CONTENTS

COMPANY PROFILE

BOARD OF DIRECTORS

CHAIRMAN/CHIEF EXECUTIVE	Mr. Mohammad Arshad Chaudhry	
DIRECTORS	Mr. Kamran Arshad	
	Mr. Mohammad Tariq	
	Mr. Rizwan Arshad	
	Mrs. Azra Yasmin	
	Miss Fareeha Arshad	
	Miss Wajeeha Arshad	
COMPANY SECRETARY	Mr. Nauman Iqbal, ACA	
AUDIT COMMITTEE	Mr. Mohammad Tariq	Chairman
	Mr. Kamran Arshad	Member
	Miss Fareeha Arshad	Member
CHIEF FINANCIAL OFFICER	Mr. Abid Rafi	
INTERNAL AUDITOR	Rao Sadat Ali	
AUDITORS	M/s. Qadeer & Co., Chartered Accountants Lahore	
SHARE REGISTRARS	M/s. Corplink (Pvt.) Ltd.	
LEGAL ADVISOR	M/s. Raja Muhammad Akram & Co., Advocates & Legal Consultants	
BANKERS	United Bank Limited Habib Bank Limited	
REGISTERED OFFICER	8-C, Block E-III, Gulberg - III, Lahore - 54660 Fax:(042) 35764032 Email: info@ghazifabrics.com Website: 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.

1. ETHICS

Discipline

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

Coordination among staff

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

Conflict of interest

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

Confidentiality

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

Kick Backs/ Undue favour or unwarranted gifts

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

2. BUSINESS PRACTICES

Environment

i) Pollution free environment

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

ii) Drugs free environment

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

Health and safety

Health and safety of all the staff and employees particularly and of the society in general is a great concer 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 the Company shall not make any commitment, the compliance of which is beyond their control and it 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 not 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 22nd ANNUAL GENERAL MEETING.

NOTICE is hereby given that the 22nd Annual General Meeting of the Shareholders of **GHAZI FABRICS INTERNATIONAL LTD.** will be held on Thursday the 27th October, 2011 at 10:30 a.m. at Qasr-e-Noor, 9-E-2, Gulberg-III, Lahore to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of 21st Annual General Meeting of the members of the Company held on Wednesday the 27th October, 2010.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2011 together with the Directors' and Auditors' Reports thereon..

3. To approve as recommended by directors dividend @ 10% in the form of cash dividend i.e. Rs.1 per share.

4. To appoint Auditors and fix their remuneration for the year ending June 30, 2012. The present auditors M/s. Qadeer & Co., Chartered Accountants, retire and being eligible has offered themselves for reappointment.

5. To elect seven Directors of the Company, as fixed by the Board in pursuance of Section 178(1) of the Companies Ordinance 1984 for a term of three years commencing from 28th October, 2011. The names of retiring Directors are (1) Mr. Mohammad Arshad Chaudhry (2) Mr. Kamran Arshad (3) Mr. Mohammad Tariq (4) Mr. Rizwan Arshad (5) Mrs. Azra Yasmeen (6) Miss Fareeha Arshad (7) Miss. Wajeeha Arshad

6. To transact any other ordinary business with the permission of the Chair.

By order of the Board

LAHORE:
October 06, 2011.

(NAUMAN IQBAL)
Company Secretary

NOTES:-

I. Share Transfer Books of the Company will remain closed from 20th October, 2011 to 29th October, 2011 (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. Members who desire to stop deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law (if not submitted earlier.)

IV. Shareholders whose shares are deposited with CDC must bring their Original Computerised 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.

V. 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.

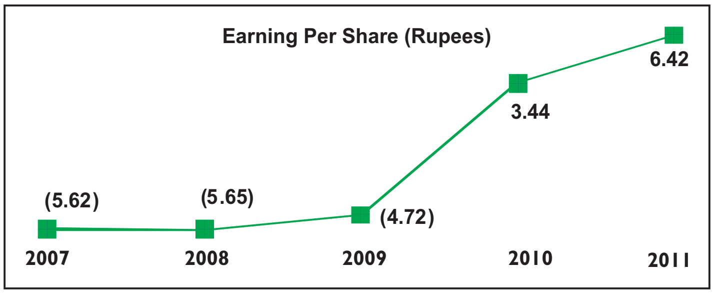
Shareholders are requested to notify the change in their addresses, if any, immediately.

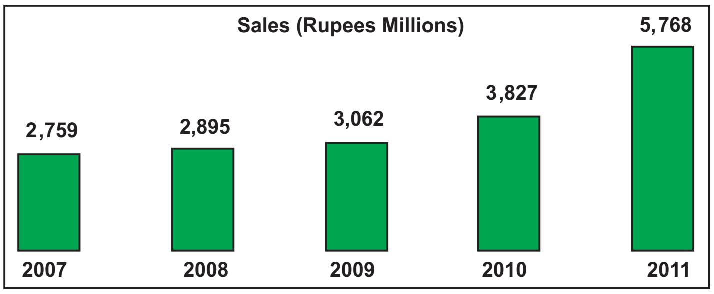
DIRECTOR REPORT

The Board of directors are pleased to present the annual report of the Company alongwith the audited financial statements for the year ended June 30, 2011. 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 year under review was good for Pakistan's textile industry and the Company performed exceptionally well with manifold growth is sales and profitability due to the rise in international cotton prices which touched $ 2.40 in March 2011. These equations contributed to the better margins and resultantly increase in profitability of the Company. On the domestic front our economy experiences many shocks. Political tension, deteriorated law and order situation, aggravated power shortage, the negative impact of monetary tightening and rising cost of doing business have not only put the economy to real tests but has also badly affected the industrial growth. All the major economic sectors, including agriculture, manufacturing and investment showed poor performance and the economy grew not only less than budgeted.

However, since the prices of the finished goods kept pace with the increase in raw material prices we were able to achieve goods results at the end of the year.



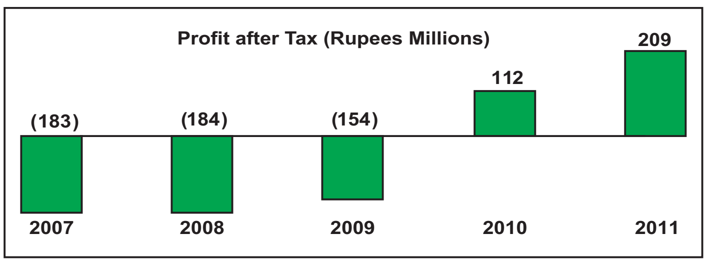


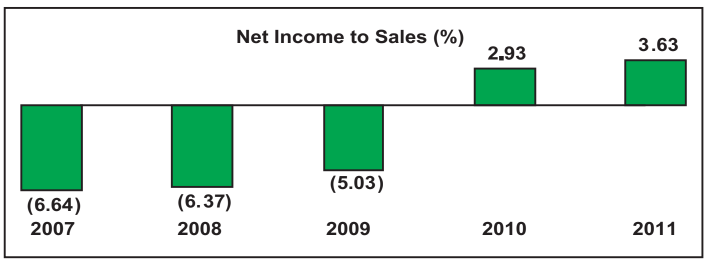
The Key Financial results are as under:

	2011	2010
	Rupees(000)	
Sales	5,767,986	3,827,201
Operating profit	471,499	299,617
Financial charges	(161,934)	(166,451)
Profit/ (loss) before tax	309.564	133,165
Profit/ (loss) after tax	209,445	112,208
Earning per share (EPS) Rs.	6.46	3.44

Your Company has posted a after tax profit of Rs. 209.445 as compared to profit of Rs. 112.208 million last year.

