



Ghazi Fabrics International Limited
Signature of Quality



1st Quarterly Report

September 30, 2011

UN-AUDITED



Ghazi Fabrics International Limited

GHAZI FABRICS INTERNATIONAL LIMITED COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN/CHIEF EXECUTIVE DIRECTORS

Mr. Mohammad Arshad Chaudhry

Mr. Kamran Arshad

Mr. Mohammad Tariq

Mr. Rizwan Arshad

Mrs. Azra Yasmin

Miss Fareeha Arshad

Miss Wajeeha Arshad

COMPANY SECRETARY

Mr. Nauman Iqbal, ACA

AUDIT COMMITTEE

Mr. Mohammad Tariq

Chairman

Mr. Kamran Arshad

Member

Miss Fareeha Arshad

Member

CHIEF FINANCIAL OFFICER

Mr. Abid Rafi

INTERNAL AUDITOR

Rao Sadat Ali

AUDITORS

M/s. Qadeer & Co.,
Chartered Accountants
Lahore

SHARE REGISTRARS

M/s. Corplink (Pvt.) Ltd.

LEGAL ADVISOR

M/s. Raja Muhammad Akram & Co.,
Advocates & Legal Consultants

BANKERS

United Bank Limited
Habib Bank Limited

REGISTERED OFFICER

8-C, Block E-III,
Gulberg - III, Lahore - 54660
Fax: (042) 35764032
Email: info@ghazifabrics.com
Website: www.ghazifabrics.com

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Bhaipheru,
Distt. Kasur.

GHAZI FABRICS INTERNATIONAL LIMITED

DIRECTOR'S REVIEW

We are pleased to present the financial statements for the 1st quarter's condensed interim financial information of the Company.

Operating results

During the period under review the Company's sales were Rs. 1.429 Billion and the net loss of Rs. 42.147 million as compared to sales of Rs. 1.708 Billion and profit of Rs. 50.063 million in the corresponding period ended September 30, 2011. Earning per share is Rs. (1.29) corresponding period: Rs. 1.53. Major decrease in gross profit margin has been observed in the spinning and power generation sector of the Company due to dramatic decline in international and local cotton prices resulting in previous season cotton inventory losses and increase in gas load shedding along-with increase in other inputs.

Financial highlights

| | Quarter ended September 30 | |
|-----------------------------|-----------------------------------|---------------|
| | 2011 | 2010 |
| | R u p e e s | |
| Sales | 1,428,564,026 | 1,707,691,184 |
| Gross profit | 78,687,432 | 167,011,396 |
| Operating profit | 23,076,794 | 115,643,986 |
| Loss/ (profit) after tax | (42,146,671) | 50,063,127 |
| Gross profit (%) | 5.51 | 9.78 |
| Earning per share (EPS) Rs. | (1.29) | 1.53 |

Future prospects

Our industry is facing multiple challenges both internally and globally ie increasing production cost and a note of caution is with respect to high energy cost along with shortage of gas, electricity and general inflation. The emergence of the issue of volatile cotton prices resulting in lack of demand from international market.

Acknowledgement

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

For and on behalf of the board

Lahore

October 29, 2011

(Mohammad Arshad Chaudhry)

