



Ghazi Fabrics International Limited
Signature of Quality



3rd Quarterly Report

March 31, 2014

UN-AUDITED



GHAZI FABRICS INTERNATIONAL LIMITED 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

HR & REMUNERATION COMMITTEE

Mrs. Azra Yasmin

Chairman

Mr. Mohammad Arshad Chaudhry

Member

Miss Wajeeha Arshad

Member

CHIEF FINANCIAL OFFICER

Mr. Abid Rafi

INTERNAL AUDITOR

Mr. Nasir Imran Elahi, ACA

AUDITORS

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

SHARE REGISTRARS

M/s. Corplink (Pvt.) Ltd.

LEGAL ADVISOR

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

BANKERS

United Bank Limited
Habib Bank Limited

REGISTERED 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.

**GHAZI FABRICS INTERNATIONAL LIMITED
DIRECTOR'S REVIEW**

We are pleased to present the financial statements for the nine months ended March 31, 2014.

Operating results

During the period under review the Company's gross profit was Rs.372.989 million and the profit after tax of Rs. 19.557 million as compared to a profit of Rs. 32.565 million in the corresponding period ended March 31, 2013. Earning per share is Rs.0.60 (corresponding period:Rs. 1.00).

Financial highlights

	Nine Months Ended March 31,	
	2014	2013
	R u p e e s	
Sales	4,141,884,351	3,862,297,374
Gross profit	372,989,756	332,901,047
Pre-tax profit	45,286,870	64,476,954
After-tax profit	19,557,419	32,565,780
Gross profit (%)	9.00	8.61
Earning per share – EPS-Rs.	0.60	1.00

The period under review presented a slight increase in GP Margin overall but if we look at the last quarter performance there is a decrease in margin mainly attributable to the rapid appreciation of Pak Rupee in the third quarter of the current nine months. Pak Rupee strengthened from Rs. 104.70 per US\$ as on March 01, 2014 to Rs. 97.70 per US\$ as on March 31, 2014 which resulted in exchange loss and adversely affect the gross margin percentage of the Company.

Future prospects

Exports sales of Pakistani products are declining in the stagnant global economy due to weak demand and unsold cotton stocks worldwide especially in China. A stronger Rupee against US \$ has put further pressure on exporters. The last quarter of the year will remain difficult till the imbalance created by exchange rate is normalized. The upsurge in overhead costs due to high fuel and power costs has also led to increased pressure on the textile industry. Also, the present electricity and gas supply to the Punjab province remains improper and skewed as compared to other provinces.

Notwithstanding the foregoing constraints, your directors would like to assure you that every endeavor will be made to achieve the improved results for the current year.

Also, your Company is engaged in a massive BMR (balancing, modernization & replacement) and capacity expansion of both spinning mills and weaving as well. This should substantially improve quality and cost efficiency of both business segments. The financial impact of this would be fully reflected post June 2014 when all the installed machinery comes into full production after trial running. We remain optimistic on overall business outlook going forward into the next fiscal year.

Acknowledgement

We are grateful to the management and employees of the Company for their hard-work and dedication. We also express our gratitude to our shareholder, bankers, suppliers and valued customers who cooperated with us throughout the period.

For and on behalf of the board

Lahore
April 30, 2014

(Kamran Arshad)
Director



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

	Notes	Un-audited March 31, 2014 Rupees	Re-stated	
			Audited June 30, 2013 Rupees	Audited July 01, 2012 Rupees
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	5.1	400,000,000	400,000,000	400,000,000
Issued, subscribed and paid-up capital	5.2	326,356,000	326,356,000	326,356,000
Accumulated loss		(312,989,658)	(332,547,077)	(386,701,075)
		13,366,342	(6,191,077)	(60,345,075)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT				
	4	-	-	-
NON CURRENT LIABILITIES				
Long term financing	6	511,674,726	222,921,739	182,279,839
Sponsors' loan		1,098,699,242	1,032,743,251	877,964,801
Deferred liabilities	7	75,082,872	68,182,739	82,992,900
		1,685,456,840	1,323,847,729	1,143,237,540
CURRENT LIABILITIES				
Trade and other payables		329,588,151	281,758,547	308,891,245
Markup/ interest payables		44,420,506	20,344,962	18,065,503
Short term bank borrowings		1,675,398,258	975,905,895	765,262,914
Current portion of long term financing		130,007,018	136,218,860	141,494,808
Provision for taxation		30,587,464	43,796,620	48,460,770
		2,210,001,397	1,458,024,884	1,282,175,240
CONTINGENCIES AND COMMITMENTS				
	8	-	-	-
		3,908,824,579	2,775,681,536	2,365,067,705
NON CURRENT ASSETS				
Property, plant and equipment	9	1,133,765,324	1,177,668,776	1,120,080,783
Capital work in progress		404,635,602	17,725,735	-
		1,538,400,926	1,195,394,511	1,120,080,783
LONG TERM DEPOSIT				
		12,952,014	12,952,014	12,952,014
		1,551,352,940	1,208,346,525	1,133,032,797
CURRENT ASSETS				
Stores, spares and loose tools		84,318,027	84,351,158	82,589,730
Stock in trade		1,567,993,717	1,037,516,231	771,886,776
Trade debts		467,805,041	332,915,827	253,366,002
Loans and advances		154,000,131	76,214,491	82,687,317
Trade deposits and short term prepayments		539,027	1,078,053	282,264
Other receivables		52,593,838	33,642,462	26,162,728
Cash and bank balances		30,221,858	1,616,789	15,060,091
		2,357,471,639	1,567,335,011	1,232,034,908
		3,908,824,579	2,775,681,536	2,365,067,705

