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 concern for the management of the Company and therefore the management of the Company shall take every measure to protect the health and safety of its employees.

Commitment

A bi-lateral commitment with the employees, management, shareholders, suppliers and customers shall be of prime importance in every instance. All the management and employees of the Company shall not make any commitment, the compliance of which is beyond their control and if they commit, every effort shall be made to fulfill the commitment.

Financial discipline and books of accounts

Compliance with all the approved accounting standards applicable in Pakistan and requirements of the Companies Ordinance 1984, rules and procedures shall be followed at all time. All transactions if duly authorized shall be properly and fully recorded. All the payments made shall be for the purpose of the business of the Company. Books of accounts shall reflect a true and fair position of all the assets, liabilities and funds. Company shall 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 23rd ANNUAL GENERAL MEETING.

NOTICE is hereby given that the 23rd Annual General Meeting of the Shareholders of **GHAZI FABRICS INTERNATIONAL LTD.** will be held on Wednesday the 31st October, 2012 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 22nd Annual General Meeting of the members of the Company held on Thursday the 27th October, 2011.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon..

3. To appoint Auditors and fix their remuneration for the year ending June 30, 2013. The present auditors M/s. Qadeer & Co., Chartered Accountants, retire and being eligible has offered themselves for reappointment.

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

by order of the Board

LAHORE:
October 10, 2012.

(NAUMAN IQBAL)
Company Secretary

NOTES:-

I. Share Transfer Books of the Company will remain closed from 24th October, 2012 to 31st October, 2012 (both days inclusive).

II. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her. Proxy Forms must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

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

IV. Members are requested to provide by fax or courier of their latest Computerized National Identity Card Number or Passport Number if foreigner (unless it has been provided earlier) to enable the Company comply with relevant law.

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

DIRECTOR REPORT

The directors' of your Company are hereby present the annual report of the Company alongwith the audited financial statements for the year ended June 30, 2012.

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 demand for textile products in the country remain subdued during the year under review which was mainly due to Euro zone debt crisis and deceleration of economic activity in the regional markets. The activity in domestic textile industry slowed down further due to lesser availability of power and gas through out major part of year. On the other hand domestic cotton output was high during the year. This abundant supply led to fall in cotton prices resulting in inventory losses particularly in early part of the financial year. In addition the price of gas besides its shortage was also revised twice during the year under review. Furthermore, Gas Infrastructure Development Surcharge was levied with effect from January 01, 2012 @ 13/MMBTU on captive power adversely affecting the gross margin.

The Key Financial results are as under:

	2012	2011
	Rupees (000)	
Sales	4,847,590	5,767,986
Gross profit	291,604	727,647
Operating profit	12,672	471,499
Financial charges	(125,690)	(161,934)
Profit/ (loss) before tax	(113,018)	309.564
(Loss)/ profit after tax	(161,443)	209,445
Earning per share (EPS) Rs.	(4.95)	6.46

Your Company has posted a after tax loss of Rs. 161.443 million as compared to profit of Rs. 209.445 million last year.

During the year under review, sales declined from Rs. 5,767.986 million to Rs. 4,847.590 million. This was mainly due to lower price of cotton and its products compared to the last year. Gross profit as percentage to sales was also lower. The Gross Profit ratio during the period was 6 % compared to 12.62% in corresponding period of last year. The Gross Profit as well as overall profitability was higher last year as cotton was procured at cheaper rates and subsequently prices increased. However in the current year prices have remained relatively stable. Financial cost as a percentage to sales has decreased to 2.59% for the period as compared to 2.81% in corresponding period of last year.

Future prospects

The prices of textile products in general are expected to remain stable due to better market expectations. On the cost side, the cost and availability of energy remains the biggest challenge for the company. The company is trying its best to meet these challenges through improvement in product development, marketing efforts and working on energy efficiency measures.

The Directors of your Company are striving and working hard to bring the Company back to profitability very soon and hope to stage a sustainable financial turnaround for the ensuing financial years. We remain highly optimistic of growing export market share and penetration in new and profitable markets in-spite of prevailing energy scenario in the Country.

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.

Safety, Health and Environment (SHE)

Your Company takes all possible measures to ensure that all our employees as well as communities within which we operate remain safe at all time. Environmental protection is a top priority on company's SHE agenda. The company ensures that its production processes are eco friendly and efficient. We constantly try and improve energy efficiencies both at production facilities and in our offices.

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

Compliance with Code of Corporate governance

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

1. Financial statements prepared by the management represent fairly and accurately Company's state of affairs, results of its operations, cash flows, and changes in equity,
2. Proper books of accounts have been maintained,
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements.

Combined pattern of CDC and physical shareholdings

Combined pattern of CDC and physical shareholding is annexed to the directors' report.

Acknowledgement

The Directors of your Company would like to place on record their deep appreciation for support of customers, bankers, regulators and shareholders for their support and hope that this cooperation and supports will also continue in future.

The Directors of your Company would also like to express their appreciation for the services, loyalty and efforts being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue to do so in future as well.

