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HALF YEARLY REPORT

FOR THE PERIOD ENDED

31st DECEMBER, 2008

UN-AUDITED



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Ghazi Fabrics International Ltd.

8-C, E-III, GULBERG - III, LAHORE 54660-PAKISTAN

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Website: www.ghazifabrics.com

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



**GHAZI FABRICS
INTERNATIONAL LIMITED**

GHAZI FABRICS INTERNATIONAL LIMITED
COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN/ CHIEF EXECUTIVE Mr. M ohammad Arshad Chaudhry
Mrs. Azra Yasmin
Mr. Muhammad Tariq
Mr. Kamran Arshad
Mr. Rizwan Arshad
Miss Fareeha Arshad
Miss Wajeeha Arshad

SECRETARY

Mr. Nauman Iqbal, ACA

AUDIT COMMITTEE

Mr. Mohammad Tariq Chairman
Mr. Kamran Arshad Member
Miss Fareeha Arshad Member

CHIEF FINANCIAL OFFICER

Mr. Abid Rafi

INTERNAL AUDITOR

Mr. Saadat Ali

AUDITORS

M/s. Qadeer & Company,
Chartered Accountants,
Lahore.

LEGAL ADVISOR

M/s. Zafar Iqbal & Raja
Advocates & Legal Consultants.

BANKERS

Habib Bank Limited
United Bank Limited

REGISTERED OFFICE

8-C, Block E-III, Gulberg III, Lahore -54660.
Phone : 042-5764026-8
Fax : 042-5764032
Email : info@ghazifabrics.com
Website : www.ghazifabrics.com

MILLS

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

12 AUTHORIZATION FOR ISSUE

These financial statements were approved by the Board of Directors and authorised for issue on February 27, 2009

13 CORRESPONDING FIGURES

- 13.1 Corresponding figures of these financial statements have been re-arranged wherever necessary for the purpose of comparison
13.2 Figures have been rounded off to nearest rupee.

Chief Executive

Director

GHAZI FABRICS INTERNATIONAL LIMITED
DIRECTOR'S REVIEW

9 PROPERTY, PLANT AND EQUIPMENT	Note	December 31,	June 30,
		2008	2008
		Rupees	
Opening written down value		1,581,352,847	1,683,149,662
Additions during the period/year			
Building on freehold land		316,293	2,777,961
Plant and machinery		68,876,364	53,195,188
Grid station and generator		9,051,295	1,300,000
Furniture and fittings		13,000	228,554
Vehicles		960,681	724,000
Tools and equipment		101,000	438,991
Electric installation		295,500	279,388
		79,614,133	58,944,082
		1,660,966,980	1,742,093,744
Book value of assets disposed off during the period/ year	9.1	(3,064,400)	(3,998,041)
		1,657,902,580	1,738,095,703
Depreciation for the period/ year		(73,223,575)	(156,742,856)
		1,584,679,005	1,581,352,847
9.1 Book value of assets disposed off			
Plant and machinery		3,064,400	3,912,824
Electric installations		-	11,862
Vehicles		-	73,355
		3,064,400	3,998,041

10 COST OF SALES	HalfYear ended		Quarter ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	Rupees			
Raw materials consumed	1,253,960,578	1,099,491,175	578,207,761	529,345,060
Salaries, wages and benefits	95,359,258	78,094,454	52,494,159	38,954,049
Fuel and power	119,561,021	72,708,927	63,001,133	23,644,695
Packing material consumed	20,681,820	19,226,246	9,888,838	9,160,227
Sizing material consumed	27,786,745	22,168,126	14,618,288	10,972,378
Store and spares consumed	45,417,572	58,583,698	22,223,362	41,356,679
Insurance	1,201,690	1,464,327	638,753	722,239
Depreciation	71,458,818	76,368,861	36,544,590	39,018,252
Others	4,121,494	4,536,601	2,589,318	2,360,700
	1,639,548,996	1,432,642,416	780,206,202	695,534,280
Adjustment of work in process				
Opening	33,289,465	35,259,100	43,902,300	32,624,680
Closing	(41,797,353)	(37,596,977)	(41,797,353)	(37,596,977)
	(8,507,888)	(2,337,877)	2,104,947	(4,972,297)
Cost of goods manufactured	1,631,041,108	1,430,304,539	782,311,149	690,561,983
Adjustment of finished goods				
Opening	213,092,157	231,506,137	175,638,010	172,648,779
Closing	(200,206,716)	(170,621,602)	(200,206,716)	(170,621,602)
	12,885,441	60,884,535	(24,568,706)	2,027,177
	1,643,926,549	1,491,189,074	757,742,443	692,589,160

