



Ghazi Fabrics International Limited



*Signature
of
Quality*

Annual Report 2015

CONTENTS

COMPANY PROFILE	2
VISION STATEMENT, MISSION STATEMENT	3
STATEMENT OF ETHICS & BUSINESS PRACTICES	4
NOTICE OF ANNUAL GENERAL MEETING	6
DIRECTOR'S REPORT	7
PATTERN OF SHAREHOLDING	10
SIX YEARS FINANCIAL STATISTICAL SUMMARY	12
FINANCIAL HIGHLIGHTS	13
CHARTS AND GRAPHS	14
STATEMENT OF VALUE ADDITION	15
STATEMENT OF COMPLIANCE	16
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	18
AUDITOR'S REPORT TO THE MEMBERS	21
BALANCE SHEET	22
PROFIT AND LOSS ACCOUNT	23
STATEMENT OF COMPREHENSIVE INCOME	24
STATEMENT OF CASH FLOWS	25
STATEMENT OF CHANGES IN EQUITY	26
NOTES TO THE ACCOUNTS	27
PROXY	

COMPANY PROFILE

Board of directors

Mrs. Azra Yasmin
Chairperson

Mohammad Arshad Chaudhry
Chief Executive/ Director

Kamran Arshad
Rizwan Arshad
Fareeha Arshad
Wajeeha Haaris
Muhammad Imran Rasheed

Audit Committee

Muhammad Imran Rasheed
Chairman/ member

Rizwan Arshad
Member

Fareeha Arshad
Member

Human Resource & Remuneration Committee

Mrs. Azra Yasmin
Chairperson/ member

Mohammad Arshad Chaudhry
Member

Wajeeha Haaris
Member

Company Secretary

Nauman Iqbal, FCA

Chief Financial Officer

Abid Rafi

Internal Auditor

Nasir Imran Elahi, ACA

Auditors

M/s. Qadeer & Company
Chartered Accountants
Lahore.

Share registrar

M/s. Corplink (Pvt.) Ltd.
Wings Arcade, I-K, Commercial, Model Town,
Lahore

Legal Advisor

Raja Muhammad Akram & Co.,
Corporate Legal Consultants & Advocates
33-C, Main Gulberg, Lahore

Bankers

United Bank Limited
Habib Bank Limited

Registered Office

8-C, E-III, Gulberg-III, Lahore – 54660
042-35764026-28, Fax: 042-35764032
www.ghazifabrics.com

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 Fabric International Ltd., strives to excel in the global competitive environment as the most progressive and quality-oriented company in terms of industry benchmarks, profitability and stake holders interest. To realize our mission, we firmly believe in continuous process of balancing, modernization and replacement of our technology; commitment in developing innovative products, services and human resources; and the betterment of all those involved directly or indirectly with the company.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

It is a strong belief of the management of the Company that a clear vision, a positive mission and fully spelled out code of ethics and business practices is a pre-requisite to good corporate governance.

Therefore, the Company in addition to the adherence of its mission statement shall observe the compliance of the following codes of ethics and best business practices.

I. ETHICS

Discipline

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

Coordination among staff

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

Conflict of interest

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

Confidentiality

Management and employees of the Company are hereby committed to the confidentiality of the business information to the outsider of the Company unless it is required by a competent authority having jurisdiction to the affairs of the Company. Even if they leave the Company shall not lose 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 Ordinance 1984, 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 26th ANNUAL GENERAL MEETING.

NOTICE is hereby given that the 26th Annual General Meeting of the Shareholders of **GHAZI FABRICS INTERNATIONAL LTD.** will be held on Saturday the 31st October, 2015 at 10:30 a.m. at Qasr-e-Noor, 9-E-2, Gulberg-III, Lahore to transact the following business:-

ORDINARY BUSINESS:

- I. To confirm the minutes of 25th Annual General Meeting of the members of the Company held on Monday the 27th October, 2014.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon...
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2016. The present auditors M/s. Qadeer & Co., Chartered Accountants, retire and being eligible has offered themselves for reappointment.
4. To transact any other ordinary business with the permission of the Chair.

by order of the Board

LAHORE:
October 09, 2015.

(NAUMAN IQBAL)
Company Secretary

NOTES:-

- I. Share Transfer Books of the Company will remain closed from 24th October, 2015 to 31st October, 2015 (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 not less than 48 hours before the time for holding the meeting.
- III. Shareholders whose shares are deposited with CDC must bring their Original Computerized National Identity Card or Passport alongwith Participant's ID number and their account number at the time of attending the meeting to prove identity and in case of proxy must enclose an attested copy of CNIC. Representatives of Corporate Members should bring the usual documents required for this purpose.
- IV. Members are requested to provide by fax or courier of their latest Computerized National Identity Card Number or Passport Number if foreigner (unless it has been provided earlier) to enable the Company comply with relevant law.
- V. Shareholders are requested to notify the change in their addresses, if any, immediately.
- VI. In pursuance of the directions given by SECP vide SRO 787 (I)/ 2014 dated 8 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 from which is available at the Company's website i.e. www.ghazifabrics.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.

DIRECTORS' REPORT

The directors' of your Company are hereby present the annual report of the Company along-with the audited financial statements for the year ended June 30, 2015.

In compliance with the Code of Corporate Governance, these financial statements have been endorsed by the Chief Executive Officer and Chief Financial Officer of the Company, recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

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

	2015	2014
	<i>R u p e e s (000)</i>	
Sales	5,114,903	5,338,764
Gross profit	298,953	515,881
Operating profit	27,871	225,468
Finan cial charges	(208,876)	(194,232)
(Loss)/ profit after tax	(182,990)	10,529
(Loss)/ earning per share (EPS) Rs.	(5.61)	0.32

The company has not declared dividend due incurring of losses.

Financial and operational performance:

As the above figure show, company has posted a after tax loss of Rs. 182.99 million as compared to a profit of Rs. 10.529 million last year. This is the result of depressed cotton yarn demand. The finance cost recorded show increase due to the requirement of working capital requirements and increase in long term loans obtained to finance the BMR.

Fy 15 saw a significant fall in cotton along-with polyester prices which resulted in inventory losses of both raw material and finished products. Other than inventory losses, an increase in minimum wages and the imposition of Universal Obligation Surcharge, Debt Servicing Surcharge and Gas Infrastructure Development Cess (GIDC) contributed significantly to the Company's loss.

The Textile sector had to face privation with intensified power outages and gas shortages bearing further load due to higher rates which affected the performance of sector as a whole and compelled the units to run under capacity boosting up their cost of production. Due to strong regional competition the sector could not enjoy the benefit of GSP plus status awarded in FY 2014. Lower demand from China for yarn was another factor which kept the local yarn prices under pressure.

Market review

Export sales of Pakistani products are declining in the stagnant global economy due to weak demand and unsold cotton stocks worldwide especially in China. Increasing shortages in power and gas supply particularly in the Punjab region along-with upsurge in overhead costs due to high price of fuel and power is adversely affecting production activities and eroding margins.

Future prospects

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

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 exporter 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. An Important sector for the local economy and future prospects for country linked with the progress of textile chain, hence, will remain in focus for all stakeholders.

The prices of textile products in general are expected to remain stagnant. The cost and availability of energy remains the biggest challenge for the company. Increase in cost of production is damaging the competitiveness of local product in the

international market. The company is trying its best to meet these challenges through improvement in product development, marketing efforts and working on energy efficiency measures.

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 exchanges in Pakistan.

Health, Safety and Environment (HSE)

Your Company take 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.

Your Company has also obtained BCI Certification (Better Cotton Initiative) besides holding OEKO-TEX Certificate (Eco-Friendly Cotton).

