



Ghazi Fabrics International Limited
Signature of Quality



Half Yearly Report

December 31, 2013

UN-AUDITED



GHAZI FABRICS INTERNATIONAL LIMITED
COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN/ CHIEF EXECUTIVE

Mr. M ohammad Arshad Chaudhry

Mrs. Azra Yasmin

Mr. Muhammad Tariq

Mr. Kamran Arshad

Mr. Rizwan Arshad

Miss Fareeha Arshad

Miss Wajeeha Arshad

SECRETARY

Mr. Nauman Iqbal, ACA

AUDIT COMMITTEE

Mr. Mohammad Tariq

Chairman

Mr. Kamran Arshad

Member

Miss Fareeha Arshad

Member

CHIEF FINANCIAL OFFICER

Mr. Abid Rafi

INTERNAL AUDITOR

Mr. Rao. Saadat Ali

AUDITORS

M/s. Qadeer & Company,

Chartered Accountants,

Lahore.

LEGAL ADVISOR

M/s. Raja Muhammad Akram & Company

Advocates & Legal Consultants.

BANKERS

Habib Bank Limited

United Bank Limited

REGISTERED OFFICE

8-C, Block E-III, Gulberg III, Lahore -54660.

Phone : 042-35764026-8

Fax : 042-35764032

Email : info@ghazifabrics.com

Website : www.ghazifabrics.com

MILLS

46- K.M. Multan Road, Bhaipheru,

Distt. Kasur.

**GHAZI FABRICS INTERNATIONAL LIMITED
DIRECTOR'S REVIEW**

We are pleased to present the financial statements for the half year ended at December 31, 2013 duly reviewed by the auditors.

Operating results

During the period under review the Company's gross profit were Rs. 240.28 million and the profit after tax of Rs. 37.89 million as compared to a profit of Rs. 7.22 million in the corresponding period ended December 31, 2012. Earning per share is Rs. 1.16 (corresponding period: Rs. 0.22).

Financial highlights

	Half Year ended December 31	
	2013	2012
	R u p e e s	
Sales	2,784,783,337	2,533,194,956
Gross profit	240,282,531	191,849,672
Pre-tax profit	50,566,117	18,436,235
After-tax profit	37,885,475	7,223,376
Gross profit (%)	8.63	7.57
Earning per share –EPS- Rs.	1.16	0.22

The period under review presented an impressive performance as compared with the same period last year due to favourable conditions in the market

Future prospects

The size of cotton crop is short of domestic consumption resulting in increase in cost of lint cotton which adds to cost of production. The energy crisis, inflation, erosion of value of Pak rupee etc. increasing the operating cost especially energy cost have led to decrease in margins in both spinning and weaving segments of the Company. The demand for yarn and fabric remain weak putting pressure on yarn and fabric prices in local as well as in the International market adversely affecting the profitability of the Company.

Notwithstanding the foregoing constraints, your director would like to assure you that every endeavor will be made to achieve the improved results for the current year.

Now that Pakistan has been granted GSP Plus status from European Union, strong demand for finished products and apparel is anticipated during the remaining half of the financial year. This should lead to better off-take and higher margins for both yarn and fabric.

Also, your Company is engaged in a massive BMR and capacity expansion of both spinning mills and weaving as well. This should substantially improve quality and cost efficiency of both business segments. The financial impact of this would be fully reflected post June 2014 when all the installed machinery comes into full production after trial running.

Acknowledgement

We are grateful to the management and employees of the Company for their hard-work and dedication. We also express our gratitude to our shareholder, bankers, suppliers and valued customers who cooperated with us throughout the period.

