company to its unappropriated profit.

Leased

These are stated at the lower of present value of minimum lease payments under the lease agreements 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 finance cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the same rates and basis as applicable to the Company's owned assets. Outstanding obligation under lease less finance cost allocated to future periods is shown as liability. The finance cost is calculated at the rate implicit in the lease and is charged to income.

2.8 Intangible assets

Intangible assets are stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income on straight line basis during the estimated useful life of ten years. The useful life is reviewed periodically to ensure that it is consistent with the expected pattern of economic benefits.

Amortization is charged from the month of acquisition and upto the month preceding the disposal respectively. Gain/ loss on disposal of intangible assets are taken to profit and loss account.

2.9 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income for items of assets.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are charged to income in the period of incurrence.

2.11 Long term investments

Investments in associates

These investments are accounted for using equity method of accounting and initially are recognized at cost

Available for sale

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at cost less any permanent diminution in value . All purchases and sales are recognized on the trade dates. Changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account for the year.

2.12 Other financial assets - held for trading investments

Other financial assets are designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account. Regular way purchase or sale of held for trading investments is recognized using trade date accounting. A trade date is the date that an enterprise commits to purchase or sell an asset. All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.13 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items except items-in-transit which are stated at cost accumulated to the balance sheet date.

2.14 Stock- in- trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials	
- At mills	- At lower of weighted average cost of both local and imported stock or net realizable value.
- In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realizable value.
Waste	- At net realizable value.

- Cost of finished goods represents annual average manufacturing cost which consists of prime cost and appropriate production overheads.
- Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

2.15 Revenue Recognition

- Sales are recorded on dispatch of goods to customers.

  Return on investments and deposits is accounted for on time proportion basis.
- Dividend income is accounted for when the right to receive is established.
- Gain on sale and lease-back transactions is deferred and is credited to profit and loss account over the lease term.
- Interest/ mark up is recognized as the interest / mark-up become due.

2.16 Provisions

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

2.17 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.18 Cash and cash equivalents

Cash and cash equivalents consist of cash-in-hand and balances with banks.

2.19 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprises the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

2.20 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 there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.21 Government grants

Government grants that compensates the Company for expenses incurred is recognised in the profit and loss account on a systematic basis in the same period in which the expenses are recognised. Government grants are deducted in reporting the related expense.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2009 Rupees	2008 Rupees
Operating assets	3.1	5,655,304,083	5,574,472,746
Capital work in progress	3.5	71,597,753	185,539,510
		5,726,901,836	5,760,012,256

3.1 Operating assets

Particulars	Cost/ Revaluation: As at July 01, 2008 Cost	Revaluation surplus	Total	Additions	Disposals	As at June 30, 2009	Depreciation: As at July 01, 2008	For the year: Cost	Incremental	Total	Disposals	As at June 30, 2009	Carrying value as at June 30, 2009	Rate of depreciation %
	---(Rupees)---													
Freehold land	39,883,068	494,326,932	534,210,000	38,940,568	-	573,150,568		-	-		-	-	573,150,568	-
Factory building	377,923,682	405,245,756	783,169,438	-	-	783,169,438	160,749,372	11,671,530	19,249,170	31,121,000	-	191,870,373	591,299,065	5
Non factory building	115,731,260	240,316,211	356,047,471	107,993,973	-	464,041,444	42,683,769	5,247,220	11,415,020	16,662,240	-	59,346,009	404,695,435	5
Plant and machinery	3,709,008,406	1,705,529,326	5,414,537,732	163,213,840	165,135	5,577,588,437	1,511,337,734	117,224,158	81,018,106	198,242,264	160,028	1,709,420,000	3,868,168,437	5
Furniture and fixtures	6,919,794	-	6,919,794	290,976	-	7,210,700	3,056,050	404,775		404,775	-	3,460,825	3,749,875	10
Office equipment	17,731,014	-	17,731,014	1,104,758	64,500	18,771,272	5,869,837	1,247,625		1,247,625	21,398	7,096,064	11,675,218	10
Vehicles	40,366,906	-	40,366,906	12,051,610	5,080,208	47,340,298	22,540,595	4,662,929	-	4,662,929	2,335,729	24,767,739	22,572,499	20
Electric fittings and installation	115,284,436	38,205,123	153,489,624	21,250,216	-	174,719,840	48,508,002	4,132,712	1,814,743	5,947,455		54,453,457	120,266,383	5
Sui gas installations	11,902,549	1,074,294	12,976,843	-		12,976,843	3,430,221	427,372	50,007	477,379		3,907,600	9,069,243	5
Tools, laboratory equipment and arms	38,023,056	13,615,283	51,638,339	38,300	-	51,676,639	17,995,876	1,037,042	641,883	1,678,924	-	19,674,800	31,999,871	5
Fire extinguishing equipment and scales	7,347,156	17,516,973	24,864,130			24,864,130	4,804,338	170,907	881,343	1,052,250		5,856,588	19,007,751	5
	4,480,124,447	2,915,827,905	7,395,952,352	344,885,871	5,327,863	7,735,510,360	1,621,479,606	146,425,530	115,021,296	261,446,826	2,770,155	2,080,206,277	5,655,304,083	

For comparative period

Particulars	Cost/ Revaluation: As at July 01, 2007 Cost	Revaluation surplus	Total	Additions	Disposals	As at June 30, 2008	Depreciation: As at July 01, 2007	For the year: Cost	Incremental	Total	Disposals	As at June 30, 2008	Carrying value as at June 30, 2008	Rate of depreciation %
	---(Rupees)---													
Freehold land	39,883,068	494,326,932	534,210,000	-		534,210,000	-			-			534,210,000	
Factory building	289,629,365	405,245,756	694,875,124	88,294,314	-	783,169,438	130,799,000	9,668,784	20,289,288	29,957,072	-	160,749,372	622,420,066	5
Non factory building	112,271,046	240,316,211	352,587,557	3,459,914	-	356,047,471	26,298,693	4,369,276	12,015,111	16,383,037		42,681,709	313,365,762	5
Plant and machinery	3,352,718,498	1,705,529,326	5,058,247,824	362,238,922	5,957,014	5,414,537,732	1,327,282,821	104,707,456	85,282,217	189,989,673	5,934,733	1,511,337,734	3,903,200,018	5
Furniture and fixtures	5,906,321	-	5,906,321	1,013,473	-	6,919,794	2,780,122	275,928		375,928	-	3,056,050	3,863,744	10
Office equipment	11,905,887		11,905,887	5,825,127		17,731,014	4,844,161	1,025,676		1,025,676		5,869,837	11,861,177	10
Vehicles	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	22,543,596	[illegible]	20
Electric fittings and installation	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		45,906,102	104,5[illegible]	
Sui gas installations	11,857,049	1,074,294	12,929,343	47,500		12,976,843	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	9,546,614	
Tools, laboratory equipment and arms	38,023,056	13,615,283	51,638,339	-		51,638,339	16,232,5[illegible]	1,083,624	[illegible]	[illegible]		17,998,375	33,640,49[illegible]	5
Fire extinguishing equipment and scales	7,347,156	17,516,973	24,864,130			24,864,130	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	5
	4,046,465,926	2,915,827,905	6,962,293,831	466,774,525	5,116,104	7,395,952,352	1,577,237,833	129,140,329	121,075,050	250,215,379	5,973,306	1,821,479,606	5,574,472,746	

3.2 Revaluation of freehold land, building, plant & machinery and other operating assets had been carried out as at June 30, 2007 by an independent valuer M/s Pirsons Chemicals Engineering (Pvt) Ltd. (Listed on Pakistan Bank's Association), on the basis of depreciated replacement values. Revaluation surplus has been credited to surplus on revaluation of operating assets (Refer note 19).

3.3 Had there been no revaluation the related figures of freehold land, building, plant & machinery and other operating assets would have been as follows.

		Cost Rupees	Accumulated depreciation Rupees	Carrying value Rupees
Freehold land		78,823,636		78,823,636
Building		601,648,915	220,552,191	381,096,724
Plant & machinery and others		4,065,377,554	1,709,092,052	2,356,285,502
	2009	**4,745,850,105**	**1,929,644,243**	**2,816,205,862**
Freehold land		39,883,068	-	39,883,068
Building		493,654,942	171,155,042	322,499,900
Plant & machinery and others		3,881,058,653	1,497,470,453	2,383,579,200
	2008	**4,414,596,663**	**1,668,634,495**	**2,745,962,168**

3.4 The following

Description	Cost	Accumulated depreciation	Carrying value	Sale proceed	Gain	Mode of disposal	Particulars of buyer
	(Rupees)						
Plant and Machinery	163,155	160,028	3,127	100,000	96,873	Negotiation	Mr. Muhammad Aziz, 33-C, Peoples Colony, Faisalabad
Office Equipment	64,500	21,398	43,102	62,500	19,398	Insurance claim	Adamjee Insurance Company Limited
Vehicle	791,000	760,466	30,534	307,000	276,466	Negotiation	Muhammad Arif S/O Nazar Hussain, Basti Garden, Dakhana Bhattapur, Muzaffargarh NIC # 32304-1881106-7
Vehicle	978,749	800,159	178,590	315,000	136,410	Negotiation	Iqbal Hussain S/O Allah Wasaya, House # 15, St. # Y-?, New Multan, Multan (36304-1368173-3)
Vehicle	100,000	68,666	31,334	31,335	1	Negotiation	Muhammad Ramzan S/O Bashir Ahmad Adda Pathan Wala Near Shahi Eid Gah Shujah Abad Distt.Multan
Vehicle	1,345,500	736,975	608,525	1,000,000	391,475	Insurance claim	The Premier Insurance Company of Pakistan
Vehicle	1,809,000	150,750	1,658,250	1,850,000	191,750	Insurance claim	The Premier Insurance Company of Pakistan
Vehicle	55,959	21,713	34,246	34,246	-	Negotiation	Mr. Muhammad Mohsin, 47-D, New Multan.
2009	**5,307,863**	**2,720,155**	**2,587,708**	**3,700,081**	**1,112,373**		
2008	**6,116,004**	**5,973,606**	**142,398**	**2,320,000**	**2,177,602**		

