

*Signature of Quality*



# Ghazi Fabrics

INTERNATIONAL LIMITED



*Signature of Quality*

*Annual Report*  
**2021**

# CONTENTS

|   |    |
|---|----|
| COMPANY PROFILE   | 2  |
| VISION STATEMENT, MISSION STATEMENT   | 3  |
| STATEMENT OF ETHICS & BUSINESS PRACTICES  | 4  |
| NOTICE OF ANNUAL GENERAL MEETING  | 6  |
| CHAIRPERSON'S REVIEW  | 8  |
| DIRECTOR'S REPORT   | 10 |
| PATTERN OF SHAREHOLDING   | 19 |
| SIX YEARS FINANCIAL STATISTICAL SUMMARY   | 21 |
| FINANCIAL HIGHLIGHTS  | 22 |
| STATEMENT OF VALUE ADDITION   | 23 |
| STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE   | 24 |
| REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE | 26 |
| AUDITOR'S REPORT TO THE MEMBERS   | 28 |
| STATEMENT OF FINANCIAL POSITION   | 32 |
| STATEMENT OF PROFIT OR LOSS   | 33 |
| STATEMENT OF COMPREHENSIVE INCOME   | 34 |
| STATEMENT OF CASH FLOWS   | 35 |
| STATEMENT OF CHANGES IN EQUITY  | 36 |
| NOTES TO THE FINANCIAL STATEMENTS   | 37 |
| PROXY   |    |
| JAMA PUNJI  |    |

# 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)  
Wajeeha Haaris (Non Executive Director)  
Khawaja Waheed Raza (Independent Director)  
Muhammad Imran Rasheed (Independent Director)

## **Audit Committee**

Mohammad Imran Rasheed  
**Chairman/ member**

Rizwan Arshad  
**Member**

Wajeeha Haaris  
**Member**

## **Human Resource & Remuneration Committee**

Muhammad Imran Rasheed  
**Chairman / member**

Mrs.Azra Yasmin  
**Member**

Wajeeha Haaris  
**Member**

## **Company Secretary**

Majid Rehman

## **Chief Financial Officer**

Abid Rafi

## **Internal Auditor**

Nasir Imran Elahi

## **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.

# 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)

Wajeeha Haaris (Non Executive Director)

Khawaja Waheed Raza (Independent Director)

Muhammad Imran Rasheed (Independent Director)

## **Audit Committee**

Mohammad Imran Rasheed

### **Chairman/ member**

Rizwan Arshad

### **Member**

Wajeeha Haaris

### **Member**

## **Human Resource & Remuneration Committee**

Muhammad Imran Rasheed

### **Chairman / member**

Mrs.Azra Yasmin

### **Member**

Wajeeha Haaris

### **Member**

## **Company Secretary**

Majid Rehman

## **Chief Financial Officer**

Abid Rafi

## **Internal Auditor**

Nasir Imran Elahi

## **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

---

### 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.

## 1. ETHICS

### **Discipline**

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

### **Coordination among staff**

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

### **Conflict of interest**

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

### **Confidentiality**

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

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

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

## 2. BUSINESS PRACTICES

### **Environment**

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

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

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

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

### **Health and safety**

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

**Commitment**

A bi-lateral commitment with the employees, management, shareholders, suppliers and customers shall be of prime importance in every instance. All the management and 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 32<sup>nd</sup> ANNUAL GENERAL MEETING.

NOTICE IS HEREBY GIVEN that the 32<sup>nd</sup> Annual General Meeting of **GHAZI FABRICS INTERNATIONAL LIMITED** will be held on Thursday the October 28, 2021 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 31<sup>th</sup> Annual General Meeting of the Company held on Wednesday October 28, 2020.
2. To receive, consider and adopt the audited financial statement of the Company for the financial year ended June 30, 2021 together with the Directors' and Auditors' Reports thereon...
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2022. The present auditors M/s. Qadeer & Company, Chartered Accountants, being eligible have offered themselves for reappointment. The Audit Committee and Board of Directors have also recommended M/s. Qadeer & Co., Chartered Accountants for re-appointment.
4. To consider and approve payment of final cash dividend of Rs.0.75 per share i.e. 7.5% for the year ended June 30, 2021, as recommended by the Board of Directors.
5. To transact any other ordinary business with the permission of the Chair.

by order of the Board

LAHORE:  
October 07, 2021.

(Majid Rehman)  
Company Secretary

### Notes:-

- I Share Transfer Books of the Company will remain closed from October 22, 2021 to October 28, 2021 (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 along with 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 addresses.
- VI 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

- VII 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.
- VIII 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.

#### IX DIVIDEND PAYMENTS THROUGH ELECTRONIC MODE:

In order to receive the future dividends through electronic mode as per requirements of Section 242 of the Companies Act, 2017 shareholders are requested to provide the following detail to our share registrar M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore.

|  |  |
|--|--|
| Name of Shareholder                    |  |
| Folio / CDS Account No.                |  |
| CNIC                                   |  |
| Email                                  |  |
| Title of Bank of Account               |  |
| Bank Account (IBAN) Number (24-Digits) |  |
| Bank's Name                            |  |
| Branch Name and Address                |  |
| Contact No.                            |  |

- X As per Section 72 of the Companies Act, 2017 every company is required to replace its physical shares with book-entry form. The Shareholders having physical shares are therefore requested to open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into book-entry form. This will facilitate them in many ways including safe custody/online trading of shares, easy transfer of ownership, no risk of damage/lost/duplicate shares, Instant credit of entitlements (bonus/right issue) etc.
- XI Shareholders whose names are not appearing in the Active Taxpayers List (ATL) are advised to immediately make necessary arrangements to make them active. Otherwise, Tax on their cash dividend will be deducted, as per rules.
- XII Form of proxy is enclosed.

## CHAIRPERSON'S REVIEW

I am pleased to welcome you on the 32nd 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 2021 together with my review on the performance of your Company.

### **Company's performance**

Indicative from the financial statements, the Company has shown a turn-around effect. Beside the impact of Covid-19, the Company's turnover increased by 35%. This resulted gross profit to a tune of 8.67% of turnover as against 2.93% in the previous year and net profit percentage of 3.10% as against loss of 4.75% in corresponding year. Your company has swiftly recovered to optimum operating levels and hopes to show steady improvement in the coming years.

### **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. Your board is cognizant and compliant of Code of Corporate Governance 2019, Companies Act, 2017 and PSX-Rules with respect to the composition procedures and meeting of the Board of Directors and its Committees. 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



## چیمبر پرسن کا جائزہ

میں آپ کی کمپنی کے 32 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 2021ء اور آڈیٹڈ اکاؤنٹس کا جائزہ پیش کر رہی ہوں۔

### کمپنی کی کارکردگی:

مالیاتی بیانات کی طرف اشارہ کرتے ہوئے، کمپنی نے ایک موڈ کا اثر دکھایا ہے۔ کوویڈ 19 کے اثرات کے علاوہ، کمپنی کے کاروبار میں 35 فیصد اضافہ ہوا ہے۔ اس سے مجموعی منافع 8.67 فیصد ہوا جو پچھلے سال 2.93 فیصد تھا اور خالص منافع 3.10 فیصد ہوا جو کہ پچھلے سال (4.75) فیصد نقصان کی شکل میں تھا۔ آپ کی کمپنی کارکردگی بہتر کر رہی ہے اور امید ہے کہ آنے والے سالوں میں بہتری دکھائے گی۔

### 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۔ آپ کا بورڈ کوڈ آف کارپوریٹ گورننس 2019، کمپنیز ایکٹ 2017 اور پی ایکس ایس قوانین کی تشکیل کے طریقہ کار اور بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کے اجلاس کے حوالے سے باخبر 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 نظریہ 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

چیمبر پرسن

30 ستمبر 2021ء

9

# DIRECTORS' REPORT

The Directors are pleased to present Annual Report of your Company together with Audited Financial Statements for the year ended June 30, 2021. Figures for the previous year ended June 30, 2020 are also included for comparison.

In compliance with the Code of Corporate Governance, these financial statements have been endorsed by the Chief Executive 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 Fabrics which is sold both in local and foreign markets.

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

|                                      | 2021         | 2020      |
|--------------------------------------|--------------|-----------|
|                                      | Rupees (000) |           |
| Sales – Net                          |              |           |
| Local                                | 5,784,863    | 4,115,736 |
| Export                               | 555,450      | 588,124   |
| Gross profit                         | 549,875      | 137,704   |
| Operating profit / (Loss)            | 346,749      | (31,852)  |
| Financial charges                    | 95,605       | 173,056   |
| Profit / (Loss) after tax            | 196,556      | (223,595) |
| Earning / (Loss) per share (EPS) Rs. | 6.02         | (6.85)    |

#### Financial and operational performance:

Gross profit for the financial year 2020-21 is recorded at Rs. 549.875 Million as against Rs. 137.704 Million in financial year 2019-20 showing an increase of 300% approximately. Profit after tax of the Company in financial year 2020-21 is Rs. 196.556 million as compare to loss after tax of Rs. 223.595 million in year 2019-20 showing an increase of 188%. Earning per share is recorded at Rs. 6.02 as against loss per share of Rs. 6.85 in the financial year 2019-20.

The main reasons for this increase in profit is due to the increase in turnover by nearly 35%, reduction in finance cost by 45% and cost controlling through maintenance of plant and machinery and effective management policies.

Management's policies impacted the Company's sales, profitability and liquidity as apparent from the financial highlights above. The management's rigorous efforts including but not limited to timely initiatives of cost reduction and price management curb the impact of adversities like COVID-19, inflated cost of raw material etc to a great extent. The Company has continued its practice to reduce costs wherever there is cushion available.

#### Covid-19 effects and measure:

The Company takes strict measures to comply with all the Government provided SOP's at both the head office and 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 higher exchange rate, intensified power outages and highest gas prices particularly in the Punjab region which affected the performance of the overall sector 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 as well as increase of raw material prices worldwide, prices of imported and local raw material consumption remained at highest.

The Global economic issues such as the "USA/China trade war", general perception of the expected slowdown in the world economy 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 significant actions of large central banks include monetary stimulus and liquidity facilities to reduce systemic stress. These actions have supported confidence and contribute to limiting the amplification of the shock, thus ensuring that the economy is better placed to recover.

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 of yarn and fabric have shown declined in quantitative terms 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 2021-22, increasing trend in power & fuel prices may adversely affect the competitiveness of textile industry in international markets.

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.

#### **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 per share for the Company for the year ended June 30, 2021 is Rs 6.02 per share.



**Dividends:**

The Board of Directors have recommended final cash dividend for the year ended June 30, 2021 at Rs. 0.75 per share i.e. 7.5%.

**Events after the reporting period:**

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 statements 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:**

The Board of Directors of the Company ensures transparency and good corporate governance. The Board comprises of two independent directors, three 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        | 2 |
| Other non-executive director | 3 |
| Executive directors          | 2 |

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

Following are names of persons who were directors of the Company during the year ended 30 June 2021, 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, 2020 to June 30, 2021

| Sr. # | Name of Directors        | Attended |
|-------|--------------------------|----------|
| 1.    | Mrs. Azra Yasmin         | 4        |
| 2.    | Mohammad Arshad Chaudhry | 4        |
| 3.    | Kamran Arshad            | 4        |
| 4.    | Rizwan Arshad            | 4        |
| 5.    | Khawaja Waheed Raza      | 4        |
| 6.    | Wajeaha 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, 2020 to June 30, 2021

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

**Audit committee meetings:**

Six (6) meetings were held during the period from July 1, 2020 to June 30, 2021

| Sr. # | Name of Director       | Attended |
|-------|------------------------|----------|
| 1.    | Rizwan Arshad          | 6        |
| 2.    | Wajeeha Haaris         | 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 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, 2021 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, 2022. The Audit Committee has recommended their reappointment.

**Election of directors :**

Election of directors was held on 28 October 2020 and a seven member Board was elected unopposed whose term of office will expire on 28 October 2023.

