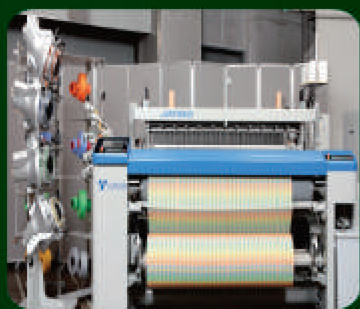
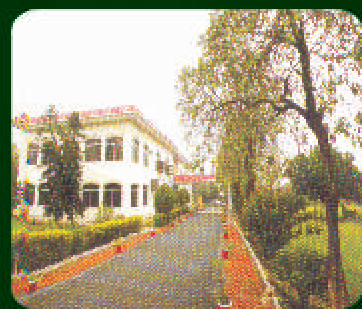
# Ghazi Fabrics International Limited

## Annual Report 2013

*Signature of Quality*





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# COMPANY PROFILE

## Board of directors

Mohammad Arshad Chaudhry
**Chairman/ CEO**

Kamran Arshad
Rizwan Arshad
Mrs. Azra Yasmin
Fareeha Arshad
Wajeeha Haaris

## Audit Committee

Mohammad Tariq
**Chairman/ member**

Kamran Arshad
Member

Fareeha Arshad
Member

## Human Resource & Remuneration Committee

Mrs. Azra Yasmin
**Chairperson/ member**

Mohammad Arshad Chaudhry
**Member**

Wajeeha Haaris
**Member**

## Company Secretary

Nauman Iqbal, ACA

## Chief Financial Officer

Abid Rafi

## Auditors

M/s. Qadeer & Company
Chartered Accountants
Lahore.

## Share registrar

M/s. Corplink (Pvt.) Ltd.
Wings Arcade, 1-K, Commercial, Model Town,
Lahore.

## Legal Advisor

Raja Muhammad Akram & Co.,
Corporate Legal Consultants & Advocates
33-C, Main Gulberg, Lahore.

## Bankers

United Bank Limited
Habib Bank Limited

## Registered Office

8-C, E-III, Gulberg-III, Lahore – 54660
042-35764026-28, Fax: 042-35764032
www.ghazifabrics.com

## Mills

46- K. M. Multan Road, Bhaipheru, Distt. Kasur.

# VISION AND MISSION STATEMENT

## VISION STATEMENT

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

## MISSION STATEMENT

*Ghazi Fabric International Ltd., strives to excel in the global competitive environment as the most progressive and quality-oriented company in terms of industry benchmarks, profitability and stake holders interest. To realize our mission, we firmly believe in continuous process of balancing, modernization and replacement of our technology; commitment in developing innovative products, services and human resources; and the betterment of all those involved directly or indirectly with the company.*

# STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

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

## 1. ETHICS

### Discipline

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

### Coordination among staff

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

### Conflict of interest

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

### Confidentiality

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

### Kick Backs/ Undue favour or unwarranted gifts

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

## 2. BUSINESS PRACTICES

### Environment

#### i) Pollution free environment

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

#### ii) Drugs free environment

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

#### Health and safety

Health and safety of all the staff and employees particularly and of the society in general is a great concern for the management of the Company and therefore the management of the Company shall take every measure to protect the health and safety of its employees.

### Commitment

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

### Financial discipline and books of accounts

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

### Relationship with Govt. Officials, Suppliers, Customers and Agents

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

### Training

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

### Child / forced labour

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

### Equality policy

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

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

# NOTICE OF 24th ANNUAL GENERAL MEETING.

NOTICE is hereby given that the 24th Annual General Meeting of the Shareholders of **GHAZI FABRICS INTERNATIONAL LTD.** will be held on Wednesday the 30th October, 2013 at 10:30 a.m. at Qasr-e-Noor, 9-E-2, Gulberg-III, Lahore to transact the following business:-

**ORDINARY BUSINESS:**

1. To confirm the minutes of 23rd Annual General Meeting of the members of the Company held on Wednesday the 31st October, 2012.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' Reports thereon.

3. To appoint Auditors and fix their remuneration for the year ending June 30, 2014. The present auditors M/s. Qadeer & Co., Chartered Accountants, retire and being eligible has offered themselves for reappointment.

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

by order of the Board

LAHORE:
October 09, 2013.

**(Nauman Iqbal)**
Company Secretary

**NOTES:-**

I. Share Transfer Books of the Company will remain closed from 24th October, 2013 to 30th October, 2013 (both days inclusive).

II. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her. Proxy Forms must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

III. Shareholders whose shares are deposited with CDC must bring their Original Computerised National Identity Card or Passport alongwith Participant's ID number and their account number at the time of attending the meeting to prove identity and in case of proxy must enclose an attested copy of CNIC. Representatives of Corporate Members should bring the usual documents required for this purpose.

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

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

# DIRECTOR REPORT

The directors' of your Company are hereby present the annual report of the Company alongwith the audited financial statements for the year ended June 30, 2013.

In compliance with the Code of Corporate Governance, these financial statements have been endorsed by the Chief Executive Officer and Chief Financial Officer of the Company, recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

The financial results for the year under review along-with comparative figures are presented herewith to have cursory look at the company operating performance;

| | 2013 | 2012 |
|---|---|---|
| | Rupees (000) | |
| Sales | 5,381,510 | 4,847,590 |
| Gross profit | 518,820 | 291,604 |
| Operating profit | 195,875 | 12,672 |
| Financial charges | (138,960) | (125,690) |
| (Loss)/ profit after tax | 55,680 | (161,443) |
| Earning per share (EPS) Rs. | 1.71 | (4.95) |

***Financial and operational performance***

Your Company has posted a after tax profit of Rs. 55.68 million as compared to a loss of Rs. 161.44 million last year. During the year under review, sales increased from Rs. 4,847 million to Rs. 5,382 million.. Gross profit as percentage to sales is also increased. The Gross Profit ratio during the period was 9.6 % compared to 6 % in corresponding period of last year. Financial cost as a percentage to sales remain almost the same ie 2.58% for the period as compared to 2.59% in corresponding period of last year.

***Market review***

Global economic condition have been a little better this year than last year but recovery is slow. IMF has predicted 3.5% growth in the global economy in 2013. What happen to Europe, USA and China affects Pakistani textile industry. Domestic consumption of textile product in China is becoming more important driver of growth, which will directly or indirectly raise demand of raw material in Pakistan. Result is that yarn and greige fabric export from Pakistan to China is growing over the time.

However, during the year consistent power outages and gas load shedding, floods and changes in various tax laws adversely impacted the manufacturing performance of the textile industry in Pakistan not being able to take full advantage of the above mentioned emerging situation and especially in Punjab.

***Future prospects***

In the current scenario, the revival of domestic textile industry is largely dependent on continuous availability of power and gas in the country. There is a huge demand for locally manufactured textile products in the regional markets but due to continuous load shedding, the domestic textile industry is not able to fully utilize its production capacities.

We will continue to explore and tap emerging and new market opportunities in the sector. Pakistan is the fourth largest producer and third largest consumer of cotton, in addition to being one of the largest exporter of cotton yarn in the world. Cotton sector along-with textile and apparel industry, account for 11 percent of the country GDP and 60 percent of the country's export value, while employing 35 percent of the industrial work force. An Important sector for the local economy and future prospects for country linked with the progress of textile chain, hence, will remain in focus for all stakeholders.

The prices of textile products in general are expected to remain stable. On the cost side, the cost and availability of energy remains the biggest challenge for the company. Higher inflation in the Country is another cause of concern resulting in increase in cost of production and damaging the competitiveness of local product in the international market. The company is trying its best to meet these challenges through improvement in product development, marketing efforts and working on energy efficiency measures.

***Balancing, Modernization & Replacement - BMR***

***Spinning***

As part of our BMR plan we have successfully upgraded back process and winding capabilities in one of two spinning units during the year resulting in improvement in efficiency and quality. Now same plan is being executed in the second spinning unit as well which will be completed by the end of next financial year.

***Weaving***

In weaving unit aggressive BMR has been planned. 24 new looms are being added to its existing 168 looms shed which shall be available for production in third quarter of the next financial year.

***Related parties***

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

***Health, Safety and Environment (HSE)***

Your Company take all possible measures to ensure that all our employees as well as communities within which we operate remain safe at all time. Environmental protection is a top priority on company's HSE agenda. The company ensures that its production processes are eco friendly and efficient. We constantly try and improve energy efficiencies both at production facilities and in our offices.

Your Company has also obtained BCI Certificaiton (Better Cotton Initiative) besides holding OEKO-TEX Certificate (Eco-Friendly Cotton).

***Compliance with Code of Corporate governance***

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

1. Financial statements prepared by the management represent fairly and accurately Company's state of affairs, results of its operations, cash flows, and changes in equity,
2. Proper books of accounts have been maintained,
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements.
5. System of internal control is sound in design, has been effectively implemented and being monitored continuously. On-going review will continue in future for further improvements in controls.

6. The Company has sound potentials to continue as going concern.
7. Financial highlights for the last six years are annexed
8. There has been no material departure from best practices of corporate governance.
9. Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board.
10. During the year under review, five meetings of the Boards were held and following were in attendance:

| Sr # | Director's Name | Meeting Attended |
|---|---|---|
| 1. | Mohammad Arshad Chaudhry | 05 |
| 2. | Mohammad Tariq | 05 |
| 3. | Kamran Arshad | 05 |
| 4. | Rizwan Arshad | 05 |
| 5. | Mrs. Azra Yasmin | 05 |
| 6. | Fareeha Arshad | 05 |
| 7. | Wajeeha Haaris | 05 |

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

***Auditors***

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

***Combined pattern of CDC and physical shareholdings***

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

***Acknowledgement***

The Directors of your Company would like to place on record their deep appreciation for support of customers, bankers, regulators and shareholders for their support and hope that this cooperation and supports will also continue in future.

The Directors of your Company would also like to express their appreciation for the services, loyalty and efforts being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue to do so in future as well.

