



*From fibre to fashion*

**Gul Ahmed**  
Annual Report *2010*

## VISION

Setting trends globally  
in the textile industry.  
Responsibly  
delivering products and  
services to our  
partners.

## MISSION

To deliver value to our  
partners through  
innovative technology  
and teamwork.  
Fulfilling our social and  
environmental  
responsibilities.

## VALUES

- Integrity
- Passion
- Creativity
- Teamwork





At Gul Ahmed Textile Mills Ltd., we ensure our products are of the highest quality standards by adhering to the most stringent systems and processes while carefully selecting all the best quality inputs from around the globe.

Our aim is to ensure that the end customer always gets a unique blend of quality, comfort and fashion which is passionately woven into all our products.



# Contents

---

## Gul Ahmed Textile Limited

Company information	02
From fibre to fashion	03
Ahead of the rest	05
Retail network	07
Did you know ?	09
Women's empowerment	11
Empowering the disadvantaged	15
Water & Energy conservation	19
Ideas - a complete home & fashion experience	23
Brands & Magazines	27
Leadership through the ages	31
Code of conduct and ethics	35
Shareholders' information	36
Notice of meeting	37
Directors' report	38
Financial highlights	43
Our value addition and its distribution	46
Horizontal analysis of financial statements	47
Vertical analysis of financial statements	48
Statement of compliance with the code of corporate governance	49
Review report to the members on statement of compliance with best practices of the code of corporate governance	51
Auditors' report to the members	52
Balance sheet	53
Profit and loss account	55
Statement of comprehensive income	56
Cash flow statement	57
Statement of changes in equity	59
Notes to the accounts	60
Attendance at board meetings	96
Pattern of shareholding	97
<b>Consolidated Financial Statement</b>	
Auditors' report to the members	100
Balance sheet	101
Profit and loss account	103
Statement of comprehensive income	104
Cash flow statement	105
Statement of changes in equity	107
Notes to the accounts	108

Form of Proxy

## Company Information

<b>BOARD OF DIRECTORS</b>	BASHIR ALI MOHOMMAD ZAIN BASHIR ZIAD BASHIR MOHAMMAD ZAKI BASHIR ABDUL AZIZ YOUSUF S.M. NADIM SHAFIQULLAH MOHAMMAD SALEEM SATTAR KHWAJA FAZLUR REHMAN ABDUL RAZAK BRAMCHARI	- Chairman & Chief Executive - Executive Director - Executive Director - Non Executive Director - Executive Director - Independent Non Executive Director - Executive Director - Non Executive Director - Non Executive Director
<b>CHIEF FINANCIAL OFFICER</b>	MOHAMMED SALEEM SATTAR	
<b>COMPANY SECRETARY</b>	MOHAMMED SALIM GHAFFAR	
<b>AUDIT COMMITTEE</b>	S.M. NADIM SHAFIQULLAH MOHAMMAD ZAKI BASHIR KHWAJA FAZLUR REHMAN ABDUL AZIZ YOUSUF	- Chairman & Member - Member - Member - Secretary
<b>BANKERS</b>	ALLIED BANK LIMITED BANK AL HABIB LIMITED BARCLAYS BANK PLC PAKISTAN CITIBANK, N.A. FAYSAL BANK LTD HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED HSBC BANK MIDDLE EAST LIMITED MCB BANK LTD MEEZAN BANK LIMITED NATIONAL BANK OF PAKISTAN NIB BANK LIMITED SAMBA BANK LIMITED STANDARD CHARTERED BANK (PAKISTAN) LTD THE ROYAL BANK OF SCOTLAND LIMITED UNITED BANK LIMITED	
<b>AUDITORS</b>	HYDER BHIMJI & CO. Chartered Accountants	
<b>INTERNAL AUDITORS</b>	ANJUM ASIM SHAHID RAHMAN Chartered Accountants	
<b>LEGAL ADVISORS</b>	A.K. BROHI & CO ADVOCATES	
<b>REGISTERED OFFICE</b>	PLOT NO.82 MAIN NATIONAL HIGHWAY LANDHI, KARACHI-75120	
<b>SHARE REGISTRAR</b>	FAMCO ASSOCIATES (PVT) LTD 1ST FLOOR, STATE LIFE BUILDING NO. 1-A OFF: I.I. CHUNDRIGAR ROAD, KARACHI-74000 PHONE NO. (021)32427012, 32426597 & 32425467 FAX NO. (021)32426752	
<b>MILLS</b>	LANDHI INDUSTRIAL AREA KARACHI-75120	
<b>E-MAIL</b>	finance@gulahmed.com	
<b>URL</b>	www.gulahmed.com	

# *From fibre to fashion...*



Cotton Bales >



Spinning >



Designing >



Processing/Finishing >



Inspection >



Fashion >



Yarn Dyeing >



Weaving >



Quality Control >



Sewing >



Retail >



# What makes us stay Ahead of



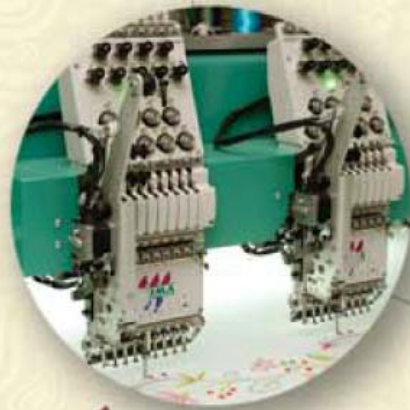
First ETP (Effluent Treatment Plant)  
in the textile sector



First rotary printing machine in Pakistan



First textile mill to register carbon credits



Largest embroidery  
facility dedicated to home textiles



Using CAD/CAM machines to apply latest design techniques



# the Rest



First yarn mercerizing facility



Metal free safety packing zones in all sewing units



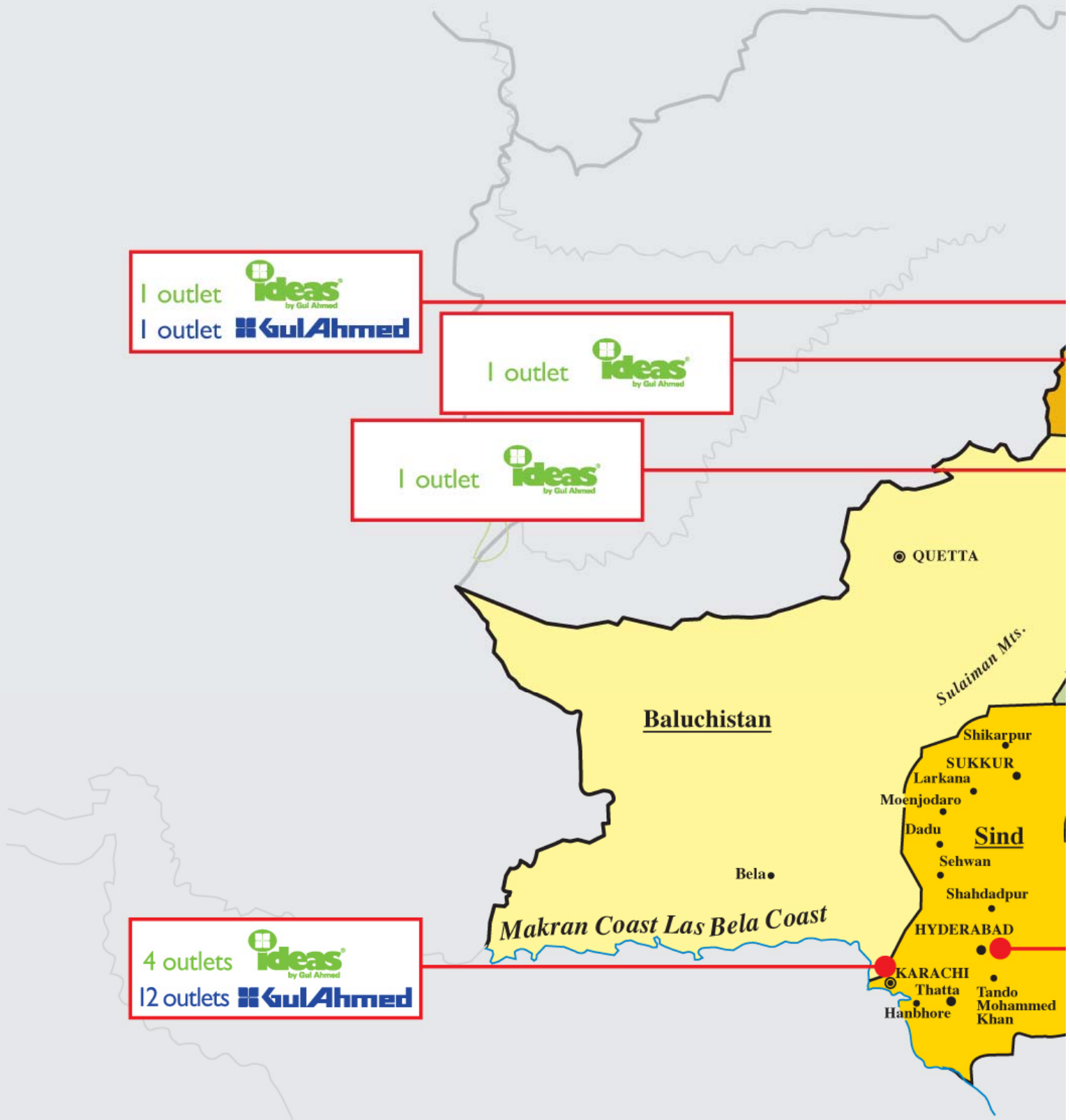
First to install caustic recovery unit in Pakistan's textile sector



