



Ghazi Fabrics International Limited  
*Signature of Quality*



## *Half Yearly Report*

*December 31, 2014*

**UN-AUDITED**



**GHAZI FABRICS INTERNATIONAL LIMITED  
COMPANY PROFILE**

**BOARD OF DIRECTORS**

**CHAIRMAN** Mr. Mohammad Arshad Chaudhry

**CHIEF EXECUTIVE** Mr. Kamran Arshad

**DIRECTORS** Mr. Muhammad Imran Rasheed

Mr. Rizwan Arshad

Mrs. Azra Yasmin

Miss Fareeha Arshad

Mrs. Wajeeha Haaris

**COMPANY SECRETARY** Mr. Nauman Iqbal, FCA

**AUDIT COMMITTEE** Mr. Muhammad Imran Rasheed Chairman

Mr. Kamran Arshad Member

Miss Fareeha Arshad Member

**HR & REMUNERATION COMMITTEE** Mrs. Azra Yasmin Chairperson

Mr. Mohammad Arshad Chaudhry Member

Mrs. Wajeeha Haaris Member

**CHIEF FINANCIAL OFFICER** Mr. Abid Rafi

**INTERNAL AUDITOR** Nasir Imran Elahi, ACA

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

**SHARE REGISTRARS** M/s. Corplink (Pvt.) Ltd.

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

**BANKERS** United Bank Limited  
Habib Bank Limited

**REGISTERED OFFICE** 8-C, Block E-III,  
Gulberg - III, Lahore - 54660  
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**MILLS** 46-K.M. Multan Road,  
Bhaipheru,  
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, 2014 duly reviewed by the auditors.

**Operating results**

During the period under review the Company's gross profit were Rs. 186.485 million and the profit after tax of Rs. 5.97 million as compared to a profit of Rs. 37.88 million in the corresponding period ended December 31, 2013. Earning per share is Rs. 0.18 (corresponding period: Rs. 1.16).

**Financial highlights**

	<b>Half Year ended December 31</b>	
	<b>2014</b>	<b>2013</b>
	<b>R u p e e s</b>	
Sales	2,488,052,343	2,784,783,337
Gross profit	186,485,709	240,282,531
Profit after tax	5,968,510	37,885,475
Gross profit (%)	7.5	8.6
Earning per share –EPS- Rs.	0.18	1.16

**Future prospects**

The revival of domestic textile industry is largely dependent on continuous availability of power and gas in the country. Yarn market seems a little bit under pressure, which may impact the future profitability of the Company. The company is trying its best to meet these challenges through improvement in product development, marketing efforts and working on energy efficiency measures.

The inflation, erosion of value of Pak rupee etc. increasing the operating cost especially energy cost have led to decrease in margins in both spinning and weaving segments of the Company. Notwithstanding the foregoing constraints, your director would like to assure you that every endeavor will be made to achieve the improved results for the current year.

**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.

Lahore

(Kamran Arshad)

February 24, 2015

Chief Executive Officer



## **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, 2014 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, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2014.