For and on behalf of the Board

Lahore
October 02, 2013

**(Mohammad Arshad Chaudhry)**
Chief Executive

# PATTERN OF SHAREHOLDING

*As At June 30, 2013*

| Number of shareholders | Holdings From | To | Total Shares held |
|---|---|---|---|
| 607 | 1 | 100 | 56,942 |
| 3791 | 101 | 500 | 1,729,864 |
| 353 | 501 | 1,000 | 339,510 |
| 286 | 1,001 | 5,000 | 712,225 |
| 49 | 5,001 | 10,000 | 377,000 |
| 11 | 10,001 | 15,000 | 137,800 |
| 3 | 15,001 | 20,000 | 56,500 |
| 5 | 20,001 | 25,000 | 117,200 |
| 4 | 25,001 | 30,000 | 115,100 |
| 1 | 30,001 | 35,000 | 35,000 |
| 1 | 35,001 | 40,000 | 35,500 |
| 1 | 40,001 | 45,000 | 43,400 |
| 1 | 65,001 | 70,000 | 68,000 |
| 1 | 80,001 | 85,000 | 83,000 |
| 1 | 95,001 | 100,000 | 100,000 |
| 1 | 120,001 | 125,000 | 124,500 |
| 1 | 145,001 | 150,000 | 150,000 |
| 1 | 300,001 | 305,000 | 301,400 |
| 1 | 875,001 | 880,000 | 877,200 |
| 1 | 1,195,001 | 1,200,000 | 1,198,459 |
| 2 | 3,220,001 | 3,225,000 | 6,447,000 |
| 1 | 3,225,001 | 3,230,000 | 3,230,000 |
| 1 | 16,295,001 | 16,300,000 | 16,300,000 |
| **5124** | | | **32,635,600** |

# CATEGORIES OF SHAREHOLDING

## DETAIL OF PATTERN OF SHAREHOLDING

| S. No. | Category | Name | Number of shareholders | Number of shares held | Percentage |
|---|---|---|---|---|---|
| 1 | Individuals | -- | 5091 | 16,104,605 | 49.3467 |
| 2 | ICP | Investment Corp. of Pakistan | 1 | 13,300 | 0.0408 |
| 3 | Chief Executive | Mohammad Arshad Chaudhry | 1 | 16,300,000 | 49.9455 |
| 4 | Director | Mrs. Azra Yasmin | 1 | 1,000 | 0.0031 |
| 5 | -DO- | Kamran Arshad | 1 | 1,000 | 0.0031 |
| 6 | -DO- | Mohammad Tariq | 1 | 1,000 | 0.0031 |
| 7 | -DO- | Fareeha Arshad | 1 | 1,000 | 0.0031 |
| 8 | -DO- | Wajeeha Haaris | 1 | 500 | 0.0015 |
| 9 | -DO- | Rizwan Arshad | 1 | 1,000 | 0.0031 |
| 10 | Executives | Syed Sabih Riaz | 1 | 1,000 | 0.0031 |
| 10 | Public Sector Companies | (Joint Stock Companies) | 19 | 57,295 | 0.1756 |
| 11 | Non Banking Financial Institutions | (Investment Banks) | 2 | 26,600 | 0.0815 |
| 12 | Insurance Companies | | 1 | 124,500 | 0.3815 |
| 13 | Modarabas | | 2 | 2,800 | 0.0086 |
| | | | 5,124 | 32,635,600 | 100.0000 |

***Shareholders holding five percent or more voting interest in the Company***

| Name of shareholders | No. of shares | Percentage |
|---|---|---|
| Mohammad Arshad Chaudhry | 16,300,000 | 49.9455 |
| Abdul Khaliq Baloch | 3,230,000 | 9.8972 |
| Ibrahim Hussain Ibrahim Alhosani | 3,225,000 | 9.8818 |
| Ahmed Yousaf Ali | 3,222,000 | 9.8727 |
| Muhammad Javed | 2,075,659 | 6.3601 |
| | 28,052,659 | 85.9572 |

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:**

| S.No | Name | Sale | Purchase |
|---|---|---|---|
| | NIL | NIL | NIL |

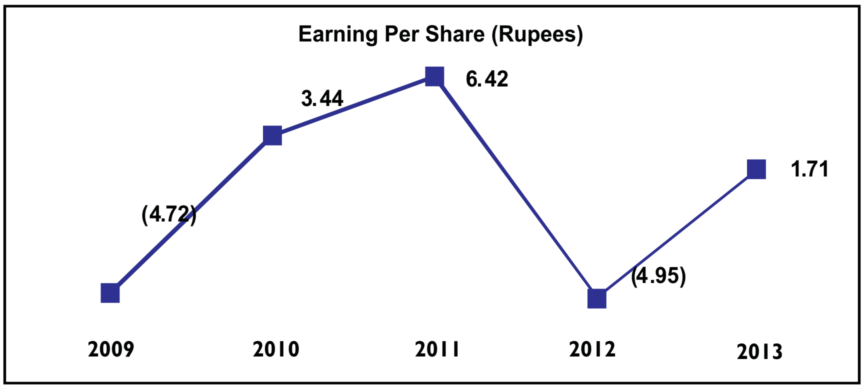
# SIX YEARS FINANCIAL STATISTICAL SUMMARY

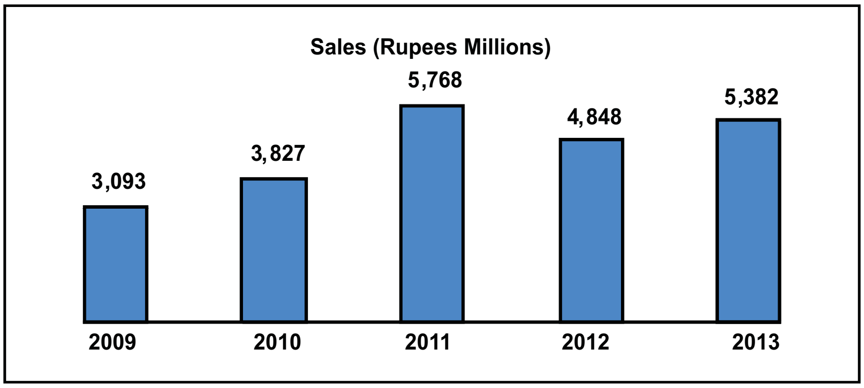
| Description | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| | Rupees in '000' | | | | | |
| ***Measure of performance*** | | | | | | |
| Sales - net | **5,381,510** | 4,847,590 | 5,767,986 | 3,827,202 | 3,093,333 | 2,894,539 |
| Cost of sales | **4,862,690** | 4,555,985 | 5,040,340 | 3,378,485 | 2,888,225 | 2,828,777 |
| Gross profit | **518,820** | 291,604 | 727,647 | 448,717 | 205,108 | 65,762 |
| Operating profit | **195,875** | 12,672 | 471,499 | 299,617 | 30,996 | (44,962) |
| Profit / (loss) after tax | **55,681** | (161,460) | 209,445 | 112,208 | (153,997) | (184,252) |
| ***In % age terms*** | | | | | | |
| Profit / (loss) after tax | **1.03** | -3.33% | 3.63% | 2.93% | -4.98% | -6.37% |
| Cost of sales | **90.36** | 93.98% | 87.38% | 88.28% | 93.37% | 97.73% |
| Operating profit | **3.64** | 0.26% | 8.17% | 5.19% | 0.54% | -0.78% |
| ***Financial position*** | | | | | | |
| Property, plant and equipement-net | **1,348,336** | 1,313,227 | 1,352,372 | 1,406,574 | 1,530,188 | 1,581,353 |
| Capital work in progress | **17,726** | - | 1,263 | 158 | - | 69,082 |
| Fixed assets | **1,366,062** | 1,313,227 | 1,353,635 | 1,406,732 | 1,530,188 | 1,650,435 |
| ***Current assets*** | | | | | | |
| Stores, spares and loose tools | **84,351** | 82,590 | 76,336 | 68,590 | 53,855 | 34,702 |
| Stocks in trade | **1,037,516** | 771,887 | 985,308 | 732,389 | 733,463 | 582,302 |
| Other current assets | **443,851** | 362,498 | 335,491 | 249,021 | 216,792 | 172,939 |
| Cash and cash equivalent | **1,616** | 15,060 | 5,273 | 19,371 | 3,544 | 2,902 |
| | **1,567,335** | 1,232,035 | 1,402,409 | 1,069,371 | 1,007,654 | 792,844 |
| ***Current liabilities*** | | | | | | |
| Short term borrowings | **975,905** | 765,263 | 871,618 | 912,210 | 859,276 | 757,793 |
| Current portion of long term loans | **136,218** | 141,495 | 122,819 | 122,819 | 136,335 | 249,466 |
| Other current liabilities | **345,900** | 375,418 | 404,765 | 262,746 | 181,422 | 152,257 |
| | **1,458,023** | 1,282,175 | 1,399,202 | 1,297,775 | 1,177,033 | 1,159,516 |
| Net working capital | **109,310** | (50,140) | 3,207 | (228,404) | (169,379) | (366,672) |
| Long term loans (Excluding Sponsor's loan) | **222,922** | 182,280 | 124,575 | 247,394 | 363,546 | 262,803 |