For and on behalf of the Board

Lahore
October 03, 2012

(Mohammad Arshad Chaudhry)
Chief Executive

PATTERN OF SHAREHOLDING

As At June 30, 2012

NUMBER OF SHAREHOLDERS	HOLDINGS FROM	HOLDINGS TO	TOTAL SHARES HELD
610	1	100	58,126
3,840	101	500	1,750,242
357	501	1,000	345,465
295	1,001	5,000	725,229
48	5,001	10,000	372,979
13	10,001	15,000	167,300
5	15,001	20,000	90,500
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
5,190			32,635,600

CATEGORIES OF SHAREHOLDING

DETAIL OF PATTERN OF SHAREHOLDING

SL. NO.	CATEGORY	NAME	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
1	INDIVIDUALS	--	5157	16,127,494	49.4169
2	ICP	Investment Corp. of Pakistan	1	13,300	0.0408
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	EXECUTIVES	Syed Sabih Riaz	1	1,000	0.0031
10	PUBLIC SECTOR COMPAINES	(Joint Stock Companies)	19	34,406	0.1054
11	NON BANKING FINANCIAL INSTITUTIONS	(Investment Banks)	2	26,600	0.0815
12	INSURANCE COMPANIES		1	124,500	0.3815
13	MODARBAS		2	2,800	0.0086
			5,190	32,635,600	100.0000

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY

NAME OF SHAREHOLDER	NO. OF SHARES	PERCENTAGE %
Mr. Mohammad Arshad Chaudhry	16,300,000	49.9455
Mr. Abdul Khaliq Baloch	3,230,000	9.8972
Mr. Ibrahim Hussain Ibrahim Alhosani	3,225,000	9.8818
Mr. Ahmed Yousaf Ali	3,222,000	9.8727
Mr. Muhammad Javed	2,075,659	6.3601
	28,052,659	85.9572

SIX YEARS FINANCIAL STATISTICAL SUMMARY

Description	*2012*	*2011*	*2010*	*2009*	*2008*	*2007*
			Rupees in '000'			
Measure of performance						
Sales - net	4,847,590	5,767,986	3,827,202	3,093,333	2,894,539	2,758,729
Cost of sales	4,555,985	5,040,340	3,378,485	2,888,225	2,828,777	2,709,747
Gross profit	291,604	727,647	448,717	205,108	65,762	48,982
Operating profit	12,672	471,499	299,617	30,996	(44,962)	(54,524)
(Loss) / profit after tax	(161,460)	209,445	112,208	(153,997)	(184,252)	(183,249)
In % age terms						
(Loss) / profit after tax	-3.33%	3.63%	2.93%	-4.98%	-6.37%	-6.64%
Cost of sales	93.98%	87.38%	88.28%	93.37%	97.73%	98.22%
Operating profit	0.26%	8.17%	5.19%	0.54%	-0.78%	-0.95%
(Loss) / profit after tax	-3.33%	3.63%	1.95%	-2.67%	-3.19%	-3.18%
Financial position						
Property, plant and equipement-net	1,313,227	1,352,372	1,406,574	1,530,188	1,581,353	1,683,150
Capital work in progress	-	1,263	158	-	69,082	37,809
Fixed assets	1,313,227	1,353,635	1,406,732	1,530,188	1,650,435	1,720,959
Current assets						
Stores, spares and loose tools	82,590	76,336	68,590	53,855	34,702	29,555
Stocks in trade	771,887	985,308	732,389	733,463	582,302	359,710
Other current assets	362,498	335,491	249,021	216,792	172,939	188,388
Cash and cash equivalent	15,060	5,273	19,371	3,544	2,902	3,878
	1,232,035	1,402,409	1,069,371	1,007,654	792,844	581,531
Current liabilities						
Short term borrowings	765,263	871,618	912,210	859,276	757,793	296,618
Current portion of long term loans	141,495	122,819	122,819	136,335	249,466	285,716
Other current liabilities	375,418	404,765	262,746	181,422	152,257	128,335
	1,282,175	1,399,202	1,297,775	1,177,033	1,159,516	710,669
Net working capital	(50,140)	3,207	(228,404)	(169,379)	(366,672)	(129,138)
Long term loans	182,280	124,575	247,394	363,546	262,803	451,345

STATEMENT OF VALUE ADDITION

	2012	2011
	Rupees	
Sales	4,847,589,707	5,767,986,276
Less : Manufacturing / administration and general expenses	4,419,553,562	4,883,920,628
	428,036,145	884,065,648
Other income	14,021,965	8,315,971
Total value added	442,058,110	892,381,619
Distribution		
Employees		
Salaries and wages	297,447,935	292,369,809
Government		
Corporate tax	48,442,603	100,119,327
Development surcharge	6,336,997	6,596,403
	54,779,600	106,715,730
Lenders:		
Markup on loans	125,690,169	161,934,374
Retained in business:		
Depreciation	125,600,826	121,916,728
(Loss) / Profit	(161,460,420)	209,444,978
	(35,859,593)	331,361,706
Total value added	442,058,110	892,381,619

Distribution	2012	2011
	Percentage	
Employees	67.29%	32.76%
Government	12.39%	11.96%
Lenders	28.43%	18.15%
Retained in business	-8.11%	37.13%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

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 2012.

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, Head of Internal Audit or Company Secretary has been made during the year. 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 c

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 (the Statement) contained in the Code of Corporate Governance (the Code) as applicable to company for the year ended June 30, 2012 prepared by the Board of Directors of GHAZI FABRICS INTERNATIONAL LIMITED (the Company) to comply with the Listing Regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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's 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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, 2012.