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

Presently the Chief Executive Officer of the company is out of country, due to the reason these financial statements have been signed by two directors of the Company under Section 241(2) of the Companies Ordinance, 1984.

Director

Director

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THIRD QUARTER AND NINE MONTHS ENDED MARCH 31, 2014

	Notes	Nine Months Ended		Quarter Ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
		Rupees		Rupees	
		Re-stated		Re-stated	
SALES - Net		4,141,884,351	3,862,297,374	1,357,101,014	1,329,102,418
COST OF SALES	10	3,768,894,595	3,529,396,327	1,224,393,789	1,194,735,786
GROSS PROFIT		372,989,756	332,901,047	132,707,225	134,366,632
SELLING AND DISTRIBUTION EXPENSES		110,646,572	111,960,969	37,733,168	35,810,575
ADMINISTRATIVE EXPENSES		82,981,772	63,114,118	30,097,804	21,515,995
		193,628,344	175,075,087	67,830,972	57,326,570
OPERATING PROFIT / (LOSS)		179,361,413	157,825,960	64,876,254	77,040,062
OTHER INCOME		13,181,742	10,162,209	(2,144,615)	5,518,352
		192,543,155	167,988,169	62,731,639	82,558,414
FINANCE COST		134,437,464	95,456,937	55,192,065	35,148,161
OTHER CHARGES		12,818,821	8,054,278	12,818,821	7,719,081
		147,256,285	103,511,215	68,010,886	42,867,242
PROFIT / (LOSS) BEFORE TAXATION		45,286,870	64,476,954	(5,279,247)	39,691,173
PROVISION FOR TAXATION		25,729,451	31,911,174	13,048,809	20,698,315
PROFIT / (LOSS) AFTER TAXATION		19,557,419	32,565,780	(18,328,056)	18,992,858
Earnings per share - Basic		0.60	1.00	(0.56)	0.58

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Director

Director



GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THIRD QUARTER AND NINE MONTHS ENDED MARCH 31, 2014

	Nine Months Ended		Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	<u>Rupees</u>		<u>Rupees</u>	
		<u>Re-stated</u>		<u>Re-stated</u>
Profit / (loss) after taxation for the period	19,557,419	32,565,780	(18,328,056)	18,992,858
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>19,557,419</u>	<u>32,565,780</u>	<u>(18,328,056)</u>	<u>18,992,858</u>

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Director

Director

GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THIRD QUARTER AND NINE MONTHS ENDED MARCH 31, 2014

	March 31, 2014 Rupees	March 31, 2013 Rupees <u>Re-stated</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	45,286,870	64,476,954
Adjustment for:		
Depreciation	84,948,373	74,510,537
(Gain) / loss on disposal of property, plant and equipment	(6,832,374)	8,054,278
Staff retirement benefits	10,373,963	9,519,865
Finance cost	134,437,464	95,456,937
	<u>222,927,426</u>	<u>187,541,617</u>
Cash flows before working capital changes	<u>268,214,296</u>	<u>252,018,571</u>
(Increase) / decrease in current assets		
Stores, spares and loose tools	33,130	(21,781,944)
Stock in trade	(530,477,485)	(905,641,109)
Trade debts	(134,889,214)	(138,155,089)
Loans and advances	(77,785,640)	(15,365,477)
Trade deposits and prepayments	539,026	(1,065,302)
Other receivable	(18,951,376)	(771,967)
Increase / (decrease) in current liabilities		
Trade and other payables	47,829,604	125,490,611
	<u>(713,701,956)</u>	<u>(957,290,278)</u>
Cash Inflows / (Outflows) from operations	<u>(445,487,660)</u>	<u>(705,271,707)</u>
Finance cost paid	(110,361,920)	(93,662,472)
Staff retirement benefits paid	(9,634,653)	(7,385,048)
Income Tax paid	(32,777,783)	(49,391,295)
Net cash used in operating activities	<u>(598,262,016)</u>	<u>(855,710,523)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(49,950,751)	(148,615,143)
Proceeds from disposal of property, plant and equipment	15,738,204	6,343,058
Capital Work in Progress	(386,909,867)	-
Net cash used in investing activities	<u>(421,122,415)</u>	<u>(142,272,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans	282,541,145	75,288,920
Loan from directors and others - net	65,955,991	213,322,711
Short term borrowings- net	699,492,363	707,377,943
Net cash generated from financing activities	<u>1,047,989,499</u>	<u>995,989,574</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>28,605,069</u>	<u>(1,993,034)</u>
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF THE PERIOD	<u>1,616,789</u>	<u>15,060,091</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>30,221,858</u>	<u>13,067,057</u>

