

Signature of Quality



Ghazi Fabrics International Limited



Annual Report
2018

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COMPANY PROFILE

Board of directors

Mrs. Azra Yasmin (Non Executive Director)
Chairperson

Mohammad Arshad Chaudhry (Executive Director)
Chief Executive/ Director

Kamran Arshad (Executive Director)
Rizwan Arshad ((Non Executive Director)
Muhammad. Salman Tariq (Non Executive Director)
Wajeeha Haaris (Non Executive Director)
Muhammad Imran Rasheed (Independent Director)

Audit Committee

Muhammad Imran Rasheed
Chairman/ member

Rizwan Arshad
Member

Muhammad Salman Tariq
Member

Human Resource & Remuneration Committee

Mohammad Imran Rasheed
Chairman/Member

Mrs. Azra Yasmin
Member

Wajeeha Haaris
Member

Company Secretary

Majid Rehman, ACA

Chief Financial Officer

Abid Rafi

Internal Auditor

Nasir Imran Elahi, ACA

Auditors

M/s. Qadeer & Company
Chartered Accountants
Lahore.

Share registrar

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

Legal Advisor

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

Bankers

United Bank Limited
Habib Bank Limited

Registered Office

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

Mills

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

VISION AND MISSION STATEMENT

VISION STATEMENT

A modern dynamic industrial unit, which is a true model of socially responsible and professionally managed successful business enterprise.

MISSION STATEMENT

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

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

I. ETHICS

Discipline

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

Coordination among staff

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

Conflict of interest

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

Confidentiality

Management and employees of the Company are hereby committed to the confidentiality of the business information to the outsider of the Company unless it is required by a competent authority having jurisdiction to the affairs of the Company. Even if they leave the Company shall not 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 employee of the Company shall not make any commitment, the compliance of which is beyond their control and if they commit, every effort shall be made to fulfill the commitment.

Financial discipline and books of accounts

Compliance with all the approved accounting standards applicable in Pakistan and requirements of the Companies Act 2017, rules and procedures shall be followed at all time. All transactions if duly authorized shall be properly and fully recorded. All the payments made shall be for the purpose of the business of the Company. Books of accounts shall reflect a true and fair position of all the assets, liabilities and funds. Company shall maintain the integrity and reputation of the Company.

Relationship with Govt. Officials, Suppliers, Customers and Agents

Only the concerned and knowledgeable members of the relevant field of the Company shall conduct dealing with Govt. officials, suppliers, customers and agents. The dealing members shall always maintain the integrity and reputation of the Company.

Training

Training of the employees shall be an important part of business practices. The management shall take steps that training of every employee is ensured from his joining to the retirement.

Child / forced labour

Policy of the Company is not to employ child labour or forced labour directly or indirectly.

Equality policy

There is absolutely no discrimination in the Company on the basis of race, caste, national origin, religion, disability, gender or political affiliation. Corporal punishment, mental or physical coercion and verbal abuse of workers is strictly forbidden.

The management of the Company shall ensure implementation of these codes, regular monitoring, review for modification/ amendment where necessary.

NOTICE OF 29th ANNUAL GENERAL MEETING.

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of **GHAZI FABRICS INTERNATIONAL LIMITED** will be held on Saturday the October 27, 2018 at 10:30 a.m. at Qasr-e-Zauk, I-E-3- Gulberg-III, Lahore to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of 28th Annual General Meeting of the Company held on Friday October 27, 2017.
2. To receive, consider and adopt the audited financial statement of the Company for the financial year ended June 30, 2018 together with the Directors' and Auditors' Reports thereon...
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2019. The present auditors M/s. Qadeer & Co., Chartered Accountants, being eligible have offered themselves for reappointment. The Audit Committee and Board of Directors have also recommended M/s. Qadeer & Co., Chartered Accountants for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

by order of the Board

LAHORE:
October 06, 2018.

(Majid Rehman)
Company Secretary

NOTES:-

- I. Share Transfer Books of the Company will remain closed from October 20, 2018 to October 27, 2018 (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 situated at 8-C, E-III, GULBERG-III, LAHORE not less than 48 hours before the time for holding the meeting.
- III. Shareholders whose shares are deposited with CDC must bring their Original Computerized National Identity Card or Passport along with 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 their latest Computerized National Identity Card Number or in case of foreigner the Passport Number (unless it has been provided earlier) to enable the Company comply with relevant laws.
- V. Shareholders are requested to promptly notify to Share registrar of the Company of any change in their addresses.
- VI. Members can also avail video conference facility. In this regard, please fill the following form and submit to registered address of the company 10 days before holding of the Annual General Meeting.

If the company receives consent from member holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of

meeting, the company will arrange video conference facility in the city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access the facility.

"I/WE, _____ of _____ being a member of Ghazi Fabrics International Limited, holder of _____ Ordinary Shares as per Register Folio No. _____ hereby opt for video conference facility at _____"

Signature of Member

- VII. In pursuance of the directions given by SECP vide SRO 787 (I)/ 2014 dated 8th September 2014, those shareholders who desire to receive Annual Financial Statement in future through Email instead of receiving the same by post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.ghazifabrics.com and send the said form duly filled in and signed along with copy of his /her /its CNIC / Passport to the Company's registered address.

CHAIRPERSON'S REVIEW

The Economic Situation

چیمبر پرسن کا جائزہ:

جون 2018ء اور آڈیٹڈ اکاؤنٹس کا جائزہ پیش کر رہی ہوں۔

معیشت:

بورڈ کی تشخیص:

مالی سال برائے 30 جون 2018 کے لئے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بورڈ نے خود تشخیصی کے ذریعہ بہترین معلومات کے مطابق ان چیزوں کی نشاندہی کی جہاں بہتری کی گنجائش ہے۔

بورڈ کو اپنی بروقت مینٹننس میں جامع ایجنڈا اور مطلوبہ مواد موصول ہوئے۔ بورڈ حکمت عملی کی پلاننگ کے عمل اور ادارے کے نظریہ کے حصول میں مکمل طور پر شامل رہا۔ تمام ڈائریکٹرز بشمول انڈیپنڈنٹ ڈائریکٹرز فیصلہ سازی کے عمل میں بھی حصہ لیا۔ بورڈ نے ادارے کے تمام شعبہ جات میں جامع طریقہ کار پیش کیے ہیں جن کا وقتاً فوقتاً جائزہ لیا جاتا ہے اور ان کو بہتر بنایا جاتا ہے۔

آڈٹ کمیٹی اور ہومن ریسورسز اینڈ ریمونڈیشن کمیٹی بورڈ کے امور کی موثر انجام دہی کیلئے باقاعدگی سے میٹنگ کرتی رہی ہے۔

کمپنی کا اپنا خود مختار انٹر نل آڈٹ ڈیپارٹمنٹ ہے جو اندرونی آڈٹ کے امور انجام دیتا ہے اور رسک پر مبنی آڈٹ کے طریقہ کار کی پیروی کرتا ہے۔ آڈٹ رپورٹیں بورڈ کو کاجائزے اور حسب ضرورت کاروائی کیلئے بھیجی جاتی ہیں۔

پروڈکشن:

پیداواری سرگرمیوں کی موثر طریقے سے منصوبہ بندی کی گئی ہے اور اسے طلب اور رسد کے مطابق بنایا گیا ہے اور پیداوار کے تمام مراحل پر معیار کے کنٹرول پر بھرپور طریقے سے عمل درآمد ہوا ہے۔

سیلنز:

آپ کی کمپنی کی نیٹ سیلز آمدنی 3.797 بلین روپے رہی جو کہ پچھلے سال 4.255 بلین روپے رہی۔

منافع:

امسال مجموعی منافع 80,774 ملین روپے سے بڑھ کر 225,657 ملین روپے رہا۔ منافع میں %179 اضافہ کی وجہ بہتر اخفاقیہ اور مارجن ہے۔ مجموعی منافع کا تناسب NSV کا %1.90 فیصد سے بڑھ کر %5.94 فیصد ہو گیا۔

فروخت اور تقسیم کے اخراجات 16% فیصد کی کے بعد 124.770 ملین روپے سے کم ہو کر 104.861 ملین روپے ہو گئے۔ انتظامیہ اور عمومی اخراجات 0.03% فیصد کی کے بعد 115.039 ملین روپے سے کم ہو کر 114.999 ملین روپے ہو گئے۔ آپرٹنگ منافع 112% فیصد اضافے کے ساتھ (153.404) ملین روپے سے زیادہ ہو کر 18.328 ملین روپے ہو گیا۔ فنانس لاگت 14% فیصد کی کے ساتھ 140.139 ملین سے کم ہو کر 120.029 ملین ہو گئی۔

اعتراف خدمات:

آخر میں بورڈ کی جانب سے اپنے تمام ملازمین کی خدمات کا اعتراف کیا جاتا ہے اور اپنے حصہ داران، صارفین، سپلائرز، بینکرز اور دیگر کاروباری ساتھیوں کا جنہوں نے ہم پر اعتماد اور تعاون کیا۔

مسئز عذرا ایا سمین

چیریں

26 ستمبر 2018ء

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DIRECTORS' REPORT

The Directors are pleased to present Annual Report of your Company together with Audited Financial Statements for the year ended June 30, 2018. Figures for the previous year ended June 30, 2017 are also included for comparison.

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

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

	2018	2017
	Rupees (000)	
Sales – Net		
Local	2,249,627	2,071,716
Export	1,547,431	2,184,000
	3,797,059	4,255,716
Gross profit	225,657	80,774
Operating profit/(loss)	18,328	(153,405)
Financial charges	(120,029)	(140,140)
(Loss)/ profit after tax	(175,202)	(334,188)
(Loss) / Earning per share (EPS) Rs.	(5.37)	(10.24)

The company has not declared dividend due to incurrence of losses.

Financial and operational performance:

Despite of the global economic slackness and cutthroat competition loss after tax of the Company in financial year 2017-18 is Rs. 175.202 million as compare to loss after tax of Rs. 334.188 million in year 2016-17. The main reasons for this reduction in loss are cost controls and focus on efficient operations.

Textile industry outlook:

The Textile sector had to face deprivation with intensified power outages and gas shortages particularly in the Punjab region bearing further load due to higher rates which affected the performance of sector as a whole and compelled the units to run under capacity which further increased their cost of production. The power prices remained at their highest after the cut-off of locally extracted system gas by the authorities and the introduction of high priced imported Re-liquefied Natural Gas (RLNG) in its place.

The electricity tariffs are significantly higher as compared to competitor countries and it is a major factor contributing to higher cost of production. The government must take immediate steps to nullify the difference to provide a level playing field to compete in the international market.

Despite of the significant importance of this sector at economic forum, its performance remained subdued on account of lackluster performance of cotton yarn and cotton cloth in the local and international market. Textile sector exports have shown declined continuously during the last four years because of the high cost of doing business as compared to competitor countries and undecieve policies by the government for the industry. Government acknowledges steep decline in exports and promise some relief to the textile sector to encourage export but no tangible relief has been announced for which our industry is anxiously waiting.