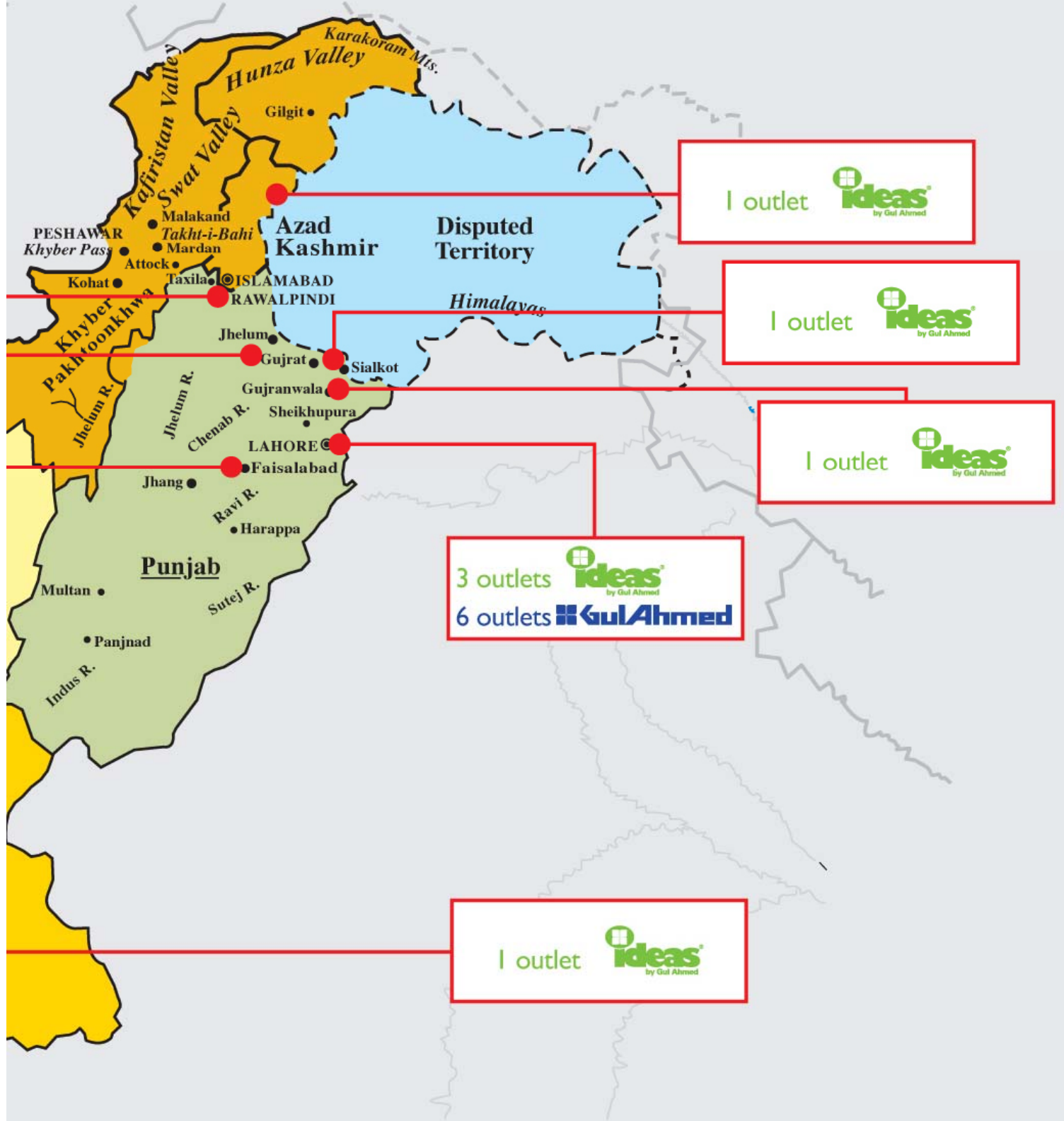
First compact spinner in Pakistan



An extensive chain of retail outlets all over Pakistan



# RETAIL NETWORK



**DID YOU**

**Cotton has been grown**

The **top five** cotton  
United States,

*1 bale of cotton is enough to*

**Fibre for 1 cotton T-shirt requires**

The cotton plant requires about  
to full maturity

**US\$ paper currency**  
**75% cotton** lint and 25%  
can be made into **313,600**

In ancient Egypt, only the high priest was

**The cotton fibre** is slightly  
and is **the largest cell**

No other plant anywhere in the world

# KNOW?

for **5,000** years.

producing countries are China, India, Pakistan and Brazil.

*make 1,217 men's T-shirts.*

**257** gallons of water.

**180-200** days from planting before it is ready for harvest.

isn't paper at all... it's a blend of linen. A 480 lbs. bale of cotton  
**US\$ of 100 US\$ bills.**

allowed to wear a **cotton** garment.

**over 1 inch long. It is a single cell in the plant kingdom.**

**has a cell even close to an inch long.**

The background is a complex, layered composition of abstract shapes and patterns. It features various shades of red, from deep maroon to light pink, and white. There are large, overlapping leaf-like shapes, some with detailed vein patterns. Interspersed among these are geometric forms like triangles and circles, some of which are filled with a dotted pattern. Thin, white, swirling lines and larger, faint white outlines of shapes are also present, creating a sense of movement and depth. The overall effect is a rich, textured, and somewhat ethereal visual field.

**WOMEN'S  
EMPOWERMENT**

STITCHING SECTION



*At Gul Ahmed, we believe women are our Country's largest dormant asset; they are equal to men in all aspects. Women are moreover perfectionists in all spheres, all that they need in today's world is a bit of empowerment and a level playing field and they will achieve wonders.*

Studies show that when women are supported and empowered, all of society benefits. Their families are healthier, more children go to school, agricultural productivity improves and incomes increase. In short, communities become more resilient.

Gul Ahmed Textile Mills Limited is an equal opportunity employer providing employment opportunities to women at all levels starting from workers to managerial positions. Currently more than 1,000 females are working with Gul Ahmed at various positions (including staff & workers) where they have been provided with a safe and conducive working environment. Gul Ahmed has also allocated a separate unit for female workers where a majority of female workers are being hired. Child day care facilities are also available enabling mothers to bring their children along with them so that they can work with more concentration and peace of mind.







**EMPOWERING  
THE DISADVANTAGED**

DISADVANTAGED



*I*t is one of our social responsibilities and moral duty to extend a helping hand and provide working opportunities to special and disadvantaged people. Gul Ahmed Textile Mills is playing its role through providing training & employment opportunities to special people.

We have also started an extensive on job training program in our sewing unit through an NGO in which we are providing initial 3 months training to special people by placing them in different areas/departments according to their disabilities. During their training period the Company pays a monthly stipend along with free lunch and pick and drop facility to them. At the end of their training period, the successful candidates are offered employment, while the rest are awarded training certificates.

We are striving to become a role model in this area where other organizations can look upon our success and replicate it for the benefit of society at large.