For and on behalf of the Board

Lahore
February 28, 2013

(Mohammad Arshad Chaudhry)
Chairman/ Chief Executive Officer



Ghazi Fabrics International Limited

AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of GHAZI FABRICS INTERNATIONAL LIMITED as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the interim financial information for the six months period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2013.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months period ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

LAHORE
Dated: February 28, 2014

QADEER & COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN, FCA

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2013

	Note	Un-audited December 31, 2013	Re-stated	
			Audited June 30, 2013	Audited July 01, 2012
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Rupees				
Authorized share capital	5.1	400,000,000	400,000,000	400,000,000
Issued, subscribed and paid-up capital	5.2	326,356,000	326,356,000	326,356,000
Accumulated loss		(294,661,602)	(332,547,077)	(386,701,075)
		31,694,398	(6,191,077)	(60,345,075)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT				
	4	-	-	-
NON CURRENT LIABILITIES				
Long term financing	6	296,788,555	222,921,739	182,279,839
Sponsors' loan		996,699,242	1,032,743,251	877,964,801
Deferred liabilities	7	71,764,007	68,182,739	82,992,900
		1,365,251,804	1,323,847,729	1,143,237,540
CURRENT LIABILITIES				
Trade and other payables		393,183,594	281,758,547	308,891,245
Markup / interest payables		38,248,954	20,344,962	18,065,503
Short term bank borrowings		1,799,619,888	975,905,895	765,262,914
Current portion of long term financing		130,008,018	136,218,860	141,494,808
Provision for taxation		20,772,766	43,796,620	48,460,770
		2,381,833,220	1,458,024,884	1,282,175,240
CONTINGENCIES AND COMMITMENTS				
	8	-	-	-
		3,778,779,422	2,775,681,536	2,365,067,705
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	9	1,138,514,683	1,177,668,776	1,120,080,783
Capital work in progress		142,405,607	17,725,735	-
		1,280,920,290	1,195,394,511	1,120,080,783
LONG TERM DEPOSIT				
		12,952,014	12,952,014	12,952,014
		1,293,872,304	1,208,346,525	1,133,032,797
CURRENT ASSETS				
Stores, spares and loose tools		96,870,426	84,351,158	82,589,730
Stock in trade		1,832,299,717	1,037,516,231	771,886,776
Trade debts		373,540,250	332,915,827	253,366,002
Loans and advances		101,589,452	76,214,491	82,687,317
Trade deposits and short term prepayments		539,027	1,078,053	282,264
Other receivables		70,072,593	33,642,462	26,162,728
Cash and bank balances		9,995,653	1,616,789	15,060,091
		2,484,907,118	1,567,335,011	1,232,034,908
		3,778,779,422	2,775,681,536	2,365,067,705

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Note	Quarter Ended		Half Year Ended	
		December 31,		December 31,	
		2013	2012	2013	2012
		Rupees		Rupees	
SALES - NET		1,365,527,606	1,255,660,728	2,784,783,337	2,533,194,956
COST OF SALES	10	1,276,345,207	1,177,060,980	2,544,500,806	2,341,345,283
GROSS PROFIT		89,182,399	78,599,747	240,282,531	191,849,672
SELLING AND DISTRIBUTION ADMINISTRATIVE EXPENSES		14,534,152 26,122,434	34,915,565 22,055,905	72,913,404 52,883,968	76,150,394 41,598,124
OPERATING PROFIT		48,525,812	21,628,277	114,485,159	74,101,155
OTHER INCOME		3,252,363 51,778,175	4,305,079 25,933,356	15,326,357 129,811,516	4,643,857 78,745,012
FINANCE COST		38,975,848	25,434,233	79,245,399	60,308,776
PROFIT BEFORE TAXATION		12,802,327	499,123	50,566,117	18,436,235
TAXATION		(1,632,655)	(1,698,627)	12,680,642	11,212,859
PROFIT AFTER TAXATION		14,434,982	2,197,751	37,885,475	7,223,376
EARNINGS PER SHARE - BASIC		0.44	0.07	1.16	0.22