It is also on part of government to take note of the continuous decline in cotton production every year. So it is the high time to take notice and an exclusive Research & Development Department must be established to evaluate and bring such seed for cotton which is as per International Standards and beneficial to grower as well. Otherwise we fear that if not done, it will be very difficult for textile industry to survive and mills may become more uncompetitive that will ultimately bring negative effect on our economy.

In our opinion, the development of new seed is a time taking task; in the meantime Government must take immediate steps to import cotton seed which is suitable to our soil. We suggest that until & unless we achieve the optimum production level, the ban imposed on import of cotton should be lifted.

Future prospects

The overall economic environment continues to remain conducive for the growth. Availability of energy supplies and improvement in law and order situation has promoted business climate. The CPEC is now a reality and is expected to bring significant investments for infrastructure projects, especially road infrastructure and energy projects. This will have ripple effect on overall economic growth.

However, below target production of domestic cotton crop for season 2018-19, increasing trend in power & fuel prices may adversely affect the competitiveness of textile industry in international markets

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

We will continue to explore and tap emerging and new market opportunities in the sector: Pakistan is the fourth largest producer and third largest consumer of cotton, in addition to being one of the largest exporters of cotton yarn in the world. Cotton sector along-with textile and apparel industry, account for 11 percent of the country GDP and 60 percent of the country's export value, while employing 35 percent of the industrial work force. Textile has been an important sector for the local economy and future prospects of country are linked with the progress of textile chain, hence, it will remain in focus for all stakeholders.

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 exchange 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).

Human Capital

Ghazi Fabrics International Limited possesses deepest care about its people. This approach has roots in our culture and enables our sustainable progress. We believe that the success of any business depends on the quality of human capital and therefore development of people is our priority. We have invested fair number of hours in training and wish to enhance this in future. In order to develop future leadership in different functions we have instituted management training scheme and expect that the young talent will take the organization to greater heights.

For ensuring reward based on performance and to develop high caliber people for future succession, a system of performance management is practiced in the Company. The Company also believes in providing good health, safety, work-life balance and market commensurate compensation package including employment benefit plan.

Compliance with Code of Corporate governance

The management is fully aware of the company's obligation for compliance with the Listing Regulations of the Pakistan Stock Exchange and steps are being taken for its effective implementation within the allowed time frame work. The various statements, as required by the Code, are given below:

- 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.
- Proper books of accounts have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements.
- System of internal control being sound in design, has been effectively implemented and being monitored continuously. On-going review will continue in future for further improvements in controls.
- The Company has sound potential to continue as going concern.
- Financial highlights for the last six years are annexed.
- There has been no material departure from best practices of corporate governance.
- Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board.
- During the year under review, five meetings of the Boards and six meeting of the Audit Committee whereas one meeting of Human Resource and Remuneration Committee were held and following were in attendance:

۹۔ مالی سال کے دوران متعلقہ فریقوں کے معاملات آڈٹ کمیٹی کی طرف سے توثیق کے بعد بورڈ کی طرف سے منظوری دی گئی ہے۔

۱۰۔ سال کے دوران بورڈ آف ڈائریکٹرز کے ۱5 اجلاس آڈٹ کمیٹی کے ۱6 اجلاس اور ہیومن ریسورس اور معاوضے کی کمیٹی کا ایک اجلاس منعقد ہوا ہے انکی حاضری کی تفصیل درج ذیل ہے:

نمبر	اجلاسوں میں شرکت	بورڈ	آڈٹ کمیٹی	ہیومن ریسورس اور معاوضے کی کمیٹی
۱	مسز عدرا یاسمین	05	0	1
۲	محمد ارشد چوہدری	05	0	0
۳	کامران ارشد	05	0	0
۴	رضوان ارشد	05	06	0
۵	محمد سلمان طارق	05	06	0
۶	وجیہہ حارث	05	0	1
۷	محمد عمران رشید	05	06	1

۱۱۔ ڈائریکٹرز، چیف فنانسئل آفیسر، کمپنی سیکرٹری، ان کے شریک حیات اور چھوٹے بچوں کی جانب سے شیئرز کی تجارت نہیں کی گئی سوائے اسکے جو شیئر ہولڈنگ کے نمونے میں بنائی گئی ہے۔

۱۲۔ بورڈ کی ساخت:

بورڈ میں پانچ مرد اور دو خاتون ڈائریکٹرز شامل ہیں۔

01	انڈیپنڈینٹ ڈائریکٹرز
04	نان ایگزیکٹو ڈائریکٹرز
02	ایگزیکٹو ڈائریکٹرز
07	ڈائریکٹرز کی کل تعداد

۱۳۔ نان ایگزیکٹو ڈائریکٹرز کی ریمونیریشن پالیسی:

کمپنی کے بورڈ آف ڈائریکٹرز کے لئے نان ایگزیکٹو اور انڈیپنڈینٹ ڈائریکٹرز کی فیس وقت کے ساتھ بورڈ طے کرتا ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز قدیر اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس نے 30 جون 2018 کا سالانہ آڈٹ مکمل کر لیا اور انکو ایفائیڈ آڈٹ رپورٹ جاری کی ہے۔ آڈیٹر کمپنی کے سالانہ عام اجلاس کے اختتام پر

ریٹائرڈ ہو جائیں گے اور انہوں نے اہل ہونے کی بنا پر 30 جون 2019 کو ختم ہونے والے سال کے لئے دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ آڈٹ کمیٹی نے ان کی تعیناتی کی سفارش کی ہے۔

ڈائریکٹرز:

27 اکتوبر 2017ء کو ڈائریکٹرز کا انتخاب منعقد کیا گیا اور سات ارکان پر مشتمل بورڈ کا انتخاب کیا گیا جن کی مدت 26 اکتوبر 2020ء میں ختم ہوگی۔

بورڈ کی کارکردگی کی جانچ پڑتال:

بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کی انفرادی کارکردگی کی جانچ پڑتال کو سرانجام دیا ہے۔

چیف ایگزیکٹو آفیسر کی کارکردگی کی جانچ پڑتال:

ہیومن ریسورس اور معاوضے کی کمیٹی نے چیف ایگزیکٹو آفیسر کی کارکردگی کی جانچ پڑتال کی ہے۔

شیئر ہولڈنگ کا نمونہ:

30 جون 2018ء کو کمپنی کے شیئر ہولڈنگ کے نمونے کو سالانہ رپوٹ میں شامل کیا گیا ہے۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرز نے گاہکوں، بینکاروں، ریگولیٹرز اور حصص یافتگان کی حمایت پر انکی تعریف کی ہے اور امید کرتے ہیں کہ مستقبل میں بھی یہ تعاون جاری رہے گا۔

آپ کی کمپنی کے ڈائریکٹرز نے کمپنی کے ایگزیکٹو، عملے کے ارکان اور کارکنوں کی طرف سے پیش کی گئی خدمات، وفاداری اور مسلسل کوششوں کی تعریف کی ہے اور امید کرتے ہیں کہ مستقبل میں بھی ایسا تعاون

جاری رہے گا۔

بورڈ آف ڈائریکٹرز کی جانب سے

Sr. #	Attendance in Meetings	Board	Audit Committee	HR & Remuneration Committee
1.	Mrs. Azra Yasmin	5	0	۱
2.	Mohammad Arshad Chaudhry	5	0	0
3.	Kamran Arshad	5	0	0
4.	Rizwan Arshad	5	6	0
5.	Muhammad Salman Tariq	5	6	0
6.	Wajeeha Haaris	5	0	۱
7.	Muhammad Imran Rasheed	5	6	۱

۱1. To the best of our knowledge, directors, chief executive, CFO and Company Secretary, Company's auditors, their spouses and minor children have not undertaken any trading of company's shares except as mentioned in pattern of shareholding.

12. Composition of board:

The board consists of 5 male and 2 female directors with following composition:

Independent directors	1
Other non-executive directors	4
Executive directors	2

Total number of directors

7

13. Remuneration Policy of Non-Executive Directors:

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time.

Auditors

The present auditors of the Company M/s. Qadeer & Company, Chartered Accountants have completed the annual audit for the year ended June 30, 2018 and have issued an unqualified audit report. The auditors will retire on conclusion of the Annual General Meeting of the Company, and being eligible; have offered themselves for reappointment for the year ending June 30, 2019. The Audit Committee has recommended their reappointment.

Directors

Election of directors was held on 27 October 2017 and a seven member Board was elected unopposed whose term of office will expire on 26 October 2020.

Board's Performance Evaluation

The Board has evaluated the individual performance of Directors as per established mechanism.

CEO's Performance Evaluation

During the year, the Human Resource and Remuneration Committee of the Board evaluated the performance of the CEO.

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 and hope that this cooperation and support 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

Chief Executive

Lahore

September 26, 2018

Director

لاہور

26 ستمبر 2018ء

ڈائریکٹر

چیف ایگزیکٹو

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2018ء کو ختم ہونے والے مالی سال متعلقہ کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ اکاؤنٹس پیش کرتے ہیں۔ گزشتہ مالی سال کے اعداد و شمار تقابلی جائزے کے لئے شامل کئے گئے ہیں۔

کارپوریٹ گورننس کے کوڈ کی تعمیل کے لئے سالانہ رپورٹ کی توثیق چیف ایگزیکٹو آفیسر اور چیف فنانسشل آفیسر کی طرف سے کی گئی ہے جو کہ آڈٹ کمیٹی کی طرف سے منظوری کی سفارش کے بعد بورڈ آف ڈائریکٹرز کی طرف سے منظور کی گئی ہے۔ ہم 30 جون 2018ء کو ختم ہونے والے سال کے لئے نظر ثانی شدہ نتائج کا مختصر جائزہ پیش کرتے ہیں۔

فروخت:	سال 2018	سال 2017
مقامی	روپے (000)	روپے (000)
برآمدات	2,249,627	2,071,716
خام منافع	1,547,431	2,184,000
آپریٹنگ منافع (نقصان)	3,797,059	4,255,716
سود	225,657	80,774
بعد از ٹیکس منافع / نقصان	18,328	(153,405)
فی شیئر آمدنی	(120,029)	(140,140)
	(175,202)	(334,188)
	(5.37)	(10.24)

کمپنی نے نقصانات کی وجہ سے ڈیویڈنڈ کا اعلان نہیں کیا۔

مالی اور آپریٹنگ کارکردگی:

عالمی سطح پر شدید مندی اور سخت کاروباری مقابلے کے باوجود سال 2017-18ء میں بعد از ٹیکس نقصان 175.202 ملین روپے رہا۔ گزشتہ مالی سال 2016-17ء میں بعد از ٹیکس نقصان 334.188 ملین روپے تھا۔ نقصان میں کمی کی وجوہات میں اخراجات پر قابو اور بہترین اختظامات ہیں۔

ٹیکسٹائل کی صنعت کا جائزہ:

خاص طور پر پنجاب کے علاقے میں ٹیکسٹائل کے شعبے کو شدید بجلی کی بندش اور گیس میں کمی کے ساتھ ساتھ اضافی قیمتوں کا بھی سامنا کرنا پڑا۔ جس نے مجموعی طور پر شعبے کی کارکردگی کو متاثر کیا اور مجبور کیا کہ یونٹ کو کم پیداواری صلاحیت پر چلایا جائے جو پیداواری لاگت میں اضافے کا سبب بنا۔ حکام بالاک کی طرف سے مقامی طور پر نکلنے والی گیس کی منقطع فراہمی کیے جانے اور اسکی جگہ اضافی قیمت پر درآمد شدہ مائع قدرتی گیس (آرائیل این جی) متعارف کروانے کی وجہ سے بجلی کی قیمتوں میں اضافہ ہوا۔

ہمارے توانائی اخراجات ہمارے حریف ممالک کے مقابلے میں کافی زیادہ ہیں جو کہ ہماری زیادہ پیداواری لاگت کی بنیادی وجہ ہے۔ حکومت کو اس پہلو میں بہتری کے لئے فوری اقدامات کرنے چاہئیں تاکہ ہم عالمی منڈی میں مقابلہ کر سکیں۔

یہ شعبہ ملک کی معیشت میں انتہائی اہمیت کا حامل ہے۔ اس کے باوجود مقامی اور عالمی منڈیوں میں دھاگے اور کپڑے کے شعبوں میں انتہائی ناقص کارکردگی رہی۔ گزشتہ چار سالوں سے ٹیکسٹائل کے برآمدات میں مسلسل کمی ہو رہی ہے۔ جس کی بنیادی وجہ ہمارے کاروباری حریفوں کے مقابلے میں ہماری پیداواری لاگت کا زیادہ ہونا ہے۔ حکومت یہ تو تسلیم کرتی ہے کہ برآمدات کم ہو رہے ہیں اور یقین دہانی کروائی جاتی ہے کہ ہمیں سہارا دیا جائے گا لیکن عملی اقدامات تا حال نظر نہیں آتے۔

حکومت کو اس بات کا بھی انتہائی سنجیدگی سے جائزہ لینا چاہئے کہ کپاس کی فصل میں مسلسل کمی کی کیا وجوہات ہیں اور وقت کی اہم ضرورت ہے کہ حکومت ایک ایسا ادارہ قائم کرے جس کا بنیادی کام کپاس کی ان اقسام کی تیاری ہو جو عالمی منڈیوں میں درکار ہو اور کاشتکار بھی منافع کمائے اور اس بات کا قوی امکان ہے کہ اگر ایسا نہ کیا گیا تو ٹیکسٹائل انڈسٹری کے لئے اپنا وجود برقرار رکھنا مشکل ہو جائے گا جس کا ہماری ملکی معیشت پر انتہائی منفی اثر پڑے گا۔

ہماری رائے میں نئے بیج کی ترقی میں وقت درکار ہے۔ اس دوران حکومت کو کپاس کے بیج درآمد کرنے کے لئے فوری اقدامات اٹھانے چاہئیں جو ہماری مٹی کے لئے موزوں ہو۔ ہم تجویز کرتے ہیں کہ جب تک ہم زیادہ سے زیادہ پیداوار کی سطح کو حاصل نہ کر لیں تب تک کپاس کی درآمد پر پابندی اٹھائی جائے۔

مستقبل کے امکانات:

مجموعی اقتصادی ماحول ترقی کے لئے سازگار رہتا ہے توانائی کی فراہمی اور نظم و ضبط کی صورتحال میں بہتر کاروباری آب و ہوا کو فروغ دے گی۔ سی پیک اب ایک حقیقت ہے اور یہ بنیادی

ڈھانچے کے منصوبوں، خاص طور پر سڑکوں کے بنیادی ڈھانچے اور توانائی کے منصوبوں کے لئے اہم سرمایہ کاری کا پیش خیمہ ثابت ہوگا جس سے مجموعی اقتصادی ترقی پر مثبت اثر پڑے گا۔

تاہم، 2018-19ء میں مقامی کپاس کی ہدف سے کم پیداوار، بجلی اور ایندھن کی قیمتوں میں اضافہ ہماری ٹیکسٹائل انڈسٹری کی مسابقت کو بین الاقوامی مارکیٹ میں اثر انداز کر سکتی ہے۔

موجودہ منظر نامے میں، ہماری ٹیکسٹائل کی صنعت کی بحالی ملک میں سستی بجلی اور گیس کی مسلسل فراہمی پر منحصر ہے۔

ہم اس شعبے میں بڑھتی ہوئی اور نئی مارکیٹ کے مواقع تلاش کرتے رہیں گے۔ پاکستان دنیا میں کاٹن یارن کے سب سے بڑے برآمد کنندہ میں سے ایک ہونے کے علاوہ کپاس کا چوتھا سب سے بڑا پروڈیوسر اور

تیسرا سب سے بڑا صارف ہے۔ کپاس کے شعبے کے ساتھ ساتھ ٹیکسٹائل اور ملبوسات کی صنعت ملک کے جی ڈی پی کا %11 اور ملک کی برآمدات کا %60 ہونے کے علاوہ %35 لوگوں کو روزگار مہیا کرتی

ہے۔ مقامی معیشت کا اہم شعبہ ہونے کی وجہ سے ملک کا مستقبل ٹیکسٹائل سے جڑا ہے۔ جس کی بدولت یہ شعبہ تمام سٹیک ہولڈرز کے لئے توجہ کا مرکز رہے گا۔

متعلقہ فریق:

متعلقہ فریقین کے درمیان لین دین آرمر لینتھ پر کیا گیا ہے۔ جن کا تعین Compareable Uncontrolled Price Method سے کیا گیا ہے۔ کمپنی مکمل طور پر اور بہترین

طریقوں سے ٹرانسفر پرائسنگ کے طریقوں پر عمل پیرا ہے۔ جو کہ پاکستان شااک ایسچینج کے لسٹنگ کے ضابطے میں موجود ہیں۔

صحت، تحفظ اور ماحول:

آپ کی کمپنی اپنے تمام ملازمین کے ساتھ ساتھ گرد و نواح کے رہنے والے لوگوں کی حفاظت کے لئے ہر ممکن اقدامات کرتی ہے۔ ماحولیاتی تحفظ کمپنی کی اولین ترجیح ہے۔ کمپنی اس بات کو یقینی بناتی

ہے کہ اس کا پیداواری عمل ماحول دوست رہے۔ ہم اپنے دفاتر اور پیداواری تنصیبات میں توانائی کی استعداد کار کو بہتر بنانے کے لیے مسلسل کوشش کر رہے ہیں۔

آپ کی کمپنی کو OEKO-TEX سرٹیفیکیٹ (ماحول دوست کپاس) کے علاوہ سرٹیفیکیٹ BCI بھی حاصل ہے۔

انسانی سرمایہ:

غازی فہر کس انٹرنیشنل لمیٹڈ کے لئے اسکے لوگ، بہت اہم ہیں۔ یہ نقطہ نظر ہماری ثقافت میں جڑیں رکھتا ہے اور ہمیں پائیدار ترقی کے قابل بناتا ہے۔ ہمارا اعتقاد ہے کہ کسی بھی کاروبار کی کامیابی

افراد کی قوت کے معیار پر منحصر ہے اور اس وجہ سے لوگوں کی ترقی ہماری ترجیح ہے۔ ہم تربیت کے لئے موزوں وقت پر سرمایہ کاری کرتے ہیں اور مستقبل میں اضافہ کریں گے۔ مستقبل کی قیادت تیار کرنے کے

لئے ہم نے مختلف شعبوں میں مینجمنٹ ٹریننگ سکیم کا آغاز کیا ہے اور توقع ہے کہ ذہین نوجوان کمپنی کو نئی بلندیوں پر لے جائے گی۔

کارکردگی کی بنیاد پر انعام کو یقینی بنانے کے لئے اور مستقبل کی کامیابی کے لئے اعلیٰ صلاحیت لوگوں کو ترقی دینے کے لئے کمپنی نے کارکردگی کا جائچے کا طریقہ کار وضع کیا گیا۔ کمپنی اچھی صحت، تحفظ، زندگی کے

توازن اور مارکیٹ کے مطابق معاوضہ کے ساتھ ساتھ ملازمت کی منصوبہ بندی پر یقین رکھتی ہے۔

کارپوریٹ گورننس کے ضوابط کی تعمیل:

کمپنی کی انتظامیہ پاکستان شااک ایسچینج کی جانب سے جاری کردہ کارپوریٹ گورننس کے ضوابط پر عمل درآمد کے حوالے سے اپنی ذمہ داریوں سے پوری طرح آگاہ ہے اور مقررہ وقت میں اسکے

نفاذ کے لئے مناسب اقدامات کے لئے کوشاں ہے۔

۱۔ انتظامیہ کی جانب سے تیار کیے جانے والے مالیاتی گوشواروں میں اسکے معمولات، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو عمدہ طریقے سے پیش کیا گیا ہے۔

۲۔ کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

۳۔ مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی پالیسیوں کا مستقل انداز میں نفاذ کیا گیا ہے اور اکاؤنٹنگ کے تخمینوں کا دار و مدار معقول اور محتاط فیصلے پر مبنی ہے۔

۴۔ مالیاتی گوشواروں کی تیاری میں بین الاقوامی اکاؤنٹنگ کے معیار کا نفاذ کیا گیا ہے جو پاکستان میں بھی رائج ہیں۔

۵۔ اندرونی کنٹرول کے سسٹم کا ڈیزائن عمدہ ہے اور اس کا نفاذ اور نگرانی موثر ہے۔

۶۔ کمپنی کی کاروبار رواں دواں رکھنے کی صلاحیت شکوک و شبہات سے بالاتر ہے۔

۷۔ سالانہ رپورٹ میں کی آپریٹنگ اور مالیاتی ڈیٹا بابت پچھلے 6 سال کو شامل کیا گیا ہے۔

۸۔ کارپوریٹ گورننس سے کسی قسم کا قابل ذکر انحراف نہیں کیا گیا۔

PATTERN OF SHAREHOLDING

As At June 30, 2018

NUMBER OF SHAREHOLDERS	H O L D I N G S FROM	TO	TOTAL SHARES HELD
563	1	100	50,769
3,415	101	500	1,565,319
403	501	1,000	380,023
308	1,001	5,000	777,607
49	5,001	10,000	374,882
17	10,001	15,000	208,400
9	15,001	20,000	169,200
7	20,001	25,000	162,000
8	25,001	30,000	228,600
2	30,001	35,000	67,500
3	40,001	45,000	127,400
1	45,001	50,000	47,000
1	50,001	55,000	51,500
1	60,001	65,000	63,000
1	120,001	125,000	124,500
1	145,001	150,000	150,000
1	260,001	265,000	262,000
1	320,001	325,000	320,200
1	645,001	650,000	650,000
1	1,615,001	1,620,000	1,617,600
1	2,490,001	2,495,000	2,491,100
2	3,220,001	3,225,000	6,447,000
1	16,295,001	16,300,000	16,300,000
4,797			32,635,600

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	20,673,200	63.3455%
Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
NIT and ICP	12,000	0.0368%
Banks Development Financial Institutions, Non Banking Financial Institutions.	26,600	0.0815%
Insurance Companies	124,500	0.3815%
Modarabas and Mutual Funds	1,100	0.0034%
Share holders holding 10% or more	16,300,000	49.9455%
General Public		
a. Local	5,289,004	16.2062%
b. Foreign	6,453,500	19.7744%
Joint Stock Companies	55,696	0.1707%

