

*Signature of Quality*



# Ghazi Fabrics International Limited



*Annual Report*  
**2020**

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# COMPANY PROFILE

## **Board of directors**

Mrs.Azra Yasmin (Non Executive Director)  
**Chairperson**

Mohammad Arshad Chaudhry (Executive Director)  
**Chief Executive / Director**

Kamran Arshad (Executive Director)  
Rizwan Arshad (Non Executive Director)  
Muhammad Salman Tariq (Non Executive Director)  
Wajeeha Haaris (Non Executive Director)  
Muhammad Imran Rasheed (Independent Director)

## **Audit Committee**

Mohammad Imran Rasheed  
**Chairman/ member**

Rizwan Arshad  
Member

Muhammad Salman Tariq  
Member

## **Human Resource & Remuneration Committee**

Muhammad Imran Rasheed  
**Chairman / member**

Mrs.Azra Yasmin  
**Member**

Wajeeha Haaris  
**Member**

## **Company Secretary**

Majid Rehman,ACA

## **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](http://www.ghazifabrics.com)

## **Mills**

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

## VISION AND MISSION STATEMENT

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### VISION STATEMENT

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

### MISSION STATEMENT

*Ghazi Fabrics 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 loose the confidentiality of Company secrets.

### **Kick Backs/ Undue favour or unwarranted gifts**

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

## 2. BUSINESS PRACTICES

### **Environment**

#### **i) Pollution free environment**

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

#### **ii) Drugs free environment**

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

### **Health and safety**

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

## **Commitment**

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

## **Financial discipline and books of accounts**

Compliance with all the approved accounting standards applicable in Pakistan and requirements of the Companies Act 2017, 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 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 31<sup>ST</sup> ANNUAL GENERAL MEETING.

NOTICE IS HEREBY GIVEN that the 31st Annual General Meeting of **GHAZI FABRICS INTERNATIONAL LIMITED** will be held on Wednesday the October 28, 2020 at 10:30 a.m. at Qasr-e-Zauk, 1-E-3- Gulberg-III, Lahore to transact the following business:-

## ORDINARY BUSINESS:

1. To confirm the minutes of 30<sup>th</sup> Annual General Meeting of the Company held on Monday October 28, 2019.
2. To receive, consider and adopt the audited financial statement of the Company for the financial year ended June 30, 2020 together with the Directors' and Auditors' Reports thereon...
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2021. The present auditors M/s. Qadeer & Company, Chartered Accountants, being eligible have offered themselves for
4. To elect seven Directors of the Company, as fixed by the Board in pursuance of Section 159(1) of the Companies Act 2017 for a term of three years commencing from 28th October, 2020. The names of retiring Directors are (1) Mr. Mohammad Arshad Chaudhry (2) Mr. Kamran Arshad (3) Mrs. Azra Yasmeen (4) Mr. Rizwan Arshad (5) Mrs. Wajeeha Haaris (6) Mr. Muhammad Imran Rasheed (7) Mr. Muhammad Salman Tariq
5. To transact any other ordinary business with the permission of the Chair.

by order of the Board

LAHORE:  
October 07, 2020.

(Majid Rehman)  
Company Secretary

## Notes:-

- I Share Transfer Books of the Company will remain closed from October 22, 2020 to October 28, 2020 (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 situated at 8-C, E-III, GULBERG-III, LAHORE not less than 48 hours before the time for holding the meeting.
- III Shareholders whose shares are deposited with CDC must bring their Original Computerized 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 their latest Computerized National Identity Card Number or in case of foreigner the Passport Number (unless it has been provided earlier) to enable the Company comply with relevant laws.
- V Shareholders are requested to promptly notify to Share registrar of the Company of any change in their
- VI Any member who seeks to contest the election of Directors shall file with the Company at its registered office not later than 14 days before the above said meeting his/her intention to offer himself/herself for the election of the Directors in term of Section 159(3) of the Companies Act 2017 together with:
  - Consent to act as Director in Form 28 duly completed as required under section 167(1) of companies Act 2017;
  - Declaration in respect of being complaint with the requirements of the code of corporate Governance and eligibility criteria as set out in the Companies Act, 2017 to act as Director of a listed company;

- Detailed profile along with office address for placement onto the Company's website within seven (07) days prior to the date of election in terms of SRO 1222 dated 10 December, 2015.

VII Members can also avail video conference facility. In this regard, please fill the following form and submit to registered address of the company 10 days before holding of the Annual General Meeting.

If the company receives consent from member holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the company will arrange video conference facility in the city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access the facility.

"I/WE, \_\_\_\_\_ of \_\_\_\_\_ being a member of Ghazi Fabrics International Limited, holder of \_\_\_\_\_ Ordinary Shares as per Register Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_"

**Signature of Member**

VIII In pursuance of the directions given by SECP vide SRO 787 (1)/ 2014 dated 8th September 2014, those shareholders who desire to receive Annual Financial Statement in future through Email instead of receiving the same by post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. [www.ghazigabrics.com](http://www.ghazigabrics.com) and send the said form duly filled in and signed along with copy of his/her/its CNIC / Passport to the Company's registered address.

IX All possible safety measures shall be taken in respect of COVID-19 and relevant SOPs shall be strictly followed including checking off temperature, wearing of face mask, use of hand sanitizer and maintenance of proper social/physical distance. All members attending the meeting are requested and expected to cooperate in this respect.

X Form of proxy is enclosed.



## CHAIRPERSON'S REVIEW

I am pleased to welcome you on the 31st Annual General Meeting of your Company and present on behalf of the Board of Directors, the Audited Financial Statements for the year ended 30th June 2020 together with my review on the performance of your Company.

### Company's performance

Implication of the sales taxes over textile products through Finance Act 2019 implemented from July 2019 affected the overall textile business in Pakistan. The negative trend kept rolling and topped-up by the outbreak of COVID-19 which kept the operation of the Company suspended during major period of the fourth quarter. The joint affect of Sales Tax and COVID-19 for Financial Year ended 30th June 2020 ended up in a loss of Rs. 223.59 Million as compared to loss of Rs. 51.44 Million in the previous year.

### Evaluation of board

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Ghazi Fabrics International Limited is carried out. The Board's overall performance and effectiveness has been assessed as satisfactory. The Board also identified areas of improvement in line with the best practices. The Board is aware of its role in achieving the objectives of the Company.

Board received wide-ranging agendas and supporting papers in a timely manner for its Board meetings. The Board was fully involved in the strategic planning process and in developing the vision for the Company. All Directors took part in and made contributions to the decision-making process of the Board. Board has in place comprehensive policies for all relevant areas of the Company's operation and these policies are reviewed and updated from time to time.

The Audit Committee and Human Resources & Remuneration committee met regularly to fortify the functions of the board. The company has an independent Internal Audit department, which leads the Internal Audit function and follows a risk based Audit methodology. Audit reports are presented to the Board for review and actions where necessary.

### Acknowledgement

In the closing, I wish to acknowledge the contribution of our employees towards the Company. I would like to thank our valued customers for their confidence and support. Last but not least, the credit to the Financial Institutions for their cooperation and support.

**Mrs. Azra Yasmin**  
Chairperson

## چیر پرسن کا جائزہ

میں آپ کی کمپنی کے 31 ویں سالانہ جنرل اجلاس میں آپ کو خوش آمدید کہتی ہوں۔ میں اپنی اور موجودہ بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی مجموعی کارکردگی برائے سال 30 جون 2020ء اور آڈیٹڈ اکاؤنٹس کا جائزہ پیش کر رہی ہوں۔

### کمپنی کی کارکردگی:

ٹیکسٹائل مصنوعات پر مالیاتی ایکٹ 2019 کے تحت سیلز ٹیکس کا نفاذ جولائی 2019 سے لاگو ہونے سے پاکستان میں ٹیکسٹائل کے مجموعی کاروبار پر اثر پڑا۔ COVID-19 کے پھیلنے سے منفی رجحان رہا اور چوتھی سہ ماہی کی بڑی مدت کے دوران کمپنی کا عمل معطل رہا۔ مالی سال 30 جون 2020 کے لئے سیلز ٹیکس اور COVID-19 کے مشترکہ اثر سے 223.59 ملین روپے کا نقصان ہوا جو کہ پچھلے سال 51.44 ملین تھا۔

### بورڈ کی تشخیص:

غازی فیبرکس انٹرنیشنل لمیٹڈ کے بورڈ آف ڈائریکٹرز کی کارکردگی کا سالانہ جائزہ کوڈ آف کارپوریٹ گورننس کے تحت کیا جاتا ہے۔ بورڈ کی مجموعی کارکردگی اور افادیت کو تسلی بخش تشخیص کیا گیا ہے۔ بورڈ نے خود تشخیصی کے ذریعہ بہترین معلومات کے مطابق ان چیزوں کی نشاندہی کی جہاں بہتری کی گنجائش ہے۔ بورڈ حکمت عملی کی پلاننگ کے عمل اور ادارے کے نظریہ کے حصول میں مکمل طور پر شامل رہا۔

بورڈ کو اپنی بروقت میٹنگز میں جامع ایجنڈا اور مطلوبہ مواد موصول ہوئے۔ بورڈ حکمت عملی کی پلاننگ کے عمل اور ادارے کے حصول میں مکمل طور پر شامل رہا۔ تمام ڈائریکٹرز نے فیصلہ سازی کے عمل میں بھی حصہ لیا۔ بورڈ نے ادارے کے تمام شعبہ جات میں جامع طریقہ کار پیش کیے ہیں جن کا وقتاً فوقتاً جائزہ لیا جاتا ہے اور ان کو بہتر بنایا جاتا ہے۔

آڈٹ کمیٹی اور ہیومن ریسورس اینڈ ریمونریشن کمیٹی بورڈ کے امور کی موثر انجام دہی کیلئے باقاعدگی سے میٹنگ کرتی رہی ہے۔ کمپنی کا اپنا خود مختار انٹرنل آڈٹ ڈیپارٹمنٹ ہے جو اندرونی آڈٹ کے امور انجام دیتا ہے اور رسک پر مبنی آڈٹ کے طریقہ کار کی پیروی کرتا ہے۔ آڈٹ رپورٹیں بورڈ کو جائزے اور حسب ضرورت کارروائی کیلئے بھیجی جاتی ہیں۔

### اعتراف خدمات:

آخر میں اپنے تمام ملازمین کی خدمات کا اعتراف کیا جاتا ہے اور اپنے صارفین، جنہوں نے ہم پر اعتماد اور تعاون کیا۔ آخری لیکن کم سے کم نہیں اس تعاون کا سہرا مالیاتی ادارے کو جاتا ہے۔

مسز عذرا یاسمین

چیر پرسن

# DIRECTORS' REPORT

The Directors are pleased to present Annual Report of your Company together with Audited Financial Statements for the year ended June 30, 2020. Figures for the previous year ended June 30, 2019 are also included for comparison.

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 principal activity of the company is the manufacturing of yarn and grey fabric which is sold both in local and foreign markets.

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

	2020	2019
	<b>R u p e e s (000)</b>	
Sales – Net		
Local	4,115,736	4,146,396
Export	588,124	1,272,390
Gross profit	137,704	384,809
Operating profit	(31,851)	206,985
Financial charges	173,056	145,034
Loss after tax	223,595	51,444
Loss per share	6.85	1.58

## Financial and operational performance:

Because of the global economic slackness and cutthroat competition loss after tax of the Company in financial year 2019-20 is Rs. 223.59 million as compare to loss after tax of Rs. 51.44 million in year 2018-19. The main reasons for this increase in loss is due to the implication of sales tax over the textile industry that resulted overall economic slowdown, rising inflation, deterioration of Pak Rupee against US Dollar and finally the spread of the COVID-19 which brought the economic activity to a near-halt throughout Pakistan.

All these factors impacted the Company's sales, profitability and liquidity throughout the year. The management's rigorous efforts including but not limited to timely initiatives of cost reduction and price management curb the impact of these adversities to a great extent. The Company has continued its practice to reduce costs wherever there is cushion available.

## Covid-19 effects and measure:

The Government of Pakistan, keeping in view the pandemic situation in the World, locked down all of Pakistan from March 25th, 2020. Accordingly, we were also forced to shut down the mills as per government orders. However, after getting the Government's approval, the operations started back partially on April 05th, 2020 when the weaving unit started its partial operations followed by Spinning unit 1 that started on 18th April 2020 and Spinning Unit 2 on 11th May 2020.

The Company took strict measures to comply with all the Government provided SOP's before starting the factory. Despite the additional costs of these safety measures, the Company continues to keep the health and safety of our employees as its top priority. We will continue to adopt these measures till the Pandemic is fully eradicated.

## Textile industry outlook:

The Textile sector had to face deprivation with the implication of sales taxes through Finance Act 2019, intensified power outages and highest gas prices particularly in the Punjab region which affected the performance of the overall sector and compelled the units to run under capacity which further increased their cost of production. The power prices remained at their highest after the cut-off of locally extracted system gas by the authorities and the introduction of high priced imported Re-liquefied Natural Gas (RLNG) in its place.

Due to devaluation of Pak Rupee, prices of imported and local raw material remained at highest. Inflation from this devaluation kept the interest rates at highest for both short term and long term facilities. The increase in interest rate resulted in increase in finance cost of the Company.