	Note	2009 Rupees	2008 Rupees
3.5 Depreciation for the year has been allocated as follows:			
Cost of sales	31	**255,122,341**	244,774,517
Administrative expenses	33	**6,324,485**	5,440,862
		261,446,826	250,215,379

	Note	2009 Rupees	2008 Rupees
3.6 Capital work in progress			
Freehold land			
Advance payments		-	37,793,255
Factory buildings			
Material and expenses		23,014,769	10,613,163
Advance payments		11,111,211	28,863,074
		34,125,980	39,476,237
Non-factory buildings			
Material and expenses		2,464,005	78,778,971
Plant and machinery			
Cost and expenses		8,618,403	7,065,444
Letters of credit		26,389,367	22,440,106
		35,007,770	29,505,550
Electric fittings			
Advance payments		-	5,500
		71,597,755	185,559,513

4. INTANGIBLE ASSETS

Computer software

		2009 Rupees	2008 Rupees
Opening balance		2,990,093	3,588,110
Cost capitalized during the year		-	-
Less: Amortization for the year		(598,017)	(598,017)
		2,392,076	2,990,093
Computer software under implementation		4,670,673	-
		7,062,749	2,990,093

5. LONG TERM INVESTMENTS

Number of Shares 2009	Number of Shares 2008	Name of the Company	Note	Rupees 2009	Rupees 2008
Investments in associates					
104,500 Ordinary shares	104,500 Ordinary shares	Fazal Industries (Pvt.) Limited Equity interest held 9.5% (2008 : 9.5%)	5.1	**475,000**	475,000
Less: Provision for diminution in value				**475,000**	475,000
				-	-
25,790,610 Ordinary shares	17,193,740 Ordinary shares	Pak Arab Fertilizers Limited Equity interest held 5.73% (2008 : 5.73 %)	5.2 & 5.3	**252,966,706**	252,966,706
21,492,175 Ordinary shares	21,492,175 Ordinary shares	Fatima Fertilizer Company Limited Equity interest held 2.41% (2008 : 2.41%)	5.4	**214,921,750**	214,921,750
				467,888,456	467,888,456

5.1 Break up value per share on the basis of latest audited financial statements is Rs. Nil (2008: Rs. Nil)

5.2 Break up value per share on the basis of unaudited financial statements for the year ended June 30, 2009 is Rs. 29.33 (2008: Rs. 22.30). The valuation of investments in associates has been made at cost. The investment and profit accumulated to the year would have increased by Rs. 503.3 million (2008: Rs. 130.3 million), if the investments were re-measured on equity basis as required by the IAS-28.

5.3 During the year, the Company received 8,596,870 (2008: 12,935,074) shares as bonus issue by associate.

5.4 This represents 21,492,175 ordinary shares of Fatima Fertilizer Company Limited, which were received during last year as specie distribution from Pak Arab Fertilizers Limited. The cost of these shares is Rs. Nil and break up value per share on the basis of unaudited financial statements for the year ended June 30, 2009 is Rs. 9.79 (2008: Rs. 10.27). The valuation of investments in associates has been made at par value i.e. Rs. 10. The investment and profit accumulated to the year would have decreased (2008: increased) by Rs. 4.6 million (2008: Rs. 5.8 million) if the investments were re-measured on equity basis as required by the IAS-28.

5.5 Following is the summary of financial information of the investee companies.

Fazal Industries (Pvt.) Limited	5.6		
Total assets		**282,437,387**	282,437,387
Total liabilities		**70,263,538**	70,263,538
Profit after tax for the year		**6,024,900**	6,024,900
Pak Arab Fertilizers Limited	5.7		
Total assets		**46,270,724,000**	37,346,522,731
Total liabilities		**30,398,577,000**	28,182,067,863
Profit after tax for the period		**6,507,692,000**	3,369,464,276
Fatima Fertilizer Company Limited	5.7		
Total assets		**48,749,121,000**	22,241,899,374
Total liabilities		**28,901,916,000**	11,224,037,393
Loss / profit after tax for the period		**(172,886,000)**	49,255,236

5.6 The financial information of Fazal Industries (Pvt.) Limited is based on audited financial statements for the year ended June 30, 2008.

5.7 The financial information of Pakarab Fertilizers Limited and Fatima Fertilizer Company Limited is based on unaudited financial statements for the half year ended June 30, 2009.

	Note	2009 Rupees	2008 Rupees
6. LONG TERM LOANS			
Considered good			
Executives		2,036,142	1,134,740
Other employees		3,796,084	3,013,928
		5,832,226	4,148,668
Less: Current portion grouped under current assets		4,880,026	3,973,668
		952,200	175,000

6.1 These interest free unsecured loans have been advanced for various personal purposes and are recoverable in installments which vary from case to case.

	Note	2009 Rupees	2008 Rupees
7. STORES, SPARES AND LOOSE TOOLS			
Stores	7.1	48,013,824	44,544,002
Spares		88,772,301	65,096,345
Loose tools		81,559	103,659
		136,867,684	109,744,006
Less: Provision for slow moving items		1,770,316	1,770,316
		135,097,368	107,973,690

7.1 This includes stores in transit of Rs. 13.529 million (2008: Rs. 6.082 million).

7.2 The company does not hold any stores and spares for specific capitalization.

	Note	2009 Rupees	2008 Rupees
8. STOCK-IN-TRADE			
Raw material	8.1	1,781,352,935	1,664,945,936
Work in process		47,562,922	49,427,000
		1,828,915,857	1,714,372,936
Finished goods			
Yarn	8.2	369,489,432	282,214,456
Waste		23,685,372	15,713,000
		393,174,804	297,927,456
		2,222,090,661	2,012,300,392

8.1 This includes raw material in transit of Rs. 131.261 million (2008: Rs. 56.463 million).

8.2 Finished goods includes stock valuing Rs. 0.508 million (2008: 1.702 million) lying with third parties for doubling process.

	Note	2009 Rupees	2008 Rupees
9. TRADE DEBTS			
Considered good			
Secured - export bills		467,410,038	492,314,189
Unsecured - local	9.6	271,689,761	244,909,395
		739,099,799	737,223,584

9.1 Trade receivables are non-interest bearing and are generally on 0 to 180 days terms.

9.2 The Company provides for doubtful debts on the basis of past due balances. Balances considered bad and irrecoverable are written off when identified.

9.3 Trade receivables consist of a large number of diversified customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, provision is made

9.4 The fair vale of trade receivables approximate their carrying amounts.

9.5 As at year end, all trade receivables were neither past due nor impaired.

9.6 These include due from following associated undertakings on account of trading activities.

Fazal Rehman Fabrics Limited	**11,921,295**	5,637,357
Ahmad Fine Textile Mills Limited	**10,387,664**	29,289,501
Reliance Weaving Mills Limited	**7,159,045**	7,116,067
Amir Fine Exports (Pvt.) Limited	**348,286**	348,286
Fatima Fertilizers Company Limited	**37,748**	202,148
Pak Arab Fertilizers Limited	-	462,250
	29,854,038	43,055,609

10. LOANS AND ADVANCES

Considered good	Note	2009 Rupees	2008 Rupees
Due from associated undertaking / related party	10.1	**199,593,187**	-
Others			
Advances to :			
- Suppliers and contractors		**14,839,730**	25,703,186
Loan to :			
Executives	10.2	**1,135,942**	1,049,740
- Other employees		**3,744,084**	2,923,928
Advance income tax/ tax deducted at source		**70,332,918**	86,650,434
Letters of credit		**2,280,281**	9,475,787
		291,926,142	125,803,075

10.1 **Due from associated undertaking / related party - On account of non-trading activities**

Pak Arab Fertilizers Limited	**199,593,187**	-

10.2 Maximum aggregate amount due from executives at any month end during the year was Rs. 1.675 million (2008: 1.050 million).

11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Deposits	**2,955,070**	6,434,100
Prepayments	**1,508,177**	2,473,295
	4,463,247	8,907,395

12. INTEREST / MARKUP ACCRUED

This amount includes interest receivable amounting to Rs. 37.751 million (2008: Rs. 4.8 million) from Pak Arab Fertilizers Limited (an associated undertaking) against the advances at the rates ranging from 15.44% to 16.95% per annum (2008: 12.90% per annum).