11 TRANSACTIONS WITH RELATED PARTIES	December 31,	December 31,
	2008	2007
	Rupees	
Associates:		
Purchase of stores items	-	47,348,502
Payment of deferred liabilities	12,533,231	10,650,000

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.

We are pleased to present the financial statements for the half year ended at December 31, 2008 duly reviewed by the auditors.

Your Company has posted an after tax loss of Rs.67.554 million as compared to a loss of Rs. 110.471 million last year. Although your Company's operating results improved as compared to last year figures but there are factors like increase in gas and electricity tariff, increase in both borrowing cost and minimum wage.

The political and social instability in and around our country is causing the economy to suffer. The manufacturing sector of the country especially textile is facing the onslaught of these worsening conditions, and the outcomes of these conditions is highly unpredictable. Prolonged power shortages, rising of power and borrowing cost will remain to the key challenges facing the textile industry

Your management is putting in their best effort to deal with this challenging environment despite the lack of support from the overall governance/ conditions in the Country.

We would like to take this opportunity to express our appreciation to the management and employees of the Company for their hard-work and dedication. We also express our gratitude to our valued customers.

For and on behalf of the Board

Lahore
February 27, 2009

(Mohammad Arshad Chaudhry)
Chief Executive

GHAZI FABRICS INTERNATIONAL LIMITED
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13.2 Figures have been rounded off to nearest rupee.

Chief Executive

Director

**GHAZI FABRICS INTERNATIONAL LIMITED
REVIEW REPORT TO THE MEMBERS**

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Ghazi Fabrics International Limited** as at December 31, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the half year then ended. Management of the company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the half year ended December 31, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended December 31, 2008 and 2007 in the condensed interim profit and loss account have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2008 and we do not express conclusion on them.

LAHORE
Dated: February 28, 2009

QADEER & COMPANY
CHARTERED ACCOUNTANTS

**GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2008**

	Notes	Un-audited December 31, 2008	Audited June 30, 2008
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
		Rupees	
Authorized share capital	6.1	400,000,000	400,000,000
Issued, subscribed and paid up capital	6.2	326,356,000	326,356,000
Accumulated loss		(514,837,028)	(459,178,896)
		(188,481,028)	(132,822,896)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		238,895,422	250,791,644
NON CURRENT LIABILITIES			
Long term financing	7	1,293,378,542	1,115,586,952
Deferred liabilities		56,764,033	50,697,830
		1,350,142,575	1,166,284,782
CURRENT LIABILITIES			
Trade and other payables		157,573,222	114,846,531
Markup/ interest payables		26,749,168	22,798,567
Short term bank borrowings		775,466,369	757,792,563
Current portion of long term financing		173,616,938	249,466,296
Provision for taxation		21,605,532	14,612,235
		1,155,011,229	1,159,516,192
CONTINGENCIES AND COMMITMENTS	8	-	-
TOTAL EQUITY AND LIABILITIES		2,555,568,198	2,443,769,722
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	9	1,584,679,005	1,581,352,845
Capital work in progress		-	69,082,387
		1,584,679,005	1,650,435,232
LONG TERM DEPOSIT		5,697,180	490,080
		1,590,376,185	1,650,925,312
CURRENT ASSETS			
Stores, spares and loose tools		78,460,349	34,701,694
Stock in trade		605,848,112	582,301,822
Trade debts		217,540,824	119,666,735
Loans and advances		32,792,906	29,999,087
Trade deposits and short term prepayments		1,538,752	1,962,322
Other receivables		9,105,780	9,882,201
Sales tax refundable		14,963,240	11,428,885
Cash and bank balances		4,942,050	2,901,664
		965,192,013	792,844,410
TOTAL ASSETS		2,555,568,198	2,443,769,722

