



Ghazi Fabrics International Limited

Annual Report 2014



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
Mohammad Tariq

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, FCA

Chief Financial Officer

Abid Rafi

Internal Auditor

Nasir Imran Elahi, ACA

Auditors

M/s. Qadeer & Company
Chartered Accountants
Lahore

Share registrar

M/s. Corplink (Pvt.) Ltd.
Wings Arcade, I-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. Kasure.

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.

I. 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 lose 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 employee 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 25th ANNUAL GENERAL MEETING.

NOTICE is hereby given that the 25th Annual General Meeting of the Shareholders of **GHAZI FABRICS INTERNATIONAL LTD.** will be held on Monday the 27th October, 2014 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 24th Annual General Meeting of the members of the Company held on Wednesday the 30th October, 2013.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2015. The present auditors M/s. Qadeer & Co., Chartered Accountants, retire and being eligible has offered themselves for reappointment.
4. To elect seven Directors of the Company, as fixed by the Board in pursuance of Section 178(1) of the Companies Ordinance 1984 for a term of three years commencing from 28th October, 2014. The names of retiring Directors are (1) Mr. Mohammad Arshad Chaudhry (2) Mr. Kamran Arshad (3) Mr. Mohammad Tariq (4) Mr. Rizwan Arshad (5) Mrs. Azra Yasmeen (6) Miss Fareeha Arshad (7) Mrs. Wajeeha Haaris
5. To transact any other ordinary business with the permission of the Chair.

by order of the Board

LAHORE:
October 03, 2014.

(NAUMAN IQBAL)
Company Secretary

NOTES:-

- I. Share Transfer Books of the Company will remain closed from 21st October, 2014 to 27th October, 2014 (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 along-with the audited financial statements for the year ended June 30, 2014.

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;

	2014	2013
	<i>R u p e e s (000)</i>	
Sales	5,338,764	5,381,510
Gross profit	515,881	533,460
Operating profit	224,865	218,353
Financial charges	(193,628)	(138,960)
Profit after tax	10,529	66,912
Earning per share (EPS) Rs.	0.32	2.05

Financial and operational performance:

As the above figure show, company has posted a after tax profit of Rs. 10.53 million as compared to a profit of Rs. 66.91 million last year. This is the result of depressed cotton yarn demand in domestic as well as in China due to the availability of subsidized Indian yarn. The finance cost recorded show increase of around 39% due to the requirement of working capital for build up of stock in trade and increase in long term loans obtained to finance the BMR. The decrease in profit is also attributable to the rapid appreciation of Pak Rupee in the second half of the current financial year.

Market review

Export sales of Pakistani products are declining in the stagnant global economy due to weak demand and unsold cotton stocks worldwide especially in China. A stronger Rupee against US Dollar has further put pressure on exporters belonging to textile industry. The upsurge in overhead costs due to high fuel and power costs has also lead to increased pressure on the textile industry 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.

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. 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 already upgraded back process and winding capabilities in our one of the spinning units resulting in improvement in efficiency and quality. Now same plan is being executed in the second spinning unit which will be completed in first of quarter of the next financial year.

Weaving

In weaving unit 24 new looms are added to its existing 168 looms shed which were available for production in fourth quarter of this 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 SHE 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	04
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 except as disclosed in pattern of shareholding.

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.

Statement under section 218 of the Companies Ordinance, 1984

Two of our directors namely Mr. Kamran Arshad and Mr. Rizwan Arshad are paid annual remuneration of Rs. 3,600,000 and Rs. 2,700,000 respectively along with company's maintained car and other benefits as per company's rules and policies.

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
September 23, 2014

(Mohammad Arshad Chaudhry)
Chief Executive

PATTERN OF SHAREHOLDING

As At June 30, 2014

Number of shareholders	H o l d i n g s		Total Shares held
	From	To	
588	1	100	54,437
3,643	101	500	1,663,924
360	501	1,000	346,481
312	1,001	5,000	791,044
56	5,001	10,000	453,555
16	10,001	15,000	202,100
3	15,001	20,000	56,500
5	20,001	25,000	117,200
4	25,001	30,000	111,600
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	95,001	100,000	100,000
1	120,001	125,000	124,500
1	145,001	150,000	150,000
1	235,001	240,000	239,700
1	875,001	880,000	877,200
1	1,185,001	1,190,000	1,188,459
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
5001			32,635,600

CATEGORIES OF SHAREHOLDING

Detail of pattern of shareholding

SL. NO.	CATEGORY	NAME	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
1	INDIVIDUALS	--	4,968	16,088,505	49.2974
2	ICP	Investment Corp. of Pakistan	1	12,900	0.0395
3	CHIEF EXECUTIVE	Mr. Mohammad Arshad Chaudhry	1	16,300,000	49.9455
4	DIRECTOR	Mrs. Azra Yasmin	1	1,000	0.0031
5	-DO-	Mr. Kamran Arshad	1	1,000	0.0031
6	-DO-	Mr. Mohammad Tariq	1	1,000	0.0031
7	-DO-	Miss. Fareeha Arshad	1	1,000	0.0031
8	-DO-	Miss. Wajeeha Arshad	1	500	0.0015
9	-DO-	Mr. Rizwan Arshad	1	11,000	0.0337
10	EXECUTIVES	Syed Sabih Riaz	1	1,000	0.0031
10	PUBLIC SECTOR COMPAINES	(Joint Stock Companies)	19	63,795	0.1955
11	NON BANKING FINANCIAL INSTITUTIONS	(Investment Banks)	2	26,600	0.0815
12	INSURANCE COMPANIES		1	124,500	0.3815
13	MODARBAS		2	2,800	0.0086
			5,001	32,635,600	100.0000

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY

NAME OF SHAREHOLDER	NO. OF SHARES	PERCENTAGE %
Mr. Mohammad Arshad Chaudhry	16,300,000	49.9455
Mr. Abdul Khaliq Baloch	3,230,000	9.8972
Mr. Ibrahim Hussain Ibrahim Alhosani	3,225,000	9.8818
Mr. Ahmed Yousaf Ali	3,222,000	9.8727
Mr. Muhammad Javed	2,065,659	6.3295
	28,042,659	85.9266