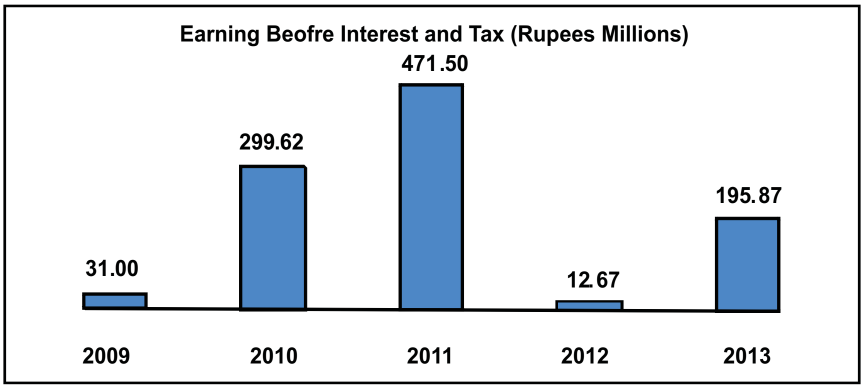
# FINANCIAL HIGHLIGHTS

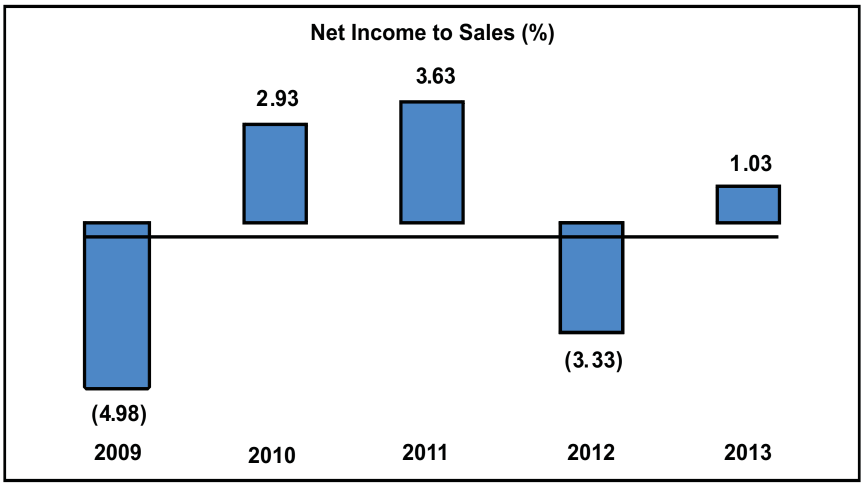
| | | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| | | | | Rupees | | |
| **A. Profitability Ratios:** | | | | | | |
| Earning before interest, taxation and depreciation | Rs. | 318,817,983 | 139,622,791 | 593,415,407 | 437,875,122 | 180,034,707 |
| Earning before interest and taxation | Rs. | 195,874,816 | 12,672,352 | 471,498,679 | 299,616,984 | 30,995,908 |
| Profit / (Loss) before taxation and depreciation | Rs. | 179,857,130 | 13,932,622 | 431,481,033 | 271,423,277 | 18,402,631 |
| Gross profit ratio | % | 9.64 | 6.02 | 12.62 | 11.72 | 5.67 |
| Operating profit / (loss) margin to sales (net) | % | 3.64 | 0.26 | 8.17 | 7.83 | 1.01 |
| Net profit / (loss) margin to sales (net) | % | 1.03 | (3.33) | 3.63 | 2.93 | (5.03) |
| EBITD margin to sales (net) | % | 5.92 | 2.88 | 10.29 | 11.44 | 5.88 |
| **B. Liquidity Ratios :** | | | | | | |
| Current ratio | | 1.07:1 | 0.9:1 | 1:1 | 1:0.81 | 1:0.86 |
| Quick / Acid-test ratio | | 0.31:1 | 0.29:1 | 0.24:1 | 0.20:1 | 0.19:1 |
| Cash to current liabilities | % | 0.11 | 1.17 | 0.38 | 1.46 | 0.30 |
| Cash flow from operations to sales | % | (4.13) | 2.67 | 3.26 | 7.02 | (5.69) |
| Working capital (Net current assets) | Rs. | 109,310,127 | (50,140,333) | 3,206,685 | (254,049,059) | (169,378,766) |
| Working capital turnover | Times | 49.23 | (96.68) | 1,798.74 | (15.06) | (18.08) |
| **C. Activity / Turnover Ratios** | | | | | | |
| Debtors turnover ratio | Times | 18.36 | 19.51 | 26.63 | 20.94 | 20.73 |
| No. of days in receivables / Average collection period | Days | 19.88 | 18.70 | 13.71 | 17.43 | 17.61 |
| Inventory turnover ratio | Times | 1.34 | 1.30 | 5.82 | 1.15 | 1.10 |
| No. of days in inventory | Days | 67.91 | 70.39 | 62.19 | 79.18 | 83.14 |
| Creditors turnover ratio | Times | 7 | 5 | 8 | 7 | 8 |
| No. of days in creditors / Average payment period | Days | 12.77 | 17.78 | 11.26 | 13.31 | 10.75 |
| Property, plant and equipment turnover | Days | 90.26 | 100.35 | 87.29 | 140.04 | 185.46 |
| Total assets turnover | Days | 186.67 | 200.56 | 165.49 | 239.63 | 297.26 |
| Operating cycle | Days | 75.02 | 71.31 | 64.64 | 83.30 | 90.00 |
| **D. Investment Ratios** | | | | | | |
| Basic earnings / (loss) per share | Rs. | 1.71 | (4.95) | 6.42 | 3.44 | (4.72) |
| Cash dividend per share | Rs. | - | - | 1.00 | 1.00 | - |
| **E. Capital Structure Ratios** | | | | | | |
| Financial leverage ratio | % | 9.30 | 181.95 | 151.18 | 19.94 | 10.54 |
| Total liabilities to total assets | % | 88.92 | 87.24 | 88.21 | 86.85 | 87.17 |
| Interest coverage | | 1.41 | 0.10 | 2.91 | 1.80 | 0.19 |

# CHARTS AND GRAPHS



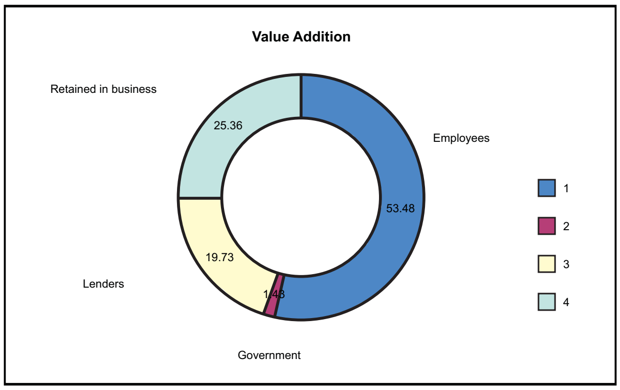



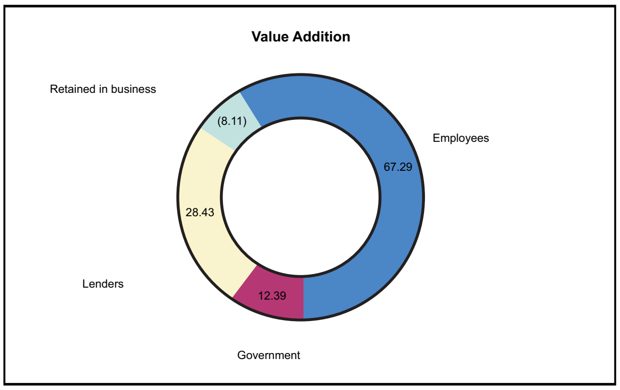



# STATEMENT OF VALUE ADDITION

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| Sales | 5,381,510,085 | 4,847,589,707 |
| Less: Manufacturing / administration and general expenses | 4,689,377,601 | 4,419,553,562 |
| | 692,132,485 | 428,036,145 |
| Other income | 12,131,713 | 14,021,965 |
| Total value added | 704,264,198 | 442,058,110 |
| Distribution | | |
| Employees : | | |
| Salaries and wages | 376,638,005 | 297,447,935 |
| Government : | | |
| Corporate tax | 1,233,212 | 48,442,603 |
| Development surcharge | 8,808,210 | 6,336,997 |
| | 10,041,422 | 54,779,600 |
| Lenders : | | |
| Markup on loans | 138,960,853 | 125,690,169 |
| Retained in business: | | |
| Depreciation | 122,943,167 | 125,600,826 |
| Profit / (Loss) | 55,680,750 | (161,460,420) |
| | 178,623,917 | (35,859,594) |
| | 704,264,198 | 442,058,110 |

| | Percentage | |
|---|---|---|
| 1 Employees | 53.48 | 67.29 |
| 2 Government | 1.43 | 12.39 |
| 3 Lenders | 19.73 | 28.43 |
| 4 Retained in business | 25.36 | (8.11) |



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED AT JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance of listing regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework whereby a listed Company is managed in compliance with the best practices of good Corporate Governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present board includes:

| Category | Names |
|---|---|
| Independent Directors | - |
| Executive Directors | o Mohammad Arshad Chaudhry<br>o Kamran Arshad<br>o Rizwan Arshad |
| Non-Executive Directors | o Mrs. Azra Yasmin<br>o Mohammad Tariq<br>o Fareeha Arshad<br>o Wajeeha Haaris |

The condition of clause (i) (b) of CCG in relation of independent director shall be complied with in the election of directors to be held on October 2014.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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, development financial institution or non-banking financial institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. There has been no casual vacancy in the Board during the year 2013.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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 the employment of CEO, other Executive and Non- Executive Directors, have been taken by the board/shareholders.

8. 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 and the board met at least once in every quarter. Written notice of the board meeting along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with amendments in corporate and other laws, if any. No training program of directors is held during the year because six directors are exempted under exemption criteria of 14 years of education and 15 years of experience on the board of listed company.

10. The appointment of CFO, Company Secretary and Head of Internal Audit confirms the requirements of Code of Corporate Governance and got approval of the board. However, no appointment of CFO, Company Secretary and Head of Internal Audit is held during the year.

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

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

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

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Company has formed an audit committee. It comprises three members, of whom two are non-executive directors, including the chairman of the committee.

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

17. The Board has formed a Human Resource & Remuneration Committee. It comprises of 3 members, of whom two are non-executive directors and one is an executive director.

18. The Board has setup an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures 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 program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

21. The related party transactions and pricing methods have been placed before the audit committee for recommendation to the Board of Directors for their approval. The transactions were made on terms equivalent to those that prevail in arms' length transactions.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s)

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

We confirm that all other material principles enshrined in the Code of Corporate Governance in the code have been complied with.

For and on behalf of the Board

Lahore

**(Mohammad Arshad Chaudhry)**

October 02, 2013

Chief Executive

QADEER & COMPANY
CHARTERED ACCOUNTANTS

## AUDITORS' REVIEW REPORT TO THE MEMBERS

On Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) as applicable to company for the year ended June 30, 2013 prepared by the Board of Directors of **GHAZI FABRICS INTERNATIONAL LIMITED** (the Company) to comply with the Listing Regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for the compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company'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 system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2013.