Lahore
October 04, 2012

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

Financial Statements

For the year ended June 30, 2012

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, 2012 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;

© 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, 2012 and of the loss, 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

October 04, 2012

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN FCA

BALANCE SHEET

AS AT JUNE 30, 2012

CAPITAL AND LIABILITIES	Note	2012	2011
		Rupees	
Share Capital and Reserves			
Authorized capital			
40,000,000 (2011: 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		(372,901,773)	(233,145,345)
		(46,545,773)	93,210,655
Surplus on Revaluation of Property, Plant and Equipment	5	140,900,635	175,757,324
Non Current Liabilities			
Long term financing	6	182,279,839	124,575,222
Sponsors' loan	7	877,964,801	869,933,475
Deferred liabilities	8	121,439,191	106,317,201
		1,181,683,831	1,100,825,898
Current Liabilities			
Trade and other payables	9	308,891,245	305,626,777
Accrued interest / mark up	10	18,065,503	33,008,272
Short term borrowings	11	765,262,914	871,618,145
Current portion of long term financing	6	141,494,808	122,818,944
Provision for taxation	12	48,460,770	66,129,717
		1,282,175,240	1,399,201,855
Contingencies and Commitments	13	-	-
		2,558,213,931	2,768,995,732
ASSETS			
Non Current Assets			
Property, plant and equipment	14	1,313,227,010	1,352,372,248
Capital work in progress	15	-	1,262,930
		1,313,227,010	1,353,635,178
Long term deposits		12,952,014	12,952,014
		1,326,179,024	1,366,587,192
Current Assets			
Stores, spares and loose tools	16	82,589,730	76,335,688
Stock in trade	17	771,886,776	985,308,284
Trade debts	18	253,366,003	243,461,356
Loans and advances	19	82,687,317	75,701,687
Trade deposits and short term prepayments	20	282,264	1,411,319
Other receivables	21	26,162,728	14,916,942
Cash and bank balances	22	15,060,091	5,273,265
		1,232,034,907	1,402,408,539
		2,558,213,931	2,768,995,732

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

CHIEF EXECUTIVE DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		Rupees	
Sales - Net	23	4,847,589,707	5,767,986,276
Cost of goods sold	24	4,555,985,380	5,040,339,637
Gross Profit		291,604,327	727,646,639
Operating expenses:			
- Selling and distribution costs	25	164,975,947	163,542,779
- Administrative and general expenses	26	79,287,248	74,399,036
- Other operating charges	27	48,690,746	26,522,116
		292,953,940	264,463,931
		(1,349,613)	463,182,708
Other operating income	28	14,021,965	8,315,971
Profit from operation		12,672,352	471,498,679
Finance cost	29	125,690,169	161,934,374
(Loss) / profit before taxation		(113,017,817)	309,564,305
Taxation	30	48,442,603	100,119,327
(Loss) / profit for the year		(161,460,420)	209,444,978
(Loss) / earning per share - Basic	31	(4.95)	6.42

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	Rupees	
(Loss) / profit for the year	(161,460,420)	209,444,978
Other comprehensive income	-	-
Total comprehensive (Loss) / profit for the year	(161,460,420)	209,444,978

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(113,017,817)	309,564,305
Adjustments for:		
- Depreciation	125,600,826	121,916,728
- Loss on disposal of property, plant and equipment	9,723,073	5,964,960
- Provision for gratuity	12,693,153	12,369,768
- Worker's profit participation fund	-	16,329,041
- Worker's welfare fund	-	(2,612,025)
- Finance cost	125,690,169	161,934,374
	273,707,221	315,902,846
Operating profit before working capital changes	160,689,404	625,467,151
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(6,254,042)	(7,745,845)
- Stock in trade	213,421,508	(252,919,211)
- Trade debts	(9,904,647)	(53,720,611)
- Loans and advances	(17,486,205)	(5,423,571)
- Trade deposits and short term prepayments	1,129,055	(486,979)
- Other receivables	(11,245,786)	6,754,148
Increase / (decrease) in current liabilities:		
- Trade and other payables	1,649,408	99,681,090
	171,309,291	(213,860,979)
Cash generated from operations	331,998,696	411,606,172
Income tax paid / deducted	(49,789,578)	(52,747,172)
Gratuity paid	(11,984,717)	(8,048,325)
Worker's profit participation fund paid	-	(6,873,749)
Finance cost paid	(140,632,938)	(155,896,204)
Net cash generated from operating activities	129,591,462	188,040,722
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(112,022,199)	(76,513,208)
Capital work in progress	1,262,930	(11,462,178)
Proceeds from disposal of property, plant and equipment	15,843,537	13,190,174
Net cash used in investing activities	(94,915,732)	(74,785,212)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayment) of long term loans	76,380,481	(122,818,864)
Payment of long term security deposits	-	(7,254,834)
Loan from directors and others - net	8,031,326	115,644,908
Due to associated undertakings	-	(69,211,588)
Short term borrowings	(106,355,231)	(40,591,766)
Dividend paid	(2,945,482)	(3,121,462)
Net cash used in financing activities	(24,888,906)	(127,353,606)
Net increase / (decrease) in cash and cash equivalents	9,786,826	(14,098,097)
Cash and cash equivalents at the beginning of the year	5,273,265	19,371,361
Cash and cash equivalents at the end of the year	15,060,091	5,273,265

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, 2012

	Share Capital	Accumulated Loss	Total
		Rupees	
Balance as at July 01, 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
Total comprehensive loss for the year ended June 30, 2012	-	(161,460,420)	(161,460,420)
Final dividend for the year ended June 30, 2011	-	(4,560,541)	(4,560,541)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged during the year.	-	14,550,185	14,550,185
Surplus realised on disposal of property, plant and equipment.	-	11,714,347	11,714,347
Balance as at June 30, 2012	326,356,000	(372,901,773)	(46,545,773)

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, 2012

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 judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, actual results may differ from the estimates. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for doubtful receivables, slow moving inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of approved standards as applicable in Pakistan that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent year are as follows;

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

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

2.3.2 Recoverable amount of assets/ cash generating units

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 Fair value of financial instruments having no active market

Fair value of financial instruments having no active market is determined using discounted cash flow analysis after incorporating all factors that market participants would consider in setting a price and using inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

2.3.4 Taxation

The Company takes into account income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by tax department at the assessment stage and where the Company considers that its view of items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.3.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.3.6 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, 2012. Charge for the current year is based on estimates provided by the actuary as at June 30, 2012. The following significant assumptions were used in the latest actuarial valuation:

	2012	2011
Discount rate	13%	14%
Expected rate of salary increase in future years	12%	13%
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 up to 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 principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus incidental charges paid thereon.