Compliance with Code of Corporate governance

Your Company complies with the requirements of best practices of Code of Corporate Governance. In order to protect and enhance the long term value of shareholders the Board is responsible for the overall corporate governance of the Company including approving strategic policies and decisions, capital expenditures, appointing, removing and creating succession policies. In compliance with the Code of Corporate Governance following statements are given for corporate reporting frame work:

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 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.
5. System of internal control is sound in design, has been effectively implemented and being monitored continuously. On-going review will continue in future for further improvements in controls.
6. The Company has sound potentials 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.
10. During the year under review, five meetings of the Board of Directors, and six meetings of Audit Committee whereas one meeting of Human Resource and Remuneration Committee were held and following were in attendance:

Sr. #	Name	Board	Audit Committee	HR & Remuneration Committee
1.	Mohammad Arshad Chaudhry	5	0	1
2.	Mrs. Azra Yasmin	5	0	1
3.	Mohammad Tariq	2	1	0
4.	Kamran Arshad	5	0	0
5.	Rizwan Arshad	5	6	0
6.	Fareeha Arshad	5	6	0
7.	Wajeeha Haaris	5	0	1
8.	Muhammad Imran Rasheed	3	4	0

11. 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 except as disclosed in pattern of shareholdings.
12. Statement of Compliance with the Code of Corporate Governance is enclosed with this report and this report was found to be in order after review by the auditors.

Directors

Election of directors was held on 27 October, 2014 and a seven member Board was elected unopposed whose term of office will expire on 26 October 2017.

Board's Performance Evaluation

The Board has established mechanism of self-assessment by the individual Board members. The above mechanism was approved by the Board on the recommendation of Human Resource and Remuneration Committee.

CEO's Performance Evaluation

During the year, the Human Resource and Remuneration Committee of the Board evaluated the performance of the CEO in line with the established performance based evaluation system.

Auditors

The present auditors M/s. Qadeer & Company, Chartered Accountants retire and being eligible have offered themselves for reappointment. The Audit Committee has recommended their reappointment. The external auditors have been given satisfactory rating under the quality control review of the Institute of Chartered Accountants of Pakistan.

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 for their support and hope that this cooperation and supports 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

Lahore
October 02, 2015

(Mohammad Arshad Chaudhry)
Chief Executive

PATTERN OF SHAREHOLDING

As At June 30, 2015

NUMBER OF SHAREHOLDERS	H O L D I N G S		TOTAL SHARES HELD
	FROM	TO	
584	1	100	55,093
3,571	101	500	1,633,180
379	501	1,000	358,119
301	1,001	5,000	765,633
50	5,001	10,000	401,016
20	10,001	15,000	246,500
3	15,001	20,000	56,500
3	20,001	25,000	67,200
3	25,001	30,000	85,100
2	30,001	35,000	69,500
3	35,001	40,000	110,500
1	40,001	45,000	43,400
1	55,001	60,000	60,000
1	65,001	70,000	68,000
1	95,001	100,000	100,000
1	120,001	125,000	124,500
1	145,001	150,000	150,000
1	235,001	240,000	237,700
1	875,001	880,000	877,200
1	1,145,001	1,150,000	1,149,459
2	3,220,001	3,225,000	6,447,000
1	3,225,001	3,230,000	3,230,000
1	16,295,001	16,300,000	16,300,000
4,932			32,635,600

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officers and their spouse and minor children	16,352,000	50.1048%
Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
NIT and ICP	12,900	0.0395%
Banks Development, Financial Institutions, Non Banking Financial Institutions	26,600	0.0815%
Insurance Companies	124,500	0.3815%
Modarabas and Mutual Funds	2,800	0.0086%
Shareholders holding 10% and more	16,300,000	49.9455%
General Public	16,064,704	49.2245%
Joint Stock Companies	51,096	0.1566%
Others	1,000	0.0031%

CATEGORIES OF SHAREHOLDING

	No. of Shares	Percentage
Associated Companies, Undertakings and Related Parties (Name wise Detail)	-	-
Mutual Funds (Name Wise Detail)	-	-
Directors and their Spouse and Minor Children (Name Wise Detail) :		
MR. MOHAMMAD ARSHAD CHAUDHRY	16,300,000	49.9455
MRS. AZRA YASMIN	1,000	0.0031
MR. MUHAMMAD KAMRAN ARSHAD	38,000	0.1164
MISS. FAREEHA ARSHAD	1,000	0.0031
MISS. WAJEEHA ARSHAD	500	0.0015
MR. RIZWAN ARSHAD	11,000	0.0337
MR. MUHAMMAD IMRAN RASHEED	500	0.0015
Executives	3,000	0.0092
Public Sector Companies & Corporations		
Banks, Development Finance Institutions, Non Bank Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	153,900	0.4716
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)		
MR. MOHAMMAD ARSHAD CHAUDHRY	16,300,000	49.9455
MR. ABDUL KHLIQ BALOCH	3,230,000	9.8972
MR. IBRAHIM HUSSAIN IBRAHIM ALHOSANI	3,225,000	9.8818
MR. AHMAD YUSUF ALI	3,222,000	9.8727
MR. MUHAMMAD JAVED	2,026,659	6.21
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:		

Name	SALE	PURCHASE
MR. MUHAMMAD KAMRAN ARSHAD (CDC)	-	37,000

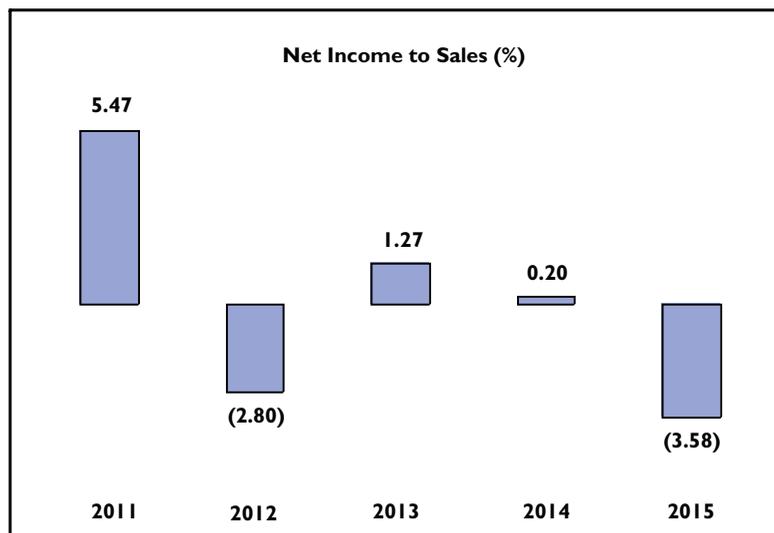
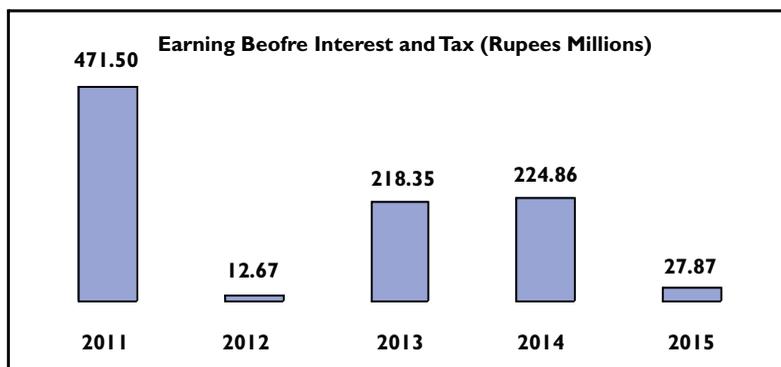
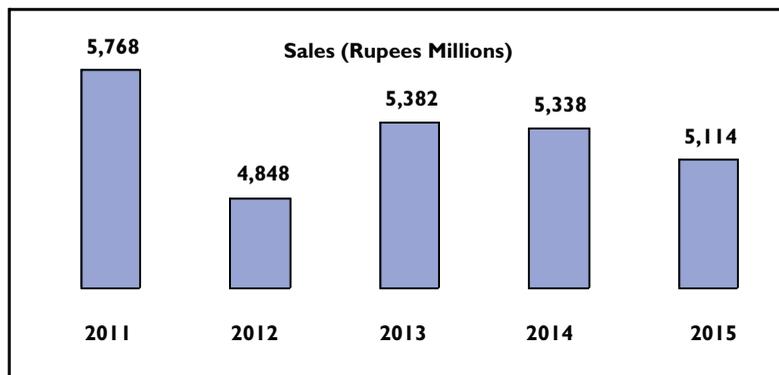
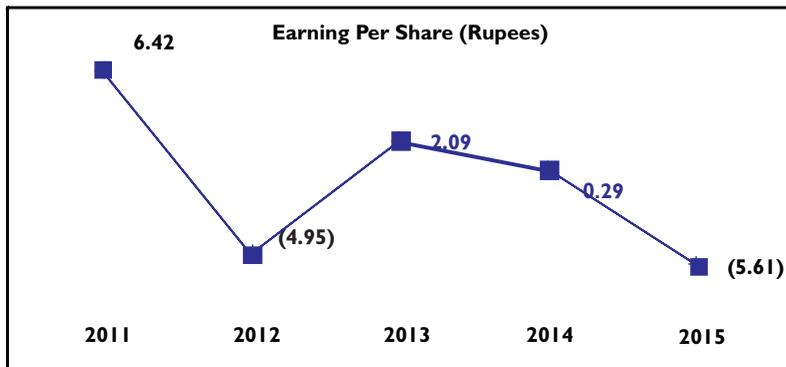
SIX YEARS FINANCIAL STATISTICAL SUMMARY