**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

## آڈٹ کمیٹی کے اجلاس

کیم جولائی 2020 سے 30 جون 2021 کے دوران (6) چھ اجلاس ہوئے۔

| نمبر | ڈائریکٹرز کے نام | اجلاسوں میں شرکت |
|------|------------------|------------------|
| ۱    | رضوان ارشد       | 6                |
| ۲    | وجہہ حارث        | 6                |
| ۳    | محمد عمران رشید  | 6                |

۱۱۔ ڈائریکٹرز، چیف فائینشل آفیسر، کمپنی سیکرٹری، ان کے شریک حیات اور چھوٹے بچوں کی جانب سے شہریز کی تجارت نہیں کی گئی سوائے اسکے جوشیر ہولڈنگ کے نمونے میں بنائی گئی ہے۔

## ۱۲۔ نان ایگزیکٹو ڈائریکٹرز کی ریہونیریشن پالیسی:

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

## آڈیٹرز:

موجودہ آڈیٹرز میسرز قدیر اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 30 جون 2021 کا سالانہ آڈٹ مکمل کر لیا اور انکو ایفائیٹڈ 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 2022 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۔

## ایکشن آف ڈائریکٹرز:

28 اکتوبر 2020 کو ڈائریکٹرز کا انتخاب منعقد کیا گیا اور سات ارکان پر مشتمل بورڈ کا انتخاب کیا گیا جن کی مدت 28 اکتوبر 2023ء 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۔

## شیر ہولڈنگ کا نمونہ:

30 جون 2021ء کو کمپنی کے شیر ہولڈنگ کے نمونے کو سالانہ رپورٹ میں شامل کیا گیا ہے۔

## اعتراف:

آپ کی کمپنی کے ڈائریکٹرز نے گا ہوں، 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



- 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 کمیٹی کی طرف سے توثیق کے بعد بورڈ کی طرف سے منظوری دی گئی ہے۔

#### بورڈ آف ڈائریکٹرز

کمپنی کا بورڈ آف ڈائریکٹرز شفافیت اور اچھی کارپوریٹ گورننس کو یقینی بناتا ہے۔ بورڈ میں 2 آزاد ڈائریکٹرز، 3 نان ایگزیکٹو ڈائریکٹرز اور 2 ایگزیکٹو ڈائریکٹرز (چیف ایگزیکٹو آفیسر سمیت) شامل ہیں۔

#### بورڈ کی ساخت:

بورڈ میں پانچ مرد اور دو خاتون ڈائریکٹرز شامل ہیں۔

|    |                        |
|----|------------------------|
| 02 | انڈیپنڈینٹ ڈائریکٹرز   |
| 03 | نان ایگزیکٹو ڈائریکٹرز |
| 02 | ایگزیکٹو ڈائریکٹرز     |
| 07 | ڈائریکٹرز کی کل تعداد  |

افراد کے نام جو 30 جون 2021 کو ختم ہوئے سال کے دوران کمپنی کے ڈائریکٹرز 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

یکم جولائی 2020 سے 30 جون 2021 کے دوران چار (04) ملاقاتیں ہوئیں۔

| نمبر | ڈائریکٹرز کے نام | اجلاسوں میں شرکت |
|------|------------------|------------------|
| ۱    | مسز عذرا یاسمین  | 4                |
| ۲    | محمد ارشد چوہدری | 4                |
| ۳    | کامران ارشد      | 4                |
| ۴    | رضوان ارشد       | 4                |
| ۵    | خواجہ وحید رضا   | 4                |
| ۶    | وجیہہ حارث       | 4                |
| ۷    | محمد عمران رشید  | 4                |

ہیومن ریسورس اینڈ ریویو نیریشن کمیٹی (ایچ آر آر سی) کے اجلاس

یکم جولائی 2020 سے 30 جون 2021 کے دوران (1) ایک اجلاس ہوا۔

| نمبر | ڈائریکٹرز کے نام | اجلاسوں میں شرکت |
|------|------------------|------------------|
| ۱    | مسز عذرا یاسمین  | 1                |
| ۲    | وجیہہ حارث       | 1                |
| ۳    | محمد عمران رشید  | 1                |

## 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 کار 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 لیبر فلاح و بہبود کے لئے ماحول کو صاف ستھرا اور اعلیٰ معیار رکھنے پر مرکوز ہیں۔ آپ کی کمپنی کو OEKO-TEX سرٹیفکیٹ (ماحول دوست کپاس) کے علاوہ بی سی آئی سرٹیفیکیشن / ممبر شپ (بہتر کاشن انیشی ایٹو) بھی حاصل ہے۔

## کارپوریٹ سماجی ذمہ داری:

غازی فیبر کس انٹرنیشنل لمیٹڈ کے لئے اسکے لوگ بہت اہم اور لوگوں کو باختیار 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 دار و مدار 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 اونچائی پر لے جائے گا۔

کارکردگی کی بنیاد پر آج کو یقینی بنانے اور آئندہ جانشینی 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 پیکیج کو فراہم کرنے پر بھی یقین رکھتی ہے جس میں روزگار سے فائدہ اٹھانا بھی ہے۔

## فی شیئر آمدنی:

30 جون 2021 کو ختم ہونے والے سال کے لئے کمپنی کیلئے ہر حصص کی کمائی 6.02 روپے فی حصص ہے۔

## منافع:

بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لئے حتمی نقد منافع 0.75 فی شیئر جو کہ 7.5% ہے کی سفارش 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 فلوا 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 دار و مدار 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 روانگی کا مناسب طور پر سمجھایا اور

انکشاف کیا گیا ہے

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 یہ 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۔

بڑے مرکزی بینکوں کے اہم اقدامات میں نظامی دباؤ کو کم کرنے کے لئے مالیاتی محرک اور لیکویڈیٹی سہولیات شامل ہیں۔ 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۔

اقتصادی فورم پر اس شعبے کی نمایاں اہمیت کے باوجود مقامی اور بین الاقوامی سطح پر سوتی دھاگے اور سوتی کپڑے کی ناقص کارکردگی کی وجہ سے اس کی کارکردگی کمزور رہی۔ ٹیکسٹائل سیکٹر کی سوت اور تانے بانے کی برآمدات گذشتہ چار سالوں کے دوران مسلسل مقداری لحاظ سے کم ہوئی ہیں کیونکہ حریف ممالک کے مقابلے میں کاروبار کرنے کی زیادہ قیمت اور صنعت کے لئے حکومت کی ناقص پالیسیاں ہیں۔

حکومت کی جانب سے ہر سال کپاس کی پیداوار میں ہونے والی مسلسل کمی کا بھی نوٹ کرنا ہے۔ وقت آ گیا ہے کہ نوٹس لیں اور روٹی 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 کارکنوں 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 مٹی کے لئے موزوں ہو۔ ہم تجویز کرتے ہیں کہ جب تک ہم زیادہ سے زیادہ پیداوار کی 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 مسالمتی ہے اور دنیا بھر میں اجناس کو کم کر رہا ہے COVID-19 کی وجہ سے عالمی معاشی نمو میں 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 صورت حال میں بہتر کاروباری آب و ہوا کو فروغ دے گی۔ تاہم سیزن 2021-22 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 انڈسٹری کی مسابقت کو بری طرح متاثر کیا جاسکتا ہے۔

تاہم، 2020-21ء میں مقامی کپاس کی ہدف سے کم پیداوار، بجلی اور ایندھن کی قیمتوں میں اضافہ ہماری ٹیکسٹائل انڈسٹری کی مسابقت کو بین الاقوامی مارکیٹ میں اثر انداز کر سکتی ہے۔

ہم اس شعبے میں بڑھتی ہوئی اور نئی مارکیٹ کے مواقع تلاش کرتے رہیں گے۔ پاکستان دنیا میں کاشن یارن کے سب سے بڑے برآمد کنندہ میں سے ایک ہونے کے علاوہ کپاس کا چوتھا 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 سٹیک ہولڈرز کے لئے توجہ کا مرکز رہے گا۔

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

### متعلقہ فریق:

متعلقہ فریقین کے درمیان لین دین آرمز لینتھ پر کیا گیا ہے۔ جن کا موازنہ غیر مقابل 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 سٹاک ایکسچینج کے سٹینڈ کے ضابطے میں موجود ہیں۔

## ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2021ء 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 فنانسنگ 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 2021ء کو ختم ہونے والے سال کے لئے نظر ثانی شدہ نتائج کا مختصر جائزہ پیش کرتے ہیں۔

| سال 2021   | سال 2020   | فروخت:                    |
|------------|------------|---------------------------|
| روپے (000) | روپے (000) |                           |
| 5,784,863  | 4,115,736  | مقامی                     |
| 555,450    | 588,124    | برآمدات                   |
| 549,875    | 137,704    | خام منافع                 |
| 346,749    | (31,852)   | آپریٹنگ منافع (نقصان)     |
| 95,605     | 173,056    | مالی مصارف                |
| 196,556    | (223,595)  | بعد از ٹیکس منافع (نقصان) |
| 6.02       | (6.85)     | فی شیئر منافع (نقصان)     |

**مالی اور آپریٹنگ کارکردگی:** مالی سال 2019-20 میں 137.704 ملین روپے کے مقابلے میں 2020-21 کے لئے مجموعی منافع 549.875 روپے ریکارڈ کیا گیا ہے جو کہ تقریباً 300 فیصد بنتا ہے۔ مالی سال 2019-20 میں ٹیکس کے بعد نقصان 223.595 ملین روپے کے مقابلے میں سال 2020-21 میں ٹیکس کے بعد منافع 196.556 ملین روپے ہے۔ جو کہ تقریباً 188 فیصد بنتا ہے۔ مالی سال 2019-20 میں 6.85 روپے فی حصص نقصان کے مقابلے میں 6.02 فیصد فی حصص آمدنی دکھارہا ہے

منافع میں اضافے کی اہم وجہ تقریباً 35 فیصد کاروباری اضافہ، فنانس لاگت میں 45 فیصد کمی اور پلانٹ مشینری کی دیکھ بھال اور موثر انتظامی پالیسیوں کے ذریعے لاگت کنٹرول ہے۔ مینجمنٹ کی پالیسیوں نے کمپنی کی فروخت، استحکام اور لیکویڈیٹی کو متاثر کیا۔ جیسا کہ اوپر کی مالی جھلکیوں سے ظاہر ہوتا ہے۔ مینجمنٹ کی سخت کوششوں بشمول لاگت میں کمی اور پرائس مینجمنٹ کے بروقت اقدامات تک محدود نہیں بلکہ COVID-19 جیسی مشکلات کے اثرات کو روکتی ہیں۔ اور خام مال کی بڑھتی ہوئی قیمت وغیرہ کی کافی حد تک روکتی ہیں، کمپنی نے جہاں تک کشن دستیاب ہے وہاں اخراجات کو کم کرنے کے لئے اپنی پریکٹس جاری رکھی ہے۔

**COVID-19 کے اثرات اور پیمانے:** کمپنی حکومت کی فراہم کردہ SOP کی تعمیل کے لئے سخت اقدامات اٹھاتی ہے۔ 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 وبائی بیماری کا مکمل خاتمہ نہیں ہو جاتا۔

**ٹیکسٹائل کی صنعت کا جائزہ:** ٹیکسٹائل سیکٹر کو زیادہ ڈالر ریٹ، بجلی کی شدید بندش اور گیس کی بلند ترین قیمتوں سے متاثر ہونا پڑا خاص طور پر پنجاب کے علاقے میں جس نے مجموعی سیکٹر کی کارکردگی کو متاثر کیا جس سے ان کی پیداواری لاگت میں مزید اضافہ ہوا۔ حکام بالاکا طرف سے مقامی طور پر نکلنے والی گیس کی فراہمی منقطع کیے جانے اور اسکی جگہ اضافی قیمت پر درآمد شدہ مائع قدرتی گیس (آرائیل این جی) متعارف کروانے کی وجہ سے بجلی کی قیمتوں میں اضافہ ہوا۔

پاکستانی روپے کی قدر میں کمی کے ساتھ ساتھ دنیا میں خام مال کی قیمتوں میں اضافے کی وجہ سے درآمدی اور مقامی خام مال کی کھپت سب سے زیادہ رہی۔