The annexed notes form an integral part of this condensed interim financial information.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Quarter Ended		Half Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
	Rupees		Rupees	
Net profit after taxation	14,434,982	2,197,751	37,885,475	7,223,376
Other Comprehensive Income				
Remeasurement of defined benefit plans-net of tax	-	-	-	-
Other comprehensive (loss)/income for the period-net of tax	-	-	-	-
Total comprehensive income	14,434,982	2,197,751	37,885,475	7,223,376

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



GAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	December 31, 2013	December 31, 2012
Rupees		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	50,566,117	18,436,235
Adjustment for:		
Depreciation	55,390,716	58,221,019
Gain on disposal of fixed assets	(127,506)	(338,778)
Staff retirement benefits	6,915,975	6,346,577
Finance cost	79,245,399	60,308,776
	141,424,584	124,537,594
Cash flows before working capital changes	191,990,701	142,973,829
(Increase) / decrease in current assets		
Stores, spares and loose tools	(12,519,269)	(41,379,834)
Stock in trade	(794,783,485)	(401,882,357)
Trade debts	(40,624,423)	(33,230,175)
Loans and advances	(25,374,961)	(60,453,686)
Trade deposits and prepayments	539,026	(1,334,815)
Other receivable	(36,430,131)	(19,347,779)
Increase / (decrease) in current liabilities		
Trade and other payables	111,425,047	33,915,481
	(797,768,197)	(523,713,165)
Cash Outflows from operations	(605,777,496)	(380,739,336)
Finance cost paid	(61,341,407)	(58,674,967)
Staff retirement benefits Paid	(6,261,419)	(5,871,901)
Income Tax paid	(32,777,783)	(24,950,308)
Net cash used in operating activities	(706,158,105)	(470,236,512)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(23,176,135)	(12,339,355)
Proceeds from disposal of property, plant and equipment	7,067,018	550,000
Capital work in Progress	(124,679,872)	(28,419,554)
Net cash used in investing activities	(140,788,989)	(40,208,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	67,655,974	18,933,891
Loan from directors and others-net	(36,044,009)	143,584,904
Short term borrowings- net	823,713,992	339,023,679
Net cash generated from financing activities	855,325,957	501,542,474
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	8,378,864	(8,902,947)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,616,789	15,060,091
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9,995,653	6,157,144

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Issued, subscribed and paid-up capital	Accumulated losses	Total
	R U P E E S		
Balance as at July 01, 2012 as previously reported	326,356,000	(372,901,774)	(46,545,774)
Change in accounting policy for recognition of actuarial gains and losses (Note 4)	-	1,276,601	1,276,601
Change in accounting policy due to IAS - 16 (Note 4)	-	(15,075,902)	(15,075,902)
Balance as at July 01, 2012 as restated	<u>326,356,000</u>	<u>(386,701,075)</u>	<u>(60,345,075)</u>
Total comprehensive income for the period	-	7,223,376	7,223,376
Balance as at December 31, 2012	<u>326,356,000</u>	<u>(379,477,699)</u>	<u>(53,121,699)</u>
Balance as at July 01, 2013 as previously reported	326,356,000	(296,540,396)	29,815,604
Change in accounting policy for recognition of actuarial gains and losses (Note 4)	-	(8,037,499)	(8,037,499)
Change in accounting policy due to IAS - 16 (Note 4)	-	(27,969,182)	(27,969,182)
Balance as at June, 30 2013 as restated	<u>326,356,000</u>	<u>(332,547,077)</u>	<u>(6,191,077)</u>
Total comprehensive income for the period	-	37,885,475	37,885,475
Balance as at December 31, 2013	<u>326,356,000</u>	<u>(294,661,602)</u>	<u>31,694,398</u>

The annexed notes form an integral part of this condensed interim financial information.

**GHAZI FABRICS INTERNATIONAL LIMITED
SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

1 STATUS AND ACTIVITIES

The Company was incorporated in Pakistan on April 30, 1989 as Private Limited and converted into public limited on January 07, 1990. Its shares are quoted at Karachi and Lahore Stock Exchanges. The Company is a spinning and weaving unit engaged in the manufacturing of yarn and grey cloth. The registered office of the Company is situated at 8-C, E-III, Gulberg III, Lahore.