Measure of performance	2015	2014	2013	2012	2011	2010
Sales - net	5,114,903	5,338,764	5,381,510	4,847,590	5,767,986	3,827,202
Cost of sales	4,815,950	4,822,883	4,862,690	4,555,985	5,040,340	3,378,485
Gross profit	298,953	515,881	518,820	291,605	727,647	448,717
Operating profit	27,871	225,468	195,875	12,672	471,499	299,617
(Loss) / profit after tax	(182,990)	10,529	55,681	(161,460)	209,445	112,208
In % age terms						
Cost of sales	94.16%	90.34	90.36	93.98	87.38	88.28
Operating profit	0.54%	4.21	3.64	0.26	8.17	7.83
(Loss)/ profit after tax	-3.58%	1.04	1.03	(3.33)	3.63	2.93
Financial position						
Property, plant and equipment-net	1,535,324	1,456,991	1,348,336	1,313,227	1,352,372	1,406,574
Capital work in progress	129,013	113,381	17,726	-	1,263	158
Fixed assets	1,664,337	1,570,372	1,366,062	1,313,227	1,353,635	1,406,732
Current assets						
Stores, spares and loose tools	89,718	78,944	84,351	82,590	76,336	68,590
Stocks in trade	804,905	1,069,597	1,037,516	771,887	985,308	732,389
Other current assets	545,622	534,726	443,851	362,498	335,491	249,021
Cash and cash equivalent	25,007	4,452	1,617	15,060	5,273	19,371
	1,465,251	1,687,719	1,567,335	1,232,035	1,402,409	1,069,371
Current liabilities						
Short term borrowings	1,020,173	1,050,660	975,906	765,263	871,618	912,210
Current portion of long term loans	224,126	123,796	136,219	141,495	122,819	122,819
Other current liabilities	419,470	404,324	345,900	375,418	404,765	262,746
	1,663,769	1,578,780	1,458,025	1,282,176	1,399,202	1,297,775
Net working capital	(198,518)	108,939	109,310	(50,141)	3,207	(228,404)
Long term loans - excluding sponsors' loan	387,308	528,666	359,141	182,280	124,575	247,394

FINANCIAL HIGHLIGHTS

Financial Highlights		2015	2014	2013	2012	2011	2010
		Rupees					
A. Profitability Ratios:							
Earning before interest, taxation and depreciation	Rs.	181,026,024	343,877,527	326,619,458	139,622,791	593,415,407	437,875,122
Earning before interest and taxation	Rs.	27,870,518	224,864,633	218,353,387	12,672,352	471,498,679	299,616,984
Profit / (Loss) before taxation and depreciation	Rs.	(27,849,953)	150,249,391	187,658,605	13,932,622	431,481,033	271,423,277
Gross profit ratio	%	5.84	9.66	9.91	6.02	12.62	11.72
Operating profit / (loss) margin to sales (net)	%	0.54	4.21	4.06	0.26	8.17	7.83
Net profit / (loss) margin to sales (net)	%	(3.58)	0.18	1.27	(3.33)	3.63	2.93
EBITD margin to sales (net)	%	3.54	6.44	6.07	2.88	10.29	11.44
B. Liquidity Ratios :							
Current ratio		0.88	1.07	1.07	0.9:1	1:1	1:0.81
Quick / Acid-test ratio		0.34	0.34	0.31	0.29:1	0.24:1	0.20:1
Cash to current liabilities	%	1.50	0.28	0.11	1.17	0.38	1.46
Cash flow from operations to sales	%	4.70	1.05	(4.13)	2.67	3.26	7.02
Working capital (Net current assets)	Rs.	(198,517,658)	108,939,322	109,310,127	(50,140,333)	3,206,685	(254,049,059)
C. Activity / Turnover Ratios							
Debtors turnover ratio	Times	19.59	15.36	18.36	19.51	26.63	20.94
No. of days in receivables / Average collection period	Days	18.25	23.77	19.88	18.70	13.71	17.43
Inventory turnover ratio	Times	6.35	4.58	5.36	1.30	5.82	1.15
No. of days in inventory	Days	62.05	79.73	68.11	70.39	62.19	79.18
Creditors turnover ratio	Times	20.67	26	29	21	32	27
No. of days in creditors / Average payment period	Days	18.25	14.06	12.77	17.78	11.26	13.31
Property, plant and equipment turnover	Days	109.50	90.06	77.92	100.35	87.29	140.04
Total assets turnover	Days	223.93	206.70	174.34	200.56	165.49	239.63
D. Investment Ratios							
Basic earnings / (loss) per share	Rs.	(5.61)	0.29	2.09	(4.95)	6.42	3.44
Cash dividend per share	Rs.	-	-	-	-	1.00	1.00
E. Capital Structure Ratios							
Total liabilities to total assets	%	104.94	99.41	100.11	87.24	88.21	86.85
Interest coverage		0.13	1.16	1.57	0.10	2.91	1.80

CHARTS AND GRAPHS

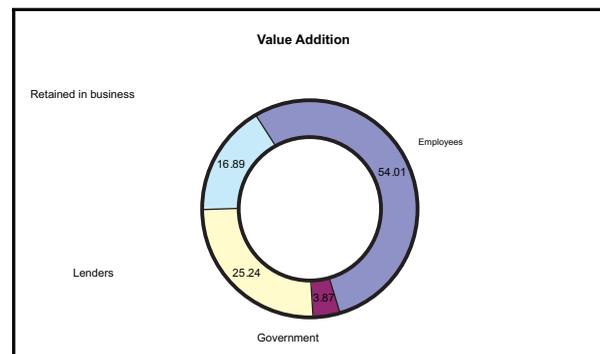
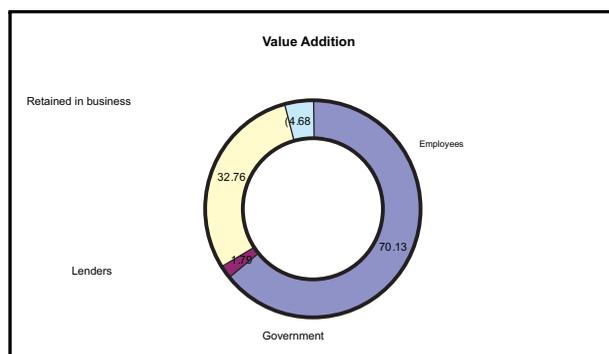


STATEMENT OF VALUE ADDITION

Statement of Value addition	2015	2014
Sales	5,114,903,010	5,338,763,934
Less: Manufacturing / administration and general expenses	4,494,735,979	4,598,660,842
	620,167,031	740,103,092
Other income	17,515,441	27,074,247
Total value added	637,682,472	767,177,339
Distribution		
Employees :		
Salaries and wages	447,198,887	414,316,628
Government :		
Corporate tax	1,984,518	20,707,720
Development surcharge	9,457,561	8,983,185
	11,442,079	29,690,905
Lenders :		
Markup on loans	208,875,976	193,628,135
Retained in business:		
Depreciation	153,155,506	119,012,894
Profit / (Loss)	(182,989,976)	10,528,778
	(29,834,470)	129,541,672
	637,682,472	767,177,340

Percentage

Employees	70.13	54.01
Government	1.79	3.87
Lenders	32.76	25.24
Retained in business	(4.68)	16.89



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED AT JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance of listing regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework whereby a listed Company is managed in compliance with the best practices of good Corporate Governance.