The Global economic issues such as the "USA/China trade war", general perception of the expected slowdown in the world economy together with the induction of a new Government made this a difficult period for the Company's businesses. In addition to this, with increasing pressures from local and international competitors, it's becoming very difficult to maintain the margins.

The electricity tariffs are significantly higher as compared to competitor countries and it is a major factor contributing to higher cost of production. The government must take immediate steps to nullify the difference to provide a level playing field to compete in the international market.

Despite of the significant importance of this sector at economic forum, its performance remained subdued on account of

lackluster performance of cotton yarn and cotton cloth in the local and international market. Textile sector exports have shown declined continuously during the last four years because of the high cost of doing business as compared to competitor countries and undeceive policies by the government for the industry.

It is also on part of government to take note of the continuous decline in cotton production every year. So it is the high time to take notice and an exclusive Research & Development Department must be established to evaluate and bring such seed for cotton which is as per International Standards and beneficial to grower as well. Otherwise we fear that if not done, it will be very difficult for textile industry to survive and mills may become more uncompetitive that will ultimately bring negative effect on our economy.

In our opinion, the development of new seed is a time taking task; in the meantime Government must take immediate steps to import cotton seed which is suitable to our soil. We suggest that until & unless we achieve the optimum production level, the taxes imposed on import of cotton should be lifted.

#### **Future prospects**

The future outlook looks very challenging. The Textile business is very competitive globally and is commoditizing worldwide. Slowdown in world economic growth due to COVID-19 could impact our business.

The overall economic environment continues to remain conducive for the growth. Availability of energy supplies and improvement in law and order situation has promoted business climate. However, below target production of domestic cotton crop for season 2020-21, increasing trend in power & fuel prices may adversely affect the competitiveness of textile industry in international markets.

In the current scenario, the revival of domestic textile industry is largely dependent on continuous availability of power and gas in the country at lower prices.

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 exporters 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. Textile has been an important sector for the local economy and future prospects of country are linked with the progress of textile chain, hence, it will remain in focus for all stakeholders.

Beside a lot of challenges, COVID-19, and increasing competition, the Company is cautious about the future but believes that it will perform better in next years.

#### **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 exchange in Pakistan.

#### **Safety, health and environment (SHE)**

Your Company takes 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.

Additionally, the Company has many internationally recognized certifications focused on keeping the environment clean and high standards for labor welfare. Your Company has BCI Certification / Membership (Better Cotton Initiative) besides holding OEKO-TEX Certificate (Eco-Friendly Cotton).

#### **Corporate social responsibility:**

Ghazi Fabrics International Limited possesses deepest care about its people and works towards empowering people by helping them develop the skills they need to succeed in a global economy. This approach has roots in our culture and enables our sustainable progress.

We believe that the success of any business depends on the quality of human capital and therefore development of people is our priority. We have invested fair number of hours in training and wish to enhance this in future. In order to develop future leadership in different functions we have instituted management training scheme and expect that the young talent will take the organization to greater heights.

For ensuring reward based on performance and to develop high caliber people for future succession, a system of performance management is practiced in the Company. The Company also believes in providing good health, safety, work-life balance and market commensurate compensation package including employment benefit plan.

#### **Earnings per share:**

The earning / (Loss) per share of the Company for the year ended June 30, 2020 is Rs (6.85) per share.

**Dividends:**

Due to accumulated losses of the Company and circumstances discussed above, the Board of Directors has not recommended dividend for the year ended June 30, 2020.

**Post balance sheet events:**

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statement relates and the date of the Directors' Report.

**Compliance with code of corporate governance:**

The management is fully aware of the company's obligation for compliance with the Listing Regulations of the Pakistan Stock Exchange and steps are being taken for its effective implementation within the allowed time frame work. We are pleased to report that:

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 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 and any departure there from has been adequately disclosed and explained.
5. System of internal control being sound in design, has been effectively implemented and being monitored continuously. Emphasis is being done on control procedures to ensure that policies of the Company are adhered to and in case of any anomaly, rectification is done promptly. On-going review will continue in future for further improvements in controls.
6. The Company has sound potential 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.

**Board of directors:**

10. The Board of Directors of the Company ensures transparency and good corporate governance. The Board comprises of 01 independent director, four non-executive directors and two executive directors (including the Chief Executive Officer).

**Composition of board:**

The board consists of 5 male and 2 female directors with following composition:

Independent directors	1
Other non-executive director	4
Executive directorss	2

**Total number of directors** **7**

Following are names of persons who were directors of the Company during the year ended 30 June 2020, number of Board and Committees' meetings held during the year and status of attendance by each director is as follows:

**Board of directors' meetings:**

Four (4) meetings were held during the period from July 1, 2019 to June 30, 2020

Sr. #	Name of Directors	Attended
1.	Mrs. Azra Yasmin	4
2.	Mohammad Arshad Chaudhry	4
3.	Kamran Arshad	4
4.	Rizwan Arshad	4
5.	Muhammad Salman Tariq	4
6.	Wajeeha Haaris	4
7.	Muhammad Imran Rasheed	4

**Human resource and remuneration committee (HRRC) meetings:**

One (1) meeting was held during the period from July 1, 2019 to June 30, 2020

Sr. #	Name of Director	Attended
1.	Mrs. Azra Yasmin	1
2.	Wajeeha Haaris	1
3.	Muhammad Imran Rasheed	1

**Audit committee meetings:**

Six (6) meetings were held during the period from July 1, 2019 to June 30, 2020

Sr. #	Name of Director	Attended
1.	Rizwan Arshad	6
2.	Muhammad Salman Tariq	6
3.	Muhammad Imran Rasheed	6

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.

**Remuneration policy of non-executive directors:**

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time.

**Auditors:**

The present auditors of the Company M/s. Qadeer & Company, Chartered Accountants have completed the annual audit for the year ended June 30, 2020 and have issued an unqualified audit report. The auditors will retire on conclusion of the Annual General Meeting of the Company, and being eligible; have offered themselves for reappointment for the year ending June 30, 2021. The Audit Committee has recommended their reappointment.

**Election of directors :**

Election of directors was held on 27 October 2017 and a seven member Board was elected unopposed whose term of office will expire on 26 October 2020.

**Board's performance evaluation:**

The Board has evaluated the individual performance of Directors as per established mechanism.

**CEO's performance evaluation:**

During the year, the Human Resource and Remuneration Committee of the Board evaluated the performance of the CEO

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

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

**Acknowledgement:**

The Directors of your Company would like to place on record their deep appreciation for support of customers, bankers, regulators and shareholders and hope that this cooperation and support 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

Chief Executive

Director



نمبر	ڈائریکٹرز کے نام	اجلاسوں میں شرکت
۱	مسز مندریا کیمین	1
۲	وجیہہ حارث	1
۳	محمد عمران رشید	1

آڈٹ کمیٹی کے اجلاس

یکم جولائی 2019 سے 30 جون 2020 کے دوران (6) سبھ اجلاس ہوئے۔

نمبر	ڈائریکٹرز کے نام	اجلاسوں میں شرکت
۱	رضوان ارشد	6
۲	محمد سلمان طارق	6
۳	محمد عمران رشید	6

ڈائریکٹرز، چیف فنانسئل آفیسر، کمپنی سیکرٹری، ان کے شریک حیات اور چھوٹے بچوں کی جانب سے شہر کی تجارت نہیں کی گئی سوائے اسکے جو شہر ہولڈنگ کے نمونے میں بنائی گئی ہے۔

نان ایگزیکٹو ڈائریکٹرز کی ریہوئیریشن پالیسی:

کمپنی کے بورڈ اور کمیٹی اجلاس میں شرکت کے لئے نان ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز کی فیس وقت کے ساتھ بورڈ طے کرتا ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز قدیر اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 30 جون 2020 کا سالانہ آڈٹ مکمل کر لیا اور اکوالیفائیڈ آڈٹ رپورٹ جاری کی ہے۔ آڈیٹر کمپنی کے سالانہ عام اجلاس کے اختتام پر ریٹائرڈ ہو جائیں گے اور انہوں نے اہل ہونے کی بنا پر 30 جون 2021 کو ختم ہونے والے سال کے لئے دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ آڈٹ کمیٹی نے ان کی تعیناتی کی سفارش کی ہے۔

الیکشن آف ڈائریکٹرز: 27 اکتوبر 2017 کو ڈائریکٹرز کا انتخاب منعقد کیا گیا اور سات ارکان پر مشتمل بورڈ کا انتخاب کیا گیا جن کی مدت 26 اکتوبر 2020ء میں ختم ہوگی۔

بورڈ کی کارکردگی کی جانچ پڑتال: بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کی انفرادی کارکردگی کی جانچ پڑتال کو سرانجام دیا ہے۔

چیف ایگزیکٹو آفیسر کی کارکردگی کی جانچ پڑتال: ہیومن ریسورس اور معاوضے کی کمیٹی نے چیف ایگزیکٹو آفیسر کی کارکردگی کی جانچ پڑتال کی ہے۔

شہر ہولڈنگ کا نمونہ: 30 جون 2020ء کو کمپنی کے شہر ہولڈنگ کے نمونے کو سالانہ رپورٹ میں شامل کیا گیا ہے۔

اعتراف: آپ کی کمپنی کے ڈائریکٹرز نے گاہکوں، بینکاروں، ریگولیٹرز اور حصص یافتگان کی حمایت پر انکی تعریف کی ہے اور امید کرتے ہیں کہ مستقبل میں بھی یہ تعاون جاری رہے گا۔ آپ کی کمپنی کے ڈائریکٹرز نے کمپنی کے ایگزیکٹو، عملے کے ارکان اور کارکنوں کی طرف سے پیش کی گئی خدمات، وفاداری اور مسلسل کوششوں کی تعریف کی ہے اور امید کرتے ہیں کہ مستقبل میں بھی ایسا تعاون جاری رہے گا۔

بورڈ آف ڈائریکٹرز کی جانب سے

- ۵۔ اندرونی کنٹرول کے سسٹم کا ڈیزائن عمدہ ہے اور اس کا نفاذ اور نگرانی موثر ہے۔ کنٹرول کے طریقہ کار پر زور دیا جا رہا ہے تاکہ یقینی بنایا جاسکے کہ کمپنی کی پالیسیوں پر عمل پیرا ہے اور کسی بھی قسم کی بے ضابطگی کی صورت میں اس کی اصلاح فوری طور پر کی جاتی ہے۔ قابو میں مزید بہتری کے لئے آئندہ بھی جائزہ جاری رہیگا۔
- ۶۔ کمپنی کے کاروبار کو رواں دواں رکھنے کی صلاحیت شکوک و شبہات سے بالاتر ہے۔
- ۷۔ سالانہ رپورٹ میں کی آپریٹنگ اور مالیاتی ڈیٹا بابت پچھلے 6 سال کو شامل کیا گیا ہے۔
- ۸۔ کارپوریٹ گورننس سے کسی قسم کا قابل ذکر انحراف نہیں کیا گیا۔
- ۹۔ مالی سال کے دوران متعلقہ فریقوں کے معاملات آڈٹ کمپنی کی طرف سے توثیق کے بعد بورڈ کی طرف سے منظوری دی گئی ہے۔
- ۱۰۔ بورڈ آف ڈائریکٹرز
- کمپنی کا بورڈ آف ڈائریکٹرز شفافیت اور اچھی کارپوریٹ گورننس کو یقینی بناتا ہے۔ بورڈ میں 01 آزاد ڈائریکٹر، چار نان ایگزیکٹو ڈائریکٹرز اور دو ایگزیکٹو ڈائریکٹرز (چیف ایگزیکٹو آفیسر سمیت) شامل ہیں۔
- بورڈ کی ساخت:

بورڈ میں پانچ مرد اور دو خاتون ڈائریکٹرز شامل ہیں۔

01	انڈیپنڈنٹ ڈائریکٹر
04	نان ایگزیکٹو ڈائریکٹر
02	ایگزیکٹو ڈائریکٹر
07	ڈائریکٹر کی کل تعداد

مندرجہ ذیل افراد کے نام جو 30 جون 2020 کو ختم ہوئے سال کے دوران کمپنی کے ڈائریکٹر تھے، سال کے دوران منعقدہ بورڈ اور کمیٹیوں کی میٹنگوں کی تعداد اور ہر ڈائریکٹر کی حاضری کی حیثیت مندرجہ ذیل ہے۔

بورڈ آف ڈائریکٹرز کی میٹنگز

تیم جولائی 2019 سے 30 جون 2020 تک چار (04) ملاقاتیں ہوئیں۔

نمبر	ڈائریکٹر کے نام	اجلاسوں میں شرکت
۱	مسز عذرا یامین	4
۲	محمد ارشد چوہدری	4
۳	کامران ارشد	4
۴	رضوان ارشد	4
۵	محمد سلمان طارق	4
۶	وجیہہ حارث	4
۷	محمد عمران رشید	4