**WATER & ENERGY  
CONSERVATION**

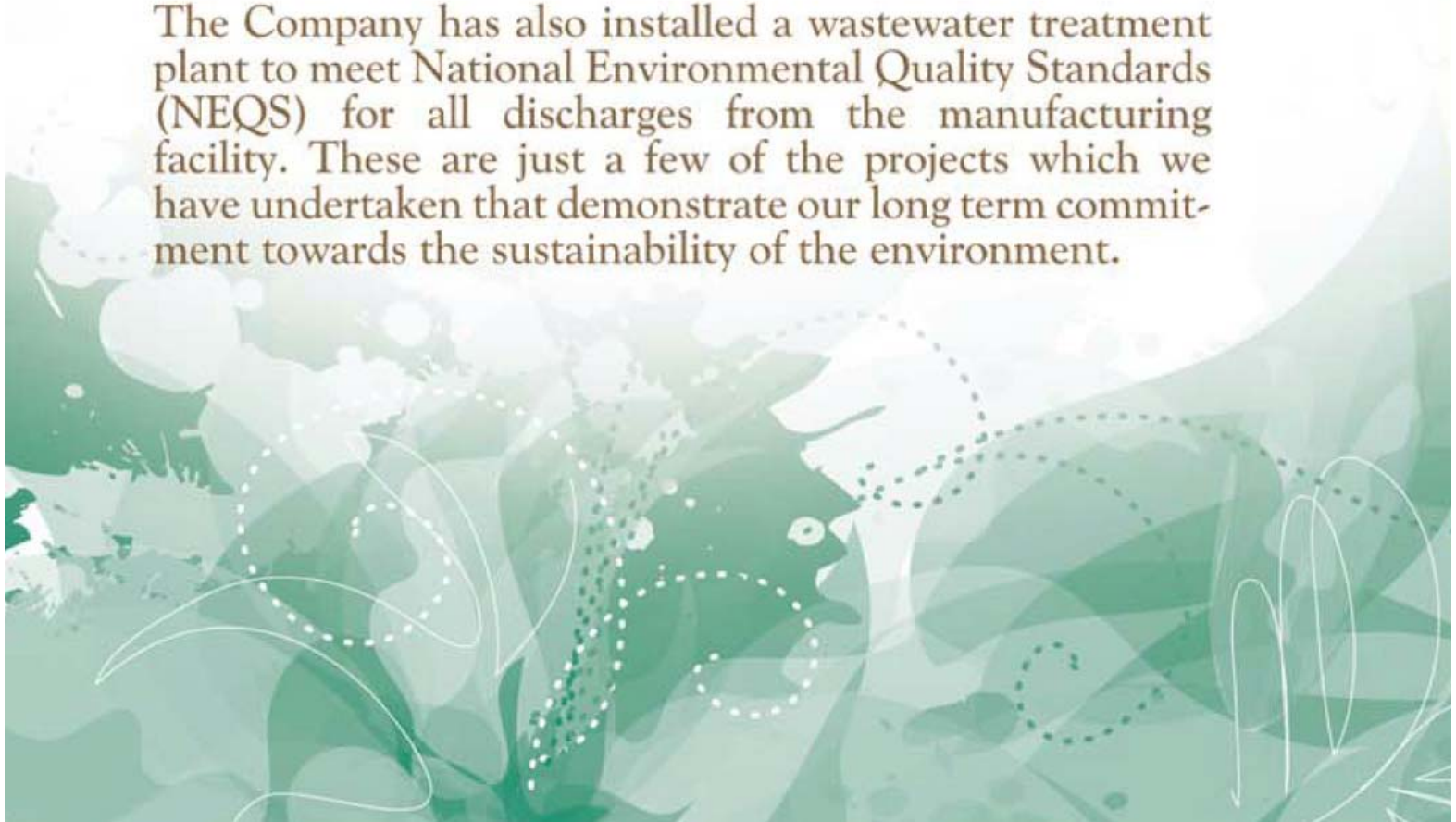


Gul Ahmed has taken up and executed several projects on energy conservation, water recycling, and pollution control. We have installed a fully computer controlled caustic soda recovery plant with an energy recovery system, enabling us to recover up to 20 tons of caustic soda per day. We also use flow control valves on all water consuming machines to ensure that water dosage is accurately released as per need to avoid any possible wastage.

In addition we have replaced HFO power generation engines with high thermal efficient co-generation gas turbines allowing us to reduce CO<sub>2</sub> emissions and shrink our carbon footprint.

Gul Ahmed is the first textile company of Pakistan which is in the process of acquiring Clean Development Mechanism (CDM) project registration from United Nations Framework Convention on Climate Change (UNFCCC) to sell Certified Emission Reductions (CER).

The Company has also installed a wastewater treatment plant to meet National Environmental Quality Standards (NEQS) for all discharges from the manufacturing facility. These are just a few of the projects which we have undertaken that demonstrate our long term commitment towards the sustainability of the environment.









# A COMPLETE HOME & FASHION EXPERIENCE



ideas by Gui Allina



ideas



*A* Ideas, Gul Ahmed's tradition of quality and style provides an elegant taste of creatively designed home textile ranges in a vibrant palette of colors, fabrics, patterns, textures and embroidery styles. The store also features limited edition lawn and cotton designs in fresh trendy colors.

Gul Ahmed has been an exporter of textiles for the past many years and with its vast experience, the Company has developed an extensive chain of stores across the country, aiming to bring its customers an unbeatable shopping experience.

Ideas strives to be an international brand that cares for its customers and fulfills their home and personal needs. Consumer and professional channels recognize us as the leader in exclusive, high quality, modern designs as well as impeccable service with courteous, informed and well-groomed sales consultants. Our aim is to provide a distinctive cozy shopping environment with attractive décor, a consistent availability of high quality merchandise and innovative products.





The background is a complex, layered composition of purple and white. It features large, overlapping leaf-like shapes in various shades of purple, from light lavender to deep magenta. Interspersed among these are white, hand-drawn style lines, some solid and some dotted, that swirl and curve across the page. On the right side, there is a vertical column of large, faint, white letters: 'S', 'E', 'N', 'Z', 'A', 'G', 'A', 'Z', 'I', 'N', 'E', 'S'. The central text 'BRANDS & MAGAZINES' is rendered in a bold, black, sans-serif font, positioned in the middle of the page. The overall aesthetic is modern and artistic, suggesting a theme related to design, branding, or media.

**BRANDS &  
MAGAZINES**

# GulAhmed

FALL/WINTER MAGAZINE  
2010

FALL  
FASHION  
SHOP  
SMART

232

Season's  
Essentials

BOHEMIAN  
GLAMOUR  
RETURNS  
WITH OUR  
KHADDAR

TEXTURED  
DELIGHTS  
PREMIUM  
OLTENIA

AUTUMN'S  
Jewel  
Colors



*I*n a conscientious effort to increase its brand equity, Gul Ahmed launched its very own seasonal fashion magazine a few years ago. The magazine has been extremely well received by the public at large and has played a major role in bringing fabrics such as lawn into mainstream fashion. This is reinforced by the fact that high-end designers have now ventured into this seasonal fray legitimizing lawns coming of age.

Customer demand for the seasonal publication at the stores has established it as a mainstay of the Gul Ahmed brand.







# Gul Ahmed

FALL/WINTER MAGAZINE  
2010

**TEXTURED  
DELIGHTS**  
PREMIUM OLTENIA

**BOHEMIAN  
GLAMOUR  
RETURNS**  
WITH OUR CELEBRATED  
KHADDARS

**REGALIA**  
LUXURIOUS  
INDULGENCE

**FALL  
FASHION**  
SEASON'S  
ESSENTIALS

**232+**  
**SHOP  
SMART**

**AUTUMN'S  
Jewel Colors**

**SINAI CREPE  
VIVACIOUS  
HUES**

The New  
**FEMININE**

The background is a complex, abstract composition of various shades of blue. It features large, overlapping shapes that resemble leaves and flowers, some with white outlines and others with solid colors. There are also smaller, scattered elements like dots and swirls. The overall effect is a textured, layered look. The text is centered in the middle of the image.

**LEADERSHIP  
THROUGH THE AGES**

LEADERSHIP  
THROUGH THE AGES



*A*t Gul Ahmed, we believe in using the latest technology to deliver cutting edge products and solutions to our customers. This is true for all departments and is not limited to textile manufacturing. It could be the use of the latest information technology system in finance, futuristic texture mapping software in the design department, innovative racking systems in warehousing or laser etching in our sewing unit which set us apart from our competition. Not only do these advanced systems and tools give us the ability to create unique products but also to increase efficiency by reducing wastage and lead times enabling us to deliver cost effective solutions to our valued customers.





# Code of Conduct and Ethics

---

Integrity and good corporate conduct guide us towards our business partners, colleagues, shareholders and the general public. The code of conduct and ethics, as stated below, are foundation of our business principles:

## Abide by the law

- Employees shall not make, recommend or cause to be taken any action known or believed to be in violation of any law, regulation or corporate policy.
- Employees shall not make, recommend or cause to be made any expenditure of funds known or believed to be in violation of any law, regulation or corporate policy.

## Integrity, honesty and respect for others

- Employees shall conduct their employment activities with the highest principles of honesty, integrity, truthfulness and honor. To this end, employees are to avoid not only impropriety, but also the appearance of impropriety.
- Employees shall not use their position to force, induce, coerce, harass, intimidate or in any manner influence any person, including subordinates, to provide any favor, gift or benefit, whether financial or otherwise, to themselves or others.
- Employees representing the Company to the third parties shall not allow themselves to be placed in a position in which an actual or apparent conflict of interest exists.

## Confidentiality

- Employees shall not use or disclose the Company's trade secrets, proprietary confidential information, or any other confidential information gained in the performance of Company's duties as a means of making private profit, gain or benefit.

## Shareholders' Information

### Annual General Meeting

The annual shareholders' meeting will be held on October 30, 2010 at 10:00 a.m at Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi. Shareholders as of October 23, 2010 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting time. CDC shareholders or their proxies are requested to bring with them copies

of their Computerized National Identity Card along with the Participant's ID Number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

### Ownership

On June 30, 2010 the Company had 2,067 shareholders.

### Web Reference

Annual/Quarterly reports are regularly posted at the Company's website: [www.gulahmed.com](http://www.gulahmed.com)

Karachi Stock Exchange Share Prices 2009-10		
Period	Price in Rupees	
	High	Low
1st Quarter	38.84	28.50
2nd Quarter	34.12	25.33
3rd Quarter	27.83	22.00
4th Quarter	26.00	17.40

### Announcement of Financial Results

The tentative dates of the announcement of financial results and payment of cash dividend (if any) for the year 2010-11 are as follows:

Period	Financial Results	Dividend Payment (if any)
1st Quarter	October 29, 2010	---
2nd Quarter	February 26, 2011	---
3rd Quarter	April 29, 2011	---
Annual Accounts	September 29, 2011	November 30, 2011

The Company reserves the right to change any of the above dates.

### Share Registrar

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to our Share Registrar Famco Associates (Private) Limited, 1st Floor, State Life Building No. I-A, I.I. Chundrigar Road, Karachi. Phone Nos. (021) 32427012, 32426597 & 32425467 and Fax No. (021) 32426752.