The Company has applied the principle contained in the Code of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present board includes:

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

The independent director meet the criteria of independence under clause i(b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, development financial institution or non-banking financial institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There has been no casual vacancy in the Board during the year 2015. However, Mr. Muhammad Imran Rasheed has come on Board as Independent Director after elected on 25th Annual General Meeting. Moreover Mr. Mohammad Arshad Chaudhry has been appointed as Chief Executive after resignation of Mr. Kamran Arshad and Mrs. Azra Yasmin elected as Chairperson of Board of Directors.
5. 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.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the employment of CEO, other Executive and Non- Executive Directors, have been taken by the board/shareholders.
8. 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 and the board met at least once in every quarter. Written notice of the board meeting along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with amendments in corporate and other laws, if any. One of our directors Mr. Rizwan Arshad has attended training session under board development series. Majority of the directors are exempted under exemption criteria of 14 years of education and 15 years of experience on the board of listed company.
10. The Board has approved the appointment, remuneration and terms and conditions of employment of the CFO, Company Secretary and Head of Internal Audit.

11. The Directors' report for this year has been prepared in compliance with the requirement of Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Company has formed an audit committee. It comprises three members, all of them are non-executive directors, including the chairman of the committee who is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises of 3 members, of whom two are non-executive directors and a chairperson is a non-executive director.
18. The Board has setup an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s)
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board

Lahore

October 02, 2015

(Mohammad Arshad Chaudhry)

Chief Executive



REVIEW REPORT TO THE MEMBERS
On The Statement of Compliance with the Code of
Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **GHAZI FABRICS INTERNATIONAL LIMITED** (the Company) for the year ended June 30, 2015 to comply with the requirements of Listing Regulations No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As a part of our audit of 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon the recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

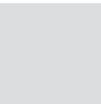
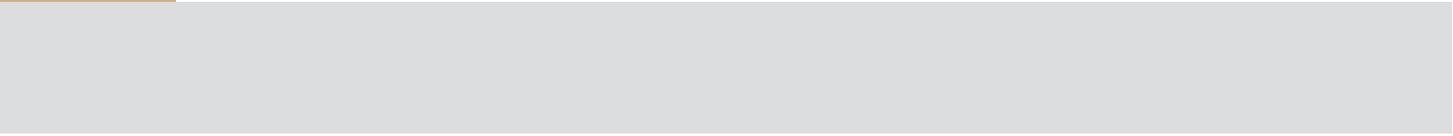
Lahore

October 02, 2015

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

Financial Statements

For the year ended June 30, 2015





AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **GHAZI FABRICS INTERNATIONAL LIMITED** ('the Company') as at June 30, 2015 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

- (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) In our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- © in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, 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, 2015 and of the Loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion Zakat deductible at source under the Zakat & Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore

October 02, 2015

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

BALANCE SHEET

AS AT JUNE 30, 2015

CAPITAL AND LIABILITIES	Note	2015	2014
		Rupees	
Share Capital and Reserves			
Authorized capital 40,000,000 (2014 : 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
Accumulated loss		(481,505,557)	(307,115,626)
		(155,149,557)	19,240,374
Non Current Liabilities			
Long term financing	6	387,307,720	528,666,168
Sponsors' loan	7	1,177,727,835	1,091,005,405
Deferred liabilities	8	68,944,910	53,351,254
		1,633,980,465	1,673,022,827
Current Liabilities			
Trade and other payables	9	392,199,200	322,566,364
Accrued interest / mark up	10	11,500,140	43,584,436
Short term borrowings	11	1,020,173,051	1,050,659,855
Current portion of long term financing	6	224,125,561	123,796,206
Provision for taxation	12	15,770,915	38,172,773
		1,663,768,867	1,578,779,634
Contingencies and Commitments			
	13	-	-
		3,142,599,774	3,271,042,835
ASSETS			
Non Current Assets			
Property, plant and equipment	14	1,535,323,787	1,456,991,145
Capital work in progress	15	129,013,034	113,380,720
		1,664,336,821	1,570,371,865
Long term deposits		13,011,744	12,952,014
		1,677,348,565	1,583,323,879
Current Assets			
Stores, spares and loose tools	16	89,717,957	78,943,964
Stock in trade	17	804,904,645	1,069,597,417
Trade debts	18	261,062,462	362,412,685
Loans and advances	19	154,451,342	116,375,724
Trade deposits and short term prepayments	20	2,010,414	300,000
Tax refunds due from the Government		128,097,838	55,637,611
Cash and bank balances	21	25,006,550	4,451,555
		1,465,251,209	1,687,718,957
		3,142,599,774	3,271,042,836

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

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2015

		2015	2014
	Note	Rupees	
Sales - Net	22	5,114,903,010	5,338,763,934
Cost of goods sold	23	4,815,950,268	4,822,882,968
Gross Profit		298,952,741	515,880,966
Operating expenses:			
- Selling and distribution	24	181,344,296	202,177,410
- Administrative and general	25	104,644,562	111,739,442
- Other operating charges	26	2,608,806	3,569,916
		288,597,665	317,486,768
		10,355,077	198,394,198
Other operating income	27	17,515,441	27,074,247
Profit from operation		27,870,518	225,468,445
Finance cost	28	208,875,976	194,231,947
(Loss) / Profit before taxation		(181,005,459)	31,236,497
Taxation	29	1,984,518	20,707,720
(Loss) / Profit for the year		(182,989,976)	10,528,778
Earning per share - Basic	30	(5.61)	0.32

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees	
Profit for the year	(182,989,976)	10,528,778
Other comprehensive income		
Remeasurements of defined benefit obligation	9,348,501	12,836,861
Impact of deferred tax	(748,456)	(1,173,449)
	8,600,045	11,663,412
Total comprehensive income for the year	(174,389,931)	22,192,190

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	(181,005,459)	31,236,497
Adjustments for:		
- Depreciation	153,155,506	119,012,894
- Provision for W.P.P.F	-	1,664,334
- (Gain) / loss on disposal of property, plant and equipment	(12,063,808)	(14,281,796)
- Provision for gratuity	22,322,150	19,449,177
- Finance cost	208,875,976	193,628,135
	<u>372,289,824</u>	<u>319,472,744</u>
Operating profit before working capital changes	191,284,366	350,709,241
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(10,773,993)	5,407,193
- Stock in trade	264,692,772	(32,081,186)
- Trade debts	101,350,223	(29,496,858)
- Loans and advances	(29,081,026)	(18,074,008)
- Trade deposits and short term prepayments	(1,710,414)	778,053
- Other receivables	(72,460,227)	(21,995,149)
Increase / (decrease) in current liabilities:		
- Trade and other payables	74,799,885	38,757,641
	<u>326,817,219</u>	<u>(56,704,313)</u>
Cash generated from operations	518,101,585	294,004,928
Income tax paid / deducted	(18,674,366)	(55,716,022)
Gratuity paid	(12,835,050)	(12,080,758)
Worker's profit participation fund paid	(5,167,049)	-
Finance cost paid	(240,960,273)	(170,002,818)
Net cash generated from / (used in) operating activities	240,464,848	56,205,330
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(250,481,342)	(413,352,861)
Capital work in progress	(15,632,314)	(95,654,985)
Proceeds from disposal of property, plant and equipment	31,057,002	29,299,395
Net cash used in investing activities	(235,056,654)	(479,708,451)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayment) of long term loans	(41,029,093)	293,321,775
Long term deposit	(59,730)	-
Loan from directors and others - net	86,722,430	58,262,154
Short term borrowings	(30,486,804)	74,753,959
Net cash generated from financing activities	15,146,803	426,337,888
Net increase / (decrease) in cash and cash equivalents	20,554,996	2,834,765
Cash and cash equivalents at the beginning of the year	4,451,556	1,616,790
Cash and cash equivalents at the end of the year	<u>25,006,550</u>	<u>4,451,555</u>

21

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	Accumulated Loss Rupees	Total
Balance as at July 01, 2013	326,356,000	(329,307,815)	(2,951,815)
Total comprehensive income for the year 2014	-	22,192,189	22,192,189
Balance as at July 01, 2014	326,356,000	(307,115,626)	19,240,374
Total comprehensive income for the year 2015	-	(174,389,931)	(174,389,931)
Balance as at June 30, 2015	326,356,000	(481,505,557)	(155,149,557)

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

I REPORTING ENTITY

Ghazi Fabrics International Limited ("the Company") was incorporated in Pakistan on April 30, 1989 as a Private Limited Company and converted into Public Limited Company on January 07, 1990. Its shares are quoted on Karachi and Lahore Stock Exchanges. 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These accounts have been prepared under the historical cost convention except for certain financial instruments at fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgment, estimates and assumptions

The preparation of financial statements in conformity with IASs 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 a material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of approved 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;

2.3.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 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.