		Note	2009 Rupees	2008 Rupees
13.	**OTHER RECEIVABLES**			
	Cotton claim		**16,681,250**	-
	Insurance claim		**2,188,320**	1,453,320
	Others		-	4,769,047
			18,869,570	6,222,367
14.	**OTHER FINANCIAL ASSETS**			
	Investment			
	- Financial asset at fair value through profit and loss account			
	in quoted companies			
	Oil & Gas Development Co. Limited 90,000 (2008: 90,000) fully paid ordinary shares of Rs. 78.64		7,077,600	11,192,400
	Pakistan State Oil Company Limited 10,000 (2008: 10,000) fully paid ordinary shares of Rs. 213.65		2,136,500	4,172,400
	Pakistan Petroleum Limited Nil (2008: 50,000) fully paid ordinary shares of Rs. 189.54		-	12,299,500
			9,214,100	27,664,300
15.	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Income tax		6,300,203	14,695,701
	Sales tax		42,739,058	31,497,798
	Excise duty		-	1,016,905
			49,039,261	47,210,404
16.	**CASH AND BANK BALANCES**			
	Cash in hand		905,759	416,152
	Cash at banks on			
	- Current accounts		**65,089,717**	42,594,903
	- Dividend accounts		**551,878**	554,510
	- Saving accounts	16.1	**10,852,761**	967,430
	Deposit accounts	16.2		325,000,000
			76,494,356	369,116,843
			77,400,115	369,532,995

16.1 Rate of interest and mark up on saving accounts ranges from 5.17% to 5.32% (2008: 1.02% to 6%).

16.2 Rate of interest and mark up on deposit accounts ranges from 2.31% to 9.18% (2008: 8.88 % to 10.25%)

		Note	2009 Rupees	2008 Rupees
17.	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**			
	Ordinary shares	17.1	**187,551,940**	187,551,940
	Preference shares	17.2	**250,000,000**	250,000,000
			437,551,940	437,551,940

17.1 Ordinary Shares

2009 (Number of shares)	2008 (Number of shares)		Note	2009 Rupees	2008 Rupees
1,000,000	1,000,000	Ordinary shares of Rs. 10 each fully paid in cash		**10,000,000**	10,000,000
9,187,200	9,187,200	Ordinary shares of Rs. 10 each fully paid as right shares		**91,872,000**	91,872,000
8,567,994	8,567,994	Ordinary shares of Rs.10 each issued as bonus shares		**85,679,940**	85,679,940
18,755,194	18,755,194			**187,551,940**	187,551,940

17.1.1 There were no movements in the share capital during the reporting year

17.1.2 As at the balance sheet date shares held by the associated company is as follows:

	2009 Number of shares	2008 Number of shares
Amir Fine Exports (Private) Limited	**3,880,092**	3,880,092

17.2 Preference Shares

2009 (Number of shares)	2008 (Number of shares)		Rupees	Rupees
25,000,000	25,000,000	Preference shares of Rs. 10 each	**250,000,000**	250,000,000

Preference shares are issued to the following financial institutions:

	Number of shares	
MCB Bank Limited	**10,000,000**	10,000,000
Allied Bank Limited	**7,500,000**	7,500,000
The Bank of Punjab	**2,500,000**	2,500,000
Faysal Bank Limited	**2,500,000**	2,500,000
PICIC Commercial Bank Limited	**2,500,000**	2,500,000
	25,000,000	25,000,000

17.2.1 Preference shares carry mark up @ 6 months KIBOR+ 250 bps per annum.

18. CAPITAL RESERVES

	Note	Rupees	Rupees
- Share premium			
@ Rs. 20 per share on issue of 3,168,000 ordinary shares of Rs. 10 each issued during 2001		**63,360,000**	63,360,000
@ Rs. 5 per share on issue of 2,851,200 ordinary shares of Rs. 10 each issued during 2002		**14,256,000**	14,256,000
		77,616,000	77,616,000
- Capital redemption reserve fund	18.1	**50,000,000**	-
		127,616,000	77,616,000

18.1 This represents capital redemption reserve fund created for the redemption of preference shares.

	Note	2009 Rupees	2008 Rupees
19. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus on revaluation of operating assets as at July 01	3.2	2,818,771,723	2,915,827,905
Less: Transferred to unappropriated profit on account of: Incremental depreciation - net of deferred tax		(91,752,488)	(97,056,182)
Surplus on revaluation of operating assets as at June 30		2,727,019,235	2,818,771,723
Less: Related deferred tax liability		442,111,000	456,353,000
		2,284,908,235	2,362,418,723
20. LONG TERM FINANCING - Secured			
Banking Companies			
Askari Bank Limited			
- Term finance - I	20.1	-	21,897,770
- Term finance - II	20.2	-	9,938,010
- Term finance - III	20.3 (a)	3,383,552	5,317,180
- Term finance under LTF-EOP Scheme	20.3 (b)	15,500,002	18,944,446
- Term finance - IV	20.4	3,989,369	11,968,112
- Term finance - V	20.5	185,454,000	240,000,000
- Term finance - VI under LTF-EOP Scheme	20.6	18,513,000	20,196,000
- Term finance - under LTF-EOP Scheme	20.7	88,633,000	88,633,000
- Term finance - VII	20.8	96,906,643	-
		412,379,566	416,894,518
Soneri Bank Limited			
- Term finance	20.9	82,000,000	-
Faysal Bank Limited			
- Term finance	20.10	200,000,000	-
Habib Bank Limited			
- Demand finance	20.11 (a)	51,747,700	86,247,180
- Demand finance under LTF-EOP Scheme	20.11 (b)	10,386,000	12,982,500
- Demand finance -(FAF)	20.12 (a)	36,049,900	54,074,900
- Demand finance (FAF) under LTF-EOP Scheme	20.12 (b)	13,530,000	16,236,000
- Demand finance	20.13 (a)	197,440,008	193,486,936
- Demand finance under LTF-EOP Scheme	20.13 (b)	34,610,900	33,687,050
		343,764,508	396,714,566
National Bank of Pakistan			
- Demand finance	20.14	-	26,982,680
- Demand finance - II	20.15	6,579,017	19,737,064
- Demand finance under LTF-EOP Scheme	20.16	18,253,573	22,816,965
		24,832,590	69,536,709

	Note	2009 Rupees	2008 Rupees
United Bank Limited			
- Demand finance-I A	20.17	38,889,901	58,689,901
- Demand finance-I B	20.18	236,595,784	262,884,204
- Demand finance-I C	20.19	50,000,000	50,000,000
- Demand finance-II	20.20 (a)	154,166,000	188,425,000
- Demand finance- under LTF-EOP Scheme	20.20 (b)	25,170,000	27,687,000
- Demand finance-III under LTF-EOP Scheme	20.21	18,492,635	20,804,2*6
- Demand finance-IV under LTF-EOP Scheme	20.22	33,333,337	37,500,002
		556,647,657	645,990,323
MCB Bank Limited			
- Demand finance	20.23 (a)	72,240,821	96,321,095
- Demand finance under LTF-EOP Scheme	20.23 (b)	17,148,043	19,597,764
		89,388,864	115,918,859
Allied Bank Limited			
- Demand finance	20.24 (a)	202,012,486	220,252,657
- Demand finance under LTF-EOP Scheme	20.24 (b)	29,451,531	28,158,131
		231,464,017	248,410,788
		1,940,477,202	1,893,465,763
Less:			
Current portion grouped under current liabilities	27	370,781,314	391,965,843
		1,569,695,888	1,501,499,920

20.1 Askari Bank Limited- TF-I

This finance was obtained for repayment of cost of imported plant and machinery to establish a new unit. As per original terms and conditions, this finance carried markup at the rate of SBP discount + 2% with floor of 15% per annum and repayable in equal quarterly installments in five years. As per revised repayment terms in 2002, the remaining balance of Rs. 245.1 million was to be paid in 24 equal quarterly installments commencing February 18, 2003. This finance has been fully repaid during the year. This finance carried markup at the rate of 6 months average KIBOR ask rate+ 1.25% per annum with a floor of 4.25% per annum. During the year markup was charged at the rate of 15.44 % pa (2008: from 11.22 % pa to 11.57 % per annum). This finance was secured against Joint Pari Passu Charge of Rs. 723.5 million on all present and future fixed assets of the company and personal guarantees of all sponsoring directors of the company.

20.2 Askari Bank Limited- TF-II

This finance was obtained for repayment of cost of imported plant and machinery. As per original terms and conditions, this finance carried markup at the rate of SBP discount + 3% with floor of 12% and cap of 16% per annum and repayable in 20 equal quarterly installments of principal amount. This finance has been fully repaid during the year. As per revised terms this finance carried markup at the rate of 6 months average KIBOR ask rate + 1.25% p.a with a floor of 4.25% per annum. During the year markup was charged at the rate of 15.44% pa (2008: from 11.22 % pa to 11.57 % per annum). It is secured against the security as stated in Note 20.1.

20.3 (a) Askari Bank Limited- TF-III

This finance has been obtained for retirement of letter of credit for imported machinery, and is repayable in 24 equal quarterly installments of principal amount. It carries mark up at the rate of 6 months average KIBOR + 1.25% p.a with a floor of 4.25% per annum. During the year mark up was charged at the rates ranging from 15.44 % pa to 16.95 % per annum (2008: from 11.22 % pa to 11.57 % per annum). It is secured against the security as stated in note 20.1.

(b) Askari Bank Limited- Term Finance under LTF-EOP Scheme

During the year 2007, an amount of Rs.31 million out of Term Finance-III of Askari Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. This finance is repayable in remaining 18 equal quarterly installments of principal amount. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on March 23, 2012. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7 % per annum (2008: 7% per annum). This finance is secured against the security as stated in Note 20.1.

20.4 Askari Bank Limited- TF-IV

This finance has been obtained to finance the local machinery, gas pipe line cost and refinancing of imported machinery. It is repayable in 24 equal quarterly installments of principal amount. This finance carries markup at the rate of 6 months average KIBOR + 1.25% per annum with a floor of 4.25% per annum. During the year markup was charged at the rates ranging from 15.44 % pa to 16.95 % per annum (2008: from11.22 % pa to 11.57 % per annum). It is secured against the security as stated in Note 20.1.

20.5 Askari Bank Limited- TF-V

This finance has been obtained to finance permanent working capital requirement / refinancing of fixed assets. Originally it was repayable in 5 semi annual installments with break up of first 4 installments of Rs.15 million each and 5th/last instalments of Rs.240 million. 1st installment was due after 12 months of first DD. However, as per revised terms during the year 2008, balance amount of Rs.255 million is repayable in 11 equal semi annual installments of principle amount. Before this revision in the terms, this finance carried markup at the rate of 6 months average KIBOR ask rate+ 2.50% p.a with a floor of 4.25% per annum however, after revision in terms, it carries mark up at the rate of 6 months KIBOR + 1.25% p.a with a floor of 4.25% per annum . During the year markup was charged at the rates ranging from 15.44 % pa to 16.95 % per annum (2008: from 11.57 % pa to 12.52 % per annum). It is secured against the security as stated in Note 20.1.