Tough competition from traditional rivals China, Bangladesh and India has led to price pressure resulting in negative impact on our textile industry's margins. The energy crises in the country deepened further and we continue to suffer on account of electric and gas load shedding. This shortage forced us to resort to alternative energy which is an expensive equation. More hurting factor is that interruption of gas supply to textile is now being carried out even during the summer months.





Future prospects

The world cotton prices surged to the record levels and New York futures breached the $ 2 mark for the first time. However, after April 2011 the sharp decline in New York future results in panic selling and inventory losses and prices seems to settle on $ 1/- mark. The recent rains and floods in Sind will again result in increase in cotton import bill of the country to the meet the local industry requirements. We do not expect that last years level of growth and profitability can be achieved again this year.

Despite all the problems the management of your company is striving hard to consolidate the operational results by taking serious steps to optimize its processes and develop a stronger/ loyal customer base. This will yield positive results in the long term.

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.

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 Accounting 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. Directors have recommended a dividend of Rs. 1/- share (2010:Rs. 1/-).
8. Financial highlights for the last six years are annexed
9. There has been no material departure from best practices of corporate governance.
10. Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board.
11. During the year under review, four meetings of the Boards were held and following were in attendance:

Sr #	Director's Name	Meeting Attended
1.	Mr. Mohammad Arshad Chaudhry	03
2.	Mr. Mohammad Tariq	04
3.	Mr. Kamran Arshad	04
4.	Mr. Rizwan Arshad	04
5.	Mrs. Azra Yasmin	04
6.	Miss Fareeha Arshad	04
7.	Miss Wajeeha Arshad	04

12. 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.

13. 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.

Audit Committee

The committee comprises of 3 members, two of them are non-executive directors. The committee meets every quarter for review of audit reports, interim and annual financial results prior to the approval of the Board and before and after completion of external audit.

The committee also meets the external auditors without the CFO and the head of Internal audit being present, during the year and head of internal audit and other members of internal audit function without the CFO and external auditors being present, during the year.

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

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

September 29, 2011

(Mohammad Arshad Chaudhry)

Chief Executive

PATTERN OF SHAREHOLDING

As At June 30, 2011

NUMBER OF SHAREHOLDERS	HOLDINGS FROM	TO	TOTAL SHARES HELD
625	1	100	59,262
3,917	101	500	1,787,889
348	501	1,000	338,974
299	1,001	5,000	745,518
44	5,001	10,000	345,600
11	10,001	15,000	141,400
5	15,001	20,000	91,198
4	20,001	25,000	96,700
3	25,001	30,000	85,100
2	30,001	35,000	68,500
1	35,001	40,000	35,500
1	40,001	45,000	43,400
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	300,001	305,000	301,400
1	875,001	880,000	877,200
1	1,195,001	1,200,000	1,198,459
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
5,314			32,635,600

CATEGORIES OF SHAREHOLDING

SL. NO.	CATEGORY	NAME	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
1	INDIVIDUALS	--	5275	15,949,437	48.8713
2	ICP	Investment Corp. of Pakistan	1	14,900	0.0457
3	CHIEF EXECUTIVE	Mr. Mohammad Arshad Chaudhry	1	16,300,000	49.9455
4	DIRECTOR	Mrs. Azra Yasmin	1	1,000	0.0031
5	-DO-	Mr. Kamran Arshad	1	1,000	0.0031
6	-DO-	Mr. Mohammad Tariq	1	1,000	0.0031
7	-DO-	Miss. Fareeha Arshad	1	1,000	0.0031
8	-DO-	Miss. Wajeeha Arshad	1	500	0.0015
9	-DO-	Mr. Rizwan Arshad	1	1,000	0.0031
10	PUBLIC SECTOR COMPAINES	Joint Stock Companies	25	211,363	0.6476
11	NON BANKING FINANCIAL INSTITUTIONS	Investment Banks	3	27,100	0.0830
12	INSURANCE COMPANIES		1	124,500	0.3815
13	MODARBAS		2	2,800	0.0086
			5,314	32,635,600	100.0000

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY

NAME OF SHAREHOLDER	NO. OF SHARES	PERCENTAGE %
Mr. Mohammad Arshad Chaudhry	16,312,500	49.9455
	16,312,500	49.9838

SIX YEARS FINANCIAL STATISTICAL SUMMARY

Description	2011	2010	2009	2008	2007	2006
						Rupees in '000'
Measure of performance						
Sales - net	5,767,986	3,827,202	3,093,333	2,894,539	2,758,729	2,423,485
Cost of sales	5,040,340	3,378,485	2,888,225	2,828,777	2,709,747	2,236,963
Gross profit	727,647	448,717	205,108	65,762	48,982	186,522
Operating profit	471,499	299,617	30,996	(44,962)	(54,524)	80,087
Profit after tax	209,445	112,208	(153,997)	(184,252)	(183,249)	6,595
In % age terms						
Profit after tax	3.63%	2.93%	-4.98%	-6.37%	-6.64%	0.27%
Cost of sales	87.38%	88.28%	93.37%	97.73%	98.22%	92.30%
Profit before tax	8.17%	5.19%	0.54%	-0.78%	-0.95%	1.39%
Profit after tax	3.63%	1.95%	-2.67%	-3.19%	-3.18%	0.11%
Financial position						
Property, plant and equipement-net	1,352,372	1,406,574	1,530,188	1,581,353	1,683,150	1,781,739
Capital work in progress	1,263	158	-	69,082	37,809	54,594
Fixed assets	1,353,635	1,406,732	1,530,188	1,650,435	1,720,959	1,836,333
Current assets						
Stores, spares and loose tools	76,336	68,590	53,855	34,702	29,555	27,707
Stocks in trade	985,308	732,389	733,463	582,302	359,710	343,524
Other current assets	335,491	249,021	216,792	172,939	188,388	127,710
Cash and cash equivalent	5,273	19,371	3,544	2,902	3,878	4,593
	1,402,409	1,069,371	1,007,654	792,844	581,531	503,534
Current liabilities						
Short term borrowings	871,618	912,210	859,276	757,793	296,618	208,028
Current portion of long term loans	122,819	122,819	136,335	249,466	285,716	194,583
Other current liabilities	404,765	262,746	181,422	152,257	128,335	112,115
	1,399,202	1,297,775	1,177,033	1,159,516	710,669	514,726
Net working capital	3,207	(228,404)	(169,379)	(366,672)	(129,138)	(11,192)
Long term loans	124,575	247,394	363,546	262,803	451,345	758,793

STATEMENT OF VALUE ADDITION

		2011	2010
		Rupees	
Sales		5,767,986,276	3,827,201,634
Less: Manufacturing/ administration and general expenses		4,883,920,628	3,152,077,267
		884,065,648	675,124,367
Other income		8,315,971	3,587,817
Total value added		892,381,619	678,712,184
Distribution			
Employees			
	Salaries and wages	292,369,809	246,797,581
Government			
	Corparate tax	100,119,327	20,957,312
	Development surcharge	6,596,403	2,663,970
		106,715,730	23,621,282
Lenders:			
	Markup on loans	161,934,374	157,827,356
Retained in business:			
	Depreciation	121,916,728	138,258,139
	Profit	209,444,978	112,207,826
		331,361,706	250,465,965
Total value added		892,381,619	678,712,184

Distribution	2011	2010
	Percentage	
Employees	32.76%	36.36%
Government	11.96%	3.48%
Lenders	18.15%	23.25%
Retained in business	37.13%	36.90%
	100.00%	100.00%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed with the best practices of corporate governance.