CATEGORIES OF SHAREHOLDING

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

- -

Mutual Funds (Name Wise Detail)

- -

Directors and their Spouse and Minor Children (Name Wise Detail):

1	MR. MOHAMMAD ARSHAD CHAUDHRY	16,300,000	49.9455
2	MRS. AZRA YASMIN	1,000	0.0031
3	MR. MUHAMMAD KAMRAN ARSHAD	1,617,600	4.9566
4	MISS. WAJEEHA ARSHAD	500	0.0015
5	MR. RIZWAN ARSHAD	2,753,100	8.4359
6	MR. MUHAMMAD IMRAN RASHEED	500	0.0015
7	MR. MUHAMMAD SALMAN TARIQ	500	0.0015

Executives:

3,000 0.0092

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance

152,200 0.4664

Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

1	MR. MOHAMMAD ARSHAD CHAUDHRY	16,300,000	49.9455
2	MR. RIZWAN ARSHAD	2,753,100	8.4359
3	MR. IBRAHIM HUSSAIN IBRAHIM ALHOSANI	3,225,000	9.8818
4	MR. AHMED YUSUF ALI	3,222,000	9.8727

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
1	MR. MUHAMMAD KAMRAN ARSHAD	-	1,616,600
2	MR. RIZWAN ARSHAD		2,490,100
3	MR. MUHAMMAD SALMAN TARIQ		500

SIX YEARS FINANCIAL STATISTICAL SUMMARY

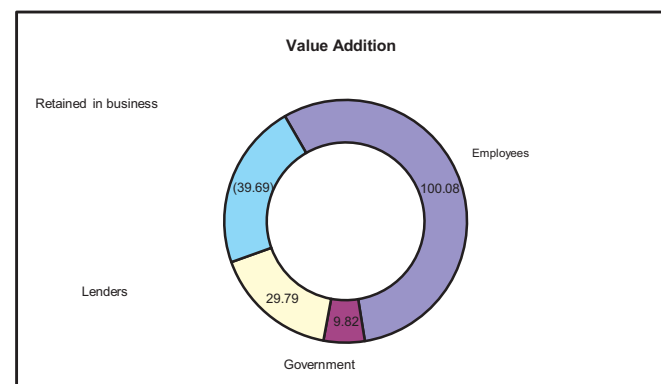
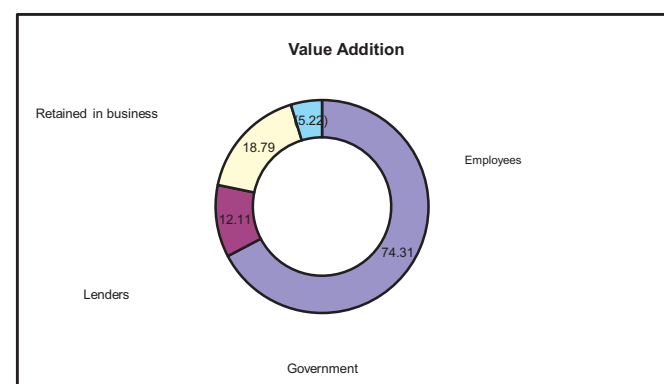
Measure of performance	2018	2017	2016	2015	2014	2013
..... Rupees in Thousand						
Sales - net	3,797,059	4,255,717	4,819,932	5,114,903	5,338,764	5,381,510
Cost of sales	3,571,402	4,174,942	4,647,253	4,815,950	4,822,883	4,862,690
Gross profit	225,657	80,775	172,679	298,953	515,881	518,820
Operating profit/(Loss)	18,329	(153,405)	(85,857)	27,871	224,865	195,875
(Loss) / profit after tax	(175,202)	(334,189)	(269,364)	(182,990)	55,681	55,681
In % age terms						
Cost of sales	94.06	98.10	96.42	94.16	90.34	90.36
Operating profit/(Loss)	0.48	(3.60)	(1.78)	0.54	4.21	3.64
(Loss)/ profit after tax	(4.61)	(7.85)	(5.59)	(3.58)	1.04	1.03
Financial position						
Property, plant and equipment-net	1,415,526	1,556,532	1,605,032	1,535,324	1,456,991	1,348,336
Capital work in progress	90,830	1,134	34,210	129,013	113,381	17,726
Fixed assets	1,506,356	1,557,666	1,639,243	1,664,337	1,570,372	1,366,062
Current assets						
Stores, spares and loose tools	115,609	114,772	93,385	89,718	78,944	84,351
Stocks in trade	449,614	749,188	626,434	804,905	1,069,597	1,037,516
Other current assets	577,315	471,290	432,965	545,622	534,726	443,851
Cash and cash equivalent	30,450	6,748	4,156	25,007	4,452	1,617
	1,172,988	1,341,998	1,156,940	1,465,251	1,687,719	1,567,335
Current liabilities						
Short term borrowings	983,332	1,203,403	940,649	1,020,173	1,050,660	975,906
Current portion of long term loans	150,000	175,000	143,462	224,126	123,796	136,219
Other current liabilities	334,743	377,625	485,477	419,470	404,324	345,900
	1,468,075	1,756,028	1,569,588	1,663,769	1,578,780	1,458,025
Net working capital	(295,086.00)	(414,030)	(412,702)	(198,518)	108,939	109,310
Long term loans - excluding sponsors' loan	56,250.00	206,250	350,000	387,308	528,666	359,141

FINANCIAL HIGHLIGHTS

Financial Highlights	2018	2017	2016	2015	2014	2013
..... Rupees.....						
A. Profitability Ratios:						
Earning before interest, taxation and depreciation	Rs. 160,223,452	(5,942,434)	65,980,209	181,026,024	343,877,527	326,619,458
Earning before interest and taxation	Rs. 18,328,741	(153,404,945)	(85,857,366)	27,870,518	224,864,633	218,353,387
Profit / (Loss) before taxation and depreciation	Rs. 40,194,263	(146,082,104)	(83,405,422)	(27,849,953)	150,249,391	187,658,605
Gross profit ratio	% 5.94	1.90	3.58	5.84	9.66	9.91
Operating profit / (loss) margin to sales (net)	% 0.48	(3.60)	(1.78)	0.54	4.21	4.06
Net profit / (loss) margin to sales (net)	% (4.88)	(7.85)	(5.59)	3.58	0.18	1.27
EBITD margin to sales (net)	% 4.22	(0.14)	1.37	3.54	6.44	6.07
B. Liquidity Ratios :						
Current ratio	0.80	0.76	0.74	0.88	1.07	1.07
Quick / Acid-test ratio	0.25	0.27	0.34	0.34	0.34	0.31
Cash to current liabilities	% 2.07	0.38	0.26	1.50	0.28	0.11
Cash flow from operations to sales	% 8.95	(6.42)	4.67	4.70	1.05	(4.13)
Working capital (Net current assets)	Rs. (295,086,622)	(414,030,560)	(412,649,253)	(198,517,658)	108,939,322	109,310,127
Working capital turnover	Times (12.87)	(0.10)	(11.68)	(25.77)	49.01	49.23
C. Activity / Turnover Ratios						
Debtors turnover ratio	Times 30.00	33.25	24.73	19.59	15.36	18.36
No. of days in receivables / Average collection period	Days 12.17	10.98	14.76	18.25	23.77	19.88
Inventory turnover ratio	Times 6.32	5.57	6.49	6.35	4.58	5.36
No. of days in inventory	Days 57.77	65.50	56.21	62.05	79.73	68.11
Creditors turnover ratio	Times 11.72	9.62	7.79	20.67	26	29
No. of days in creditors / Average payment period	Days 31.14	38	47	18.25	14.06	12.77
Property, plant and equipment turnover	Days 136.07	133.50	118.91	109.50	90.06	77.92
Total assets turnover	Days 258.81	249.81	225.36	223.93	206.70	174.34
D. Investment Ratios						
Basic earnings / (loss) per share	Rs. (5.37)	(10.24)	(8.25)	(5.61)	0.29	2.09
Cash dividend per share	Rs. -	-	-	-	-	-
E. Capital Structure Ratios						
Total liabilities to total assets	% 61.15	70.10	70.50	104.94	99.41	100.11
Interest coverage	Times 0.15	(1.09)	(0.57)	0.13	1.16	1.57

STATEMENT OF VALUE ADDITION

Statement of Value addition	2018	2017
Sales	3,797,059,066	4,255,717,924
Less: Manufacturing / administration and general expenses	(3,172,941,298)	(3,799,299,691)
	624,117,768	456,418,233
Other income	14,522,231	14,045,444
Total value added	638,639,999	470,463,677
Distribution		
Employees :		
Salaries and wages	474,583,311	470,861,989
Government :		
Corporate tax	73,502,174	40,643,930
Development surcharge	3,833,236	5,544,122
	77,335,410	46,188,052
Lenders :		
Financial Institutions (Markup, Bank Charges)	120,029,189	140,139,670
Retained in business:		
Depreciation	141,894,711	147,462,511
Profit / (Loss)	(175,202,622)	(334,188,545)
	(33,307,911)	(186,726,034)
	638,639,999	470,463,677
	Percentage	
Employees	74.31	100.08
Government	12.11	9.82
Lenders	18.79	29.79
Retained in business	(5.22)	(39.69)



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED AT JUNE 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per following:
 - a. Male : 05
 - b. Female : 02
2. The composition of board is as follow:es:

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

Further, as per the provision to Regulation 6 of the 2017 Code, grace period has been prescribed in respect of transition phase for composition of the board with respect to minimum number of independent directors as specified in the 2017 code.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In terms of regulation 20 of the 2017 code, the companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. One of director Mr. Rizwan Arshad has attended training session under Director Training Program. Majority of the directors are exempted under exemption criteria of 14 years of education and 15 year of experience on the board of listed company.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
11. Chief Financial Officer (**CFO**) and Chief Executive Officer (**CEO**) duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) **Audit Committee**
 1. Mr. Muhammad Imran Rasheed – Chairman/ member
 2. Mr. Rizwan Arshad – member
 3. Mr. Muhammd Salman Tariq – member

b) **HR and Remuneration Committee**

1. Mr.Muhammad Imran Rasheed – Chairman/ member
2. Mrs.Azra Yasmin – member
3. Mrs.Wajeeha Haris – member

13. The terms of references of the aforesaid committee have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee (6)
 - b) HR and Remuneration Committee (1)
15. The Board has set up an effective internal audit function supervised by a qualified Chartered Accountant, who is being assisted by in house executives to carry out the Internal Control functions. The Head of Internal Audit is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirements the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Chief Executive
Lahore
September 26, 2018

Chairperson



QADEER & COMPANY
CHARTERED ACCOUNTANTS

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **GHAZI FABRICS INTERNATIONAL LIMITED** (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Lahore
September 26, 2018

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER
NAWAZ KHAN FCA

Financial Statements

For the year ended June 30, 2018



QADEER & COMPANY
 CHARTERED ACCOUNTANTS

AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the annexed financial statements of Ghazi Fabrics International Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters;

Sr. No.	Key Audit Matters	How the matter s were addressed in our audit
(i)	<p>New requirements under the Companies Act, 2017</p> <p>As referred to in note 2.2.1 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p>	<p>Our audit procedures included the followings:</p> <ul style="list-style-type: none"> Considering the management's process to identify the necessary amendments required in the Company's financial statements.