20.6 Askari Bank Limited- TF-VI under LTF-EOP Scheme

This finance has been obtained for the purpose of disbursement and retirement of Letters of credit of Meezan Bank Ltd opened for import of Caterpillar Gas Generator set. During the year 2008, this finance was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme. This finance is repayable in 12 half yearly installments commencing from July 10, 2008 after a grace period of one year. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on January 26, 2015. This finance carried mark up at the rate of 6 months KIBOR + 2.50% per annum before refinancing by SBP under LTF-EOP Scheme, however, after approval and refinancing by SBP under LTF-EOP Scheme it carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7 % per annum (2008: 7 % per annum to 11.90% per annum). It is secured against the security as stated in Note 20.1.

20.7 Askari Bank Limited- TF under LTF-EOP Scheme

This finance has been disbursed during the year 2008 for the purpose of retirement of Letter of credit opened for import of Caterpillar Gas Generator sets. This finance was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme. This finance is repayable in 12 half yearly equal installments of principle amount after a grace period of one year. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on June 08, 2016. It carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2008: 7% per annum). It is secured against the security as stated in Note 20.1.

20.8 Askari Bank Limited- TF VII

This finance has been obtained during the current year for the purpose of retirement of Letter of credit opened for import of textile machinery. It is repayable within a period of eight years including two years grace period in 12 half yearly equal installments of principle amount. This finance carries mark up at the rate of 6 months KIBOR + 1.25% per annum with floor of 4.25%. During the year mark up was charged at the rates ranging from 15.44% pa to 16.95% per annum. It is secured against the security as stated in Note 20.1.

20.9 Soneri Bank Limited- TF

During the current year, a term finance amounting to Rs. 82 million has been obtained for BMR projects and retirement of letters of credit. It is repayable within a period of 6 years including one year grace period in 10 equal semi annual installments of principal amount. It carries mark up at the rate of 6 months KIBOR + 1.25% pa. During the year mark up was charged at the rates ranging from 15.62% pa to 16.93% pa. It is secured against joint pari passu charge of Rs. 167 million over all present and future fixed assets of the Company and personal guarantees of all the sponsoring directors.

20.10 Faysal Bank Limited- TF

This finance was obtained during the year to finance the import of textile machinery and existing fixed assets. It is repayable within a period of 6 years including two years grace period in 8 equal semi annual installments of principal amount. It carries mark up at the rate of 6 months KIBOR + 2.50% pa. During the year mark up was charged at the rate of 15.41% pa. It is secured against joint pari passu charge of Rs. 267 million over all present and future fixed assets of the Company and personal guarantees of all the sponsoring directors.

20.11 (a) Habib Bank Limited-DF

This finance was obtained for repayment of letters of credit for Rs. 205 million. It is repayable within a period of six years in ten equal half yearly installments with grace period of one year. It carries mark up at the rate of 6 months KIBOR offer rate+ 1% with a floor of 3.5% per annum. During the year markup was charged at the rates ranging from 11.27% to 14.76 % per annum (2008: from 11.09% to 11.48% per annum). It is secured against Joint Pari Passu Charge of Rs.694 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the Company.

(b) Habib Bank Limited-DF under LTF-EOP Scheme

During the year 2007, an amount of Rs.20.772 million out of Demand Finance of Habib Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. This finance is repayable in remaining 8 equal half yearly installments. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on August 25, 2011. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7 % per annum (2008: 7% per annum). This finance is secured against the security as stated in note 20.11 (a).

20.12 (a) Habib Bank Limited-DF (FAF)

This finance has been obtained for repayment of letters of credit and swap the debt from Meezan Bank Ltd for finances and other financial institutions. It is repayable in ten equal half yearly installments with no grace period from the date of first disbursement. It carries markup at the rate of 6 months KIBOR+ 150 bps. During the year markup was charged at the rates ranging from 11.77 % to 15.26 % per annum (2008: from 11.59 % to 11.98 % per annum). It is secured against the security as stated in Note 20.11(a).

(b) Habib Bank Limited-DF (FAF) under LTF-EOP Scheme

During the year 2007, an amount of Rs.24.354 million out of Demand Finance (FAF) of Habib Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. This finance is repayable in remaining 9 equal half yearly installments of principal amount. However, during the year, SBP has allowed grace period of one year starting from January 01 2009 to December 31, 2009 and accordingly now last installment is due on February 11, 2012. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7 % per annum (2008: 7% per annum). This finance is secured against the security as stated in Note 20.11 (a).

20.13 (a) Habib Bank Limited-DF

This finance has been disbursed during the last year for the purpose of retirement of Letters of credit and swap of other expensive term finances. This finance is repayable with in seven years inclusive of one year grace period in 12 half yearly equal instalments of principal amount. It carries mark up at the rate of 6 months KIBOR + spreads of 1% p.a for first year, 1.25% p.a for second year and 1.50% p.a from third year to onward. During the year mark up was charged at the rates ranging from 12.16% to 16.93% per annum (2008: 10.99% to 12.16 % per annum). It is secured against the security as stated in Note 20.11(a). During the year, an amount of Rs. 0.923 million (2008: Rs. 33.687 million) out of this finance was refinanced by the State Bank of Pakistan under LTF-EOP Scheme and accordingly transferred to DF under LTF-EOP of Habib Bank Ltd as stated in note 20.13 (b).

(b) Habib Bank Limited-DF under LTF-EOP Scheme

During the year, an amount of Rs. 0.923 million and during the year 2008 an amount of Rs. 33.687 million out of Demand Finance of Habib Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery. This finance is repayable in 12 equal half yearly installments of principle amount. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on November 19, 2015. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2008: 7% per annum). This finance is secured against the security as stated in Note 20.11 (a).

20.14 National Bank of Pakistan-DF

This finance was obtained for repayment of cost of imported plant and machinery and long term finances from other financial institutions. It was repayable within a period of five years in ten half yearly installments on the reducing balance method from the date of disbursement. This finance was fully repaid during the year. It carried markup at the rate of 6 months KIBOR ask Rate + 1.12% with no floor no cap. During the year markup was charged at the rates ranging from 13.97 % to 16.82 % per annum (2008: from 11.12 % to 11.14 % per annum). It is secured against Joint Pari Passu Charge of Rs. 740.6 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the Company.

20.15 National Bank of Pakistan-DF-II

This finance has been obtained for repayment of cost of imported plant and machinery and long term finances from other financial institutions. It is repayable within a period of five years in ten half yearly installments on the reducing balance method from the date of disbursement. It carries markup at the rate of 6 months KIBOR Ask Rate + 1.12% with no floor no cap. During the year markup was charged at the rate of 13.97 % to 16.82 % per annum (2008: from 11.12 % to 11.14 % per annum) It is secured against the security as stated in note 20.14.

20.16 National Bank of Pakistan-DF under LTF-EOP Scheme

During the year 2007, amount of Rs.29.671 million out of Demand Finance and amount of Rs.20.526 million out of Demand Finance-II of National Bank of Pakistan were approved and refinanced by the State Bank of Pakistan under LTF EOP Scheme against the imported textile machinery eligible under the Scheme. This finance is repayable in 11 equal quarterly installments of principle amount. However, during the year. SBP has allowed grace period of one year starting from December 31, 2008 to December 31, 2009 and accordingly now last installment is due on September 30, 2010. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 6 % per annum (2008: 6% per annum). This finance is secured against the security as stated in Note 20.14.

20.17 United Bank Limited- DF-I A

This finance has been obtained for swap of Soneri Bank loan which was obtained for meeting the working capital requirements. It is repayable with in a period of six years including one year grace period in 10 bi-annual installments of principal amount commencing from December 16, 2006. Originally it carried markup at the rate of 6 months KIBOR Ask Rate + 2% per annum. During the year 2008, pricing was reduced to 3 months KIBOR Ask Rate+ 1% per annum. However, during the year, spread was revised to 1.50% pa. During the year markup was charged at the rates ranging from 14.27% pa to 17 % per annum (2008: from 11.97 % pa to 12.35 % per annum). It is secured against Joint Pari Passu Charge of Rs. 911.5 million on all present and future fixed assets of the company and personal guarantees of all sponsoring directors of the company.

20.18 United Bank Limited- DF-I B

This finance has been obtained for retirement of import documents of plant and machinery . It is repayable in 10 bi-annual installments of principal amount commencing from March 31, 2009 after grace period of 2 years. Originally it carried markup at the rate of 6 months KIBOR Ask Rate + 2% per annum. During the year 2008, pricing was reduced to 3 months KIBOR ask rate + 1%. However, during the current year, spread was revised to 1.50% pa. During the year markup was charged at the rates ranging from 14.27 % to 17 % per annum (2008: from 11.17 % to 12.01 % per annum). It is secured against the security as stated in Note 20.17.

20.19 United Bank Limited- DF-I C

This finance has been obtained for the purpose of incurring capital expenditures. It is repayable in 10 bi-annual installments of principal amount commencing from September 30, 2009 after grace period of 2 years. Originally it carried markup at the rate of 6 months KIBOR Ask Rate + 2.25% per annum before revision in terms of mark up rate. During the year 2008, pricing was reduced to 3 months KIBOR Ask Rate + 1.50% per annum. During the year markup was charged at the rates ranging from 14.27 % to 17 % per annum (2008: from 11.40 % to 12.26 % per annum). It is secured against the security as stated in Note 20.17.