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

1. The Company encourages the representation of independent directors, non-executive directors and directors elected from minority interest, at present board consists of one chief executive and one unpaid whole time director assisting the chief executive and five non executive directors. However, there are expectations of independent directors coming on the board in the next election of directors.

2. No director of GFIL is on the Board of Directors of more than ten companies.

3. There has been no casual vacancy in the Board during the year 2011.

4. All the directors of the Company are regular tax payers and none of them has ever defaulted in payment of any loan to any banking company, development financial institution or non-banking financial institution. None of the directors of the Company is a member of the Stock Exchanges on which shares of the Company are traded.

5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Company.

6. The Company has adopted vision/ mission statement and overall corporate strategy. A complete record of all the significant policies approved and adopted has been maintained.

7. All the powers of the Board have been exercised by the board especially approval of material transactions, appointment and the terms and conditions of the employment of CEO, Executive Director, CFO, Company Secretary and other executives of the Company.

8. All the meetings of the board were presided over by the chairman and the board met at least once in every quarter. Written notice of the board meeting along-with agenda and working papers were issued at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

9. The directors are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations.

10. No new appointment of Chief Financial Officer or Head of Internal Audit has been made during the year, except for the Company Secretary. However, the Board has approved their annual remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.

11. The Directors' report has been prepared in compliance with the requirement of Code of Corporate Governance and all the salient matters required to be disclosed has been spelled out properly.

12. The financial statements of the Company were duly endorsed by CEO and CFO before the approval of the Board.

13. The directors, CEO and other executive of the Company do not hold any interest in the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting framework requirements.

15. The Company has formed an audit committee. It comprises three members. Two of them are non-executive directors, including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to the approval interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has setup an effective internal audit function headed by a whole time suitably qualified person.

18. 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.

19. 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.

20. We confirm that all the material principles contained in the code have been complied with.

For and on behalf of the Board

Lahore

September 29, 2011

(Mohammad Arshad Chaudhry)

Chief Executive

QADEER & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REVIEW REPORT TO THE MEMBERS

On Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to company for the year ended June 30, 2011 prepared by the Board of Directors of **GHAZI FABRICS INTERNATIONAL LIMITED** (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for the compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of listing regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19,2009 requires the company to place before the board of directors for their consideration and approval of 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, recording proper justification for using such alternate pricing mechanism. Further all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2011.

Lahore

September 29, 2011

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

Financial Statements

For the year ended June 30, 2011

QADEER & COMPANY
CHARTERED ACCOUNTANTS

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GHAZI FABRICS INTERNATIONAL LIMITED ('the Company') as at June 30, 2011 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 except for the changes as described in note 3.22 to the financial statements, with which we concur;

(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;

(c) 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, 2011 and of the profit, total comprehensive income, 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

September 29, 2011

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

BALANCE SHEET
AS AT JUNE 30, 2011

CAPITAL AND LIABILITIES	Note	2011 Rupees	2010 Rupees
Share capital and reserves			
Authorized capital			
40,000,000 (2010: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	4	326,356,000	326,356,000
Accumulated loss		(233,145,345)	(460,503,108)
		93,210,655	(134,147,108)
Surplus on revaluation of property, Plant and equipment	5	175,757,324	203,776,515
Non current liabilities			
Long term financing	6	124,575,222	247,394,164
Sponsors' loan	7	869,933,475	754,288,567
Deferred liabilities	8	106,317,201	112,712,553
		1,100,825,898	1,114,395,285
Current liabilities			
Trade and other payables	9	305,626,777	197,481,836
Accrued interest / mark up	10	33,008,272	26,970,103
Short term borrowings	11	871,618,145	912,209,911
Current portion of long term financing	6	122,818,944	122,818,866
Provision for taxation	12	66,129,717	38,294,764
		1,399,201,856	1,297,775,480
Contingencies and commitments	13	-	-
		2,768,995,731	2,481,800,171
ASSETS			
Non current assets			
Property, plant and equipment	14	1,352,372,248	1,406,573,950
Capital work in progress	15	1,262,930	157,700
		1,353,635,178	1,406,731,650
Long term deposits		12,952,014	5,697,180
		1,366,587,192	1,412,428,830
Current assets			
Stores, spares and loose tools	16	76,335,688	68,589,843
Stock in trade	17	985,308,284	732,389,073
Trade debts	18	243,461,356	189,740,745
Loans and advances	19	75,701,687	36,684,890
Trade deposits and short term prepayments	20	1,411,319	924,340
Other receivables	21	14,916,942	21,671,089
Cash and bank balances	22	5,273,265	19,371,361
		1,402,408,539	1,069,371,341
		2,768,995,731	2,481,800,171

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

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		Rupees	
Sales - Net	23	5,767,986,276	3,827,201,634
Cost of goods sold	24	(5,040,339,637)	(3,378,484,688)
Gross profit		727,646,639	448,716,946
Operating expenses:			
- Selling and distribution costs	25	163,542,779	74,107,655
- Administrative and general expenses	26	74,399,036	54,162,977
- Other operating charges	27	26,522,116	24,417,147
		264,463,931	152,687,779
		463,182,708	296,029,167
Other operating income	28	8,315,971	3,587,817
Profit from operations		471,498,679	299,616,984
Finance cost	29	161,934,374	166,451,845
Profit before taxation		309,564,305	133,165,139
Taxation	30	(100,119,327)	(20,957,312)
Profit for the year		209,444,978	112,207,826
Earning per share - basic	31	6.42	3.44

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		Rupees	
Profit for the year		209,444,978	112,207,826
Other comprehensive income		-	-
Total comprehensive income for the year		209,444,978	112,207,826

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	309,564,305	133,165,139
Adjustments for:		
- Depreciation	121,916,728	138,258,138
- Gain/(loss) on disposal of property, plant and equipment	5,964,960	(78,741)
- Provision for gratuity	12,369,768	10,531,399
- Worker's profit participation fund	16,329,041	6,873,749
- Worker's Welfere Fund	(2,612,025)	2,612,025
- Finance cost	161,934,374	166,451,845
	315,902,846	324,648,415
Operating profit before working capital changes	625,467,151	457,813,554
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(7,745,845)	(14,734,710)
- Stock in trade	(252,919,211)	1,073,613
- Trade debts	(53,720,611)	(13,969,327)
- Loans and advances	(5,423,571)	(3,761,589)
- Trade deposits and short term prepayments	(486,979)	1,213,303
Other receivables	6,754,148	(8,726,492)
Increase / (decrease) in current liabilities:		
- Trade and other payables	99,681,090	53,316,319
	(213,860,979)	14,411,117
Cash generated from operations	411,606,172	472,224,671
Income tax paid / deducted	(52,747,172)	(22,711,130)
Gratuity paid	(8,048,325)	(6,109,316)
Worker's profit participation fund paid	(6,873,749)	-
Finance cost paid	(155,896,204)	(174,574,661)
Net cash generated from/used in operating activities	188,040,722	268,829,564
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(76,513,208)	(14,655,659)
Capital work in progress	(11,462,178)	(157,700)
Proceeds from disposal of property, plant and equipment	13,190,174	90,000
Net cash used in investing activities	(74,785,212)	(14,723,359)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(122,818,864)	(129,668,302)
Payment of long term security deposits	(7,254,834)	-
Loan from directors and others - net	115,644,908	(182,710,368)
Due to associated undertakings	(69,211,588)	17,088,738
Short term borrowings	(40,591,766)	52,934,362
Dividend paid	(3,121,462)	(316)
Net cash used in financing activities	(127,353,606)	(242,355,886)
Net decrease in cash and cash equivalents	(14,098,097)	11,750,319
Cash and cash equivalents at the beginning of the year	19,371,361	7,621,042
Cash and cash equivalents at the end of the year	5,273,265	19,371,361