ہیومن ریسورس اینڈ ریمو نیویشن کمیٹی (ایچ آر آئی) کے اجلاس

تیم جولائی 2019 سے 30 جون 2020 کے دوران (1) ایک اجلاس ہوا۔

## صحت، تحفظ اور ماحول:

آپ کی کمپنی اپنے تمام ملازمین کے ساتھ ساتھ گرد و نواح کے رہنے والے لوگوں کی حفاظت کے لئے ہر ممکن اقدامات کرتی ہے۔ ماحولیاتی تحفظ کمپنی کی اولین ترجیح ہے۔ کمپنی اس بات کو یقینی بناتی ہے کہ اس کا پیداواری عمل ماحول دوست رہے۔ ہم اپنے دفاتر اور پیداواری تنصیبات میں توانائی کی استعداد کا کو بہتر بنانے کے لیے مسلسل کوشش کر رہے ہیں۔ اضافی طور پر، کمپنی کے پاس بہت سے بین الاقوامی سطح پر تسلیم شدہ سرٹیفیکیشن ہیں جو بیرونی فلاح و بہبود کے لئے ماحول کو صاف ستھرا اور اعلیٰ معیار رکھنے پر مرکوز ہیں۔ آپ کی کمپنی کو OEKO-TEX سرٹیفیکیشن (ماحول دوست کپاس) کے علاوہ بی سی آئی سرٹیفیکیشن / ممبر شپ (بہتر کائون انیشی ایٹو) بھی حاصل ہے۔

## کارپوریٹ سماجی ذمہ داری:

نازی فہر کس انٹرنیشنل لمیٹڈ کے لئے اسکے لوگ بہت اہم اور لوگوں کو بااختیار بنانے کی سمت کام کرتا ہے تاکہ وہ عالمی معیشت میں کامیابی کے لئے ان کی مہارتوں کی ترقی میں مدد کر سکیں۔ یہ نقطہ نظر ہماری ثقافت کی جڑیں ہیں اور ہماری پائیدار ترقی کو قابل بناتا ہے۔ ہم سمجھتے ہیں کہ کسی بھی کاروبار کی کامیابی کا دارومدار انسانی سرمائے کے معیار پر ہے اور ان لئے لوگوں کی ترقی ہماری ترجیح ہے۔ ہم نے تربیت میں گھنٹوں کی مناسبت تعداد میں سرمایہ کاری کی ہے اور مستقبل میں اس کو بڑھانا چاہتے ہیں۔ مستقبل کی قیادت کو مختلف افعال میں ترقی دینے کے لئے ہم نے مینجمنٹ ٹریننگ اسکیم کا آغاز کیا ہے اور توقع ہے کہ نوجوان ہنرمند تنظیم کو ادھنچائی پر لے جائے گا۔ کارکردگی کی بنیاد پر آج کو یقینی بنانے اور آئندہ چاشینی کے لئے اعلیٰ صلاحیت رکھنے والے افراد کی ترقی کے لئے، کمپنی میں کارکردگی کا انتظام کرنے کا ایک نظام رائج ہے۔ کمپنی اچھی صحت، حفاظت، کام کی زندگی کے توازن اور مارکیٹ کے مطابق معاوضے کے سیک کو فراہم کرنے پر بھی یقین رکھتی ہے جس میں روزگار سے فائدہ اٹھانا بھی ہے۔

## فی شیئر آمدنی:

30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کیلئے ہر حصص کی کمائی / (نقصان) (6.85) روپے فی حصص ہے۔

## منافع:

کمپنی کے جمع شدہ نقصانات اور مذکورہ بالا حالات کی بناء پر، بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے سال کے لئے منافع کی سفارش نہیں کی ہے۔

## پوسٹ بیلنس شیٹ سرگرمیاں:

مالی سال کے اختتام کے درمیان کمپنی کی مالی حیثیت کو متاثر کرنے والی کوئی مادی تبدیلیاں اور وعدے نہیں ہوئے ہیں جس سے ان مالی بیانات سے متعلق ہے اور ڈائریکٹرز کی رپورٹ کی تاریخ ہے۔

## کارپوریٹ گورننس کے ضوابط کی تعمیل:

کمپنی کی انتظامیہ پاکستان سٹاک ایکسچینج کی جانب سے جاری کردہ کارپوریٹ گورننس کے ضوابط پر عمل درآمد کے حوالے سے اپنی ذمہ داریوں سے پوری طرح آگاہ ہے اور مقررہ وقت میں اسکے نفاذ کے لئے مناسب اقدامات کے لئے کوشاں ہے۔ ہمیں یہ اطلاع دیتے ہوئے خوشی ہوئی ہے کہ:

۱۔ انتظامیہ کی جانب سے تیار کیے جانے والے مالیاتی گوشواروں میں اسکے معمولات، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو عمدہ طریقے سے پیش کیا گیا ہے۔

۲۔ کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

۳۔ مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی پالیسیوں کا مستقل انداز میں نفاذ کیا گیا ہے اور اکاؤنٹنگ کے تخمینوں کا دارومدار معقول اور محتاط فیصلے پر مبنی ہے۔

۴۔ مالیاتی گوشواروں کی تیاری میں بین الاقوامی اکاؤنٹنگ کے معیار کا نفاذ کیا گیا ہے جو پاکستان میں بھی رائج ہیں اور وہاں سے کسی بھی طرح کی رواگتی کا مناسب طور پر سمجھایا اور انکشاف کیا گیا ہے

عالمی اقتصادی مسائل جیسے "امریکہ / چین تجارتی جنگ" عالمی معیشت میں متوقع سست روی کے بارے میں عمومی تاثر اور فی حکومت کو شامل کرنے سے کمپنی کے کاروبار کے لئے یہ بین الاقوامی حریفوں کے بڑھتے ہوئے دباؤ کے ساتھ، مارجن برقرار رکھنا بھی بہت مشکل ہوتا جا رہا ہے۔

ہمارے توانائی اخراجات ہمارے حریف ممالک کے مقابلے میں کافی زیادہ ہیں جو کہ ہماری زیادہ پیداواری لاگت کی بنیادی وجہ ہے۔ حکومت کو اس پہلو میں بہتری کے لئے فوری اقدامات کرنے چاہئیں تاکہ ہم عالمی منڈی میں مقابلہ کر سکیں۔

حکومت کی جانب سے ہر سال کپاس کی پیداوار میں ہونے والی مسلسل کمی کا بھی نوٹ کرتا ہے۔ لہذا یہ وقت آگیا ہے کہ ٹولس لیس اور روئی کے لئے ایسے بیجوں کی جانچ پڑتال اور لانے کے لئے ایک خصوصی ریسرچ اینڈ ڈویلپمنٹ ڈیپارٹمنٹ تشکیل دیا جائے۔ جو بین الاقوامی معیار کے مطابق ہو اور کشتکاروں کے لئے بھی فائدہ مند ہو۔ بصورت دیگر ہمیں خدشہ ہے کہ اگر ایسا نہ کیا گیا تو ٹیکسٹائل کی صنعت کے لئے زندہ رہنا بہت مشکل ہو جائے گا اور ملیں غیر مقابلہ بن سکتی ہیں جو بالآخر ہماری معیشت پر منفی اثر ڈالیں گی۔ ہماری رائے میں نئے بیج کی ترقی میں وقت درکار ہے۔ اس دوران حکومت کو کپاس کے بیج درآمد کرنے کے لئے فوری اقدامات اٹھانے چاہئیں جو ہماری منی کے لئے موزوں ہو۔ ہم تجویز کرتے ہیں کہ جب تک ہم زیادہ سے زیادہ پیداواری سطح کو حاصل نہ کر لیں تب تک کپاس کی درآمد پر ٹیکس پابندی اٹھائی جائے۔

### مستقبل کے امکانات:

مستقبل کا نظارہ بہت مشکل لگتا ہے ٹیکسٹائل کا کاروبار عالمی سطح پر بہت مسابقتی ہے اور دنیا بھر میں اجناس کو کمزور ہے COVID-19 کی وجہ سے عالمی معاشی نمومیں کمی ہمارے کاروبار کو متاثر کر سکتی ہے۔

مجموعی اقتصادی ماحول ترقی کے لئے سازگار رہتا ہے توانائی کی فراہمی اور نظم و ضبط کی صورتحال میں بہتر کاروباری آب و ہوا کو فروغ دے گی۔ تاہم سیزن 2020-21 کے موسم میں گھریلو کپاس کی فصل کے ہدف پیداوار سے نیچے چلی اور ایندھن کی بڑھتی ہوئی قیمتوں کے رجحان سے بین الاقوامی منڈیوں میں ٹیکسٹائل اینڈسٹری کی مسابقت کو بری طرح متاثر کیا جاسکتا ہے۔

تاہم، 2019-20ء میں مقامی کپاس کی ہدف سے کم پیداوار، بجلی اور ایندھن کی قیمتوں میں اضافہ ہماری ٹیکسٹائل اینڈسٹری کی مسابقت کو بین الاقوامی مارکیٹ میں اثر انداز کر سکتی ہے۔

موجودہ منظر نامے میں، ہماری ٹیکسٹائل کی صنعت کی بحالی ملک میں سستی بجلی اور گیس کی مسلسل فراہمی پر منحصر ہے۔

ہم اس شعبے میں بڑھتی ہوئی اور فی مارکیٹ کے مواقع تلاش کرتے رہیں گے۔ پاکستان دنیا میں کاٹن یارن کے سب سے بڑے برآمد کنندہ میں سے ایک ہونے کے علاوہ کپاس کا چھوٹا سب سے بڑا پروڈیوسر اور تیسرا سب سے بڑا صارف ہے۔ کپاس کے شعبے کے ساتھ ساتھ ٹیکسٹائل اور ملبوسات کی صنعت ملک کے جی ڈی پی کا 11% اور ملک کی برآمدات کا 60% ہونے کے علاوہ 35% لوگوں کو روزگار مہیا کرتی ہے۔ مقامی معیشت کا اہم شعبہ ہونے کی وجہ سے ملک کا مستقبل ٹیکسٹائل سے جڑا ہے۔ جس کی بدولت یہ شعبہ تمام ٹیکسٹائل ہولڈرز کے لئے توجہ کا مرکز رہے گا۔

بہت سارے چیلنجز، COVID-19 اور بڑھتی مسابقت کے علاوہ، کمپنی مستقبل کے بارے میں محتاط ہے لیکن اس کا ماننا ہے کہ اگلے سالوں میں یہ بہتر کارکردگی کا مظاہرہ کرے گی۔

### متعلقہ فریق:

متعلقہ فریقین کے درمیان لین دین آرمر لینتھ پر کیا گیا ہے۔ جن کا موازنہ غیر مقابلہ قیمتوں کے طریقہ کار سے کیا گیا ہے۔ کمپنی مکمل طور پر اور بہترین طریقوں سے ٹرانسفر پرائسنگ کے طریقوں پر عمل پیرا ہے۔ جو کہ پاکستان شاک انکھیچ کے لسٹنگ کے ضابطے میں موجود ہیں۔

## ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020ء کو ختم ہونے والے مالی سال متعلقہ کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ اکاؤنٹس پیش کرتے ہیں۔ گزشتہ مالی سال کے اعداد و شمار تقابلی جائزے کے لئے شامل کئے گئے ہیں۔

کارپوریٹ گورننس کے کوڈ کی تعمیل کے لئے سالانہ رپورٹ کی توثیق چیف ایگزیکٹو آفیسر اور چیف فنانسئل آفیسر کی طرف سے کی گئی ہے جو کہ آڈٹ کمیٹی کی طرف سے منظوری کی سفارش کے بعد بورڈ آف ڈائریکٹرز کی طرف سے منظور کی گئی ہے۔ ہم 30 جون 2020ء کو ختم ہونے والے سال کے لئے نظر ثانی شدہ نتائج کا مختصر جائزہ پیش کرتے ہیں۔

سال 2020 روپے (000)	سال 2019 روپے (000)	فروخت:
4,115,736	4,146,396	مقامی
588,124	1,272,390	برآمدات
137,540	384,809	خام منافع
(32,012)	206,985	آپریٹنگ منافع / نقصان
173,056	145,034	سود
223,595	51,444	بعد از ٹیکس نقصان
6.85	1.58	فی شیئر نقصان

مالی اور آپریٹنگ کارکردگی: بوجہ عالمی سطح پر شدید مندی اور سخت کاروباری مقابلے کے باوجود سال 2019-20ء میں بعد از ٹیکس نقصان 223.59 ملین روپے رہا۔ گزشتہ مالی سال 2018-19ء میں بعد از ٹیکس نقصان 51.44 ملین روپے تھا۔ نقصان میں اضافے کی وجوہات میں ٹیکسٹائل انڈسٹری پر سلیز ٹیکس کے نفاذ کے نتیجے میں معاشی سست روی، امریکی ڈالر کے مقابلے میں روپے میں بگاڑ اور حتیٰ طور پر COVID-19 کے پھیلاؤ نے پورے پاکستان میں معاشی سرگرمیوں میں معطل کر دیا۔ ان تمام عوامل نے پورے سال کمپنی کی فروخت، پیشہ دران صلاحیت اور لیکچو ڈیٹی کو متاثر کیا۔ انتظامیہ کی سخت کوششوں کے باوجود لاگت میں کمی کے بروقت اقدامات اور پرائس منیجمنٹ ان مشکلات کے اثرات کو کافی حد تک روکتی ہے۔