عالمی اقتصادی مسائل جیسے "امریکہ چین تجارتی جنگ" عالمی معیشت میں متوقع سست روی کے بارے میں عمومی تاثر 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۔



## PATTERN OF SHAREHOLDING

As At June 30, 2021

| NUMBER OF SHAREHOLDERS | H O L D I N G S |            | TOTAL SHARES HELD |
|------------------------|-----------------|------------|-------------------|
|                        | FROM            | TO         |                   |
| 555                    | 1               | 100        | 49,360            |
| 3,353                  | 101             | 500        | 1,536,443         |
| 396                    | 501             | 1,000      | 371,697           |
| 343                    | 1,001           | 5,000      | 879,448           |
| 67                     | 5,001           | 10,000     | 547,152           |
| 23                     | 10,001          | 15,000     | 301,000           |
| 12                     | 15,001          | 20,000     | 225,500           |
| 10                     | 20,001          | 25,000     | 223,700           |
| 5                      | 25,001          | 30,000     | 138,100           |
| 2                      | 30,001          | 35,000     | 69,000            |
| 1                      | 35,001          | 40,000     | 37,500            |
| 3                      | 45,001          | 50,000     | 150,000           |
| 1                      | 50,001          | 55,000     | 51,000            |
| 2                      | 60,001          | 65,000     | 124,500           |
| 2                      | 65,001          | 70,000     | 135,500           |
| 1                      | 85,001          | 90,000     | 88,000            |
| 2                      | 120,001         | 125,000    | 249,500           |
| 1                      | 145,001         | 150,000    | 150,000           |
| 1                      | 190,001         | 195,000    | 190,500           |
| 1                      | 260,001         | 265,000    | 262,000           |
| 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        |
| <b>4,786</b>           |                 |            | <b>32,635,600</b> |

| Categories of shareholders  | Share held | Percentage |
|---|------------|------------|
| Directors, Chief Executive Officers, and their spouse and minor children      | 20,707,700 | 63.4513%   |
| Associated Companies, undertakings and related parties. (Parent Company)      | 0          | 0.0000%    |
| NIT and ICP   | 11,500     | 0.0352%    |
| Banks Development Financial Institutions, Non Banking Financial Institutions. | 26,600     | 0.0815%    |
| 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  | 5,196,099  | 15.9216%   |
| b. Foreign  | 6,447,500  | 19.7560%   |
| Others (to be Specified)  |            |            |
| Joint Stock Companies   | 120,601    | 0.3695%    |

## 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   | KHAWAJA WAHEED RAZA (CDC)            | 35,000             | 0.1072     |
| 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     |

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

| S.No | NAME | SALE | PURCHASE |
|------|------|------|----------|
|      | Nil  | -    | -        |



## SIX YEARS FINANCIAL STATISTICAL SUMMARY

| Measure of performance                     | 2021             | 2020             | 2019             | 2018             | 2017             | 2016             |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| ..... Rupees in Thousand .....             |                  |                  |                  |                  |                  |                  |
| Sales - net                                | 6,340,314        | 4,703,859        | 5,418,786        | 3,797,059        | 4,255,717        | 4,819,932        |
| Cost of sales                              | 5,790,439        | 4,566,155        | 5,033,977        | 3,571,402        | 4,174,942        | 4,647,253        |
| Gross profit                               | 549,875          | 137,704          | 384,809          | 225,657          | 80,775           | 172,679          |
| Operating profit/(Loss)                    | 346,749          | (31,852)         | 206,985          | 18,329           | (153,405)        | (85,857)         |
| (Loss) / profit after tax                  | 196,556          | (223,595)        | (51,444)         | (175,202)        | (334,189)        | (269,364)        |
| <b>In % age terms</b>                      |                  |                  |                  |                  |                  |                  |
| Cost of sales                              | 91.33            | 97.07            | 92.90            | 94.06            | 98.10            | 96.42            |
| Operating profit/(Loss)                    | 5.47             | (0.68)           | 3.82             | 0.48             | (3.60)           | (1.78)           |
| (Loss)/ profit after tax                   | 3.10             | (4.75)           | (0.95)           | (4.61)           | (7.85)           | (5.59)           |
| <b>Financial position</b>                  |                  |                  |                  |                  |                  |                  |
| Property, plant and equipment-net          | 1,233,010        | 1,321,561        | 1,401,016        | 1,415,526        | 1,556,532        | 1,605,032        |
| Capital work in progress                   | 72,482           | -                | -                | 90,830           | 1,134            | 34,210           |
| Fixed assets                               | <b>1,305,493</b> | <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>Current assets</b>                      |                  |                  |                  |                  |                  |                  |
| Stores, spares and loose tools             | 130,879          | 122,871          | 131,914          | 115,609          | 114,772          | 93,385           |
| Stocks in trade                            | 698,180          | 990,238          | 729,191          | 449,614          | 749,188          | 626,434          |
| Other current assets                       | 657,844          | 520,088          | 860,918          | 577,315          | 471,290          | 432,965          |
| Cash and cash equivalent                   | 18,532           | 8,591            | 6,784            | 30,450           | 6,748            | 4,156            |
|  | <b>1,505,435</b> | <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>Current liabilities</b>                 |                  |                  |                  |                  |                  |                  |
| Short term borrowings                      | 775,971          | 1,037,670        | 1,255,863        | 983,332          | 1,203,403        | 940,649          |
| Current portion of long term loans         | 121,250          | 119,750          | 80,550           | 150,000          | 175,000          | 143,462          |
| Other current liabilities                  | 306,778          | 386,240          | 315,110          | 334,743          | 377,625          | 485,477          |
|  | <b>1,203,999</b> | <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> |
| Net working capital                        | 301,436          | 98,128           | 77,284           | (295,087)        | (414,030)        | (412,648)        |
| Long term loans - excluding sponsors' loan | 61,500           | 162,250          | 131,250          | 56,250           | 206,250          | 350,000          |

# FINANCIAL HIGHLIGHTS

| Financial Highlights                                   | 2021             | 2020         | 2019        | 2018          | 2017          | 2016          |
|--|------------------|--------------|-------------|---------------|---------------|---------------|
|  | .....Rupees..... |              |             |               |               |               |
| <b>A. Profitability Ratios:</b>                        |                  |              |             |               |               |               |
| Earning before interest, taxation and depreciation     | Rs. 468,974,052  | 95,489,077   | 340,596,271 | 160,223,452   | (5,942,434)   | 65,980,209    |
| Earning before interest and taxation                   | Rs. 346,749,150  | (31,851,713) | 206,984,710 | 18,328,741    | (153,404,945) | (85,857,366)  |
| Profit / (Loss) before taxation and depreciation       | Rs. 373,369,064  | (77,566,805) | 195,562,579 | 40,194,263    | (146,082,104) | (83,405,422)  |
| Gross profit ratio                                     | % 8.67           | 2.93         | 7.10        | 5.94          | 1.90          | 3.58          |
| Operating profit / (loss) margin to sales (net)        | % 5.47           | (0.68)       | 3.82        | 0.48          | (3.60)        | (1.78)        |
| Net profit / (loss) margin to sales (net)              | % 3.10           | (4.75)       | (0.95)      | (4.88)        | (7.85)        | (5.59)        |
| EBITD margin to sales (net)                            | % 7.40           | 2.03         | 6.29        | 4.22          | (0.14)        | 1.37          |
| <b>B. Liquidity Ratios :</b>                           |                  |              |             |               |               |               |
| Current ratio  | % 1.25           | 1.06         | 1.05        | 0.80          | 0.76          | 0.74          |
| Quick / Acid-test ratio                                | % 0.67           | 0.42         | 0.61        | 0.25          | 0.27          | 0.34          |
| Cash to current liabilities                            | % 0.02           | 0.01         | 0.00        | 2.07          | 0.38          | 0.26          |
| Cash flow from operations to sales                     | % -              | 0.03         | (0.12)      | 8.95          | (6.42)        | 4.67          |
| Working capital (Net current assets)                   | Rs. 301,435,015  | 98,127,442   | 77,283,941  | (295,086,622) | (414,030,560) | (412,649,253) |
| Working capital turnover                               | Times 21.03      | 47.94        | 70.12       | (12.87)       | (0.10)        | (11.68)       |
| <b>C. Activity / Turnover Ratios</b>                   |                  |              |             |               |               |               |
| Debtors turnover ratio                                 | Times 15.75      | 14.38        | 12.91       | 30.00         | 33.25         | 24.73         |
| No. of days in receivables / Average collection period | Days 21.00       | 28.98        | 18.40       | 12.17         | 10.98         | 14.76         |
| Inventory turnover ratio                               | Times 6.86       | 5.31         | 8.54        | 6.32          | 5.57          | 6.49          |
| No. of days in inventory                               | Days 48.60       | 66.71        | 39.70       | 57.77         | 65.50         | 56.21         |
| Creditors turnover ratio                               | Times 21.86      | 18.98        | 25.03       | 11.72         | 9.62          | 7.79          |
| No. of days in creditors / Average payment period      | Days 11.32       | 14.78        | 11.54       | 31.14         | 37.94         | 46.84         |
| Property, plant and equipment turnover                 | Days 70.98       | 102.55       | 94.37       | 136.07        | 133.50        | 118.91        |
| Total assets turnover                                  | Days 162.57      | 230.95       | 211.70      | 258.81        | 249.81        | 225.36        |
| <b>D. Investment Ratios</b>                            |                  |              |             |               |               |               |
| Basic earnings / (loss) per share                      | Rs. 6.02         | (6.85)       | (1.58)      | (5.37)        | (10.24)       | (8.25)        |
| Cash dividend per share                                | Rs. 0.75         | -            | -           | -             | -             | -             |
| <b>E. Capital Structure Ratios</b>                     |                  |              |             |               |               |               |
| Total liabilities to total assets                      | % 48.65          | 61.84        | 62.12       | 61.15         | 70.10         | 70.50         |
| Interest coverage                                      | Times 3.63       | (0.18)       | 1.43        | 0.15          | (1.09)        | (0.57)        |

## STATEMENT OF VALUE ADDITION

### Statement of Value addition

|   | 2021            | 2020            |
|---|-----------------|-----------------|
| Sales   | 6,340,313,774   | 4,703,859,321   |
| Less: Manufacturing / administration and general expenses | (5,304,991,891) | (4,096,047,148) |
|   | 1,035,321,883   | 607,812,173     |
| Other income  | 16,226,200      | 10,321,704      |
| Total value added   | 1,051,548,083   | 618,133,877     |

### Distribution

#### Employees :

|                    |             |             |
|--------------------|-------------|-------------|
| Salaries and wages | 581,288,318 | 521,253,526 |
|--------------------|-------------|-------------|

#### Government :

|                       |            |            |
|-----------------------|------------|------------|
| Corporate tax         | 54,588,112 | 18,686,945 |
| Development surcharge | 1,285,713  | 1,391,273  |
|                       | 55,873,825 | 20,078,219 |

#### Lenders :

|  |            |             |
|--|------------|-------------|
| Financial institution (Markup, Bank charges) | 95,604,988 | 173,055,882 |
|--|------------|-------------|

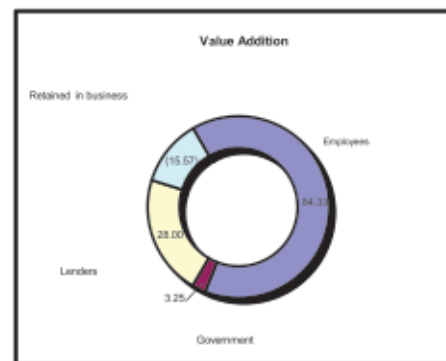
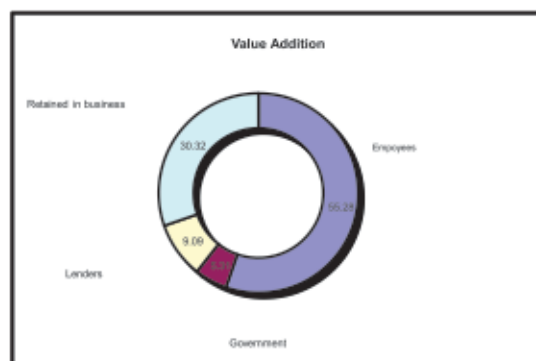
#### Retained in business:

|                 |             |               |
|-----------------|-------------|---------------|
| Depreciation    | 122,224,903 | 127,340,791   |
| Profit / (Loss) | 196,556,050 | (223,594,541) |
|                 | 318,780,952 | (96,253,750)  |

|               |             |
|---------------|-------------|
| 1,051,548,083 | 618,133,877 |
|---------------|-------------|

#### Percentage

|                      |       |         |
|----------------------|-------|---------|
| Employees            | 55.28 | 84.33   |
| Government           | 5.31  | 3.25    |
| Lenders              | 9.09  | 28.00   |
| Retained in business | 30.32 | (15.57) |



# STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF GOVERNANCE) REGULATIONS, 2021

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

Year ending: **JUNE 30, 2021**

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    | <input type="radio"/> Mohammad Imran Rasheed<br><input type="radio"/> Khawaja Waheed Raza |
| Non-Executive Directors | <input type="radio"/> Rizwan Arshad   |
| Executive Directors     | <input type="radio"/> Mohammad Arshad Chaudhry<br><input type="radio"/> Kamran Arshad     |
| Female Directors        | <input type="radio"/> Mrs. Azra Yasmin<br><input type="radio"/> Wajeeha Haaris            |

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. Mrs. Wajeeha Haris – 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               | <b>(6)</b> |
| b) | HR and Remuneration Committee | <b>(1)</b> |
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, 2021

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, 2021 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, 2021.