2.3.3 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.

2.3.4 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.

2.3.5 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.

2.4 Functional currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.1 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

3.2 Employee benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The latest actuarial valuation was carried out as at June 30, 2015. Charge for the current year is based on estimates provided by the actuary as at June 30, 2015. The following significant assumptions were used in the latest actuarial valuation:

	2015	2014
Discount rate	9.75%	13.5%
Expected rate of salary increase in future years	7.75%	11.5%
Average expected remaining working life time of employees	9 years	10 years
Actuarial valuation method	Projected unit credit method	

3.3 Borrowings

These are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

3.4 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.5 Taxation

Current

The charge for taxation for the year is based on minimum tax at the current rates of taxation after taking into account tax rebates and credits available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS - 12 (Income Taxes), are recognized to the extent of potential available taxable profit against which temporary differences, unused tax losses and tax credits can be utilized.

3.6 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.7 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

3.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation less impairment loss (if any) except freehold land that is stated at cost. Cost of property, plant and equipment consists of historical cost and other directly attributable costs incurred to bring the assets to their working condition.

Depreciation on property, plant and equipment has been provided by using the reducing balance method at the rates specified in Note 14. Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

3.9 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of property, plant and equipment. These costs are transferred to property, plant and equipment as and when related items become available for intended use.

3.10 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet 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 profit and loss account.

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 by following basis:

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

3.14 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. It ceases to recognize financial assets when it loses control of contractual rights and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

A financial asset and financial liability is offset and the net amount is reported in the balance sheet 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

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange ruling on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the profit and loss account.

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

- Local sales are recorded on dispatch of goods to customers.
- Export sales are recorded at the time of receipt of bill of lading.

3.18 Borrowing costs

Borrowing costs are charged to income as and when incurred except to the extent of costs directly attributable to the acquisition, construction or production of qualifying assets that are capitalized as part of the cost of asset.

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.

3.21 Changes in accounting policies and disclosures

3.21.1 New Accounting Standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year but not relevant:

The new standards, amendments and interpretations to approved accounting standards that are effective for accounting periods beginning on or after July 01, 2014 but are considered not to be relevant or to have any significant effect on company's financial statements and are, therefore, not detailed in these financial statements.

3.21.2 New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective on and after the dates mentioned below against the respective standards or interpretation.

		Effective Date
IFRS 10	Consolidated Financial Statements	January 01 ,2015
IFRS 10, 12 & IAS 27	Investment Entities (Amendment)	January 01 ,2015
IFRS 10, 12 & IAS 27	Investment Entities: Applying the Consolidation Exception (Amendment)	January 01 ,2016
IFRS 10 & IAS 28	Sale or Contribution of Assets between an investor and its associates or joint venture (Amendment)	January 01 ,2016
IFRS 11	Joint Arrangements	January 01 ,2015
IFRS 11	Accounting for Acquisition of interest in joint operation (Amendment)	January 01 ,2016
IFRS 12	Disclosure of interests in other entities	January 01 ,2015
IFRS 13	Fair value measurement	January 01 ,2015
IAS-I	Disclosure initiative (Amendment)	January 01 ,2016
IAS-16 & 38	Clarification of acceptable method of depreciation and amortization (Amendment)	January 01 ,2016
IAS-16 & 41	Agriculture bearer plants (Amendment)	January 01 ,2016
IAS-27	Equity method in separate financial statements (Amendment)	January 01 ,2016

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

4 CHANGE IN ACCOUNTING POLICY

4.01 All the accounting policies are applied consistently during the year

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2015	2014		2015	2014
	No. of shares			Rupees	
			Ordinary shares of Rs. 10 each fully paid in cash		
	32,635,600	32,635,600		326,356,000	326,356,000

There is no movement in ordinary share capital of the company during year.

6 LONG TERM FINANCING

Loan from banking companies - Secured

Habib Bank Limited:

	Note	2015	2014
		Rupees	
- Term finance - III	6.01	15,384,612	46,153,844
- Term finance - IV	6.02	43,076,954	67,692,338
		58,461,566	113,846,182

United Bank Limited:

- SBP LTF-EOP scheme - II	6.03	-	-
- NIDF - VI	6.04	9,285,000	27,856,000
- NIDF - VII	6.05	43,686,715	87,373,435
- NIDF - VIII	6.06	500,000,000	423,386,757
		552,971,715	538,616,192
		611,433,281	652,462,374
Less: Current portion		(224,125,561)	(123,796,206)
		387,307,720	528,666,168

6.01 Term finance - III

Opening balance	46,153,844	76,923,076
Payments made during the year	(30,769,232)	(30,769,232)
	15,384,612	46,153,844

Term finance - III was obtained to facilitate balancing, modernization and replacement of spinning units. The loan is payable in thirteen quarterly installments with a grace period of one year from first draw down of loan with first installment commenced from November 10, 2012. It carries mark up at three months KIBOR plus 2.50% per annum payable on quarterly basis.

6.02 Term finance - IV

Opening balance	67,692,338	80,000,000
Payments made during the year	(24,615,384)	(12,307,662)
	43,076,954	67,692,338

Term finance - IV is obtained for reprofiling of balance sheet. Loan is payable in thirteen quarterly installments with a grace period of one year from first draw down of loan with first installment commenced from December 31, 2013. It carries mark up at three months KIBOR plus 2.50% per annum payable on quarterly basis.

Loan from HBL are secured against first pari passu equitable mortgage of property plant and equipment of the Company valuing Rs. 932 million (2014 : Rs. 932 million) and personal guarantee of chief executive and one director of the Company.

6.03 State Bank of Pakistan's LTF - EOP scheme - II

Opening balance	-	24,729,376
Payments made during the year	-	(24,729,376)
	<u>-</u>	<u>-</u>

This loan was obtained under SBP-LTF-EOP scheme and was payable in 12 equal half yearly installments commenced from October 08, 2007 and carries mark up @ 7% per annum.

6.04 NIDF - VI

Opening balance	27,856,000	46,428,000
Finance obtained during the year	-	-
Payments made during the year	(18,571,000)	(18,572,000)
	<u>9,285,000</u>	<u>27,856,000</u>

This loan has been obtained to finance import of machinery of spinning units and is repayable in seven equal half yearly installment with a grace period of one year from first draw down of loan with first installment commenced from September 2012. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.

6.05 NIDF - VII

Opening balance	87,373,435	131,060,147
Finance obtained during the year	-	-
Payments made during the year	(43,686,720)	(43,686,712)
	<u>43,686,715</u>	<u>87,373,435</u>

This loan has been obtained to finance import of machinery of spinning unit and it represents actual withdrawn amount out of Demand Finance limit for Rs. 135 million. It is repayable in twelve equal quarterly installment with a grace period of one year from first draw down of loan with first installment commenced from September 2013. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.

6.06 NIDF - VIII

Opening balance	423,386,757	-
Finance obtained during the year	76,613,243	423,386,757
	<u>500,000,000</u>	<u>423,386,757</u>

This loan has been obtained to finance import of machinery and represents actual withdrawn amount out of Demand Finance limit for Rs. 500 million. 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.

Loan from UBL are secured against first pari passu equitable mortgage of property plant and equipment of the Company valuing Rs. 1,471 million (2014: Rs. 1,471 million) and personal guarantee of chief executive and one director of the Company.

	Note	2015	2014
Rupees			
7 SPONSORS' LOAN			
Loan from directors and others	7.01	1,177,727,835	1,091,005,405

7.01 This loan has been provided by the chief executive of the Company and others 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. 900 million (2014 : Rs. 900 million) with Habib Bank Limited and United Bank Limited.