**COVID-19** کے اثرات اور پیمانے: حکومت پاکستان نے دنیا کی وہائی صورت حال کو مد نظر رکھتے ہوئے 25 مارچ 2020ء کو پورے پاکستان کو بند کر دیا۔ اس کے مطابق، ہمیں سرکاری احکامات کے مطابق ملیں بند کرنے پر بھی مجبور کیا گیا۔ تاہم، حکومت کی منظوری حاصل کرنے کے بعد یہ کام جزوی طور پر 05 اپریل 2020ء کو شروع ہوئے جب بنائی یونٹ نے اپنی جزوی کارروائیاں شروع کیں، اس کے بعد سپننگ یونٹ 1 جو 18 اپریل 2020ء کو شروع ہوا اور 11 مئی 2020ء کو سپننگ یونٹ 2 شروع ہوا۔ کمپنی نے فیکٹری شروع کرنے سے پہلے حکومت کی فراہم کردہ SOP کی تعمیل کے لئے سخت اقدامات اٹھائے تھے۔ ان حفاظتی اقدامات کے اضافی اخراجات کے باوجود، کمپنی ہمارے ملازمین کی صحت اور حفاظت کو اپنی اولین ترجیح کے طور پر برقرار رکھے گی۔ ہم ان اقدامات کو اپناتے رہیں گے جب تک وہائی بیماری کا مکمل خاتمہ نہیں ہو جاتا۔

**ٹیکسٹائل کی صنعت کا جائزہ:** خاص طور پر پنجاب کے علاقے میں ٹیکسٹائل کے شعبے کو فنانس ایکٹ 2019 کے توسط سے سلیز ٹیکس کے نفاذ، شدید بجلی کی بندش اور گیس کی اضافی قیمتوں کا بھی سامنا کرنا پڑا۔ جس نے مجموعی طور پر شعبے کی کارکردگی کو متاثر کیا اور مجبور کیا کہ یونٹ کو کم پیداواری صلاحیت پر چلایا جائے جو پیداواری لاگت میں اضافے کا سبب بنا۔ حکام بالائی طرف سے مقامی طور پر نکلنے والی گیس کی فراہمی منقطع کیے جانے اور اسکی جگہ اضافی قیمت پر درآمد شدہ مائع قدرتی گیس (آریل این جی) متعارف کروانے کی وجہ سے بجلی کی قیمتوں میں اضافہ ہوا۔

پاکستانی روپے کی قدر میں کمی کی وجہ سے درآمدی اور مقامی خام مال کی قیمتیں سب سے زیادہ رہی۔ اس قدر میں کمی سے افراط زر نے قلیل مدتی اور طویل مدتی سہولیات کے لئے سود کی شرح کو سب سے زیادہ رکھا۔ شرح سود میں اضافے کے نتیجے میں کمپنی کی فنانس لاگت میں اضافہ ہوا۔

## PATTERN OF SHAREHOLDING

As At June 30, 2020

NUMBER OF SHAREHOLDERS	H O L D I N G S FROM	TO	T O T A L SHARES HELD
561	1	100	49,879
3388	101	500	1,554,025
411	501	1,000	384,802
323	1,001	5,000	813,976
51	5,001	10,000	403,718
17	10,001	15,000	215,400
8	15,001	20,000	149,100
9	20,001	25,000	199,200
4	25,001	30,000	115,100
2	30,001	35,000	67,500
1	45,001	50,000	47,000
1	50,001	55,000	51,500
1	55,001	60,000	60,000
1	60,001	65,000	63,000
1	95,001	100,000	100,000
2	120,001	125,000	248,500
1	145,001	150,000	150,500
1	150,001	155,000	155,000
1	240,001	245,000	244,700
1	260,001	265,000	262,000
1	445,001	450,000	445,500
1	1,615,001	1,620,000	1,617,600
1	2,490,001	2,495,000	2,491,100
2	3,220,001	3,225,000	6,447,000
1	16,295,001	16,300,000	16,300,000
4,791			32,635,600

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	20,673,200	63.3455%
Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
NIT and ICP	12,000	0.0368%
Banks Development	26,600	0.0815%
Financial Institutions, Non Banking Financial Institutions.		
Insurance Companies	124,500	0.3815%
Modarabas and Mutual Funds	1,100	0.0034%
Share holders holding 10% or more	16,300,000	49.9455%
General Public		
a. Local	11,742,099	35.9794%
b. Foreign	500	0.0015%
Joint Stock Companies	55,601	0.1704%



## CATEGORIES OF SHAREHOLDING

Sr. No.	Name	No. of Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail):</b>		-	-
<b>Mutual Funds (Name Wise Detail)</b>		-	-
<b>Directors and their Spouse and Minor Children (Name Wise Detail):</b>			
1	MR. MOHAMMAD ARSHAD CHAUDHRY	16,300,000	49.9455
2	MRS. AZRA YASMIN	1,000	0.0031
3	MR. MUHAMMAD KAMRAN ARSHAD	1,617,600	4.9566
4	MR. MUHAMMAD SALMAN TARIQ	500	0.0015
5	MISS. WAJEEHA ARSHAD	500	0.0015
6	MR. RIZWAN ARSHAD	2,753,100	8.4359
7	MR. MUHAMMAD IMRAN RASHEED	500	0.0015
<b>Executives:</b>		3,000	0.0092
<b>Public Sector Companies &amp; Corporations:</b>		-	-
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>		152,200	0.4664
<b>Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)</b>			
1	MR. MOHAMMAD ARSHAD CHAUDHRY	16,300,000	49.9455
2	MR. RIZWAN ARSHAD	2,753,100	8.4359
3	MR. IBRAHIM HUSSAIN IBRAHIM ALHOSANI	3,225,000	9.8818
4	MR. AHMED YUSUF ALI	3,222,000	9.8727
<b>All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:</b>			
<b>S.No</b>	<b>NAME</b>	<b>SALE</b>	<b>PURCHASE</b>
	Nil	-	-

## SIX YEARS FINANCIAL STATISTICAL SUMMARY

Measure of performance	2020	2019	2018	2017	2016	2015
..... Rupees in Thousand .....						
Sales - net	4,703,859	5,418,786	3,797,059	4,255,717	4,819,932	5,114,903
Cost of sales	4,566,155	5,033,977	3,571,402	4,174,942	4,647,253	4,815,950
Gross profit	137,704	384,809	225,657	80,775	172,679	298,953
Operating profit/(Loss)	(31,852)	206,985	18,329	(153,405)	(85,857)	27,871
(Loss) / profit after tax	(223,595)	(51,444)	(175,202)	(334,189)	(269,364)	(182,990)
<b>In % age terms</b>						
Cost of sales	97.07	92.90	94.06	98.10	96.42	94.16
Operating profit/(Loss)	(0.68)	3.82	0.48	(3.60)	(1.78)	0.54
(Loss)/ profit after tax	(4.75)	(0.95)	(4.61)	(7.85)	(5.59)	(3.58)
<b>Financial position</b>						
Property, plant and equipment-net	1,321,561	1,401,016	1,415,526	1,556,532	1,605,032	1,535,324
Capital work in progress	-	-	90,830	1,134	34,210	129,013
Fixed assets	<b>1,321,561</b>	<b>1,401,016</b>	<b>1,506,356</b>	<b>1,557,666</b>	<b>1,639,242</b>	<b>1,664,337</b>
<b>Current assets</b>						
Stores, spares and loose tools	122,871	131,914	115,609	114,772	93,385	89,718
Stocks in trade	990,238	729,191	449,614	749,188	626,434	804,905
Other current assets	520,088	860,918	577,315	471,290	432,965	545,622
Cash and cash equivalent	8,591	6,784	30,450	6,748	4,156	25,007
	<b>1,641,788</b>	<b>1,728,807</b>	<b>1,172,988</b>	<b>1,341,998</b>	<b>1,156,940</b>	<b>1,465,251</b>
<b>Current liabilities</b>						
Short term borrowings	1,037,670	1,255,863	983,332	1,203,403	940,649	1,020,173
Current portion of long term loans	119,750	80,550	150,000	175,000	143,462	224,126
Other current liabilities	386,240	315,110	334,743	377,625	485,477	419,470
	<b>1,543,660</b>	<b>1,651,523</b>	<b>1,468,075</b>	<b>1,756,028</b>	<b>1,569,588</b>	<b>1,663,769</b>
Net working capital	98,128	77,284	(295,087)	(414,030)	(412,648)	(198,518)
Long term loans - excluding sponsors' loan	162,250	131,250	56,250	206,250	350,000	387,308

## FINANCIAL HIGHLIGHTS

Financial Highlights		2020	2019	2018	2017	2016	2015
		.....Rupees.....					
<b>A. Profitability Ratios:</b>							
Earning before interest, taxation and depreciation	Rs.	95,489,077	340,596,271	160,223,452	(5,942,434)	65,980,209	181,026,024
Earning before interest and taxation	Rs.	(31,851,713)	206,984,710	18,328,741	(153,404,945)	(85,857,366)	27,870,518
Profit / (Loss) before taxation and depreciation	Rs.	(77,566,805)	195,562,579	40,194,263	(146,082,104)	(83,405,422)	(27,849,953)
Gross profit ratio	%	2.93	7.10	5.94	1.90	3.58	5.84
Operating profit / (loss) margin to sales (net)	%	(0.68)	3.82	0.48	(3.60)	(1.78)	0.54
Net profit / (loss) margin to sales (net)	%	(4.75)	(0.95)	(4.88)	(7.85)	(5.59)	3.58
EBITD margin to sales (net)	%	2.03	6.29	4.22	(0.14)	1.37	3.54
<b>B. Liquidity Ratios :</b>							
Current ratio	%	1.06	1.05	0.80	0.76	0.74	0.88
Quick / Acid-test ratio	%	0.42	0.61	0.25	0.27	0.34	0.34
Cash to current liabilities	%	0.01	0.004	2.07	0.38	0.26	1.50
Cash flow from operations to sales	%	0.03	(0.12)	8.95	(6.42)	4.67	4.70
Working capital (Net current assets)	Rs.	98,127,442	77,283,941	(295,086,622)	(414,030,560)	(412,649,253)	(198,517,658)
Working capital turnover	Times	47.94	70.12	(12.87)	(0.10)	(11.68)	(25.77)
<b>C. Activity / Turnover Ratios</b>							
Debtors turnover ratio	Times	14.38	12.91	30.00	33.25	24.73	19.59
No. of days in receivables / Average collection period	Days	28.98	18.40	12.17	10.98	14.76	18.25
Inventory turnover ratio	Times	5.31	8.54	6.32	5.57	6.49	6.35
No. of days in inventory	Days	66.71	39.70	57.77	65.50	56.21	62.05
Creditors turnover ratio	Times	18.98	25.03	11.72	9.62	7.79	20.67
No. of days in creditors / Average payment period	Days	14.78	11.54	31.14	37.94	46.84	18.25
Property, plant and equipment turnover	Days	102.55	94.37	136.07	133.50	118.91	109.50
Total assets turnover	Days	230.95	211.70	258.81	249.81	225.36	223.93
<b>D. Investment Ratios</b>							
Basic earnings / (loss) per share	Rs.	(6.85)	(1.58)	(5.37)	(10.24)	(8.25)	(5.61)
Cash dividend per share	Rs.	-	-	-	-	-	-
<b>E. Capital Structure Ratios</b>							
Total liabilities to total assets	%	61.84	62.12	61.15	70.10	70.50	104.94
Interest coverage	Times	(0.18)	1.43	0.15	(1.09)	(0.57)	0.13

## STATEMENT OF VALUE ADDITION

## Statement of Value addition

	2020	2019
Sales	4,703,859,321	5,418,786,475
Less: Manufacturing / administration and general expenses	(4,096,047,148)	(4,614,995,428)
	607,812,173	803,791,047
Other income	10,321,704	24,768,035
Total value added	618,133,877	828,559,082

Distribution

## Employees :

Salaries and wages	521,253,526	484,921,541
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## Government :

Corporate tax	18,686,946	113,395,361
Development surcharge	1,391,273	3,041,270
	20,078,219	116,436,631

## Lenders :

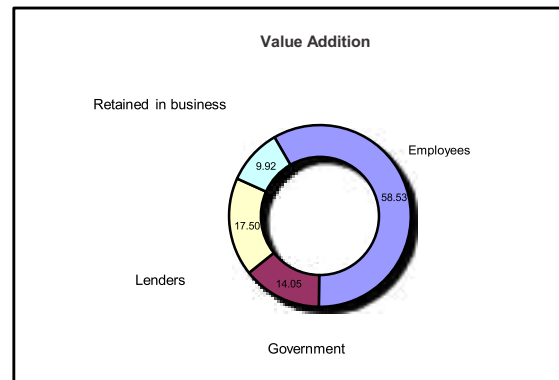
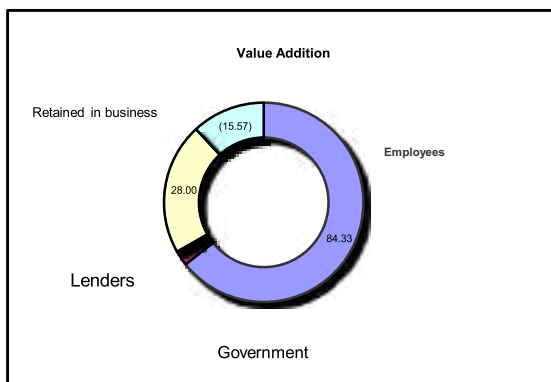
Financial institution (Markup, Bank charges)	173,055,882	145,033,692
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## Retained in business:

Depreciation	127,340,791	133,611,561
Profit / (Loss)	(223,594,541)	(51,444,343)
	(96,253,750)	82,167,218
	618,133,877	828,559,082

## Percentage

Employees	84.33	58.53
Government	3.25	14.05
Lenders	28.00	17.50
Retained in business	(15.57)	9.92



# STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF GOVERNANCE) REGULATIONS, 2019

**Name of company: GHAZI FABRICS INTERNATIONAL LIMITED**

**Year ending: JUNE 30, 2020**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male : 05
  - b. Female : 02
2. The composition of board is as follows:

Category	Names
Independent Director	○ Mohammad Imran Rasheed
Executive Directors	○ Mohammad Arshad Chaudhry ○ Kamran Arshad
Female Directors	○ Mrs. Azra Yasmin ○ Wajeeha Haaris
Non-Executive Directors	○ Rizwan Arshad ○ Muhammad Salman Tariq

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Majority of the Directors of the Company are exempted/certified from the requirement of Directors' Training program.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The board has formed committees comprising of members given below:
  - a) **Audit Committee**
    1. Mr. Muhammad Imran Rasheed – Chairman/ member
    2. Mr. Rizwan Arshad – member
    3. Mr. Muhammd Salman Tariq – member

**b) HR and Remuneration Committee**

1. Mr. Muhammad Imran Rasheed – Chairman/ member
  2. Mrs. Azra Yasmin – member
  3. Mrs. Wajeeha Haris – member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
- |    |                               |     |
|----|-------------------------------|-----|
| a) | Audit Committee               | (6) |
| b) | HR and Remuneration Committee | (1) |
15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. 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 and registered with Audit Oversight Board of Pakistan, that they and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations have been complied with.
- 19 N.A.