Lahore

September 30, 2021

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



# *Financial Statements*

*For the year ended June 30, 2021*



## 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, 2021, 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, 2021 and of the profit and other comprehensive income, 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. We have determined that there are no key audit matters to communicate in our report.

### **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**.



*This Page is intentionally left blank*

# STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

|  | Note | 2021            | 2020            |
|--|------|-----------------|-----------------|
|  |      | Rupees          |                 |
| <b>EQUITY AND LIABILITIES</b>  |      |                 |                 |
| <b>Share Capital and Reserves</b>  |      |                 |                 |
| Authorized capital<br>40,000,000 (2020: 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    | 2,440,186,878   | 2,327,150,837   |
| Accumulated loss   |      | (1,316,340,412) | (1,517,837,758) |
|  |      | 1,450,202,466   | 1,135,669,079   |
| <b>Non Current Liabilities</b>   |      |                 |                 |
| Long term financing  | 7    | 61,500,000      | 162,250,000     |
| Deferred liabilities   | 8    | 108,236,904     | 134,780,613     |
|  |      | 169,736,904     | 297,030,613     |
| <b>Current Liabilities</b>   |      |                 |                 |
| Trade and other payables   | 9    | 207,736,599     | 298,563,037     |
| Unclaimed dividend   |      | 4,982,921       | 4,982,921       |
| Accrued interest / mark up   | 10   | 7,042,278       | 14,977,040      |
| Short term borrowings  | 11   | 775,971,248     | 1,037,669,766   |
| Current portion of long term financing   | 7    | 121,250,000     | 119,750,000     |
| Provision for taxation - net   | 12   | 87,016,337      | 67,717,408      |
|  |      | 1,203,999,383   | 1,543,660,172   |
| <b>Contingencies and Commitments</b>   |      |                 |                 |
|  | 13   | -               | -               |
|  |      | 2,823,938,753   | 2,976,359,864   |
| <b>ASSETS</b>  |      |                 |                 |
| <b>Non Current Assets</b>  |      |                 |                 |
| Property, plant and equipment  | 14   | 1,233,010,281   | 1,321,560,556   |
| Capital work in progress   | 15   | 72,482,380      | -               |
|  |      | 1,305,492,661   | 1,321,560,556   |
| Long term deposits   | 16   | 13,011,694      | 13,011,694      |
|  |      | 1,318,504,355   | 1,334,572,250   |
| <b>Current Assets</b>  |      |                 |                 |
| Stores, spares and loose tools   | 17   | 130,878,508     | 122,870,866     |
| Stock in trade   | 18   | 698,179,575     | 990,237,892     |
| Trade debts  | 19   | 402,553,116     | 327,133,703     |
| Loans and advances   | 20   | 223,595,158     | 119,028,220     |
| Tax refunds/ rebate due from the Government  | 21   | 31,695,583      | 73,925,624      |
| Cash and bank balances   | 22   | 18,532,458      | 8,591,309       |
|  |      | 1,505,434,398   | 1,641,787,614   |
|  |      | 2,823,938,753   | 2,976,359,864   |

The annexed notes from 1 to 42 form an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2021

|  | Note | 2021          | 2020          |
|--|------|---------------|---------------|
|  |      | Rupees        |               |
| Sales - Net  | 23   | 6,340,313,774 | 4,703,859,321 |
| Less: Cost of goods sold                               | 24   | 5,790,439,214 | 4,566,155,085 |
| <b>Gross Profit</b>                                    |      | 549,874,560   | 137,704,236   |
| Less: Operating expenses:                              |      |               |               |
| - Selling and distribution                             | 25   | 71,817,762    | 66,544,095    |
| - Administrative and general                           | 26   | 122,026,500   | 111,728,381   |
| - Other operating charges                              | 27   | 25,507,348    | 1,605,177     |
|  |      | 219,351,610   | 179,877,653   |
|  |      | 330,522,950   | (42,173,417)  |
| Other operating income                                 | 28   | 16,226,200    | 10,321,704    |
| <b>Operating profit / (loss)</b>                       |      | 346,749,150   | (31,851,713)  |
| Less: Finance cost                                     | 29   | 95,604,988    | 173,055,882   |
| <b>Profit / (loss) before taxation</b>                 |      | 251,144,162   | (204,907,595) |
| Less: Taxation   | 30   | 54,588,112    | 18,686,946    |
| <b>Profit / (loss) after taxation</b>                  |      | 196,556,050   | (223,594,541) |
| <b>Earnings / (Loss) per share - Basic and diluted</b> | 31   | 6.02          | (6.85)        |

The annexed notes from 1 to 42 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

|  |      | 2021               | 2020                 |
|--|------|--------------------|----------------------|
|  | Note | Rupees             |                      |
| Profit / (loss) for the year                     |      | 196,556,050        | (223,594,541)        |
| <b>Other comprehensive income</b>                |      |                    |                      |
| Remeasurements of defined benefit obligation     |      | 6,566,001          | 17,632,187           |
| Impact of deferred tax                           |      | (1,624,705)        | (3,861,443)          |
|  |      | 4,941,296          | 13,770,744           |
| Total comprehensive income / (Loss) for the year |      | <u>201,497,346</u> | <u>(209,823,797)</u> |

The annexed notes from 1 to 42 form an integral part of these financial statements.



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

|   |       | 2021          | 2020          |
|---|-------|---------------|---------------|
|   | Note  | Rupees        |               |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                      |       |               |               |
| Profit / (Loss) before taxation                                 |       | 251,144,162   | (204,907,595) |
| Adjustments for:  |       |               |               |
| - Depreciation  | 14.01 | 122,224,903   | 127,340,790   |
| - (Gain) / loss on disposal of property, plant and equipment    | 14.02 | (2,357,147)   | 1,577         |
| - Provision for WPPF  | 9     | 13,398,555    | -             |
| - Provision for WWF   | 9     | 3,428,377     | -             |
| - Provision for staff retirement benefits                       | 8.06  | 32,719,834    | 39,008,038    |
| - Finance cost  | 29    | 95,604,988    | 173,055,882   |
|   |       | 265,019,510   | 339,406,287   |
| <b>Operating profit before working capital changes</b>          |       | 516,163,672   | 134,498,692   |
| (Increase) / decrease in current assets:                        |       |               |               |
| - Stores, spares and loose tools                                |       | (8,007,642)   | 9,043,396     |
| - Stock in trade  |       | 292,058,317   | (261,046,986) |
| - Trade debts   |       | (75,419,413)  | 92,577,581    |
| - Loans and advances  |       | (104,566,938) | 125,815,848   |
| - Tax refunds/ rebate due from the Government                   |       | 7,890,508     | 90,568,169    |
| Increase / (decrease) in current liabilities:                   |       |               |               |
| - Trade and other payables                                      |       | (107,653,372) | 74,708,142    |
|   |       | 4,301,460     | 131,666,149   |
| <b>Cash generated from operations</b>                           |       | 520,465,132   | 266,164,841   |
| Income tax paid / deducted                                      |       | (33,172,926)  | (20,850,467)  |
| Gratuity paid   | 8.05  | (22,098,970)  | (16,821,139)  |
| Finance cost paid   |       | (103,539,750) | (185,676,401) |
| <b>Net cash generated from operating activities</b>             |       | 361,653,486   | 42,816,834    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                      |       |               |               |
| Property, plant and equipment purchased                         |       | (34,442,480)  | (47,886,966)  |
| Capital work in progress  |       | (72,482,380)  | -             |
| Proceeds from disposal of property, plant and equipment         |       | 3,125,000     | -             |
| <b>Net cash used in investing activities</b>                    |       | (103,799,860) | (47,886,966)  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                      |       |               |               |
| Proceeds / (repayment) of long term loans - net                 | 7     | (99,250,000)  | 70,199,972    |
| Increase in directors and sponsors loan                         | 34.01 | 113,036,041   | 154,873,002   |
| Unclaimed dividend  |       | -             | (2,344)       |
| Short term borrowings   | 11    | (261,698,518) | (218,192,914) |
| <b>Net cash (used in) / generated from financing activities</b> |       | (247,912,477) | 6,877,716     |
| <b>Net increase in cash and cash equivalents</b>                |       | 9,941,149     | 1,807,584     |
| Cash and cash equivalents at the beginning of the year          |       | 8,591,309     | 6,783,725     |
| <b>Cash and cash equivalents at the end of the year</b>         | 22    | 18,532,458    | 8,591,309     |

The annexed notes from 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

35

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

|  | Issued, Subscribed<br>and Paid up<br>Capital | Directors' loan | Accumulated Loss | Total         |
|--|--|-----------------|------------------|---------------|
|  | Rupees                                       |                 |                  |               |
| <b>Balance as at June 30, 2019</b>                                 | 326,356,000                                  | 2,172,277,835   | (1,308,013,961)  | 1,190,619,874 |
| <i>Transaction with owner-loan from directors</i>                  | -  | 154,873,002     | -                | 154,873,002   |
| <b>Total comprehensive Loss for the year ended June 30, 2020</b>   | -  | -               | (209,823,797)    | (209,823,797) |
| Loss after taxation for the year                                   | -  | -               | (223,594,541)    | (223,594,541) |
| Other comprehensive income for the year                            | -  | -               | 13,770,744       | 13,770,744    |
| <b>Balance as at June 30, 2020</b>                                 | 326,356,000                                  | 2,327,150,837   | (1,517,837,758)  | 1,135,669,079 |
| <i>Transaction with owner-loan from directors</i>                  | -  | 113,036,041     | -                | 113,036,041   |
| <b>Total comprehensive income for the year ended June 30, 2021</b> | -  | -               | 201,497,346      | 201,497,346   |
| Profit after taxation for the year                                 | -  | -               | 196,556,050      | 196,556,050   |
| Other comprehensive income for the year                            | -  | -               | 4,941,296        | 4,941,296     |
| <b>Balance as at June 30, 2021</b>                                 | 326,356,000                                  | 2,440,186,878   | (1,316,340,412)  | 1,450,202,466 |

The annexed notes from 1 to 42 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

## 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.

## 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 Initial application of a standard, amendment or an interpretation to an existing standard New standards, amendments to the accounting and reporting standards as applicable in Pakistan

#### 2.2.1 Amendments to published accounting and reporting standards which are effective for the year ended June 30, 2021

There were certain amendments to accounting and reporting standards which became effective for the Company for the current year. However, these are considered not to be relevant or to have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

#### 2.3 Standard, amendments to published accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the Company

There is a standard and certain other amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations 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. In these financial statements, except for the amounts reflected in the statement of cash flows, 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, Rate & Useful Life of Property Plant & 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

#### 3.01 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.

#### 3.02 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, 2021. Charge for the current year is based on estimates provided by the actuary as at June 30, 2021. All actuarial gains and losses (i.e. remeasurements) are recognized in 'other comprehensive income' as they occur.