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

Chief Executive

Director

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE 2nd QUARTER AND HALF YEAR ENDED DECEMBER 31, 2008

Notes	Half Year ended December 31, 2008	Half Year ended December 31, 2007	Quarter ended December 31, 2008	Quarter ended December 31, 2007
	Rupees			
SALES - Net	1,737,730,726	1,483,111,878	757,368,312	711,346,319
COST OF SALES	10 1,643,926,549	1,491,189,074	757,742,443	692,589,160
GROSS PROFIT/(LOSS)	93,804,177	(8,077,196)	(374,131)	18,757,159
SELLING AND DISTRIBUTION ADMINISTRATIVE EXPENSES	48,886,256 24,801,433 73,687,689	31,980,877 22,015,890 53,996,767	21,369,728 11,850,554 33,220,282	17,274,515 10,108,333 27,382,848
OPERATING PROFIT/(LOSS)	20,116,488	(62,073,963)	(33,594,413)	(8,625,689)
OTHER INCOME	1,958,293	(1,012,568)	10,805,792	(2,779,461)
FINANCE COST	22,074,781	(63,086,531)	(22,788,621)	(11,405,150)
OTHER CHARGES	68,751,071 21,471,410	46,311,810 -	35,397,464 -	22,117,110 -
LOSS BEFORE TAXATION	90,222,481	46,311,810	35,397,464	22,117,110
	(68,147,700)	(109,398,341)	(58,186,085)	(33,522,260)
PROVISION FOR TAXATION	(593,347)	1,073,454	(2,908,636)	4,906,794
LOSS AFTER TAXATION	(67,554,353)	(110,471,795)	(55,277,449)	(38,429,054)
Earnings per share - Basic and diluted	(2.07)	(3.39)	(1.69)	(1.18)

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

Chief Executive

Director

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008

Note	December 31, 2008	December 31, 2007
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(68,147,700)	(109,398,341)
Adjustment for:		
Depreciation	73,223,575	78,197,702
(Gain)/Loss on disposal of fixed assets	2,064,400	3,361,909
Staff retirement benefits	3,416,056	4,493,340
Finance cost	68,751,071	46,311,810
	147,455,102	132,364,761
Cash flows before working capital changes	79,307,402	22,966,420
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(43,758,655)	(9,255,004)
Stock in trade	(23,546,290)	(273,601,568)
Trade debts	(97,874,089)	8,083,822
Loans and advances	7,779,726	(1,979,218)
Trade deposits and prepayments	423,570	(3,686,459)
Other receivable	776,421	(4,916,718)
Sales tax refundable	(3,534,355)	(3,236,460)
Increase/(decrease) in current liabilities:		
Trade and other payables	42,701,200	54,293,066
	(117,032,472)	(234,298,539)
Cash Inflows/(Outflows) from operations	(37,725,070)	(211,332,119)
Finance cost paid	(64,800,470)	(45,470,007)
Staff retirement benefits Paid	(2,133,017)	(2,215,690)
Income Tax paid	(10,573,549)	(6,615,006)
	(77,507,037)	(54,300,703)
Net cash used in operating activities	(115,232,106)	(265,632,822)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(10,531,746)	(16,822,674)
Proceeds from disposal of fixed assets	862,070	565,217
Long term deposits	(5,207,100)	-
Net cash used in investing activities	(14,876,776)	(16,257,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	226,675,400	260,000,000
Repayment of long term loans	(124,733,168)	(328,483,168)
Due to related parties	12,533,231	(10,650,000)
Short term borrowings- net	17,673,805	371,306,006
Net cash generated from financing activities	132,149,268	292,172,838
Net cash and cash equivalents	2,040,386	10,282,559
Cash and cash equivalents at		
at the beginning of the period	2,901,664	3,877,814
Cash and cash equivalents at		
the end of period	4,942,050	14,160,373