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follow:-

S.No	NAME	SALE	PURCHASE
1	MR. RIZWAN ARSHAD (CDC)	-	10,000

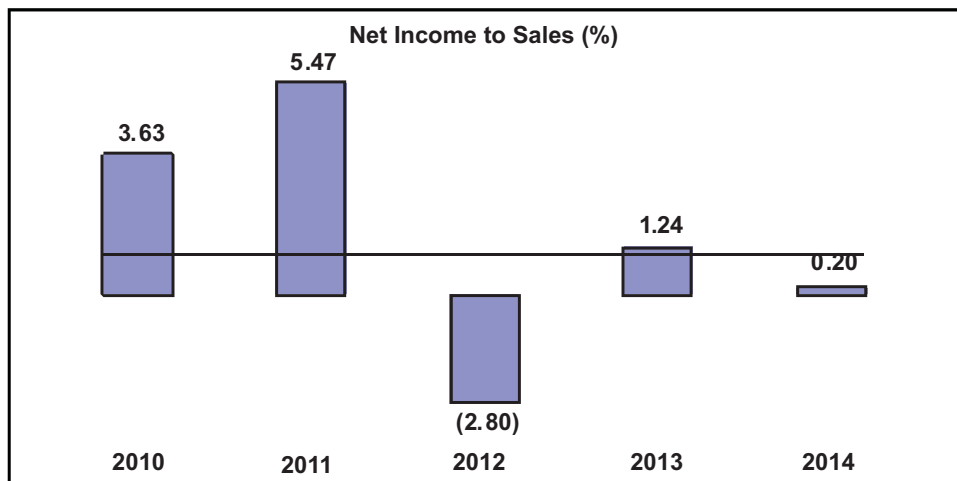
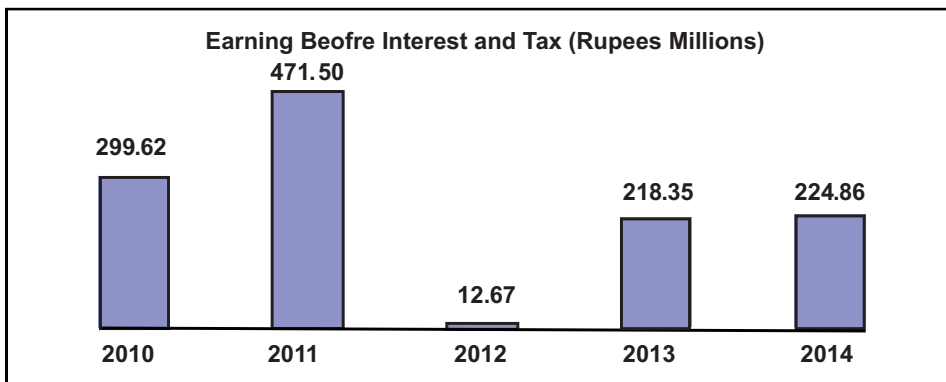
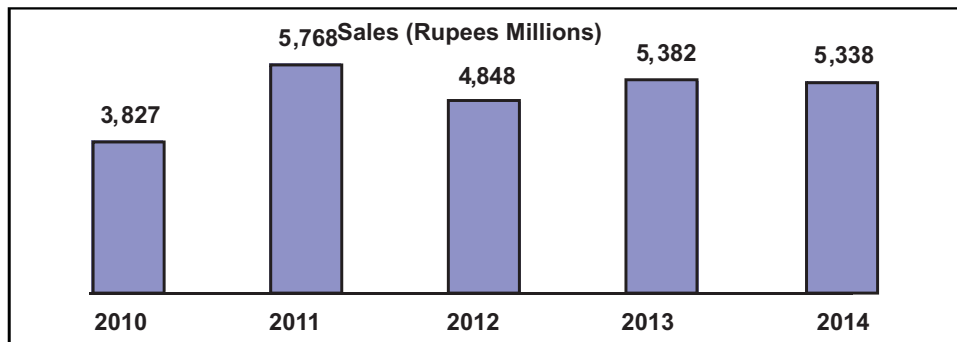
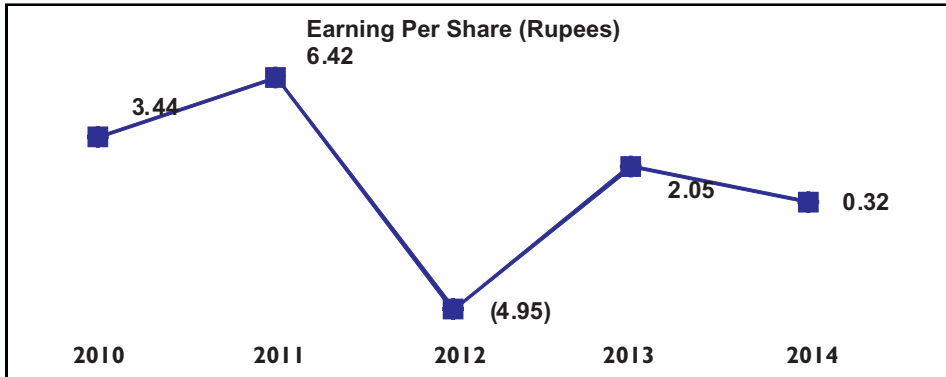
SIX YEARS FINANCIAL STATISTICAL SUMMARY

Description	2014	2013	2012	2011	2010	2009
Rupees in '000'						
Measure of performance						
Sales - net	5,338,764	5,381,510	4,847,590	5,767,986	3,827,202	3,093,333
Cost of sales	4,822,883	4,848,050	4,555,985	5,040,340	3,378,485	2,888,225
Gross profit	515,881	533,460	291,604	727,647	448,717	205,108
Operating profit	224,865	218,353	12,672	471,499	299,617	30,996
Profit / (loss) after tax	10,529	66,912	(161,460)	209,445	112,208	(153,997)
In % age terms						
Operating profit	4.21%	4.06%	-3.33%	3.63%	2.93%	-4.98%
Cost of sales	90.34%	90.09%	93.98%	87.38%	88.28%	93.37%
Profit / (loss) after tax	0.20%	1.24%	0.26%	8.17%	5.19%	0.54%
Financial position						
Property, plant and equipment-net	1,456,991	1,177,669	1,120,081	1,352,372	1,406,574	1,530,188
Capital work in progress	113,381	17,726	-	1,263	158	-
Fixed assets	1,570,372	1,195,395	1,313,227	1,353,635	1,406,732	1,530,188
Current assets						
Stores, spares and loose tools	78,944	84,351	82,590	76,336	68,590	53,855
Stocks in trade	1,069,597	1,037,516	771,887	985,308	732,389	733,463
Other current assets	534,726	443,851	362,498	335,491	249,021	216,792
Cash and cash equivalent	4,452	1,617	15,060	5,273	19,371	3,544
	1,687,719	1,567,335	1,232,035	1,402,409	1,069,371	1,007,654
Current liabilities						
Short term borrowings	1,050,660	975,906	765,263	871,618	912,210	859,276
Current portion of long term loans	123,796	136,219	141,495	122,819	122,819	136,335
Other current liabilities	404,324	345,900	375,418	404,765	262,746	181,422
	1,578,780	1,458,025	1,282,175	1,399,202	1,297,775	1,177,033
Net working capital	108,939	109,310	(50,140)	3,207	(228,404)	(169,379)
Long term loans (Excluding Sponsor's loan)	528,666	222,922	182,280	124,575	247,394	363,546