Provision for obsolete and slow moving stores and spares is based on management's estimate.

3.13 Stock in trade

These are valued at lower of cost or net realizable value except waste which is valued at net realizable value determined at average selling price.

cost is determined by following basis:

Raw materials - At weighted average cost.

Work in process - At annual average material cost plus appropriate manufacturing costs.

Finished goods - At average manufacturing cost.

Wastes - At net realizable value.

Net realizable value signifies the estimated selling price at which goods in stock could be currently sold less any further costs that would be incurred to complete the sale.

Costs in relation to work in process and finished goods represent annual average costs which consist of prime costs and appropriate manufacturing overheads.

Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

3.14 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.

3.20 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 not yet effective

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

Standards or Interpretation	Effective date Accounting period beginning on or after
Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS-19 -Employees Benefits- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS-32 -Offsetting Financial Assets and Financial Liabilities -(Amendment)	January 01, 2014
IFRIC 20 -Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not materially affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards or Interpretation	IASB Effective date Annual periods beginning on or after
IFRS 9 - Financial Instruments	January 01, 2013
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

3.22.2 Standards, interpretations and amendments to published approved accounting standards effective in 2011-2012

New and amended standards and interpretations

The company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 -Financial Instruments: Disclosures (Amendment)

IAS 24 -Related Party Disclosures (Revised)

IFRIC 14 -Prepayments of a Minimum Funding Requirement

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 -Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 -Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 -Interim Financial Reporting - Significant events and transactions

IFRIC 13 -Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments / improvements and interpretations didn't have any significant effect on the financial statements.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		2012	2011
No. of shares			Rupees	
32,635,600	32,635,600	Ordinary shares of Rs. 10 each 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	2012	2011
		Rupees	
Land - freehold		31,521,323	31,521,323
Buildings on freehold land		36,265,489	40,933,098
Plant and machinery		107,797,149	131,120,384
Grid station and generators		173,363	201,710
		175,757,324	203,776,515
Incremental depreciation on revalued property, plant and equipment during the year - transferred to retained earnings		(14,550,185)	(14,208,770)
Change in revaluation surplus due to change in local sales proportion		(10,437,165)	(7,108,316)
Adjustment relating to property, plant and equipment disposed off during the year		(9,869,338)	(6,702,105)
		140,900,635	175,757,324

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	2012	2011
Habib Bank Limited:			
- Term finance - II	6.01	15,384,612	46,153,844
- Term finance - III	6.02	100,000,000	-
		115,384,612	46,153,844
United Bank Limited:			
- NIDF - I	6.03	-	921,780
- NIDF - IV	6.04	18,000,000	36,000,000
- NIDF - V	6.05	20,000,000	46,666,666
- State Bank of Pakistan's LTF-EOP scheme - I	6.06	21,731,856	43,463,708
- State Bank of Pakistan's LTF-EOP scheme - II	6.07	49,458,792	74,188,168
- NIDF - VI	6.08	65,000,000	-
- NIDF - VII	6.09	34,199,387	-
		208,390,035	201,240,322
		323,774,647	247,394,166
Less: Current portion		(141,494,808)	(122,818,944)
		182,279,839	124,575,222

6.01 Term finance - II

	2012	2011
Opening balance	46,153,844	76,923,077
Payments made during the year	(30,769,232)	(30,769,233)
	15,384,612	46,153,844

This term finance is obtained 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.

	2012	2011
	Rupees	
6.02 Term finance - III		
Opening balance	-	-
Finance obtained during the year	100,000,000	
Payments made during the year	-	-
	100,000,000	-

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

6.03 NIDF - I

	2012	2011
Opening balance	921,780	1,843,556
Payment made during the year	(921,780)	(921,776)
	-	921,780

Demand finance - I was obtained 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 2006 - 2007, an amount of Rs. 130.391 million was converted into LTF - EOP loan under the scheme of State Bank of Pakistan.

6.04 NIDF - IV

	2012	2011
Opening balance	36,000,000	54,000,000
Payments made during the year	(18,000,000)	(18,000,000)
	18,000,000	36,000,000

This loan was obtained to retire the letters of credit established to facilitate the import of gas engines and is repayable 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.

6.05 NIDF - V

	2012	2011
Opening balance	46,666,666	73,333,333
Payments made during the year	(26,666,666)	(26,666,667)
	20,000,000	46,666,666

This loan has been obtained 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	2012	2011
		Rupees	
6.06 State Bank of Pakistan's LTF - EOP scheme - I			
Opening balance		43,463,708	65,195,560
Payments made during the year		(21,731,852)	(21,731,852)
		21,731,856	43,463,708

This loan has been obtained 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.

		2012	2011
6.07 State Bank of Pakistan's LTF - EOP scheme - II			
Opening balance		74,188,168	98,917,504
Payments made during the year		(24,729,376)	(24,729,336)
		49,458,792	74,188,168

This loan has been obtained under SBP-LTF-EOP scheme and 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.