**QADEER AND COMPANY**
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

Lahore

October 02, 2013

# Financial Statements

*For the year ended June 30, 2013*

QADEER & COMPANY
CHARTERED ACCOUNTANTS

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **GHAZI FABRICS INTERNATIONAL LIMITED** ('the Company') as at June 30, 2013 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) In our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as described in note 3.22 to the financial statements, with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the Profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) In our opinion Zakat deductible at source under the Zakat & Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund

Lahore

October 02, 2013

**QADEER AND COMPANY**
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

# BALANCE SHEET

*AS AT JUNE 30, 2013*

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | Rupees | |
| **CAPITAL AND LIABILITIES** | | | |
| **Share Capital and Reserves** | | | |
| Authorized capital | | | |
| 40,000,000 (2012 : 40,000,000) ordinary shares of Rs. 10 each | | 400,000,000 | 400,000,000 |
| Issued, subscribed and paid up capital | 4 | 326,356,000 | 326,356,000 |
| Accumulated loss | | (296,540,396) | (372,901,774) |
| | | 29,815,604 | (46,545,774) |
| **Surplus on Revaluation of Property, Plant and Equipment** | 5 | 115,518,816 | 140,900,635 |
| **Non Current Liabilities** | | | |
| Long term financing | 6 | 222,921,739 | 182,279,839 |
| Sponsors' loan | 7 | 1,032,743,251 | 877,964,801 |
| Deferred liabilities | 8 | 87,324,894 | 121,439,191 |
| | | 1,342,989,884 | 1,181,683,831 |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | 281,758,547 | 308,891,245 |
| Accrued interest / mark up | 10 | 20,344,962 | 18,065,503 |
| Short term borrowings | 11 | 975,905,895 | 765,262,914 |
| Current portion of long term financing | 6 | 136,218,860 | 141,494,808 |
| Provision for taxation | 12 | 43,796,620 | 48,460,770 |
| | | 1,458,024,884 | 1,282,175,240 |
| **Contingencies and Commitments** | 13 | - | - |
| | | 2,946,349,188 | 2,558,213,931 |
| **ASSETS** | | | |
| **Non Current Assets** | | | |
| Property, plant and equipment | 14 | 1,348,336,428 | 1,313,227,010 |
| Capital work in progress | 15 | 17,725,735 | - |
| | | 1,366,062,163 | 1,313,227,010 |
| Long term deposits | | 12,952,014 | 12,952,014 |
| | | 1,379,014,177 | 1,326,179,024 |
| **Current Assets** | | | |
| Stores, spares and loose tools | 16 | 84,351,158 | 82,589,730 |
| Stock in trade | 17 | 1,037,516,231 | 771,886,776 |
| Trade debts | 18 | 332,915,827 | 253,366,003 |
| Loans and advances | 19 | 76,214,491 | 82,687,317 |
| Trade deposits and short term prepayments | 20 | 1,078,053 | 282,264 |
| Sales tax refundable | | 33,642,462 | 26,162,728 |
| Cash and bank balances | 21 | 1,616,790 | 15,060,091 |
| | | 1,567,335,012 | 1,232,034,907 |
| | | 2,946,349,188 | 2,558,213,931 |

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

**CHIEF EXECUTIVE** **DIRECTOR**

# PROFIT AND LOSS ACCOUNT

*FOR THE YEAR ENDED JUNE 30, 2013*

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | Rupees | |
| Sales - Net | 22 | 5,381,510,085 | 4,847,589,707 |
| Cost of goods sold | 23 | 4,862,690,447 | 4,555,985,380 |
| **Gross Profit** | | 518,819,638 | 291,604,327 |
| Operating expenses: | | | |
| - Selling and distribution | 24 | 211,943,437 | 169,052,111 |
| - Administrative and general | 25 | 94,506,200 | 75,211,084 |
| - Other operating charges | 26 | 28,626,898 | 46,306,706 |
| | | 335,076,535 | 290,569,900 |
| | | 183,743,103 | 1,034,427 |
| Other operating income | 27 | 12,131,713 | 14,021,965 |
| **Profit from operation** | | 195,874,816 | 15,056,392 |
| Finance cost | 28 | 138,960,853 | 128,074,209 |
| **Profit / (Loss) before taxation** | | 56,913,963 | (113,017,817) |
| Taxation | 29 | 1,233,212 | 48,442,604 |
| **Profit / (Loss) for the year** | | 55,680,750 | (161,460,420) |
| **Earning / (Loss) per share - Basic** | 30 | 1.71 | (4.95) |

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

**CHIEF EXECUTIVE** **DIRECTOR**

# STATEMENT OF COMPREHSIVE INCOME

*FOR THE YEAR ENDED JUNE 30, 2013*

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| Profit / (Loss) for the year | 55,680,750 | (161,460,420) |
| Other comprehensive income | - | - |
| Total comprehensive income / (loss) for the year | 55,680,750 | (161,460,420) |

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

**CHIEF EXECUTIVE** **DIRECTOR**

# STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED JUNE 30, 2013*

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | Rupees | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit / (Loss) before taxation | | 56,913,963 | (113,017,817) |
| Adjustments for: | | | |
| - Depreciation | | 122,943,167 | 125,600,826 |
| - Provision for W.P.P.F | | 3,116,873 | - |
| - Loss on disposal of property, plant and equipment | | 16,068,974 | 9,723,073 |
| - Provision for gratuity | | 13,831,950 | 12,693,153 |
| - Finance cost | | 138,960,853 | 125,690,169 |
| | | 294,921,817 | 273,707,221 |
| **Operating profit before working capital changes** | | 351,835,779 | 160,689,404 |
| (Increase) / decrease in current assets: | | | |
| - Stores, spares and loose tools | | (1,761,428) | (6,254,042) |
| - Stock in trade | | (265,629,455) | 213,421,508 |
| - Trade debts | | (79,549,825) | (9,904,647) |
| - Loans and advances | | 23,057,951 | (17,486,205) |
| - Trade deposits and short term prepayments | | (795,790) | 1,129,055 |
| - Other receivables | | (7,479,735) | (11,245,786) |
| Increase / (decrease) in current liabilities: | | | |
| - Trade and other payables | | (11,536,489) | 1,649,408 |
| | | (343,694,770) | 171,309,291 |
| **Cash generated from operations** | | 8,141,009 | 331,998,696 |
| Income tax paid / deducted | | (65,045,894) | (49,789,578) |
| Gratuity paid | | (10,084,028) | (11,984,717) |
| Worker's profit participation fund paid | | (18,713,081) | - |
| Finance cost paid | | (136,681,395) | (140,632,938) |
| **Net cash (used in) / generated from operating activities** | | (222,383,389) | 129,591,462 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Property, plant and equipment purchased | | (181,836,617) | (112,022,199) |
| Capital work in progress | | (17,725,735) | 1,262,930 |
| Proceeds from disposal of property, plant and equipment | | 7,715,054 | 15,843,537 |
| **Net cash used in investing activities** | | (191,847,298) | (94,915,732) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds / (repayment) of long term loans | | 35,365,952 | 76,380,481 |
| Payment of long term security deposits | | - | - |
| Loan from directors and others - net | | 154,778,450 | 8,031,326 |
| Due to associated undertakings | | - | - |
| Short term borrowings | | 210,642,982 | (106,355,231) |
| Dividend paid | | - | (2,945,482) |
| **Net cash generated from / (used in) financing activities** | | 400,787,384 | (24,888,906) |
| **Net (decrease) / increase in cash and cash equivalents** | | (13,443,302) | 9,786,826 |
| Cash and cash equivalents at the beginning of the year | | 15,060,091 | 5,273,265 |
| **Cash and cash equivalents at the end of the year** | 21 | 1,616,790 | 15,060,091 |

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

**CHIEF EXECUTIVE** **DIRECTOR**

# STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED JUNE 30, 2013*

| | Share Capital | Accumulated Loss | Total |
|---|---|---|---|
| | | Rupees | |
| **Balance as at July 01, 2011** | 326,356,000 | (233,145,345) | 93,210,655 |
| Total comprehensive (loss) for the year | - | (161,460,420) | (161,460,420) |
| Final dividend for the year ended June 30, 2010 | - | (4,560,541) | (4,560,541) |
| Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged during the year. | - | 14,550,185 | 14,550,185 |
| Surplus realised on disposal of property, plant and equipment. | - | 11,714,347 | 11,714,347 |
| **Balance as at June 30, 2012** | 326,356,000 | (372,901,774) | (46,545,774) |
| Total comprehensive income for the year | - | 55,680,750 | 55,680,750 |
| Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged during the year. | - | 12,879,152 | 12,879,152 |
| Surplus realised on disposal of property, plant and equipment. | - | 7,801,476 | 7,801,476 |
| **Balance as at June 30, 2013** | **326,356,000** | **(296,540,396)** | **29,815,604** |

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

**CHIEF EXECUTIVE** **DIRECTOR**

# NOTES TO THE FINANCIAL STATEMENTS

*FOR THE YEAR ENDED JUNE 30, 2013*

## 1 REPORTING ENTITY

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

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

### 2.3 Judgment, estimates and assumptions

The preparation of financial statements in conformity with IASs as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, actual results may differ from the estimates. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

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

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

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

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

#### 2.3.2 Recoverable amount of assets/ cash generating units

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

#### 2.3.3 Fair value of financial instruments having no active market

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

#### 2.3.4 Taxation

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

#### 2.3.5 Provisions

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

#### 2.3.6 Revaluation of property, plant and equipment

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

### 2.4 Functional currency

Items included in the financial statements are prepared using the currency of the primary economic environment in which the company operates i.e. Pak Rupees which is the Company's functional currency.

## 3 SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Ordinary share capital

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

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

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

### 3.3 Employee benefits

***Defined benefit plan***

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The latest actuarial valuation was carried out as at June 30, 2013. Charge for the current year is based on estimates provided by the actuary as at June 30, 2013. The following significant assumptions were used in the latest actuarial valuation:

| | 2013 | 2012 |
|---|---|---|
| Discount rate | 10.5% | 13% |
| Expected rate of salary increase in future years | 9.5% | 12% |
| Average expected remaining working life time of employees | 4 years | 4 years |
| Actuarial valuation method | Projected unit credit method | |

### 3.4 Borrowings

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

### 3.5 Provisions

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

### 3.6 Taxation

***Current***

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

***Deferred***

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS - 12 (Income Taxes), are recognized to the extent of potential available taxable profit against which temporary differences, unused tax losses and tax credits can be utilized.

### 3.7 Trade and other payables

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

### 3.8 Trade and other receivables

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

### 3.9 Property, plant and equipment

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

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

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

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

**3.10 Capital work in progress**

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

**3.11 Impairment**

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

**3.12 Stores, spares and loose tools**

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus incidental charges paid thereon.

Provision for obsolete and slow moving stores and spares is based on management's estimate.

**3.13 Stock in trade**

These are valued at lower of cost or net realizable value except waste which is valued at net realizable value determined at average selling price.

cost is determined by following basis:

Raw materials - At weighted average cost.

Work in process - At annual average material cost plus appropriate manufacturing costs.

Finished goods - At average manufacturing cost.

Wastes - At net realizable value.

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

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

Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

**3.14 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current accounts.

**3.15 Financial instruments**

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

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3.16 Foreign currency translation**

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

**3.17 Related party transactions**

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

**3.18 Revenue recognition**

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

**3.19 Borrowing costs**

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

**3.20 Dividends**

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

**3.21 Earning per share (EPS)**

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

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

**3.22 Changes in accounting policies and disclosures**

**3.22.1 New Accounting Standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year**

The revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan became effective in current year

| | |
|---|---|
| **IFRS-12** | Disclosures of interest in other Entities |
| **IAS-1** | Financial Statement Presentation |
| **IAS-12** | Income Tax (Amended) |

The above standards, amendments and interpretations are either not relevant to the Company Operations or not expected to have significant impact on the company financial statements except for increased disclosures in certain cases.