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, 2011

	Share Capital	Accumulated Loss	Total
		Rupees	
Balance as at July 01, 2009	326,356,000	(590,572,916)	(264,216,916)
Total comprehensive income for the year ended June 30, 2010	-	112,207,826	112,207,826
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged during the year.	-	17,861,982	17,861,982
Balance as at June 30, 2010	326,356,000	(460,503,108)	(134,147,108)
Total comprehensive income for the year ended June 30, 2011	-	209,444,978	209,444,978
Final dividend for the year ended June 30, 2010	-	(4,742,046)	(4,742,046)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged during the year.	-	14,208,770	14,208,770
Surplus realised on disposal of property, plant and equipment.	-	8,446,061	8,446,061
Balance as at June 30, 2011	**326,356,000**	**(233,145,345)**	**93,210,655**

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

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS.

FOR THE YEAR ENDED JUNE 30, 2011

1 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 Accounting 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 and certain items of property, plant and equipment that are stated at revalued amounts. 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 judgements about the carrying values of assets and liabilites 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 discount 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.

2.3.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

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 Surplus/ deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is credited directly to the equity after reversing deficit relating to the same item previously recognized in profit and loss, if any. Deficit arising on revaluation is recognized in profit and loss after reversing the surplus relating to the same item previously recognized in equity, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit and loss every year.

3.3 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, 2011. Charge for the current year is based on estimates provided by the actuary as at June 30, 2011. The following significant assumptions were used in the latest actuarial valuation:

	2011	2010
Discount rate	14%	12%
Expected rate of salary increase in future years	13%	11%
Average expected remaining working life time of employees	4 years	4 years
Actuarial valuation method	Projected unit credit method	

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land that is stated at revalued amount. Buildings, plant and machinery, grid station and generators are stated at revalued amounts less accumulated depreciation. Cost of property, plant and equipment consists of historical cost, revalued amount and other directly attributable costs incurred to bring the assets to their working condition.

The management reviews the market value of revalued assets at each balance sheet date to ascertain whether the fair value of revalued assets have differed materially from the carrying value of such assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 14. Depreciation on additions is charged from the month in which the asset was available for use upto the month in which the asset was disposed off.

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.

3.10 Capital work in progress

Capital work in progress in 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.

3.11 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.

3.12 Stores, spares and loose tools

Usable stores and spares are valued principly at moving average cost, while items considered obsolete are carried at nill 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.

3.13 Stock in trade

These are valued at lower of cost or net realizable value except waste which is valued at net realizable value dertermined at avergae 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.2 Dividends

Dividend is recognized as a liability in the period in which it is declared.

3.21 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.

3.22 Changes in accounting policies and disclosures

3.22.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the year ended June 30, 2011.

The International Accounting Standards Board has published following standards, interpretations and amendments that are effective and have been applied during the current accounting period in preparing these financial statements.

IAS 1 (amendment), Presentation of financial statement (effective from January 1, 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counter party to settle in shares at any time. It does not have a material impact on the Company's financial statement.

b) IFRS 8 - Operating Segments (effective from January 1, 2010). The amendment provide that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. It does not have a material impact on the Company's financial statement.

c) IAS 7-" Statement of cash flows (effective from January 1, 2010) - The guidance has been amended to clarify that only expenditure that result in a recognized asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment results in an improvement in the alignment of the classification of cash flows from investing activities in the statement of cash flows and the presentation of recognized assets in the statement of financial position. It does not have a material impact on the Company's financial statement.

3.22.2 Standards, interpretations and amendments to published approved accounting standards that are effective in current year but are not relevent to the company.

a) IAS 17- "Leases "Amendments (effective from January 1, 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. It does not have any impact on the Company's financial statement.

b) IAS 36-" Impairment of Assets" (effective from January 1, 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company’s operations.

c) IAS 7-" Statement of cash flows (effective from January 1, 2010) - The guidance has been amended to clarify that only expenditure that result in a recognized asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment results in an improvement in the alignment of the classification of cash flows from investing activities in the statement of cash flows and the presentation of recognized assets in the statement of financial position. It does not have a material impact on the Company's financial statement.

3.22.2 Standards, interpretations and amendments to published approved accounting standards that are effective in current year but are not relevent to the company.

a) IAS 17- "Leases "Amendments (effective from January 1, 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. It does not have any impact on the Company's financial statement.

b) IAS 36-" Impairment of Assets" (effective from January 1, 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

3.22.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The International Accounting Standards Board has published following standards, interpretations and amendments that are not yet effective and have not been applied in preparing these financial statements.

- IAS 1 (amendment), "Presentation of financial statement", is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statement.The amendment is not expected to have a material impact on the company's

- IAS 24 (Revised), "Related Party Disclosures" , is effective from annual periods beginning on or after January 1, 2011. The definition of related party has been clarified to simply the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on Company's financial statement.

- IAS-34 (amendment), "Interim Financial Reporting", is effective from annual period beginning on or after January 1, 2011. This amendment provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair value of financial instrument and their classification, transfer of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This is not expected to have a material impact on Company's financial statement.

- IFRS-7 (amendment), "Financial Instrument", is effective for annual periods beginning on or after January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risk associated with financial instruments. This is not expected to have a material impact on Company's financial statement.

- IFRS-7 (amendment),"Financial Instrument", is effective for annual periods beginning on or after January 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfer of financial assets, where financial assets are recognized in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financial assets are not derecognized in their entirety. This is not expected to have a material impact on

There are other amendments to the approved accounting standards and interpretations that are not yet effective but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

3.22.4 Standards, interpretations and amendments to existing standards that are applicable to company but not yet effective.

	Effective for periods beginning on or after
- IFRS 1 (amendments), First-time adoption of International Financial Reporting Standards'	January 1, 2011
- IFRIC 13 (amendment), 'Customer loyalty Programmes'	January 1, 2011
- IFRS 1 (amendments), 'First-time adoption of International Financial Reporting Standards--Severe hyperinflation and removal of fixed dates for first-time adopters',	July 1, 2011

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2011	2010		2011	2010
No. of shares			Rupees	
		Ordinary shares of Rs. 10 each		
32,635,600	32,635,600	fully paid in cash	326,356,000	326,356,000

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

5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	NOTE	2011 Rupees	2010 Rupees
Land - freehold		31,521,323	31,521,323
Buildings on freehold land		40,933,098	45,693,474
Plant and machinery		131,120,384	150,772,324
Grid station and generators		201,710	231,922
		203,776,515	228,219,043
Incremental depreciation on revalued property, plant and equipment during the year - transferred to retained earnings		(14,208,770)	(17,861,982)
Change in revaluation surplus due to change in local sales proportion		(7,108,316)	(6,580,546)
Adjustment relating to property, plant and equipment disposed off during the year		(6,702,105)	
		175,757,324	203,776,515

5.1 The revaluation was carried out as at September 30, 1998 by M/s Unicorn International Surveyors on the basis of market, replacement and current values and was certified by an independent firm of Chartered Accountants that resulted in revaluation surplus of Rs. 978.123 million.