2 STATEMENT OF COMPLIANCE

This condensed interim financial information is un-audited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of International Accounting Standard No. 34 " Interim Financial Reporting " and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all of the information required for full financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

3 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention. In this condensed interim financial information, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

4 SIGNIFICANT ACCOUNTING POLICIES

Consequent to the revision of IAS 19 "Employee Benefits" which is effective for annual periods beginning on or after January 01, 2013 the Company has changed its accounting policy wherein, the actuarial gains and losses (remeasurement gains/losses) on employees' retirement benefit plans are recognized immediately in other comprehensive income. Previously the actuarial gains/losses in excess of corridor limit were recognized in profit and loss account over remaining service life of employees. The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated.

	Effect for the Year June 30, 2013	Cumulative effect July 01, 2012
	Rupees	
Staff retirement benefits		
(Decrease) / increase in:		
- Unappropriated profit due to actuarial gain/losses-net of tax	(8,037,499)	1,276,601
- Deferred liabilities:		
- Deferred tax	(1,502,559)	238,653
- Staff retirement benefits	9,540,058	(1,515,254)

Consequent to the change in accounting policy company has incorporated the effect of reversal of revaluation surplus of property, plant and equipment retrospectively. The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated.

Surplus on revaluation of property, plant and equipment

Decrease / (increase) in unappropriated profits	27,969,182	15,075,902
(Decrease) / increase in property, plant and equipment	(620,774,711)	(656,497,142)
Decrease / (increase) in accumulated depreciation	450,107,058	463,350,915
Decrease / (increase) in surplus on revaluation of property, plant and equipment	115,518,816	140,900,634
Decrease / (increase) in deferred tax liability	27,179,654	37,169,690

5 SHARE CAPITAL
5.1 Authorized capital

40,000,000 (June 30, 2013 : 40,000,000) ordinary shares of Rs. 10/- each

40,000,000	40,000,000
------------	------------

5.2 Issued, subscribed and paid up capital:

32,635,600 (June 30, 2013 : 32,635,600) ordinary shares of Rs. 10/- each paid in cash.

32,635,600	32,635,600
------------	------------

6 LONG TERM FINANCING - Secured

Opening balance
Add: Obtained during the period/ year
Less: Repayment during the period/year

359,140,599	323,774,647
132,688,480	176,860,760
(65,032,506)	(141,494,808)
426,796,573	359,140,599
(130,008,018)	(136,218,860)
296,788,555	222,921,739

Less: Current portion

7 DEFERRED LIABILITIES

Deferred tax - net
Staff retirement benefits

	Re-stated
23,935,515	21,008,803
47,828,492	47,173,936
71,764,007	68,182,739

8 CONTINGENCIES AND COMMITMENTS

8.1 There is no material change in the status of the contingencies reported in the annual financial statements for the year ended June 30, 2013.

8.2 Commitments against irrevocable letters of credit outstanding as at December 31, 2013 for capital expenditure amounts to Rs. 402.335 Million (June 30, 2013: Rs. Nil) and for raw material amounts to Rs. 109.985 Million (June 30, 2013: Rs. 16.492 Million).