Chief Executive Officer

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2011

| | Note | September 30, 2011 (Unaudited) | June 30, 2011 (Audited) |
|--|------|--------------------------------------|-------------------------------|
| Rupees | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised share capital | | 400,000,000 | 400,000,000 |
| Issued, subscribed and paidup capital | | 326,356,000 | 326,356,000 |
| Accumulated profit / loss | | (268,358,002) | (233,145,344) |
| | | 57,997,998 | 93,210,656 |
| SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | 168,823,309 | 175,757,324 |
| NON CURRENT LIABILITIES | | | |
| Long term financing | 4 | 189,575,222 | 124,575,220 |
| Sponsor's loan | | 975,991,645 | 869,933,475 |
| Deferred liabilities | | 106,281,606 | 106,317,201 |
| | | 1,271,848,473 | 1,100,825,896 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 293,957,398 | 305,626,777 |
| Markup/ interest payables | | 35,889,151 | 33,008,272 |
| Short term bank borrowings | | 673,276,104 | 871,618,145 |
| Current portion of long term financing | | 108,459,969 | 122,818,944 |
| Provision for taxation | | 87,558,176 | 66,129,717 |
| | | 1,199,140,799 | 1,399,201,855 |
| CONTINGENCIES AND COMMITMENTS | 5 | | |
| TOTAL EQUITY AND LIABILITIES | | 2,697,810,579 | 2,768,995,732 |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Operating fixed assets | 6 | 1,321,938,038 | 1,352,372,248 |
| Capital work in progress | | 65,558,310 | 1,262,930 |
| Long term deposits | | 13,022,014 | 12,952,014 |
| | | 1,400,518,362 | 1,366,587,192 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 81,279,173 | 76,335,688 |
| Stock in trade | | 618,686,583 | 985,308,284 |
| Trade debts | | 465,691,871 | 243,461,356 |
| Loans and advances | | 102,342,998 | 75,701,687 |
| Trade deposits and short term prepayments | | 1,364,315 | 1,411,319 |
| Other receivables | | 32,762 | 32,762 |
| Sales tax refundable | | 17,334,649 | 14,884,180 |
| Cash and bank balances | | 10,559,866 | 5,273,265 |
| | | 1,297,292,216 | 1,402,408,539 |
| TOTAL ASSETS | | 2,697,810,579 | 2,768,995,732 |

The annexed notes form an integral part of these condensed interim financial statements

Chief Executive

Director

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (unaudited)

| | | Quarter Ended | |
|----------------------------|------|-----------------------|-----------------------|
| | Note | September 30, 2011 | September 30, 2010 |
| Rupees | | | |
| Sales - net | | 1,428,564,026 | 1,707,691,184 |
| Cost of goods sold | 7 | 1,349,876,593 | 1,540,679,788 |
| Gross profit | | 78,687,432 | 167,011,396 |
| Operating expenses: | | | |
| Selling and distribution | | 37,707,745 | 34,864,451 |
| Administrative expenses | | 17,571,213 | 14,606,930 |
| Other operating expenses | | 331,680 | 1,896,030 |
| | | 55,610,638 | 51,367,411 |
| Operating profit | | 23,076,794 | 115,643,986 |
| Finance cost | | 45,815,024 | 49,502,153 |
| Other operating income | | 2,020,019 | 998,207 |
| Profit before taxation | | (20,718,211) | 67,140,039 |
| Provision for taxation | | 21,428,460 | 17,076,912 |
| Profit after taxation | | (42,146,671) | 50,063,127 |
| Earnings per share - basic | | (1.29) | 1.53 |

The annexed notes form an integral part of these condensed interim financial statements

Chief Executive

Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (unaudited)

| | Quarter Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 |
| Note | | |
| Profit and (loss) for the period | (42,146,671) | 50,063,127 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | <u>(42,146,671)</u> | <u>50,063,127</u> |

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

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (unaudited)