	<p>The companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the in the Company's financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.</p>	<ul style="list-style-type: none"> Evaluating the results of management's analysis and key decisions in respect of the transaction, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business. Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements. Completion of disclosure checklists issued by regulatory / professional bodies
(ii)	<p>Revenue</p> <p>Refer to notes 3.18 and 23 to the financial statements</p> <p>The Company is engaged in the manufacturing and sale of yarn and grey Fabric marketed both within and outside Pakistan.</p>	<p>Our audit procedures to assess the recognition of revenue included the followings;</p> <ul style="list-style-type: none"> Obtaining an understanding of the process relating to recognition of revenue and assessing the design, implementation and operating effectiveness of key internal controls over recording revenue.
	<p>The Company recognized revenue from the sales amounting Rs. 3,797,059,066/- for the year ended June 30, 2018.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p>	<ul style="list-style-type: none"> Comparing a sample of revenue transactions recorded during the year with sales orders, sales and commercial invoices, delivery orders, bill of landing and other relevant underlying documents. Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, sales and commercial invoices, delivery orders, bill of landing and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period. Comparing the details of the sample of the journal entries posted to the revenue accounts during the year which met certain specific risk based criteria, with the relevant underlying documentation.

(iii)	<p>Director's Loan</p> <p>Refer to note no. 6 to the financial statements</p> <p>This Loan has been provided by the chief executive and other directors of the company for the repayment of long term loans and capital expenditure of the company.</p> <p>We consider it as a key audit matter in view of the doubt of the continuous support by the directors in respect of such loan.</p>	<p>Our audit procedures to assess the continuous support of the directors included the followings;</p> <ul style="list-style-type: none"> Obtain written representations from management in respect of their continuous support. Inspection of the bank statements in respect of loan transaction. Recalculation of figures in order to check the arithmetic accuracy. Inspection of Journal Entries posted in respect of these transactions. Inspection and reading of correspondence and contracts with the financial institutions and confirmation of subsequent continuance support upto the date of the audit report.
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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely

rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Nawaz Khan, FCA**.

Lahore
September 26, 2018

QADEER AND COMPANY
CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

GHAZI FABRICS INTERNATIONAL LIMITED

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
	Note	Rupees	
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
40,000,000 (2017: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	5	326,356,000	326,356,000
Directors' loan	6	1,993,777,835	1,640,727,835
Accumulated loss		(1,263,975,167)	(1,096,299,621)
		1,056,158,668	870,784,214
Non Current Liabilities			
Long term financing	7	56,250,028	206,250,028
Deferred liabilities	8	111,872,926	79,612,981
		168,122,954	285,863,009
Current Liabilities			
Trade and other payables	9	274,989,418	317,289,197
Unclaimed dividend		4,997,635	5,032,096
Accrued interest / mark up	10	11,185,365	23,650,661
Short term borrowings	11	983,332,739	1,203,402,811
Current portion of long term financing	7	150,000,000	175,000,000
Provision for taxation - net	12	43,570,351	31,653,468
		1,468,075,508	1,756,028,233
Contingencies and Commitments	13	-	-
		2,692,357,130	2,912,675,456
ASSETS			
Non Current Assets			
Property, plant and equipment	14	1,415,526,051	1,556,531,939
Capital work in progress	15	90,830,496	1,134,100
		1,506,356,547	1,557,666,039
Long term deposits	16	13,011,694	13,011,744
		1,519,368,241	1,570,677,783
Current Assets			
Stores, spares and loose tools	17	115,609,787	114,772,146
Stock in trade	18	449,614,146	749,187,823
Trade debts	19	126,551,950	127,992,786
Loans and advances	20	244,281,061	107,861,083
Tax refunds/ rebate due from the Government	21	206,481,539	235,436,160
Cash and bank balances	22	30,450,406	6,747,675
		1,172,988,889	1,341,997,673
		2,692,357,130	2,912,675,456

The annexed notes from 1 to 41 form an integral part of these financial statements.

	Note	2018	2017
		Rupees	
Sales - Net	23	3,797,059,066	4,255,716,774
Less: Cost of goods sold	24	3,571,402,025	4,174,942,364
Gross Profit		225,657,041	80,774,410
Less: Operating expenses:			
- Selling and distribution	25	104,861,051	124,770,144
- Administrative and general	26	114,999,624	115,039,475
- Other operating charges	27	1,989,855	8,415,180
		221,850,530	248,224,799
		3,806,511	(167,450,390)
Other operating income	28	14,522,230	14,045,444
Operating profit /(loss)		18,328,741	(153,404,945)
Less: Finance cost	29	120,029,189	140,139,670
Profit/ (loss) before taxation		(101,700,448)	(293,544,615)
Less: Taxation	30	73,502,174	40,643,930
Profit /(loss) after taxation		(175,202,622)	(334,188,545)
(Loss) / Earnings per share - Basic and diluted	31	(5.37)	(10.24)

The annexed notes from 1 to 41 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	
Profit/ (loss) for the year	(175,202,622)	(334,188,545)
Other comprehensive income / (Loss)		
Remeasurements of defined benefit obligation	8,700,313	(9,679,493)
Impact of deferred tax	(1,173,237)	1,006,164
	7,527,076	(8,673,329)
Total comprehensive income/ (Loss) for the year	<u>(167,675,546)</u>	<u>(342,861,874)</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(101,700,448)	(293,544,615)
Adjustments for:		
- Depreciation	141,894,711	147,462,511
- (Gain) / loss on disposal of property, plant and equipment	(391,932)	6,525,968
- Provision for gratuity	29,452,460	25,848,837
- Finance cost	120,029,189	140,139,670
	290,984,428	319,976,986
Operating profit before working capital changes	189,283,980	26,432,371
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(837,641)	(21,387,567)
- Stock in trade	299,573,677	(122,754,020)
- Trade debts	1,440,836	674,927
- Loans and advances	(130,715,708)	4,674,931
- Trade deposits and short term prepayments	-	-
- Tax refunds/ rebate due from the Government	25,370,544	(38,976,143)
Increase / (decrease) in current liabilities:		
- Trade and other payables	(42,299,777)	(116,994,455)
	152,531,931	(294,762,327)
Cash generated from operations	341,815,911	(268,329,956)
Income tax paid / deducted	(33,889,709)	(37,473,787)
Gratuity paid	(19,481,215)	(27,259,240)
Finance cost paid	(132,494,485)	(127,474,638)
Net cash generated from / (used in) operating activities	155,950,502	(460,537,622)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(1,429,716)	(112,541,735)
Capital work in progress	(89,696,396)	33,075,962
Proceeds from disposal of property, plant and equipment	932,874	7,053,806
Net cash used in investing activities	(90,193,238)	(72,411,967)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (repayment) of long term loans	(175,000,000)	(112,211,542)
Loan from directors and others - net	353,050,000	385,000,000
Unclaimed dividend	(34,461)	(1,220)
Short term borrowings	(220,070,072)	262,754,298
Net cash generated from financing activities	(42,054,533)	535,541,536
Net increase / (decrease) in cash and cash equivalents	23,702,731	2,591,947
Cash and cash equivalents at the beginning of the year	6,747,675	4,155,728
Cash and cash equivalents at the end of the year	<u>30,450,406</u>	<u>6,747,675</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, Subscribed and Paid up Capital	Directors' loan	Accumulated Loss	Total
	Rupees			
Balance as at June 30, 2016	326,356,000	1,255,727,835	(753,437,747)	828,646,088
Transaction with owner-loan from directors	-	385,000,000	-	385,000,000
Total comprehensive income for the year 2017	-	-	(342,861,874)	(342,861,874)
Loss after taxation for the year			(334,188,545)	(334,188,545)
Other comprehensive income / (loss)for the year			(8,673,329)	(8,673,329)
Balance as at June 30, 2017	326,356,000	1,640,727,835	(1,096,299,621)	870,784,214
Transaction with owner-loan from directors	-	353,050,000	-	353,050,000
Total comprehensive income for the year 2018	-	-	(167,675,546)	(167,675,546)
Loss after taxation for the year			(175,202,622)	(175,202,622)
Other comprehensive income / (loss)for the year			7,527,076	7,527,076
Balance as at June 30, 2018	326,356,000	1,993,777,835	(1,263,975,167)	1,056,158,668

The annexed notes from I to 41 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 REPORTING ENTITY

- 1.1 Ghazi Fabrics International Limited ("the Company") was incorporated in Pakistan on April 30, 1989 as a Private Limited Company under the Companies Ordinance 1984 (repealed with the enactment of the Companies Act 2017); and converted into Public Limited Company on January 07, 1990. Its shares are quoted on Pakistan Stock Exchange. 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 and mill is located at 46-km, Multan Road, Bhaiphero, Kasur.

1.2 Summary of significant events and transactions in the current reporting period

As stated in Note # 15 of the financial statement, the Company has invested approximately 90 million in terms of plant and machinery. This investment is expected to contribute positively towards the operations of the Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017 and provisions of and directives issued under the Companies Act 2017. Where provisions of and directives issued under the Companies Act 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act 2017 have been followed.

2.2 New standards, amendments to the accounting and reporting standards as applicable in Pakistan

2.2.1 Amendments to the accounting and reporting standards as applicable in Pakistan which are effective during the year ended June 30, 2018

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, (a) particulars of immoveable assets of the Company, (b) disclosure of last three years comparison of tax provision and assessment, (c) change in threshold for identification of executive, (d) presentation of unclaimed dividend on face of balance shee etc. However, there was no change in the reported amounts of profit and other comprehensive income and the amounts presented in the Statement of Financial Position due to reclassification.

2.2.2 The other amendments to the accounting and reporting standards as applicable in Pakistan that were mandatory for the Company's financial year ended June 30, 2018 are; (a) Amendments to IAS 7: Disclosure Initiative, (b) Amendments to IAS 12: Recognition of Deferred tax assets for Unrealized losses, and (c) Amendments to IFRS 12: Annual Improvements to IFRS Standards 201-2016 Cycle. These are considered not to be relevant or to have any significant effect on the Company's financial reporting.

2.3 New standards, amendments to the accounting and reporting standards as applicable in Pakistan that are effective for the Company's accounting period beginning on or after July 01, 2018

	Effective date (annual reporting periods beginning on or after)
IAS 19 Employee benefits (Amendments)	1-Jan-19
IAS 28 Investment in Associates and Joint Ventures (Amendments)	1-Jan-19
IAS 40 Investment property (Amendments)	1-Jan-18
IFRS 2 Share-based Payment (Amendments)	1-Jan-18
IFRS 4 Insurance contracts (Amendments)	1-Jan-18
IFRS 9 Financial Instruments	1-Jul-18
IFRS 15 Revenue from Contracts with Customers	1-Jul-18
IFRS 16 Leases	1-Jan-19
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1-Jan-18
IFRIC 23 Uncertainty Over Income Tax	1-Jan-19

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by the IFRS 9, 15 and 16 on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

2.4 Basis of measurement

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

2.5 Judgment, estimates and assumptions

The preparation of financial statements in conformity with accounting and reporting standards 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 any material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of accounting and reporting 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;

2.5.1 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.