#### 3.03 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.

#### 3.04 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.

#### 3.05 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 / finalized during the year.

##### **Deferred**

Deferred tax is accounted for using the statement of financial position 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.

#### 3.06 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.

#### 3.07 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.



**3.08 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.

**3.09 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 statement of financial position 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 is 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.

|   | Note | 2021          | 2020          |
|---|------|---------------|---------------|
|   |      | Rupees        |               |
| <b>5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>   |      |               |               |
| 32,635,600 (2020: 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.  |      |               |               |
| <b>6 DIRECTORS' LOAN</b>  |      |               |               |
| Loan from directors   | 6.01 | 2,440,186,878 | 2,327,150,837 |
| 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 (2020 : Rs. 1,500 million) with Habib Bank Limited and United Bank Limited. |      |               |               |

|   | Note | 2021               | 2020               |
|---|------|--------------------|--------------------|
|   |      | Rupees             |                    |
| <b>7 LONG TERM FINANCING</b>  |      |                    |                    |
| <b>Loan from banking companies - Secured</b>  |      |                    |                    |
| United Bank Limited:  |      |                    |                    |
| - NIDF - VIII   | 7.01 | -                  | -                  |
| - NIDF - IX   | 7.02 | 6,250,000          | 37,500,000         |
| - NIDF - III  | 7.03 | 62,500,000         | 112,500,000        |
|   |      | <u>68,750,000</u>  | <u>150,000,000</u> |
| Habib Bank Limited:   |      |                    |                    |
| - Term Finance  | 7.05 | 114,000,000        | 132,000,000        |
|   |      | <u>182,750,000</u> | <u>282,000,000</u> |
| Less: Current portion   |      | (121,250,000)      | (119,750,000)      |
|   |      | <u>61,500,000</u>  | <u>162,250,000</u> |
| <b>7.01 NIDF - VIII</b>   |      |                    |                    |
| Opening balance   |      | -                  | 5,550,028          |
| Payments made during the year   |      | -                  | (5,550,028)        |
|   |      | <u>-</u>           | <u>-</u>           |
| 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.                                     |      |                    |                    |
| <b>7.02 Term Finance (NIDF IX)</b>  |      |                    |                    |
| Opening balance   |      | 37,500,000         | 56,250,000         |
| Payments made during the year   |      | (31,250,000)       | (18,750,000)       |
|   |      | <u>6,250,000</u>   | <u>37,500,000</u>  |
| This loan has been obtained for reprofiling of statement of financial position 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. |      |                    |                    |
| <b>7.03 Term Finance (NIDF III)</b>   |      |                    |                    |
| Opening balance   |      | 112,500,000        | 150,000,000        |
| Payments made during the year   |      | (50,000,000)       | (37,500,000)       |
|   |      | <u>62,500,000</u>  | <u>112,500,000</u> |
| This loan has been obtained for reprofiling of statement of financial position 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.  |      |                    |                    |
| <b>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 (2020: Rs. 1,471 million) and personal guarantee of chief executive and two directors of the Company.</b>   |      |                    |                    |
| <b>7.05 HBL-Term Finance</b>  |      |                    |                    |
| Opening balance   |      | 132,000,000        | 150,000,000        |
| Payments made during the year   |      | (18,000,000)       | (18,000,000)       |
|   |      | <u>114,000,000</u> | <u>132,000,000</u> |
| This loan has been obtained for reprofiling of statement of financial position 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.   |      |                    |                    |

|                               | Note | 2021               | 2020               |
|-------------------------------|------|--------------------|--------------------|
|                               |      | Rupees             |                    |
| <b>8 DEFERRED LIABILITIES</b> |      |                    |                    |
| Deferred tax - net            | 8.01 | 39,931,836         | 70,530,408         |
| Staff retirement benefits     | 8.04 | 68,305,068         | 64,250,205         |
|                               |      | <u>108,236,904</u> | <u>134,780,613</u> |

#### 8.01 Deferred tax - net

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

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| - Accelerated tax depreciation | 165,029,452       | 155,492,377       |
| - Minimum tax                  | (108,196,070)     | (70,891,197)      |
| - Staff retirement benefits    | (16,901,546)      | (14,070,772)      |
|                                | <u>39,931,836</u> | <u>70,530,408</u> |

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

| Rupees                                 |                               |  |                             |                               |  |                             |
|--|-------------------------------|--|-----------------------------|-------------------------------|--|-----------------------------|
| Balance as at July 01, 2019            | Recognized in profit and loss | Recognized in other comprehensive income | Balance as at June 30, 2020 | Recognized in profit and loss | Recognized in other comprehensive income | Balance as at June 30, 2021 |
| <b>Deferred tax debits:</b>            |                               |  |                             |                               |  |                             |
| Recognized losses                      | -                             | -  | -                           | -                             | -  | -                           |
| Minimum tax                            | (13,871,986)                  | (57,019,211)                             | (70,891,197)                | (37,304,873)                  | -  | (108,196,070)               |
| Staff retirement benefits              | (10,881,508)                  | (7,050,707)                              | (14,070,772)                | (4,455,479)                   | 1,624,705                                | (16,901,546)                |
|  | <u>(24,753,494)</u>           | <u>(64,069,918)</u>                      | <u>(84,961,969)</u>         | <u>(41,760,352)</u>           | <u>1,624,705</u>                         | <u>(125,097,616)</u>        |
| <b>Deferred tax credits:</b>           |                               |  |                             |                               |  |                             |
| Accelerated tax depreciation allowance | 134,499,719                   | 20,992,658                               | 155,492,377                 | 9,537,075                     | -  | 165,029,452                 |
|  | <u>134,499,719</u>            | <u>20,992,658</u>                        | <u>155,492,377</u>          | <u>9,537,075</u>              | <u>-</u>                                 | <u>165,029,452</u>          |
|  | <u>109,746,225</u>            | <u>(43,077,259)</u>                      | <u>70,530,408</u>           | <u>(32,223,277)</u>           | <u>1,624,705</u>                         | <u>39,931,836</u>           |

8.03 The Company has not recognized deferred tax asset on minimum tax amounting to Rs. 91.8 million (2020: 91.8 million) due to uncertainty of adjustments in future periods using prudence.

#### 8.04 Staff retirement benefits

##### Statement of financial position

|   |      |                   |                   |
|---|------|-------------------|-------------------|
| Present value of defined benefit obligation plus payables | 8.05 | 68,305,068        | 64,250,205        |
| statement of financial position Liability                 |      | <u>68,305,068</u> | <u>64,250,205</u> |

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

|   |                   |                   |
|---|-------------------|-------------------|
| Present Value of Defined Benefit Obligations                    | 64,250,205        | 59,695,493        |
| Current Service Cost  | 28,197,773        | 31,699,936        |
| Past Service Cost   | -                 | -                 |
| Interest cost on defined benefit obligations                    | 4,522,061         | 7,308,102         |
| Benefits due but not paid (Payable)                             | -                 | -                 |
| Benefits Paid   | (22,098,970)      | (16,821,139)      |
| Gains and losses arising on plan settlements                    | -                 | -                 |
| Remeasurements :  |                   |                   |
| Actuarial (gain)/losses from changes in demographic assumptions | -                 | -                 |
| Actuarial (gain)/losses from changes in financial assumptions   | 28,541            | (98,527)          |
| Experience adjustments  | (6,594,542)       | (17,533,660)      |
| Present Value of Defined Benefit Obligations                    | <u>68,305,068</u> | <u>64,250,205</u> |



|  | 2021               | 2020                |
|--|--------------------|---------------------|
| Note   | Rupees             |                     |
| <b>8.06 Expenses to be Charged to P&amp;L</b>                            |                    |                     |
| Current service cost   | 28,197,773         | 31,699,936          |
| Past service cost  | -                  | -                   |
| Gains and losses arising on plan settlements                             | -                  | -                   |
| Interest cost on defined benefit obligation                              | 4,522,061          | 7,308,102           |
| <b>Expense chargeable to P&amp;L</b>                                     | <b>32,719,834</b>  | <b>39,008,038</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            | 28,541             | (98,527)            |
| Expectation adjustments  | (6,594,542)        | (17,533,660)        |
| <b>Total remeasurements chargeable in OCI</b>                            | <b>(6,566,001)</b> | <b>(17,632,187)</b> |
| <b>8.08 Changes in Net Liability</b>                                     |                    |                     |
| statement of financial position liability/(assets)                       | 64,250,205         | 59,695,493          |
| Expense chargeable to P&L  | 32,719,834         | 39,008,038          |
| Remeasurements chargeable in other comprehensive income                  | (6,566,001)        | (17,632,187)        |
| Benefits Paid  | (22,098,970)       | (16,821,139)        |
| Benefits Payable transferred to short term liability                     | -                  | -                   |
| statement of financial position liability/(assets)                       | <b>68,305,068</b>  | <b>64,250,205</b>   |
|  | <b>2021</b>        | <b>2020</b>         |
| <b>8.09 Significant Actuarial Assumptions</b>                            |                    |                     |
| Discount rate used for interest Cost in P&L charge                       | 8.50%              | 14.25%              |
| Discount rate used for year end obligation                               | 10.00%             | 8.50%               |
| Salary increase used for year end obligation                             |                    |                     |
| Salary Increase FY 2021  | N/A                | 6.50%               |
| Salary Increase FY 2022  | 8.00%              | 6.50%               |
| Salary Increase FY 2023  | 8.00%              | 6.50%               |
| Salary Increase FY 2024  | 8.00%              | 6.50%               |
| Salary Increase FY 2025  | 8.00%              | 6.50%               |
| Salary Increase FY 2026  | 8.00%              | 6.50%               |
| Salary Increase FY 2027 onward   | 8.00%              | 6.50%               |
| Next salary is increased at  | 01/01/2022         | 01/01/2021          |
|  | 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              |

**8.10 General description**

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried on as at June 30, 2021. using Project Unit Credit Method.

### 8.11 Estimated Expenses to be Charged to P&L in FY 2022

|   | Rupees            |
|---|-------------------|
| Current service cost                        | 29,456,708        |
| Interest cost on defined benefit obligation | 4,945,032         |
| <b>Amount chargeable to P&amp;L</b>         | <b>34,401,740</b> |

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

|                           | Rupees     |
|---------------------------|------------|
| Discount Rate + 100 bps   | 67,309,899 |
| Discount Rate - 100 bps   | 69,338,105 |
| Salary Increase + 100 bps | 69,347,765 |
| Salary Increase - 100 bps | 67,282,522 |

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

|   | Rupees     |
|---|------------|
| FY 2022   | 37,709,498 |
| FY 2023   | 31,790,906 |
| FY 2024   | 23,577,420 |
| FY 2025   | 16,817,666 |
| FY 2026   | 11,498,449 |
| FY 2027   | 7,754,494  |
| FY 2028   | 5,069,569  |
| FY 2029   | 3,300,968  |
| FY 2030   | 2,123,216  |
| FY 2031   | 1,337,699  |
| FY 2032 Onwards   | 2,272,561  |
| 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 | 2021               | 2020               |
|-------------------------------------|------|--------------------|--------------------|
|                                     |      | Rupees             |                    |
| Creditors for:                      |      |                    |                    |
| - Goods supplied                    |      | 98,950,150         | 154,141,301        |
| - Services                          |      | 34,541,318         | 71,630,799         |
| Accrued liabilities                 |      | 41,410,759         | 46,450,893         |
| Advances from customers - unsecured |      | 14,370,313         | 25,218,432         |
| Security deposits                   | 9.01 | 171,000            | 186,000            |
| Tax deducted at source              |      | 1,466,127          | 935,612            |
| Workers' Profit Participation Fund  |      | 13,398,555         | -                  |
| Workers' Welfare Fund               |      | 3,428,377          | -                  |
|                                     |      | <u>207,736,599</u> | <u>298,563,037</u> |

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   |  | 3,723,335        | 5,106,339         |
| Short term borrowings |  | 3,318,943        | 9,870,701         |
|                       |  | <u>7,042,278</u> | <u>14,977,040</u> |

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

|                              |       |                    |                      |
|------------------------------|-------|--------------------|----------------------|
| Habib Bank Limited - Secured | 11.01 | 552,869,573        | 564,208,501          |
| United Bank Limited- Secured | 11.02 | 223,101,675        | 473,461,265          |
|                              |       | <u>775,971,248</u> | <u>1,037,669,766</u> |

11.01 These represent utilized portion of short term finance facilities of **Rs. 865 million** (2020: Rs. 865 million) (including Letter of Guarantee Facility of Rs. 91.0 million (2020: Rs. 91 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. It is renewed on 30th April 2021 and valid for one year. 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 (2020: Rs. 932 million), pledge of cotton and polyester bales, lien on import documents / export contracts and personal guarantee of the chief executive and director of the Company.