### Investor Relation Contact

Mr. Mohammed Salim Ghaffar, Company Secretary  
Email: [salim.ghaffar@gulahmed.com](mailto:salim.ghaffar@gulahmed.com), UAN: (+92-21) 111-485-485 & 111-486-486, Fax: (+92-21) 35018838

## Notice of Meeting

---

Notice is hereby given that the 58th Annual General Meeting of Gul Ahmed Textile Mills Limited will be held at Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi, on Saturday, October 30, 2010 at 10:00 a.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Accounts for the year ended June 30, 2010 and Auditors' Report thereon.
2. To approve the payment of cash dividend @ 12.5% as recommended by the Board.
3. To appoint Auditors and fix their remuneration.

By Order of the Board

Karachi  
October 04, 2010

**MOHAMMED SALIM GHAFFAR**  
Company Secretary

### NOTES:

1. Share Transfer Books of the Company will remain closed from October 23, 2010 to October 30, 2010 (both days inclusive).
2. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited, must bring their original Computerized National Identity Card (CNIC) or Original Passport at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the CNIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
4. A proxy must be a member of the Company.
5. Shareholders are requested to immediately notify the change of address, if any.



# Directors' Report

## Dear Shareholders

The directors are pleased to present the Annual Report and the audited financial statements for the year ended June 30, 2010 together with auditors' report thereon. This report represents the financial, operating and corporate social responsibility performance of the Company and highlights the key challenges to the business of the Company.

## Economy Overview

Internationally some economic recovery has taken place which has been termed as fragile and with reference to the regions and countries as uneven. Globally raw material prices have been shooting up. We saw some dampening of the buying power of our major export destinations across the globe and there was tremendous resistance from our customers to absorb price increases. In the later part of the year we have seen some improvement in overseas orders along with price adjustments, though partially, to cover the increased costs.

For the country the year under review (FY 2010) remained difficult but rewarding with moderate recovery in the economy. The economy grew by 4.1% (FY 2009: 1.2%) in the outgoing year. The better economic growth has occurred mainly due to the larger than expected cotton output, which offset the moderately negative impact on the wheat crop caused by a delay in seasonal rains and an ongoing improvement in external demand for Pakistan's exports, mainly textiles.

Further, agricultural sector grew at 2.0% (FY 2009: 4.0%) during the year. Large scale manufacturing grew by 4.4% (FY 2009 3.3%).

The country's economy remained under pressure due to the security concerns, severe energy shortages and high government borrowings as a result of lower tax revenue, higher current expenditure and shortfalls in projected external financing.

Our country is facing various problems like high fiscal deficit, mounting debts, CPI inflation at 11.29% which is higher than the target by 2.72% and above all the recent flood catastrophe. The prudent way out seems to be resource mobilization, improving the efficiency of public sector spending and facilitating the industries to generate the revenues and bring foreign currency earnings into the country and create employment.

## Industry Overview

Textile industry in Pakistan is the major contributor of foreign currency earnings and jobs creation over the life

of Pakistan, positioning itself globally the third largest consumer and fourth largest producer of cotton.

The prices of cotton, energy resources and their availability are closely linked with the performance of textile industry. The heated topics in the industry during the year were increased prices of cotton and cotton yarn due to the shortage of cotton crop in China, increase in cost of electricity and fuel. The increase of cotton and cotton yarn prices for exporters of value added textile sector was not feasible and aggravated the production and export of such products.

However, stronger export order books for some segments of the textile industry from around November last year, especially for cotton yarn, have contributed in the performance of manufacturing sector. If external demand for exports remains strong in the months ahead, the overall manufacturing sector may benefit further.

## Business Review

### 1. Performance Highlights

During the year under review the Company achieved growth in sales by 42% which includes growth in exports of Rs. 2.56 billion and local sales growth of Rs. 3.07 billion. Gross profit as compared to last fiscal year is more encouraging amounting to Rs. 3.173 billion (2009: Rs. 2.359 billion).

However, the increase in cost of sales, distribution expenses and finance cost were the main factors eroding the profit margins.

The profit before taxation is Rs. 708 million (2009: Rs. 170 million).

In the current economic environment it is important for the Company to not only maintain but also improve the liquidity position. Despite the need for improved liquidity the Directors have proposed dividend of 12.5% (Rs. 1.25 per share of Rs. 10 each).

Operating results of the Company are summarized below:

	Rs. 000s
Profit after providing depreciation/ amortization of Rs. 694 million	708,227
Less: provision for taxation	(230,694)
Profit after tax	<u>477,533</u>
Add: unappropriated profit brought forward	3,001
Amount available for appropriation	<u><u>480,534</u></u>
Appropriations	
Proposed dividend	79,348
General reserve	400,000
Amount carried forward	1,186
	<u><u>480,534</u></u>

## 2. Contribution to National Exchequer

The benefit of your Company's growth and profitability is also shared by the government. The Company incurred a total of Rs. 483 million in 2010 (2009: Rs. 359 million) in various federal, provincial and local taxes - an increase of 34% over last year.

## 3. Environment, Health and Safety

We believe that performance is directly related with the healthy employees working in clean, green and unpolluted environment and that all the accidents/injuries are preventable. Therefore we incur cost for health, safety and environment considering it as an investment.

Your Company has designed and structured its work place so as to minimize the accidental risks, provided medical facilities like ambulances and dispensary having full time doctor. We continuously strive to improve greenery, maintain a clean environment around the factory and better housekeeping.

Fire fighting, first aid and emergency quick response drills are undertaken as routine.

Adhering to energy conservation policy, the Company is committed to a minimal carbon footprint.

## 4. Corporate Social Responsibility

Your Company is socially responsible and committed to conduct its business ethically and with responsibility. The Company considers itself accountable to its stakeholders and has identified three dimensions of performing the social responsibilities which are contribution to economy, environment and society.

The management pursues the strategy by following strategic guidelines to be a good corporate citizen:

- Execute and implement projects to alleviate the poverty.
- Providing civic, health, education and housing facilities.
- Support social causes.
- Continuously striving to improve greenery, maintain a clean environment around the factory and better housekeeping.
- Encouraging women employment.
- Encouraging employment of special people.

On the corporate social responsibility front we have launched a program of women empowerment and the employment of special people. At Gul Ahmed we believe women are our country's largest dormant asset which can be absorbed into the national workforce to yield significant gains. Employing women will substantially increase their household income enabling them to meet various unattended needs of their families including children's education and better healthcare. Increase in disposable income per family will also help the national economy. The Company has always supported such noble causes which help the members of the society to be respectful and esteemed.

The Company has provided its labor force with free services of doctor, free medicine in dispensary and ambulance services. Upcountry workers are provided with the housing facility at manufacturing locations helping them to reduce their cost of living.

In infrastructure, the Company is helping the government in building new roads and repairing the old ones near the manufacturing locations.

Whereas, for the environment we have created a clean working structure making it more greenish by planting and maintaining the trees. We have state of the art water recycling plant and we operate our power generation plant with waste heat recovery steam generation in the exhaust of gas turbine and vapor absorption chillers, more efficiently utilizing gas and electricity.

We shall not only continue with our above activities but also improve further in health, education and civic services.

### 5. Human Excellence

Your Company's human resource function is playing a major role by cultivating the culture of learning, creativity, target orientation and adopting positive values. Considering this function as the key factor of the competitive advantage for the business, we stick to the strategy of attracting, retaining and developing high caliber human resource. Our employees are an asset to the Company spread all over the country and adding value to the Company.

### 6. Funds Management

The Company is constantly monitoring cash flows to ensure overall liquidity. Interest and foreign exchange rates are closely tracked to take advantage of any possible saving or hedging possibilities.

Banking and treasury department generally manages cash and cash equivalents and rigorously monitors the net working capital position of the Company to ensure that current asset - current liability maturities are adequately matched. This department is responsible for keeping funds available as and when required. The Company has Rs. 3,080 billion (2009: Rs. 2,579 billion) unutilized credit lines with various banks to cover any temporary mismatches.

Shareholders' funds at the year end totaled Rs. 3,596 million (2009: Rs. 3,118 million). The increase is due to retaining of profits.

### 7. Business Risks and Challenges

The Company has a comprehensive risk management system which supports early recognition of risks which can impede future performance and also helps in countering the risks and threats.

Major threats include raw material supply and price shocks, deteriorating law and order situation, increasing inflation and devaluation of local currency, all of which are contributing to increase the cost of doing business.

All these risks require serious joint efforts by the Government and private sector:

### 8. Code of Corporate Governance

The management of the Company is committed to good corporate governance and complying with the best practices. As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the listed Company have been maintained.
- Appropriate accounting policies have been consistently applied in 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 preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Audit Committee comprises three members, all members of the Committee are non-executive directors, Chairman is an independent non-executive director.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The value of investment of provident fund based on its audited accounts as on June 30, 2010 is Rs. 207 million (FY 2009: 142 million).

- Statements regarding the following are annexed or are disclosed in the notes to the financial statements:
  - Number of Board meetings held and attendance by directors.
  - Key financial data for the last six years.
  - Pattern of shareholding.
  - Trading in shares of Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children.

### 9. Board Changes

The current members of the Board are listed on page No. 02.