9 PROPERTY, PLANT AND EQUIPMENT	December 31,	June 30,
	2013	2013
	Rupees	
Opening written down value	1,177,668,776	1,120,080,783
Re-stated		
Addition during the period / year		
Buildings on freehold land	-	439,930
Plant and machinery	17,751,511	146,001,026
Furniture and fittings	306,484	111,150
Vehicles	2,775,768	32,140,247
Tools and equipment	876,102	2,561,394
Electric installations	1,466,270	582,870
	23,176,135	181,836,617
Book value of plant and machinery disposed off during the period / year	(6,939,512)	(15,982,553)
Depreciation for the period / year	(55,390,716)	(108,266,071)
	1,138,514,683	1,177,668,776

10 COST OF SALES	Unaudited Half Year Ended		Unaudited Quarter Ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	Rupees		Rupees	
Raw material consumed	1,802,958,737	1,677,826,841	905,250,728	821,704,025
Fabric conversion, dyeing and bleaching	47,280,650	68,111,817	27,719,053	28,630,130
Salaries, wages and benefits	176,441,680	157,820,010	93,765,363	87,109,898
Fuel and power	304,156,459	233,003,941	151,242,535	120,160,210
Packing material consumed	36,850,311	29,528,011	17,728,339	15,214,056
Sizing material consumed	21,593,882	28,046,033	10,476,354	11,863,107
Store and spares consumed	67,509,146	97,501,654	36,828,551	59,615,127
Insurance	2,916,302	796,420	1,779,954	150,842
Depreciation	50,630,685	57,202,548	21,410,267	32,697,861
Others	8,471,839	13,751,594	5,225,999	10,737,846
	2,518,809,691	2,363,588,869	1,271,427,142	1,187,883,103
Adjustment of work in process	(2,347,166)	2,279,555	5,252,917	2,306,307
Cost of goods manufactured	2,516,462,525	2,365,868,424	1,276,680,059	1,190,189,409
Adjustment of finished goods	28,038,281	(24,523,140)	(334,852)	(13,128,429)
	2,544,500,806	2,341,345,283	1,276,345,207	1,177,060,980

11 TRANSACTION WITH RELATED PARTIES	Half year ended	
	December 31, 2013	December 31, 2012
	Rupees	
(Repayment) / Receipt of Sponsors' loan - net	(36,044,009)	143,584,904
Purchases of raw material	62,254,431	440,097
Payment for raw material	62,254,431	-

12 INFORMATION ABOUT SEGMENT REPORTING

The following table presents revenue and profit information regarding the Company's operating segments for the half year ended December 31, 2013 and December 31, 2012.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
	Amount (Rupees)			
	December 31, 2013			
Sales	1,956,920,997	1,655,780,389	(827,918,050)	2,784,783,337
Cost of Sales:	(1,858,608,446)	(1,513,810,410)	827,918,050	(2,544,500,806)
Gross profit	98,312,551	141,969,979	-	240,282,531
Selling and distribution costs	(13,917,252)	(58,996,153)	-	(72,913,404)
Administrative and general expenses	(30,912,731)	(21,971,238)	-	(52,883,968)
Profit before taxation and un allocated expenses	53,482,569	61,002,589	-	114,485,159
Un-allocated expenses:				
Other operating income				15,326,357
Finance cost				(79,245,399)
Profit before taxation				50,566,117
Taxation				(12,680,642)
Net profit for the period				37,885,475
	December 31, 2012			
Sales	1,646,753,732	1,703,281,674	(816,840,450)	2,533,194,956
Cost of Sales:	(1,604,224,999)	(1,553,960,734)	816,840,450	(2,341,345,283)
Gross profit	42,528,732	149,320,940	-	191,849,672
Selling and distribution costs	(6,846,547)	(69,303,847)	-	(76,150,394)
Administrative and general expenses	(24,153,865)	(17,444,258)	-	(41,598,124)
Profit before taxation and un allocated expenses	11,528,320	62,572,835	-	74,101,155
Un-allocated expenses:				
Other operating income				4,643,857
Finance cost				(60,308,776)
Profit before taxation				18,436,235
Taxation				(11,212,859)
Net profit for the period				7,223,376

13 AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorized for issue on February 28, 2014.

14 CORRESPONDING FIGURES

- 14.1 Corresponding figures have been re-arranged, wherever necessary to the facilitation of comparison
14.2 Figures have been rounded off to nearest rupee.

Chief Executive

Director

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