11.02 These represent utilized portion of short term finance facilities of **Rs. 720 million** (2020 : Rs. 720 million) available from United Bank Limited under mark up arrangement. These facilities carry mark up at 1 month KIBOR plus 1.5% - 2.0% per annum and shall expire by December 31, 2021. 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 (2020 : 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                            |  | 67,717,408        | 58,672,545        |
| Provision for the year                     |  | 87,016,336        | 67,717,407        |
| Payments / adjustments against advance tax |  | (67,717,407)      | (58,672,544)      |
|  |  | <u>87,016,337</u> | <u>67,717,408</u> |

Income tax return up to and including tax year 2020 has been filed to the tax authorities under the provision of Income Tax Ordinance, 2001.

#### 13 CONTINGENCIES AND COMMITMENTS

##### Contingencies

13.01 ICA No. 3443/2020 in W.P. No. 49178/2017 – Oil & Gas Regulatory Authority Vs. Ejaz Textile Mills Ltd. & Others' has been filed by OGRA before the Honourable Lahore High Court, Lahore, challenging the Judgment dated 13.12.2019. This Appeal is regarding the impugned Determinations of 02.06.2017 & 20.06.17 made by OGRA and the vires of SRO 405(I)/2015 dated 07.05.2015 and SRO 97(I)/2015 dated 30.09.2015. Ghazi Fabrics International Limited is a Respondent in the above mentioned Appeal.

- 13.02** ICA No. 73790/2019 in W.P. No. 42541/2019 –Sui Northern Gas Pipelines LTD.Vs. Federation of Pakistan, etc. has been filed by SNGPL against Order dated 31.10.2019. This Appeal is regarding levy of USD 6.50/MMBTU. Ghazi Fabrics International Limited is a Respondent in the titled Appeal.
- 13.03** CPLA NO. 909/2020 - Ghazi Fabrics International Limited, etc. Vs. Federation of Pakistan & Others' has been filed before the Honourable Supreme Court OF Pakistan at Islamabad, challenging the Judgment dated 20.11.2019 passed by the Honourable Lahore High Court, Lahore. in W.P. No. 60367/2019. This CPLA is regarding the impugned imposition of Quarter Tariff Adjustment for the 1st and 2nd Quarters of Financial Year 2017-2018
- 13.04** W.P. No.12403/2020 - Ghazi Fabrics International Limited, etc. Vs. Federation of Pakistan, etc. has been filed before Honourable Lahore High Court, Lahore, challenging the impugned levy and recovery of arrears from January 2019 to December 2019 in the bill of January 2020 regarding Fuel Price Adjustment, Financial cost Surcharge, Neelum Jehlum Surcharge and Maximum Demand Indicator, etc.
- 13.05** W.P. No. 74315/2019 – Shahzad Textile Mills Limited, etc. Vs. Federation of Pakistan, etc. has been filed before the Honourable Lahore High Court, Lahore, challenging the base tariffs and the adjustment tariffs determined by NEPRA, notified by the Federal Government and charged by the Distribution Companies (DISCOs).
- 13.06** W.P. No. 42176/2020 – All Pakistan Textile Mills Association & Others Vs. Federation of Pakistan & Others – was filed before the Honourable Lahore High Court, Lahore, challenging the levy and demand of GIDC prior to coming into force of GIDC Act, 2015 as well as levy and demand of GIDC at the tariff applicable to captive power consumers instead of industrial consumers. The case was last fixed for hearing on 16.06.2021 and was adjourned to 27.09.2021. Ghazi Fabrics International Limited is as Petitioner in the Writ Petition.
- 13.07** W. P. No. 27881/2021 - Ghazi Fabrics International Limited, etc. Vs. Federation of Pakistan, etc.. The above writ petition was filed before the Honourable Lahore High Court, Lahore, challenging the levy and demand of arrears of Difference of Gas Tariff between the industrial consumers and captive powers consumers for the period from 23.08.2013 to 31.08.2015.
- 13.08** W.P. No. 42500/2021 – Kamran Arshad, etc. Vs. Federation of Pakistan, etc. The above writ petition was filed before the Honourable Lahore High Court, Lahore challenging the Directive/Letter dated 28.01.2021 issued by SNGPL as well as the decision of CCOE dated 21.01.2021 and decision of the Federal Cabinet dated 26.01.2021. Ghazi Fabrics International Limited is Petitioner in the titled Petition.
- 13.09** Suit.No.1481-2021. This Petition has been filed against FOP/SNGPL in which the recovery of GIDC Installments has been challenged, which has been suspended by order of Honourable Sindh High Court at Karachi.
- 13.10** The Company has provided bank guarantee in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 90.614 million (2020: Rs. 90.614 million) on account of security deposits against the consumption of natural gas.
- 13.11** Export bills discounted Rs. 75.596 million (2020 : Rs. 131.95 million)
- 13.12** Post dated cheques issued in the favour of Collector of Custom against import Rs. 168.422 (2020: Rs. 171.822 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. 489.176 million (2020: Rs. 48.869 million).

14 PROPERTY, PLANT AND EQUIPMENT

| Particulars                 | Cost                 |                                |                   | Rate %               | Accumulated Depreciation |                   |                    | Book Value as at June 30, 2021 |
|-----------------------------|----------------------|--------------------------------|-------------------|----------------------|--------------------------|-------------------|--------------------|--------------------------------|
|                             | As at July 01, 2020  | Additions / Transfer from CWIP | Disposals         |                      | As at June 30, 2021      | Disposals         | For the year       |                                |
| <b>Owned</b>                |                      |                                |                   |                      |                          |                   |                    |                                |
| Land - freehold             | 81,282,448           | -                              | -                 | 81,282,448           | -                        | -                 | -                  | 81,282,448                     |
| Buildings on freehold land  | 396,448,149          | -                              | -                 | 396,448,149          | 5-10                     | -                 | 9,743,643          | 238,905,493                    |
| Plant and machinery         | 2,588,989,341        | -                              | -                 | 2,588,989,341        | 10                       | -                 | 97,086,751         | 1,715,208,582                  |
| Grid station and generators | 87,102,384           | -                              | -                 | 87,102,384           | 10                       | -                 | 6,203,937          | 31,266,956                     |
| Furniture and fixtures      | 18,157,290           | -                              | -                 | 18,157,290           | 10                       | -                 | 389,576            | 14,651,106                     |
| Vehicles                    | 72,763,401           | 34,442,480                     | 17,411,804        | 89,794,077           | 20                       | 16,643,952        | 6,902,094          | 43,972,690                     |
| Equipment                   | 24,398,705           | -                              | -                 | 24,398,705           | 10                       | -                 | 659,066            | 18,467,109                     |
| Electric installations      | 67,730,323           | -                              | -                 | 67,730,323           | 10                       | -                 | 1,239,836          | 56,571,803                     |
| <b>Total</b>                | <b>3,336,872,041</b> | <b>34,442,480</b>              | <b>17,411,804</b> | <b>3,333,902,717</b> |                          | <b>16,643,952</b> | <b>122,224,903</b> | <b>2,120,892,436</b>           |

| Particulars                 | Cost                 |                   |                | Rate %               | Accumulated Depreciation |                |                    | Book Value as at June 30, 2020 |
|-----------------------------|----------------------|-------------------|----------------|----------------------|--------------------------|----------------|--------------------|--------------------------------|
|                             | As at July 01, 2019  | Additions         | Disposals      |                      | As at June 30, 2020      | Disposals      | For the year       |                                |
| <b>Owned</b>                |                      |                   |                |                      |                          |                |                    |                                |
| Land - freehold             | 81,282,448           | -                 | -              | 81,282,448           | -                        | -              | -                  | 81,282,448                     |
| Buildings on freehold land  | 396,448,149          | -                 | -              | 396,448,149          | 5-10                     | -              | 10,417,791         | 167,286,299                    |
| Plant and machinery         | 2,578,969,012        | 10,020,329        | -              | 2,588,989,341        | 10                       | -              | 106,946,360        | 970,867,510                    |
| Grid station and generators | 94,472,537           | 32,629,847        | -              | 87,102,384           | 10                       | -              | 3,569,852          | 62,039,365                     |
| Furniture and fixtures      | 18,157,290           | -                 | -              | 18,157,290           | 10                       | -              | 432,862            | 3,895,760                      |
| Vehicles                    | 67,742,078           | 5,236,790         | 215,467        | 72,763,401           | 20                       | 213,890        | 3,864,034          | 17,200,156                     |
| Equipment                   | 24,398,705           | -                 | -              | 24,398,705           | 10                       | -              | 732,296            | 17,808,043                     |
| Electric installations      | 67,730,323           | -                 | -              | 67,730,323           | 10                       | -              | 1,377,595          | 6,590,662                      |
| <b>Total</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>           |

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

|                         | 2021               | 2020               |
|-------------------------|--------------------|--------------------|
| Cost of sales           | 116,113,658        | 120,973,751        |
| Administrative expenses | 6,111,245          | 6,367,040          |
|                         | <b>122,224,903</b> | <b>127,340,791</b> |

14.02 Disposal of Vehicles

The aggregate book value of assets disposed off does not exceed 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. | B-C, E-III, Gulberg III, Lahore      |
| Factory     | 641 Kanal and 16 Marlas only.                | 46-km, Multan Road, Bhaiphero, Kasur |