FINANCIAL HIGHLIGHTS

Financial Highlights		2014	2013	2012	2011	2010	2009
		Rupees					
A. Profitability Ratios:							
Earning before interest, taxation and depreciation	Rs.	343,877,527	326,619,458	139,622,791	593,415,407	437,875,122	180,034,707
Earning before interest and taxation	Rs.	224,864,633	218,353,387	12,672,352	471,498,679	299,616,984	30,995,908
Profit / (Loss) before taxation and depreciation	Rs.	150,249,391	187,658,605	13,932,622	431,481,033	271,423,277	18,402,631
Gross profit ratio	%	9.66	9.91	6.02	12.62	11.72	5.67
Operating profit / (loss) margin to sales (net)	%	4.21	4.06	0.26	8.17	7.83	1.01
Net profit / (loss) margin to sales (net)	%	0.20	1.24	(3.33)	3.63	2.93	(5.03)
EBITD margin to sales (net)	%	6.44	6.07	2.88	10.29	11.44	5.88
B. Liquidity Ratios :							
Current ratio		1.07:1	1.07:1	0.96:1	1:1	1:0.81	1:0.86
Quick / Acid-test ratio		0.34:1	0.31:1	0.29:1	0.24:1	0.20:1	0.19:1
Cash to current liabilities	%	0.28	0.11	1.17	0.38	1.46	0.30
Cash flow from operations to sales	%	1.05	(4.13)	2.67	3.26	7.02	(5.69)
Working capital (Net current assets)	Rs.	108,939,322	109,310,127	(50,140,333)	3,206,685	(254,049,059)	(169,378,766)
Working capital turnover	Times	49.01	49.23	(96.68)	1,798.74	(15.06)	(18.08)
C. Activity / Turnover Ratios							
Debtors turnover ratio	Times	15.36	18.36	19.51	26.63	20.94	20.73
No. of days in receivables / Average collection period	Days	23.77	19.88	18.70	13.71	17.43	17.61
Inventory turnover ratio	Times	4.25	4.91	1.30	5.82	1.15	1.10
No. of days in inventory	Days	85.91	74.40	70.39	62.19	79.18	83.14
Creditors turnover ratio	Times	26	29	21	32	27	34
No. of days in creditors / Average payment period	Days	14.06	12.77	17.78	11.26	13.31	10.75
Property, plant and equipment turnover	Days	90.06	77.92	100.35	87.29	140.04	185.46
Total assets turnover	Days	206.70	174.34	200.56	165.49	239.63	297.26
D. Investment Ratios							
Basic earnings / (loss) per share	Rs.	0.32	2.05	(4.95)	6.42	3.44	(4.72)
Cash dividend per share	Rs.	-	-	-	1.00	1.00	-
E. Capital Structure Ratios							
Total liabilities to total assets	%	99.41	100.11	102.61	88.21	86.85	87.17
Interest coverage		1.16	1.57	0.10	2.91	1.80	0.19

CHARTS AND GRAPHS

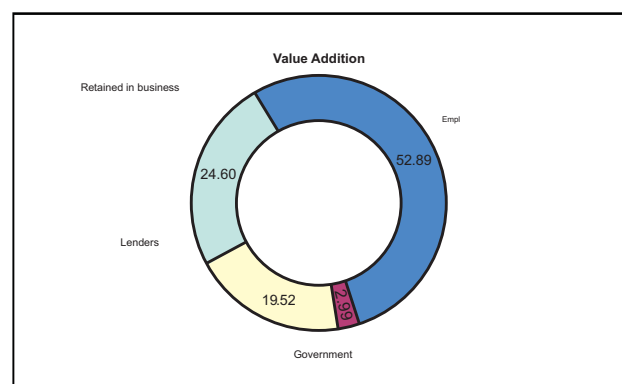
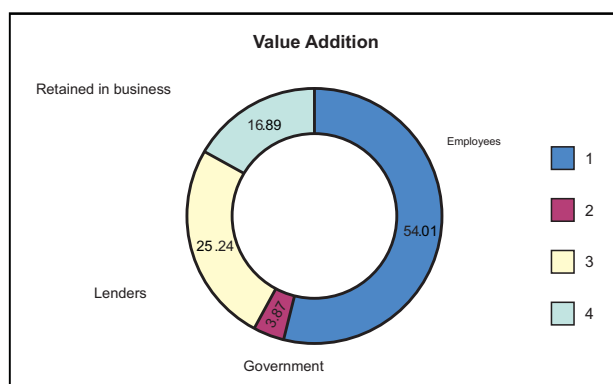


STATEMENT OF VALUE ADDITION

Statement of Value addition	2014	2013
Sales	5,338,763,934	5,381,510,085
Less: Manufacturing / administration and general expenses	4,598,660,842	4,681,576,126
	740,103,092	699,933,960
Other income	27,074,247	12,131,713
Total value added	767,177,339	712,065,673
Distribution		
Employees :		
Salaries and wages	414,316,628	376,638,005
Government :		
Corporate tax	20,707,720	12,480,062
Development surcharge	8,983,185	8,808,210
	29,690,905	21,288,272
Lenders :		
Markup on loans	193,628,135	138,960,853
Retained in business:		
Depreciation	119,012,894	108,266,071
Profit	10,528,778	66,912,472
	129,541,672	175,178,543
	767,177,339	712,065,673

Percentage

Employees	54.01	52.89
Government	3.87	2.99
Lenders	25.24	19.52
Retained in business	16.89	24.60



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED AT JUNE 30, 2014

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:

- 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	<ul style="list-style-type: none"> ○ Mohammad Arshad Chaudhry ○ Kamran Arshad ○ Rizwan Arshad
Non-Executive Directors	<ul style="list-style-type: none"> ○ Mrs. Azra Yasmin ○ Mohammad Tariq ○ Fareeha Arshad ○ 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 27, 2014.

- 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).
- 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.
- There has been no casual vacancy in the Board during the year 2014.
- 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.
- 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.
- 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.
- 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.
- 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 in company premises but one of our directors Mr. Rizwan Arshad has attended training session under board development series. Remaining six directors are exempted under exemption criteria of 14 years of education and 15 years of experience on the board of listed company.
- 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 is held during the year. Mr. Nasir Imran Elahi has been appointed as new Head of Internal Audit after resignation of Mr. Sadat Ali Rao.

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

September 23, 2014

(Mohammad Arshad Chaudhry)

Chief Executive



REVIEW REPORT TO THE MEMBERS
On The Statement of Compliance with the Code of
Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **GHAZI FABRICS INTERNATIONAL LIMITED** (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon the recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

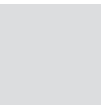
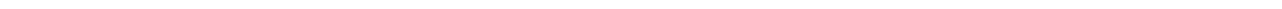
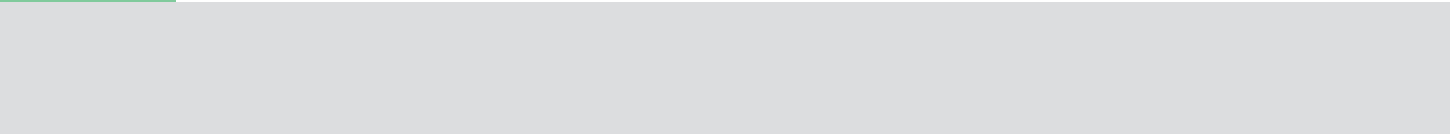
Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Lahore
September 23, 2014

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

Financial Statements

For the year ended June 30, 2014





AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **GHAZI FABRICS INTERNATIONAL LIMITED** ('the Company') as at June 30, 2014 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 4 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, 2014 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 established under section 7 of that Ordinance.