		2015	2014
Rupees			
DEFERRED LIABILITIES			
Deferred tax - net	8.01	28,616,071	13,161,014
Staff retirement benefits	8.02	40,328,839	40,190,240
		68,944,910	53,351,254
8.01 Deferred tax - net			
Credit / (debit) balance arising in respect of:			
- Accelerated tax depreciation		68,807,140	68,814,878
- Recognized losses		(36,962,280)	(51,979,973)
- Staff retirement benefits		(3,228,790)	(3,673,890)
		28,616,071	13,161,014
8.02 Staff retirement benefits			
<i>The amounts recognized in the balance sheet are as follows</i>			
Present value of defined benefit obligation		40,328,839	40,190,240
		40,328,839	40,190,240
Balance sheet liability			
Opening balance		40,190,240	45,658,682
Amount recognized during the year		22,322,150	19,449,177
Remeasurements		(9,348,501)	(12,836,861)
		53,163,889	52,270,998
Benefits paid during the year		(12,835,050)	(12,080,758)
Closing balance		40,328,839	40,190,240
Charge for the defined benefit plan			
Service cost		17,907,969	15,289,255
Interest cost		4,414,181	4,159,922
		22,322,150	19,449,177

8.03 DEFINED BENEFIT PLAN

(a) 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, 2015 using Project Unit Credit Method.

(b) Comparison for five years

	2015	2014	2013	2012	2011
(Rupees - 000)					
PVODBO	38,179	40,190	45,659	32,371	32,127
Experience Adjustment	(9,349)	(12,836)	9,540	(1,515)	790

	Note	2015	2014
		Rupees	
9 TRADE AND OTHER PAYABLES			
Creditors for:			
-		207,620,676	138,601,143
-		39,870,597	59,112,810
Accrued liabilities		117,102,644	89,812,551
Advances from customers		21,764,432	24,271,501
Security deposits		166,000	165,000
Worker's profit participation fund	9.1	-	5,167,049
Unclaimed dividend		5,055,600	5,070,929
Tax deducted at source		619,251	365,381
		<u>392,199,200</u>	<u>322,566,364</u>
9.1 Worker's profit participation fund			
Balance at the beginning of the year		5,167,049	3,116,873
Add: Allocation for the year		-	1,664,334
Add: Interest on funds utilized in Company's business		542,366	385,843
		<u>5,709,415</u>	<u>5,167,049</u>
Less: Payment made during the year		5,709,415	-
		<u>-</u>	<u>5,167,049</u>
10 ACCRUED INTEREST/ MARKUP			
Long term financing		1,634,570	19,452,240
Short term borrowings		9,865,570	24,132,196
		<u>11,500,140</u>	<u>43,584,436</u>
11 SHORT TERM BORROWINGS - From banking companies - Secured			
Habib Bank Limited	11.1	475,941,383	499,034,759
United Bank Limited	11.2	544,231,667	551,625,095
		<u>1,020,173,051</u>	<u>1,050,659,855</u>
11.1 These represent utilized portion of short term finance facilities of Rs. 1,415 million (2014 : Rs. 1,280 million) available from Habib Bank Limited under mark up arrangement. These facilities carry mark up of one month KIBOR plus 1.5% per annum and one month LIBOR plus 3.5% per annum and shall expire by January 31, 2016. 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 (2014 : 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.			
11.2 These represent utilized portion of short term finance facilities of Rs. 1,370 million (2014 : Rs. 1,020 million) available from United Bank Limited under mark up arrangement. These facilities carry mark up at 1 month KIBOR plus 1.25% - 1.30% per annum and one month LIBOR plus 3.5%. 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 (2014 : Rs. 1,471 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.			
12 PROVISION FOR TAXATION-Net			
Opening balance		38,172,773	43,796,620
Provision for the year		15,770,915	39,023,785
Payments / adjustments against advance tax		(38,172,772)	(44,647,633)
		<u>15,770,915</u>	<u>38,172,773</u>

Income tax return up to and including tax year 2014 has been filed to the tax authorities under the provision of Income Tax Ordinance, 2001.

13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 The Company has provided bank guarantee in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 53.865 million (2014 : Rs. 51.630 million) on account of security deposits against the consumption of natural gas.

13.2 Export bills discounted Rs. 360.490 million (2014 : Rs. 175.902 million)

13.3 Post dated cheques issued in the favour of Collector of Custom against import Rs. 17.391 million (2014 : Rs. 58.091 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. 3.502 million (2014 : Rs. 109.027 million).

14 PROPERTY, PLANT AND EQUIPMENT

Rupees

Particulars	Cost			Rate %	Accumulated Depreciation			Book Value as at June 30, 2015	
	As at July 01, 2014	Additions	Disposals		As at July 01, 2014	Disposals	For the year		As at June 30, 2015
	As at June 30, 2015								
Land - freehold	81,282,448	-	-	81,282,448	-	-	-	81,282,448	
Buildings on freehold land	298,790,713	7,875,021	-	306,665,734	5-10	9,646,522	173,743,017	132,922,717	
Plant and machinery	2,167,725,315	234,338,301	(86,279,275)	2,315,784,341	10	(67,331,332)	1,064,966,803	1,250,817,538	
Grid station and generators	18,948,857	-	-	18,948,857	10	752,760	12,174,014	6,774,843	
Furniture and fixtures	17,217,958	851,331	-	18,069,289	10	646,706	11,592,500	6,476,789	
Vehicles	68,392,003	6,800,320	(1,158,565)	74,033,758	20	6,735,468	40,905,548	33,128,210	
Equipment	21,897,297	616,369	-	22,513,666	10	951,323	13,523,351	8,990,315	
Electric installations	62,217,176	-	-	62,217,176	10	1,658,992	47,286,249	14,930,927	
Rupees 2015	2,736,471,767	250,481,342	(87,437,840)	2,899,515,269		(68,444,647)	153,155,507	1,364,191,482	
Rupees 2014	2,404,833,526	413,352,861	(81,714,620)	2,736,471,767		(66,697,021)	119,012,894	1,456,991,145	

Owned

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

	2015	2014
Cost of sales	144,996,818	109,396,693
Administrative expenses	8,158,688	9,616,201
	<u>153,155,506</u>	<u>119,012,894</u>

Rupees

14.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser
Drawing machines	10,364,749	9,385,994	978,755	1,900,000	921,245	Negotiation	Anmol Textile Mills Limited
Drawing machines	6,921,059	4,914,002	2,007,057	932,000	(1,075,057)	Negotiation	Ghulam Mustafa
Drawing machines	18,094,759	13,875,726	4,219,033	11,200,000	6,980,967	Negotiation	Sally Textile Mills Limited
Comber machines	18,026,875	16,334,816	1,692,059	1,800,000	107,941	Negotiation	Sally Textile Mills Limited
Carding machines	32,871,833	22,820,794	10,051,039	14,800,002	4,748,963	Negotiation	Sally Textile Mills Limited
Toyota Corolla LXN-9842	1,158,565	1,113,315	45,250	425,000	379,750	Insurance claim	Adamjee Insurance Company Limited
June 30, 2015	87,437,840	68,444,647	18,993,193	31,057,002	12,063,809		
June 30, 2014	81,714,620	66,697,021	15,017,599	29,299,395	14,281,796		

	Note	2015	2014
		Rupees	
15 CAPITAL WORK IN PROGRESS			
Plant and machinery:			
- Opening balance		113,380,720	16,830,191
- Additions during the year		227,605,014	407,731,750
		340,985,734	424,561,941
- Transferred to property, plant and equipment		(229,417,901)	(311,181,222)
		111,567,833	113,380,720
Building			
- Opening balance		-	895,544
- Additions during the year		17,445,201	2,345,830
		17,445,201	3,241,374
- Transferred to property, plant and equipment		-	(3,241,374)
		17,445,201	-
		129,013,034	113,380,720
16 STORES, SPARES AND LOOSE TOOLS			
Stores	16.1	30,899,294	27,552,366
Spares	16.1	57,858,003	50,491,638
Loose tools		960,660	899,960
		89,717,957	78,943,964
16.1			
No identifiable store and spare are held for specific capitalization.			
17 STOCK IN TRADE			
Raw material	17.1	285,447,661	551,967,593
Work in process		68,118,895	75,160,935
Finished goods		451,338,089	442,468,889
		804,904,645	1,069,597,417
17.1			
This includes an amount of Rs. 247.652 million (2014 : Rs. 496.946 million) approximately, which is pledged against short term finances.			
18 TRADE DEBTS			
Local debts			
(Unsecured - considered good)		20,018,068	18,888,637
Foreign debts			
(Unsecured - considered good)		241,044,394	343,524,048
		261,062,462	362,412,685
19 LOANS AND ADVANCES (Unsecured - considered good)			
Employees		373,622	739,000
Suppliers		57,382,081	26,257,104
Income tax deducted at source		79,871,407	88,865,999
Letters of credit		15,023,520	8,988
Other receivables		1,800,712	504,633
		154,451,342	116,375,724
20 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposit		300,000	300,000
Prepayments		1,710,414	-
		2,010,414	300,000