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

Chief Executive

Director

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008

Issued, subscribed and paid-up	Accumulated loss	Total
Rupees		

Balance as at June 30, 2007	326,356,000	(300,170,416)	26,185,584
Loss for the period	-	(110,471,795)	(110,471,795)
Surplus on revaluation of fixed assets transferred to retained earnings during the period			
- relating to incremental depreciation	-	11,552,133	11,552,133
- relating to disposal of revalued asset	-	2,020,938	2,020,938
Balance as at December 31, 2007	326,356,000	(397,069,140)	(70,713,140)
Loss for the period	-	(73,779,777)	(73,779,777)
Surplus on revaluation of fixed assets transferred to retained earnings during the period			
- relating to incremental depreciation	-	11,670,021	11,670,021
- relating to disposal of revalued asset	-	-	-
Balance as at June 30, 2008	326,356,000	(459,178,896)	(132,822,896)
Loss for the period	-	(67,554,353)	(67,554,353)
Surplus on revaluation of fixed assets transferred to retained earnings during the period			
- relating to incremental depreciation	-	10,352,538	10,352,538
- relating to disposal of revalued asset	-	1,543,682	1,543,682
Balance as at December 31, 2008	326,356,000	(514,837,028)	(188,481,028)

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

Chief Executive

Director

GHAZI FABRICS INTERNATIONAL LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2008

1 STATUS AND ACTIVITIES

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

2 BASIS OF PREPARATION

These condensed interim financial statements are un-audited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of International Accounting Standard No. 34 " Interim Financial Reporting " as applicable in Pakistan. These condensed interim financial statements do not include all of the information required for full financial statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2008. Further these accounts are being circulated to the shareholders as required under clause (xx) of the Code of Corporate Governance and section 245 of the Companies Ordinance, 1984.

3 BASIS OF MEASUREMENT

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

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the company for the year ended June 30, 2008.

5 JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the company's accounting policies and the key sources of estimation were the same as those applied to the financial statements for the year ended June 30, 2008.

6 SHARE CAPITAL

6.1 **Authorised capital**

40,000,000 (June 30, 2008: 40,000,000) ordinary shares of Rs. 10/- each paid in cash

	December 31, 2008	June 30, 2008
Rupees		

	400,000,000	400,000,000
--	-------------	-------------

6.2 **Issued, subscribed and paid up capital:**

32,635,600 (June 30, 2008: 32,635,600) ordinary shares of Rs.10/- each fully paid in cash

	326,356,000	326,356,000
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7 LONG TERM FINANCING - Secured

Opening balance

	512,269,332	628,401,807
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Add: Acquired during the period/ year

	102,075,400	169,583,864
--	-------------	-------------

	614,344,732	797,985,671
--	-------------	-------------

Less: Repayment during the period/year

	124,733,168	285,716,339
--	-------------	-------------

	489,611,564	512,269,332
--	-------------	-------------

Loan from sponsors

	977,383,916	852,783,916
--	-------------	-------------

	1,466,995,480	1,365,053,248
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Less: Current portion

	173,616,938	249,466,296
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	1,293,378,542	1,115,586,952
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8 CONTINGENCIES AND COMMITMENTS

8.1 There is no material change in the status of the contingencies reported in the annual financial statements for the year ended June 30, 2008.

8.2 Commitments against irrevocable letters of credit outstanding as at December 31, 2008 Rs. Nil (June 30, 2008 Rs. 254.47 million).