		2012	2011
6.08 NIDF - VI			
Opening balance		-	-
Finance obtained during the year		65,000,000	-
Payments made during the year		-	-
		65,000,000	-

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

		2012	2011
6.09 NIDF - VII			
Opening balance		-	-
Finance obtained during the year		34,199,387	-
Payments made during the year		-	-
		34,199,387	-

This loan has been obtained to finance import of machinery of spinning unit and represents actual withdrawn amount out of Demand Finance for Rs. 120 million. Remaining amount of Rs. 85,800,613/- shall be withdrawn at the time of retirement of LCs of import of machinery. It is repayable in twelve equal quarterly installment with a grace period of one year from first draw down of loan with first installment due in June 2013. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.

Commitments relating to these import LCs has been disclosed in note 13 of these financial statements.

7 SPONSORS' LOAN

	NOTE	2012	2011
Loan from directors and others	7.01	877,964,801	869,933,475

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 (2011: Rs. 676.00 million) with Habib Bank Limited and United Bank Limited.

	NOTE	2012	2011
		Rupees	
8 DEFERRED LIABILITIES			
Due to related parties	8.01	-	-
Deferred tax - net	8.02	87,553,235	73,139,681
Staff retirement benefits	8.03	33,885,956	33,177,520
		121,439,191	106,317,201

	2012	2011
8.01 Opening balance	-	69,211,588
Electricity/ stores items	-	691,713
	-	69,903,301
Amount repaid during the year	-	(69,903,301)
	-	-

8.02 Deferred tax - net

	2012	2011
Credit / (debit) balance arising in respect of:		
- Accelerated tax depreciation	116,592,022	136,896,301
- Surplus on revaluation of property, plant and equipment	35,893,088	40,506,944
- Recognized losses	(59,594,837)	(97,221,409)
- Staff retirement benefits	(5,337,038)	(7,042,154)
	87,553,235	73,139,681

8.03 Staff retirement benefits

	2012	2011
The amounts recognized in the balance sheet are as follows		
Present value of defined benefit obligation	32,370,702	32,127,326
Unrecognized actuarial gain / (loss)	1,515,254	1,050,194
	33,885,956	33,177,520
Balance sheet liability		
Opening balance	33,177,520	28,856,077
Amount recognized during the year	12,693,153	12,369,768
	45,870,673	41,225,845
Benefits paid during the year	(11,984,717)	(8,048,325)
Closing balance	33,885,956	33,177,520
Charge for the defined benefit plan		
Service cost	8,516,601	9,317,071
Interest cost	4,176,552	3,221,668
Actuarial gains recognized	-	(168,971)
	12,693,153	12,369,768

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, 2012 using Project Unit Credit Method.

(b) Comparison for five years

	2012	2011	2010	2009	2008
					Rupees
PVODBO	32,370,702	32,127,326	26,847,000	22,214,000	18,077,000
Experience Adjustment	(465,000)	(958,647)	211,000	225,000	1,069,000

9 TRADE AND OTHER PAYABLES	NOTE	2012	2011
		Rupees	
Creditors for:			
- Goods supplied		137,754,374	168,783,983
- Services		30,321,112	29,765,207
Accrued liabilities		68,429,772	64,632,324
Bills payable		35,872,854	-
Advances from customers		11,786,675	21,318,979
Security deposits		107,000	107,000
Worker's profit participation fund	9.1	18,713,081	16,329,041
Unclaimed dividend		5,107,336	3,492,277
Tax deducted at source		525,516	1,104,518
Payable to employees		186,128	93,448
Collector of custom		87,398	-
		308,891,245	305,626,777

9.1 Worker's profit participation fund

	2012	2011
Balance at the beginning of the year	16,329,041	6,873,749
Add: Allocation for the year	-	16,329,041
Add: Interest on funds utilized in Company's business	2,384,040	-
	18,713,081	23,202,790
Less: Payment made during the year	-	(6,873,749)
	18,713,081	16,329,041

10 ACCRUED INTEREST/ MARKUP

	2012	2011
Long term financing	6,324,027	4,490,152
Short term borrowings	11,741,477	28,518,121
	18,065,503	33,008,272

11 SHORT TERM BORROWINGS - From banking companies - Secured

	Note	2012	2011
Habib Bank Limited	11.1	378,661,695	319,812,612.38
United Bank Limited	11.2	386,601,219	551,805,532.43
		765,262,914	871,618,145

11.1 These represent utilized portion of short term finance facilities of Rs. 1,023 million (2011: Rs. 1,023 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, 2013. 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. 830 million (2011: Rs. 520 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

	2012	2011
	Rupees	
Opening balance	66,129,717	38,294,764
Provision for the year	48,460,770	66,129,716
Payments / adjustments against advance tax	(66,129,716)	(38,294,764)
	48,460,770	66,129,717

Income tax return up to and including tax year 2011 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 (2011: Rs. 53.130 million) on account of security deposits against the consumption of natural gas.

13.2 Export bills discounted Rs. 153.01 million (2011: Rs. 76.23 million)

13.3 Post dated cheques issued in the favour of Collector of Custom against import Rs. 38.932 million (2011: Rs 31.107 million)

Commitments

Commitments in respect of irrevocable letters of credit for the import of raw material and spare parts of machinery as at the balance sheet date amount to Rs. 149.009 million (2011: Rs. 65.995 million).