| | Quarter Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 |
| | Rupees | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss) before taxation | (20,718,211) | 67,140,039 |
| Adjustments for non-cash charges and other items: | | |
| - Depreciation | 30,479,182 | 31,477,726 |
| - Provision for gratuity | 3,092,442 | - |
| - Finance cost | 45,815,024 | 49,502,153 |
| | 79,386,648 | 80,979,880 |
| Operating profit before working capital changes | 58,668,437 | 148,119,919 |
| (Increase) / decrease in current assets: | | |
| - Stores, spares and loose tools | (4,943,485) | (24,166,933) |
| - Stock in trade | 366,621,701 | 156,964,734 |
| - Trade debts | (222,230,515) | (105,596,737) |
| - Loans and advances | (26,641,311) | (22,230,052) |
| - Trade deposits and short term prepayments | 47,004 | (4,208,080) |
| - Other receivables | - | (8,317,371) |
| - Sales tax refundable | (2,450,469) | (2,006,049) |
| Increase / (decrease) in current liabilities: | | |
| - Trade and other payables | (11,669,380) | 19,309,958 |
| | 98,733,544 | 9,749,469 |
| Cash generated from operations | 157,401,982 | 157,869,388 |
| Gratuity paid | (3,128,039) | (15,724,758) |
| Finance cost paid | (42,934,145) | (43,259,451) |
| Net cash from operating activities | 111,339,798 | 98,885,179 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property, plant and equipment purchased | (44,972) | (867,581) |
| Capital work in progress | (64,295,380) | 157,700 |
| Long term deposits | (70,000) | - |
| Net cash used in investing activities | (64,410,352) | (709,881) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long term financing | (14,358,975) | (14,358,975) |
| Proceeds from long term financing | 65,000,002 | - |
| Loan from directors and others - net | 106,058,170 | 38,025,369 |
| Short term borrowings | (198,342,040) | (131,267,292) |
| Net cash used in financing activities | (41,642,844) | (107,600,898) |
| Net increase in cash and cash equivalents | 5,286,602 | (9,425,599) |
| Cash and cash equivalents at the beginning of the period | 5,273,265 | 19,371,361 |
| Cash and cash equivalents at the end of the period | 10,559,866 | 9,945,761 |

The annexed notes form an integral part of these condensed interim financial statements

Chief Executive

Director



GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (unaudited)

| | Issued, subscribed and paid-up | Accumulated loss | Total |
|--|--------------------------------------|----------------------|---------------------|
| | R | U P E E | S |
| Balance as at June 30, 2010 | 326,356,000 | (460,503,108) | (134,147,108) |
| Profit for the period | - | 50,063,127 | 50,063,127 |
| Surplus on revaluation of fixed assets transferred to retained earnings during the period | | | |
| - relating to incremental depreciation | - | 5,082,959 | 5,082,959 |
| Balance as at September 30, 2010 | <u>326,356,000</u> | <u>(405,357,022)</u> | <u>(79,001,022)</u> |
| Profit for the period | - | 159,381,851 | 159,381,851 |
| Final dividend for the year ended June 30, 2010 | - | (4,742,046) | (4,742,046) |
| Surplus on revaluation of fixed assets transferred to retained earnings during the period | | | |
| - relating to incremental depreciation | - | 9,125,811 | 9,125,811 |
| - relating to disposal of revalued asset | - | 8,446,061 | 8,446,061 |
| Balance as at June 30, 2011 | <u>326,356,000</u> | <u>(233,145,345)</u> | <u>93,210,655</u> |
| Loss for the period | - | (42,146,671) | (42,146,671) |
| Surplus on revaluation of fixed assets transferred to retained earnings during the period | | | |
| - relating to incremental depreciation | - | 6,934,014 | 6,934,014 |
| Balance as at September 30, 2011 | <u>326,356,000</u> | <u>(268,358,002)</u> | <u>57,997,998</u> |

The annexed notes form an integral part of these condensed interim financial statements

**GHAZI FABRICS INTERNATIONAL LIMITED
SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (unaudited)**

I STATUS AND ACTIVITIES

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

2 BASIS OF PREPARATION

These financial statements are unaudited and are being submitted to share holders as required u/s 245 of Companies Ordinance, 1984. These have been prepared in accordance with the International Accounting Standard no. 34 "Interim Financial Reporting" as applicable in Pakistan and notified by Securities and Exchanges Commission of Pakistan (SECP) and shall be read in conjunction with the published audited financial statements for the year ended June 30, 2011.