2.5.2 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.

2.5.3 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.

2.5.4 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.

2.5.5 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.

2.6 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Ordinary share capital

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

3.2 Employee benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The latest actuarial valuation was carried out as at June 30, 2018. Charge for the current year is based on estimates provided by the actuary as at June 30, 2018. All actuarial gains and losses (i.e. remeasurements) are recognised in 'other comprehensive income' as they occur. The following significant assumptions were used in the latest actuarial valuation:

	2018	2017
Discount rate	9.00%	7.75%
Expected rate of salary increase in future years	7.00%	5.75%
Average expected remaining working life time of employees	9 years	9 years
Actuarial valuation method	Projected unit credit method	

3.3 Borrowings

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

3.4 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

3.5 Taxation

Current

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher; and taxes paid / payable on final tax basis, after taking into account tax credit available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessment made / finalised during the year.

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, are recognized to the extent of potential available taxable profit against which temporary differences, unused tax losses and tax credits can be utilized.

3.6 Trade and other payables

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

3.7 Trade and other receivables

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

3.8 Property, plant and equipment

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

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

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

3.9 Capital work in progress

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

3.10 Impairment

Carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment loss is recognized in the profit and loss account.

3.11 Stores, spares and loose tools

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus incidental charges paid thereon. Provision for obsolete and slow moving stores and spares is based on management's estimate.

3.12 Stock in trade

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

Cost is determined as follows:

Raw materials - At weighted average cost.

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

Finished goods - At average manufacturing cost.

Wastes - At net realizable value.

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

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

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

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise cash in hand and cash with banks in current accounts.

3.14 Financial instruments

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

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.15 Foreign currency translation and transactions

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 into Pak Rupees (functional and presentation) at the exchange rate prevailing on the date of transaction. All exchange differences are included in the profit and loss account.

3.16 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length prices using the comparable uncontrolled price method except in circumstances where it is in the interest of the Company not to do so.

3.17 Revenue recognition

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

3.18 Borrowing costs

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which these are incurred.

3.19 Dividends

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

3.20 Earning per share (EPS)

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

4 CHANGE IN ACCOUNTING POLICY

4.01 All the significant accounting policies are applied consistently during the year.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	2018	2017
	Rupees	
32,635,600 (2017: 32,635,600) Ordinary shares of Rs. 10 each fully paid in cash	326,356,000	326,356,000

All ordinary share holders have same rights regarding voting, board selection, right of first refusal and block voting.

6 DIRECTORS' LOAN

Loan from directors	6.01	1,993,777,835	1,640,727,835
6.01	These loans are accounted for under Technical Release - 32 "Accounting Director's Loan" issued by the Institute of Chartered Accountants of Pakistan effective for the financial statements for the period beginning on or after January 01, 2016 with earlier application permitted.		
6.02	This loan has been provided by the chief executive and other directors of the Company for the repayment of long term loans and capital expenditure of the Company. The loan is unsecured and interest free. The terms of repayment have yet not been finalized due to the subordination loan agreement of Rs. 900 million (2017 : Rs. 900 million) with Habib Bank Limited and Rs. 1,500 million (2017 : Rs. 1,500 million) with United Bank Limited.		

7 LONG TERM FINANCING

Loan from banking companies - Secured

United Bank Limited:				
-	NIDF - VIII	7.01	125,000,028	281,250,028
-	NIDF - IX	7.02	81,250,000	100,000,000
			206,250,028	381,250,028
Less:	Current portion		(150,000,000)	(175,000,000)
			56,250,028	206,250,028

7.01	NIDF - VIII	2018	2017
		Rupees	
	Opening balance	281,250,028	375,000,000
	Payments made during the year	(156,250,000)	(93,749,972)
		<u>125,000,028</u>	<u>281,250,028</u>

This loan has been obtained to finance import of machinery. It is repayable in sixteen equal quarterly installments with a grace period of eighteen months from first draw down of loan with first installment due in September 2015. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.

7.02 Term Finance (NIDF IX)		2018	2017
	Opening balance	100,000,000	100,000,000
	Payments made during the year	(18,750,000)	-
		<u>81,250,000</u>	<u>100,000,000</u>

This loan has been obtained for reprofiling of balance sheet of the company. It is repayable in sixteen equal quarterly installments with a grace period of eighteen months from first draw down of loan with first installment due in December 2017. It carries mark up at six months KIBOR plus 1.25% per annum payable on quarterly basis.

Loan from UBL are secured against first pari passu equitable mortgage of property, plant and equipment of the Company valuing Rs. 1,471 million (2017: Rs. 1,471 million) and personal guarantee of chief executive and one director of the Company.

8	DEFERRED LIABILITIES		2018	2017
			Rupees	
	Deferred tax - net	8.01	53,743,406	22,754,394
	Staff retirement benefits	8.03	58,129,520	56,858,587
			<u>111,872,926</u>	<u>79,612,981</u>

8.01 Deferred tax - net

Taxable temporary differences / (deductible temporary differences) Balance arising respect of:

-	Accelerated tax depreciation	100,279,655	81,771,982
-	Recognized losses	(28,693,837)	(53,107,251)
-	Minimum tax	(10,004,008)	-
-	Staff retirement benefits	(7,838,404)	(5,910,337)
		<u>53,743,406</u>	<u>22,754,394</u>

8.02 The movement in temporary differences are as follows:

	Rupees					
	Balance as at July 01, 2016	Recognized in profit and loss	Recognized in other comprehensive income	Balance as at June 30, 2017	Recognized in profit and loss	Recognized in other comprehensive income
Deferred tax debits:						
Recognized losses	(49,439,265)	(3,667,986)		(53,107,251)	24,413,414	(28,693,837)
Minimum tax	-	-		-	(10,004,008)	(10,004,008)
Staff retirement benefits	(6,215,981)	1,311,808	1,006,164	(5,910,337)	(3,101,305)	(1,173,237)
	<u>(55,655,246)</u>	<u>(2,356,178)</u>	<u>1,006,164</u>	<u>(59,017,588)</u>	<u>11,308,101</u>	<u>(1,173,237)</u>
Deferred tax credits:						
Accelerated tax depreciation allowance	67,972,243	13,799,739		81,771,982	18,507,674	100,279,656
	<u>12,316,997</u>	<u>11,443,561</u>	<u>1,006,164</u>	<u>22,754,394</u>	<u>29,815,775</u>	<u>(1,173,237)</u>

8.03 Staff retirement benefits

The amounts recognized in the balance sheet are as follows

Present value of defined benefit obligation including payable	58,129,520	56,858,587
Balance sheet liability		
Opening balance	56,858,587	48,589,497
Amount recognized during the year	29,452,461	25,848,837
Remeasurements	(8,700,313)	9,679,493
	<u>77,610,735</u>	<u>84,117,827</u>
Benefits paid during the year	(19,481,215)	(27,259,240)
Closing balance	<u>58,129,520</u>	<u>56,858,587</u>
Charge for the defined benefit plan		
Service cost	25,800,817	23,353,217
Interest cost	3,651,643	2,495,620
	<u>29,452,460</u>	<u>25,848,837</u>

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 on as at June 30, 2018 using Project Unit Credit Method.

(b) Comparison for five years

	2018	2017	2016	2015	2014
	(Rupees - 000)				
PVODBO	58,130	56,859	47,514	38,179	40,190
Experience	(8,700)	9,679	2,763	(9,349)	(12,836)
Adjustment					
	NOTE		2018	2017	

9 TRADE AND OTHER PAYABLES

Creditors for:

-	Goods supplied	155,749,468	243,772,112
-	Services	18,486,265	16,628,745
	Accrued liabilities	75,737,785	45,688,458
	Advances from customers	23,377,772	9,641,868
	Security deposits	166,000	166,000
	Tax deducted at source	1,472,129	1,392,014
		<u>274,989,418</u>	<u>317,289,197</u>

9.1 It represents security received from mill canteen contractors, shops etc. and is kept in separate bank account.

10 ACCRUED INTEREST/ MARKUP

Long term financing	849,617	7,036,876
Short term borrowings	10,335,748	16,613,785
	<u>11,185,365</u>	<u>23,650,661</u>

11 SHORT TERM BORROWINGS - From banking companies - Secured

Habib Bank Limited - Secured	11.1	573,694,100	502,997,143
United Bank Limited- Secured	11.2	409,638,639	700,405,668
		<u>983,332,739</u>	<u>1,203,402,811</u>

11.1 These represent utilized portion of short term finance facilities of Rs. 1,015 million (2017: Rs. 1,165 million) available from Habib Bank Limited under mark up arrangement. These facilities carry mark up of one month KIBOR plus 1.5% per annum and shall expire by January 31, 2019. 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 (2017: Rs. 932 million), pledge of cotton and polyester bales, lien on import documents / export contracts and personal guarantee of the chief executive and director of the Company.

11.2 These represent utilized portion of short term finance facilities of Rs. 970 million (2017 : Rs. 1,370 million) available from United Bank Limited under mark up arrangement. These facilities carry mark up at 1 month KIBOR plus 1.25% - 1.30% per annum and shall expire by December 31, 2019. These borrowings along with long term financing are secured by first pari passu charge on present and future fixed assets of the Company premises valuing Rs. 1,471 million (2017 : Rs. 1,471 million), pledge of cotton and polyester bales, lien on import documents / export contracts and personal guarantee of the chief executive and director of the Company.

12 PROVISION FOR TAXATION - Net

Opening balance	31,653,468	35,228,181
Provision for the year	43,570,351	31,653,468
Payments / adjustments against advance tax	(31,653,468)	(35,228,181)
	<u>43,570,351</u>	<u>31,653,468</u>

Income tax return up to and including tax year 2017 has been filed to the tax authorities under the provision of Income Tax Ordinance, 2001.

13 CONTINGENCIES AND COMMITMENTS

Contingencies

- 13.1

The Company has provided bank guarantee in favour of Sui Northern Gas Pipeline Limited amounting to Rs. 53.865 million (2017: Rs. 53.865 million) on account of security deposits against the consumption of natural gas.
- 13.2

The company has challenged the recovery of Gas Infrastructure Development Cess-GIDC and filed petition in Lahore High Court challenging the vires and legality of the levy and demand of GIDC including the retrospective effect. The Court granted stay against charging of GIDC. Since, the issue is being faced by the industry at large, therefore management is of the view that there is no need to maintain any provision against the liability. The management is confident that decision of the case will be in its favor. Further, it is difficult to determine the best monetary estimate as the date of applicability of the said Act is in litigation.
- 13.3

Export bills discounted Rs. 193.51 million (2017 : Rs. 182.334 million)
- 13.4

Post dated cheques issued in the favour of Collector of Custom against import Rs. 17.391 million (2017 : Rs. 17.391 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. 327.756 million (2017 : Rs. 113.114 million).