During the year, Mr. Mohammed Saleem Sattar, Mr. Khwaja Fazlur Rehman and Mr. Abdul Razak Bramchari were co-opted as directors in place of Mr. Abdul Razak Teli, Mr. Siraj Kassam Teli and Mr. Muhammad Junaid who ceased to be directors of the Company.

### 10. Auditors

The present auditors Hyder Bhimji & Co., Chartered Accountants, retire and present themselves for reappointment.

### 11. Consolidated Financial Statements

Consolidated Financial Statements for the year ended June 30, 2010 of the Company and its subsidiaries Gul Ahmed International Limited (FZC) and GTM (Europe) Limited are attached.

### 12. Future Outlook

We are looking into the next financial year with optimism based on sustained market growth and increase in market share. However, shortage of cotton and increase in its prices is a matter of concern, as the loss of cotton crop due to floods will affect the whole supply chain related to it.

Borrowing cost will be another area of concern. Due to inflationary pressures, interest rates are increasing. Discount rate has been increased from 12.5% to 13% in July and to 13.5% in September of the current year. Export refinance rates have been increased during the year under review

from 7.5% to 9.5% and increased further to 10% in October of the current year. KIBOR 3 months rate is also showing an increasing trend since the start of the current fiscal year.

The recent understanding between the Government and European Union (EU) whereby EU has agreed to allow some trade concessions will have a positive impact on Pakistan's exports including textile products. Actual impact will be known when this understanding is implemented.

In the current year the Company has invested Rs. 484 million in the balancing, modernization and replacement (BMR). Benefits of the BMR are highlighted below.

### Spinning

The Company improved its carding and blow room lines, which will help in the cleaning of contaminated cotton. Our combing capacity has been doubled. New autoconers have been installed with state of the art yarn cleaners.

The Company plans to convert the old ring frames into the compact yarn ring frames to meet the increased export demand in markets like China and Vietnam and also to have the flexibility to use this yarn in its own internal air jet looms.

### Yarn Dyeing

The Company has increased its capacity in finer counts by improving its back process so that it can be utilized at its optimum level. Further, we are exploring customers in new markets besides strengthening our ties with customers in Italy and Germany. In-house and local market demand is also being catered to some extent.

### Weaving

Six new multi color looms were added in the current year to increase the production capacity and two compressors were also added to reduce the power consumption. Our old sizing and warping machines will be replaced with state of the art machines. The result of this would be an increase in capacity, lower sizing cost, increased loom efficiency and the ability to run a larger variety of fabrics on our existing air jet looms.

### Fabric Processing

In the processing area, the Company had earlier carried out major up-gradation and expansion work in the mercerizing and bleaching departments in order

---

to remove production bottlenecks. These steps have helped us in maintaining high quality production. The Company has done major overhauling in its continuous dyeing section. Also we have upgraded our pretreatment machinery to decrease wastage and increase production.

In the ongoing financial year the Company will further increase its export production by adding a stenter, bleaching machine and stenter dyeing machine.

### Sewing

In sewing, this year has been all about streamlining systems and processes. The management has worked on increasing efficiencies and reducing wastages by reorganizing floor plans coupled with limited shop floor automation. Metal free packaging zones have also been rolled out throughout all our facilities ensuring the highest safety standards especially for children's products. New fabric plus finished good identification and storage systems are being evaluated to help cut lead times and inventory across the organization. We are confident after the implementation of these initiatives the Company should be able to improve throughput from the existing facilities.

### Retail Outlets

We are pleased with our performance in the local retailing landscape. In the current year eight new outlets were opened reaching a total of 36 outlets. We will continue to expand our retail operations and would aim to increase the number of shops beyond 40 in the coming year. A lot of effort has gone into product development this year from which we should bear fruit in the coming years. We expect retail sales will continue to grow and also plan to introduce series of products for men. Further, the Company also plans to add a range of other related products so that it becomes a one place stop and shop for the customers to meet all their home and fashion needs.

### Power House

The Company has plans to strengthen its utilities infrastructure. For this we are adding nine new energy efficient generators to replace our existing old gas generators. With the addition of these generators the total Company wide generating capacity does not increase but there will be a significant saving of gas consumption which is a precious energy resource of the country and also helps in reducing the cost.

A new 11 kV Substation between two of our manufacturing facilities was installed to eliminate the power losses due to low voltage transmission.

As fate would have it, after navigating the Company through a difficult year, our nation has been hit with the worst floods in over 80 years. The devastation according to Ban Ki-Moon, Secretary-General of the UN, is worse than anything he has seen in his life. According to Maurizio Giuliano, spokesman for the UN Office for the Coordination of Humanitarian Affairs, the number of people affected by the flooding is more than the Haiti earthquake, Pakistan earthquake and the Tsunami combined. Our local cotton crop has also become inundated and damage estimates are ranging from 15 percent to 30 percent. Gul Ahmed will continue to contribute towards the flood relief efforts and its management has gone to the affected areas to disburse relief goods and set up camps for the flood affectees. Our prayers are with the nation in these challenging times and we will play our part in the relief and rehabilitation effort.

Looking towards the year ahead, we can certainly say we have, our work cut out for us. Although the crisis has been very difficult for all of us, it has also acted as a catalyst to make many positive and necessary changes that will see us emerge as a stronger, leaner and more robust organization.

### Acknowledgement

Finally, we take this opportunity to thank all our stakeholders for the loyalty they have shown us during these difficult times. We could not have achieved these positive results without the cooperation, support and loyalty of our employees, banks, shareholders, various government bodies and board of directors. The Company has come through a difficult period and we look towards your continuous support as always to help us navigate through what looks like another challenging year ahead.

For and on behalf of the Board

Karachi  
October 4, 2010

**BASHIR ALI MOHOMMAD**  
Chairman & Chief Executive

## Financial Performance at a Glance

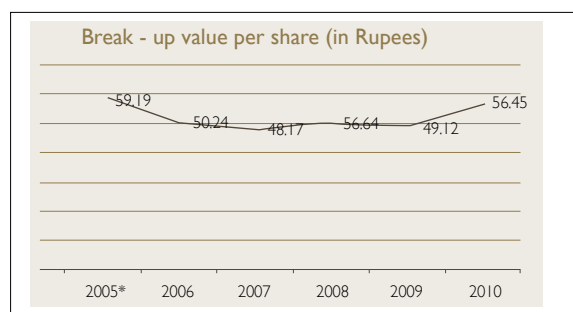
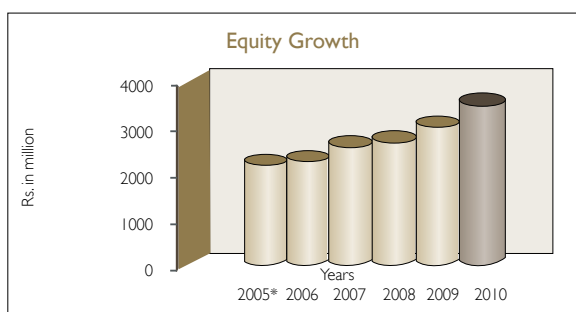
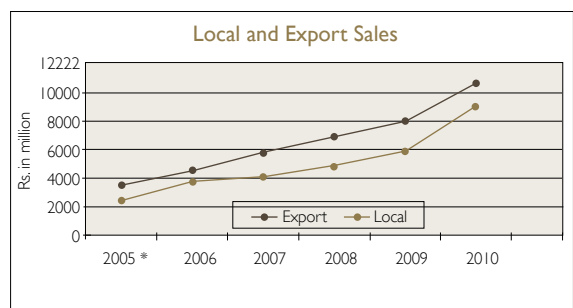
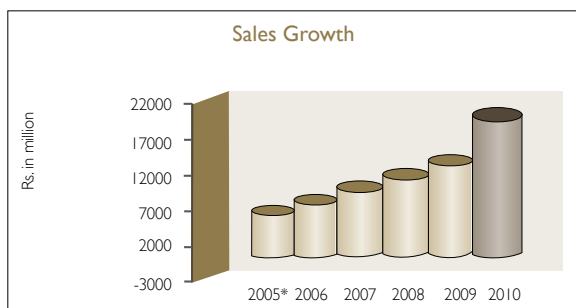
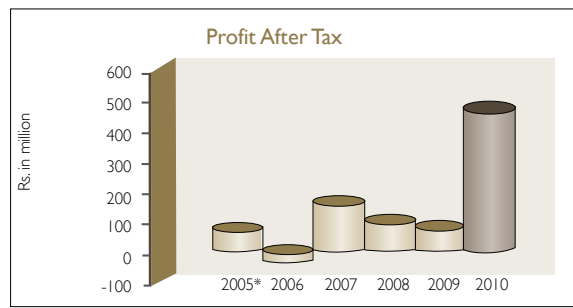
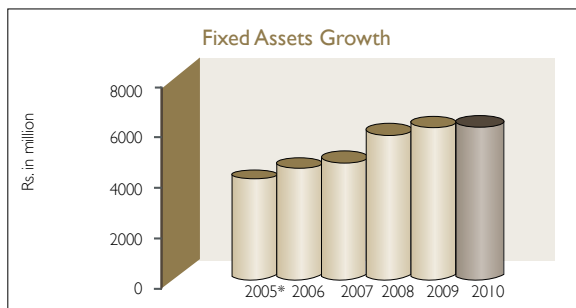
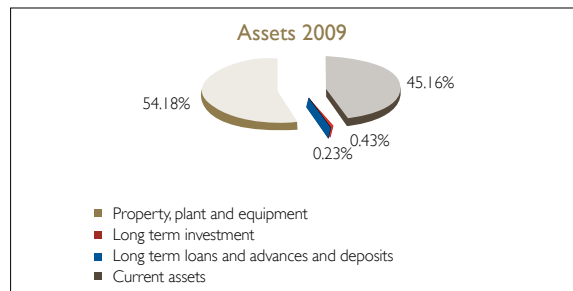
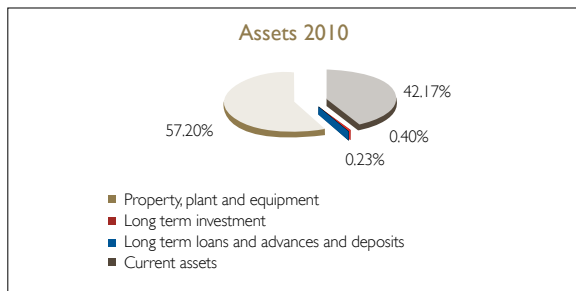
Profit & Loss		2010	2009	2008	2007	2006	2005*
Sales	Rs. Million	19,689	13,906	11,726	9,848	8,223	5,876
Gross profit	Rs. Million	3,173	2,359	1,775	1,475	1,286	963
Operating profit	Rs. Million	1,653	1,209	936	745	598	390
Profit before tax	Rs. Million	708	170	202	262	12	122
Profit / (loss) after tax	Rs. Million	478	80	103	164	(35)	76
Dividends	Rs. Million	79	-	55	-	-	-
Balance Sheet							
Property, plant and equipment	Rs. Million	6,140	6,106	5,828	4,703	4,410	4,012
Intangible	Rs. Million	16	29	28	30	39	16
Long term investment, loans, advances and deposits	Rs. Million	93	90	78	74	71	69
Net current assets	Rs. Million	(224)	(390)	(687)	(278)	16	282
Total assets employed	Rs. Million	6,025	5,835	5,247	4,529	4,537	4,379
Represented by:							
Share capital	Rs. Million	635	635	552	552	460	383
Reserves	Rs. Million	2,961	2,483	2,210	2,107	1,851	1,885
Shareholders' equity	Rs. Million	3,596	3,118	2,762	2,659	2,311	2,269
Long term loans	Rs. Million	2,223	2,567	2,354	1,772	2,151	2,036
Deferred liabilities	Rs. Million	207	149	130	98	74	74
Total capital employed	Rs. Million	6,025	5,835	5,247	4,529	4,537	4,379
Cash Flow Statement							
Operating activities	Rs. Million	454	442	(339)	774	10	449
Investing activities	Rs. Million	(711)	(931)	(1,649)	(713)	(813)	(830)
Financing activities	Rs. Million	(170)	398	680	6	412	624
Cash and cash equivalents at the end of the year	Rs. Million	(5,660)	(5,233)	(5,14)	(3,832)	(3,900)	(3,509)