20.20 (a) United Bank Limited- DF-II

This finance has been obtained for retirement of import documents of plant and machinery . It is repayable in 12 equal semi-annual installments of principal amount with no grace period. Originally it carried markup at the rate of 6 months KIBOR Ask Rate + 2% per annum. During the year 2008, pricing was reduced to 3 months KIBOR Ask rate + 1% per annum. However, during the current year, spread was revised to 1.50% pa. During the year markup was charged at the rates ranging from 14.27 % to 17 % per annum (2008: from 11.17 % to 12.01 pa.). It is secured against the security as stated in note 20.17. During the year 2008, an amount of Rs.30.204 million out of this finance was refinanced by the State Bank of Pakistan under LTF-EOP Scheme and accordingly transferred to Demand Finance under LTF-EOP of United Bank Ltd as stated in note 20.20(b).

(b) United Bank Limited- DF under LTF-EOP Scheme

During the year 2008, an amount of Rs.30.204 million out of Demand Finance II of United Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. It is repayable in 12 equal semi annual installments of principal amount. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on July 31, 2014. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2008: 7% per annum). This finance is secured against the security as stated in Note 20.17.

20.21 United Bank Limited- DF-III under LTF-EOP Scheme

During the year 2007, an amount of Rs.23.116 million out of Demand Finance I B of United Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. It is repayable in 10 equal semi annual installments of principal amount. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on July 20, 2013. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7 % per annum (2008: 7% per annum). This finance is secured against the security as stated in Note 20.17.

20.22 United Bank Limited- DF-IV under LTF-EOP Scheme

This finance was obtained under the LTF-EOP Scheme of SBP for swap of an amount of Rs.50 million out of outstanding Diminishing Musharika Finance of Meezan Bank Ltd. This finance was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the eligible textile machinery imported through Meezan Bank Ltd. It is repayable in 24 equal quarterly installments of principal amount. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly, now last installment is due on October 10, 2013. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2008: 7% per annum). It is secured against the security as stated in Note 20.17.

20.23 (a) MCB Bank Limited- DF

This finance has been obtained for retirement of letters of credit for imported machinery, and is repayable in 14 equal half yearly installments of principal amount with a grace period of one year. It carries mark up at the rate of 6 months KIBOR + 1% per annum with no floor no cap. During the year mark up was charged at the rates ranging from 15.13% pa to 16.68% per annum (2008: from 10.99% pa to 11.35% per annum). This finance is secured against Joint Pari Passu Charge of Rs.226.6 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the company.

(b) MCB Bank Limited- DF under LTF-EOP Scheme

During the year 2007, an amount of Rs.26.947 million out of Demand Finance of MCB Bank Ltd was approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. It is repayable in 11 equal semi annual installments of principal amount. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on February 19, 2013. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2008: 7% per annum). This finance is secured against the security as stated in note 20.23 (a).

20.24 **(a) Allied Bank Limited- DF**

This finance has been obtained for retirement of letters of credit opened for import of plant and machinery. It is repayable with in a period of seven years including one year grace period in 12 equal bi-annual installments of principal amount. Last installment is falling due on July 04, 2014. Originally it carried markup at the rate of 6 months KIBOR + 2.50% per annum. During the year 2008, pricing was reduced to 6 months KIBOR + 1.50% per annum. During the year markup was charged at the rates ranging from 15.69 % to 17.20 % per annum (2008: 11.47 % to 12.51% per annum). It is secured against Joint Pari Passu Charge of Rs.334 million on all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the company. During the year, an amount of Rs. 1.293 million and during the year 2008 an amount of Rs. 28.158 million out of this finance were refinanced by the State Bank of Pakistan under LTF-EOP Scheme and accordingly transferred to Demand Finance under LTF-EOP of Allied Bank Ltd as stated in Note 20.24(b).

(b) Allied Bank Limited- DF under LTF-EOP Scheme

During the year an amount of Rs. 1.293 million and during the year 2008 an amount of Rs. 28.158 million out of Demand Finance of Allied Bank Ltd were approved and refinanced by the State Bank of Pakistan under LTF-EOP Scheme against the imported textile machinery eligible under the Scheme. It is repayable in 12 equal semi annual installments of principle amount commencing from November 13, 2009 with a grace period of one year. However, during the year, SBP has allowed grace period of one year starting from January 01, 2009 to December 31, 2009 and accordingly now last installment is due on May 16, 2016. This finance carries mark up at the rate of SBP rate + 2% per annum. During the year mark up was charged at the rate of 7% per annum (2008: 7% per annum). This finance is secured against the security as stated in note 20.24(a).

	Note	2009 Rupees	2008 Rupees
21. LONG TERM MUSHARIKA			
- Secured			
Meezan Bank Limited			
- Diminishing Musharika -I	21.1	166,288,199	201,921,386
Less: Current portion grouped under current liabilities	27	47,510,916	35,633,187
		118,777,283	166,288,199

21.1 **Meezan Bank Limited-Diminishing Musharika- I**

Diminishing Musharika-I finance has been obtained from Meezan Bank Ltd for repayment of cost of imported plant and machinery. It carries mark up for first 5 years (4 years plus 1 year grace period) at the rate of 6 months KIBOR + 1.25% per annum and for the remaining period of three years at the rate of 6 months KIBOR + 1.50% per annum. During the year, the bank has charged mark up at the rates ranging from 11.61 % to 16.17 % per annum (2008: from 11.24 % to 11.53 % pa). It was repayable in twenty eight equal quarterly installments from the date of disbursement after one year grace period, however, during the year 2007, due to prepayment, a grace of seven quarterly installments was allowed by the bank and accordingly remaining balance of Rs.201.921 million is repayable in 17 equal quarterly installments over the original tenor . This finance Is secured against exclusive charge of Rs.270 million over machinery imported through Meezan Bank Ltd and personal guarantees of all sponsoring directors of the Company.

	Note	2009 Rupees	2008 Rupees
22. DEFERRED LIABILITIES			
Staff gratuity	22.1	48,481,598	36,180,062
Deferred taxation	22.2	848,009,000	807,629,000
		896,490,598	843,809,062

22.1 Staff gratuity	Note	2009 Rupees	2008 Rupees
Amount recognized in the balance sheet is as follows:			
Present value of defined benefit obligation as at June 30		**48,846,341**	43,157,605
Unrecognized actuarial loss		**(364,743)**	(6,977,543)
Liability recognized as at June 30		**48,481,598**	36,180,062
Movement in liability recognized:			
Net liability at the beginning of the year		**36,180,062**	26,072,477
Amounts recognized during the year		**24,789,797**	23,578,622
Benefits paid during the year		**(12,488,261)**	(13,471,037)
Net liability at the end of the year		**48,481,598**	36,180,062
Amounts recognized during the year			
Current service cost		**19,344,706**	20,398,634
Interest cost		**5,178,913**	3,038,465
Actuarial loss		**266,178**	141,523
		24,789,797	23,578,622
Allocation of expense recognized:			
Cost of sales		**21,622,579**	20,481,500
Administrative expenses		**3,167,218**	3,097,122
		24,789,797	23,578,622

Actuarial valuation was conducted as on June 30, 2009 on the basis of projected unit credit method by an independent Actuary.

Liability recognized in the balance sheet

	2009	2008	2007	2006	2005
			Rupees		
Actuarial net liability	**48,846,341**	43,157,605	30,384,646	24,821,856	13,579,752
Present value of defined benefit obligation	**48,846,341**	43,157,605	30,384,646	24,821,856	13,579,752

The company's policy with regard to actuarial gains/ losses is to follow minimum recommended approach under IAS-19 'Employees benefits'.

	2009	2008
Discount rate	12% per annum	12% per annum
Expected rate of increase in salary	11% per annum	11% per annum
Average expected remaining working life time of employees	10 years	10 years

22.2 Deferred taxation	Note	2009 Rupees	2008 Rupees
This comprises of the following:			
Deferred tax liability on taxable temporary differences:			
Surplus on revaluation of operating assets		**442,111,000**	456,353,000
Gain on remeasurement of investment in associate		**56,417,000**	56,417,000
Tax depreciation allowance		**349,839,000**	295,210,000
Deferred tax asset on deductible temporary differences:			
Provision for slow moving items		**(358,000)**	(351,000)
		848,009,000	807,629,000

	Note	2009 Rupees	2008 Rupees
23. CUSTOMS DUTIES			
Surcharge	23.1	708,434	708,434
Customs duties	23.2	17,679,598	17,679,598
Infrastructure cess	23.3	65,795,354	52,280,505
		84,183,386	70,668,537

23.1 It represents surcharge on plant and machinery imported by the Company. The said plant and machinery was released against furnishing of bank guarantees. The Company has applied to the Customs Authorities for release of bank guarantees and exemption of this levy.

23.2 Customs duties represent customs duties and sales tax on plant and machinery imported under S.R.Os. 554(I)/98, 27(I)/98, 369(I)/2000 and 439(I)/2001 of Government of Pakistan, which specify that customs duties and sales tax on imported plant and machinery shall be exempt provided that the export sales of the Company shall not fall below 50% of the additional capacity due to expansion, in first five and ten years respectively. In case the conditions of above-mentioned S.R.Os. are violated, the amount of customs duties and sales tax exempted shall be recovered along with penalties imposed in this regard under section 202 of the Customs Act, 1969. Keeping in view the un-expected decline in the export sales in the said future periods, the Company has made the provision of customs duties on those plant and machinery which do not fulfill the conditions of above-mentioned S.R.Os.