14 PROPERTY, PLANT AND EQUIPMENT

Rupees

Particulars	Cost / Revalued Amount				Rate	Accumulated Depreciation				Book Value
	As at July 01, 2011	Additions	Disposals	As at June 30, 2012	%	As at July 01, 2011	Disposals	For the year	As at June 30, 2012	as at June 30, 2012
Owned										
Land - freehold	89,416,871	-	-	89,416,871	-	-	-	-	-	89,416,871
Buildings on freehold land	428,018,197	-	-	428,018,197	5-10	217,878,412	-	14,811,373	232,689,785	195,328,412
Plant and machinery	2,268,414,649	109,378,744	(103,200,495)	2,274,592,898	10	1,269,701,346	(77,783,469)	104,389,881	1,296,307,759	978,285,139
Grid station and generators	19,757,344	67,250	-	19,824,594	10	9,285,656	-	1,047,169	10,332,825	9,491,769
Furniture and fixtures	15,357,489	582,421	(35,130)	15,904,780	10	9,070,265	(18,327)	643,841	9,695,779	6,209,001
Vehicles	33,012,481	1,205,312	-	34,217,793	20	23,555,261	-	1,901,488	25,456,749	8,761,044
Equipment	17,640,507	788,472	(245,750)	18,183,229	10	10,007,174	(112,968)	780,521	10,674,727	7,508,502
Electric installations	60,168,036	-	-	60,168,036	10	39,915,212	-	2,026,553	41,941,765	18,226,271
Rupees 2012	2,931,785,574	112,022,199	(103,481,375)	2,940,326,398		1,579,413,326	(77,914,764)	125,600,826	1,627,099,388	1,313,227,010
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

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, 2012		
	Cost	Accumulated Depreciation	Book value
Land - freehold	57,895,548	-	57,895,548
Buildings on freehold land	294,891,692	143,895,826	150,995,866
Plant and machinery	1,783,619,318	922,420,635	861,198,683
Grid station and generators	18,881,607	9,662,992	9,218,615
	2,155,288,165	1,075,979,453	1,079,308,712

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

	Note	2012	2011
		Rupees	
Cost of sales	24	122,165,705	118,760,275
Administrative expenses	26	3,435,122	3,156,453
		125,600,826	121,916,728

14.3 Disposal of property, plant and equipment

Rupees

Particulars	Cost / Revalued	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser
Card machines - 9 units	29,077,040	21,987,161	7,089,879	2,327,589	(4,762,290)	Tender offer	Asia Spinning Mills, Lahore.
Card machines - 4 units	12,923,130	9,794,085	3,129,045	600,000	(2,529,045)	Tender offer	Elahi Cotton Mills Limited, Rawalpindi.
Card machines - 1 units	3,230,782	2,431,192	799,590	515,086	(284,504)	Tender offer	Asia Spinning Mills, Lahore.
Card machines - 1 units	2,605,097	1,947,208	657,889	400,862	(257,027)	Tender offer	S.S Fabrics, Faisalabad.
Auto cone machimes - 4 units	55,364,446	41,623,824	13,740,622	12,000,000	(1,740,622)	Tender offer	Mekotex Private Limited, Karachi.
Attendence machine	215,800	95,082	120,718	-	(120,718)	De-recognition	N/A
Computer system	29,950	17,886	12,064	-	(12,064)	De-recognition	N/A
Air Conditioner	35,130	18,327	16,803	-	(16,803)	De-recognition	N/A
June 30, 2012	103,481,375	77,914,765	25,566,610	15,843,537	(9,723,073)		
June 30, 2011	73,321,837	54,166,703	19,155,134	13,190,174	(5,964,960)		

	NOTE	2012	2011
15 CAPITAL WORK IN PROGRESS		Rupees	
Plant and machinery:			
- Opening balance		1,262,930	157,700
- Additions during the year		11,219,489	1,959,651
		12,482,419	2,117,351
- Transferred to property, plant and equipment		(12,482,419)	(854,421)
		-	1,262,930
Electric installations:			
- Opening balance		-	-
- Additions during the year		-	6,739,440
		-	6,739,440
- Transferred to property, plant and equipment		-	(6,739,440)
		-	-
Vehicles - Lifting machines			
- Opening balance		-	-
- Additions during the year		1,205,312	2,763,087
		1,205,312	2,763,087
- Transferred to property, plant and equipment		(1,205,312)	(2,763,087)
		-	-
		-	1,262,930

16 STORES, SPARES AND LOOSE TOOLS

	NOTE	2012	2011
Stores	16.1	26,475,445	15,996,957
- In transit		-	4,041,668
Spares	16.1	55,239,827	56,064,253
Loose tools		874,458	232,810
		82,589,730	76,335,688

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

17 STOCK IN TRADE

	NOTE	2012	2011
Raw material	17.1	308,807,169	578,346,522
Work in process		68,108,189	75,070,743
Finished goods		394,971,418	331,891,019
		771,886,776	985,308,284

17.1 This includes an amount of Rs. 102.086 million (2011 : Rs. 346.126 million) approximately, which is pledged against short term finances.

Also, it includes sizing material of Rs. 12,524,112 (2011: Rs. 13,350,543).

		2012	2011
		Rupees	
18	**TRADE DEBTS**		
	Local debts		
	(Unsecured - considered good)	19,394,199	44,965,432
	Foreign debts		
	(Unsecured - considered good)	233,971,804	198,495,924
		253,366,003	243,461,356
19	**LOANS AND ADVANCES**		
	Employees	2,337,948	4,838,221
	Suppliers	4,236,418	9,806,421
	Income tax deducted at source	50,193,649	60,694,223
	Letters of credit	25,919,302	362,821
		82,687,317	75,701,687
20	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		
	Prepayments	282,264	1,411,319
21	**OTHER RECEIVABLES**		
	Sales tax refundable	26,162,728	14,884,180
	Other receivable	-	32,762
		26,162,728	14,916,942
22	**CASH AND BANK BALANCES**		
	Cash in hand	638,425	418,596
	Cash with banks in current accounts	14,421,666	4,854,669
		15,060,091	5,273,265
23	**SALES - NET**		
	Local:		
	- Yarn	1,562,676,047	2,151,075,752
	- Fabric	542,205,022	661,310,623
		2,104,881,069	2,812,386,375
	Export:		
	- Yarn	81,959,758	142,745,905
	- Fabric	2,569,837,932	2,668,700,379
		2,651,797,690	2,811,446,284
	Waste	89,398,191	137,866,834
	Doubling income	-	5,504,160
	Rebate on export	1,512,757	782,623
		4,847,589,707	5,767,986,276