	Note	2015	2014
		Rupees	
21 CASH AND BANK BALANCES			
Cash in hand		1,506,769	1,504,466
Cash with banks in current accounts		23,499,781	2,947,089
		25,006,550	4,451,555
22 SALES - NET			
Local:			
- Yarn		569,349,386	755,679,514
- Fabric		551,204,700	609,333,358
		1,120,554,086	1,365,012,872
Export:			
- Yarn		1,911,585,924	1,489,255,929
- Fabric		2,022,290,346	2,413,122,609
		3,933,876,270	3,902,378,538
Waste		58,483,698	69,999,564
Doubling income		792,000	88,000
Rebate on export		1,196,956	1,284,960
		5,114,903,010	5,338,763,934
23 COST OF GOODS SOLD			
Raw materials consumed	23.01	3,373,047,929	3,489,837,644
Processing charges		67,268,749	89,486,830
Salaries, wages and other benefits	23.02	374,152,852	345,932,235
Fuel and power		548,714,907	585,173,104
Packing materials consumed		82,521,375	73,269,503
Sizing materials consumed		36,988,253	44,336,907
Stores and spares consumed		157,783,619	130,402,514
Repair and maintenance		20,460,384	13,919,986
Insurance		9,738,286	4,638,043
Depreciation	14.1	144,996,818	109,396,693
Other manufacturing expenses		2,104,256	5,554,429
		4,817,777,428	4,891,947,888
Opening work in process		75,160,935	67,893,318
Closing work in process		(68,118,895)	(75,160,935)
		7,042,040	(7,267,617)
Cost of goods manufactured		4,824,819,468	4,884,680,271
Opening finished goods		442,468,889	380,671,586
Closing finished goods		(451,338,089)	(442,468,889)
		(8,869,200)	(61,797,303)
		4,815,950,268	4,822,882,968
23.01 Raw material consumed			
Opening stock		543,796,522	577,754,390
Purchases		3,095,363,486	3,439,145,536
Cotton cess		3,810,917	2,636,807
Cotton handling charges		15,524,665	14,097,433
		3,658,495,590	4,033,634,166
Closing stock		(285,447,661)	(543,796,522)
		3,373,047,929	3,489,837,644

23.02 Salaries, wages and benefits include Rs. 13.4 million (2014 : Rs. 11.67 million) on account of staff retirement benefits.

	Note	2015	2014
Rupees			
24 SELLING AND DISTRIBUTION			
Salaries, wages and benefits	24.01	3,250,814	5,656,186
Export development surcharge		9,457,561	8,983,185
Commission to selling agents		32,984,603	51,228,149
Carriage and freight - export		111,166,663	113,854,298
- local		1,453,200	1,170,270
Export expenses		23,022,439	18,454,057
Samples		9,016	2,831,265
		<u>181,344,296</u>	<u>202,177,410</u>
24.01 Salaries, wages and benefits include Rs. 0.71 million (2014 : Rs. 0.643 million) on account of staff retirement benefits.			
25 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits	25.1	69,795,221	62,728,206
Traveling and conveyance		3,162,188	5,601,333
Repairs and maintenance		1,342,140	2,539,647
Rent, rates and taxes		672,216	263,856
Printing and stationery		3,255,396	2,552,420
Insurance		2,937,976	1,711,916
Fees and subscription		1,814,819	3,169,929
Telephone and Postage		3,811,783	3,416,929
Vehicle running and maintenance		4,325,479	15,912,004
Utilities		2,447,033	1,865,033
Advertisement		159,880	75,455
Books and periodicals		20,993	25,969
Entertainment		2,667,976	2,231,795
Miscellaneous expenses		72,775	28,750
Depreciation	14.1	8,158,688	9,616,201
		<u>104,644,562</u>	<u>111,739,442</u>
25.1 Salaries, wages and benefits include Rs. 8.21 million (2014 : Rs. 7.136 million) on account of staff retirement benefits.			
26 OTHER OPERATING CHARGES			
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>
Legal and professional charges		1,388,806	675,710
Provision for W.P.P.F		-	1,664,334
Balances written off		-	9,872
		<u>2,608,806</u>	<u>3,569,916</u>
27 OTHER OPERATING INCOME			
Scrap sales		2,992,230	10,605,450
Gain on disposal of property, plant and equipment		12,063,808	14,281,796
Miscellaneous		2,459,403	2,187,001
		<u>17,515,441</u>	<u>27,074,247</u>

	Note	2015	2014
Rupees			
28 FINANCE COST			
Interest / mark up on:			
- Long term financing		82,655,774	46,346,988
- Short term borrowings		69,334,782	125,980,932
		151,990,556	172,327,921
Bank charges and commission		21,788,043	20,914,371
Exchange loss		34,555,012	603,812
Interest on Workers' profit participation fund		542,365	385,843
		208,875,976	194,231,947
29 TAXATION			
Taxation:			
- Current year		15,770,915	39,023,785
- Prior year		(28,492,998)	(11,018,837)
- Deferred		14,706,601	(7,297,229)
		1,984,518	20,707,720

29.1 Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to taxable losses and application of minimum tax.

30 EARNING PER SHARE - Basic

Profit / (Loss) after taxation for the year	Rupees	(182,989,976)	10,528,778
Outstanding weighted average ordinary shares	No. of shares	32,635,600	32,635,600
Earnings per share - Basic	Rupees	(5.61)	0.32

30.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.

31 CHIEF EXECUTIVE'S DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors	6,300,000	6,300,000
Number of persons	2	2
Executives	21,582,600	19,452,000
Number of persons	20	19

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

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

32 TRANSACTIONS WITH RELATED PARTIES

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:

Associated undertakings

Purchase of Cotton	-	62,254,431
Payment against cotton purchase	-	62,254,431

Directors

	2015	2014
Loan obtained from directors	183,184,008	102,000,000
Payment made during the year	96,461,578	43,737,846

There were no transactions with key management personnel other than undertaken as per terms of their employment.

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

33 PLANT CAPACITY AND PRODUCTION**Spinning**

		2015	2014
No. of spindles installed		51,072	51,072
No. of spindles worked		51,072	51,072
No. of shifts		3	3
Actual production of yarn converted into 20/S count based on three shifts per day	Kgs	13,540,175	13,962,190

Weaving

		2015	2014
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	64,917,736	64,097,136

33.1 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.

34 FINANCIAL INSTRUMENTS BY CATEGORY**Financial assets as per balance sheet**

Long term deposits	13,011,744	12,952,014
Trade debts	261,062,462	362,412,685
Loans and advances	373,622	739,000
Cash and bank balances	25,006,550	4,451,555
	299,454,378	380,555,254

Financial liabilities as per balance sheet

Long term financing	1,789,161,116	1,743,467,779
Trade and other payables	369,815,517	297,929,483
Accrued interest/mark-up	11,500,140	43,584,436
Short term borrowings	1,020,173,051	1,050,659,855
	3,190,649,823	3,135,641,552

34.01 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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

35 FINANCIAL INSTRUMENTS**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:

	2015	2014
	Rupees	
Foreign trade debts	241,044,394	343,524,048
Foreign currency short term borrowings		
- Habib Bank Limited	(297,889,895)	(237,518,464)
- United Bank Limited	(394,613,974)	(298,271,490)
Gross balance sheet exposure	(451,459,475)	(192,265,906)
Outstanding letter of credit	(3,515,542)	(109,027,261)
Net exposure	<u>(454,975,017)</u>	<u>(301,293,167)</u>

The following significant exchange rates have been applied at the reporting dates:

USD to PKR	101.50	98.55
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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, 2015, if the Pakistan Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year have been higher / lower by Rs. 45,145,947 (2014 : 19,226,591) mainly as a result of foreign exchange losses / gains on translation of foreign debts, foreign currency borrowings.