6 LONG TERM FINANCING

Loan from banking companies - Secured

	NOTE	2011	2010
Habib Bank Limited:			
- Term finance - II	6.01	46,153,844	76,923,077
- State Bank of Pakistan's LTF-EOP scheme	6.02	-	-
		46,153,844	76,923,077
United Bank Limited:			
- NIDF - I	6.03	921,780	1,843,556
- NIDF - II	6.04	-	-
- NIDF - IV	6.05	36,000,000	54,000,000
- NIDF - V	6.06	46,666,666	73,333,333
- State Bank of Pakistan's LTF-EOP scheme-I	6.07	43,463,708	65,195,560
- State Bank of Pakistan's LTF-EOP scheme-II	6.08	74,188,168	98,917,504
		201,240,322	293,289,953
Less: Current portion		(122,818,944)	(122,818,866)
		124,575,222	247,394,164

6.01 Term finance - II

	2011	2010
Opening balance	76,923,077	100,000,000
Payments made during the year	(30,769,233)	(23,076,923)
	46,153,844	76,923,077

This term finance is created for to retire the running finance facility of Rs. 100 million. It is payable in thirteen equal quarterly installments commencing from October 31, 2009 and carries mark up at three months KIBOR plus 2.5% per annum payable on quarterly basis.

	2011	2010
	Rupees	
6.02 State Bank of Pakistan's LTF-EOP scheme		
Opening balance	-	31,772,322
Payments made during the year	-	(31,772,322)
	-	-

This loan was created by converting an amount of Rs. 190.634 million from outstanding Demand Finance-V.This was payable in six equal half yearly installments and carries mark up @ 6% per annum .This loan has been fully paid.

Loans from Habib Bank Limited are secured against first pari passu equitable mortgage of property, plant and equipment of the Company valuing Rs. 932 million and personal guarantee of the chief executive of the Company.

	2011	2010
6.03 NIDF - I		
Opening balance	1,843,556	2,765,332
Payment made during the year	(921,776)	(921,776)
	921,780	1,843,556

Demand finance - I has been created to facilitate the addition of looms. The finance is payable in ten half yearly installments with a grace period of two years from first draw down of loan with first installment due on November 04, 2007. It carries mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis. . During the year 2007, an amount of Rs. 130.391 million was converted into LTF - EOP loan under the scheme of State Bank of Pakistan.

	2011	2010
6.04 NIDF - II		
Opening balance	-	35,000,000
Payments made during the year	-	(35,000,000)
	-	-

Demand finance - II has been created for re-profiling of short term facilities of Habib Bank Limited. The finance is payable in ten equal half yearly installments commencing from August 09, 2005 and carries mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis.This loan has been fully paid.

	2011	2010
6.05 NIDF - IV		
Opening balance	54,000,000	63,000,000
Finance obtained during the year	-	-
	54,000,000	63,000,000
Payments made during the year	(18,000,000)	(9,000,000)
	36,000,000	54,000,000

This loan was created to retire the letters of credit established to facilitate the import of gas engines and is repayble in seven equal half yearly installment starting from June 2010 . It carried mark up at six months KIBOR plus 1.50% per annum payable on quarterly basis.

	2011	2010
6.06 NIDF - V		
Opening balance	73,333,333	80,000,000
Finance obtained during the year	-	-
	73,333,333	80,000,000
Payments made during the year	(26,666,667)	(6,666,667)
	46,666,666	73,333,333

This loan has been created to retire the running finance facility to Rs. 80 million .It carries mark up at six months KIBOR plus 1.50% per annum. It is payable on twelve equal quarterly installments commencing from March 2010.

	NOTE	2011	2010
		Rupees	

6.07 State Bank of Pakistan's LTF - EOP scheme -I

Opening balance		65,195,560	76,061,486
Finance obtained during the year		-	-
		65,195,560	76,061,486
Payments made during the year		(21,731,852)	(10,865,926)
		43,463,708	65,195,560

This loan has been created by converting an amount of Rs. 130.391 million from outstanding NIDF - I. This is payable in 12 equal half yearly installments and carries mark up @ 7% per annum.

6.08 State Bank of Pakistan's LTF - EOP scheme-11

Opening balance		98,917,504	111,282,192
Finance obtained during the year		-	-
		98,917,504	111,282,192
Payments made during the year		(24,729,336)	(12,364,688)
		74,188,168	98,917,504

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

Loan from UBL are secured against first pari passu equitable mortgage of property plant and equipment of the Company valuing Rs. 885 million and personal guarantee of chief executive and one director of the Company.

SPONSORS' LOAN

Loan from directors and others	7.01	869,933,475	754,288,567
		869,933,475	754,288,567

7.01 This loan has been provided by the chief executive of the Company and others for the repayment of long term loans and working capital requirements 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. 676.00 million (2010: Rs. 676.00 million) with Habib Bank Limited and United Bank Limited.

DEFERRED LIABILITIES

Due to related parties	8.01	-	69,211,588
Deferred tax - net	8.02	73,139,681	14,644,888
Staff retirement benefits	8.03	33,177,520	28,856,077
		106,317,201	112,712,553

8.01

Opening balance		69,211,588	52,122,850
Electricity / store items		691,713	74,122,738
		69,903,301	126,245,588
Amount repaid during the year		(69,903,301)	(57,034,000)
		-	69,211,588

8.02 Deferred tax - net

Credit / (debit) balance arising in respect of:

- Accelerated tax depreciation		136,896,301	132,588,788
- Surplus on revaluation of property, plant and equipment		40,506,944	44,829,677
- Recognized losses		(97,221,409)	(156,814,797)
- Staff retirement benefits		(7,042,154)	(5,958,780)
		73,139,681	14,644,888

	2011	2010
	Rupees	
8.03 Staff retirement benefits		
The amounts recognized in the balance sheet are as follows		
Present value of defined benefit obligation	32,127,326	26,847,236
Unrecognized actuarial gain / (loss)	1,050,194	2,008,841
	33,177,520	28,856,077
Balance sheet liability		
Opening balance	28,856,077	24,433,994
Amount recognized during the year	12,369,768	10,531,399
	41,225,845	34,965,393
Benefits paid during the year	(8,048,325)	(6,109,316)
Closing balance	33,177,520	28,856,077
Charge for the defined benefit plan		
Service cost	9,317,071	7,865,299
Interest cost	3,221,668	2,665,701
Actuarial gains recognized	(168,971)	399
	12,369,768	10,531,399

8.04 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 out as at June 30, 2011 using Project Unit Credit Method.