Chief Executive  
Lahore  
September 30, 2020

Chairperson





**QADEER & COMPANY**  
CHARTERED ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GHAZI FABRICS INTERNATIONAL LIMITED**

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Ghazi Fabrics International Limited** (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require 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. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Lahore

September 30, 2020

**QADEER AND COMPANY**  
CHARTERED ACCOUNTANTS  
ENGAGEMENT PARTNER  
ABDUL RAHMAN, ACA

# *Financial Statements*

*For the year ended June 30, 2020*



## **INDEPENDENT AUDITOR'S REPORT**

### **To The Members Of Ghazi Fabrics International Limited Report On The Audit Of The Financial Statements**

#### **Opinion**

We have audited the annexed financial statements of Ghazi Fabrics International Limited (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2020 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters;

Sr. No.	Key Audit Matters	How the matters were addressed in our audit
(i)	<p><b>Impact of COVID-19</b></p> <p>As mentioned in Note # 1.02 of the financial statements, COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities from March 2020 in line with the directive of the government. This situation posed a range of business and financial challenges to the businesses and across various sectors of the economy in Pakistan</p> <p>In relation to accounting and reporting obligations, the management assessed and addressed the impact of COVID-19 especially by following the Institute of Chartered Accountants of Pakistan's guidelines and publications on "Key considerations for Impairment of Property, plant and equipment, Right of use assets and Intangible assets under the COVID-19 situation", "Key financial reporting considerations for going concern assessment under COVID-19 situation" and "Preparation of Financial Statements under the COVID-19 Circumstances".</p> <p>In view of the unique nature of these events and its possible impacts on the business operations and financial reporting, we considered this area as a key audit matter to identify specific risks in relation to financial statements and device our audit strategy accordingly.</p>	<p>Our audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an overall understanding of the impact on the financial reporting process and underlying controls in order to determine the appropriate audit strategy;</li> <li>• Checked subsequent recoveries, on a sample basis and assessed the reasonableness of forward-looking factors used by the management in determination of expected credit loss for trade debts;</li> <li>• Checked the key debt covenants of the loan agreements and checked that the company is in compliance with these covenants during the financial year and subsequent to the year end.</li> <li>• evaluated management's going concern assessment by reviewing the future projections and assessed whether going concern assumption is appropriate; and</li> <li>• Checked the adequacy of disclosures made by the company under the applicable financial reporting framework;</li> </ul>

## **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we concluded that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Abdul Rahman**.



# STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020	2019
		Rupees	
<b>EQUITY AND LIABILITIES</b>			
Share Capital and Reserves			
Authorized capital			
40,000,000 (2019: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	5	326,356,000	326,356,000
Directors' loan	6	2,327,150,837	2,172,277,835
Accumulated loss		(1,517,837,758)	(1,308,013,961)
		1,135,669,079	1,190,619,874
<b>Non Current Liabilities</b>			
Long term financing	7	162,250,000	131,250,000
Deferred liabilities	8	134,780,613	169,441,718
		297,030,613	300,691,718
<b>Current Liabilities</b>			
Trade and other payables	9	298,563,037	223,854,895
Unclaimed dividend		4,982,921	4,985,265
Accrued interest / mark up	10	14,977,040	27,597,559
Short term borrowings	11	1,037,669,766	1,255,862,680
Current portion of long term financing	7	119,750,000	80,550,028
Provision for taxation - net	12	67,717,408	58,672,545
		1,543,660,172	1,651,522,972
<b>Contingencies and Commitments</b>			
	13	-	-
		2,976,359,864	3,142,834,564
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	14	1,321,560,556	1,401,015,957
Capital work in progress	15	-	-
		1,321,560,556	1,401,015,957
Long term deposits	16	13,011,694	13,011,694
		1,334,572,250	1,414,027,651
<b>Current Assets</b>			
Stores, spares and loose tools	17	122,870,866	131,914,262
Stock in trade	18	990,237,892	729,190,906
Trade debts	19	327,133,703	419,711,284
Loans and advances	20	118,753,538	244,569,386
Tax refunds/ rebate due from the Government	21	74,200,306	196,637,350
Cash and bank balances	22	8,591,309	6,783,725
		1,641,787,614	1,728,806,913
		2,976,359,864	3,142,834,564

The annexed notes from 1 to 41 form an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees	
Sales - Net	23	4,703,859,321	5,418,786,475
Less: Cost of goods sold	24	4,566,155,085	5,033,977,051
<b>Gross Profit</b>		137,704,236	384,809,424
Less: Operating expenses:			
- Selling and distribution	25	66,544,095	85,928,213
- Administrative and general	26	111,728,381	115,071,786
- Other operating charges	27	1,605,177	1,592,750
		179,877,653	202,592,749
		(42,173,417)	182,216,675
Other operating income	28	10,321,704	24,768,035
<b>Operating profit / (loss)</b>		(31,851,713)	206,984,710
Less: Finance cost	29	173,055,882	145,033,692
<b>Profit / (loss) before taxation</b>		(204,907,595)	61,951,018
Less: Taxation	30	18,686,946	113,395,361
<b>Loss after taxation</b>		(223,594,541)	(51,444,343)
<b>Loss per share - Basic and diluted</b>	31	(6.85)	(1.58)

The annexed notes from 1 to 41 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees	
Loss for the year		(223,594,541)	(51,444,343)
<b><u>Other comprehensive income / (Loss)</u></b>			
Remeasurements of defined benefit obligation		17,632,187	9,056,494
Impact of deferred tax		(3,861,443)	(1,650,945)
		13,770,744	7,405,549
Total comprehensive loss for the year		(209,823,797)	(44,038,794)

*The annexed notes from 1 to 41 form an integral part of these financial statements.*

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		(204,907,595)	61,951,018
Adjustments for:			
- Depreciation		127,340,790	133,611,561
- (Gain) / loss on disposal of property, plant and equipment		1,577	-
- Provision for gratuity		39,008,038	27,970,711
- Finance cost		173,055,882	145,033,692
		339,406,287	306,615,964
<b>Operating profit before working capital changes</b>		<b>134,498,692</b>	<b>368,566,982</b>
(Increase) / decrease in current assets:			
- Stores, spares and loose tools		9,043,396	(16,304,475)
- Stock in trade		(261,046,986)	(279,576,760)
- Trade debts		92,577,581	(293,159,334)
- Loans and advances		125,815,848	(288,325)
- Tax refunds/ rebate due from the Government		90,568,169	(207,396)
Increase / (decrease) in current liabilities:			
- Trade and other payables		74,708,142	(51,134,523)
		131,666,149	(640,670,814)
<b>Cash generated from operations</b>		<b>266,164,841</b>	<b>(272,103,832)</b>
Income tax paid / deducted		(20,850,467)	(33,889,708)
Gratuity paid		(16,821,139)	(17,348,243)
Finance cost paid		(185,676,401)	(128,621,498)
<b>Net cash generated from / (used in) operating activities</b>		<b>42,816,834</b>	<b>(451,963,281)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment purchased		(47,886,966)	(119,101,467)
Capital work in progress		-	(90,830,496)
Proceeds from disposal of property, plant and equipment		-	-
<b>Net cash used in investing activities</b>		<b>(47,886,966)</b>	<b>(28,270,971)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds / (repayment) of long term loans - net		70,199,972	5,550,000
Loan from Sponsors	34.01	154,873,002	178,500,000
Unclaimed dividend		(2,344)	(12,370)
Short term borrowings		(218,192,914)	272,529,941
<b>Net cash generated from financing activities</b>		<b>6,877,716</b>	<b>456,567,571</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,807,584</b>	<b>(23,666,681)</b>
Cash and cash equivalents at the beginning of the year		6,783,725	30,450,406
<b>Cash and cash equivalents at the end of the year</b>	<b>22</b>	<b>8,591,309</b>	<b>6,783,725</b>

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

Issued, Subscribed and Paid up Capital	Directors' loan	Accumulated Loss	Total
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Rupees

<b>Balance as at June 30, 2018</b>	<b>326,356,000</b>	<b>1,993,777,835</b>	<b>(1,263,975,167)</b>	<b>1,056,158,668</b>
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<i>Transaction with owner-loan from directors</i>	-	178,500,000	-	178,500,000
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<b>Total comprehensive income for the year ended June 30, 2019</b>	-	-	<b>(44,038,794)</b>	<b>(44,038,794)</b>
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Loss after taxation for the year	-	-	(51,444,343)	(51,444,343)
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Other comprehensive income / (loss) for the year	-	-	7,405,549	7,405,549
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<b>Balance as at June 30, 2019</b>	<b>326,356,000</b>	<b>2,172,277,835</b>	<b>(1,308,013,961)</b>	<b>1,190,619,874</b>
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<i>Transaction with owner-loan from directors</i>	-	154,873,002	-	154,873,002
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<b>Total comprehensive income for the year ended June 30, 2020</b>	-	-	<b>(209,823,797)</b>	<b>(209,823,797)</b>
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Loss after taxation for the year	-	-	(223,594,541)	(223,594,541)
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Other comprehensive income / (loss) for the year	-	-	13,770,744	13,770,744
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<b>Balance as at June 30, 2020</b>	<b>326,356,000</b>	<b>2,327,150,837</b>	<b>(1,517,837,758)</b>	<b>1,135,669,079</b>
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The annexed notes from 1 to 41 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 1 REPORTING ENTITY

**1.01** Ghazi Fabrics International Limited ("the Company") was incorporated in Pakistan on April 30, 1989 as a Private Limited Company under the Companies Ordinance 1984 (repealed with the enactment of the Companies Act 2017); and converted into Public Limited Company on January 07, 1990. Its shares are quoted on Pakistan Stock Exchange Limited. 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 and mill is located at 46-km, Multan Road, Bhaiphero, Kasur.

#### 1.02 Impact of covid-19 on the financial statements

Coronavirus (COVID-19) that first emerged in China and later classified as a pandemic by the World Health Organization on March 2020, impacted the countries globally. The impact in Pakistan reached at its peak in mid of March 2020 when the Government of Pakistan (GOP) took severe action to curtail the spread of the COVID-19 through lockdown of businesses. This action resulted in an overall economic slowdown and resulted disruptions to nearly all of the business segments. However subject to implementation of Standard Operating Procedures (SOPs) businesses were allowed to start their operations from April 2020.

Pursuant to the SOPs implemented by the GOP, the Company was allowed permission to start its operations. However, as the COVID-19 is still on the surface, the Company will continue to actively monitor the situation and implementation of SOPs as may be required by the GOP or that are in the best interests of our stakeholders.

The operations of the Company were majorly affected due to the pandemic. The Mills were completely shutdown from March 26, 2020. After getting permission from Government operation were started partially. Initially the weaving unit started its partial operations on April 05, 2020, followed by Spinning unit I that started its operations on April 18, 2020 and Spinning Unit 2 on May 11, 2020.

In line with the negative trend on the overall businesses worldwide, the pandemic affected the Company as well. The impact appeared in the form of debtors turnover that increased from 19 days to 50 days as well as inventory turnover that increased from 40 days to 60 days during the peak period of Pandemic.

Currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of these impacts on the Company are unclear.

However, the management based on its assessment, has evaluated and concluded that there are no material implications of COVID-19 that will adversely affect its business, results of operations and financial condition in future period or the carrying amount of assets and liabilities and its going concern assumption.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017 and provisions of and directives issued under the Companies Act 2017. Where provisions of and directives issued under the Companies Act 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act 2017 have been followed.