14 PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost			Accumulated Depreciation			Rupees	
	As at July 01, 2017	Additions	As at June 30, 2018	Disposals	For the year	As at June 30, 2018	Book Value as at June 30, 2018	
Owned								
Land - freehold	81,282,448	-	81,282,448	-	-	-	81,282,448	
Buildings on freehold land	395,973,433	474,716	396,448,149	-	11,913,528	207,598,713	188,849,436	
Plant and machinery	2,459,166,045	867,000	2,460,033,045	-	117,788,777	1,399,139,298	1,060,893,747	
Grid station and generators	54,472,537	-	54,472,537	-	4,071,527	17,828,793	36,643,744	
Furniture and fixtures	18,069,290	88,000	18,157,290	-	524,620	13,347,710	4,809,580	
Vehicles	76,878,906	-	76,878,906	(9,136,828)	-	47,955,857	19,786,221	
Equipment	24,233,205	-	24,233,205	-	884,622	16,278,942	7,954,263	
Electric installations	67,730,323	-	67,730,323	-	1,700,735	52,423,711	15,306,612	
Total 2018	3,177,806,187	1,429,716	(9,136,828)	3,170,099,075	(8,595,935)	141,894,711	1,754,573,023	1,415,526,051

Particulars	Cost			Accumulated Depreciation			Rupees	
	As at July 01, 2016	Additions	As at June 30, 2017	Disposals	For the year	As at June 30, 2017	Book Value as at June 30, 2017	
Owned								
Land - freehold	81,282,448	-	81,282,448	-	-	-	81,282,448	
Buildings on freehold land	395,332,055	641,378	395,973,433	-	12,660,334	195,685,185	200,288,248	
Plant and machinery	2,440,384,183	72,332,326	2,459,166,045	(53,550,464)	(39,975,421)	1,281,350,521	1,177,815,524	
Grid station and generators	18,948,857	35,523,680	54,472,537	-	905,767	13,757,266	40,715,271	
Furniture and fixtures	18,069,290	-	18,069,290	-	582,911	12,823,090	5,246,200	
Vehicles	74,807,702	2,863,248	76,878,906	(792,044)	6,215,393	51,540,890	25,338,016	
Equipment	23,052,102	1,181,103	24,233,205	-	954,973	15,394,320	8,838,885	
Electric installations	67,730,323	-	67,730,323	-	1,889,705	50,722,976	17,007,347	
Total 2017	3,119,606,960	112,541,735	(54,342,508)	3,177,806,187	(40,762,734)	147,462,511	1,621,274,248	1,556,531,939

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

	2018	2017
	Rupees	
Cost of sales	134,799,975	140,089,385
Administrative expenses	7,094,736	7,373,126
	<u>141,894,711</u>	<u>147,462,511</u>

14.2 Disposal of property, plant and equipment

None of the asset disposed off having book value upto and greater than Rs. 500,000/-.

14.3 Land - freehold and building on freehold land

Particulars	Area	Location
Head office	02 Kanal 15 Marlas and 125 Square feet only/-	8-C, E-III, Gulberg III, Lahore
Factory	641 Kanal and 16 Marlas only/-	46-km, Multan Road, Bhalthero, Kasur

	NOTE	2018	2017
15 CAPITAL WORK IN PROGRESS			
Plant and machinery	15.1	90,830,496	1,134,100
		<u>90,830,496</u>	<u>1,134,100</u>
15.1 Opening balance		1,134,100	34,210,062
Additions made during the year		89,696,396	23,802,022
		<u>90,830,496</u>	<u>58,012,084</u>
Trasferred to Plant and Machinery		-	(56,877,984)
		<u>90,830,496</u>	<u>1,134,100</u>
16 LONG TERM DEPOSITS			
Lahore Electric Supply Company Limited - non interest bearing		12,368,620	12,368,620
Others - non interest bearing		643,074	643,124
		<u>13,011,694</u>	<u>13,011,744</u>
17 STORES, SPARES AND LOOSE TOOLS			
Stores	17.1	48,271,188	50,959,082
Spares	17.1	63,483,151	59,881,570
Loose tools		3,855,448	3,931,494
		<u>115,609,787</u>	<u>114,772,146</u>
17.1 No identifiable store and spare are held for specific capitalization.			
18 STOCK IN TRADE			
Raw material	18.1	78,419,115	487,311,529
Work in process		80,455,586	66,181,293
Finished goods		290,739,445	195,695,001
		<u>449,614,146</u>	<u>749,187,823</u>
18.1 This includes an amount of Rs. 40.505 million (2017: Rs. 371.108 million) approximately, which is pledged against short term finances.			
19 TRADE DEBTS			
Local debts			
(Unsecured - considered good)		92,948,859	43,714,698
Foreign debts			
(Secured - considered good)	19.1	33,603,091	84,278,088
		<u>126,551,950</u>	<u>127,992,786</u>
19.1 Foreign debts represents against export sales to USA, Maxico, Italy, China and Hong Kong amounting to Rs. 368 million, 550 million, 1.4 million, 23.79 million and 36.5 million respectively under confirmed LCs.			
20 LOANS AND ADVANCES			
Employees - considered good and non interest bearing		348,000	55,000
Suppliers - considered good and non interest bearing		25,162,845	9,892,606
Income tax deducted at source		65,384,854	68,968,931
Letters of credit		153,085,362	27,501,843
Other receivables		-	1,142,703
Security deposit		300,000	300,000
		<u>244,281,061</u>	<u>107,861,083</u>
21 Tax refunds/ rebate due from the Government			
Advance tax		81,045,228	75,340,958
Sales tax refund		102,536,046	136,869,333
Rebate Receivable		22,900,265	23,225,869
		<u>206,481,539</u>	<u>235,436,160</u>
22 CASH AND BANK BALANCES			
Cash in hand		6,168,864	523,244
Cash with banks in current accounts		24,281,542	6,224,431
		<u>30,450,406</u>	<u>6,747,675</u>

	NOTE	2018	2017
23 SALES - net			
Local:		Rupees	
- Yarn		1,317,902,433	1,123,565,227
- Fabric		782,928,217	847,653,314
		<u>2,100,830,650</u>	<u>1,971,218,541</u>
Export:			
- Yarn		-	738,973,304
- Fabric		1,516,272,629	1,421,028,414
		<u>1,516,272,629</u>	<u>2,160,001,718</u>
Waste	23.1	148,797,253	100,497,665
Rebate on export		31,158,534	23,998,850
		<u>3,797,059,066</u>	<u>4,255,716,774</u>
23.1 These were net off from sales tax amounting to Rs. 815,135 (2017: 2,227433).			
24 COST OF GOODS SOLD			
Raw materials consumed	24.01	2,459,552,883	2,784,925,607
Processing charges		8,775,874	8,656,137
Salaries, wages and other benefits	24.02	390,831,090	391,743,961
Fuel and power		504,560,099	414,513,623
Packing materials consumed		39,712,344	47,118,114
Sizing materials consumed		41,111,757	37,651,908
Stores and spares consumed		86,776,361	120,394,789
Repair and maintenance		9,776,353	14,606,659
Insurance		4,824,028	6,769,351
Depreciation	14.1	134,799,975	140,089,385
Other manufacturing expenses		-	-
		<u>3,680,720,762</u>	<u>3,966,469,535</u>
Opening work in process		66,181,293	70,423,471
Closing work in process		(80,455,586)	(66,181,293)
		<u>(14,274,293)</u>	<u>4,242,178</u>
Cost of goods manufactured		3,666,446,469	3,970,711,713
Opening finished goods		195,695,001	399,925,652
Closing finished goods		(290,739,445)	(195,695,001)
		<u>(95,044,444)</u>	<u>204,230,651</u>
		<u>3,571,402,025</u>	<u>4,174,942,364</u>
24.01 Raw material consumed			
Opening stock		487,311,529	156,084,679
Purchases		2,042,322,073	3,101,162,592
Cotton cess		1,989,473	2,604,565
Cotton handling charges		6,348,923	12,385,300
		<u>2,537,971,998</u>	<u>3,272,237,136</u>
Closing stock		(78,419,115)	(487,311,529)
		<u>2,459,552,883</u>	<u>2,784,925,607</u>
24.02 Salaries, wages and benefits include Rs. 17.67 million (2017 : Rs. 15.52 million) on account of staff retirement benefits.			
25 SELLING AND DISTRIBUTION			
Salaries, wages and benefits	25.1	6,653,330	3,347,969
Export development surcharge		3,833,236	5,544,122
Commission to selling agents		25,265,514	30,557,773
Carriage and freight		59,960,565	73,632,138
Export expenses		9,148,406	11,688,142
Others		-	-
		<u>104,861,051</u>	<u>124,770,144</u>
25.1 Salaries, wages and benefits include Rs.0.88 million (2017 : Rs. 0.78 million) on account of staff retirement benefits.			

	NOTE	2018	2017
		Rupees	
26 ADMINISTRATIVE AND GENERAL			
Salaries, wages and other benefits	26.1	77,098,891	75,770,059
Traveling and conveyance		3,166,202	2,628,518
Repairs and maintenance		1,144,633	5,099,117
Rent, rates and taxes		474,568	625,646
Printing and stationery		2,390,942	2,500,061
Insurance		2,192,868	4,530,074
Fees and subscription		2,691,037	1,615,088
Telephone and Postage		3,259,279	2,439,867
Vehicle running and maintenance		8,700,902	7,686,877
Utilities		2,382,212	1,625,113
Books and periodicals		164,224	216,862
Entertainment		2,964,814	2,763,110
Miscellaneous expenses		1,274,315	165,957
Depreciation	14.1	7,094,736	7,373,126
		<u>114,999,624</u>	<u>115,039,474</u>
26.1	Salaries, wages and benefits include Rs. 10.89 million (2017 : Rs. 9.57 million) on account of staff retirement benefits.		
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
		<u>1,220,000</u>	<u>1,220,000</u>
Legal and professional charges		769,855	669,212
Loss on disposal of property, plant and equipment		-	6,525,968
		<u>1,989,855</u>	<u>8,415,180</u>
28 OTHER OPERATING INCOME			
Scrap sales		4,599,340	7,244,692
Gain on disposal of property, plant and equipment		391,932	-
Exchange gain		9,530,958	6,800,752
		<u>14,522,230</u>	<u>14,045,444</u>
29 FINANCE COST			
Interest / mark up on:			
- Long term financing		23,755,017	31,866,581
- Short term borrowings		84,528,205	94,834,977
		<u>108,283,222</u>	<u>126,701,558</u>
Bank charges and commission		11,745,968	13,438,112
		<u>120,029,189</u>	<u>140,139,670</u>
30 TAXATION			
Current tax:			
- For the year		43,570,351	31,653,468
- Prior year		116,048	(2,453,101)
		<u>43,686,399</u>	<u>29,200,367</u>
Deferred tax		29,815,775	11,443,563
		<u>73,502,174</u>	<u>40,643,930</u>
30.1	Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to application of minimum tax and final tax for the calculation of provision of tax for the year.		