23.3 It represents infrastructure cess levied by the Excise and Taxation Department of Sindh under section 9 of the Sindh Finance Act 1994 on items imported by the Company. The Company has filed an appeal in the Sindh High Court at Karachi against the said levy. The appeal is pending for decision till the balance sheet date. However keeping in view any unfavorable outcome of the appeal, the Company has provided the balance payable amount in these financial statements.

	Note	2009 Rupees	2008 Rupees
24. TRADE AND OTHER PAYABLES			
Creditors		46,435,277	50,295,845
Accrued liabilities		160,346,777	114,906,724
Advance from customers		15,466,963	6,129,001
Un-claimed dividend		789,781	789,781
Preference dividend payable		41,725,000	31,825,138
Due to associated undertakings	24.1	995,792	197,869
Bills payable		-	13,538,901
Tax deducted at source		62,125	179,141
Workers' profit participation fund	24.2	9,697,100	18,302,421
Workers' welfare fund		11,039,332	10,677,916
Due to employees		2,312,640	1,213,635
		288,870,787	248,056,372

24.1 Due to associated undertaking on account of trading activities			
Hussain Ginneries Limited		404,019	16,854
Reliance Commodities (Pvt.) Limited		54,231	29,285
Fatima Sugar Mills Limited		537,542	151,730
		995,792	197,869

	Note	2009 Rupees	2008 Rupees
24.2 Workers' profit participation fund			
Opening balance		**18,302,421**	9,846,095
Add.			
Interest on amount utilized by the Company	35	**1,055,272**	567,702
		19,357,693	10,413,797
Less: Payment made during the year		**19,357,693**	10,413,793
Deposited in the Government Treasury		**-**	4
		19,357,693	10,413,797
		-	
Add: Contribution for the year	34	**9,697,100**	18,302,421
		9,697,100	18,302,421

25. INTEREST AND MARK-UP ACCRUED ON LOANS

Long term financing	**69,508,502**	54,881,086
Short term borrowings	**81,713,473**	41,239,419
	151,221,975	96,120,505

26. SHORT TERM BORROWINGS

Banking Companies

Secured	26.1	**2,248,333,323**	2,383,562,219
Un-secured	26.2		88,632
		2,248,333,323	2,383,650,851

26.1 Short term finance facilities available from commercial banks under mark-up arrangements are aggregating to Rs. 8,164 million (2008: Rs. 7,081 million). Limits up to Rs. 3,180 million (2008: Rs. 2, 377 million) out of these facilities can be utilized for opening of letters of credit. Limits equivalent to US$ 70.33 million (2008: US$ 69.30 million) out of these facilities are available in terms of foreign currency finances. During the year markup was charged by banks at various rates ranging from 3.74% to 17.68% per annum on monthly/ quarterly basis (2008: from 3.36% to 14.31% per annum on monthly/ quarterly basis). The aggregate facilities are secured against pledge/ hypothecation of stock-in-trade, hypothecation charge of stores and spares, lien over import/ export documents. charge on current assets and personal guarantees of all the directors except nominee director. All short term finance facilities which remain unutilised at year end were Rs. 5,714 million (2008: Rs. 4,731 million)

These facilities are expiring on various dates by April 30, 2010.

Facilities available for letters of guarantee are aggregating to Rs. 228.800 million (2008: Rs. 196.800 million).

These include foreign currency balances aggregating US $ 10.148 million (2008: US $ 12.865 million) which have been converted into Pak Rupees at the exchange rate prevailing on the balance sheet date.

26.2 These have arisen due to issuance of cheques for amounts in excess of balances at bank accounts.

	Note	2009 Rupees	2008 Rupees
27. CURRENT PORTION OF NON CURRENT LIABILITIES			
Long term financing	20	**370,781,314**	391,965,843
Long term musharika	21	**47,510,916**	35,633,187
		418,292,230	**427,599,030**

28. PROVISION FOR TAXATION

	Note	2009 Rupees	2008 Rupees
Opening balance		91,842,935	56,428,784
Add: Provision for the year	37	37,652,975	35,414,151
		129,495,910	91,842,935
Less: Payments / adjustments against completed assessments		91,723,653	-
		37,772,257	91,842,935

28.1 Income tax assessments of the Company have been completed (under Self Assessment Scheme) upto the Income Year ended June 30, 2008 (Tax Year 2008).

29. CONTINGENCIES AND COMMITMENTS

Contingencies

29.1 Market Committee, Muzaffargarh, during 1985, raised demands of market committee fee of eleven years and penalty due to non-payment. The Company did not accept the said demands and filed appeal with the Lahore High Court (Multan Bench). The appeal is pending for decision. Quantum of unprovided market committee fee has not been worked out whereas penalty till the balance sheet date @ Rs. 100 per day worked out Rs. 1,269,200 (2008: Rs.1,232,700).

29.2 The Company has imported textile machinery availing exemption from Customs duty and Sales Tax on importation thereof under S.R.Os. 554(1)/98, 987(1)/99 and 369(1)/2000. In case the conditions of above-mentioned S.R.Os. are violated, the amount of customs duty and sales tax exempted aggregating Rs. 44.149 million (2008: Rs.44.149 million) shall be recovered along with penalties by the Customs Authorities.

29.3 Foreign bills discounted outstanding as at June 30, 2009 aggregated Rs.112.83 million (2008: Rs. 89.40 million)

29.4 Counter guarantees given by the Company to its bankers outstanding as at June 30, 2009 were for Rs. 191.372 million (2008: Rs. 163.039 million).

Commitments

29.5 Commitments for irrevocable letters of credit

	2009 Rupees	2008 Rupees
- Property, plant and equipment	93,865,000	127,489,691
- Raw material and stores and spares	239,395,000	438,564,445
	333,260,000	566,054,136

30. SALES-net

	Note	2009 Rupees	2008 Rupees
Local:			
Yarn		4,659,494,559	3,813,881,023
Comber noil		76,015,725	8,722,133
Waste		75,057,558	82,068,823
		4,810,567,842	3,904,671,979
Raw material		230,844,684	99,168,776
		5,041,412,526	4,003,840,755
Less:			
Sales return		67,653,747	28,952,629
Commission		20,389,058	7,110,086
		88,042,805	36,062,715
Net local sales		4,953,369,721	3,967,778,040
Export:			
Yarn	30.1	3,615,209,359	2,934,655,198
Comber noil		144,239,092	164,787,614
Hard waste		5,229,766	10,676,882
		3,764,678,217	3,110,119,694
Raw material		619,200	-
		3,765,297,417	3,110,119,694
Less:			
Commission		67,437,116	56,502,941
Net export sales		3,697,860,301	3,053,616,753
		8,651,230,022	7,021,394,793

30.1 Yarn export includes exchange gain of Rs. 45.952 million (2008: Rs. 25.717 million).

	Note	2009 Rupees	2008 Rupees
31. COST OF SALES			
Raw material consumed	31.1	**5,389,634,423**	4,569,469,675
Packing material consumed	31.2	**143,462,405**	105,299,416
Salaries, wages and benefits	31.3	**455,584,213**	361,615,962
Traveling and conveyance		**2,935,864**	2,500,512
Power and fuel		**555,577,745**	438,033,857
Stores and spares consumed	31.2	**130,226,259**	110,236,041
Processing charges		**6,260,759**	6,184,680
Repair and maintenance		**21,879,893**	17,015,452
Insurance		**18,147,842**	12,387,632
Depreciation	3.5	**255,122,341**	244,774,517
Rates and taxes		**3,179,888**	3,363,634
Others		**614,510**	230,434
		6,982,626,142	5,871,111,812
Adjustment of work in process			
Opening stock		**49,427,000**	38,498,000
Closing stock		**(47,562,922)**	(49,427,000)
		1,864,078	(10,929,000)
Cost of goods manufactured		**6,984,490,220**	5,860,182,812
Adjustment of finished goods			
Opening stock		**297,927,456**	225,985,110
Finished goods purchased		**342,329,603**	201,902,489
Closing stock		**(393,174,804)**	(297,927,456)
		247,082,255	129,960,143
Cost of goods sold		**7,231,572,475**	5,990,142,955
Cost of raw material sold		**223,620,780**	87,531,303
		7,455,193,255	6,077,674,258

	2009 Rupees	2008 Rupees
31.1 Raw material consumed		
Opening stock	**1,664,945,936**	1,080,947,189
Add: Purchases and expenses	**5,506,041,422**	5,153,468,422
	7,170,987,358	6,234,415,611
Less:		
Insurance claim	-	-
Closing stock	**1,650,091,463**	1,608,482,817
Stock in transit	**131,261,472**	56,463,119
	1,781,352,935	1,664,945,936
	5,389,634,423	4,569,469,675

31.2 Sale of salvage aggregating Rs. 4,949,186 (2008: Rs. 1,743,027), out of which Rs. 2,877,537 (2008: Rs. 1,133,869) and Rs. 2,071,649 (2008: Rs. 609,158) have been netted off against the cost of packing material and store consumed respectively.