|  | NOTE  | 2021               | 2020               |
|--|-------|--------------------|--------------------|
|  |       | Rupees             |                    |
| <b>15 CAPITAL WORK IN PROGRESS</b>   |       |                    |                    |
| Plant and machinery  | 15.01 | 72,482,380         | -                  |
|  |       | <u>72,482,380</u>  | <u>-</u>           |
| <b>15.01</b> Opening balance   |       | -                  | -                  |
| Additions made during the year   |       | 72,482,380         | -                  |
|  |       | <u>72,482,380</u>  | <u>-</u>           |
| Transferred to Plant and Machinery   |       | -                  | -                  |
|  |       | <u>72,482,380</u>  | <u>-</u>           |
| <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            |
|  |       | <u>13,011,694</u>  | <u>13,011,694</u>  |
| <b>17 STORES, SPARES AND LOOSE TOOLS</b>   |       |                    |                    |
| Stores   | 17.01 | 69,185,679         | 59,360,124         |
| Spares   | 17.01 | 57,635,168         | 59,798,665         |
| Loose tools  |       | 4,057,661          | 3,712,077          |
|  |       | <u>130,878,508</u> | <u>122,870,866</u> |
| <b>17.01</b> No identifiable store and spare are held for specific capitalization.   |       |                    |                    |
| <b>18 STOCK IN TRADE</b>   |       |                    |                    |
| Raw material   | 18.01 | 340,387,836        | 592,203,607        |
| Work in process  |       | 118,324,352        | 110,997,025        |
| Finished goods   |       | 239,467,387        | 287,037,260        |
|  |       | <u>698,179,575</u> | <u>990,237,892</u> |
| <b>18.01</b> This includes an amount of Rs. 147.879 million (2020: Rs. 470.096 million) approximately, which is pledged against short term finances. |       |                    |                    |
| <b>19 TRADE DEBTS</b>  |       |                    |                    |
| Local debts  |       |                    |                    |
| (Unsecured - considered good)  |       | 402,553,116        | 278,989,796        |
| Foreign debts  |       |                    |                    |
| (Secured - considered good)  |       | -                  | 48,143,907         |
|  |       | <u>402,553,116</u> | <u>327,133,703</u> |
| <b>20 LOANS AND ADVANCES</b>   |       |                    |                    |
| Employees - considered good and non interest bearing   |       | 1,010,647          | 1,123,970          |
| Suppliers - considered good and non interest bearing   |       | 39,054,551         | 29,585,777         |
| Tax Deductions / Payments  |       | 156,397,495        | 77,115,611         |
| Letters of credit  |       | 23,524,062         | 10,801,407         |
| Prepaid Expenses   |       | 3,481,630          | 274,682            |
| Security deposit   |       | 126,773            | 126,773            |
|  |       | <u>223,595,158</u> | <u>119,028,220</u> |
| <b>21 TAX REFUNDS/ REBATE DUE FROM THE GOVERNMENT</b>  |       |                    |                    |
| Advance tax  |       | 4,785,235          | 39,124,768         |
| Sales tax refund   |       | 26,910,348         | 34,800,856         |
|  |       | <u>31,695,583</u>  | <u>73,925,624</u>  |
| <b>22 CASH AND BANK BALANCES</b>   |       |                    |                    |
| Cash in hand   |       | 932,211            | 3,152,748          |
| Cash with banks in current accounts  |       | 17,600,247         | 5,438,561          |
|  |       | <u>18,532,458</u>  | <u>8,591,309</u>   |

|                                  | NOTE  | 2021          | 2020          |
|----------------------------------|-------|---------------|---------------|
| Rupees                           |       |               |               |
| <b>23 SALES - net</b>            |       |               |               |
| Local:                           |       |               |               |
| - Yarn                           |       | 3,190,272,594 | 2,322,760,259 |
| - Fabric                         |       | 2,506,247,050 | 1,722,846,489 |
|                                  | 23.01 | 5,696,519,644 | 4,045,606,748 |
| Export:                          |       |               |               |
| - Yarn                           |       | -             | -             |
| - Fabric                         |       | 555,331,673   | 585,612,116   |
|                                  |       | 555,331,673   | 585,612,116   |
| Waste                            | 23.01 | 88,343,191    | 70,128,906    |
| Rebate on export / Duty Drawback |       | 119,266       | 2,511,551     |
|                                  |       | 6,340,313,774 | 4,703,859,321 |

23.01 These were net off from sales tax including further tax amounting to Rs. 1,000,367,146/- (2020: 717,878,319/-).

#### 24 COST OF GOODS SOLD

|                                    |       |               |               |
|------------------------------------|-------|---------------|---------------|
| Raw materials consumed             | 24.01 | 4,189,000,929 | 3,393,666,966 |
| Processing charges                 |       | 266,560       | 2,531,047     |
| Salaries, wages and other benefits | 24.02 | 494,651,618   | 440,801,408   |
| Fuel and power                     |       | 663,627,614   | 543,210,063   |
| Packing materials consumed         |       | 68,412,524    | 48,524,366    |
| Sizing materials consumed          |       | 50,405,139    | 45,040,603    |
| Stores and spares consumed         |       | 151,047,755   | 87,314,921    |
| Repair and maintenance             |       | 10,544,571    | 18,052,266    |
| Insurance                          |       | 6,126,300     | 5,990,934     |
| Depreciation                       | 14.01 | 116,113,658   | 120,973,751   |
|                                    |       | 5,750,196,668 | 4,706,106,325 |
| Opening work in process            |       | 110,997,025   | 99,490,144    |
| Closing work in process            |       | (118,324,352) | (110,997,025) |
|                                    |       | (7,327,327)   | (11,506,881)  |
| Cost of goods manufactured         |       | 5,742,869,341 | 4,694,599,444 |
| Opening finished goods             |       | 287,037,260   | 158,592,901   |
| Closing finished goods             |       | (239,467,387) | (287,037,260) |
|                                    |       | 47,569,873    | (128,444,359) |
|                                    |       | 5,790,439,214 | 4,566,155,085 |
| <b>24.01 Raw material consumed</b> |       |               |               |
| Opening stock                      |       | 592,203,607   | 471,107,861   |
| Purchases                          |       | 3,926,621,969 | 3,509,921,491 |
| Cotton cess                        |       | 1,504,351     | 1,599,136     |
| Cotton/Viscose handling charges    |       | 9,058,838     | 3,242,085     |
|                                    |       | 4,529,388,765 | 3,985,870,573 |
| Closing stock                      |       | (340,387,836) | (592,203,607) |
|                                    |       | 4,189,000,929 | 3,393,666,966 |

24.02 Salaries, wages and benefits include Rs. 19.63 million (2020 : Rs. 23.40 million) on account of staff retirement benefits.

#### 25 SELLING AND DISTRIBUTION

|                              |       |            |            |
|------------------------------|-------|------------|------------|
| Salaries, wages and benefits | 25.01 | 6,118,673  | 4,666,723  |
| Export development surcharge |       | 1,285,713  | 1,391,273  |
| Commission to selling agents |       | 22,159,802 | 25,747,611 |
| Carriage and freight         |       | 37,712,341 | 30,336,489 |
| Export expenses              |       | 4,541,233  | 4,401,999  |
|                              |       | 71,817,762 | 66,544,095 |

25.01 Salaries, wages and benefits include Rs 0.98 million (2020 : Rs. 1.17 million) on account of staff retirement benefits.

|   | NOTE  | 2021               | 2020               |
|---|-------|--------------------|--------------------|
|   |       | Rupees             |                    |
| <b>26 ADMINISTRATIVE AND GENERAL</b>  |       |                    |                    |
| Salaries, wages and other benefits  | 26.01 | 80,518,027         | 75,785,395         |
| Traveling and conveyance  |       | 1,241,662          | 1,092,635          |
| Repairs and maintenance   |       | 2,242,166          | 1,693,237          |
| Rent, rates and taxes   |       | 518,789            | 571,377            |
| Printing and stationery   |       | 2,645,788          | 2,245,370          |
| Insurance   |       | 2,230,138          | 1,233,376          |
| Fees and subscription   |       | 3,868,384          | 2,668,216          |
| Telephone and Postage   |       | 2,985,667          | 3,084,972          |
| Vehicle running and maintenance   |       | 9,978,836          | 9,537,958          |
| Utilities   |       | 2,554,793          | 1,886,013          |
| Books and periodicals   |       | 24,646             | 151,762            |
| Entertainment   |       | 3,002,928          | 2,650,078          |
| Miscellaneous expenses  |       | 4,103,431          | 2,760,952          |
| Depreciation  | 14.01 | 6,111,245          | 6,367,040          |
|   |       | <u>122,026,500</u> | <u>111,728,381</u> |
| 26.01 Salaries, wages and benefits include Rs. 12.11 million (2020: Rs. 14.43 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>   |
| Exchange Loss   |       | 6,955,416          | -                  |
| Loss on fixed assets disposal   |       | -                  | 1,577              |
| Legal and professional charges  |       | 505,000            | 383,600            |
| Workers' Profit Participation Fund  |       | 13,398,555         | -                  |
| Workers' Welfare Fund   |       | 3,428,377          | -                  |
|   |       | <u>25,507,348</u>  | <u>1,605,177</u>   |
| <b>28 OTHER OPERATING INCOME</b>  |       |                    |                    |
| Scrap sales   |       | 13,869,053         | 6,675,715          |
| Exchange Gain   |       | -                  | 3,645,989          |
| Gain on fixed assets disposal   |       | 2,357,147          | -                  |
|   |       | <u>16,226,200</u>  | <u>10,321,704</u>  |
| <b>29 FINANCE COST</b>  |       |                    |                    |
| Interest / mark up on:  |       |                    |                    |
| - Long term financing   |       | 20,761,721         | 47,680,254         |
| - Short term borrowings   |       | 65,801,993         | 114,625,824        |
|   |       | <u>86,563,714</u>  | <u>162,306,078</u> |
| Bank charges and commission   |       | 9,041,274          | 10,749,804         |
|   |       | <u>95,604,988</u>  | <u>173,055,882</u> |
| <b>30 TAXATION</b>  |       |                    |                    |
| Current tax:  |       |                    |                    |
| - For the year  |       | 87,016,336         | 67,717,407         |
| - Prior year  |       | (204,948)          | (5,953,202)        |
|   |       | <u>86,811,388</u>  | <u>61,764,205</u>  |
| Deferred tax  |       | (32,223,276)       | (43,077,259)       |
|   |       | <u>54,588,112</u>  | <u>18,686,946</u>  |

30.1 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.

|   |                      | 2021        | 2020          |
|---|----------------------|-------------|---------------|
| <b>31 EARNING PER SHARE - Basic and diluted</b> |                      |             |               |
| Profit / (Loss) after taxation for the year     | <b>Rupees</b>        | 196,556,050 | (223,594,541) |
| 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>        | 6.02        | (6.85)        |

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

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

|                          |               |           |           |
|--------------------------|---------------|-----------|-----------|
| Directors remuneration   | <b>Rupees</b> | 6,300,000 | 6,300,000 |
| Number of persons        | <b>Number</b> | 2         | 2         |
| Executives remuneration  | <b>Rupees</b> | 5,220,000 | 5,220,000 |
| Staff retirement benefit | <b>Rupees</b> | 435,000   | 435,000   |
| Number of persons        | <b>Number</b> | 3         | 3         |

**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> | 2,155 | 1,842 |
| Average number of employees during the year | <b>Number</b> | 1,999 | 1,828 |

### 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:

|   | 2021               | 2020               |
|---|--------------------|--------------------|
| <b>Transactions with related parties:</b>     |                    |                    |
| <b>Directors and sponsors</b>                 |                    |                    |
| Loan obtained                                 | 147,500,000        | 158,000,000        |
| Loan repaid                                   | (34,463,959)       | (3,126,998)        |
| Increase in directors and sponsors loan       | <b>113,036,041</b> | <b>154,873,002</b> |
| <b>Balances payable with related parties:</b> |                    |                    |
| Directors and sponsors                        | 2,440,186,878      | 2,327,150,837      |

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 shareholding in the company |
|--------------------------|--------------------------|--|
| Mohammad Arshad Chaudhry | Chief Executive          | 49.9455                                    |
| Rizwan Arshad            | Director                 | 8.4359                                     |
| Miss. Wajeeha Arshad     | Director                 | 0.0015                                     |
| Miss Fareeha Arshad      | Director's Family Member | 0.0031                                     |

### 35 PLANT CAPACITY AND PRODUCTION

|  |            | 2021       | 2020       |
|--|------------|------------|------------|
| <b>Spinning</b>  |            |            |            |
| 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<br>20/S count based on three shifts per day | Kgs        | 19,487,162 | 16,171,000 |
| <b>Weaving</b>   |            |            |            |
| 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 | 60,267,263 | 46,662,943 |

**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.

### 36 FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE

|   | 2021                 | 2020                 |
|---|----------------------|----------------------|
|   | Rupees               |                      |
| <b>36.01 Financial assets as per statement of financial position - at amortized cost</b>      |                      |                      |
| Long term deposits  | 13,011,694           | 13,011,694           |
| Trade debts   | 402,553,116          | 327,133,703          |
| Cash and bank balances  | 18,532,458           | 8,591,309            |
|   | <b>434,097,268</b>   | <b>348,736,706</b>   |
| <b>36.02 Financial liabilities as per statement of financial position - at amortized cost</b> |                      |                      |
| Long term financing   | 182,750,000          | 282,000,000          |
| Trade and other payables  | 175,073,227          | 272,408,993          |
| Accrued interest/mark-up  | 7,042,278            | 14,977,040           |
| Short term borrowings   | 775,971,248          | 1,037,669,766        |
|   | <b>1,140,836,753</b> | <b>1,607,055,799</b> |