30.2 Last three years comparison of tax provision and tax assessment are as under:

	Tax Provision	Tax assessment		
	Rupees			
2016-2017	31,653,468	31,769,516		
2015-2016	35,228,181	32,775,080		
2014-2015	15,770,915	30,807,215		
	2018	2017		
	Rupees			
EARNING PER SHARE - Basic and diluted				
(Loss) after taxation for the year	Rupees	(175,202,622)	(334,188,545)	
Outstanding weighted average ordinary shares	No. of shares	32,635,600	32,635,600	
Earnings / (Loss) per share - Basic and diluted	Rupees	(5.37)	(10.24)	
CHIEF EXECUTIVE'S DIRECTORS' AND EXECUTIVES' REMUNERATION				
Directors		6,300,000	6,300,000	
Number of persons		2	2	
Executives		7,230,000	7,230,000	
Staff retirement benefit		602,500	602,500	
Number of persons		4	4	
32.1	No remuneration has been paid to chief executive of the Company.			
32.2	No meeting fee has been paid to any director of the Company.			
32.3	Number of executive decreases due to change in defination under Companies Act 2017.			
NUMBER OF EMPLOYEES				
	2017-2018		2016-2017	
	Head Office	Factory	Head Office	Factory
Total number of employees as at 30th June	79	1,891	64	1,662
Average number of employees during the year	71	1,768	67	1,683
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:				
Directors				
Loan obtained from directors			385,507,254	405,000,000
Payment made during the year			32,457,254	20,000,000
There were no transactions with key management personnel other than undertaken as per terms of their employment.				
PLANT CAPACITY AND PRODUCTION				
			2018	2017
Spinning			Rupees	
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	16,370,476	14,328,437
Weaving				
No. of looms installed			192	192
No. of looms worked			192	192
No. of shifts			3	3
Actual production converted to 40 picks based on three shifts per day		Sq. meters	58,514,432	58,179,133
35.1	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.			

36 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet
- at amortized cost

	2018	2017
	Rupees	
Long term deposits	13,011,694	13,011,744
Trade debts	126,551,950	127,992,786
Loans and advances - employees	348,000	55,000
Cash and bank balances	30,450,406	6,747,675
	<u>170,362,050</u>	<u>147,807,205</u>

Financial liabilities as per balance sheet
- at amortized cost

Long term financing	206,250,028	381,250,028
Trade and other payables	250,139,517	306,255,315
Accrued interest/mark-up	11,185,365	23,650,661
Short term borrowings	983,332,739	1,203,402,811
	<u>1,450,907,649</u>	<u>1,914,558,815</u>

36.1 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.

37 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:

	2018	2017
	Rupees	
Foreign trade debts	33,603,091	84,278,088
Outstanding letter of credit	(327,755,500)	(113,114,000)
Net exposure	<u>(294,152,409)</u>	<u>(28,835,912)</u>

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

USD to PKR	<u>121.56</u>	<u>104.60</u>
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The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure.

At June 30, 2018, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs. 14,707,620 (2017: 1,441,795) mainly as a result of foreign exchange losses / gains on translation of foreign debts and outstanding foreign payments.

(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. Majority of interest rate exposure arises from short term and long term borrowings from banks.

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

	2018	2017	2018	2017
	Percentage		Rupees	
Long term financing				
- Variable rate instrument	7.4 to 7.77	7.25 to 7.35	206,250,028	381,250,028
Short term borrowings	7.51 to 8.36	6.22 to 6.29	<u>983,332,739</u>	<u>1,203,402,811</u>
			<u>1,189,582,767</u>	<u>1,584,652,839</u>

Fair value sensitivity analysis for fixed rate instruments:

The company does not have any fixed rate financial assets and liabilities.

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 before tax 1% rate	
	Increase	Decrease
As at June 30, 2018		
Cash flow sensitivity - variable rate financial liabilities	<u>11,895,828</u>	<u>(11,895,828)</u>
As at June 30, 2017		
Cash flow sensitivity - variable rate financial liabilities	<u>15,846,528</u>	<u>(15,846,528)</u>

(iii) 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. 170,362,051 (2017: Rs. 147,807,205), the financial assets exposed to credit risk amount to Rs. 164,193,186 (2017: Rs. 141,059,530).

The analysis below summarises the credit quality of the Company's financial assets as at June 30, 2018 /2017:

	2018	2017
	Rupees	
The breakup of amount due from various trade debts were:		
Yarn	27,573,904	47,368,453
Fabric	96,560,207	80,433,411
Others	<u>2,417,839</u>	<u>190,922</u>
	<u>126,551,950</u>	<u>127,992,786</u>
The aging of trade debts at the reporting date was:		
Past due 0-6 months	95,690,310	127,877,592
Past due 6-12 months	17,618,538	115,194
More than 12 months	<u>13,243,102</u>	<u>-</u>
	<u>126,551,950</u>	<u>127,992,786</u>

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

Long term deposits	13,011,694	13,011,744
Trade debts	126,551,950	127,992,786
Loans and advances	348,000	55,000
Cash and bank balances	<u>30,450,406</u>	<u>6,747,675</u>
	<u>170,362,050</u>	<u>147,807,205</u>

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	Long Term
United Bank Limited	JCR-VIS	A-I +	AAA
National Bank of Pakistan	JCR-VIS	A-I +	AAA
Habib Bank Limited	JCR-VIS	A-I +	AAA

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to growing nature of the businesses the Company maintains flexibility in funding by maintaining committed credit lines available.

The table shows analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018 (Rupees)				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
Financial Liabilities					
Long term financing (from banking companies)	206,250,028	224,597,265	83,309,863	79,856,090	61,431,312
Trade and other payables	274,989,418	274,989,418	274,989,418	-	-
Unclaimed dividend	4,997,635	4,997,635	4,997,635	-	-
Accrued interest / mark up	11,185,365	11,185,365	11,185,365	-	-
Short term borrowings	983,332,739	983,332,739	983,332,739	-	-
	1,480,755,185	1,499,102,422	1,357,815,020	79,856,090	61,431,312
	2017 (Rupees)				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
Financial Liabilities					
Long term financing (from banking companies)	381,250,028	421,343,892	115,698,337	84,492,179	221,153,376
Trade and other payables	317,289,197	317,289,197	317,289,197	-	-
Unclaimed dividend	5,032,096	5,032,096	5,032,096	-	-
Accrued interest / mark up	23,650,661	23,650,661	23,650,661	-	-
Short term borrowings	1,203,402,811	1,203,402,811	1,203,402,811	-	-
	1,930,624,793	1,970,718,657	1,665,073,102	84,492,179	221,153,376

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June, 2018 / 2017. The rates of mark-up have been disclosed in note 07 and 11 to these financial statements.

38 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to Company's approach to capital management during the year. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The 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.

39 INFORMATION ABOUT REPORTING SEGMENT

39.1 The following table presents revenue and profit information regarding the Company's operating segments for the year ended June 30, 2018 and 2017 respectively.

	Spinning	Weaving	Inter - segment Transactions	Consolidated
2018 (Rupees)				
Sales	1,447,138,920	3,417,758,249	(1,067,838,103)	3,797,059,066
Cost of Sales:	(137,959,776)	(3,259,644,352)	1,067,838,103	(3,571,402,025)
Gross profit	67,543,144	158,113,897	-	225,657,041
Selling and distribution costs	(10,459,409)	(94,401,642)	-	(104,861,051)
Administrative and general expenses	(34,198,056)	(80,801,568)	-	(114,999,624)
Loss before taxation and un allocated expenses	22,885,679	17,089,313	-	5,796,366
Un-allocated expenses:				
Other operating expenses				(1,989,855)
Other operating income				14,522,230
Finance cost				(120,029,189)
Loss before taxation				(101,700,448)
Taxation				(73,502,174)
Net Loss for the year				(175,202,622)
2017 (Rupees)				
Sales	2,772,245,161	2,304,950,980	(821,479,367)	4,255,716,774
Cost of Sales:	(3,858,533,579)	(1,137,888,152)	821,479,367	(4,174,942,364)
Gross profit	(1,086,288,418)	1,167,062,828	-	80,774,410
Selling and distribution costs	(43,270,343)	(81,499,801)	-	(124,770,144)
Administrative and general expenses	(68,128,311)	(46,911,163)	-	(115,039,474)
Loss before taxation and un allocated expenses	(1,197,687,072)	1,038,651,864	-	(159,035,208)
Un-allocated expenses:				
Other operating expenses				(8,415,180)
Other operating income				14,045,444
Finance cost				(140,139,670)
Loss before taxation				(293,544,614)
Taxation				(40,643,930)
Net Loss for the year				(334,188,544)

39.2 All non current assets of the Company as at 30 June 2018 /2017 are loacated in Pakistan.

39.3 None of the customers of the Company accounts for more than 10% of gross sales of the Company for the year.

40 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors of the Company in their meeting held on September 26, 2018.

41 GENERAL

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

41.2 Corresponding figures have been rearranged / reclassified, wherever necessary, to facilitate comparison. The fourth schedule to the Companies Act 2017 has introduced certain presentation and classification requirements for the elements of the financial statements. Following major representations have been made during the year;

Represented from:	Represented to:	Rupees
Trade and other payables	Unclaimed dividend	5,032,096
(in note # 9 to the financial statements)	(on face of the balance sheet)	

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

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 29th Annual General
Meeting of the Company to be held on October 27, 2018 and/or any adjournment thereof.

As witness my/our hand this _____ day of October, 2018

Signed in the presence of.

Witness _____

Name _____

Occupation _____

Address _____

Signature of
shareholder (s) on
revenue stamp
worth Rupees 5/-

The signature should agree with the
specimen registered with the Company.

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, at 8-C, E-III Gulberg III, Lahore not less than 48 hours before the time of holding the meeting.
2. No person shall act as Proxy unless he/she is a member of the Company, except that a Corporation/Company may appoint a person who is not a member.

میں / ہم

ساکن

ہجیت رکن غازی فیہرس انٹرنیشنل لمیٹڈ اور حامل عام حصص بمطابق شیئر رجسٹر فولیو نمبر (بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ)

ہولڈر اکاؤنٹ نمبر پارٹیسپنٹ آئی ڈی نمبر (

بذریعہ ہذا

محترم / محترمہ ساکن

جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فولیو نمبر (یا اسکی غیر موجودگی) میں محترم / محترمہ

ساکن جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فولیو نمبر کو مورخہ 27 اکتوبر 2018ء (ہفتہ) کو منعقد

ہونے والے کمپنی کے 29 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے کے لئے اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

بطور گواہ میرے دستخط آج بروز تاریخ 2018ء

نام

پیشہ

پتہ

نوٹ:

پانچ روپے کارسیدی

نکٹ چسپاں کریں

۱۔ پراکسیاں تب تک موثر ہو سکیں گی جب کمپنی کے رجسٹرڈ دفتر میں دستخط شدہ، اجلاس سے کم از کم 48 گھنٹے قبل پہنچ جائیں۔

۲۔ کوئی بھی شخص اس وقت تک پراکسی کے طور پر کام نہیں کر سکتا جب تک وہ کمپنی کا ممبر نہ ہو۔ ماسوائے کمپنی کے جو کسی دوسرے

دوسرے شخص کو پراکسی مقرر کر سکتی ہے۔



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