#### 2.2 New standards, amendments to the accounting and reporting standards as applicable in Pakistan

##### 2.2.1 Amendments to the accounting and reporting standards as applicable in Pakistan which are effective during the year ended June 30, 2020

	Effective date (annual reporting periods beginning on or after)
IAS 12 Income Taxes (Amendments)	1-Jan-19
IAS 19 Employee benefits (Amendments)	1-Jan-19
IAS 23 Borrowing Costs (Amendments); Borrowing costs eligible for capitalisation	1-Jul-19
IAS 28 Investment in Associates and Joint Ventures (Amendments)	1-Jan-19
IFRS 3 Business Combinations (Amendments)	1-Jan-19
IFRS 9 Financial Instruments (Amendments)	1-Jan-19
IFRS 11 Joint Arrangements (Amendments); Re-measurement of previously held Interests in a joint operation	
IFRS 14 Regulatory Deferral Accounts	1-Jan-19
IFRS 16 Leases	1-Jan-19
IFRIC 23 Uncertainty Over Income Tax	1-Jan-19
Annual improvements to IFRSs (2015-2017 Cycle)	

**2.2.2** The adoption of the above amendments to accounting standards did not have any significant impact on the financial statements, except some additional disclosures.

##### 2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company as at June 30, 2020.

There are certain other new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, these standards and amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

## **2.4 Basis of measurement**

These financial statements 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.

## **2.5 Judgment, estimates and assumptions**

The preparation of financial statements in conformity with accounting and reporting standards 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 any material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of accounting and reporting 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;

### **2.5.1 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.

### **2.5.2 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.

### **2.5.3 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.

### **2.5.4 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.

### **2.5.5 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.

## **2.6 Functional and presentation currency**

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

## **3 SIGNIFICANT ACCOUNTING POLICIES**

### **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, 2020. Charge for the current year is based on estimates provided by the actuary as at June 30, 2020.

All actuarial gains and losses (i.e. remeasurements) are recognized in 'other comprehensive income' as they occur.

### **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**

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



**3.5 Taxation****Current**

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher, and taxes paid / payable on final tax basis, after taking into account tax credit available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessment made / finalised during the year.

**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, are recognized to the extent of potential available taxable profit against which temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the financial position date.

**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 debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

**3.8 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation less impairment loss (if any) 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 by using the reducing balance method at the rates specified in Note 14. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to profit and loss account as expense 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 statement of financial position 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 statement of profit or loss.

**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 as follows

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 statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise cash in hand and cash with banks in current accounts.

### 3.14 Financial instruments

#### Financial assets

The Company classifies its financial assets in the following categories: at fair value through statement of profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through statement of profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

#### Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

#### Off-setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position 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 and transactions

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 into Pak Rupees (functional and presentation) at the exchange rate prevailing on the date of transaction. All exchange differences are included in the statement of profit or loss.

### 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

Revenue from local sale of goods be recognised at the point in time when control of goods is transferred to the customer, which is when the goods are dispatched to the customer and invoices are generated.

Export sales are recorded at the time of receipt of bill of lading.

Export rebate and Duty Drawbacks are accrued on the basis of actual export proceeds realized.

### 3.18 Borrowing costs

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset.

All other borrowing costs are recognized as an expense in the period in which these are incurred.

### 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.

#### 4 CHANGE IN ACCOUNTING POLICY

All the significant accounting policies are applied consistently during the year.

#### 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	Note	2020	2019
		Rupees	
32,635,600 (2019: 32,635,600) Ordinary shares of Rs. 10 each fully paid in cash		326,356,000	326,356,000

5.01 The Shareholders' rights and privileges are governed through The Companies Act, 2017 and the rules and regulations made thereunder; the Company's Memorandum and Articles of Association and there is no specific shareholder's agreement executed for voting rights, board selection, right of first refusal and block voting.

#### 6 DIRECTORS' LOAN

Loan from directors	6.01	2,327,150,837	2,172,277,835
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6.01 These loans are accounted for under Technical Release - 32 "Accounting Director's Loan" issued by the Institute of Chartered Accountants of Pakistan effective for the financial statements for the period beginning on or after January 01, 2016 with earlier application permitted.

6.02 This loan has been provided by the chief executive and other directors of the Company 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. 1,500 million each (2019 :Rs. 1,500 million) with Habib Bank Limited and United Bank Limited.

#### 7 LONG TERM FINANCING

##### Loan from banking companies - Secured

United Bank Limited:

- NIDF - VIII	7.01	-	5,550,028
- NIDF - IX	7.02	37,500,000	56,250,000
- NIDF - III	7.03	112,500,000	150,000,000
		150,000,000	211,800,028

##### Habib Bank Limited:

- Term Finance	7.05	132,000,000	-
		282,000,000	211,800,028
Less: Current portion		(119,750,000)	(80,550,028)
		162,250,000	131,250,000

##### 7.01 NIDF-VIII

Opening balance	5,550,028	125,000,028
Payments made during the year	(5,550,028)	(119,450,000)
	-	5,550,028

This loan has been obtained to finance import of machinery. 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 September 2015. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.

##### 7.02 Term Finance (NIDF IX)

Opening balance	56,250,000	81,250,000
Payments made during the year	(18,750,000)	(25,000,000)
	37,500,000	56,250,000

This loan has been obtained for reprofiling of balance sheet of the company. 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 December 2017. It carries mark up at three months KIBOR plus 1.25% per annum payable on quarterly basis.

##### 7.03 Term Finance (NIDF III)

Opening balance	150,000,000	-
Acquired during the year	-	150,000,000
Payments made during the year	(37,500,000)	-
	112,500,000	150,000,000

This loan has been obtained for reprofiling of balance sheet of the company. It is repayable in twelve equal quarterly installments from first draw down of loan with first installment due in September 2019. It carries mark up at three months KIBOR plus 1.85% per annum payable on quarterly basis.

**7.04** Loan from UBL are secured against first pari passu equitable mortgage of property, plant and equipment of the Company valuing Rs. 1,471 million (2019: Rs. 1,471 million) and personal guarantee of chief executive and two directors of the Company.

	Note	2020	2019
		Rupees	
<b>7.05 HBL-Term Finance</b>			
Acquired during the year		150,000,000	-
Payments made during the year		(18,000,000)	-
		<u>132,000,000</u>	<u>-</u>

This loan has been obtained for reprofiling of balance sheet of the company. It is repayable in sixteen quarterly installments from first draw down of loan. It carries mark up at three months KIBOR plus 1.5% per annum payable on quarterly basis.

Loan from HBL are secured against first pari passu charge on fixed assets of the Company valuing Rs. 932 million and personal guarantee of chief executive and One director of the Company.

## 8 DEFERRED LIABILITIES

Deferred tax - net	8.01	70,530,408	109,746,225
Staff retirement benefits	8.03	64,250,205	59,695,493
		<u>134,780,613</u>	<u>169,441,718</u>

### 8.01 Deferred tax - net

Taxable temporary differences / (Deductible temporary differences) balance arising in respect of:

- Accelerated tax depreciation	155,492,377	134,499,719
- Minimum tax	(70,891,197)	(13,871,986)
- Staff retirement benefits	(14,070,772)	(10,881,508)
	<u>70,530,408</u>	<u>109,746,225</u>

### 8.02 The movement in temporary differences are as follows:

	Balance as at July 01, 2018	Recognized in profit and loss	Recognized in other comprehensive income	Balance as at June 30, 2019	Recognized in profit and loss	Recognized in other comprehensive income	Balance as at June 30, 2020
<b>Deferred tax debits:</b>							
Recognized losses	(28,693,837)	28,693,837	-	-	-	-	-
Minimum tax	(10,004,008)	(3,867,978)	-	(13,871,986)	(57,019,211)	-	(70,891,197)
Staff retirement benefits	(7,838,404)	(4,694,049)	1,650,945	(10,881,508)	(7,050,707)	3,861,443	(14,070,772)
	(46,536,250)	20,131,810	1,650,945	(24,753,494)	(64,069,918)	3,861,443	(84,961,969)
<b>Deferred tax credits:</b>							
Accelerated tax depreciation allowance	100,279,656	34,220,063	-	134,499,719	20,992,658	-	155,492,377
	<u>53,743,406</u>	<u>54,351,873</u>	<u>1,650,945</u>	<u>109,746,225</u>	<u>(43,077,259)</u>	<u>3,861,443</u>	<u>70,530,408</u>

### 8.03 Staff retirement benefits :

### 8.04 Statement of financial position

Present value of defined benefit obligation including payable	64,250,205	59,695,493
Plus payables	-	-
Balance Sheet Liability/(asset)	<u>64,250,205</u>	<u>59,695,493</u>

### 8.05 Changes in Present Value of Defined Benefit Obligations

Present Value of Defined Benefit Obligations	59,695,493	58,129,519
Current Service Cost	31,699,936	23,519,725
Past Service Cost	-	-
Interest cost on defined benefit obligations	7,308,102	4,450,986
Benefits due but not paid (Payable)	-	-
Benefits Paid	(16,821,139)	(17,348,243)
Gains and losses arising on plan settlements	-	-
Remeasurements :		
Actuarial (gain)/losses from changes in demographic assumptions	-	-
Actuarial (gain)/losses from changes in financial assumptions	(98,527)	80,705
Experience adjustments	(17,533,660)	(9,137,199)
Present Value of Defined Benefit Obligations	<u>64,250,205</u>	<u>59,695,493</u>

	Note	2020	2019
		Rupees	
<b>8.06 Expenses to be Charged to P&amp;L</b>			
Current Service Cost		31,699,936	23,519,725
Past Service Cost		-	-
Gains and losses arising on plan settlements		-	-
Interest cost on defined benefit obligation		7,308,102	4,450,986
<b>Expense chargeable to P&amp;L</b>		<b>39,008,038</b>	<b>27,970,711</b>
<b>8.07 Total Remeasurement Chargeable in other Comprehensive Income</b>			
Remeasurement of plan obligation :			
Actuarial (gain)/losses from changes in demographic assumptions		-	-
Actuarial (gain)/losses from changes in financial assumptions		(98,527)	(80,705)
Expectation adjustments		(17,533,660)	(9,137,199)
<b>Total remeasurements chargeable in OCI</b>		<b>(17,632,187)</b>	<b>(9,217,904)</b>
<b>8.08 Changes in Net Liability</b>			
Balance sheet liability/(assets)		59,695,493	58,129,519
Expense chargeable to P&L		39,008,038	27,970,711
Remeasurements chargeable in other comprehensive income		(17,632,187)	(9,056,494)
Benefits Paid		(16,821,139)	(17,348,243)
Benefits Payable transferred to short term liability		-	-
Balance sheet liability/(assets)		<b>64,250,205</b>	<b>59,695,493</b>
<b>8.09 Significant Actuarial Assumptions</b>			
Discount rate used for interest Cost in P&L charge		14.25%	9.00%
Discount rate used for year end obligation		8.5%	14.25%
Salary increase used for year end obligation			
Salary Increase FY 2020		N/A	12.25%
Salary Increase FY 2021		6.50%	12.25%
Salary Increase FY 2022		6.50%	12.25%
Salary Increase FY 2023		6.50%	12.25%
Salary Increase FY 2024		6.50%	12.25%
Salary Increase FY 2025		6.50%	12.25%
Salary Increase FY 2026 onward		6.50%	6.50%
Next salary is increased at		1/1/2020	1/1/2020
		SLIC 2001-2005	SLIC 2001-2005
Mortality rates		setback 1 year	setback 1 year
Withdrawal rates		Age based	Age based
Retirement Assumptions		Age 60	Age 60
<b>8.10 General description</b>			
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 on as at June 30, 2020 using Project Unit Credit Method.			
<b>8.11 Estimated Expenses to be Charged to P&amp;L in FY 2021</b>			
Current service cost			28,197,773
Interest cost on defined benefit obligation			3,944,651
<b>Amount chargeable to P&amp;L</b>			<b>32,142,424</b>

**8.12 Year End Sensitivity Analysis on Defined Benefit Obligation**

	Rupees
Discount Rate + 100 bps	63,308,182
Discount Rate - 100 bps	65,228,571
Salary Increase + 100 bps	65,237,850
Salary Increase - 100 bps	63,281,906

**8.13 Expected Benefit Payment for the Next 10 years and Beyond**

FY 2021	35,685,083
FY 2022	29,472,921
FY 2023	21,616,124
FY 2024	15,214,495
FY 2025	10,385,987
FY 2026	6,845,274
FY 2027	4,503,084
FY 2028	2,826,290
FY 2029	1,800,902
FY 2030	1,137,923
FY 2031 Onwards	1,837,673

The average duration of the defined benefit obligation is 1.5 years

**8.14 Risk associated with the scheme****Final Salary Risk**

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

**Demographic Risks**

**Mortality risk:** The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**Withdrawal risk:** The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

**9 TRADE AND OTHER PAYABLES****Note**

**2020                      2019**

**Rupees**

Creditors for:

- Goods supplied	154,141,301	111,531,762
- Services	71,630,799	32,576,208
Accrued liabilities	46,450,893	49,084,873
Advances from customers - unsecured	25,218,432	29,109,037
Security deposits	186,000	166,000
Tax deducted at source	935,612	1,387,015
	<u>298,563,037</u>	<u>223,854,895</u>

9.01

9.01 It represents security received from mill canteen contractors, shops etc. and is kept in separate bank account.

**10 ACCRUED INTEREST/ MARKUP**

Long term financing	5,106,339	3,961,867
Short term borrowings	9,870,701	23,635,692
	<u>14,977,040</u>	<u>27,597,559</u>

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

Habib Bank Limited - Secured	11.01	564,208,501	803,113,869
United Bank Limited- Secured	11.02	473,461,265	452,748,811
		<u>1,037,669,766</u>	<u>1,255,862,680</u>

**11.01** These represent utilized portion of short term finance facilities of Rs. 865 million (2019: Rs. 865 million) (including Letter of Guarantee Facility of Rs. 91.0 million (2019: Rs. 55 million) as mentioned in contingencies noted below) under mark up arrangement. These facilities carry mark up of one month KIBOR plus 1.5% per annum and shall expire by January 31, 2021. 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 (2019: Rs. 932 million), pledge of cotton and polyester bales, lien on import documents / export contracts and personal guarantee of the chief executive and directors of the Company.