(b) Comparison for five years

	2011	2010	2009	2008	2007
Present value of	32,127,326	26,847,000	22,214,000	18,077,000	15,830,000
Experience	(958,647)	211,000	225,000	1,069,000	Nil

9 TRADE AND OTHER PAYABLES

	2011	2010
Creditors for:		
- Goods supplied	168,783,983	101,557,988
- Services	29,765,207	28,546,047
Accrued liabilities	64,632,324	39,719,951
Advances from customers	21,318,979	15,624,925
Security deposits	107,000	87,000
Worker's profit participation fund	16,329,041	6,873,749
Worker's welfare fund	-	2,612,025
Unclaimed dividend	3,492,277	1,871,693
Tax deducted at source	1,104,518	588,460
Payable to employees	93,448	-
	305,626,777	197,481,836

10 ACCRUED INTEREST/ MARKUP

	2011	2010
Long term financing	4,490,152	20,565,978
Short term borrowings	28,518,121	6,404,125
	33,008,272	26,970,103

	NOTE	2011	2010
		Rupees	
11 SHORT TERM BORROWINGS - From banking companies - Secured			
Habib Bank Limited	10.1	319,812,612	674,784,957.53
United Bank Limited	10.2	551,805,532	237,424,953.56
		871,618,145	912,209,911.09

11.1 These represent utilized portion of short term finance facilities of Rs. 1,023 million (2010: Rs. 950 million) available from Habib Bank Limited under mark up arrangement. These facilities carry mark up of 1 month KIBOR plus 1.5% per annum and 1 month LIBOR plus 4% per annum and shall expire by January 31, 2012. 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, pledge of cotton and polyester and personal guarantee of the chief executive of the Company.

11.2 These represent utilized portion of short term finance facilities of Rs. 520 million (2010: Rs. 420 million) available from United Bank Limited under mark up arrangement. These facilities carry mark up at 1 month KIBOR plus 1.25% per annum and Markup on foreign loan will be decided on case to case basis. 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. 885 million, pledge of cotton and polyester and personal guarantee of the chief executive of the Company.

12 PROVISION FOR TAXATION-Net

	2011	2010
Opening balance	38,294,764	11,648,838
Provision for the year	66,129,716	38,294,764
Payments / adjustments against advance tax	(38,294,764)	(11,648,838)
	66,129,717	38,294,764

12.1 Income tax return upto and including tax year 2010 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. 53.130 million (2010: Rs. 53.130 million) on account of security deposits against the consumption of natural gas.

13.2 Export bills discounted Rs. 76.23 million (2010: Rs. 62.1746 million)

13.3 Post dated cheques issued in the favour of Collector of Custom against import Rs. 31.107 million (2010: Rs 9.566 million)

Commitments

Commitments in respect of irrevocable letters of credit for the import of plant and machinery as at the balance sheet date amount to Rs. 65.995 million (2010: Rs. 147.702 million).

14 PROPERTY, PLANT AND EQUIPMENT

Rupees

Particulars	Cost / Revalued Amount				Rate	Depreciation				Book Value
	As at July 01, 2010	Additions	Disposals	As at June 30, 2011	%	As at July 01, 2010	Disposals	For the year	As at June 30, 2011	as at June 30, 2011
Owned										
Land - freehold	89,416,871	-	-	89,416,871	-	-	-	-	-	89,416,871
Buildings on freehold land	428,018,197	-	-	428,018,197	5-10	201,784,056	-	16,094,356	217,878,412	210,139,785
Plant and machinery	2,262,093,567	79,642,917	(73,321,835)	2,268,414,649	10	1,224,397,516	(54,166,705)	99,470,536	1,269,701,346	998,713,303
Grid station and generators	19,757,344	-	-	19,757,344	10	8,122,135	-	1,163,521	9,285,656	10,471,688
Furniture and fixtures	13,865,224	1,492,265	-	15,357,489	10	8,503,463	-	566,802	9,070,265	6,287,224
Vehicles	29,164,194	3,848,287	-	33,012,481	20	21,921,658	-	1,633,603	23,555,261	9,457,220
Equipment	15,753,820	1,886,687	-	17,640,507	10	9,269,578	-	737,596	10,007,174	7,633,333
Electric installations	60,168,036	-	-	60,168,036	10	37,664,898	-	2,250,314	39,915,212	20,252,824
Rupees 2011	2,918,237,253	86,870,156	(73,321,835)	2,931,785,574		1,511,663,303	(54,166,705)	121,916,728	1,579,413,326	1,352,372,248
Rupees 2010	2,903,804,294	14,655,659	(222,700)	2,918,237,253		1,373,616,606	(211,441)	138,258,138	1,511,663,303	1,406,573,950

14.1 Revaluation of land, buildings, plant and machinery and grid station and generators was carried out by an independent valuer as on September 30, 1998. Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

Rupees

	As at June 30, 2011		
	Cost	Accumulated Depreciation	Book value
Land - freehold	57,895,548	-	57,895,548
Buildings on freehold land	294,892,394	132,556,313	162,336,081
Plant and machinery	1,728,724,859	873,524,422	855,200,437
Grid station and generators	18,881,295	8,638,702	10,242,593

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

	Note	2011 Rupees	2010 Rupees
Cost of sales	24	118,760,275	135,081,996
Administrative expenses	26	3,156,453	3,176,173
		121,916,728	138,258,169

14.3 Disposal of property, plant and equipment

Rupees

Particulars	Cost / Revalued Amount	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser
June 30, 2011							
Card machines - 4 units	10,420,389	7,698,090	2,722,299	1,589,744	(1,132,555)	Tender offer	Tauseef Brothers, Faisalabad.
Card machines - 6 units	15,630,584	11,547,136	4,083,448	2,384,616	(1,698,832)	Tender offer	S. S. Fabrics, Faisalabad.
Card machines - 7 units	22,615,477	16,707,244	5,908,233	3,574,788	(2,333,445)	Tender offer	Asia Spinning, Lahore.
Auto cone machines - 2 units	24,655,387	18,214,233	6,441,154	5,641,026	(800,128)	Tender offer	Sanyou, Lahore.
	73,321,837	54,166,703	19,155,134	13,190,174	(5,964,960)		
June 30, 2010	222,700	211,441	11,259	90,000	78,741		

		2011	2010
15 CAPITAL WORK IN PROGRESS	**NOTE**	**Rupees**	
Buildings on freehold land:			
- Opening balance		-	-
- Additions during the year		-	316,293
		-	316,293
- Transferred to property, plant and equipment		-	(316,293)
		-	-
Plant and machinery:			
- Opening balance		157,700	-
- Additions during the year		1,959,651	157,700
		2,117,351	157,700
- Transferred to property, plant and equipment		(854,421)	-
		1,262,930	157,700
Electric installations:			
- Opening balance		-	-
- Additions during the year		6,739,440	-
		6,739,440	-
- Transferred to property, plant and equipment		(6,739,440)	-
		-	-
Vehicles			
- Opening balance		-	-
- Additions during the year		2,763,087	-
		2,763,087	-
- Transferred to property, plant and equipment		(2,763,087)	-
		-	-
		1,262,930	157,700
16 STORES, SPARES AND LOOSE TOOLS			
Stores		15,996,957	15,033,625
- In transit		4,041,668	7,497,496
Spares		56,064,253	45,854,061
Loose tools		232,810	204,661
		76,335,688	68,589,843

16.1 No identifiable store and spare are held for specific capitalization.

17 STOCK IN TRADE			
Raw material:			
- In hand	17.1	578,346,522	283,821,676
- In transit		-	143,706,973
Work in process		75,070,743	45,146,387
Finished goods		331,891,019	259,714,037
		985,308,284	732,389,073

17.1 This includes an amount of Rs. 346.126 million (2010: Rs. 167.990 million), approximately, which is pledged against short term finances.