3 ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of these financial statements are the same as applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2011.

| | September 30, 2011 | June 30, 2011 |
|--|-------------------------------|--------------------------|
| | Rupees | |
| 4 LONG TERM FINANCING - Secured | | |
| Opening balance | 247,394,166 | 370,213,108 |
| Add: Acquired during the period/ year | 65,000,000 | - |
| Less: Repayment during the period/year | (14,358,975) | (122,818,944) |
| | 298,035,191 | 247,394,164 |
| Less: Current portion | (108,459,969) | (122,818,944) |
| | 189,575,222 | 124,575,220 |

5 CONTINGENCIES AND COMMITMENTS

- 5.1** The Company has provided bank guarantee in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 53.130 million (2011: Rs. 53.130 million) on account of security deposits against the consumption of natural gas.
- 5.2** Post dated cheques issued in the favour of Collector of Custom against import Rs. 41.824 million (2011: Rs 31.107 million)
- 5.3** Commitments against irrevocable letters of credit outstanding as at September 30, 2011 Rs. 277.162 million.

| | September 30, 2011 | June 30, 2011 |
|---|-------------------------------|--------------------------|
| | Rupees | |
| 6 PROPERTY, PLANT AND EQUIPMENT | | |
| Opening written down value | 1,352,372,248 | 1,406,573,950 |
| Addition during the period/year | | |
| Building on freehold land | - | - |
| Plant and machinery | - | 79,642,917 |
| Grid station and generator | - | - |
| Furniture and fittings | 44,972 | - |
| Vehicles | - | 1,492,265 |
| Equipment | - | 3,848,287 |
| Electric installation | - | 1,886,687 |
| | 44,972 | 86,870,156 |
| Book value of assets disposed off during the period/ year | - | (19,155,129) |
| Depreciation for the period/ year | (30,479,182) | (121,916,728) |
| | 1,321,938,038 | 1,352,372,248 |



Ghazi Fabrics International Limited

6.1 Book value of assets disposed off

| | | |
|-----------|---|--------|
| Vehicles | - | 2,262 |
| Equipment | - | 8,997 |
| | - | 11,259 |

7 COST OF GOODS SOLD

| | Quarter Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 |
| | Rupees | |
| 7.1 Raw materials and other direct materials consumed | 1,044,103,593 | 1,240,342,696 |
| Fabric conversion, dyeing and bleaching | 37,178,237 | 19,512,532 |
| Salaries, wages and benefits | 65,775,526 | 55,898,220 |
| Fuel and power | 99,793,867 | 84,922,660 |
| Packing material consumed | 12,070,825 | 9,297,144 |
| Sizing material consumed | 19,192,032 | 14,129,684 |
| Store and spares consumed | 35,408,837 | 26,253,816 |
| Insurance | 574,351 | 615,468 |
| Depreciation | 28,955,223 | 30,757,556 |
| Others | 953,098 | 2,610,411 |
| | 1,344,005,589 | 1,484,340,187 |
| Adjustment of work in process | | |
| Opening | 75,070,743 | 40,365,475 |
| Closing | (74,571,703) | (59,401,211) |
| | 499,040 | (19,035,736) |
| Cost of goods manufactured | 1,344,504,629 | 1,465,304,451 |
| Adjustment of finished goods | | |
| Opening | 331,891,020 | 261,139,310 |
| Closing | (326,519,056) | (185,763,973) |
| | 5,371,964 | 75,375,337 |
| | 1,349,876,593 | 1,540,679,788 |

7.1 Raw material consumed

| | Quarter Ended | |
|---------------|-----------------------|-----------------------|
| | September 30, 2011 | September 30, 2010 |
| | Rupees | |
| Opening stock | 564,995,979 | 411,555,627 |
| Purchases | 696,703,438 | 393,189,108 |
| Sales | - | - |
| | 1,261,699,417 | 804,744,735 |
| Closing stock | (217,595,824) | (269,464,174) |
| | 1,044,103,593 | 535,280,561 |

8 TRANSACTIONS WITH RELATED PARTIES

Associate:

| | | |
|-----------------------------------|---|------------|
| Amount received during the period | - | 28,000,000 |
| Payment of deferred liabilities | - | 4,000,000 |

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.

DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the Board of Directors and authorised for issue on October 29, 2011

10 CORRESPONDING FIGURES

Corresponding figures of these condensed interim financial statements have been re-arranged wherever necessary for the purpose of comparison

11 GENERAL

Figures have been rounded off to the nearest of rupees.

Chief Executive

Director

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