Lahore

September 23, 2014

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

BALANCE SHEET

AS AT JUNE 30, 2014

	Note	Re-stated		
		2014	2013	2012
		Rupees		
CAPITAL AND LIABILITIES				
Share Capital and Reserves				
Authorized capital				
40,000,000 (2013 : 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000	400,000,000
Issued, subscribed and paid up capital	5	326,356,000	326,356,000	326,356,000
Accumulated loss		(307,115,626)	(329,307,815)	(387,977,677)
		19,240,374	(2,951,815)	(61,621,677)
Surplus on Revaluation of Property, Plant and Equipment	4	-	-	-
Non Current Liabilities				
Long term financing	6	528,666,168	222,921,739	182,279,839
Sponsors' loan	7	1,091,005,405	1,032,743,251	877,964,801
Deferred liabilities	8	53,351,254	64,943,476	84,269,502
		1,673,022,827	1,320,608,466	1,144,514,142
Current Liabilities				
Trade and other payables	9	322,566,364	281,758,547	308,891,245
Accrued interest / mark up	10	43,584,436	20,344,962	18,065,503
Short term borrowings	11	1,050,659,855	975,905,895	765,262,914
Current portion of long term financing	6	123,796,206	136,218,860	141,494,808
Provision for taxation	12	38,172,773	43,796,620	48,460,770
		1,578,779,634	1,458,024,884	1,282,175,240
Contingencies and Commitments	13	-	-	-
		3,271,042,835	2,775,681,537	2,365,067,705
ASSETS				
Non Current Assets				
Property, plant and equipment	14	1,456,991,145	1,177,668,777	1,120,080,783
Capital work in progress	15	113,380,720	17,725,735	-
		1,570,371,865	1,195,394,512	1,120,080,783
Long term deposits		12,952,014	12,952,014	12,952,014
		1,583,323,879	1,208,346,526	1,133,032,797
Current Assets				
Stores, spares and loose tools	16	78,943,964	84,351,158	82,589,730
Stock in trade	17	1,069,597,417	1,037,516,231	771,886,776
Trade debts	18	362,412,685	332,915,827	253,366,003
Loans and advances	19	116,375,724	76,214,491	82,687,317
Trade deposits and short term prepayments	20	300,000	1,078,053	282,264
Sales tax refundable		55,637,611	33,642,462	26,162,728
Cash and bank balances	21	4,451,555	1,616,790	15,060,091
		1,687,718,956	1,567,335,012	1,232,034,907
		3,271,042,835	2,775,681,537	2,365,067,705

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

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	Re-stated 2013
		Rupees	
Sales - Net	22	5,338,763,934	5,381,510,085
Cost of goods sold	23	4,822,882,968	4,848,049,676
Gross Profit		515,880,966	533,460,409
Operating expenses:			
- Selling and distribution	24	202,177,410	211,943,437
- Administrative and general	25	111,739,442	94,469,875
- Other operating charges	26	4,173,728	20,825,423
		318,090,580	327,238,735
		197,790,386	206,221,674
Other operating income	27	27,074,247	12,131,713
Profit from operation		224,864,633	218,353,387
Finance cost	28	193,628,135	138,960,853
Profit before taxation		31,236,497	79,392,534
Taxation	29	20,707,720	12,480,062
Profit for the year		10,528,778	66,912,472
Earning per share - Basic	30	0.32	2.05

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2014

	2014	<u>Re-stated</u> 2013
	Rupees	
Profit for the year	10,528,778	66,912,472
Other comprehensive income		
Remeasurements of defined benefit obligation	12,836,861	(9,540,058)
Impact of deferred tax	(1,173,449)	1,297,448
	11,663,412	(8,242,610)
Total comprehensive income for the year	<u>22,192,189</u>	<u>58,669,861</u>

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	2014	Re-stated 2013
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	31,236,497	79,392,534
Adjustments for:		
- Depreciation	119,012,894	108,266,071
- Provision for W.P.P.F	1,664,334	3,116,873
- (Gain) / loss on disposal of property, plant and equipment	(14,281,796)	8,267,499
- Provision for gratuity	19,449,177	13,831,950
- Finance cost	193,628,135	138,960,853
	319,472,744	272,443,246
Operating profit before working capital changes	350,709,241	351,835,779
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	5,407,193	(1,761,428)
- Stock in trade	(32,081,186)	(265,629,455)
- Trade debts	(29,496,858)	(79,549,825)
- Loans and advances	(18,074,008)	23,057,951
- Trade deposits and short term prepayments	778,053	(795,790)
- Other receivables	(21,995,149)	(7,479,735)
Increase / (decrease) in current liabilities:		
- Trade and other payables	38,757,641	(11,536,489)
	(56,704,313)	(343,694,770)
Cash generated from operations	294,004,928	8,141,009
Income tax paid / deducted	(55,716,022)	(65,045,894)
Gratuity paid	(12,080,758)	(10,084,028)
Worker's profit participation fund paid	-	(18,713,081)
Finance cost paid	(170,002,818)	(136,681,395)
Net cash generated from / (used in) operating activities	56,205,330	(222,383,389)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(413,352,861)	(181,836,617)
Capital work in progress	(95,654,985)	(17,725,735)
Proceeds from disposal of property, plant and equipment	29,299,395	7,715,054
Net cash used in investing activities	(479,708,451)	(191,847,298)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayment) of long term loans	293,321,775	35,365,952
Loan from directors and others - net	58,262,154	154,778,450
Short term borrowings	74,753,959	210,642,982
Net cash generated from financing activities	426,337,888	400,787,384
Net increase / (decrease) in cash and cash equivalents	2,834,765	(13,443,302)
Cash and cash equivalents at the beginning of the year	1,616,790	15,060,091
Cash and cash equivalents at the end of the year	21 4,451,555	1,616,790

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, 2014

	Share Capital	Accumulated Loss Rupees	Total
Balance as at July 01, 2012 as previously reported	326,356,000	(372,901,774)	(46,545,774)
Effect of change in accounting policy for recognition of actuarial gains and losses - net of deferred tax	-	1,276,601	1,276,601
Effect of change in accounting policy with respect to property, plant and equipment from revaluation model to cost model - net of deferred tax	-	(16,352,504)	(16,352,504)
Balance as at July 01, 2012 as restated	326,356,000	(387,977,677)	(61,621,677)
Total comprehensive income for the year	-	58,669,861	58,669,861
Balance as at July 01, 2013 as restated	326,356,000	(329,307,815)	(2,951,815)
Total comprehensive income for the year	-	22,192,189	22,192,189
Balance as at June 30, 2014	326,356,000	(307,115,626)	19,240,374

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

I 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. 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.

2.4 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 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, 2014. Charge for the current year is based on estimates provided by the actuary as at June 30, 2014. The following significant assumptions were used in the latest actuarial valuation:

	2014	2013
Discount rate	13.5%	10.5%
Expected rate of salary increase in future years	11.5%	9.5%
Average expected remaining working life time of employees	4 years	4 years
Actuarial valuation method	Projected unit credit method	

3.3 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 Property, plant and equipment

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

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.

3.9 Capital work in progress

Capital work in progress is 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.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 Dividends

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

3.20 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.

3.21 Changes in accounting policies and disclosures

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

Following amendment to existing standards and interpretations has been published and is mandatory for accounting periods beginning on or after January 01, 2013 and are considered to be relevant to the company's operations.

IAS 19, "Employee benefits" which was revised in June 2011 is applicable for the periods beginning on or after January 01, 2013. Consequent changes on the company's accounting policies are as follows: to recognise actuarial gains and losses (remeasurement gains/losses) on employees' retirement benefit plans immediately in other comprehensive income. See Note 4.01 for the impact on financial statements.

