



Ghazi Fabrics International Limited
Signature of Quality



Half Yearly Report

December 31, 2011

UN-AUDITED



GHAZI FABRICS INTERNATIONAL LIMITED
COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN/ CHIEF EXECUTIVE

Mr. M ohammad Arshad Chaudhry

Mrs. Azra Yasmin

Mr. Muhammad Tariq

Mr. Kamran Arshad

Mr. Rizwan Arshad

Miss Fareeha Arshad

Miss Wajeeha Arshad

SECRETARY

Mr. Nauman Iqbal, ACA

AUDIT COMMITTEE

Mr. Mohammad Tariq

Chairman

Mr. Kamran Arshad

Member

Miss Fareeha Arshad

Member

CHIEF FINANCIAL OFFICER

Mr. Abid Rafi

INTERNAL AUDITOR

Rao Saadat Ali

AUDITORS

M/s. Qadeer & Company,

Chartered Accountants,

Lahore.

LEGAL ADVISOR

M/s. Zafar Iqbal & Raja

Advocates & Legal Consultants.

BANKERS

Habib Bank Limited

United Bank Limited

REGISTERED OFFICE

8-C, Block E-III, Gulberg III, Lahore -54660.

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MILLS

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Distt. Kasur.



GHAZI FABRICS INTERNATIONAL LIMITED DIRECTOR'S REVIEW

We are pleased to present the financial statements for the half year ended at December 31, 2011 duly reviewed by the auditors.

Operating results

During the period under review the Company's sales were Rs. 2.532 Billion and the loss after tax of Rs. 81.89 million as compared to a profit of Rs. 123.936 million in the corresponding period ended December 31, 2011. Earning per share is Rs. (2.51) (corresponding period: Rs. 3.80).

Financial highlights

	<i>Half Year ended December 31</i>	
	<i>2011</i>	<i>2010</i>
	<i>R u p e e s</i>	
Sales	2,532,835,235	3,203,999,496
Gross profit	123,156,424	322,878,198
Pre-tax profit	(52,320,401)	165,871,933
After-tax profit	(81,889,941)	123,936,554
Gross profit (%)	4.86	10.08
Earning per share (EPS) Rs.	(2.51)	3.80

Textile industry is going through a volatile period. Global recession along-with fragile economic condition in USA coupled with drastic decrease in cotton prices has hit the viability of textile industry.

On the spinning front the Company remains under immense selling pressure in the first quarter and offered their products at low rates to get rid of costly inventory. High volatility in Pakistani cotton prices caused rapid changes in the yarn prices domestically creating confusion among fabric customers as well which results in low prices in the both domestic and international markets.

Future prospects

Although we expect that the industry will do reasonably well during remaining part of the year but prior year performance will not be achieved. Prices of the raw material and finished goods have seems to be stabilized in order that the entire textile chain can achieve growth. The note of caution however, the world major economies will remain unsettled which is having a sizeable impact in our domestic market as well.

The Company continues to face severe energy shortages due to non-availability of gas both in winter and in summer. This shortage is putting a great strain on the company's financial viability but there appears to be no resolution at the very outset. However, we are using alternative sources of energy to get the manufacturing process in run.

We still remain hopeful to trying to plug 1st half losses in the 2nd half and will strive towards achieving a more positive financial outlook.

Acknowledgement

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

For and on behalf of the board

Lahore
February 28, 2012

(Muhammad Arshad Chaudhry)
Chief Executive



AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of GHAZI FABRICS INTERNATIONAL LIMITED as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the interim financial information for the six months period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for quarters ended December 31, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2011.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months period ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