**11.02** These represent utilized portion of short term finance facilities of Rs. 720 million (2019 : Rs. 770 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 shall expire by December 31, 2020. 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 (2019 : Rs. 1,471 million), pledge of cotton and polyester bales, lien on import documents / export contracts and personal guarantee of the chief executive and directors of the Company.

## **12 PROVISION FOR TAXATION - Net**

Opening balance	58,672,545	43,570,351
Provision for the year	67,717,407	58,672,545
Payments / adjustments against advance tax	(58,672,544)	(43,570,351)
	<u>67,717,408</u>	<u>58,672,545</u>

Income tax return up to and including tax year 2019 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. 90.614 million (2019: Rs. 53.865 million) on account of security deposits against the consumption of natural gas.

**13.2** The company has challenged the recovery of Gas Infrastructure Development Cess and filed petition challenging the demand of GIDC both at Lahore High Court and Supreme Court of Pakistan. The Lahore High Court granted stay against charging of GIDC. Since, the issue is being faced by the industry at large, therefore management is of the view that there is no need to maintain any provision against the liability. The management is confident that the final decision of the case shall be in its favor. Furthermore, it is difficult to determine the exact monetary estimate as the applicability of the Gas Infrastructure Development Cess is in litigation. However the amount may range between Rs. 47~52 Million.

**13.3** Export bills discounted Rs. 131.95 million (2019 : Rs. 61.71 million)

**13.4** Post dated cheques issued in the favour of Collector of Custom against import Rs. 171.822 million (2019 : Rs. 55.025 million)

### **Commitments**

Commitments in respect of irrevocable letters of credit for the import of raw material and spare parts of machinery as at the balance sheet date amount to Rs. 48.869 million (2019 : Rs. 16.627 million).



## 14 PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost			Rate %	Accumulated Depreciation			Rupees Book Value as at June 30, 2020
	As at July 01, 2019	Additions / Transfer from CWIP	Disposals		As at June 30, 2020	Disposals	For the year	
<b>Owled</b>								
Land - freehold	81,282,448	-	-	-	81,282,448	-	-	81,282,448
Buildings on freehold land	396,448,149	-	-	5-10	396,448,149	-	10,417,791	167,286,299
Plant and machinery	2,578,969,012	10,020,329	-	10	2,588,989,341	-	106,946,360	970,867,510
Grid station and generators	54,472,537	32,629,847	-	10	87,102,384	-	3,569,852	62,039,365
Furniture and fixtures	18,157,290	-	-	10	18,157,290	-	432,862	3,895,760
Vehicles	67,742,078	5,236,790	215,467	20	72,763,401	213,890	3,864,034	17,200,156
Equipment	24,398,705	-	-	10	24,398,705	-	732,296	6,590,662
Electric installations	67,730,323	-	-	10	67,730,323	-	1,377,595	12,398,356
<b>Total 2020</b>	<b>3,289,200,542</b>	<b>47,886,966</b>	<b>215,467</b>		<b>3,336,872,041</b>	<b>213,890</b>	<b>127,340,790</b>	<b>1,321,560,556</b>
					<b>1,888,184,585</b>		<b>2,015,311,485</b>	
Particulars	Cost			Rate %	Accumulated Depreciation			Rupees Book Value as at June 30, 2019
	As at July 01, 2018	Additions	Disposals		As at June 30, 2019	Disposals	For the year	
<b>Owled</b>								
Land - freehold	81,282,448	-	-	-	81,282,448	-	-	81,282,448
Buildings on freehold land	396,448,149	-	-	5-10	396,448,149	-	11,145,346	177,704,090
Plant and machinery	2,460,033,045	118,935,967	-	10	2,578,969,012	-	112,036,173	1,067,793,541
Grid station and generators	54,472,537	-	-	10	54,472,537	-	3,664,374	32,979,370
Furniture and fixtures	18,157,290	-	-	10	18,157,290	-	480,958	4,328,622
Vehicles	67,742,078	-	-	20	67,742,078	-	3,957,244	15,828,977
Equipment	24,233,205	165,500	-	10	24,398,705	-	796,805	7,322,958
Electric installations	67,730,323	-	-	10	67,730,323	-	1,530,661	13,775,951
<b>Total 2019</b>	<b>3,170,099,075</b>	<b>119,101,467</b>	<b>-</b>		<b>3,289,200,542</b>	<b>-</b>	<b>133,611,561</b>	<b>1,401,015,957</b>
					<b>1,754,573,024</b>		<b>1,888,184,585</b>	

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

	2020	2019
Cost of sales	120,973,751	126,930,983
Administrative expenses	6,367,040	6,680,578
	<b>127,340,791</b>	<b>133,611,561</b>

## 14.02 Disposal of property, plant and equipment

The aggregate book value of assets disposed off does not exceeds five million rupees.

## 14.03 Land - freehold and building on freehold land

Particulars	Area	Location
Head office	02 Kanal 15 Marlas and 125 Square feet only/-	8-C, E-II, Gulberg III, Lahore
Factory	641 Kanal and 16 Marlas only/-	46-km, Multan Road, Bhalphero, Kasur

		2020	2019
		Rupees	
<b>15 CAPITAL WORK IN PROGRESS</b>			
Plant and machinery	15.01	-	-
		-	-
15.01 Opening balance		-	90,830,496
Additions made during the year		-	28,105,471
		-	118,935,967
Transferred to Plant and Machinery		-	(118,935,967)
		-	-
<b>16 LONG TERM DEPOSITS</b>			
Lahore Electric Supply Company Limited - non interest bearing		12,368,620	12,368,620
Others - non interest bearing		643,074	643,074
		13,011,694	13,011,694
<b>17 STORES, SPARES AND LOOSE TOOLS</b>			
Stores	17.01	59,360,124	61,357,117
Spares	17.01	59,798,665	66,791,323
Loose tools		3,712,077	3,765,822
		122,870,866	131,914,262
17.01 No identifiable store and spare are held for specific capitalization.			
<b>18 STOCK IN TRADE</b>			
Raw material	18.01	592,203,607	471,107,861
Work in process		110,997,025	99,490,144
Finished goods		287,037,260	158,592,901
		990,237,892	729,190,906
18.01 This includes an amount of Rs. 470.096 million (2019: Rs. 368.579 million) approximately, which is pledged against short term finances.			
<b>19 TRADE DEBTS</b>			
Local debts			
(Unsecured - considered good)		278,989,796	401,218,645
Foreign debts			
(Secured - considered good)		48,143,907	18,492,639
		327,133,703	419,711,284
<b>20 LOANS AND ADVANCES</b>			
Employees - considered good and non interest bearing		1,123,970	550,820
Suppliers - considered good and non interest bearing		29,585,777	22,713,703
Income tax deducted at source		77,115,611	65,056,384
Letters of credit		10,801,407	155,948,479
Security deposit		126,773	300,000
		118,753,538	244,569,386
<b>21 Tax refunds/ rebate due from the Government</b>			
Advance tax		39,124,768	70,993,643
Sales tax refund		35,075,538	125,643,707
Rebate Receivable		-	-
		74,200,306	196,637,350
<b>22 CASH AND BANK BALANCES</b>			
Cash in hand		3,152,748	1,917,404
Cash with banks in current accounts		5,438,561	4,866,321
		8,591,309	6,783,725

		2020	2019
<b>23 SALES - net</b>			
Local:			
- Yarn		2,322,760,259	2,379,869,872
- Fabric		1,722,846,489	1,631,688,710
		4,045,606,748	4,011,558,582
Export:			
- Yarn		-	-
- Fabric		585,612,116	1,259,679,094
		585,612,116	1,259,679,094
Waste	23.01	70,128,906	134,837,750
Rebate on export		2,511,551	12,711,049
		4,703,859,321	5,418,786,475

23.01 These were net off from sales tax including further tax amounting to Rs. 717,878,319/- (2019: 1,042,729/-).

## 24 COST OF GOODS SOLD

Raw materials consumed	24.01	3,393,666,966	3,597,046,171
Processing charges		2,531,047	14,917,311
Salaries, wages and other benefits	24.02	440,801,408	406,632,974
Fuel and power		543,210,063	581,656,079
Packing materials consumed		48,524,366	50,932,705
Sizing materials consumed		45,040,603	42,669,762
Stores and spares consumed		87,314,921	79,673,738
Repair and maintenance		18,052,266	14,013,489
Insurance		5,990,934	6,391,853
Depreciation	14.01	120,973,751	126,930,983
		4,706,106,325	4,920,865,065
Opening work in process		99,490,144	80,455,586
Closing work in process		(110,997,025)	(99,490,144)
		(11,506,881)	(19,034,558)
Cost of goods manufactured		4,694,599,444	4,901,830,507
Opening finished goods		158,592,901	290,739,445
Closing finished goods		(287,037,260)	(158,592,901)
		(128,444,359)	132,146,544
		4,566,155,085	5,033,977,051
<b>24.01 Raw material consumed</b>			
Opening stock		471,107,861	78,419,115
Purchases		3,509,921,491	3,983,573,265
Cotton cess		1,599,136	1,844,166
Cotton handling charges		3,242,085	4,317,486
		3,985,870,573	4,068,154,032
Closing stock		(592,203,607)	(471,107,861)
		3,393,666,966	3,597,046,171

24.02 Salaries, wages and benefits include Rs. 23.40 million (2019 : Rs. 16.78 million) on account of staff retirement benefits.

## 25 SELLING AND DISTRIBUTION

Salaries, wages and benefits	25.01	4,666,723	2,986,415
Export development surcharge		1,391,273	3,041,270
Commission to selling agents		25,747,611	26,925,194
Carriage and freight		30,336,489	42,748,728
Export expenses		4,401,999	10,226,606
		66,544,095	85,928,213

25.01 Salaries, wages and benefits include Rs 1.17 million (2019 : Rs. 0.83 million) on account of staff retirement benefits.

	NOTE	2020	2019
		Rupees	
<b>26 ADMINISTRATIVE AND GENERAL</b>			
Salaries, wages and other benefits	26.01	75,785,395	75,302,152
Traveling and conveyance		1,092,635	1,808,390
Repairs and maintenance		1,693,237	2,237,556
Rent, rates and taxes		571,377	480,396
Printing and stationery		2,245,370	2,377,617
Insurance		1,233,376	2,528,080
Fees and subscription		2,668,216	1,420,182
Telephone and Postage		3,084,972	3,337,945
Vehicle running and maintenance		9,537,958	10,240,377
Utilities		1,886,013	2,303,963
Books and periodicals		151,762	138,203
Entertainment		2,650,078	2,379,077
Miscellaneous expenses		2,760,952	3,837,270
Depreciation	14.01	6,367,040	6,680,578
		<u>111,728,381</u>	<u>115,071,786</u>
26.01 Salaries, wages and benefits include Rs. 14.43 million (2019 : Rs. 10.34 million) on account of staff retirement benefits.			
<b>27 OTHER OPERATING CHARGES</b>			
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>
Loss on fixed assets disposal		1,577	-
Legal and professional charges		383,600	372,750
		<u>1,605,177</u>	<u>1,592,750</u>
<b>28 OTHER OPERATING INCOME</b>			
Scrap sales		6,675,715	5,900,992
Exchange gain		3,645,989	18,867,043
		<u>10,321,704</u>	<u>24,768,035</u>
<b>29 FINANCE COST</b>			
Interest / mark up on:			
- Long term financing		47,680,254	17,151,963
- Short term borrowings		114,625,824	117,789,617
		<u>162,306,078</u>	<u>134,941,580</u>
Bank charges and commission		10,749,804	10,092,112
		<u>173,055,882</u>	<u>145,033,692</u>
<b>30 TAXATION</b>			
Current tax:			
- For the year		67,717,407	58,672,545
- Prior year		(5,953,202)	370,942
		<u>61,764,205</u>	<u>59,043,487</u>
Deferred tax		(43,077,259)	54,351,874
		<u>18,686,946</u>	<u>113,395,361</u>

**30.01** Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to application of minimum tax and final tax for the calculation of provision of tax for the year.