3.21.2 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 10	Consolidated Financial Statements	January 01 ,2015
IFRS 11	Joint Arrangements	January 01 ,2015
IFRS 12	Disclosure of Interest in Other Entities	January 01 ,2015
IFRS 13	Fair Value Measurements	January 01 ,2015
IAS 16 & 38	Clarification of Acceptable Method of Depreciation and Amortization	January 01 ,2016
IAS 16 & 40	Agriculture: Bearer Plants	January 01 ,2016
IAS 19	Employee Contributions	July 01 ,2014
IAS 32	Offsetting of Financial Assets and Financial Liabilities (Amendment)	January 01 ,2014
IAS 36	Recoverable Amount for Non-financial Assets (Amendment)	January 01 ,2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01 ,2014
IFRIC 21	Levies	January 01 ,2014

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

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

		Effective Date
IFRS 9	Financial Instruments: Classification and Measurement	January 01 ,2018
IFRS 14	Regulatory Deferral Accounts	January 01 ,2016
IFRS 15	Revenue from Contracts with Customers	January 01 ,2017

4 CHANGE IN ACCOUNTING POLICY

4.01 Staff retirement benefits

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

	Effect for the year ended June 30, 2013	Cumulative effect up to July 01, 2012
	Rupees	
Impact on Balance Sheet		
(Decrease) / increase in:		
- Unappropriated profit due to actuarial gain/losses-net of tax	(8,242,610)	1,276,601
- Deferred liabilities:		
(Increase) / decrease in deferred tax asset	(1,297,448)	238,653
Increase / (decrease) in defined benefit obligation	9,540,058	(1,515,254)
Impact on Other Comprehensive Income		
Decrease in other comprehensive income - net of tax	(8,242,610)	

4.02 Surplus on revaluation of property, plant and equipment

Company has changed its accounting policy with respect to property, plant and equipment from revaluation model to cost model. Consequent to the change in accounting policy company has incorporated the effect of reversal of revaluation surplus of property, plant and equipment retrospectively. The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated.

Impact on Balance Sheet		
Decrease / (increase) in unappropriated profits	25,833,987	16,352,504
(Decrease) / increase in property, plant and equipment	(620,774,711)	(656,497,142)
Decrease / (increase) in accumulated depreciation	450,107,058	463,350,915
Decrease / (increase) in surplus on revaluation of property, plant and equipment	115,518,816	140,900,635
Decrease / (increase) in deferred tax liability	29,314,849	35,893,088
Impact on Profit and Loss Account		
Decrease in cost of sales	14,640,771	
Decrease in administrative and general expenses	36,325	
Decrease in other operating charges	7,801,475	
Increase in deferred tax expense	(11,246,850)	

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013	NOTE	2014	2013
No. of shares			Rupees	
32,635,600	32,635,600	Ordinary shares of Rs. 10 each fully paid in cash	326,356,000	326,356,000

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

6 LONG TERM FINANCING	NOTE	Rupees	
		2014	2013
Loan from banking companies - Secured			
Habib Bank Limited:			
- Term finance - II	6.01	-	-
- Term finance - III	6.02	46,153,844	76,923,076
- Term finance - IV	6.03	67,692,338	80,000,000
		113,846,182	156,923,076
United Bank Limited:			
- NIDF - IV	6.04	-	-
- NIDF - V	6.05	-	-
- State Bank of Pakistan's LTF-EOP scheme - I	6.06	-	-
- State Bank of Pakistan's LTF-EOP scheme - II	6.07	-	24,729,376
- NIDF - VI	6.08	27,856,000	46,428,000
- NIDF - VII	6.09	87,373,435	131,060,147
- NIDF - VIII	6.10	423,386,757	-
		538,616,192	202,217,523
		652,462,374	359,140,599
Less: Current portion		(123,796,206)	(136,218,860)
		528,666,168	222,921,739
6.01 Term finance - II			
Opening balance		-	15,384,612
Payments made during the year		-	(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		76,923,076	100,000,000
Finance obtained during the year		-	-
Payments made during the year		(30,769,232)	(23,076,924)
		46,153,844	76,923,076

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 commenced from 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		80,000,000	-
Finance obtained during the year		-	80,000,000
Payments made during the year		(12,307,662)	-
		67,692,338	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 commenced from December 31, 2013. It carries mark up at three months KIBOR plus 2.50% per annum payable on quarterly basis.

Loan from HBL are secured against first pari passu equitable mortgage of property plant and equipment of the Company valuing Rs. 932 million (2013 : Rs. 932 million) and personal guarantee of chief executive and one director of the Company.

6.04 NIDF - IV			
Opening balance		-	18,000,000
Payments made during the year		-	(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 commenced from June 2010. It carried mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis.

	NOTE	2014	2013
		Rupees	
6.05 NIDF - V			
Opening balance		-	20,000,000
Payments made during the year		-	(20,000,000)
		-	-
<p>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 commenced from March 2010.</p>			
6.06 State Bank of Pakistan's LTF - EOP scheme - I			
Opening balance		-	21,731,856
Payments made during the year		-	(21,731,856)
		-	-
<p>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.</p>			
6.07 State Bank of Pakistan's LTF - EOP scheme - II			
Opening balance		24,729,376	49,458,792
Payments made during the year		(24,729,376)	(24,729,416)
		-	24,729,376
<p>This loan has been obtained under SBP-LTF-EOP scheme and is payable in 12 equal half yearly installments commenced from October 08, 2007 and carries mark up @ 7% per annum.</p>			
6.08 NIDF - VI			
Opening balance		46,428,000	65,000,000
Finance obtained during the year		-	-
Payments made during the year		(18,572,000)	(18,572,000)
		27,856,000	46,428,000
<p>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 commenced from September 2012. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.</p>			
6.09 NIDF - VII			
Opening balance		131,060,147	34,199,387
Finance obtained during the year		-	96,860,760
Payments made during the year		(43,686,712)	-
		87,373,435	131,060,147
<p>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. It is repayable in twelve equal quarterly installment with a grace period of one year from first draw down of loan with first installment commenced from September 2013. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.</p>			
6.10 NIDF - VIII			
Opening balance		-	-
Finance obtained during the year		423,386,757	-
Payments made during the year		-	-
		423,386,757	-
<p>This loan has been obtained to finance import of machinery and represents actual withdrawn amount out of Demand Finance limit for Rs. 500 million. It is repayable in sixteen equal quarterly installments with a grace period of eighteen months from first draw down of loan with first installment due in July 2015. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.</p> <p>Loan from UBL are secured against first pari passu equitable mortgage of property plant and equipment of the Company valuing Rs. 1,471 million (2013: Rs. 885 million) and personal guarantee of chief executive and one director of the Company.</p>			

	NOTE	2014	2013
7 SPONSORS' LOAN			
		Rupees	
Loan from directors and others	7.01	1,091,005,405	1,032,743,251

7.01 This loan has been provided by the chief executive of the Company and others for the repayment of long term loans and capital expenditure 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. 900 million (2013 :Rs. 750 million) with Habib Bank Limited and United Bank Limited.