**3.22.2 New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year**

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective on and after the dates mentioned below against the respective standards or interpretation.

| | | **Effective Date** |
|---|---|---|
| IFRS-1 | First time adoption of international financial reporting standards | January 01 ,2013 |
| IFRS-7 | Financial Instruments: Disclosures(Amendments) & classification and measurements | January 01 ,2013 |
| IFRS-9 | Financial Instruments | January 01 ,2015 |
| IFRS-12 | Disclosure of interest in others Entities | January 01 ,2013 |
| IFRS-13 | Fair Value measurements | January 01 ,2013 |

| | | |
|---|---|---|
| IAS-1 | Financial Statements presentation | January 01 ,2013 |
| IAS-16 | Property plant and Equipment | January 01 ,2013 |
| IAS-19 | Employees Benefits(Amendments) | January 01 ,2013 |
| IAS-32 | Financial Instruments Presentation | January 01 ,2013 |
| IAS-34 | Interim Financial Reporting | January 01 ,2013 |
| IAS-27 | Separate Financial Statements | January 01 ,2013 |
| IAS-36 | Impairment of assets | January 01 ,2014 |
| IAS-39 | Financial Instruments ; recognition and measurements | January 01 ,2014 |

The above standards, amendments and interpretations except amendments in IAS-19 are either not relevant to the Company operations or are not expected to have significant impact on the Company financial statements except for the increased disclosures in certain cases. The amendments in IAS-19 requires immediate recognition of actuarial gain or loss and revised basis of calculation for net finance cost.

**4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

| 2013 | 2012 | NOTE | 2013 | 2012 |
|---|---|---|---|---|
| No. of shares | | | Rupees | |
| | | Ordinary shares of Rs. 10 each | | |
| 32,635,600 | 32,635,600 | fully paid in cash | 326,356,000 | 326,356,000 |

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

**5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**

| | 2013 | 2012 |
|---|---|---|
| Land - freehold | 31,521,323 | 31,521,323 |
| Buildings on freehold land | 31,008,846 | 36,265,489 |
| Plant and machinery | 78,229,363 | 107,797,149 |
| Grid station and generators | 141,102 | 173,363 |
| | 140,900,634 | 175,757,324 |
| Incremental depreciation on revalued property, plant and equipment during the year - transferred to retained earnings | (12,879,152) | (14,550,185) |
| Change in revaluation surplus due to change in local sales proportion | (5,656,872) | (10,437,165) |
| Adjustment relating to property, plant and equipment disposed off during the year | (6,845,794) | (9,869,338) |
| | 115,518,816 | 140,900,635 |

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

**6 LONG TERM FINANCING**

**Loan from banking companies - Secured**

| | Note | 2013 | 2012 |
|---|---|---|---|
| Habib Bank Limited: | | | |
| - Term finance - II | 6.01 | - | 15,384,612 |
| - Term finance - III | 6.02 | 76,923,076 | 100,000,000 |
| - Term finance - IV | 6.03 | 80,000,000 | - |
| | | 156,923,076 | 115,384,612 |
| United Bank Limited: | | | |
| - NIDF - I | 6.04 | - | - |
| - NIDF - IV | 6.05 | - | 18,000,000 |
| - NIDF - V | 6.06 | - | 20,000,000 |
| - State Bank of Pakistan's LTF-EOP scheme - I | 6.07 | - | 21,731,856 |
| - State Bank of Pakistan's LTF-EOP scheme - II | 6.08 | 24,729,376 | 49,458,792 |
| - NIDF - VI | 6.09 | 46,428,000 | 65,000,000 |
| - NIDF - VII | 6.10 | 131,060,147 | 34,199,387 |
| | | 202,217,523 | 208,390,035 |
| | | 359,140,599 | 323,774,647 |
| Less: Current portion | | (136,218,860) | (141,494,808) |
| | | 222,921,663 | 182,279,839 |

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| | | Rupees | |
| **6.01 Term finance - II** | | | |
| Opening balance | | 15,384,612 | 46,153,844 |
| Payments made during the year | | (15,384,612) | (30,769,232) |
| | | - | 15,384,612 |

This term finance was obtained to retire the running finance facility of Rs. 100 million. It was payable in thirteen equal quarterly installments commenced from October 31, 2009 and carried mark up at three months KIBOR plus 2.5% per annum payable on quarterly basis.

| | | |
|---|---|---|
| **6.02 Term finance - III** | | |
| Opening balance | 100,000,000 | - |
| Finance obtained during the year | - | 100,000,000 |
| Payments made during the year | (23,076,924) | - |
| | 76,923,076 | 100,000,000 |

Term finance - III was obtained to facilitate balancing, modernization and replacement of spinning units. The loan is payable in thirteen quarterly installments with a grace period of one year from first draw down of loan with first installment due on November 10, 2012. It carries mark up at three months KIBOR plus 2.50% per annum payable on quarterly basis.

| | | |
|---|---|---|
| **6.03 Term finance - IV** | | |
| Opening balance | - | - |
| Finance obtained during the year | 80,000,000 | - |
| Payments made during the year | - | - |
| | 80,000,000 | - |

Term finance - IV is obtained for reprofiling of balance sheet. Loan is payable in thirteen quarterly installments with a grace period of one year from first draw down of loan with first installment due on December 31, 2013. It carries mark up at three months KIBOR plus 2.50% per annum payable on quarterly basis.

| | | |
|---|---|---|
| **6.04 NIDF - I** | | |
| Opening balance | - | 921,780 |
| Payment made during the year | - | (921,780) |
| | - | - |

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

| | | |
|---|---|---|
| **6.05 NIDF - IV** | | |
| Opening balance | 18,000,000 | 36,000,000 |
| Payments made during the year | (18,000,000) | (18,000,000) |
| | - | 18,000,000 |

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

| | | |
|---|---|---|
| **6.06 NIDF - V** | | |
| Opening balance | 20,000,000 | 46,666,666 |
| Payments made during the year | (20,000,000) | (26,666,666) |
| | - | 20,000,000 |

This loan has been obtained to retire the running finance facility to Rs. 80 million .It carries mark up at six months KIBOR plus 1.50% per annum. It was payable in twelve equal quarterly installments commencing from March 2010.

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| **6.07 State Bank of Pakistan's LTF - EOP scheme - I** | | **Rupees** | |
| Opening balance | | 21,731,856 | 43,463,708 |
| Payments made during the year | | (21,731,856) | (21,731,852) |
| | | - | 21,731,856 |

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

**6.08 State Bank of Pakistan's LTF - EOP scheme - II**

| | | |
|---|---|---|
| Opening balance | 49,458,792 | 74,188,168 |
| Payments made during the year | (24,729,416) | (24,729,376) |
| | 24,729,376 | 49,458,792 |

This loan has been obtained under SBP-LTF-EOP scheme and is payable in 12 equal half yearly installments commencing from October 08, 2007 and carries mark up @ 7% per annum.

Loan from UBL are secured against first pari passu equitable mortgage of property plant and equipment of the Company valuing Rs. 885 million and personal guarantee of chief executive and one director of the Company.

**6.09 NIDF - VI**

| | | |
|---|---|---|
| Opening balance | 65,000,000 | - |
| Finance obtained during the year | - | 65,000,000 |
| Payments made during the year | (18,572,000) | - |
| | 46,428,000 | 65,000,000 |

This loan has been obtained to finance import of machinery of spinning units and is repayable in seven equal half yearly installment with a grace period of one year from first draw down of loan with first installment due on September 2012. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.

**6.10 NIDF - VII**

| | | |
|---|---|---|
| Opening balance | 34,199,387 | - |
| Finance obtained during the year | 96,860,760 | 34,199,387 |
| Payments made during the year | - | - |
| | 131,060,147 | 34,199,387 |

This loan has been obtained to finance import of machinery of spinning unit and it represents actual withdrawn amount, out of Demand Finance limit for Rs. 135 million. During the year, bank has enhanced limit of loan from Rs. 120 million to Rs. 135 million. It is now repayable in twelve equal quarterly installment with a grace period of one year from first draw down of loan with first installment due in September 2013. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.

**7 SPONSORS' LOAN**

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| Loan from directors and others | 7.01 | 1,032,743,251 | 877,964,801 |

**7.01** This loan has been provided by the chief executive of the Company and others for the repayment of long term loans and working capital requirements of the Company. The loan is unsecured and interest free. The terms of repayment have yet not been finalized due to the subordination loan agreement of Rs. 750.00 million (2012 : Rs. 676.00 million) with Habib Bank Limited and United Bank Limited.

**8 DEFERRED LIABILITIES**

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| Deferred tax - net | 8.01 | 49,691,016 | 87,553,235 |
| Staff retirement benefits | 8.02 | 37,633,878 | 33,885,956 |
| | | 87,324,894 | 121,439,191 |

**8.01 Deferred tax - net**

Credit / (debit) balance arising in respect of:

| | | |
|---|---|---|
| - Accelerated tax depreciation | 89,772,914 | 116,592,022 |
| - Surplus on revaluation of property, plant and equipment | 29,314,849 | 35,893,088 |
| - Recognized losses | (64,278,540) | (59,594,837) |
| - Staff retirement benefits | (5,118,207) | (5,337,038) |
| | 49,691,016 | 87,553,235 |

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| **8.02 Staff retirement benefits** | | Rupees | |
| ***The amounts recognized in the balance sheet are as follows*** | | | |
| Present value of defined benefit obligation | | 45,658,682 | 32,370,702 |
| Unrecognized actuarial gain / (loss) | | (8,024,804) | 1,515,254 |
| | | 37,633,878 | 33,885,956 |
| ***Balance sheet liability*** | | | |
| Opening balance | | 33,885,956 | 33,177,520 |
| Amount recognized during the year | | 13,831,950 | 12,693,153 |
| | | 47,717,906 | 45,870,673 |
| Benefits paid during the year | | (10,084,028) | (11,984,717) |
| Closing balance | | 37,633,878 | 33,885,956 |
| ***Charge for the defined benefit plan*** | | | |
| Service cost | | 9,623,759 | 8,516,601 |
| Interest cost | | 4,208,191 | 4,176,552 |
| | | 13,831,950 | 12,693,153 |

**8.03 DEFINED BENEFIT PLAN**

**(a) General description**

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2013 using Project Unit Credit Method.