### **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, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

LAHORE  
Dated: February 24, 2015

**QADEER & COMPANY**  
CHARTERED ACCOUNTANTS  
NAWAZ KHAN, FCA

**GHAZI FABRICS INTERNATIONAL LIMITED  
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT DECEMBER 31, 2014**

	Note	Unaudited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
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		(301,147,116)	(307,115,626)
		25,208,884	19,240,374
<b>NON CURRENT LIABILITIES</b>			
Long term financing	6	552,612,622	528,666,168
Sponsors' loan		1,140,543,827	1,091,005,405
Deferred liabilities		76,460,381	53,351,254
		1,769,616,830	1,673,022,827
<b>CURRENT LIABILITIES</b>			
Trade and other payables		405,983,113	322,566,364
Markup / interest payables		22,257,706	43,584,436
Short term bank borrowings		1,264,243,470	1,050,659,855
Current portion of long term financing		117,641,330	123,796,206
Provision for taxation		-	38,172,773
		1,810,125,619	1,578,779,634
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	-	-
		3,604,951,332	3,271,042,835
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Operating fixed assets	8	1,603,758,918	1,456,991,145
Capital work in progress		81,437,087	113,380,720
		1,685,196,005	1,570,371,865
<b>LONG TERM DEPOSIT</b>			
		13,011,744	12,952,014
		1,698,207,749	1,583,323,879
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		89,696,013	78,943,964
Stock in trade		1,195,341,877	1,069,597,417
Trade debts		409,022,892	362,412,685
Loans and advances		116,415,789	116,375,724
Trade deposits and short term prepayments		2,010,414	300,000
Other receivables		88,848,448	55,637,611
Cash and bank balances		5,408,149	4,451,555
		1,906,743,583	1,687,718,957
		3,604,951,332	3,271,042,835

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

Chief Executive

Director



**GAZI FABRICS INTERNATIONAL LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Note	Half Year Ended		Quarted Ended	
		December 31,		December 31,	
		2014	2013	2014	2013
		Rupees		Rupees	
<b>SALES - Net</b>		2,488,052,343	2,784,783,337	1,267,024,681	1,365,527,606
<b>COST OF SALES</b>	9	2,301,566,634	2,544,500,806	1,192,820,473	1,276,345,207
<b>GROSS PROFIT</b>		186,485,709	240,282,531	74,204,208	89,182,399
<b>SELLING AND DISTRIBUTION ADMINISTRATIVE EXPENSES</b>		65,560,684	72,913,404	32,054,667	14,534,152
		55,251,417	52,883,968	28,634,204	26,122,434
		120,812,101	125,797,372	60,688,871	40,656,586
<b>OPERATING PROFIT</b>		65,673,608	114,485,159	13,515,337	48,525,813
<b>OTHER INCOME</b>		16,572,118	15,326,357	15,594,531	3,252,363
		82,245,726	129,811,516	29,109,868	51,778,176
<b>FINANCE COST</b>		85,527,398	79,245,399	42,531,200	38,975,848
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		(3,281,672)	50,566,117	(13,421,332)	12,802,328
<b>PROVISION FOR TAXATION</b>		(9,250,182)	12,680,642	(18,052,141)	(1,632,655)
<b>PROFIT AFTER TAXATION</b>		5,968,510	37,885,475	4,630,809	14,434,983
<b>Earnings per share - Basic</b>		<b>0.18</b>	<b>1.16</b>	<b>0.14</b>	<b>0.44</b>

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

**GHAZI FABRICS INTERNATIONAL LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	<b>Half Year Ended</b>		<b>Quarter Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>		<b>Rupees</b>	
Profit after taxation	5,968,510	37,885,475	4,630,809	14,434,983
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>5,968,510</b>	<b>37,885,475</b>	<b>4,630,809</b>	<b>14,434,983</b>

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, 2014**

	December 31, 2014 Rupees	December 31, 2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(3,281,672)	50,566,117
Adjustment for:		
Depreciation	73,871,376	55,390,716
Gain on disposal of fixed assets	(11,684,059)	(127,506)
Staff retirement benefits	9,724,589	6,915,975
Finance cost	85,527,398	79,245,399
	<u>157,439,303</u>	<u>141,424,584</u>
<b>Cash flows before working capital changes</b>	154,157,631	191,990,701
(Increase) / decrease in current assets		
Stores, spares and loose tools	(10,752,049)	(12,519,269)
Stock in trade	(125,744,460)	(794,783,485)
Trade debts	(46,610,207)	(40,624,423)
Loans and advances	(40,065)	(25,374,961)
Trade deposits and prepayments	(1,710,414)	539,026
Other receivable	(33,210,837)	(36,430,131)
Increase / (decrease) in current liabilities		
Trade and other payables	83,416,749	111,425,047
	<u>(134,651,284)</u>	<u>(797,768,196)</u>
<b>Cash inflows / (Outflows) from operations</b>	19,506,347	(605,777,495)
Finance cost paid	(106,854,127)	(61,341,407)
Staff retirement benefits Paid	(5,858,279)	(6,261,419)
Income Tax paid	(9,679,775)	(32,777,783)
<b>Net cash used in operating activities</b>	(102,885,835)	(706,158,104)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(239,587,092)	(23,176,135)
Proceeds from disposal of property, plant and equipment	30,632,002	7,067,018
Capital Work in Progress	31,943,633	(124,679,872)
Long term deposits	(59,730)	-
<b>Net cash used in investing activities</b>	(177,071,187)	(140,788,989)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing	17,791,578	67,655,974
Loan from directors and others-net	49,538,422	(36,044,009)
Short term borrowings- net	213,583,615	823,713,992
<b>Net cash generated from financing activities</b>	280,913,615	855,325,957
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	956,594	8,378,864
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4,451,555	1,616,789
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>5,408,149</u>	<u>9,995,653</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 HALF YEAR ENDED DECEMBER 31, 2014**