		2014	2013	2012
8 DEFERRED LIABILITIES				
			Rupees	
			Re-stated	
Deferred tax - net	8.01	13,161,014	19,284,794	51,898,800
Staff retirement benefits	8.02	40,190,240	45,658,682	32,370,702
		53,351,254	64,943,476	84,269,502
8.01 Deferred tax - net			Re-stated	
Credit / (debit) balance arising in respect of:				
- Accelerated tax depreciation		68,814,878	89,772,914	116,592,022
- Recognized losses		(51,979,973)	(64,278,540)	(59,594,837)
- Staff retirement benefits		(3,673,890)	(6,209,580)	(5,098,386)
		13,161,014	19,284,794	51,898,800
8.02 Staff retirement benefits			Re-stated	
<i>The amounts recognized in the balance sheet are as follows</i>				
Present value of defined benefit obligation		40,190,240	45,658,682	32,370,702
		40,190,240	45,658,682	32,370,702
Balance sheet liability				
Opening balance		45,658,682	32,370,702	33,177,520
Amount recognized during the year		19,449,177	13,831,950	12,693,153
Remeasurements		(12,836,861)	9,540,058	(1,515,254)
		52,270,998	55,742,710	44,355,419
Benefits paid during the year		(12,080,758)	(10,084,028)	(11,984,717)
Closing balance		40,190,240	45,658,682	32,370,702
Charge for the defined benefit plan				
Service cost		15,289,255	9,623,759	8,516,601
Interest cost		4,159,922	4,208,191	4,176,552
		19,449,177	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, 2014 using Project Unit Credit Method.

(b) Comparison for five years

	2014	2013	2012	2011	2010
			(Rupees - 000)		
PVODBO	40,190	45,659	32,371	32,127	26,847
Experience Adjustment	(12,836)	9,540	(1,515)	790	211

	NOTE	2014	2013
9 TRADE AND OTHER PAYABLES			
		Rupees	
Creditors for:			
- Goods supplied		138,601,143	126,357,971
- Services		59,112,810	35,888,185
Accrued liabilities		89,812,551	98,726,681
Advances from customers		24,271,501	10,340,628
Security deposits		165,000	107,000
Worker's profit participation fund	9.1	5,167,049	3,116,873
Unclaimed dividend		5,070,929	5,069,987
Tax deducted at source		365,381	1,731,028
Payable to employees		-	420,194
		322,566,364	281,758,547

9.1 Worker's profit participation fund

Balance at the beginning of the year	3,116,873	18,713,081
Add: Allocation for the year	1,664,334	3,116,873
Add: Interest on funds utilized in Company's business	385,843	2,306,605
	5,167,049	24,136,559
Less: Payment made during the year	-	(21,019,686)
	5,167,049	3,116,873

10 ACCRUED INTEREST/ MARKUP

Long term financing	19,452,240	3,919,424
Short term borrowings	24,132,196	16,425,538
	43,584,436	20,344,962

11 SHORT TERM BORROWINGS - From banking companies - Secured

Habib Bank Limited	11.1	499,034,759	411,030,738
United Bank Limited	11.2	551,625,095	564,875,157
		1,050,659,855	975,905,895

11.1 These represent utilized portion of short term finance facilities of Rs. 1,280 million (2013 : Rs. 1,273 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 3.5% per annum and shall expire by January 31, 2015. 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 (2013 : 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. 1,020 million (2013 : Rs. 1,020 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 3.5%. 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. 1,471 million (2013 : 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.

12 PROVISION FOR TAXATION-Net

Opening balance	43,796,620	48,460,770
Provision for the year	39,023,785	43,796,620
Payments / adjustments against advance tax	(44,647,633)	(48,460,770)
	38,172,773	43,796,620

Income tax return up to and including tax year 2013 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. 53.191 million (2013 : Rs. 53.130 million) on account of security deposits against the consumption of natural gas.

13.2 Export bills discounted Rs. 175.902 million (2013 : Rs. 193.345 million)

13.3 Post dated cheques issued in the favour of Collector of Custom against import Rs. 58.091 million (2013 : Rs. 36.031 million)

Commitments

Commitments in respect of irrevocable letters of credit for the import of spare parts of machinery as at the balance sheet date amount to Rs. 109.027 million (2013 : Rs. 16.492 million).

14 PROPERTY, PLANT AND EQUIPMENT

Particulars	Rupees					
	Cost / Revalued Amount		Rate %	Accumulated Depreciation		Book Value as at June 30, 2014
	As at July 01, 2013	As at June 30, 2014		As at July 01, 2013	For the year June 30, 2014	
Owned						
Land - freehold	57,895,548	23,386,900	-	-	-	81,282,448
Buildings on freehold land	295,331,622	3,459,091	5-10	-	9,744,907	164,096,495
Plant and machinery	1,869,595,215	379,194,720	10	(81,064,620)	96,838,723	999,534,400
Grid station and generators	18,948,857	-	10	-	836,400	11,421,254
Furniture and fixtures	16,015,930	1,202,028	10	-	622,038	10,945,794
Vehicles	65,550,825	3,491,178	20	(650,000)	8,173,766	35,283,395
Equipment	20,744,623	1,152,674	10	-	994,464	12,572,027
Electric installations	60,750,906	1,466,270	10	-	1,802,595	45,627,257
Rupees 2014	2,404,833,526	413,352,861		(81,714,620)	(66,697,021)	1,227,164,750
Rupees 2013 - Re-stated	2,283,829,256	181,836,617		(60,832,347)	(44,849,794)	1,163,748,473

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

	2014	2013
Cost of sales	109,396,693	103,916,331
Administrative expenses	9,616,201	4,349,740
	119,012,894	108,266,071

14.2 Disposal of property, plant and equipment

Particulars	Cost / Revalued	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser
Auto winder machines	7,422,502	5,851,824	1,570,678	1,175,000	(395,678)	Tender offer	Sardar Pur Textile Mills Ltd.
Auto winder machines	7,017,449	5,581,983	1,435,466	3,700,000	2,264,534	Tender offer	North Star Textiles Ltd.
Auto winder machines	21,052,347	19,089,546	1,962,801	8,400,000	6,437,199	Tender offer	Sally Textile Mills Ltd.
Carding Machines	13,735,359	10,828,815	2,906,544	1,730,770	(1,175,774)	Tender offer	Ahmed Enterprises
Carding Machines	1,994,905	1,780,377	214,528	170,940	(43,588)	Tender offer	Noor Enterprises
Drawing Machines	17,221,612	12,358,223	4,863,389	12,000,000	7,136,611	Tender offer	Sally Textile Mills Ltd.
Drawing Machines	9,321,290	8,495,966	825,324	1,200,000	374,676	Tender offer	Ifikhar Khan Lodhi
Blow room machinery	2,754,395	1,781,666	972,729	427,350	(545,379)	Tender offer	Ahmed Enterprises
Blow room machinery	234,000	122,869	111,131	74,576	(36,555)	Tender offer	Ashiq Hussain
Bailing Press	310,761	159,269	151,492	149,573	(1,919)	Negotiation	Noor Enterprises
Forklifter	650,000	646,483	3,517	271,186	267,669	Negotiation	Muhammad Abid Malik
June 30, 2014	81,714,620	66,697,021	15,017,599	29,299,395	14,281,796		
June 30, 2013 - Re-stated	60,832,347	44,849,794	15,982,553	7,715,054	(8,267,499)		