Also, it includes sizing material of Rs. 13,350,543 (2010: Rs. 8,539,765).

18 TRADE DEBTS			
Local debts			
(Unsecured - considered good)		44,965,432	122,570,190
Foreign debts			
(Unsecured - considered good)		198,495,924	67,170,555
		243,461,356	189,740,745

		NOTE	2011 Rupees	2010 Rupees
19	**LOANS AND ADVANCES**			
	Employees		4,838,221	1,120,480
	Suppliers		9,806,421	7,993,202
	Income tax deducted at source		60,694,223	27,100,998
	Letters of credit		362,821	470,209
			75,701,687	36,684,890
20	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits		-	583,394
	Prepayments		1,411,319	340,946
			1,411,319	924,340
21	**OTHER RECEIVABLES**			
	Sales tax refundable		14,884,180	20,292,976
	Export rebate receivable		-	466,525
	Other receivable		32,762	911,588
			14,916,942	21,671,089
22	**CASH AND BANK BALANCES**			
	Cash in hand		418,596	1,339,912
	Cash with banks in current accounts		4,854,669	18,031,449
			5,273,265	19,371,361
23	**SALES - NET**			
	Local:			
	- Yarn		2,151,075,752	1,578,158,653
	- Fabric		661,310,623	1,120,750,022
			2,812,386,375	2,698,908,675
	Export:			
	- Yarn		142,745,905	19,650,812
	- Fabric		2,668,700,379	1,036,578,483
			2,811,446,284	1,056,229,295
	Waste		137,866,834	68,546,613
	Doubling income		5,504,160	2,291,778
	Rebate on export		782,623	1,225,273
			5,767,986,276	3,827,201,634
24	**COST OF GOODS SOLD**			
	Raw materials consumed	**24.01**	4,101,221,911	2,524,704,373
	Processing charges		53,558,639	-
	Salaries, wages and other benefits	**24.02**	248,448,199	212,485,258
	Fuel and power		370,374,582	290,632,116
	Packing materials consumed		49,860,200	42,134,181
	Sizing materials consumed		58,099,207	63,743,771
	Stores and spares consumed		124,396,828	101,686,432
	Insurance		5,273,473	2,572,678
	Depreciation	**14.2**	118,760,275	135,081,996
	Other manufacturing expenses		12,447,661	11,499,864
			5,142,440,976	3,384,540,669
	Opening work in process		45,146,387	32,844,792
	Closing work in process		(75,070,743)	(45,146,387)
			(29,924,356)	(12,301,595)
	Cost of goods manufactured		5,112,516,619	3,372,239,074
	Opening finished goods		259,714,037	265,959,650
	Closing finished goods		(331,891,019)	(259,714,037)
			(72,176,983)	6,245,613
			5,040,339,637	3,378,484,688

		NOTE	2011	2,010
			Rupees	
24.01	**Raw material consumed**			
	Opening stock		275,281,911	411,555,627
	Purchases		4,381,590,397	2,381,006,920
	Cotton cess		819,245	944,552
	Cotton handling charges		8,526,337	6,479,186
			4,666,217,890	2,799,986,284
	Closing stock		(564,995,979)	(275,281,911)
			4,101,221,911	2,524,704,373

24.02 Salaries and benefits include Rs. 7.422 million (2010: Rs. 6.318 million) on account of staff retirement benefits.

25 SELLING AND DISTRIBUTION

Export development surcharge		6,596,403	2,663,970
Commission to selling agents		65,637,991	20,829,798
Carriage and freight - export		77,326,765	39,968,774
-local		626,217	772,166
Export expenses		11,295,455	9,026,990
Samples		2,059,948	845,957
		163,542,779	74,107,655

26 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and other benefits	26.1	43,921,610	34,312,323
Traveling and conveyance		5,988,397	1,268,614
Repairs and maintenance		3,149,470	1,165,100
Rent, rates and taxes		231,943	69,610
Printing and stationery		3,131,041	2,566,690
Insurance		1,129,938	999,167
Fees and subscription		1,320,357	766,359
Telephone and Postage		2,961,736	1,376,854
Vehicle running and maintenance		5,704,343	5,206,773
Utilities		1,695,123	1,501,738
Advertisement		-	70,410
Books and periodicals		126,538	59,913
Entertainment	.	1,882,087	1,623,283
Depreciation	14.2	3,156,453	3,176,143
		74,399,036	54,162,977

26.1 Salaries and benefits include Rs. 5.095 million (2010: Rs. 4.212 million) on account of staff retirement benefits.

27 OTHER OPERATING CHARGES

Auditors' remuneration		
- Statutory audit	1,000,000	500,000
- Half yearly review	95,000	95,000
- Certification charges	50,000	50,000
- Audit of W.P.P.F	50,000	-
- Out of pocket	25,000	25,000
	1,220,000	670,000
Legal and professional charges	305,015	624,906
Balances written off	-	4,310,043
Provision for doubtful debts	-	858,000
Workers' profit participation fund	16,329,041	6,873,749
Workers' welfare fund	-	2,612,025
Loss on disposal of property, plant and equipment	5,964,965	8,997
Donation	2,703,095	-
Exchange loss	-	8,459,427
	26,522,116	24,417,147

		2011	2,010
		Rupees	

28 OTHER OPERATING INCOME

	2011	2,010
Gain on disposal of property, plant and equipment	-	87,738
Exchange gain	2,142,222	-
Scrap sales	3,184,943	3,500,079
Miscellaneous	376,781	-
WWF provision written back	2,612,025	-
	8,315,971	3,587,817

29 FINANCE COST

	2011	2,010
Interest / mark up on:		
- Long term financing	35,698,788	50,202,408
- Short term borrowings	115,063,577	107,621,948
	150,762,365	157,824,356
Bank charges and commission	11,172,009	8,627,490
	161,934,374	166,451,845

30 TAXATION

	2011	2,010
Taxation:		
- Current year	66,129,716	38,294,764
Prior year	(19,140,817)	-
- Deferred	53,130,428	(17,337,452)
	100,119,327	20,957,312

30.1 Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to accumulated accounting losses.

31 EARNING PER SHARE - Basic

		2011	2,010
(Loss) / profit after taxation for the year	**Rupees**	209,444,978	112,207,826
Outstanding weighted average ordinary shares	**No. of shares**	32,635,600	32,635,600
Earnings per share - Basic	**Rupees**	6.42	3.44

31.1 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.

32 CHIEF EXECUTIVE'S DIRECTORS' AND EXECUTIVES' REMUNERATION

	2011	2,010
Managerial remuneration - Executives (Rupees)	12,493,500	10,440,000
Number of persons	16	14

32.1 No remuneration has been paid to any director or chief executive of the Company.

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

		2011	2010
33 TRANSACTIONS WITH RELATED PARTIES		Rupees	

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:

	2011	2010
Associated undertakings		
Loan obtained during the year	-	48,500,000
Repayment of loan during the year	68,350,000	34,500,000
Payment made for stores/electricity bill	1,553,301	23,674,586
Purchase of Cotton	244,754,587	102,456,748
Directors		
Loan obtained from directors	150,000,000	50,000,000
Payment made during the year	34,355,092	232,710,368

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.