**(b) Comparison for five years**

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | | | (Rupees - 000) | | |
| PVODBO | 45,659 | 32,371 | 32,127 | 26,847 | 22,214 |
| Experience Adjustment | 9,540 | (465) | 790 | 211 | 225 |

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| **9 TRADE AND OTHER PAYABLES** | | Rupees | |
| Creditors for: | | | |
| - Goods supplied | | 126,357,971 | 137,754,374 |
| - Services | | 35,888,185 | 30,321,112 |
| Accrued liabilities | | 98,726,681 | 68,429,772 |
| Bills payable | | - | 35,872,854 |
| Advances from customers | | 10,340,628 | 11,786,675 |
| Security deposits | | 107,000 | 107,000 |
| Worker's profit participation fund | 9.1 | 3,116,873 | 18,713,081 |
| Unclaimed dividend | | 5,069,987 | 5,107,336 |
| Tax deducted at source | | 1,731,028 | 525,516 |
| Payable to employees | | 420,194 | 186,128 |
| Collector of custom | | - | 87,398 |
| | | 281,758,547 | 308,891,245 |
| **9.1 Worker's profit participation fund** | | | |
| Balance at the beginning of the year | | 18,713,081 | 16,329,041 |
| Add: Allocation for the year | | 3,116,873 | - |
| Add: Interest on funds utilized in Company's business | | 2,306,605 | 2,384,040 |
| | | 24,136,559 | 18,713,081 |
| Less: Payment made during the year | | (21,019,686) | - |
| | | 3,116,873 | 18,713,081 |

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| **10 ACCRUED INTEREST/ MARKUP** | | Rupees | |
| Long term financing | | 3,919,424 | 6,324,027 |
| Short term borrowings | | 16,425,538 | 11,741,477 |
| | | 20,344,962 | 18,065,503 |

**11 SHORT TERM BORROWINGS - From banking companies - Secured**

| | | | |
|---|---|---|---|
| Habib Bank Limited | 11.1 | 411,030,738 | 378,661,694.77 |
| United Bank Limited | 11.2 | 564,875,157 | 386,601,218.75 |
| | | 975,905,895 | 765,262,914 |

**11.1** These represent utilized portion of short term finance facilities of Rs. 1,273 million (2012 : Rs. 1,023 million) available from Habib Bank Limited under mark up arrangement. These facilities carry mark up of one month KIBOR plus 1.5% per annum and one month LIBOR plus 3% per annum and shall expire by January 31, 2014. These short term borrowings along with long term financing are secured by first pari passu equitable mortgage charge on property, plant and equipment of the Company valuing Rs. 932 million, pledge of cotton and polyester bales, lien on import documents / export contracts and personal guarantee of the chief executive and director of the Company.

**11.2** These represent utilized portion of short term finance facilities of Rs. 1,516 million (2012 : Rs. 830 million) available from United Bank Limited under mark up arrangement. These facilities carry mark up at 1 month KIBOR plus 1.25% - 1.30% per annum and one month LIBOR plus 3%. These borrowings along with long term financing are secured by first pari passu charge on present and future fixed assets of the Company premises valuing Rs. 885 million, pledge of cotton and polyester bales, lien on import documents / export contracts and personal guarantee of the chief executive and director of the Company.

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| **12 PROVISION FOR TAXATION-Net** | | |
| Opening balance | 48,460,770 | 66,129,717 |
| Provision for the year | 43,796,620 | 48,460,770 |
| Payments / adjustments against advance tax | (48,460,770) | (66,129,716) |
| | 43,796,620 | 48,460,770 |

Income tax return up to and including tax year 2012 has been filed to the tax authorities under the provision of Income Tax Ordinance, 2001.

## 13 CONTINGENCIES AND COMMITMENTS

**Contingencies**

**13.1** The Company has provided bank guarantee in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 53.130 million (2012 : Rs. 53.130 million) on account of security deposits against the consumption of natural gas.

**13.2** Export bills discounted Rs. 193.345 million (2012 : Rs. 153.01 million)

**13.3** Post dated cheques issued in the favour of Collector of Custom against import Rs. 36,031 million (2012 : Rs 38.932 million)

**Commitments**

Commitments in respect of irrevocable letters of credit for the import of raw material and spare parts of machinery as at the balance sheet date amount to Rs. 16.492 million (2012 : Rs. 149.009 million ).

## 14 PROPERTY, PLANT AND EQUIPMENT

Rupees

| Particulars | Cost / Revalued Amount | | | | Rate | Accumulated Depreciation | | | | Book Value |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2012 | Additions | Disposals | As at June 30, 2013 | % | As at July 01, 2012 | Disposals | For the year | As at June 30, 2013 | as at June 30, 2013 |
| **Owned** | | | | | | | | | | |
| Land - freehold | 89,416,871 | - | - | 89,416,871 | - | - | - | - | - | 89,416,871 |
| Buildings on freehold land | 428,018,197 | 439,930 | - | 428,458,127 | 5-10 | 232,689,785 | - | 13,645,865 | 246,335,650 | 182,122,477 |
| Plant and machinery | 2,274,592,898 | 146,001,026 | (95,747,563) | 2,324,846,361 | 10 | 1,296,307,759 | (72,178,334) | 102,049,364 | 1,326,178,789 | 998,667,572 |
| Grid station and generators | 19,824,594 | - | - | 19,824,594 | 10 | 10,332,825 | - | 942,452 | 11,275,276 | 8,549,318 |
| Furniture and fixtures | 15,904,780 | 111,150 | - | 16,015,930 | 10 | 9,695,779 | - | 627,978 | 10,323,757 | 5,692,173 |
| Vehicles | 34,217,793 | 32,140,247 | (807,215) | 65,550,825 | 20 | 25,456,749 | (592,412) | 2,891,774 | 27,756,112 | 37,794,713 |
| Equipment | 18,183,229 | 2,561,394 | - | 20,744,623 | 10 | 10,674,727 | - | 902,836 | 11,577,563 | 9,167,060 |
| Electric installations | 60,168,036 | 582,870 | - | 60,750,906 | 10 | 41,941,765 | - | 1,882,897 | 43,824,662 | 16,926,244 |
| **Rupees 2013** | 2,940,326,398 | 181,836,617 | (96,554,778) | 3,025,608,237 | | 1,627,099,388 | (72,770,746) | 122,943,167 | 1,677,271,809 | 1,348,336,428 |
| **Rupees 2012** | 2,931,785,574 | 112,022,199 | (103,481,375) | 2,940,326,398 | | 1,579,413,326 | (77,914,764) | 125,600,826 | 1,627,099,388 | 1,313,227,010 |

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

Rupees

| | As at June 30, 2013 | | |
|---|---|---|---|
| | Cost | Accumulated Depreciation | Book value |
| Land - freehold | 57,895,548 | - | 57,895,548 |
| Buildings on freehold land | 295,331,622 | 154,351,588 | 140,980,034 |
| Plant and machinery | 1,869,595,211 | 968,746,217 | 900,848,994 |
| Grid station and generators | 18,881,607 | 10,584,854 | 8,296,753 |
| | 2,241,703,988 | 1,133,682,658 | 1,108,021,330 |

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

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Cost of sales | 23 | 118,557,103 | 122,165,705 |
| Administrative expenses | 25 | 4,386,064 | 3,435,122 |
| | | 122,943,167 | 125,600,826 |

**14.3 Disposal of property, plant and equipment**

Rupees

| Particulars | Cost / Revalued | Accumulated Depreciation | Book Value | Sale Proceeds | Gain / (Loss) | Mode of Disposal | Particulars of Purchaser |
|---|---|---|---|---|---|---|---|
| Autocone Murata | 13,841,112 | 10,885,070 | 2,956,042 | 1,372,000 | (1,584,042) | Negotiation | Golden Textile Mills |
| Scutcher Machine | 541,575 | 229,282 | 312,293 | 301,724 | (10,569) | Negotiation | Iftekhar Lodhi |
| Drawing Machines | 8,129,673 | 5,108,388 | 3,021,285 | 431,031 | (2,590,254) | Negotiation | S.A. Traders |
| Card Machines | 49,496,849 | 38,634,877 | 10,861,972 | 2,586,205 | (8,275,767) | Negotiation | S.A. Traders |
| Card Machines | 12,923,129 | 10,087,177 | 2,835,952 | 1,724,137 | (1,111,815) | Negotiation | Imtiaz Textile Mills |
| Drawing Machines | 3,964,448 | 2,327,410 | 1,637,038 | 143,679 | (1,493,359) | Negotiation | S.A. Traders |
| Drawing Machines | 3,410,998 | 2,662,462 | 748,536 | 71,840 | (676,696) | Negotiation | S.A. Traders |
| Scutcher Machine | 1,226,960 | 770,977 | 455,983 | 43,103 | (412,880) | Negotiation | Imtiaz Textile Mills |
| Scutcher Machine | 2,212,820 | 1,472,691 | 740,129 | 491,335 | (248,794) | Negotiation | Reliance Weaving |
| Nissan Single Cabin | 319,300 | 316,838 | 2,462 | 150,000 | 147,538 | Negotiation | Mr. Rasool Khan |
| Suzuki Mehran | 487,915 | 275,574 | 212,341 | 400,000 | 187,659 | Insurance claim | Adamjee Insurance |
| ***June 30, 2013*** | 96,554,779 | 72,770,746 | 23,784,033 | 7,715,054 | (16,068,979) | | |
| ***June 30, 2012*** | 103,481,375 | 77,914,765 | 25,566,610 | 15,843,537 | (9,723,073) | | |

| | | NOTE | 2013 | 2012 |
|---|---|---|---|---|
| 15 | **CAPITAL WORK IN PROGRESS** | | Rupees | |
| | Plant and machinery: | | | |
| | - Opening balance | | - | 1,262,930 |
| | - Additions during the year | | 16,830,191 | 11,219,489 |
| | | | 16,830,191 | 12,482,419 |
| | - Transferred to property, plant and equipment | | - | (12,482,419) |
| | | | 16,830,191 | - |
| | Building | | | |
| | - Opening balance | | - | - |
| | - Additions during the year | | 895,544 | - |
| | | | 895,544 | - |
| | - Transferred to property, plant and equipment | | - | - |
| | | | 895,544 | - |
| | Vehicles - Lifting machines | | | |
| | - Opening balance | | - | - |
| | - Additions during the year | | - | 1,205,312 |
| | | | - | 1,205,312 |
| | - Transferred to property, plant and equipment | | - | (1,205,312) |
| | | | - | - |
| | | | 17,725,735 | - |
| 16 | **STORES, SPARES AND LOOSE TOOLS** | | | |
| | Stores | 16.1 | 24,082,573 | 26,475,445 |
| | Spares | 16.1 | 59,366,959 | 55,239,827 |
| | Loose tools | | 901,625 | 874,458 |
| | | | 84,351,158 | 82,589,730 |

**16.1** No identifiable store and spare are held for specific capitalization.

| | | NOTE | 2013 | 2012 |
|---|---|---|---|---|
| 17 | **STOCK IN TRADE** | | | |
| | Raw material | 17.1 | 588,951,327 | 308,807,169 |
| | Work in process | | 67,893,318 | 68,108,189 |
| | Finished goods | | 380,671,586 | 394,971,418 |
| | | | 1,037,516,231 | 771,886,776 |

**17.1** This includes an amount of Rs. 474.117 million (2012 : Rs. 102.086 million) approximately, which is pledged against short term finances.