	NOTE	2014	2013
		Rupees	
15 CAPITAL WORK IN PROGRESS			
Plant and machinery:			
- Opening balance		16,830,191	-
- Additions during the year		407,731,750	16,830,191
		424,561,941	16,830,191
- Transferred to property, plant and equipment		(311,181,222)	-
		113,380,720	16,830,191
Building			
- Opening balance		895,544	-
- Additions during the year		2,345,830	895,544
		3,241,374	895,544
- Transferred to property, plant and equipment		(3,241,374)	-
		-	895,544
		113,380,720	17,725,735
16 STORES, SPARES AND LOOSE TOOLS			
Stores	16.1	27,552,366	24,082,573
Spares	16.1	50,491,638	59,366,959
Loose tools		899,960	901,625
		78,943,964	84,351,158
16.1 No identifiable store and spare are held for specific capitalization.			
17 STOCK IN TRADE			
Raw material	17.1	551,967,593	588,951,327
Work in process		75,160,935	67,893,318
Finished goods		442,468,889	380,671,586
		1,069,597,417	1,037,516,231
17.1 This includes an amount of Rs. 496.946 million (2013 : Rs. 474.117 million) approximately, which is pledged against short term finances. Also, it includes sizing material of Rs. 8.17 million (2013 : Rs. 11.20 million).			
18 TRADE DEBTS			
Local debts			
(Unsecured - considered good)		18,888,637	22,486,162
Foreign debts			
(Unsecured - considered good)		343,524,048	310,429,665
		362,412,685	332,915,827
19 LOANS AND ADVANCES			
Employees		739,000	2,758,933
Suppliers		26,257,104	6,666,495
Income tax deducted at source		88,865,999	66,778,773
Letters of credit		8,988	10,289
Other receivables		504,633	-
		116,375,724	76,214,491
20 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Prepayments		300,000	1,078,053

	NOTE	2014	2013
21 CASH AND BANK BALANCES			
		Rupees	
Cash in hand		1,504,466	302,500
Cash with banks in current accounts		2,947,089	1,314,290
		<u>4,451,555</u>	<u>1,616,790</u>
22 SALES - NET			
Local:			
- Yarn		755,679,514	1,055,054,811
- Fabric		609,333,358	691,116,522
		1,365,012,872	1,746,171,333
Export:			
- Yarn		1,489,255,929	909,098,361
- Fabric		2,413,122,609	2,632,509,476
		3,902,378,538	3,541,607,837
Waste		69,999,564	91,089,135
Doubling income		88,000	1,161,500
Rebate on export		1,284,960	1,480,280
		<u>5,338,763,934</u>	<u>5,381,510,085</u>
23 COST OF GOODS SOLD			Re-stated
Raw materials consumed	23.01	3,489,837,644	3,506,105,048
Processing charges		89,486,830	107,155,535
Salaries, wages and other benefits	23.02	345,932,235	318,161,618
Fuel and power		585,173,104	472,948,471
Packing materials consumed		73,269,503	61,779,251
Sizing materials consumed		44,336,907	54,589,476
Stores and spares consumed		130,402,514	176,450,219
Repair and maintenance		13,919,986	22,832,522
Insurance		4,638,043	4,776,150
Depreciation	14.1	109,396,693	103,916,331
Other manufacturing expenses		5,554,429	4,820,353
		4,891,947,888	4,833,534,973
Opening work in process		67,893,318	68,108,189
Closing work in process		(75,160,935)	(67,893,318)
		(7,267,617)	214,871
Cost of goods manufactured		4,884,680,271	4,833,749,844
Opening finished goods		380,671,586	394,971,418
Closing finished goods		(442,468,889)	(380,671,586)
		(61,797,303)	14,299,832
		<u>4,822,882,968</u>	<u>4,848,049,676</u>
23.01 Raw material consumed			
Opening stock		577,754,390	296,283,056
Purchases		3,439,145,536	3,773,661,234
Cotton cess		2,636,807	1,863,028
Cotton handling charges		14,097,433	12,052,120
		4,033,634,166	4,083,859,438
Closing stock		(543,796,522)	(577,754,390)
		<u>3,489,837,644</u>	<u>3,506,105,048</u>

23.02 Salaries, wages and benefits include Rs. 11.67 million (2013 : Rs. 7.58 million) on account of staff retirement benefits.

	NOTE	2014	2013
Rupees			
24 SELLING AND DISTRIBUTION			
Salaries, wages and benefits	24.01	5,656,186	5,062,714
Export development surcharge		8,983,185	8,808,210
Commission to selling agents		51,228,149	60,677,560
Carriage and freight - export		113,854,298	115,860,531
- local		1,170,270	1,526,200
Export expenses		18,454,057	16,583,465
Samples		2,831,265	3,424,757
		<u>202,177,410</u>	<u>211,943,437</u>

24.01 Salaries, wages and benefits include Rs. 0.643 million (2013 : Rs. 0.718 million) on account of staff retirement benefits.

25 ADMINISTRATIVE AND GENERAL EXPENSES

			Re-stated
Salaries, wages and other benefits	25.1	62,728,206	53,413,673
Traveling and conveyance		5,601,333	10,131,486
Repairs and maintenance		2,539,647	3,757,328
Rent, rates and taxes		263,856	67,612
Printing and stationery		2,552,420	2,612,352
Insurance		1,711,916	1,538,473
Fees and subscription		3,169,929	2,761,909
Telephone and Postage		3,416,929	3,194,347
Vehicle running and maintenance		15,912,004	8,975,397
Utilities		1,865,033	1,210,852
Advertisement		75,455	242,650
Books and periodicals		25,969	20,211
Entertainment		2,231,795	2,127,700
Miscellaneous expenses		28,750	66,145
Depreciation	14.1	9,616,201	4,349,740
		<u>111,739,442</u>	<u>94,469,875</u>

25.1 Salaries, wages and benefits include Rs. 7.136 million (2013 : Rs. 5.532 million) on account of staff retirement benefits.

26 OTHER OPERATING CHARGES

			Re-stated
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
		<u>1,220,000</u>	<u>1,220,000</u>
Legal and professional charges		675,710	518,585
Provision for W.P.P.F		1,664,334	3,116,873
Balances written off		9,872	2,569,849
Loss on disposal of property, plant and equipment		-	8,267,499
Exchange loss		603,812	5,132,618
		<u>4,173,728</u>	<u>20,825,423</u>

27 OTHER OPERATING INCOME

Scrap sales		10,605,450	12,131,713
Gain on disposal of property, plant and equipment		14,281,796	-
Miscellaneous		2,187,001	-
		<u>27,074,247</u>	<u>12,131,713</u>

	NOTE	2014	2013
		Rupees	
28 FINANCE COST			
Interest / mark up on:			
- Long term financing		46,346,988	39,199,538
- Short term borrowings		125,980,932	83,254,534
		172,327,921	122,454,072
Bank charges and commission		20,914,371	14,200,176
Interest on Workers' profit participation fund		385,843	2,306,605
		193,628,135	138,960,853
29 TAXATION			Re-stated
Taxation:			
- Current year		39,023,785	43,796,620
- Prior year		(11,018,837)	-
- Deferred		(7,297,229)	(31,316,558)
		20,707,720	12,480,062
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	10,528,778	66,912,472
Outstanding weighted average ordinary shares	No. of shares	32,635,600	32,635,600
Earnings per share - Basic	Rupees	0.32	2.05
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		6,300,000	787,500
Number of persons		2	2
Executives		19,452,000	16,424,000
Number of persons		19	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:			
Associated undertakings			
Purchase of Cotton		62,254,431	85,390,219
Payment against cotton purchase		62,254,431	85,390,219