		2020	2019
		Rupees	
<b>31 EARNING PER SHARE - Basic and diluted</b>			
(Loss) after taxation for the year	<b>Rupees</b>	(223,594,541)	(51,444,343)
Outstanding weighted average ordinary shares	<b>No. of shares</b>	32,635,600	32,635,600
Earnings / (Loss) per share - Basic and diluted	<b>Rupees</b>	(6.85)	(1.58)

There is no diluted effect on earning per share of the company.

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

Directors	<b>Rupees</b>	6,300,000	6,300,000
Number of persons	<b>Number</b>	2	2
Executives	<b>Rupees</b>	5,220,000	7,230,000
Staff retirement benefit	<b>Rupees</b>	435,000	602,500
Number of persons	<b>Number</b>	3	4

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

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

## 33 NUMBER OF EMPLOYEES

Total number of employees as at 30th June	<b>Number</b>	1,842	1,813
Average number of employees during the year	<b>Number</b>	1,828	1,892

## 34 TRANSACTIONS WITH RELATED PARTIES

**34.01** 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:

### Transactions With Related Parties

#### Directors and sponsors

Loan obtained	158,000,000	254,000,000
Loan repaid	3,126,998	75,500,000

#### Balances payable with related parties:

Directors and sponsors	2,327,150,837	2,172,277,835
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There were no transactions with key management personnel other than undertaken as per terms of their employment.

**34.02** The related parties with whom the company had entered into transactions or had arrangements/ agreements in place during the year have been disclosed below along with their basis of relationship:

Name of Related party	Relationship	Aggregate % of shareholdings in the company
Mohammad Arshad Chaudhry	Chief Executive	49.9455
Rizwan Arshad	Director	8.4359
Ms. Vajeeha Haaris	Director	0.0015

## 35 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	16,171,000
		18,772,220

### Weaving

No. of looms installed	192	192
No. of looms worked	192	192
No. of shifts	3	3
Actual production converted to 40 picks based on three shifts per day	Sq. meters	46,662,943
		54,682,813

- 35.01** 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. Shortfall in production is due to the current supply/demand situation in the market and pandemic situation in the country.

	2020	2019
	Rupees	
<b>36 FINANCIAL INSTRUMENTS BY CATEGORY &amp; FAIR VALUE</b>		
<b>36.01 Financial assets as per balance sheet</b>		
<b>- at amortized cost</b>		
Long term deposits	13,011,694	13,011,694
Trade debts	327,133,703	419,711,284
Loans and advances - employees	1,123,970	550,820
Cash and bank balances	8,591,309	6,783,725
	<b>349,860,676</b>	<b>440,057,523</b>
<b>36.02 Financial liabilities as per balance sheet</b>		
<b>- at amortized cost</b>		
Long term financing	282,000,000	211,800,028
Trade and other payables	272,408,993	193,358,843
Accrued interest/mark-up	14,977,040	27,597,559
Short term borrowings	1,037,669,766	1,255,862,680
	<b>1,607,055,799</b>	<b>1,688,619,110</b>
<b>36.03 Fair values of financial assets and liabilities</b>		

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As at June 30, 2020, all financial assets and financial liabilities are carried at amortised cost.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

The Company's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (eg. significant increases / decreases in activity).
- changes in inputs used in valuation techniques (eg inputs becoming / ceasing to be observable in the market)

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

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

### **37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES IN FINANCIAL RISK MANAGEMENT**

#### **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:

	2020	2019
	Rupees	
Foreign trade debts	48,143,907	18,492,639
Outstanding letter of credit	(48,868,503)	(16,627,073)
Net exposure	<u>(724,596)</u>	<u>1,865,566</u>
The following significant exchange rates have been applied at the reporting dates:		
<b>USD TO PKR</b>	<b>168.25</b>	<b>160.05</b>

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, 2020, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, profit before taxation for the year would have been immaterial impact as a result of foreign exchange losses / gains on translation of foreign debts and outstanding foreign payments.

**(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.

Majority of interest rate exposure arises from short term and long term borrowings from banks.

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

	2020	2019	2020	2019
	Percentage		Rupees	
<b>Financial liabilities - Variable rate instruments:</b>				
Long term financing	12.44 to 15.75	8.29 to 14.28	282,000,000	211,800,028
Short term borrowings	9.86 to 15.66	8.88 to 14.65	1,037,669,766	1,255,862,680
			<u>1,319,669,766</u>	<u>1,467,662,708</u>

**Fair value sensitivity analysis for fixed rate instruments:**

The company does not have any fixed rate financial assets and liabilities.

**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 before tax 1% rate	
	Increase	Decrease
<b>As at June 30, 2020</b>		
Cash flow sensitivity - variable rate financial liabilities	13,196,698	(13,196,698)
<b>As at June 30, 2019</b>		
Cash flow sensitivity - variable rate financial liabilities	<u>14,676,627</u>	<u>(14,676,627)</u>

**(iii) Other price risk**

Other price risk represents 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 interest rate risk or currency 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 price risk since there are no investments in equity instruments traded in the market at the reporting date. The company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

**(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.349,860,676 (2019: Rs.440,057,523), the financial assets exposed to credit risk amount to Rs. 346,707,928 (2019: Rs.438,140,119).

The analysis below summarises the credit quality of the Company's financial assets as at June 30, 2020 /2019:



	2020	2019
The breakup of amount due from various trade debts were:	Rupees	
Yarn	97,157,809	114,977,352
Fabric	228,560,382	304,069,076
Others	1,415,512	664,856
	<u>327,133,703</u>	<u>419,711,284</u>

The aging of trade debts at the reporting date was:

Less than 12 months	326,954,219	415,718,531
More than 12 months	179,484	3,992,753
	<u>327,133,703</u>	<u>419,711,284</u>

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	13,011,694	13,011,694
Trade debts	327,133,703	419,711,284
Loans and advances	1,123,970	550,820
Cash and bank balances	8,591,309	6,783,725
	<u>349,860,676</u>	<u>440,057,523</u>

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	Long Term
United Bank Limited	JCR-VIS	A-I +	AAA
National Bank of Pakistan	JCR-VIS	A-I +	AAA
Habib Bank Limited	JCR-VIS	A-I +	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 and also include the impact of estimated future interest payments.

2020 (Rupees)					
Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	
<b>Financial Liabilities</b>					
Long term financing (from banking companies)	282,000,000	315,842,119	79,352,231	60,393,506	176,096,381
Trade and other payables	298,563,037	298,563,037	298,563,037	-	-
Unclaimed dividend	4,982,921	4,982,921	4,982,921	-	-
Accrued interest / mark up	14,977,040	14,977,040	14,977,040	-	-
Short term borrowings	1,037,669,766	1,037,669,766	1,037,669,766	-	-
	<u>1,638,192,764</u>	<u>1,672,034,883</u>	<u>1,435,544,995</u>	<u>60,393,506</u>	<u>176,096,381</u>

### 2019 (Rupees)

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
<b>Financial Liabilities</b>					
Long term financing (from banking companies)	211,800,028	257,359,149	57,442,950	48,998,733	150,917,466
Trade and other payables	223,854,895	223,854,895	223,854,895	-	-
Unclaimed dividend	4,985,265	4,985,265	4,985,265	-	-
Accrued interest / mark up	27,597,559	27,597,559	27,597,559	-	-
Short term borrowings	1,255,862,680	1,255,862,680	1,255,862,680	-	-
	<b>1,724,100,427</b>	<b>1,769,659,548</b>	<b>1,569,743,349</b>	<b>48,998,733</b>	<b>150,917,466</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June, 2020 / 2019. The rates of mark-up have been disclosed in note 07 and 11 to these financial statements.

### 38 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 gearing ratios at June 30, 2020 and June 30, 2019 comes out to be:

	2020	2019
Total debt	1,319,669,766	1,467,662,708
Less: Cash and bank balances	8,591,309	6,783,725
Net debt	1,311,078,457	1,460,878,983
Total equity	1,135,669,079	1,190,619,874
Capital employed	2,446,747,536	2,651,498,857
Gearing ratio	0.54	0.55

### 39 INFORMATION ABOUT REPORTING SEGMENT

39.01 Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Board of Directors ('BOD') to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated. For this purposes and consistent with the internal reporting purpose, only gross profits of the below mentioned two operating segments are reviewed by the BOD and other expenses are remain unallocated including assets and liabilities of the Company which are difficult to completely segregated and reviewed because of the composite nature of the whole business.

Transactions among the business segments are recorded at reasonable arm length prices. Inter segment sales and purchases are not included in the total.

39.02 The following table presents revenue and gross profit information regarding the Company's operating segments for the year ended June 30, 2020 and 2019 respectively.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
<b>2020 (Rupees)</b>				
Sales	2,832,429,077	2,332,994,295	(461,564,051)	4,703,859,321
Cost of Sales:	(2,785,798,655)	(2,241,920,481)	461,564,051	(4,566,155,085)
Gross profit	46,630,422	91,073,814	-	137,704,236
Selling and distribution costs				(66,544,095)
Administrative and general expenses				(111,728,381)
Loss before taxation and un allocated expenses				(40,568,240)
Un-allocated expenses:				
Other operating expenses				(1,605,177)
Other operating income				10,321,704
Finance cost				(173,055,882)
Loss before taxation				(204,907,595)
Taxation				(18,686,946)
<b>Net Loss for the year</b>				<b>(223,594,541)</b>
<b>2019 (Rupees)</b>				
Sales	3,261,115,444	2,938,843,935	(781,172,904)	5,418,786,475
Cost of Sales:	(3,058,709,609)	(2,756,440,346)	781,172,904	(5,033,977,051)
Gross profit	202,405,835	182,403,589	-	384,809,424
Selling and distribution costs				(85,928,213)
Administrative and general expenses				(115,071,786)
Profit before taxation and un allocated expenses				183,809,425
Un-allocated expenses:				
Other operating expenses				(1,592,750)
Other operating income				24,768,035
Finance cost				(145,033,692)
Loss before taxation				61,951,018
Taxation				113,395,361
<b>Net Loss for the year</b>				<b>(51,444,343)</b>

39.03 The Group's revenue from external customers by geographical locations is detailed below:	<b>2020</b>	<b>2019</b>
	<b>Rupees</b>	
Europe / America	588,123,667	1,272,390,143
Pakistan	4,115,735,654	4,146,396,332
	<b>4,703,859,321</b>	<b>5,418,786,475</b>

39.04 All non current assets of the Company as at 30 June 2020 /2019 are located in Pakistan.

39.05 None of the customers of the Company accounts for more than 10% of gross sales of the Company for the year.

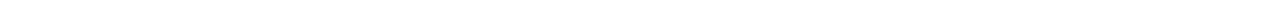
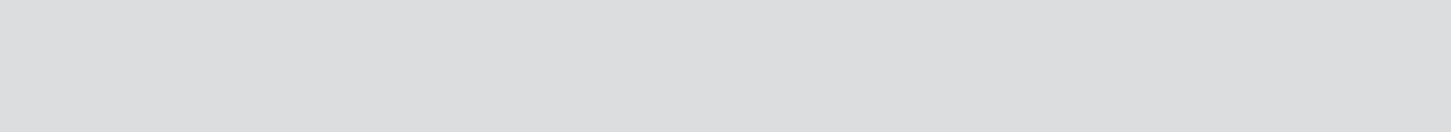
#### 40 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on September 30, 2020.

#### 41 GENERAL

41.01 Figures have been rounded off to the nearest of rupees;

41.02 Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, no significant reclassification has been made during the year.



# PROXY FORM

## (31<sup>st</sup> 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 31<sup>st</sup> Annual General  
 Meeting of the Company to be held on October 28, 2020 and/or any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of October, 2020

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.



میں / ہم \_\_\_\_\_

ساکن \_\_\_\_\_

تجذیبیت رکن غازی فیکرس انٹرنیشنل لمیٹڈ اور حامل \_\_\_\_\_ عام حصص بمطابق شیئر رجسٹر فولیو نمبر \_\_\_\_\_ (بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ

ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹیسپنٹ آئی ڈی نمبر \_\_\_\_\_)

بذریعہ ہذا

محترم / محترمہ \_\_\_\_\_ ساکن \_\_\_\_\_

جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فولیو نمبر \_\_\_\_\_ یا (اسکی غیر موجودگی) میں محترم / محترمہ \_\_\_\_\_

ساکن \_\_\_\_\_ جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فولیو نمبر \_\_\_\_\_ کو مورخہ 28 اکتوبر 2020ء کو منعقد

ہونے والے کمپنی کے 31 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے کے لئے اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

بطور گواہ میرے دستخط \_\_\_\_\_ آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2020ء

نام \_\_\_\_\_

پیشہ \_\_\_\_\_

پتہ \_\_\_\_\_

پانچ روپے کارسیدی

ٹکٹ چسپاں کریں

نوٹ:

۱۔ پراکسیاں تب تک مؤثر ہو سکتی ہیں جب کمپنی کے رجسٹرڈ دفتر میں دستخط شدہ، اجلاس سے کم از کم 48 گھنٹے قبل پہنچ جائیں۔

۲۔ کوئی بھی شخص اس وقت تک پراکسی کے طور پر کام نہیں کر سکتا جب تک وہ کمپنی کا ممبر نہ ہو۔ ماسوائے کمپنی کے جو کسی دوسرے

دوسرے شخص کو پراکسی مقرر کر سکتی ہے۔



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