\* Results for nine months ended June, 2005.

## Financial Ratios

		2010	2009	2008	2007	2006	2005*
<b>Profitability ratios</b>							
Gross profit ratio	%	16.12	16.96	15.14	14.98	15.64	16.39
EBITDA margin to sales	%	11.92	13.37	12.49	11.90	12.06	11.32
Net profit to sales	%	2.43	0.58	0.88	1.67	(0.42)	1.29
<b>Liquidity ratios</b>							
Current ratio		0.97	0.95	0.90	0.95	1.00	1.05
Quick / acid test ratio		0.34	0.39	0.42	0.47	0.47	0.54
<b>Finance gearing</b>							
Debt:equity ratio		0.81	0.98	1.07	0.85	1.06	0.93
<b>Rate of return</b>							
Return on equity	%	14.22	2.73	3.79	6.62	(1.51)	3.40
Return on capital employed	%	27.87	21.82	19.14	16.45	13.42	9.66
Interest cover ratio		1.75	1.16	1.28	1.54	1.02	1.45
<b>Capital efficiency</b>							
Inventory turnover	Days	98	107	95	104	130	124
Debtor turnover	Days	45	66	72	74	84	93
Creditor turnover	Days	73	76	61	56	82	87
Fixed assets turnover ratio		3.21	2.27	2.00	2.08	1.85	1.46
Total assets turnover ratio		1.40	1.07	1.05	0.98	0.83	0.62
<b>Investor information</b>							
Earnings per share	Rupees	7.52	1.45	1.86	3.11	(0.68)	1.53
Price earning ratio		2.46	26.79	21.51	14.68	(60.29)	36.34
Cash dividend per share	Rupees	1.25	-	1.00	-	-	-
Bonus shares issues	%	-	-	-	-	-	10.00
Dividend payout ratio	%	16.60	-	53.68	-	-	-
Dividend cover ratio	Times	6.02	-	1.87	-	-	-
Break - up value per share	Rupees	56.45	49.12	50.04	48.17	50.24	59.19
Market value per share							
at the end of the year	Rupees	18.53	38.84	40.00	45.65	41.00	55.60
high during the year	Rupees	38.84	49.00	51.40	49.90	67.95	104.10
low during the year	Rupees	17.40	28.60	37.25	23.75	25.50	49.50
EBITDA	Rs. million	2,347	1,860	1,465	1,171	991	665

\* Results for nine months ended June, 2005.



\* Results for nine months ended June, 2005.



## Our Value Addition and its Distribution

	2010		2009	
	Rs. '000	%	Rs. '000	%
<b>Value Addition</b>				
Net sales	19,688,794	99.87	13,906,465	99.84
Other operating income	25,116	0.13	22,594	0.16
	<u>19,713,910</u>	<u>100.00</u>	<u>13,929,059</u>	<u>100.00</u>
<b>Value Distribution</b>				
Cost of sales (Excluding employees' remuneration)	14,601,733	74.07	9,792,914	70.30
Distribution and administration expenses (Excluding employees' remuneration)	1,021,466	5.18	761,065	5.46
Employees' remuneration	2,191,440	11.12	1,930,631	13.86
Government taxes (Includes income tax, WPPF, WWF, duties, federal & provincial taxes, etc.)	477,135	2.42	325,249	2.34
Providers of capital (Finance cost)	944,603	4.79	1,038,990	7.46
Profit retained	477,533	2.42	80,210	0.58
	<u>19,713,910</u>	<u>100.00</u>	<u>13,929,059</u>	<u>100.00</u>

## Horizontal Analysis of Financial Statements

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>	<u>2009</u>
	Rs. 000s			Variance %	
<b>Balance sheet</b>					
Total equity	3,595,765	3,118,232	2,762,029	15.31	12.90
Total non-current liabilities	2,429,247	2,715,884	2,484,561	(10.55)	9.31
Total current liabilities	8,574,679	7,749,618	7,085,112	10.65	9.38
Total equity and liabilities	14,599,691	13,583,734	12,331,702	7.48	10.15
Total non-current assets	6,249,091	6,224,462	5,933,390	0.40	4.91
Total current assets	8,350,600	7,359,272	6,398,312	13.47	15.02
Total assets	14,599,691	13,583,734	12,331,702	7.48	10.15
<b>Profit &amp; loss account</b>					
Net sales	19,688,794	13,906,465	11,725,851	41.58	18.60
Cost of sales	(16,515,934)	(11,547,856)	(9,951,072)	43.02	16.05
Gross profit	3,172,860	2,358,609	1,774,779	34.52	32.90
Distribution expenses	(776,234)	(585,657)	(278,966)	32.54	109.94
Administrative expenses	(715,293)	(572,983)	(563,336)	24.84	1.71
Other expenses	(53,619)	(13,712)	(15,050)	291.04	(8.89)
Other income	25,116	22,594	18,250	11.16	23.80
Operating profit	1,652,830	1,208,851	935,677	36.73	29.20
Financial expenses	(944,603)	(1,038,990)	(733,839)	(9.08)	41.58
Profit before taxation	708,227	169,861	201,838	316.95	(15.84)
Income tax expense	(230,694)	(89,651)	(99,000)	157.32	(9.44)
Profit for the year	477,533	80,210	102,838	495.35	(22.00)