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

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Director

Director



**GHAZI FABRICS INTERNATIONAL LIMITED
CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THIRD QUARTER AND NINE MONTHS ENDED MARCH 31, 2014**

	Issued, subscribed and paid-up capital	Accumulated losses	Total
	R	U P E E S	S
Balance as at July 01, 2012 as previously reported	326,356,000	(372,901,774)	(46,545,774)
Change in accounting policy for recognition of actuarial gains and losses (Note 4)	-	1,276,601	1,276,601
Change in accounting policy due to IAS - 16 (Note 4)	-	(15,075,902)	(15,075,902)
Balance as at July 01, 2012 as restated	326,356,000	(386,701,075)	(60,345,075)
Total comprehensive income for the period	-	32,565,780	32,565,780
Balance as at March 31, 2013	<u>326,356,000</u>	<u>(354,135,295)</u>	<u>(27,779,295)</u>
Balance as at July 01, 2013 as previously reported	326,356,000	(296,540,396)	29,815,604
Change in accounting policy for recognition of actuarial gains and losses (Note 4)	-	(8,037,499)	(8,037,499)
Change in accounting policy due to IAS - 16 (Note 4)	-	(27,969,182)	(27,969,182)
Balance as at July 01, 2013 as restated	326,356,000	(332,547,077)	(6,191,077)
Total comprehensive income for the period	-	19,557,419	19,557,419
Balance as at March 31, 2014	<u>326,356,000</u>	<u>(312,989,658)</u>	<u>13,366,342</u>

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

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Director

Director

**GHAZI FABRICS INTERNATIONAL LIMITED
SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE THIRD QUARTER AND NINE MONTHS ENDED MARCH 31, 2014**

1 STATUS AND ACTIVITIES

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

2 STATEMENT OF COMPLIANCE

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of International Accounting Standard No. 34 " Interim Financial Reporting " and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provision of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

3 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention. In this condensed interim financial information, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

4 SIGNIFICANT ACCOUNTING POLICIES

Consequent to the revision of IAS 19 "Employee Benefits" which is effective for annual periods beginning on or after January 01, 2013 the Company has changed its accounting policy wherein, the actuarial gains and losses (remeasurement gains/losses) on employees' retirement benefit plans are recognized immediately in other comprehensive income. Previously the actuarial gains/losses in excess of corridor limit were recognized in profit and loss account over remaining service life of employees. The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated.

	Effect for the June 30, 2013	Cumulative July 01, 2012
	Rupees	
Staff retirement benefits		
(Decrease) / increase in:		
- Unappropriated profit due to actuarial gain/losses-net of tax	(8,037,499)	1,276,601
- Deferred liabilities:		
- Deferred tax	(1,502,559)	238,653
- Staff retirement benefits	9,540,058	(1,515,254)
Consequent to the change in accounting policy company has incorporated the effect of reversal of revaluation surplus of property, plant and equipment retrospectively. The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated.		
Surplus on revaluation of property, plant and equipment		
Decrease / (increase) in unappropriated profits	27,969,182	15,075,902
(Decrease) / increase in property, plant and equipment	(620,774,711)	(656,497,142)
Decrease / (increase) in accumulated depreciation	450,107,058	463,350,915
Decrease / (increase) in surplus on revaluation of property, plant and equipment	115,518,816	140,900,634
Decrease / (increase) in deferred tax liability	27,179,654	37,169,690
	March 31, 2014	June 30, 2013

5 SHARE CAPITAL

5.1 Authorised capital

40,000,000 (June 30, 2013: 40,000,000) ordinary shares
of Rs. 10/- each

400,000,000	400,000,000
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5.2 Issued, subscribed and paid up capital:

32,635,600 (June 30, 2013 : 32,635,600) ordinary shares of Rs.
10/- each paid in cash

326,356,000	326,356,000
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	March 31, 2014	June 30, 2013
Rupees		
6 LONGTERM FINANCING - Secured		
Opening balance	359,140,599	323,774,647
Add: Obtained during the period/ year	375,473,637	176,860,760
Less: Repayment during the period/year	(92,932,492)	(141,494,808)
	<u>641,681,744</u>	<u>359,140,599</u>
Less: Current portion	(130,007,018)	(136,218,860)
	<u>511,674,726</u>	<u>222,921,739</u>
7 DEFERRED LIABILITIES		Re-stated
Deferred tax - net	27,169,627	21,008,803
Staff retirement benefits	47,913,246	47,173,936
	<u>75,082,872</u>	<u>68,182,739</u>
8 CONTINGENCIES AND COMMITMENTS		
8.1	There is no material change in the status of the contingencies reported in the annual financial statements for the year ended June 30, 2013.	
8.2	Commitments against irrevocable letters of credit outstanding as at March 31, 2014 for capital expenditure amounts to Rs. 150.463 Million (June 30, 2013: Rs. Nil) and for raw material amounts to Rs. Nil (June 30, 2013: Rs. 16.492 Million).	
8.3	Post dated cheques issued in favour of Collector of Customs against import Rs. 33.241 million (June 30, 2013: Rs. 36.031 million)	
9 PROPERTY, PLANT AND EQUIPMENT		Re-stated
Opening written down value	1,177,668,776	1,120,080,783
Addition during the period / year		
Land - freehold	23,386,900	-
Buildings on freehold land	1,113,261	439,930
Plant and machinery	19,292,556	146,001,026
Furniture and fittings	306,484	111,150
Vehicles	3,491,178	32,140,247
Tools and equipment	894,102	2,561,394
Electric installations	1,466,270	582,870
	49,950,751	181,836,617
Book value of assets disposed off during the period / year	9.1 (8,905,830)	(15,982,553)
Depreciation for the period / year	(84,948,373)	(108,266,071)
	<u>1,133,765,324</u>	<u>1,177,668,776</u>
9.1 Book value of assets disposed off during the period / year		
Plant and machinery	8,902,313	15,767,750
Vehicles	3,517	214,803
	<u>8,905,830</u>	<u>15,982,553</u>

	Unaudited Nine Months Ended		Unaudited Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees	Rupees Re-stated	Rupees	Rupees Re-stated
10 COST OF SALES				
Raw materials and other direct materials consumed	2,727,003,789	2,625,268,538	876,764,402	879,329,880
Salaries, wages and benefits	264,094,693	238,273,972	87,653,013	79,574,969
Fuel and power	442,753,579	350,175,196	138,597,120	117,171,255
Packing material consumed	53,982,360	44,035,159	17,132,049	14,507,148
Sizing material consumed	32,150,626	40,672,679	10,556,744	12,626,646
Store and spares consumed	102,489,472	134,489,000	34,980,326	36,987,346
Insurance	5,519,562	4,187,646	2,603,260	3,391,226
Depreciation	77,778,813	71,873,057	27,148,128	22,234,244
Others	13,978,333	21,352,777	5,506,494	7,601,183
	<u>3,719,751,227</u>	<u>3,530,328,024</u>	<u>1,200,941,536</u>	<u>1,173,423,898</u>
Adjustment of work in process	<u>(2,837,138)</u>	<u>(777,881)</u>	<u>(489,972)</u>	<u>(3,057,436)</u>
Cost of goods manufactured	3,716,914,089	3,529,550,143	1,200,451,564	1,170,366,462
Adjustment of finished goods	51,980,506	(153,816)	23,942,225	24,369,324
	<u><u>3,768,894,595</u></u>	<u><u>3,529,396,327</u></u>	<u><u>1,224,393,789</u></u>	<u><u>1,194,735,786</u></u>

Nine Months Ended	
March 31, 2014	March 31, 2013
Rupees	

11 TRANSACTION WITH RELATED PARTIES

(Repayment) / Receipt of Sponsors' loan - net	65,955,991	158,960,711
Purchases of raw material	62,254,431	85,390,219
Payment for raw material	62,254,431	85,390,219

12 AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorised for issue on April 30, 2014.

13 CORRESPONDING FIGURES

13.1 Corresponding figures have been re-arranged, wherever necessary to the facilitation of comparison.

13.2 Figures have been rounded off to nearest rupee.

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Director

Director

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