	Issued, subscribed and paid-up capital	Accumulated losses	Total
	R	U P E E S	
<b>Balance as at July 01, 2013</b>	326,356,000	(329,307,815)	(2,951,815)
Total comprehensive income for the period	-	37,885,475	37,885,475
<b>Balance as at December 31, 2013</b>	<b>326,356,000</b>	<b>(291,422,340)</b>	<b>34,933,660</b>
<b>Balance as at July 01, 2014</b>	326,356,000	(307,115,626)	19,240,374
Total comprehensive income for the period		5,968,510	5,968,510
<b>Balance as at December 31, 2014</b>	<b>326,356,000</b>	<b>(301,147,116)</b>	<b>25,208,884</b>

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 INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

**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, 2014.

**3 BASIS OF MEASUREMENT**

This condensed interim financial information has been prepared under the historical cost convention. In this condensed interim financial information, 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 are the same as those applied in preparation of the financial statements for the year ended June 30, 2014.

	December 31, 2014 Rupees	June 30, 2014 Rupees
<b>5 SHARE CAPITAL</b>		
5.01 <b>Authorised capital</b>		
40,000,000 (June 30, 2014 : 40,000,000) ordinary shares of Rs. 10/- each paid in cash.	400,000,000	400,000,000
5.02 <b>Issued, subscribed and paid up capital:</b>		
32,635,600 (June 30, 2014 : 32,635,600) ordinary shares of Rs. 10/- each paid in cash.	326,356,000	326,356,000
<b>6 LONG TERM FINANCING - Secured</b>		
Opening balance	652,462,374	359,140,599
Add: Obtained during the period/ year	76,613,243	423,386,757
Less: Repayment during the period/year	(58,821,665)	(130,064,982)
	670,253,952	652,462,374
Less: Current portion	(117,641,330)	(123,796,206)
	552,612,622	528,666,168

**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, 2014.
- 7.02 Commitments against irrevocable letters of credit outstanding as at December 31, 2014 amounts to Rs. 80.723 Million : (June 30, 2014 Rs. 109.027 Million).

	December 31, 2014 Rupees	June 30, 2014 Rupees
<b>8 PROPERTY, PLANT AND EQUIPMENT</b>		
Opening written down value	1,456,991,145	1,177,668,777
Addition during the period / year		
Land - freehold	-	23,386,900
Buildings on freehold land	7,875,021	3,459,091
Plant and machinery	231,572,701	379,194,720
Furniture and fittings	52,000	1,202,028
Vehicles	-	3,491,178
Tools and equipment	87,370	1,152,674
Electric installations	-	1,466,270
	239,587,092	413,352,861
Book value of plant and machinery disposed off during the period / year	(18,947,943)	(15,017,599)
Depreciation for the period / year	(73,871,376)	(119,012,894)
	1,603,758,918	1,456,991,145