	2014	2013
Directors	Rupees	
Loan obtained from directors	102,000,000	170,000,000
Payment made during the year	43,737,846	15,221,550

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

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	13,962,190	14,284,089

Weaving

No. of looms installed		192	168
No. of looms worked		192	168
No. of shifts		3	3
Actual production converted to 40 picks based on three shifts per day	Sq. meters	64,097,136	61,208,201

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

Financial assets as per balance sheet

Long term deposits	12,952,014	12,952,014
Trade debts	362,412,685	332,915,827
Loans and advances	739,000	2,758,933
Cash and bank balances	4,451,555	1,616,790
	380,555,254	350,243,564

Financial liabilities as per balance sheet

Long term financing	1,743,467,779	1,391,883,850
Trade and other payables	297,929,483	254,090,682
Accrued interest/mark-up	43,584,436	20,344,962
Short term borrowings	1,050,659,855	975,905,895
	3,135,641,552	2,642,225,389

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:

	2014	2013
	Rupees	
Foreign trade debts	343,524,048	310,429,665
Foreign currency short term borrowings		
- Habib Bank Limited	(237,518,464)	(228,413,443)
- United Bank Limited	(298,271,490)	(247,823,415)
Gross balance sheet exposure	(192,265,906)	(165,807,193)
Outstanding letter of credit	(109,027,261)	(16,492,170)
Net exposure	(301,293,167)	(182,299,363)

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

USD to PKR	98.55	98.80
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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, 2014, 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. 19,226,591 (2013 : 16,580,179) 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

	2014	2013	2014	2013
Long term financing	Percentage		Rupees	
- Fixed rate	7.00	7.00	-	24,729,376
- instrument rate	10.31 to 12.64	10.61 to 14.49	652,462,374	334,411,223
Short term borrowings	3.82 to 11.93	3.42 to 13.64	1,050,659,855	975,905,895
			1,703,122,229	1,335,046,494
Total yield / mark up rate risk sensitivity gap			(1,703,122,229)	(1,335,046,494)

(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, 2014		
Cash flow sensitivity - variable rate financial liabilities	17,031,222	(17,031,222)
As at June 30, 2013		
Cash flow sensitivity - variable rate financial liabilities	13,103,171	(13,103,171)

(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. 380,555,254 (2013 : Rs. 350,243,564), the financial assets exposed to credit risk amount to Rs. 376,103,699 (2013 : Rs. 348,626,774).

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

	2014	2013
	Rupees	
Local debts	18,888,637	22,486,162
Foreign debts	343,524,048	310,429,665
	362,412,685	332,915,827

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

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

Yarn	64,214,987	82,943,780
Fabric	297,991,555	248,272,883
Others	206,143	1,699,164
	362,412,685	332,915,827

The aging of loans and receivables at the reporting date was:

Past due 0-6 months	362,312,701	329,516,829
Past due 6-12 months	99,984	3,398,998
	362,412,685	332,915,827

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:

Long term deposits	12,952,014	12,952,014
Trade debts	362,412,685	332,915,827
Loans and advances	739,000	2,758,933
Sales tax refundable	55,637,611	33,642,462
Cash and bank balances	4,451,555	1,616,790
	436,192,865	383,886,026

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	AI+	AA+
Habib Bank Limited	JCR-VIS	AI+	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.

		2014 (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)		652,462,374	931,889,661	101,196,673	95,844,990	734,847,998
Trade and other payables		322,566,364	322,566,364	322,566,364	-	-
Short term borrowings		1,050,659,855	1,074,792,050	1,074,792,050	-	-
		2,025,688,593	2,329,248,076	1,498,555,088	95,844,990	734,847,998
		2013 (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)		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

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June, 2014. 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, 2014 and 2013 respectively.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
2014 (Rupees)				
Sales	3,927,818,695	3,051,158,239	(1,640,213,000)	5,338,763,934
Cost of Sales:	<u>(3,677,907,040)</u>	<u>(2,785,188,927)</u>	<u>1,640,213,000</u>	<u>(4,822,882,968)</u>
Gross profit	249,911,654	265,969,311	-	515,880,966
Selling and distribution costs	(66,634,598)	(135,542,812)	-	(202,177,410)
Administrative and general expenses	<u>(64,263,304)</u>	<u>(47,476,138)</u>	-	<u>(111,739,442)</u>
Profit before taxation and un allocated expenses	119,013,753	82,950,361		201,964,114
Un-allocated expenses:				
Other operating expenses				(4,173,728)
Other operating income				27,074,247
Finance cost				<u>(193,628,135)</u>
Profit before taxation				31,236,497
Taxation				<u>(20,707,720)</u>
Net profit for the year				<u>10,528,778</u>
2013 (Rupees)				
Sales	3,608,069,605	3,340,134,430	(1,566,693,950)	5,381,510,085
Cost of Sales:	<u>(3,394,987,524)</u>	<u>(3,019,756,102)</u>	<u>1,566,693,950</u>	<u>(4,848,049,676)</u>
Gross profit	213,082,081	320,378,328	-	533,460,409
Selling and distribution costs	(42,089,338)	(169,854,099)	-	(211,943,437)
Administrative and general expenses	<u>(54,166,059)</u>	<u>(40,303,816)</u>	-	<u>(94,469,875)</u>
Profit before taxation and un allocated expenses	116,826,684	110,220,414		227,047,097
Un-allocated expenses:				
Other operating expenses				(20,825,423)
Other operating income				12,131,713
Finance cost				<u>(138,960,853)</u>
Profit before taxation				79,392,534
Taxation				<u>(12,480,062)</u>
Net profit for the year				<u>66,912,472</u>

38 AUTHORIZATION OF FINANCIAL STATEMENTS

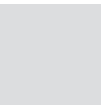
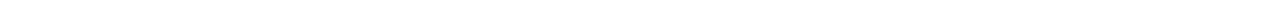
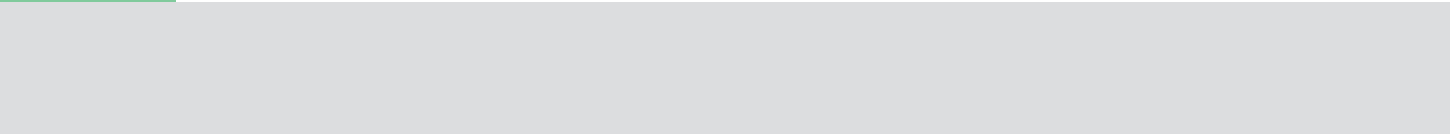
These accounts have been authorized for issue by the Board of Directors of the Company on September 23, 2014.

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 (25th 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 25th Annual General
Meeting of the Company to be held on October 27, 2014 and/or any adjournment thereof.

As witness my/our hand this _____ day of October, 2014

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, duly 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.