34 PLANT CAPACITY AND PRODUCTION

		2011	2010
Spinning			
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	15,807,749	15,243,286
Weaving			
No. of looms installed		168	168
No. of looms worked		160	160
No. of shifts		3	3
Actual production converted to 40 picks			
based on three shifts per day	Sq. meters	65,276,622	63,781,008

34.1 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.

35 FINANCIAL INSTRUMENTS BY CATEGORY

	2011	2010
Financial assets as per balance sheet		
Long term deposits	12,952,014	5,697,180
Trade debts	243,461,356	189,740,745
Loans and advances	5,201,042	1,590,689
Trade deposits	-	583,394
Cash and bank balances	5,273,265	19,371,361
	266,887,677	**216,983,370**
Financial liabilities as per balance sheet		
Long term financing	1,117,327,641	1,124,501,597
Trade and other payables	283,203,280	181,268,452
Accrued interest/mark-up	33,008,272	26,970,103
Short term borrowings	871,618,145	912,209,911
	2,305,157,339	**2,244,950,062**

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

36 FINANCIAL INSTRUMENTS

36.01 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 programme 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

	2011	2010
	Rupees	
Foreign trade debts	198,495,924	67,170,555
Foreign currency short term borrowings		
- Habib Bank Limited	(228,715,148)	(136,444,517)
- United Bank Limited	(219,140,442)	(144,369,794)
Foreign creditors	-	-
Gross balance sheet exposure	(249,359,666)	(213,643,756)
Outstanding letter of credit	(65,995,000)	(147,702,000)
Net exposure	(315,354,666)	(361,345,756)

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

USD to PKR	86.20	85.60

The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure.

At June 30,2011, 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. 24,935,967 (2010: 21,364,376), mainly as a result of foreign exchange losses/gains on translation of foreign debts, foreign currency borrowings and foreign creditors.

(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

		2011	2010	2011	2010
Long term financing		Percentage		Rupees	
- Fixed	rate	7	6 to 7	117,651,876	164,113,064
- Variable	rate	14.73 to 16.28	13.87 to 14.04	129,742,290	206,099,966
Short term borrowings		4.39 to 14.17	13.25 to 13.95	871,618,145	912,209,911
				1,119,012,311	1,282,422,941
Total yield / mark up rate risk sensitivity gap				(1,119,012,311)	(1,282,422,941)

(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, ramains constants.This analysis is performed on the same basis for 2010.

	Effect on Profit and Loss 1% rate	
	Increase	Decrease
As at June 30, 2011		
Cash flow sensitivity - variable rate financial liabilities	20,027,209	(20,027,209)
As at June 30, 2010		
Cash flow sensitivity - variable rate financial liabilities	12,195,270	(12,195,270)

(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. 270,929,345 (2010: Rs. 216,983,370), the financial assets exposed to credit risk amount to Rs. 268,220,052 (2010: Rs. 215,643,458).

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

	2011	2010
	Rupees	
Local debts	44,965,432	122,570,190
Foreign debts	198,495,924	67,170,555
	243,461,356	189,740,745

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	147,194,058	114,715,167
Fabric	93,900,610	73,181,108
Others	2,366,688	1,844,470
	243,461,356	189,740,745

The aging of loans and receivables at the reporting date was:

Past due 0-6 months	234,468,269	165,226,707
Past due 6-12 months	8,993,086	24,514,038
	243,461,356	**189,740,745**

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	12,952,014	5,697,180
Trade debts	243,461,356	189,740,745
Loans and advances	5,201,042	1,590,689
Short term trade deposits	-	583,394
Cash and bank balances	5,273,265	19,371,361
	266,887,677	**216,983,370**

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+	AA+
National Bank of Pakistan	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.

	2011 (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	247,394,166	(274,050,764)	(70,558,652)	(70,502,609)	(132,989,503)
Trade and other payables	305,626,777	(305,626,777)	(305,626,777)	-	-
Short term borrowings	871,618,145	(871,618,145)	(871,618,145)	-	-
	1,424,639,088	(1,451,295,686)	(1,247,803,574)	(70,502,609)	(132,989,503)

	2010 (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	370,213,030	(370,213,030)	(61,409,451)	(122,818,895)	(185,984,684)
Trade and other payables	197,481,836	(197,481,836)	(197,481,836)	-	-
Short term borrowings	912,909,911	(912,909,911)	(912,909,911)	-	-
	1,479,904,777	(1,479,904,777)	(1,171,101,198)	(122,818,895)	(185,984,684)

The contractual cash flows relating to the above financial liablities have been determined on the basis of markup rates effective as at 30 June. The rates of mark-up have been disclosed in note 06 and 10 to these financial statements.

37 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 minimise risk.

38 INFORMATION ABOUT REPORTING SEGMENT

The following table presents revenue and profit information regarding the Company's operating segements for the year ended June 30, 2011 and 2010 respectively.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
	Amount (Rupees)			
	2011			
Sales	3,868,340,028	3,358,111,569	(1,458,465,321)	5,767,986,276
Cost of Sales:	(3,229,262,443)	(3,269,542,516)	1,458,465,321	(5,040,339,637)
Gross profit	639,077,586	88,569,053	-	727,646,639
Selling and distribution costs	(16,029,358)	(147,513,421)	-	(163,542,779)
Administrative and general expenses	(42,035,251)	(32,363,786)	-	(74,399,036)
Profit before taxation and un allocated expenses	581,012,977	(91,308,153)		489,704,824
Un-allocated expenses:				
Other operating expenses				(26,522,116)
Other operating income				8,315,971
Finance cost				(161,934,374)
Profit before taxation				309,564,305
Taxation				(100,119,327)
Net profit for the year				**209,444,978**
	Amount (Rupees)			
	2010			
Sales	2,519,297,927	2,177,291,704	(869,387,997)	3,827,201,634
Cost of Sales	(2,188,880,723)	(2,058,991,962)	869,387,997	(3,378,484,688)
Gross profit	330,417,204	118,299,742		448,716,946
Selling and distribution expenses	(6,044,098)	(68,063,557)		(74,107,655)
Administrative Expenses	(29,902,953)	(24,260,024)		(54,162,977)
Profit before tax and un allocated expenses	294,470,153	25,976,161		320,446,314
Un-allocated expenses:				
Other operating expenses				(24,417,147)
Other operating income				3,587,817
Finance cost				(166,451,845)
Profit before taxation				(187,281,176)
Taxation				(20,957,312)
Profit after tax				**112,207,826**

39 POST BALANCE SHEET EVENTS

The board of directors of the company in its meeting held on September 29, 2011 has proposed a final cash dividend of Rs. 1/- per share for approval of the members at the annual general meeting to be held on October 27, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending on June 30, 2012.

40 AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts have been authorized for issue by the Board of Directors of the Company on September 29, 2011.

41 GENERAL

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

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

CHIEF EXECUTIVE **DIRECTOR**

PROXY FORM
(22nd 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 22nd Annual General Meeting of the Company to be held on October 27, 2011 and/or any adjournment thereof.

As witness my/our hand this ______________ day of October, 2011

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, duty 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.

AFFIX
CORRECT
POSTAGE

The Company Secretary,
Ghazi Fabrics International Ltd.
8-C, Block E-III, Gulberg-III, Lahore