### 36.03 Fair values of financial assets and liabilities

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, 2021, all financial assets and financial liabilities are carried at amortized 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:

|  | 2021                 | 2020             |
|--|----------------------|------------------|
|  | Rupees               |                  |
| Foreign trade debts  | -                    | 48,143,907       |
| Outstanding letter of credit   | (489,176,346)        | (48,868,503)     |
| Net exposure   | <b>(489,176,346)</b> | <b>(724,596)</b> |
| The following significant exchange rates have been applied at the reporting dates: |                      |                  |
| <b>USD to PKR</b>  | 157.75               | 168.25           |



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, 2021, 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 increase / decrease by Rs. 24.46 million as a result of foreign exchange losses / gains on 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:

|   | 2021         | 2020           | 2021               | 2020                 |
|---|--------------|----------------|--------------------|----------------------|
|   | Percentage   |                | Rupees             |                      |
| <b>Financial liabilities - Variable rate instruments:</b> |              |                |                    |                      |
| Long term financing                                       | 8.70 to 9.30 | 12.44 to 15.75 | 182,750,000        | 282,000,000          |
| Short term borrowings                                     | 9.02 to 9.27 | 9.86 to 15.66  | 775,971,248        | 1,037,669,766        |
|   |              |                | <u>958,721,248</u> | <u>1,319,669,766</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 profit 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 the Statement of financial position date were outstanding for the whole year.

|   | Effect on Profit before tax 1% rate |              |
|---|-------------------------------------|--------------|
|   | Increase                            | Decrease     |
| <b>As at June 30, 2021</b>                                  |                                     |              |
| Cash flow sensitivity - variable rate financial liabilities | 9,587,212                           | (9,587,212)  |
| <b>As at June 30, 2020</b>                                  |                                     |              |
| Cash flow sensitivity - variable rate financial liabilities | 13,196,698                          | (13,196,698) |

**(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. 434,097,268 (2020: Rs. 348,736,706), the financial assets exposed to credit risk amount to Rs. 433,165,057 (2020: Rs. 345,583,958).

The analysis below summarises the credit quality of the Company's financial assets as at June 30, 2021 / 2020:

|  | 2021               | 2020               |
|--|--------------------|--------------------|
|  | Rupees             |                    |
| The breakup of amount due from various trade debts were: |                    |                    |
| Yarn   | 78,444,512         | 97,157,809         |
| Fabric   | 323,371,390        | 228,560,382        |
| Others   | 737,214            | 1,415,512          |
|  | <u>402,553,116</u> | <u>327,133,703</u> |
| The aging of trade debts at the reporting date was:      |                    |                    |
| Less than 12 months                                      | 402,139,757        | 326,954,219        |
| More than 12 months                                      | 413,359            | 179,484            |
|  | <u>402,553,116</u> | <u>327,133,703</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:

|                        | 2021               | 2020               |
|------------------------|--------------------|--------------------|
|                        | Rupees             |                    |
| Long term deposits     | 13,011,694         | 13,011,694         |
| Trade debts            | 402,553,116        | 327,133,703        |
| Cash and bank balances | 18,532,458         | 8,591,309          |
|                        | <b>434,097,268</b> | <b>348,736,706</b> |

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-1+       | AAA       |
| Habib Bank Limited  | JCR-VIS       | A-1+       | 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.

|  | 2021 (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) | 182,750,000          | 196,961,063            | 74,488,563           | 58,220,375           | 64,252,125        |
| Trade and other payables                     | 193,366,286          | 193,366,286            | 193,366,286          | -                    | -                 |
| Unclaimed dividend                           | 4,982,921            | 4,982,921              | 4,982,921            | -                    | -                 |
| Accrued interest / mark up                   | 7,042,278            | 7,042,278              | 7,042,278            | -                    | -                 |
| Short term borrowings                        | 775,971,248          | 775,971,248            | 775,971,248          | -                    | -                 |
|  | <b>1,164,112,733</b> | <b>1,178,323,796</b>   | <b>1,055,851,296</b> | <b>58,220,375</b>    | <b>64,252,125</b> |

|  | 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                     | 273,344,605          | 273,344,605            | 273,344,605          | -                    | -                  |
| 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        | -                    | -                  |
|  | <b>1,612,974,332</b> | <b>1,646,816,451</b>   | <b>1,410,326,563</b> | <b>60,393,506</b>    | <b>176,096,381</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, 2021 / 2020. 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, 2021 and June 30, 2020 comes out to be:

|                              | 2021          | 2020          |
|------------------------------|---------------|---------------|
|                              | Rupees        |               |
| Total debt                   | 958,721,248   | 1,319,669,766 |
| Less: Cash and bank balances | 18,532,458    | 8,591,309     |
| Net debt                     | 940,188,790   | 1,311,078,457 |
| Total equity                 | 1,450,202,466 | 1,135,669,079 |
| Capital employed             | 2,390,391,256 | 2,446,747,536 |
| Gearing ratio                | 0.39          | 0.54          |

### 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, 2021 and 2020 respectively.

|   | Operating Segments |                 |                              | Consolidated       |
|---|--------------------|-----------------|------------------------------|--------------------|
|   | Spinning           | Weaving         | Inter - segment Transactions |                    |
| 2021 (Rupees)   |                    |                 |                              |                    |
| Sales   | 3,692,228,245      | 3,085,126,339   | (437,040,810)                | 6,340,313,774      |
| Cost of Sales:  | (3,245,589,200)    | (2,981,890,824) | 437,040,810                  | (5,790,439,214)    |
| Gross profit  | 446,639,045        | 103,235,515     | -                            | 549,874,560        |
| Un-allocated expenses:                                  |                    |                 |                              |                    |
| Selling and distribution costs                          |                    |                 |                              | (71,817,762)       |
| Administrative and general expenses                     |                    |                 |                              | (122,026,500)      |
| Profit before taxation, finance cost and other expenses |                    |                 |                              | 356,030,298        |
| Other operating expenses                                |                    |                 |                              | (25,507,348)       |
| Other operating income                                  |                    |                 |                              | 16,226,200         |
| Finance cost  |                    |                 |                              | (95,604,988)       |
| Profit before taxation                                  |                    |                 |                              | 251,144,162        |
| Taxation  |                    |                 |                              | (54,588,112)       |
| <b>Net Profit for the year</b>                          |                    |                 |                              | <b>196,556,050</b> |

|   | 2020 (Rupees)   |                 |               |                      |
|---|-----------------|-----------------|---------------|----------------------|
| 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          |
| Un-allocated expenses:                                |                 |                 |               |                      |
| Selling and distribution costs                        |                 |                 |               | (66,544,095)         |
| Administrative and general expenses                   |                 |                 |               | (111,728,381)        |
| Loss before taxation, finance cost and other expenses |                 |                 |               | (40,568,240)         |
| 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> |

|  | 2021                 | 2020                 |
|--|----------------------|----------------------|
|  | Rupees               |                      |
| 39.03 The Group's revenue from external customers by geographical locations is detailed below: |                      |                      |
| Europe / America   | 555,450,939          | 588,123,667          |
| Pakistan   | 5,784,862,835        | 4,115,735,654        |
|  | <b>6,340,313,774</b> | <b>4,703,859,321</b> |

39.04 All non current assets of the Company as at 30 June 2021 / 2020 are located in Pakistan.

39.05 The Company have transactions with external customer which amount to 10 percent or more of its revenues.

#### 40 AUTHORISATION 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, 2021.

#### 41 GENERAL

41.1 Figures have been rounded off to the nearest of Pakistani rupees.

41.2 Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, following significant reclassification has been made during the year.

| From:                                       | To:                | Amount in Rs. |
|---|--------------------|---------------|
| TAX REFUNDS/ REBATE DUE FROM THE GOVERNMENT | LOANS AND ADVANCES |               |
| Sales tax refund                            | Prepaid Expenses   | 274,682       |

#### 42 Non adjusting event after statement of financial position date

The Board of Directors in its meeting held on September 30, 2021 have proposed a final cash dividend of Rs 0.75 per share (2020: Rs NIL) at the rate of 7.5 % of Issued, subscribed and paid up capital for the year ended June 30, 2021. The dividend are subject to the approval of members at the annual general meeting. The effect of such dividend shall be accounted for in the financial statements for the year ending June 30, 2022.

**PROXY FORM**  
**(32<sup>nd</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 32<sup>nd</sup> Annual General  
Meeting of the Company to be held on October 28, 2021 and/or any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of October, 2021

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.



پراکسی فارم (مختار نامہ)  
بیسویں سالانہ میٹنگ

میں / ہم \_\_\_\_\_

ساکن \_\_\_\_\_

بھیئت رکن غازی فیئرس انٹرنیشنل لمیٹڈ اور حامل عام حصص بمطابق شیئر رجسٹر فوئیو 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 فوئیو نمبر \_\_\_\_\_ یا (اسکی غیر موجودگی) میں محترم / محترمہ \_\_\_\_\_

ساکن \_\_\_\_\_ جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فوئیو نمبر \_\_\_\_\_ کو مورخہ 28 اکتوبر 2021ء کو منعقد

ہونے والے کمپنی کے بیسویں 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 \_\_\_\_\_ 2021ء

نام \_\_\_\_\_

پیشہ \_\_\_\_\_

پتہ \_\_\_\_\_

پانچ روپے کارسیدی

ٹکٹ چسپاں کریں

نوٹ:








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










## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes

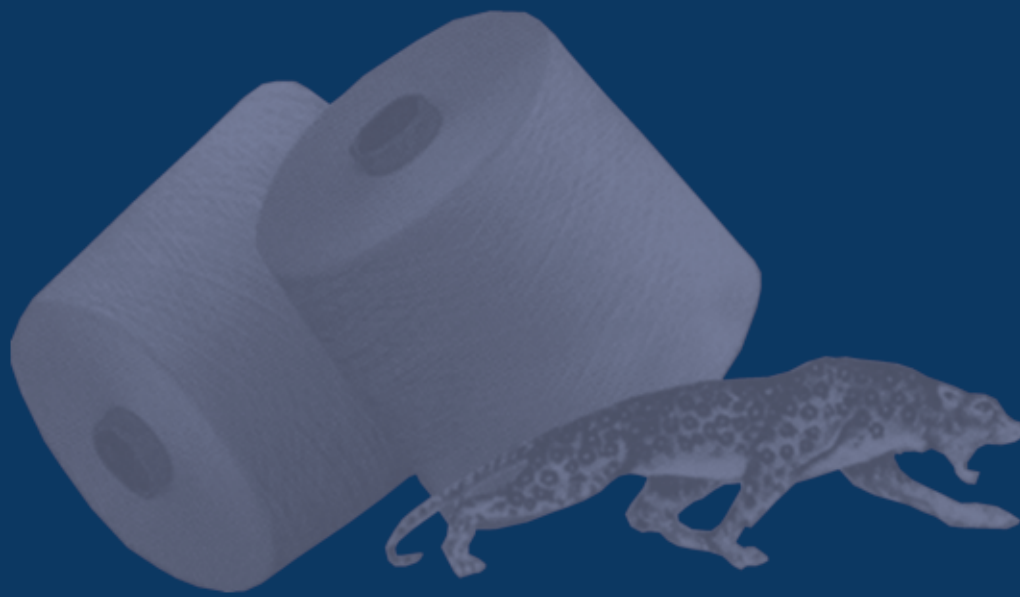


Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices



*If undelivered, Please return to:*

**Ghazi Fabrics International Ltd.**

8-C, E-III, GULBERG - III, LAHORE 546660-PAKISTAN

Ph:(042) 35764026-28 Fax: (042) 35764032

E-Mail: [info@ghazifabrics.com](mailto:info@ghazifabrics.com)

Website: [www.ghazifabrics.com](http://www.ghazifabrics.com)

Mills: 46 K.M. Multan Road, Bhai Pheru, Disst Kasur.