Also, it includes sizing material of Rs. 11.20 million (2012 : Rs. 12,52 million).

| | | 2013 | 2012 |
|---|---|---|---|
| 18 | **TRADE DEBTS** | | |
| | Local debts | | |
| | (Unsecured - considered good) | 22,486,162 | 19,394,199 |
| | Foreign debts | | |
| | (Unsecured - considered good) | 310,429,665 | 233,971,804 |
| | | 332,915,827 | 253,366,003 |

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| | | Rupees | |
| **19 LOANS AND ADVANCES** | | | |
| Employees | | 2,758,933 | 2,337,948 |
| Suppliers | | 6,666,495 | 4,236,418 |
| Income tax deducted at source | | 66,778,773 | 50,193,649 |
| Letters of credit | | 10,289 | 25,919,302 |
| | | 76,214,491 | 82,687,317 |
| **20 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS** | | | |
| Prepayments | | 1,078,053 | 282,264 |
| **21 CASH AND BANK BALANCES** | | | |
| Cash in hand | | 302,500 | 638,425 |
| Cash with banks in current accounts | | 1,314,290 | 14,421,666 |
| | | 1,616,790 | 15,060,091 |
| **22 SALES - NET** | | | |
| Local: | | | |
| - Yarn | | 1,055,054,811 | 1,562,676,047 |
| - Fabric | | 691,116,522 | 542,205,022 |
| | | 1,746,171,333 | 2,104,881,069 |
| Export: | | | |
| - Yarn | | 909,098,361 | 81,959,758 |
| - Fabric | | 2,632,509,476 | 2,569,837,932 |
| | | 3,541,607,837 | 2,651,797,690 |
| Waste | | 91,089,135 | 89,398,191 |
| Doubling income | | 1,161,500 | - |
| Rebate on export | | 1,480,280 | 1,512,757 |
| | | 5,381,510,085 | 4,847,589,707 |
| **23 COST OF GOODS SOLD** | | | |
| Raw materials consumed | **23.01** | 3,506,105,048 | 3,424,165,879 |
| Processing charges | | 107,155,535 | 108,542,070 |
| Salaries, wages and other benefits | **23.02** | 318,161,618 | 250,892,925 |
| Fuel and power | | 472,948,471 | 412,408,042 |
| Packing materials consumed | | 61,779,251 | 50,567,061 |
| Sizing materials consumed | | 54,589,476 | 63,223,272 |
| Stores and spares consumed | | 176,450,219 | 156,337,792 |
| Repair and maintenance | | 22,832,522 | 13,793,224 |
| Insurance | | 4,776,150 | 4,605,353 |
| Depreciation | **14.2** | 118,557,103 | 122,165,705 |
| Other manufacturing expenses | | 4,820,353 | 5,401,902 |
| | | 4,848,175,745 | 4,612,103,225 |
| Opening work in process | | 68,108,189 | 75,070,743 |
| Closing work in process | | (67,893,318) | (68,108,189) |
| | | 214,871 | 6,962,554 |
| Cost of goods manufactured | | 4,848,390,615 | 4,619,065,779 |
| Opening finished goods | | 394,971,418 | 331,891,019 |
| Closing finished goods | | (380,671,586) | (394,971,418) |
| | | 14,299,832 | (63,080,399) |
| | | 4,862,690,447 | 4,555,985,380 |

| | | NOTE | 2013 | 2012 |
|---|---|---|---|---|
| | | | Rupees | |
| **23.01** | **Raw material consumed** | | | |
| | Opening stock | | 296,283,056 | 564,995,979 |
| | Purchases | | 3,773,661,234 | 3,145,757,342 |
| | Cotton cess | | 1,863,028 | 844,517 |
| | Cotton handling charges | | 12,052,120 | 8,851,098 |
| | | | 4,083,859,438 | 3,720,448,936 |
| | Closing stock | | (577,754,390) | (296,283,057) |
| | | | 3,506,105,048 | 3,424,165,879 |

**23.02** Salaries, wages and benefits include Rs. 7.58 million (2012 : Rs. 6.948 million) on account of staff retirement benefits.

## 24 SELLING AND DISTRIBUTION

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| Salaries, wages and benefits | **24.01** | 5,062,714 | 4,076,164 |
| Export development surcharge | | 8,808,210 | 6,336,997 |
| Commission to selling agents | | 60,677,560 | 46,356,567 |
| Carriage and freight - export | | 115,860,531 | 94,488,802 |
| - local | | 1,526,200 | 802,650 |
| Export expenses | | 16,583,465 | 13,323,461 |
| Samples | | 3,424,757 | 3,667,470 |
| | | 211,943,437 | 169,052,111 |

**24.01** Salaries, wages and benefits include Rs. 0.718 million (2012 : Rs. 0.666 million) on account of staff retirement benefits.

## 25 ADMINISTRATIVE AND GENERAL EXPENSES

| | NOTE | 2013 | 2012 |
|---|---|---|---|
| Salaries, wages and other benefits | **25.1** | 53,413,673 | 42,478,846 |
| Traveling and conveyance | | 10,131,486 | 5,887,826 |
| Repairs and maintenance | | 3,757,328 | 3,909,221 |
| Rent, rates and taxes | | 67,612 | 67,615 |
| Printing and stationery | | 2,612,352 | 2,265,489 |
| Insurance | | 1,538,473 | 914,288 |
| Fees and subscription | | 2,761,909 | 1,784,030 |
| Telephone and Postage | | 3,194,347 | 2,901,092 |
| Vehicle running and maintenance | | 8,975,397 | 7,618,361 |
| Utilities | | 1,210,852 | 1,316,705 |
| Advertisement | | 242,650 | 131,800 |
| Books and periodicals | | 20,211 | 28,232 |
| Entertainment | | 2,127,700 | 2,472,457 |
| Miscellaneous expenses | | 66,145 | - |
| Depreciation | **14.2** | 4,386,064 | 3,435,122 |
| | | 94,506,200 | 75,211,084 |

**25.1** Salaries, wages and benefits include Rs. 5.532 million (2012 : Rs. 5.077 million) on account of staff retirement benefits.

## 26 OTHER OPERATING CHARGES

| | 2013 | 2012 |
|---|---|---|
| Auditors' remuneration | | |
| - Statutory audit | 1,000,000 | 1,000,000 |
| - Half yearly review | 95,000 | 95,000 |
| - Certification charges | 100,000 | 100,000 |
| - Out of pocket | 25,000 | 25,000 |
| | 1,220,000 | 1,220,000 |
| Legal and professional charges | 518,585 | 1,102,287 |
| Provision for W.P.P.F | 3,116,873 | - |
| Balances written off | 2,569,849 | 2,150,232 |
| Loss on disposal of property, plant and equipment | 16,068,974 | 9,723,074 |
| Donation | - | 200,000 |
| Exchange loss | 5,132,618 | 31,911,113 |
| | 28,626,898 | 46,306,706 |

| | 2013 | 2012 |
|---|---|---|
| **27 OTHER OPERATING INCOME** | **Rupees** | |
| Scrap sales | 12,131,713 | 13,727,076 |
| Miscellaneous | - | 294,889 |
| | 12,131,713 | 14,021,965 |
| **28 FINANCE COST** | | |
| Interest / mark up on: | | |
| - Long term financing | 39,199,538 | 37,566,701 |
| - Short term borrowings | 83,254,534 | 75,528,178 |
| | 122,454,072 | 113,094,879 |
| Bank charges and commission | 14,200,176 | 12,595,289 |
| Interest on Workers' profit participation fund | 2,306,605 | 2,384,040 |
| | 138,960,853 | 128,074,209 |
| **29 TAXATION** | | |
| Taxation: | | |
| - Current year | 43,796,620 | 48,460,770 |
| Prior year | - | (5,839,563) |
| - Deferred | (42,563,407) | 5,821,397 |
| | 1,233,212 | 48,442,604 |

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

## 30 EARNING PER SHARE - Basic

| | | | |
|---|---|---|---|
| Profit / (Loss) after taxation for the year | **Rupees** | 55,680,750 | (161,460,420) |
| Outstanding weighted average ordinary shares | **No. of shares** | 32,635,600 | 32,635,600 |
| Earnings per share - Basic | **Rupees** | 1.71 | (4.95) |

**30.1 Diluted earnings per share**

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

## 31 CHIEF EXECUTIVE'S DIRECTORS' AND EXECUTIVES' REMUNERATION

| | | |
|---|---|---|
| Directors | 787,500 | - |
| Number of persons | 2 | - |
| Executives | 16,424,000 | 12,142,500 |
| Number of persons | 16 | 16 |

**31.1** No remuneration has been paid to chief executive of the Company.

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

## 32 TRANSACTIONS WITH RELATED PARTIES

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

| | 2013 | 2012 |
|---|---|---|
| ***Associated undertakings*** | **Rupees** | |
| Payment made for store purchases | - | 138,501 |
| Purchase of Cotton | 85,390,219 | 179,648,439 |
| Payment against cotton purchase | 85,390,219 | 179,648,439 |
| ***Directors*** | | |
| Loan obtained from directors | 170,000,000 | 55,000,000 |
| Payment made during the year | 15,221,550 | 46,968,674 |

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

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

## 33 PLANT CAPACITY AND PRODUCTION

**Spinning**

| | | 2013 | 2012 |
|---|---|---|---|
| No. of spindles installed | | 51,072 | 51,072 |
| No. of spindles worked | | 51,072 | 51,072 |
| No. of shifts | | 3 | 3 |
| Actual production of yarn converted into 20/S count based on three shifts per day | Kgs | 14,284,089 | 14,520,144 |
| **Weaving** | | | |
| No. of looms installed | | 168 | 168 |
| No. of looms worked | | 168 | 166 |
| No. of shifts | | 3 | 3 |
| Actual production converted to 40 picks based on three shifts per day | Sq. meters | 61,208,201 | 62,250,730 |