## Vertical Analysis of Financial Statements

	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	Rs. 000s	%	Rs.000s	%	Rs.000s	%
<b>Balance sheet</b>						
Total equity	3,595,765	24.63	3,118,232	22.96	2,762,029	22.40
Total non-current liabilities	2,429,247	16.64	2,715,884	19.99	2,484,561	20.15
Total current liabilities	8,574,679	58.73	7,749,618	57.05	7,085,112	57.45
Total equity and liabilities	<u>14,599,691</u>	<u>100.00</u>	<u>13,583,734</u>	<u>100.00</u>	<u>12,331,702</u>	<u>100.00</u>
Total non-current assets	6,249,091	42.80	6,224,462	45.82	5,933,390	48.11
Total current assets	8,350,600	57.20	7,359,272	54.18	6,398,312	51.89
Total assets	<u>14,599,691</u>	<u>100.00</u>	<u>13,583,734</u>	<u>100.00</u>	<u>12,331,702</u>	<u>100.00</u>
<b>Profit &amp; loss account</b>						
Net sales	19,688,794	100.00	13,906,465	100.00	11,725,851	100.00
Cost of sales	(16,515,934)	(83.88)	(11,547,856)	(83.04)	(9,951,072)	(84.86)
Gross profit	3,172,860	16.12	2,358,609	16.96	1,774,779	15.14
Distribution expenses	(776,234)	(3.94)	(585,657)	(4.21)	(278,966)	(2.38)
Administrative expenses	(715,293)	(3.63)	(572,983)	(4.12)	(563,336)	(4.80)
Other income	25,116	0.13	22,594	0.16	18,250	0.16
Other expenses	(53,619)	(0.27)	(13,712)	(0.10)	(15,050)	(0.13)
Operating profit	1,652,830	8.39	1,208,851	8.69	935,677	7.98
Financial expenses	(944,603)	(4.80)	(1,038,990)	(7.47)	(733,839)	(6.26)
Profit before taxation	708,227	3.60	169,861	1.22	201,838	1.72
Income tax expense	(230,694)	(1.17)	(89,651)	(0.64)	(99,000)	(0.84)
Profit for the year	<u>477,533</u>	<u>2.43</u>	<u>80,210</u>	<u>0.58</u>	<u>102,838</u>	<u>0.88</u>

# Statement of Compliance with the Code of Corporate Governance

---

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

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing the minority interest on its Board of Directors. At present the Board includes one independent non-executive director and three non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF. None of the directors is a member of a stock exchange.
4. During the year three vacancies occurred in the Board which were duly filled up by the directors.
5. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by all the nine directors and other managerial and secretarial staff of the Company.
6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Company had previously provided to the Board Members copies of "Guidelines for Directors on Strengthening Corporate Governance" received from International Finance Corporation (IFC). There has been no update since then.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

- 
15. The Board has formed an audit committee. It comprises three members, all members of the committee are non-executive directors, Chairman is an independent non-executive director.
  16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
  17. The Board has set up an effective internal audit function.
  18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
  19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
  20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi and Lahore Stock Exchanges.
  21. We confirm that all other material principles contained in the Code have been complied with.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

Karachi  
October 4, 2010



# Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance

---

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of Gul Ahmed Textile Mills Limited to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub - Regulation (xiii a) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2010.

Karachi  
October 04, 2010

**HYDER BHIMJI & CO.**  
Chartered Accountants  
Engagement Partner: Hyder Ali Bhimji

# Auditors' Report to the Members

---

We have audited the annexed Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED as at June 30, 2010 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw your attention to Note 12.4 of the annexed financial statements which fully describes the nature of the contingency and the Company's contention on the issue which gives a rise with regard to ability of the Company to continue as a going concern. Consequently these accounts have been prepared on going concern basis pending the outcome of the decision of the Honorable Sindh High Court.

Karachi  
October 04, 2010

**HYDER BHIMJI & CO.**  
Chartered Accountants  
Engagement Partner: Hyder Ali Bhimji

# Balance Sheet

As at June 30, 2010

		<u>2010</u>	<u>2009</u>
	Note	Rs. 000s	
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	4	634,785	634,785
Reserves	5	2,480,446	2,400,446
Unappropriated profit		480,534	83,001
		<u>3,595,765</u>	<u>3,118,232</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	6	2,222,650	2,566,604
Deferred liabilities			
Deferred taxation	7	194,314	139,273
Staff retirement benefits	8	12,283	10,007
		<u>206,597</u>	<u>149,280</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	1,964,969	1,735,918
Accrued mark-up	10	156,589	178,405
Short term borrowings	11	5,744,727	5,332,208
Current maturity of long term financing		676,863	503,087
Provision for taxation - net of payment		31,531	-
		<u>8,574,679</u>	<u>7,749,618</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		
		<u>14,599,691</u>	<u>13,583,734</u>



		<u>2010</u>	<u>2009</u>
	Note	Rs. 000s	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	6,140,114	6,105,833
Intangible assets	14	16,349	28,883
Long term investment	15	58,450	58,450
Long term loans and advances	16	1,846	2,262
Long term deposits		32,332	29,034
		<u>6,249,091</u>	<u>6,224,462</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	475,422	447,063
Stock-in-trade	18	4,943,904	3,886,171
Trade debts	19	2,359,265	2,532,581
Loans and advances	20	137,263	145,431
Prepayments		47,939	33,931
Other receivables	21	237,936	160,749
Tax refunds due from government	22	63,905	53,679
Cash and bank balances	23	84,966	99,667
		<u>8,350,600</u>	<u>7,359,272</u>
		<u><u>14,599,691</u></u>	<u><u>13,583,734</u></u>

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

## Profit and Loss Account

For the Year Ended June 30, 2010

		<u>2010</u>	<u>2009</u>
	Note	Rs. 000s	
Sales	24	19,688,794	13,906,465
Cost of sales	25	<u>16,515,934</u>	<u>11,547,856</u>
Gross profit		3,172,860	2,358,609
Distribution cost	26	776,234	585,657
Administrative expenses	27	715,293	572,983
Other operating expenses	28	53,619	13,712
		<u>1,545,146</u>	<u>1,172,352</u>
		1,627,714	1,186,257
Other operating income	29	(25,116)	(22,594)
Operating profit		1,652,830	1,208,851
Finance cost	30	<u>944,603</u>	<u>1,038,990</u>
Profit before taxation		708,227	169,861
Provision for taxation	31	230,694	89,651
Profit after taxation		<u>477,533</u>	<u>80,210</u>
Earnings per share - basic and diluted (Rs.)	32	7.52	1.45

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Statement of Comprehensive Income

For the Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
Profit after taxation	477,533	80,210
Other comprehensive income - net of tax	-	-
Total comprehensive income	<u>477,533</u>	<u>80,210</u>

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Cash Flow Statement

For the Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	708,227	169,861
Adjustments for:		
Depreciation	677,522	636,782
Amortisation	16,672	13,788
Provision for gratuity	7,015	8,634
Finance cost	944,603	1,038,990
Provision for slow moving/obsolete items	7,736	1,736
Provision for doubtful debts	19,031	5,031
Property, plant and equipment scrapped	1,129	1,122
Profit on sale of property, plant and equipment	(9,223)	(12,715)
	<u>2,372,712</u>	<u>1,863,229</u>
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(36,095)	37,158
Stock-in-trade	(1,057,733)	(970,621)
Trade debts	154,284	(47,354)
Loans and advances	(14,656)	(16,174)
Prepayments	(14,008)	6,702
Other receivables	(77,187)	46,191
Tax refunds due from government	(10,226)	11,786
	<u>(1,055,621)</u>	<u>(932,312)</u>
Increase in current liabilities		
Trade and other payables	229,051	600,491
	<u>(826,570)</u>	<u>(331,821)</u>
Cash generated from operations	<u>1,546,142</u>	<u>1,531,408</u>
Payments for/receipts from:		
Gratuity	(4,739)	(4,098)
Finance cost	(966,419)	(1,006,814)
Income tax	(121,297)	(79,933)
Long term loans and advances	416	1,243
Net cash generated from operating activities	<u>454,103</u>	<u>441,806</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(738,765)	(946,983)
Addition to intangible assets	(4,138)	(14,456)
Proceeds from sale of property, plant and equipment	35,055	43,582
Long term deposits	(3,298)	(13,435)
Net cash used in investing activities	<u>(711,146)</u>	<u>(931,292)</u>

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loans	328,457	524,442
Repayments of long term loans	(498,634)	(402,739)
Dividend paid	-	(55,199)
Right shares subscription	-	331,192
Net cash (used in)/generated from financing activities	<u>(170,177)</u>	<u>397,696</u>
Net decrease in cash and cash equivalents	(427,220)	(91,790)
Cash and cash equivalents - at the beginning of the year	<u>(5,232,541)</u>	<u>(5,140,751)</u>
Cash and cash equivalents - at the end of the year	<u><u>(5,659,761)</u></u>	<u><u>(5,232,541)</u></u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents include:		
Cash and bank balances	84,966	99,667
Short term borrowings	(5,744,727)	(5,332,208)
	<u>(5,659,761)</u>	<u>(5,232,541)</u>

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

## Statement of Changes in Equity

For the Year Ended June 30, 2010

Rs. 000s

	Share capital	Revenue reserve	Capital reserve	Unappropriated profit	Total
Balance as at June 30, 2008	551,987	1,900,000	202,052	107,990	2,762,029
Transfer to revenue reserve	-	50,000	-	(50,000)	-
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	80,210	80,210
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	80,210	80,210
<b>Transaction with owners</b>					
Final dividend for the year ended June 30, 2008	-	-	-	(55,199)	(55,199)
Issue of right shares	82,798	-	248,394	-	331,192
Total transaction with owners	82,798	-	248,394	(55,199)	275,993
Balance as at June 30, 2009	634,785	1,950,000	450,446	83,001	3,118,232
Transfer to revenue reserve	-	80,000	-	(80,000)	-
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	477,533	477,533
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	477,533	477,533
Balance as at June 30, 2010	<b>634,785</b>	<b>2,030,000</b>	<b>450,446</b>	<b>480,534</b>	<b>3,595,765</b>

The annexed notes I - 4I form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Notes to the Accounts

For the Year Ended June 30, 2010

## I THE COMPANY AND ITS OPERATIONS

1.1 Gul Ahmed Textile Mills Limited (The Company) was incorporated in 1953 in Pakistan as a private limited company, converted into public limited company in 1955 and was listed on Karachi and Lahore Stock Exchanges in 1970 and 1971 respectively. The Company is a composite textile mill and is engaged in the manufacture and sale of textile products.