LAHORE

Dated: February 28, 2012

QADEER & COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN, FCA



GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2011

	Notes	Unaudited December 31, 2011 Rupees	Audited June 30, 2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	5.01	400,000,000	400,000,000
Issued, subscribed and paid-up capital	5.02	326,356,000	326,356,000
Accumulated loss		(305,058,737)	(233,145,345)
		21,297,263	93,210,655
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		165,332,872	175,757,324
NON CURRENT LIABILITIES			
Long term financing	6	220,934,392	124,575,222
Sponsors' loan		897,828,670	869,933,475
Deferred liabilities		111,391,095	106,317,201
		1,230,154,157	1,100,825,898
CURRENT LIABILITIES			
Trade and other payables		390,080,840	305,626,777
Markup / interest payables		24,928,635	33,008,272
Short term bank borrowings		1,040,296,852	871,618,145
Current portion of long term financing		130,050,322	122,818,944
Provision for taxation		33,733,141	66,129,717
		1,619,089,790	1,399,201,855
CONTINGENCIES AND COMMITMENTS	7	-	-
		3,035,874,083	2,768,995,732
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	8	1,373,044,378	1,352,372,248
Capital work in progress		5,743,550	1,262,930
		1,378,787,928	1,353,635,178
LONG TERM DEPOSIT		13,022,014	12,952,014
		1,391,809,942	1,366,587,192
CURRENT ASSETS			
Stores, spares and loose tools		84,294,040	76,335,688
Stock in trade		1,178,296,860	985,308,284
Trade debts		284,314,752	243,461,355
Loans and advances		62,665,258	75,701,687
Trade deposits and short term prepayments		1,411,319	1,411,319
Other receivables		21,920,316	14,916,942
Cash and bank balances		11,161,596	5,273,265
		1,644,064,141	1,402,408,540
		3,035,874,083	2,768,995,732

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE 2ND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2011

	Notes	Half Year Ended		Quarter Ended	
		December 31,		December 31,	
		2011	2010	2011	2010
		Rupees		Rupees	
SALES - Net		2,532,835,235	3,203,999,496	1,104,271,210	1,496,308,312
COST OF SALES	9	2,409,678,811	2,881,121,298	1,059,802,218	1,340,441,510
GROSS PROFIT		123,156,424	322,878,198	44,468,992	155,866,802
SELLING AND DISTRIBUTION		61,236,002	44,235,274	23,528,257	9,370,823
ADMINISTRATIVE EXPENSES		35,802,181	32,326,998	18,230,968	17,720,068
		97,038,183	76,562,272	41,759,225	27,090,891
OPERATING PROFIT		26,118,241	246,315,926	2,709,766	128,775,911
OTHER INCOME		5,938,759	4,015,720	3,918,740	3,017,513
		32,057,000	250,331,647	6,628,506	131,793,424
FINANCE COST		60,576,722	72,366,601	14,761,697	22,864,448
OTHER CHARGES		23,895,680	3,194,861	23,564,000	1,298,831
		84,472,401	75,561,462	38,325,697	24,163,279
WORKERS' PROFIT PARTICIPATION FUND		-	8,898,252	-	-
(LOSS) / PROFIT BEFORE TAXATION		(52,415,401)	165,871,933	(31,697,191)	107,630,145
PROVISION FOR TAXATION		29,569,540	41,935,379	8,141,080	24,858,467
(LOSS) / PROFIT AFTER TAXATION		(81,984,941)	123,936,554	(39,838,270)	82,771,678
Earnings per share - Basic		(2.51)	3.80	(1.22)	2.54

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE 2ND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2011

	Half Year Ended		Quarter Ended	
	December 31,		December 31,	
	2011	2010	2011	2010
	Rupees		Rupees	
(Loss) / Profit after taxation	(81,984,941)	123,936,554	(39,838,270)	82,771,678
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(81,984,941)</u>	<u>123,936,554</u>	<u>(39,838,270)</u>	<u>82,771,678</u>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2011

	December 31, 2011 Note Rupees	December 31, 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(52,415,401)	165,871,933
Adjustment for:		
Depreciation	59,218,578	62,983,508
Loss/(Gain) on disposal of fixed assets	4,811,199	-
Staff retirement benefits	6,184,884	5,265,700
Finance cost	60,576,722	72,366,601
	<u>130,791,382</u>	<u>140,615,809</u>
Cash flows before working capital changes	78,375,981	306,487,742
(Increase)/decrease in current assets		
Stores, spares and loose tools	(7,958,352)	(6,655,413)
Stock in trade	(192,988,576)	(552,388,634)
Trade debts	(40,853,397)	(138,335,207)
Loans and advances	13,036,429	(7,230,960)
Trade deposits and prepayments	-	(1,907,396)
Other receivable	(7,003,374)	(8,134,814)
Sales tax refundable	-	5,150,411
Increase/(decrease) in current liabilities		
Trade and other payables	82,646,905	156,565,126
	<u>(153,120,364)</u>	<u>(552,936,887)</u>
Cash (Outflows)/Inflows from operations	(74,744,384)	(246,449,145)
Finance cost paid	(68,656,359)	(74,920,369)
Staff retirement benefits Paid	(6,597,046)	(5,063,437)
Income Tax paid	(52,272,421)	(21,898,974)
Dividend paid	(2,753,383)	(4,742,046)
Net cash used in operating activities	(205,023,592)	(353,073,971)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(98,217,855)	(596,151)
Proceeds from disposal of property, plant and equipment	13,515,948	-
Capital Work in Progress	(4,480,620)	(148,200)
Long term deposits	(70,000)	-
Net cash used in investing activities	(89,252,527)	(744,351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	103,590,548	(23,384,081)
Loan from directors and others-net	27,895,195	-
Due to related parties	-	27,690,679
Short term borrowings- net	168,678,707	343,385,828
Net cash generated from financing activities	<u>300,164,450</u>	<u>347,692,426</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,888,331	(6,125,896)
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF THE PERIOD	5,273,265	19,371,361
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>11,161,596</u></u>	<u><u>13,245,465</u></u>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



**GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY (UN-AUDITED)**

FOR THE 2ND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2011

	Share Capital	Accumulated loss	Total
	R	U P E E S	
Balance as at June 30, 2010	326,356,000	(460,503,108)	(134,147,108)
Final dividend for the year ended June 30, 2010 @ Rs.1 per share	-	(4,742,046)	(4,742,046)
Total comprehensive income for the period	-	123,936,554	123,936,554
Surplus on revaluation of fixed assets transferred to retained earnings during the period			
- relating to incremental depreciation	-	8,052,423	8,052,423
Balance as at December 31, 2010	326,356,000	(333,256,177)	(6,900,177)
Total comprehensive income for the period	-	85,508,424	85,508,424
Surplus on revaluation of fixed assets transferred to retained earnings during the period			
- relating to incremental depreciation	-	6,156,347	6,156,347
Surplus realized on disposal of property, plant and equipment	-	8,446,061	8,446,061
Balance as at June 30, 2011	326,356,000	(233,145,345)	93,210,655
Final dividend for the year ended June 30, 2011	-	(4,560,541)	(4,560,541)
Loss for the period	-	(81,984,941)	(81,984,941)
Surplus on revaluation of fixed assets transferred to retained earnings during the period			
- relating to incremental depreciation	-	6,205,569	6,205,569
Surplus realized on disposal of property, plant and equipment	-	8,426,521	8,426,521
Balance as at December 31, 2011	326,356,000	(305,058,737)	21,297,263

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director



**GHAZI FABRICS INTERNATIONAL LIMITED
SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENT
FOR THE AND HALF YEAR ENDED DECEMBER 31, 2011**

1 STATUS AND ACTIVITIES

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

2 STATEMENT OF COMPLIANCE

This condensed interim financial information is un-audited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of International Accounting Standard No. 34 " Interim Financial Reporting " and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all of the information required for full financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2011.

3 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention modified by adjustment of revaluation of certain assets. In these condensed interim financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods for computation adopted for the preparation of this condensed interim financial information is the same as those applied in preparation of the financial statements for the year ended June 30, 2011.

	December 31, 2011 Rupees	June 30, 2011 Rupees
5 SHARE CAPITAL		
5.01 Authorised capital 40,000,000 (June 30, 2011 : 40,000,000) ordinary shares of Rs. 10/- each paid in cash.	<u>400,000,000</u>	<u>400,000,000</u>
5.02 Issued, subscribed and paid up capital: 32,635,600 (June 30, 2011 : 32,635,600) ordinary shares of Rs. 10/- each paid in cash.	<u>326,356,000</u>	<u>326,356,000</u>
6 LONG TERM FINANCING - Secured		
Opening balance	247,394,166	370,213,108
Add: Acquired during the period/ year	165,000,000	-
Less: Repayment during the period/year	(61,409,452)	(122,818,942)
	<u>350,984,714</u>	<u>247,394,166</u>
Less: Current portion	(130,050,322)	(122,818,944)
	<u>220,934,392</u>	<u>124,575,222</u>

7 CONTINGENCIES AND COMMITMENTS

7.01 There is no material change in the status of the contingencies reported in the annual financial statements for the year ended June 30, 2011.

7.02 Commitments against irrevocable letters of credit outstanding as at December 31, 2011 amounts to Rs. 80.723 Million : (June 30, 2011 Rs. 65.995 Million).