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

## 34 FINANCIAL INSTRUMENTS BY CATEGORY

| | 2013 | 2012 |
|---|---|---|
| | **Rupees** | |
| **Financial assets as per balance sheet** | | |
| Long term deposits | 12,952,014 | 12,952,014 |
| Trade debts | 332,915,827 | 253,366,003 |
| Loans and advances | 2,758,933 | 28,257,250 |
| Cash and bank balances | 1,616,790 | 15,060,091 |
| | **350,243,564** | **309,635,358** |
| **Financial liabilities as per balance sheet** | | |
| Long term financing | 1,391,883,850 | 1,201,739,448 |
| Trade and other payables | 269,686,890 | 296,579,054 |
| Accrued interest/mark-up | 20,344,962 | 18,065,503 |
| Short term borrowings | 975,905,895 | 765,262,914 |
| | **2,657,821,597** | **2,281,646,919** |

**34.01 Fair values of financial assets and liabilities**

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

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

## 35 FINANCIAL INSTRUMENTS

**Financial risk factors**

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

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

**(a) Market risk**

**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| Foreign trade debts | 310,429,665 | 233,971,804 |
| Foreign currency short term borrowings | | |
| - Habib Bank Limited | (228,413,443) | (220,789,589) |
| - United Bank Limited | (247,823,415) | (286,815,741) |
| Gross balance sheet exposure | (165,807,193) | (273,633,526) |
| Outstanding letter of credit | (16,492,170) | (149,009,423) |
| Net exposure | (182,299,363) | (422,642,949) |

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

| | 2013 | 2012 |
|---|---|---|
| USD to PKR | 98.80 | 94.20 |

The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure.

At June 30, 2013, if the Pakistan Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year have been higher / lower by Rs. 16,580,179 (2012 : 28,188,973) mainly as a result of foreign exchange losses / gains on translation of foreign debts, foreign currency borrowings.

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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

**(iii) Financial liabilities**

| | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| | Percentage | | Rupees | |
| Long term financing | | | | |
| - Fixed rate | 7.00 | 7.00 | 24,729,376 | 71,190,648 |
| - Variable rate | 10.61 to 14.49 | 13.20 to 16.03 | 334,411,223 | 252,583,999 |
| Short term borrowings | 3.42 to 13.64 | 03.87 to 15.29 | 975,905,895 | 765,262,914 |
| | | | 1,335,046,494 | 1,089,037,561 |
| Total yield / mark up rate risk sensitivity gap | | | (1,335,046,494) | (1,089,037,561) |

**(iv) Fair value sensitivity analysis for fixed rate instruments:**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

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

A change of 1% in interest rates at the reporting date would have decreased / increased loss for the year by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remains constants. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet date were outstanding for the whole year.

| | Effect on Profit and Loss 1% rate | |
|---|---|---|
| | **Increase** | **Decrease** |
| **As at June 30, 2013** | | |
| Cash flow sensitivity - variable rate financial liabilities | 13,103,171 | (13,103,171) |
| **As at June 30, 2012** | | |
| Cash flow sensitivity - variable rate financial liabilities | 10,253,578 | (10,253,578) |

**(vi) Other price risk**

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

**(b) Credit risk**

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

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 348,626,774 (2012 : Rs. 301,163,187), the financial assets exposed to credit risk amount to Rs. 384,322,782 (2012 : Rs. 286,103,097).

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

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| Local debts | 22,486,162 | 19,394,199 |
| Foreign debts | 310,429,665 | 233,971,804 |
| | 332,915,827 | 253,366,003 |

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

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

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| Yarn | 82,943,780 | 153,182,298 |
| Fabric | 248,272,883 | 97,720,734 |
| Others | 1,699,164 | 2,462,971 |
| | 332,915,827 | 253,366,003 |
| The aging of loans and receivables at the reporting date was: | | |
| Past due 0-6 months | 329,516,829 | 249,487,163 |
| Past due 6-12 months | 3,398,998 | 3,878,840 |
| | **332,915,827** | **253,366,003** |

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

| | 2013 | 2012 |
|---|---|---|
| | Rupees | |
| Long term deposits | 12,952,014 | 12,952,014 |
| Trade debts | 332,915,827 | 253,366,003 |
| Loans and advances | 2,758,933 | 28,257,250 |
| Sales tax refundable | 33,642,462 | 26,162,728 |
| Cash and bank balances | 1,616,790 | 15,060,091 |
| | **383,886,026** | **335,798,086** |

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

| Bank | Rating Agency | Short Term Borrowings | Long Term Loans |
|---|---|---|---|
| United Bank Limited | JCR-VIS | A1+ | AA+ |
| Habib Bank Limited | JCR-VIS | A1+ | AAA |

**(c) Liquidity risk**

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

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

| | 2013 (Rupees) | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Contractual cash flows | Six months or less | Six to twelve months | One to five years |
| **Non-Derivative Financial Liabilities** | | | | | |
| Long term financing (from banking companies) | 359,140,599 | 420,603,476 | 75,127,296 | 96,464,565 | 249,011,615 |
| Trade and other payables | 281,758,547 | 281,758,547 | 281,758,547 | - | - |
| Short term borrowings | 975,905,895 | 992,331,433 | 992,331,433 | - | - |
| | 1,616,805,041 | 1,694,693,456 | 1,349,217,275 | 96,464,565 | 249,011,615 |

| | 2012 (Rupees) | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Contractual cash flows | Six months or less | Six to twelve months | Two to five years |
| **Non-Derivative Financial Liabilities** | | | | | |
| Long term financing (from banking companies) | 323,774,647 | (386,322,695) | (97,643,496) | (78,208,241) | (210,470,958) |
| Trade and other payables | 308,891,245 | (305,626,777) | (305,626,777) | - | - |
| Short term borrowings | 765,262,914 | (871,618,145) | (871,618,145) | - | - |
| | 1,397,928,806 | (1,563,567,617) | (1,274,888,418) | (78,208,241) | (210,470,958) |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June, 2013. The rates of mark-up have been disclosed in note 06 to these financial statements.

**36 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to Company's approach to capital management during the year. The Company is not subject to any externally imposed Capital requirements.

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

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

**37 INFORMATION ABOUT REPORTING SEGMENT**

The following table presents revenue and profit information regarding the Company's operating segments for the year ended June 30, 2013 and 2012 respectively.

| | Spinning | Weaving | Inter - segment Transactions | Consolidated |
|---|---|---|---|---|
| | **2013** (Rupees) | | | |
| Sales | 3,608,069,605 | 3,340,134,430 | (1,566,693,950) | 5,381,510,085 |
| Cost of Sales: | (3,407,564,626) | (3,021,819,772) | 1,566,693,950 | (4,862,690,448) |
| Gross profit | 200,504,979 | 318,314,658 | - | 518,819,637 |
| Selling and distribution costs | (42,089,338) | (169,854,099) | - | (211,943,437) |
| Administrative and general expenses | (54,190,276) | (40,315,924) | - | (94,506,200) |
| Profit before taxation and un allocated expenses | 104,225,365 | 108,144,636 | | 212,370,001 |
| Un-allocated expenses: | | | | |
| Other operating expenses | | | | (28,626,898) |
| Other operating income | | | | 12,131,713 |
| Finance cost | | | | (138,960,853) |
| Loss before taxation | | | | 56,913,962 |
| Taxation | | | | 1,233,212 |
| **Net profit for the year** | | | | **55,680,750** |
| | **2012** (Rupees) | | | |
| Sales | 3,019,566,931 | 3,131,259,358 | (1,303,236,582) | 4,847,589,707 |
| Cost of Sales: | (2,973,797,948) | (2,885,424,013) | 1,303,236,582 | (4,555,985,380) |
| Gross profit | 45,768,983 | 245,835,345 | - | 291,604,327 |
| Selling and distribution costs | (10,204,928) | (154,771,019) | - | (164,975,947) |
| Administrative and general expenses | (45,333,779) | (33,953,468) | - | (79,287,247) |
| Profit before taxation and un allocated expenses | (9,769,724) | 57,110,858 | | 47,341,133 |
| Un-allocated expenses: | | | | |
| Other operating expenses | | | | (48,690,746) |
| Other operating income | | | | 14,021,965 |
| Finance cost | | | | (125,690,169) |
| Profit before taxation | | | | (113,017,817) |
| Taxation | | | | (48,442,603) |
| **Net (loss) for the year** | | | | **(161,460,420)** |

## 38 AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts have been authorized for issue by the Board of Directors of the Company on October 02, 2013.

## 39 GENERAL

**39.1** Figures have been rounded off to the nearest of rupees;

**39.2** Comparative figures have been rearranged / reclassified, wherever necessary, to facilitate comparison.

**CHIEF EXECUTIVE** **DIRECTOR**

# PROXY FORM
## ($24^{th}$ ANNUAL GENERAL MEETING)

I/We ______________________________________________ son/daughter/wife

of ______________________________________ of ______________ being member (s)

of GHAZI FABRICS INTERNATIONAL LIMITED, holder of ______________________

ordinary shares of the Company, under Folio No. / Participant's ID/CDC sub account No. ______________

hereby appoint ______________ of ________________ failing him/her ______________

of ________________ who is/are member(s) of GHAZI FABRICS INTERNATIONAL LIMITED

under Folio No. / Participant's ID/CDC sub-account No. ______________ respectively, as my/our proxy

in my/our absence to attend and vote for me/us and on my/our behalf at the $24^{th}$ Annual General Meeting of the Company to be held on October 30, 2013 and/or any adjournment thereof.

As witness my/our hand this ____________ day of October, 2013

Signed in the presence of.

Witness ______________________________

Name ______________________________

Occupation ______________________________

Address ______________________________

______________________________

______________________________

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

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

## IMPORTANT:

1. This Proxy Form, duty completed and signed, must be received at the Registered Office of the Company , at 8-C, E-III Gulberg III, Lahore Not less than 48 hours before the time of holding the meeting.

2. No person shall act as Proxy unless he/she is a member of the Company, except that a Corporation/Company may appoint a person who is not a member.

3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

4. In case of Proxy for an individual beneficial Owner of CDC, attested copies of beneficial Owner's NIC or Passport, Account and Participant's I.D. Nos. must be deposited along with the Form of Proxy. In case of Proxy for Corporate members, he/she should bring the usual documents required of such purpose.

5. Shareholders are requested to notify change in their address, if any.

AFFIX
CORRECT
POSTAGE

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