(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. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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

(iii) Financial liabilities

	2015	2014	2015	2014
	Percentage		Rupees	
Long term financing				
- Fixed rate	0.00	7.00	-	-
- instrument rate	10.86 to 12.68	10.31 to 12.64	611,433,281	652,462,374
Short term borrowings	3.82 to 11.93	3.82 to 11.93	1,020,173,051	1,050,659,855
			<u>1,631,606,332</u>	<u>1,703,122,229</u>
Total yield / mark up rate risk sensitivity gap			<u>(1,631,606,332)</u>	<u>(1,703,122,229)</u>

(iv) Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

(v) Cash flow sensitivity analysis for variable rate instruments:

A change of 1% in interest rates at the reporting date would have decreased / increased loss for the year by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remains constants. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet date were outstanding for the whole year.

	Effect on Profit and Loss 1% rate	
	Increase	Decrease
As at June 30, 2015		
Cash flow sensitivity - variable rate financial liabilities	16,316,063	(16,316,063)
As at June 30, 2014		
Cash flow sensitivity - variable rate financial liabilities	17,031,222	(17,031,222)

(vi) Other price risk

Other price risk is 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 currency risk or interest rate 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 securities price risk as there is no investment in listed securities.

(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. 299,703,756 (2014 : Rs. 380,555,254), the financial assets exposed to credit risk amount to Rs. 274,697,206 (2014 : Rs. 376,103,699).

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

	2015	2014
	Rupees	
Local debts	20,018,068	18,888,637
Foreign debts	241,044,394	343,524,048
	261,062,462	362,412,685

The majority of foreign debtors of the company are situated in Asia, America, and Europe.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of goods are:

Yarn	83,562,674	64,214,987
Fabric	177,110,372	297,991,555
Others	389,416	206,143
	261,062,462	362,412,685
The aging of loans and receivables at the reporting date was:		
Past due 0-6 months	260,984,143	362,312,701
Past due 6-12 months	78,319	99,984
	261,062,462	362,412,685

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which have not impaired are as under:

Long term deposits	13,011,744	12,952,014
Trade debts	261,062,462	362,412,685
Loans and advances	373,622	739,000
Sales tax refundable	55,637,611	55,637,611
Cash and bank balances	25,006,550	4,451,555
	355,091,989	436,192,865

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 Borrowings	Long Term Loans
United Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	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.

		2015 (Rupees)				
		Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
Non-Derivative Financial Liabilities						
Long term financing (from banking companies)		611,433,281	700,634,582	145,242,980	117,756,930	437,634,672
Trade and other payables		392,199,200	392,199,200	392,199,200	-	-
Short term borrowings		1,020,173,051	1,030,038,621	1,074,792,050	-	-
		2,023,805,532	2,122,872,403	1,612,234,231	117,756,930	437,634,672
		2014 (Rupees)				
		Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Non-Derivative Financial Liabilities						
Long term financing (from banking companies)		652,462,374	931,889,661	101,196,673	95,844,990	734,847,998
Trade and other payables		322,566,364	322,566,364	322,566,364	-	-
Short term borrowings		1,050,659,855	1,074,792,050	1,074,792,050	-	-
		2,025,688,593	2,329,248,076	1,498,555,088	95,844,990	734,847,998

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June, 2015. The rates of markup have been disclosed in note 06 to these financial statements.

36 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 Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

37 INFORMATION ABOUT REPORTING SEGMENT

37.1 The following table presents revenue and profit information regarding the Company's operating segments for the year ended June 30, 2015 and 2014 respectively.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
2015 (Rupees)				
Sales	2,524,112,246	2,590,790,764	(1,125,734,633)	3,989,168,377
Cost of Sales:	<u>(3,512,269,424)</u>	<u>(1,303,680,845)</u>	<u>1,125,734,633</u>	<u>(3,690,215,635)</u>
Gross profit	(988,157,178)	1,287,109,919	-	298,952,741
Selling and distribution costs	(62,890,285)	(118,454,011)	-	(181,344,296)
Administrative and general expenses	<u>(61,972,270)</u>	<u>(42,672,293)</u>	-	<u>(104,644,562)</u>
Profit before taxation and un allocated expenses	(1,113,019,733)	1,125,983,615	-	12,963,883
Un-allocated expenses:				
Other operating expenses				(2,608,806)
Other operating income				17,515,441
Finance cost				<u>(208,875,976)</u>
Profit before taxation				(181,005,459)
Taxation				<u>(1,984,518)</u>
Net profit for the year				<u>(182,989,976)</u>
2014 (Rupees)				
Sales	3,927,818,695	3,051,158,239	(1,640,213,000)	5,338,763,934
Cost of Sales:	<u>(3,677,907,040)</u>	<u>(2,785,188,927)</u>	<u>1,640,213,000</u>	<u>(4,822,882,968)</u>
Gross profit	249,911,654	265,969,311	-	515,880,966
Selling and distribution costs	(66,634,598)	(135,542,812)	-	(202,177,410)
Administrative and general expenses	<u>(64,263,304)</u>	<u>(47,476,138)</u>	-	<u>(111,739,442)</u>
Profit before taxation and un allocated expenses	119,013,753	82,950,361	-	201,964,114
Un-allocated expenses:				
Other operating expenses				(4,173,728)
Other operating income				27,074,247
Finance cost				<u>(193,628,135)</u>
Profit before taxation				31,236,497
Taxation				<u>(20,707,720)</u>
Net profit for the year				<u>10,528,778</u>

37.2 All non current assets of the Company as at June 30, 2015 are located in Pakistan.

38 AUTHORIZATION OF FINANCIAL STATEMENTS

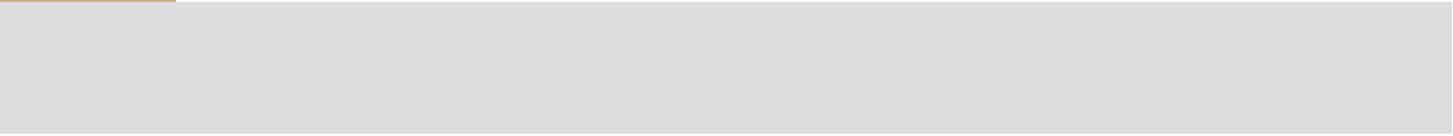
These accounts have been authorized for issue by the Board of Directors of the Company on October 02, 2015.

39 GENERAL

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

39.2 Comparative figures have been rearranged / reclassified, wherever necessary, to facilitate comparison.

CHIEF EXECUTIVE**DIRECTOR**



PROXY FORM (26th 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 26th Annual General
Meeting of the Company to be held on October 31, 2015 and/or any adjournment thereof.

As witness my/our hand this _____ day of October, 2015

Signed in the presence of.

Witness _____

Name _____

Occupation _____

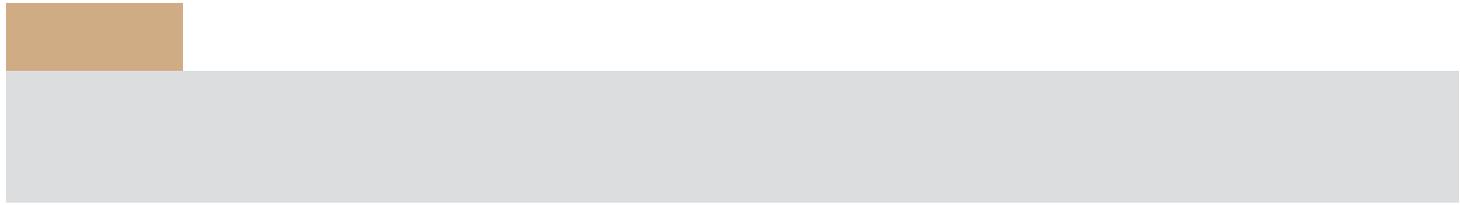
Address _____

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.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. In case of Proxy for an individual beneficial Owner of CDC, attested copies of beneficial Owner's NIC or Passport, Account and Participant's I.D. Nos. must be deposited along with the Form of Proxy. In case of Proxy for Corporate members, he/she should bring the usual documents required of such purpose.
5. Shareholders are requested to notify change in their address, if any.





If undelivered, Please return to:

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