	Unaudited Half Year Ended		Unaudited Quarter Ended	
	December 31,	December 31,	December 31,	December 31,
	2014	2013	2014	2013
<b>9 COST OF SALES</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Raw material consumed	1,602,426,483	1,802,958,737	726,723,075	905,250,728
Fabric conversion, dyeing and bleaching	29,832,779	47,280,650	24,574,782	27,719,053
Salaries, wages and benefits	169,612,654	176,441,680	92,362,433	93,765,363
Fuel and power	274,634,174	304,156,459	160,566,930	151,242,535
Packing material consumed	38,604,165	36,850,311	28,205,762	17,728,339
Sizing material consumed	16,976,905	21,593,882	10,305,562	10,476,354
Store and spares consumed	73,423,385	67,509,146	55,498,616	36,828,551
Insurance	6,399,948	2,916,302	5,499,797	1,779,954
Depreciation	69,855,179	50,630,685	37,496,949	21,410,267
Others	5,452,716	8,471,839	4,118,531	5,225,999
	<u>2,287,218,388</u>	<u>2,518,809,691</u>	<u>1,145,352,438</u>	<u>1,271,427,142</u>
Adjustment of work in process	4,361,356	(2,347,166)	1,610,464	5,252,917
Cost of goods manufactured	<u>2,291,579,745</u>	<u>2,516,462,525</u>	<u>1,146,962,902</u>	<u>1,276,680,059</u>
Adjustment of finished goods	<u>9,986,889</u>	<u>28,038,281</u>	<u>45,857,571</u>	<u>(334,852)</u>
	<u>2,301,566,634</u>	<u>2,544,500,806</u>	<u>1,192,820,473</u>	<u>1,276,345,207</u>

	Half year ended	
	December 31,	December 31,
	2014	2013
<b>10 TRANSACTION WITH RELATED PARTIES</b>		
Receipt / (Repayment) of Sponsors' loan - net		49,538,422 (36,044,009)
Purchases of raw material		29,399,245 62,254,431
Payment for raw material		29,399,245 62,254,431

**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, 2014 and December 31, 2013.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
<b>Amount (Rupees)</b>				
<b>December 31, 2014</b>				
Sales	1,777,154,017	1,269,796,068	(558,897,742)	2,488,052,343
Cost of Sales	(2,245,074,440)	(615,389,935)	558,897,742	(2,301,566,634)
Gross profit	(467,920,423)	654,406,132	-	186,485,709
Selling and distribution costs	(18,153,453)	(47,407,231)	-	(65,560,684)
Administrative and general expenses	(32,291,847)	(22,959,570)	-	(55,251,417)
Profit before taxation and un-allocated expenses	(518,365,724)	584,039,331	-	65,673,608
Un-allocated expenses:				
Other operating income				16,572,118
Finance cost				(85,527,398)
Profit before taxation				(3,281,672)
Taxation				9,250,182
<b>Net profit for the period</b>				<b>5,968,510</b>
<b>Amount (Rupees)</b>				
<b>December 31, 2013</b>				
Sales	1,956,920,997	1,655,780,389	(827,918,050)	2,784,783,337
Cost of Sales	(1,858,608,446)	(1,513,810,410)	827,918,050	(2,544,500,806)
Gross profit	98,312,551	141,969,979	-	240,282,531
Selling and distribution costs	(13,917,252)	(58,996,153)	-	(72,913,404)
Administrative and general expenses	(30,912,731)	(21,971,238)	-	(52,883,968)
Profit before taxation and un-allocated expenses	53,482,569	61,002,589	-	114,485,159
Un-allocated expenses:				
Other operating income				15,326,357
Finance cost				(79,245,399)
Profit before taxation				50,566,117
Taxation				(12,680,642)
<b>Net profit for the period</b>				<b>37,885,475</b>

**12 AUTHORIZATION FOR ISSUE**

This condensed interim financial information was approved by the Board of Directors and authorised for issue on February 24, 2015.

**13 CORRESPONDING FIGURES**

- 13.1 Corresponding figures have been re-arranged, wherever necessary to the facilitation of comparison.  
13.2 Figures have been rounded off to nearest rupee.

Chief Executive

Director

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