	NOTE	2012 Rupees	2011 Rupees
24 COST OF GOODS SOLD			
Raw materials consumed	24.01	3,424,165,879	4,101,221,911
Processing charges		108,542,070	53,558,639
Salaries, wages and other benefits	24.02	250,892,925	248,448,199
Fuel and power		412,408,042	370,374,582
Packing materials consumed		50,567,061	49,860,200
Sizing materials consumed		63,223,272	58,099,207
Stores and spares consumed		156,337,792	124,396,828
Insurance		4,605,353	5,273,473
Depreciation	14.2	122,165,705	118,760,275
Other manufacturing expenses		19,195,126	12,447,661
		4,612,103,225	5,142,440,976
Opening work in process		75,070,743	45,146,387
Closing work in process		(68,108,189)	(75,070,743)
		6,962,554	(29,924,356)
Cost of goods manufactured		4,619,065,779	5,112,516,619
Opening finished goods		331,891,019	259,714,037
Closing finished goods		(394,971,418)	(331,891,019)
		(63,080,399)	(72,176,983)
		4,555,985,380	5,040,339,637

24.01 Raw material consumed

	2012	2011
Opening stock	564,995,979	275,281,911
Purchases	3,145,757,342	4,381,590,397
Cotton cess	844,517	819,245
Cotton handling charges	8,851,098	8,526,337
	3,720,448,936	4,666,217,890
Closing stock	(296,283,057)	(564,995,979)
	3,424,165,879	4,101,221,911

24.02 Salaries, wages and benefits include Rs. 7.615 million (2011: Rs. 7.422 million) on account of staff retirement benefits.

25 SELLING AND DISTRIBUTION

	2012	2011
Export development surcharge	6,336,997	6,596,403
Commission to selling agents	46,356,567	65,637,991
Carriage and freight - export	94,488,802	77,326,765
- local	802,650	626,217
Export expenses	13,323,461	11,295,455
Samples	3,667,470	2,059,948
	164,975,947	163,542,779

	NOTE	2012	2011
		Rupees	
26 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits	26.1	46,555,010	43,921,610
Traveling and conveyance		5,887,826	5,988,397
Repairs and maintenance		3,909,221	3,149,470
Rent, rates and taxes		67,615	231,943
Printing and stationery		2,265,489	3,131,041
Insurance		914,288	1,129,938
Fees and subscription		1,784,030	1,320,357
Telephone and Postage		2,901,092	2,961,736
Vehicle running and maintenance		7,618,361	5,704,343
Utilities		1,316,705	1,695,123
Advertisement		131,800	-
Books and periodicals		28,232	126,538
Entertainment		2,472,457	1,882,087
Depreciation	14.2	3,435,122	3,156,453
		79,287,248	74,399,036

26.1 Salaries, wages and benefits include Rs. 5.077 million (2011: Rs. 5.095 million) on account of staff retirement benefits.

	2012	2011
27 OTHER OPERATING CHARGES		
Auditors' remuneration		
- Statutory audit	1,000,000	1,000,000
- Half yearly review	95,000	95,000
- Certification charges	100,000	100,000
- Out of pocket	25,000	25,000
	1,220,000	1,220,000
Legal and professional charges	1,102,287	305,015
Balances written off	2,150,232	-
Workers' profit participation fund	2,384,040	16,329,041
Loss on disposal of property, plant and equipment	9,723,074	5,964,965
Donation	200,000	2,703,095
Exchange loss	31,911,113	-
	48,690,746	26,522,116

	2012	2011
28 OTHER OPERATING INCOME		
Exchange gain	-	2,142,222
Scrap sales	13,727,076	3,184,943
Miscellaneous	294,889	376,781
WWF provision written back	-	2,612,025
	14,021,965	8,315,971

		2012	2011
		Rupees	

29 FINANCE COST

	2012	2011
Interest / mark up on:		
- Long term financing	37,566,701	35,698,788
- Short term borrowings	75,528,178	115,063,577
	113,094,879	150,762,365
Bank charges and commission	12,595,289	11,172,009
	125,690,169	161,934,374

30 TAXATION

	2012	2011
Taxation:		
- Current year	48,460,770	66,129,716
Prior year	(5,839,563)	(19,140,817)
- Deferred	5,821,397	53,130,428
	48,442,603	100,119,327

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

		2012	2011
(Loss) / profit after taxation for the year	Rupees	(161,460,420)	209,444,978
Outstanding weighted average ordinary shares	No. of shares	32,635,600	32,635,600
Earnings per share - Basic	Rupees	(4.95)	6.42

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

	2012	2011
Managerial remuneration - Executives (Rupees)	12,142,500	12,493,500
Number of persons	16	16

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.