31.3 These include Rs. 21,622,579 (2008: Rs. 20,481,500) in respect of staff retirement benefits.

		Note	2009 Rupees	2008 Rupees
32.	**DISTRIBUTION COST**			
	- Export sales			
	Export development surcharge		**9,604,132**	7,143,697
	Freight, shipment and handling charges		**133,741,723**	147,593,116
	Insurance		**403,087**	432,009
	- Local sales			
	Freight, shipment, handling and other charges		**13,333,061**	9,458,088
	Insurance		**124,666**	95,651
			157,206,669	164,722,561

		Note	2009 Rupees	2008 Rupees
33.	**ADMINISTRATIVE EXPENSES**			
	Directors' meeting fee		**2,000**	16,000
	Salaries and benefits	**33.1**	**39,234,345**	33,008,781
	Traveling and conveyance	**33.2**	**3,821,951**	3,130,071
	Vehicle running and maintenance		**8,587,658**	7,730,816
	Rent, rates, taxes and fees		**4,671,638**	4,936,644
	Electricity, gas and water		**1,653,638**	1,500,903
	Entertainment/ guest house expenses		**2,854,664**	2,240,719
	Communication		**8,525,978**	7,176,068
	Printing and stationery		**4,843,399**	2,898,215
	Insurance		**1,632,077**	1,229,422
	Repair and maintenance		**1,610,675**	1,132,551
	Subscription/ advertisement		**1,540,062**	1,017,563
	Auditors' remuneration	**33.3**	**960,000**	470,000
	Legal and professional charges		**2,093,297**	962,116
	Depreciation	**3.5**	**6,324,485**	5,440,862
	Amortization	**4**	**598,017**	598,017
	Others		**1,065,875**	501,268
			90,019,759	73,990,016

33.1 These include Rs. 3,167,218 (2008: Rs. 3,097,122) in respect of staff retirement benefits.

33.2 These include directors traveling expense of Rs. 2,611,125 (2008: Rs. 1,949,748).

33.3 **Auditors' remuneration**

	2009	2008
M. Yousuf Adil Saleem & Co.		
Audit fee	**750,000**	225,000
Interim review fee	**75,000**	75,000
Certification charges	-	20,000
Code of Corporate Governance review fee	**25,000**	25,000
CDC certificate fee	**10,000**	10,000
Out of pocket expense	**75,000**	75,000
	935,000	430,000
Ahmad Mushir & Co.		
Workers profit participation fund's audit fee	**25,000**	40,000
	960,000	470,000

		Note	2009 Rupees	2008 Rupees
34.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	**24.2**	**9,697,100**	18,302,421
	Workers' welfare fund		**3,663,793**	6,943,566
	Donations	**34.1**	**5,952,302**	4,242,259
	Loss on re-measurement of other financial assets		**6,150,700**	398,947
	Promotion of education		**385,452**	211,556
			25,849,347	30,098,749

34.1 Donations include Rs. 2,486,250 (2008: Rs. 2,100,000) paid to Fazal-ur-Rehman Foundation, 487-A, Mumtazabad, Vehari Road, Multan. Sheikh Naseem Ahmad (Chairman/ Chief Executive Officer) is amongst the trustees of the Foundation.

	Note	2009 Rupees	2008 Rupees

35. FINANCE COST

	Note	2009 Rupees	2008 Rupees
Interest on:			
- Workers' profit participation fund	24.2	1,055,272	567,702
Markup on:			
- Long term financing	35.1	232,678,581	160,237,483
- Margin accounts		-	20,361,397
- Musharika		33,529,855	31,374,063
- Short term borrowings	35.2	438,689,809	277,024,561
Interest income on margin/ bank account		(10,153,702)	(17,855,462)
		428,536,107	259,169,099
Bank charges		48,267,430	57,964,883
Prepayment penalty		-	1,062,744
Dividend on redeemable preference shares		41,639,246	31,825,138
Interest income from associated undertaking	35.3	(32,975,222)	(4,778,274)
		752,731,269	557,786,235

35.1 The company applied for subsidy @ 3 % granted for spinning sector as per SBP Circular 6 dated October 30, 2007. The company has adjusted sanctioned amount of Rs. 35,517,261 (2008: Rs. 15,415,034) against mark up expense on long term financing.

35.2 It includes exchange loss on foreign currency finances amounting to Rs. 69.618 million (2008: Rs. 121.109 million).

35.3 During the year the company has charged interest to Pak Arab Fertilizers Limited (an associated undertaking) and adjusted it with finance cost.

36. OTHER OPERATING INCOME

	2009 Rupees	2008 Rupees
Gain on disposal of property, plant and equipment	1,112,374	2,177,602
Balance written back - net	5,352,833	1,120,281
Specie dividend received from associates	-	214,921,750
Dividend income	1,531,900	415,000
Interest on advance to associate	-	338,886
Gain on disposal of other financial assets	1,299,030	4,138,234
	9,296,137	223,111,753

37. PROVISION FOR TAXATION

	Note	2009 Rupees	2008 Rupees
Current tax	28	37,652,975	35,414,151
Deferred tax		54,622,000	164,256,000
		92,274,975	199,670,151

37.1 Relationship between tax expense and accounting profit

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the company falls under the final tax regime and hence tax has been provided under section 154 and 169 of the Income Tax Ordinance, 2001

38. EARNINGS PER SHARE

	Note	2009 Rupees	2008 Rupees

The calculation of the basic and diluted earnings per share is based on the following data:

	2009 Rupees	2008 Rupees
Profit after taxation	**87,250,885**	140,564,576
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**18,755,194**	18,755,194
Effect of dilutive potential ordinary shares: -Convertible preference shares	**25,000,000**	25,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**43,755,194**	43,755,194

Basic and diluted earnings per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.

	Rupees	Rupees
Basic earnings per share	**4.65**	7.49
Diluted earnings per share	**2.95**	3.21

39. FINANCIAL RISK MANAGEMENT

39.1 The Company's principal financial liabilities comprise long-term financing, short-term borrowing, interest/mark-up accrued on loans and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, loans and advances, other receivables, cash and bank balances and short-term deposits that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

39.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 1,531,348,688 (2008: Rs. 1,654,651,958), the financial assets which are subject to credit risk amounted to Rs. 1,530,442,929 (2008: Rs. 1,654,235,806). The Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

The Company is exposed to credit risk from its operating activities (primarily for trade debts and loans and advances) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

39.2.1 Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

39.3 Liquidity Risk Management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts. 20% of the Company's debt will mature in less than one year at June 30, 2009 (2008: 20%) based on the carrying value of borrowings reflected in the financial statements.

39.3.1 Liquidity and Interest Risk Table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	3 months - 1 years	1 - 5 years	More than 5 years	Total
		Rupees					
2009							
Long term loans	6% to 17.20%	70,554,000	60,028,727	287,709,503	1,499,792,208	188,680,963	2,106,765,401
Short-term borrowings	3.74% to 17.68%	857,467,133	610,792,134	780,074,056	-	-	2,248,333,323
Trade and other payables		159,821,777	46,435,277	82,124,957	-	-	288,382,011
		1,087,842,910	717,256,138	1,149,908,516	1,499,792,208	188,680,963	4,643,480,735

	Weighted Average effective rate of interest	Less than 1 month	1 - 3 months	3 months - 1 years	1 - 5 years	More than 5 years	Total
		Rupees					
2008							
Long term loans	6% to 12.52%	55,654,838	41,903,652	330,040,541	1,527,239,626	140,548,493	2,095,387,149
Short-term borrowings	3.36% to 14.31%	1,079,665,443	690,359,184	613,626,224	-		2,383,650,851
Trade and other payables		114,906,724	50,295,845	82,853,803	-		248,056,372
		1,250,227,005	782,558,681	1,026,520,567	1,527,239,626	140,548,493	4,727,094,372

39.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However, the Company is not materially exposed to foreign currency risk on assets and liabilities. As at June 30, 2009, the total foreign currency risk exposure was Rs. 354.579 million (2008: Rs. 566.054 million) in respect of trade debts.

39.4.1 Foreign Currency Sensitivity Analysis

At June 30, 2009, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. 35.603 million (2008 : Rs.38.306 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and US Dollar denominated borrowings.

39.5 Equity Price Risk Management

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on Individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.At June 30, 2009, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. 35.603 million (2008 : Rs.38.306 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and US Dollar denominated borrowings.

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic as well as trading purposes.

39.6 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

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

39.7 Financial Instruments by Category

The accounting policies for financial instruments have been applied for line items below:

	Loans and recievables	Held to maturity	Total June 30, 2009
	---------- Rupees ----------		
Assets as per balance sheet			
Long term investments	467,888,456	-	467,888,456
Deposits	14,403,435	-	14,403,435
Trade debts	739,099,799	-	739,099,799
Loans and advances	291,926,142	-	291,926,142
Other Financial Asset	9,214,100	-	9,214,100
Other receivables	18,869,570	-	18,869,570
Cash and bank balances	77,400,115	-	77,400,115

	Financial Liablities measured at amortized cost	Total June 30, 2009
	---------- Rupees ----------	
Liablities as per balance sheet		
Long Term Loans	2,106,765,401	2,106,765,401
Short Term Borrowings	2,248,333,323	2,248,333,323
Trade and Other Payables	288,870,787	288,870,787
Interest / mark up accrued on loans	151,221,975	151,221,975

	Loans and recievables	Held to maturity	Total June 30, 2008
	---------- Rupees ----------		
Assets as per balance sheet			
Long term investments	467888456		467,888,456
Deposits	18,697,465	-	18,697,465
Trade debts	737,223,584	-	737,223,584
Loans and advances	125,803,075	-	125,803,075
Other Recievables	6,222,367		6,222,367
Other Financial Asset	27,664,300	-	27,664,300
Cash and bank balances	369,532,995	-	369,532,995

	Financial Liablities measured at amortized cost	Total June 30, 2008
	---------- Rupees ----------	
Liablities as per balance sheet		
Long Term Loans	2,095,387,149	2,095,387,149
Short Term Borrowings	2,383,650,851	2,383,650,851
Trade and Other Payables	248,056,372	248,056,372
Interest / mark-up accrued on loans	96,120,505	96,120,505

40. CAPITAL MANAGEMENT DISCLOSURE

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Capital comprises all components of equity (i.e. share capital, capital reserves and unappropriated profit). The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

41. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Particulars	Chief executive officer		Working directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees)					
Managerial remuneration	**1,080,000**	1,080,000	**2,160,000**	1,086,646	**4,975,341**	5,022,572
Medical	-	-	**67,063**	26,530	**427,744**	269,706
Rent and utilities	**1,157,023**	420,000	**840,000**	490,439	**929,036**	333,722
Conveyance	-		-	-	**32,400**	18,000
Insurance	**19,607**	-	**5,378**	-	-	4,299
	2,256,630	1,500,000	**3,072,441**	1,603,615	**6,364,521**	5,648,299
Number of persons	**1**	1	**2**	2	**10**	8

41.1 In addition to above meeting fee of Rs. 2,000 (2008: Rs. 16,000) was paid to one (2008: three) non working directors.