	December 31, 2011 Rupees	June 30, 2011 Rupees
8 PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	1,352,372,248	1,406,573,950
Addition during the period / year		
Plant and machinery	97,972,176	79,642,917
Furniture and fittings	149,425	1,492,265
Vehicles	-	3,848,287
Tools and equipment	96,254	1,886,687
	98,217,855	86,870,156
Book value of plant and machinery disposed off during the period / year	(18,327,147)	(19,155,130)
Depreciation for the period / year	(59,218,578)	(121,916,728)
	<u>1,373,044,378</u>	<u>1,352,372,248</u>

	Unaudited Half Year Ended		Unaudited Quarter Ended	
	December 31, 2011 Rupees	December 31, 2010 Rupees	December 31, 2011 Rupees	December 31, 2010 Rupees
9 COST OF SALES				
Raw material consumed	1,953,130,305	2,377,356,545	871,848,475	1,117,501,317
Salaries, wages and benefits	127,295,726	121,408,729	61,520,200	65,510,509
Fuel and power	198,128,295	169,302,835	98,334,428	84,380,175
Packing material consumed	25,350,326	21,119,130	13,279,501	11,821,986
Sizing material consumed	33,072,304	27,194,560	13,880,272	13,064,876
Store and spares consumed	71,384,704	62,876,606	35,975,867	36,622,790
Insurance	1,556,927	2,648,773	982,576	2,033,305
Depreciation	57,514,797	61,515,314	28,559,574	30,757,758
Others	8,309,338	5,278,242	7,356,240	2,667,831
	<u>2,475,742,723</u>	<u>2,848,700,734</u>	<u>1,131,737,134</u>	<u>1,364,360,547</u>
Adjustment of work in process	21,116,487	(15,310,895)	20,617,447	(3,724,841)
Cost of goods manufactured	<u>2,496,859,210</u>	<u>2,833,389,839</u>	<u>1,152,354,581</u>	<u>1,360,635,706</u>
Adjustment of finished goods	(87,180,399)	47,731,459	(92,552,363)	(20,194,196)
	<u>2,409,678,811</u>	<u>2,881,121,298</u>	<u>1,059,802,218</u>	<u>1,340,441,510</u>

	Half year ended	
	December 31, 2011	December 31, 2010
10 TRANSACTION WITH RELATED PARTIES		
Loan from Sponsors	27,895,195	38,025,368
Purchases of raw material and stores	131,965,821	96,902,267
Payment for raw material and stores	122,110,072	-



11 INFORMATION ABOUT REPORTING SEGMENT

The following table presents revenue and profit information regarding the Company's operating segments for the half year ended December 31, 2011 and December 31, 2010.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
Amount (Rupees)				
December 31, 2011				
Sales	1,485,707,382	1,667,617,506	(620,489,653)	2,532,835,235
Cost of Sales:	(2,180,893,682)	(849,274,783)	620,489,653	(2,409,678,811)
Gross profit	(695,186,300)	818,342,724	-	123,156,424
Selling and distribution costs	(2,928,864)	(58,307,138)	-	(61,236,002)
Administrative and general expenses	(25,238,371)	(10,563,810)	-	(35,802,181)
Profit before taxation and un allocated expenses	(723,353,535)	749,471,776	-	26,118,241
Un-allocated expenses:				
Other operating expenses				(23,800,680)
Other operating income				5,938,759
Finance cost				(60,576,722)
Profit before taxation				(52,320,401)
Taxation				(29,569,540)
Net (loss) for the period				(81,889,941)

Amount (Rupees)				
December 31, 2010				
Sales	2,208,979,213	1,530,255,417	(535,235,134)	3,203,999,496
Cost of Sales:	(1,962,327,582)	(1,454,028,849)	535,235,134	(2,881,121,297)
Gross profit	246,651,631	76,226,568	-	322,878,199
Selling and distribution costs	(2,144,959)	(42,090,315)	-	(44,235,274)
Administrative and general expenses	(21,296,586)	(11,030,412)	-	(32,326,998)
Profit before taxation and un allocated expenses	223,210,086	23,105,841	-	246,315,927
Un-allocated expenses:				
Other operating expenses				(3,194,861)
Other operating income				4,015,720
Finance cost				(72,366,601)
Workers' profit participation fund				(8,898,252)
Profit before taxation				165,871,934
Taxation				(41,935,375)
Net profit for the period				123,936,559

12 AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorised for issue on February 28, 2012.

13 CORRESPONDING FIGURES

13.1 Corresponding figures have been re-arranged, wherever necessary to the facilitation

13.2 Figures have been rounded off to nearest rupee.

Chief Executive

Director

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