33 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, related group companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2012	2011
Associated undertakings	Rupees	
Repayment of deferred liabilities	-	68,350,000
Payment made for stores/electricity bill	138,501	1,553,301
Purchase of Cotton	179,648,439	244,754,587
Directors		
Loan obtained from directors	55,000,000	150,000,000
Payment made during the year	46,968,674	34,355,092

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

Spinning

		2012	2011
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	14,520,144	15,807,749

Weaving

		2012	2011
No. of looms installed		168	168
No. of looms worked		166	160
No. of shifts		3	3
Actual production converted to 40 picks based on three shifts per day	Sq. meters	62,250,730	65,276,622

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

	2012	2011
	Rupees	
Financial assets as per balance sheet		
Long term deposits	12,952,014	12,952,014
Trade debts	253,366,003	243,461,356
Loans and advances	28,257,250	5,201,042
Cash and bank balances	15,060,091	5,273,265
	309,635,357	266,887,677
Financial liabilities as per balance sheet		
Long term financing	1,201,739,448	1,117,327,641
Trade and other payables	296,579,054	283,203,280
Accrued interest/mark-up	18,065,503	33,008,272
Short term borrowings	765,262,914	871,618,145
	2,281,646,919	2,305,157,338

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 parties in an arms length transaction.

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

36 FINANCIAL INSTRUMENTS

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to currency risk on the import of raw material and stores and spares and export of goods mainly denominated in US dollars and on foreign currency debtors and loans. The company's exposure to foreign currency risk for US dollars is as follows:

	2012	2011
	Rupees	
Foreign trade debts	233,971,804	198,495,924
Foreign currency short term borrowings		
- Habib Bank Limited	(220,789,589)	(228,715,148)
- United Bank Limited	(286,815,741)	(219,140,442)
Gross balance sheet exposure	(273,633,527)	(249,359,666)
Outstanding letter of credit	(149,009,423)	(65,995,000)
Net exposure	(422,642,950)	(315,354,666)

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

USD to PKR	94.20	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, 2012, 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. 28,188,973 (2011: 24,935,967) mainly as a result of foreign exchange losses / gains on translation of foreign debts, foreign currency borrowings.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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

(iii) Financial liabilities

	2012	2011	2012	2011
Long term financing	Percentage		Rupees	
- Fixed rate instruments	7.00	7.00	71,190,648	117,651,876
- Variable rate instruments	13.20 to 16.03	14.73 to 16.28	252,583,999	129,742,290
Short term borrowings	03.87 to 15.29	04.39 to 14.17	765,262,914	871,618,145
			1,089,037,561	1,119,012,311
Total yield / mark up rate risk sensitivity gap			(1,089,037,561)	(1,119,012,311)

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

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

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

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

	Effect on Profit and Loss 1% rate	
	Increase	Decrease
As at June 30, 2012		
Cash flow sensitivity - variable rate financial liabilities	10,253,578	(10,253,578)
As at June 30, 2011		
Cash flow sensitivity - variable rate financial liabilities	20,027,209	(20,027,209)

(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. 301,163,187 (2011 : Rs. 270,929,345), the financial assets exposed to credit risk amount to Rs. 286,103,097 (2011 : Rs. 268,220,052).

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

	2012	2011
	Rupees	
Local debts	19,394,199	44,965,432
Foreign debts	233,971,804	198,495,924
	253,366,003	243,461,356

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:

	2012	2011
	Rupees	
Yarn	153,182,298	147,194,058
Fabric	97,720,734	93,900,610
Others	2,462,971	2,366,688
	253,366,003	243,461,356

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

Past due 0-6 months	249,487,163	234,468,269
Past due 6-12 months	3,878,840	8,993,086
	253,366,003	243,461,356

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	12,952,014
Trade debts	253,366,003	243,461,356
Loans and advances	28,257,250	5,201,042
Cash and bank balances	15,060,091	5,273,265
	309,635,357	266,887,677

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+

(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.

	2012 (Rupees)				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
Non-Derivative Financial Liabilities					
Long term financing (from banking companies)	323,774,647	(386,322,695)	(97,643,496)	(78,208,241)	(210,470,958)
Trade and other payables	308,891,245	(308,891,245)	(308,891,245)	-	-
Short term borrowings	765,262,914	(765,262,914)	(765,262,914)	-	-
	1,397,928,805	(1,460,476,853)	(1,171,797,654)	(78,208,241)	(210,470,958)

	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 (from banking companies)	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)

The contractualcash flows relating totheabove financialliabilities have beendetermined on the basis of markup rateseffective as at 30 June, 2012. The rates of mark-up have been disclosed in note 06 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 toprovide 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 Companyfinances its operations through equity, borrowings andmanagement of working capitalwith a viewto maintaining an appropriate mix between various sources of finance to minimize risk.

38 INFORMATION ABOUT REPORTING SEGMENT

The following table presents revenue and profit information regarding the Company's operating segments for the year ended June 30, 2012 and 2011 respectively.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
	2012 (Rupees)			
Sales	3,019,566,931	3,131,259,358	(1,303,236,582)	4,847,589,707
Cost of Sales:	(2,973,797,948)	(2,885,424,013)	1,303,236,582	(4,555,985,380)
Gross profit	45,768,983	245,835,345	-	291,604,327
Selling and distribution costs	(10,204,928)	(154,771,019)	-	(164,975,947)
Administrative and general expenses	(45,333,779)	(33,953,468)	-	(79,287,248)
Profit before taxation and un allocated expenses	(9,769,725)	57,110,857		47,341,133
Un-allocated expenses:				
Other operating expenses				(48,690,746)
Other operating income				14,021,965
Finance cost				(125,690,169)
Loss before taxation				(113,017,816)
Taxation				48,442,603
Net loss for the year				(161,460,419)
	2011 (Rupees)			
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

39 AUTHORIZATION OF FINANCIAL STATEMENTS

These accounts have been authorized for issue by the Board of Directors of the Company on October 03, 2012.

40 GENERAL

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

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

CHIEF EXECUTIVE DIRECTOR

PROXY FORM
(23rd 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 23rd Annual General Meeting of the Company to be held on October 31, 2012 and/or any adjournment thereof.

As witness my/our hand this __________ day of October, 2012

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