41.2 Chief executive officer, working directors and some of the executives are also provided with free use of the company maintained cars and telephones at their residences.

41.3 The above payments do not include amounts paid or provided for, if any, by associated undertakings.

42. NUMBER OF EMPLOYEES

	2009	2008
	(Number)	
Total number of employees at the year end	**2,922**	3,116

43. TRANSACTIONS WITH RELATED PARTIES

43.1 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. Remuneration of directors and executives are disclosed in note 41. Significant transactions with related parties are as follows:

	Note	2009 Rupees	2008 Rupees
- Funds transfer for equity shares		**240,000,000**	220,000,000
- Sale of goods		**1,012,836,501**	774,533,270
- Purchase of goods		**215,699,159**	194,319,847
- Transfer of operating assets		**407,063**	90,000
- Services received		**-**	1,420,265
- Mark up charged		**32,975,222**	5,115,160
- Specie distribution received	5.4	**-**	214,921,750

43.2 Contributions to post-retirement benefits (gratuity payabale) as on June 30, 2009 of executives was Rs. 3,449,693 (2008: Rs. 1,264,678).

43.3 Maximum aggregate debit balance of the related parties, accrued due to trading activities, at any month end during the year was Rs. 46.780 million (2008: Rs. 127 million).

43.4 Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

44. CAPACITY AND PRODUCTION

Particulars		2009	2008
Number of spindles installed		**137,928**	137,112
Number of rotors installed		**780**	-
Number of shifts worked			
Unit I, II & IV		**1,093**	1,097
Unit III		**1,089**	1,097
Number of spindles - Shifts worked		**150,626,712**	145,144,275
Capacity at 20's count	Kgs.	**31,341,113**	29,784,524
Actual production of all counts	Kgs.	**41,995,361**	38,422,770
Actual production converted into 20's count	Kgs.	**52,203,710**	48,859,886

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 and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

45. RECLASSIFICATION

Following reclassifications/ rearrangements have been made in the financial statements for better presentation.

Previous classification	Current classification	Rupees
Loans & Advances	Trade Debts	43,055,609
Other operating income	Finance cost	17,855,462
Other receivables	Interest / markup accrued	27,422,791

Nomenclature

Previous head of account	Current head of account
Short term investments	Other financial assets

46. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on October 05, 2009 by the Board of Directors of the company.

47. FIGURES

In the financial statements the figures have been rounded-off to the nearest Rupee.

Sd/-	Sd/-	Sd/-
(SHEIKH NASEEM AHMED)	(AMIR NASEEM SHEIKH)	(FAIZAN-UL-HAQ)
Chief Executive Officer	Director	Chief Financial Officer

PATTERN OF SHAREHOLDING OF SHAREHOLDERS
AS AT JUNE 30, 2009

CATEGORIES		PHYSICAL		CDC		GRAND TOTAL	
FROM	TO	NO. OF HOLDERS	NO. OF SHARES	NO. OF HOLDERS	NO. OF SHARES	NO. OF HOLDERS	NO. OF SHARES
1	100	868	17,452	59	2,628	927	20,080
101	500	312	83,448	67	18,182	379	101,630
501	1000	64	48,829	21	17,948	85	66,777
1,001	5,000	50	109,246	28	59,069	78	168,315
5,001	10,000	6	40,528	15	114,656	21	155,184
10,001	15,000	1	10,341	-	-	1	10,341
15,001	20,000	-	-	2	34,247	2	34,247
25,001	30,000	3	82,008	-	-	3	82,008
30,001	35,000	1	33,578	1	33,431	2	67,009
35,001	40,000	-	-	1	37,389	1	37,389
40,001	45,000	-	-	1	43,659	1	43,659
55,001	60,000	1	59,129	-	-	1	59,129
80,001	85,000	1	82,018	-	-	1	82,018
105,001	110,000	-	-	1	108,042	1	108,042
120,001	125,000	-	-	1	121,500	1	121,500
185,001	190,000	-	-	1	185,242	1	185,242
280,001	285,000	-	-	1	281,326	1	281,326
355,001	360,000	-	-	2	714,946	2	714,946
710,001	715,000	-	-	2	1,422,034	2	1,422,034
715,001	720,000	-	-	2	1,437,742	2	1,437,742
1,105,001	1,110,000	-	-	1	1,105,611	1	1,105,611
1,135,001	1,140,000	-	-	1	1,138,872	1	1,138,872
1,245,001	1,250,000	-	-	2	2,496,823	2	2,496,823
1,510,001	1,515,000	-	-	1	1,510,058	1	1,510,058
3,530,001	3,535,000	-	-	1	3,533,162	1	3,533,162
3,770,001	3,775,000	-	-	1	3,772,050	1	3,772,050
TOTAL :-		1,307	566,577	212	18,188,617	**1,519**	**18,755,194**

CATEGORIES OF SHAREHOLDERS	PHYSICAL		CDC		GRAND TOTAL		PERCENTAGE
	NO. OF HOLDERS	NO. OF SHARES	NO. OF HOLDERS	NO. OF SHARES	NO. OF OLDERS	NO. OF SHARES	%
INDIVIDUALS	1,299	522,564	199	11,780,402	1,498	12,302,966	65.60
INSURANCE COMPANIES	-	-	2	282,062	2	282,062	1.50
FINANCIAL INSTITUTIONS	2	955	3	2,245,389	5	2,246,344	11.98
JOINT STOCK COMPANIES	5	9,480	7	3,880,640	12	3,890,120	20.74
INVESTMENT COMPANIES	-	-	1	124	1	124	0.00
OTHERS (Holding Of Ex - East Pakistanies)	1	33,578	-	-	1	33,578	0.18
TOTAL :-	**1,307**	**566,577**	**212**	**18,188,617**	**1,519**	**18,755,194**	**100.00**

PATTERN OF SHARE HOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

CATEGORIES OF SHAREHOLDERS		PHYSICAL SHARES HELD	CDC SHARES HELD	TOTAL SHARES HELD	% PERCENTAGE
DIRECTORS, CEO & THEIR SPOUSES AND MINOR CHILDREN					
Sh. Naseem Ahmad	(CEO & Director)	-	5,515	5,515	0.03
Mst. Nighat Naseem	(Spouse CEO)	-	185,242	185,242	0.99
Amir Naseem Sheikh	(Director)	-	10,000	10,000	0.05
Rehman Naseem	(Director)	-	10,000	10,000	0.05
Fazal Ahmad Sheikh	(Director)	27,400	1,248,961	1,276,361	6.81
Fawad Ahmad Mukhtar	(Director)	27,200	1,510,058	1,537,258	8.20
Faisal Ahmad Mukhtar	(Director)	27,408	1,247,862	1,275,270	6.80
Abdullah Amir Fazal			711,017	711,017	3.79
Muhammad Yousaf Amir			711,017	711,017	3.79
Ayesha Amir Fazal			355,510	355,510	1.90
Amin Rehman Fazal		-	718,871	718,871	3.83
Sadek Rehman		-	718,871	718,871	3.83
Maha Rehman Fazal			359,436	359,436	1.92
Mrs. Ambreen Fawad		-	43,659	43,659	0.23
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES					
Amir Fine Exports (Pvt.) Ltd		-	3,880,092	3,880,092	20.69
SHARE HOLDERS TEN PERCENT (10% OR MORE)					
Mst. Farrukh Mukhtar			3,533,162	3,533,162	18.84
Amir Fine Exports (Pvt.) Ltd			Included in associated Companies		
National Bank of Pakistan (Trustee Dept.)			Included in NIT & ICP.		
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.					
United Bank Ltd		493	-	493	0.00
Escorts Investment Bank Ltd.		-	124	124	0.00
NIT & ICP					
NBP (Trustee Department)		-	2,244,483	2,244,483	11.97
IDBP - (ICP Unit)		462	906	1,368	0.01
INSURANCE COMPANIES					
State Life Insurance Corp. Ltd.		-	281,326	281,326	1.50
The United Insurance Co. Ltd.		-	736	736	0.00
JOINT STOCK COMPANIES					
Fazal Vegetable Ghee Mills Ltd		4,808	-	4,808	0.03
Fateh Textile Mills Ltd		162	-	162	0.00
Freedom Enterprises (Pvt) Ltd.		3,946	-	3,946	0.02
Molasses Trading & Exports Co. Ltd		86	-	86	0.00
Naeem's Securities Ltd		478	-	478	0.00
Sarfraz Mahmood (Pvt.) Ltd		-	46	46	0.00
H.M. Investment Ltd.		-	254	254	0.00
First Capital Equities Ltd.		-	77	77	0.00
Y.S. Securities & Service (Pvt) Ltd.		-	98	98	0.00
Al-Asar Securities (Pvt) Ltd.		-	73	73	0.00
OTHERS					
Govt. of Pakistan Abandoned Properties (Holding of Ex-East Pakistanis)		33,578	-	33,578	0.18
INDIVIDUALS (other than above)		440,556	411,221	851,777	4.54
TOTAL		**566,577**	**18,188,617**	**18,755,194**	**100**

FCM FAZAL CLOTH MILLS LTD.