The Company's registered office is situated at Plot No. 82, Main National Highway, Landhi, Karachi.

## 2 BASIS OF PREPARATION

These financial statements comprise balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with explanatory notes and have been prepared under the 'historical cost convention' except as has been stated below in respective notes.

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to standards are mandatory for the first time for the financial year beginning July 01, 2009:

- During the year, International Accounting Standard 1 (Revised), 'Presentation of Financial Statements' (Revised IAS -1) became effective for the annual period beginning on or after January 1, 2009. The application of this standard has resulted in certain increased disclosures.

The revised IAS -1 prohibits the presentation of items of income and expenses in the statement of changes in equity and requires non owners changes in equity to be shown in a separate statement.

The Company under the given circumstances has a choice of presenting one statement (Statement of comprehensive income) or two separate statements (Profit and loss account and Statement of comprehensive income). The Company has opted to present two statements. As this change only impacts presentation aspects, there is no impact on profit for the year.

- Revised IAS 23, 'Borrowing Costs' (amendment) effective from January 01, 2009, removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

The Company's current accounting policy is in compliance with this amendment, therefore, there is no effect on the Company's financial statements.

- IFRS 7, 'Improving Disclosures About Financial Instruments' (amendment) effective from January 01, 2009 introduces a three level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements.
- IFRS 8, 'Operating Segments' replaces IAS 14 effective from January 01, 2009, requires an entity to determine and present operating segments based on the information that is provided internally to the Chief Operating Decision Maker who is responsible for allocating resources and assessing performance of the operating segments. Adoption of this standard has resulted in disclosure of reportable segments.

During the year, other standards, amendments to standards and interpretations also became applicable. However, these are either not relevant or do not affect financial statements of the Company.

---

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

Following accounting standards, amendments and interpretations to approved accounting standards have been published that are mandatory to Company's accounting periods beginning on or after the dates mentioned below:

- IFRS 9, 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the accounting for financial assets. The standard is not applicable until January 01, 2013 but is available for early adoption. The Company is yet to assess IFRS 9's full impact. However, initial indications are that it may affect accounting for available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
- Revised IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 01, 2011. These amendments are unlikely to have an impact on the Company's financial statements other than increase in disclosure.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 01, 2010 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Company's functional currency.

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

#### Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 8 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

#### Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events can not be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/non - occurrence of the uncertain future event(s).

#### Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.



#### **Stock-in-trade and stores & spares**

The Company reviews the net realisable value of stock-in-trade and stores & spares to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

#### **Provision against trade debts, advances and other receivables**

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

#### **Income taxes**

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 3.6 of these financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Foreign currency transactions and translation**

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or as fixed under contractual arrangements. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

#### **3.2 Borrowing cost**

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its' commissioning.

#### **3.3 Staff retirement benefits**

##### **Defined benefit plan**

The Company operates unfunded gratuity schemes for all its eligible employees who are not part of the provident fund scheme.

The Company accounts for gratuity provision on the basis of actuarial valuation using the projected unit credit method. The results of valuation are summarised in note 8.

Actuarial gains and losses arising at each valuation date are recognized immediately in the profit and loss account.

Benefits under the scheme are payable to employees on completion of the prescribed qualifying period of service under the scheme.

##### **Defined contribution plan**

The Company operates a recognized provident fund scheme for its eligible employees to which equal monthly contribution is made by the Company and the employees at the rate of 8.33% of the basic salary.

#### **3.4 Accumulated employee compensated absences**

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Company.

---

### 3.5 Provisions

Provisions are recognized when the Company has present obligation (legal or constructive) as a result of past event, and 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 at each balance sheet date and adjusted to reflect current best estimate.

### 3.6 Taxation

#### Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. The Company takes into account the current income tax law and decisions taken by the taxation authorities.

#### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable 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 taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted.

### 3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except leasehold land which is stated at cost. No amortisation is provided on leasehold land since the lease is renewable at the option of the lessee.

Depreciation is charged on reducing balance method at rates specified in note 13.1. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. Gains and losses on disposal of property, plant and equipment are included in current year's income.

### 3.8 Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date and represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets start operation.

### 3.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in note 14.

---

### **3.10 Investments**

Investments in subsidiary company are initially stated at cost. At subsequent reporting dates, the Company reconsiders the carrying amount of the investments to assess whether there is any indication of impairment loss. If such indication exists, the carrying amount is reduced to recoverable amount and the difference is recognized as an expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount. The reversal of such impairment loss is recognized as an income not exceeding the amount of original cost.

### **3.11 Stores, spares and loose tools**

These are stated at average cost less slow moving provision and goods-in-transit are valued at cost accumulated to the balance sheet date. A provision is made for any excess of book value over net realizable value.

### **3.12 Stock-in-trade**

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at lower of weighted average cost and net realizable value. Waste products are valued at net realisable value. Cost of raw materials and trading stock comprises of the invoice value plus other charges paid thereon. Cost of work-in-process and finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

### **3.13 Trade debts**

Trade debts are carried at original invoice amount except export receivables. These are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

### **3.14 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### **3.15 Financial assets and liabilities**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or amortised cost, as the case may be.

### **3.16 Derivative financial instruments**

The Company uses derivative financial instruments to hedge its risks associated with interest and exchange rate fluctuations. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

### 3.17 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

### 3.18 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

### 3.19 Revenue recognition

Sales are recorded on dispatch of goods and in case of export when the goods are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

### 3.20 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises short term investment, cash and cheques in hand and cash with banks on current, savings and deposit accounts, running finance under mark-up arrangements and short term finance.

### 3.21 Dividend and appropriation to reserves

Dividend and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

			<u>2010</u>	<u>2009</u>
			Rs. 000s	
<b>4</b>	<b>SHARE CAPITAL</b>			
	<b>4.1 Authorised capital</b>			
			<u>2010</u>	<u>2009</u>
			75,000,000	75,000,000
		Ordinary shares of Rs.10 each	<u>750,000</u>	<u>750,000</u>
	<b>4.2 Issued, subscribed and paid - up capital</b>			
			<u>2010</u>	<u>2009</u>
			38,797,566	38,797,566
		Ordinary shares of Rs.10 each fully paid in cash	<u>387,975</u>	387,975
			5,447,326	5,447,326
		Ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	<u>54,473</u>	54,473
			19,233,656	19,233,656
		Ordinary shares of Rs.10 each issued as fully paid bonus shares	<u>192,337</u>	192,337
			<u>63,478,548</u>	<u>63,478,548</u>
			<u>634,785</u>	<u>634,785</u>

	Note	2010 (Number of shares)	2009
<b>4.3 Reconciliation of the number of shares outstanding</b>			
Number of shares outstanding at the beginning of the year		63,478,548	55,198,738
Add: 15% Right issue of shares during the year		-	8,279,810
		<u>63,478,548</u>	<u>63,478,548</u>

## 5 RESERVES

Rs. 000s

Revenue reserve			
General reserve		1,950,000	1,900,000
Add: Transfer from profit and loss account	5.1	80,000	50,000
		<u>2,030,000</u>	<u>1,950,000</u>
Capital reserve			
Share premium		428,887	180,493
Add: Premium on right shares issued during the year		-	248,394
		<u>428,887</u>	<u>428,887</u>
Book difference of share capital under scheme of arrangement for amalgamation		21,559	21,559
		<u>450,446</u>	<u>450,446</u>
		<u>2,480,446</u>	<u>2,400,446</u>

5.1 This represents appropriation of profit in past years to meet future exigencies.

## 6 LONG TERM FINANCING - SECURED

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2010 Rs. 000s	2009 Rs. 000s
<b>Habib Bank Limited Loan 3</b>	<b>6.1, 6.5</b>	Repaid during the year	116,666			
Under State Bank of Pakistan (SBP) scheme of Long Term Finance-Export Oriented Projects (LTF-EOP)				6.00% p.a. payable quarterly	-	116,666
<b>Habib Bank Limited Loan 4</b>	<b>6.1, 6.5</b>					
a) Under LTF-EOP scheme		12 half yearly June-2010	5,416	7.00% p.a. payable quarterly	59,579	64,995
b) Under LTF-EOP scheme		12 half yearly November-2010	4,450	7.00% p.a. payable quarterly	53,405	53,405

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2010 Rs. 000s	2009 Rs. 000s
<b>Habib Bank Limited Loan 5</b> Under LTF-EOP scheme	6.1, 6.5	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	30,851	30,851
<b>Habib Bank Limited Loan 6</b> Under LTF-EOP scheme	6.1	12 half yearly February-2010	9,510	7.00% p.a. payable quarterly	104,612	114,122
<b>Habib Bank Limited Loan 7</b> Under LTF-EOP scheme	6.1, 6.5	12 half yearly January-2010	778	7.00% p.a. payable quarterly	8,555	9,332
<b>Habib Bank Limited Loan 8</b> a) Under LTF-EOP scheme	6.1	12 half yearly January-2010	1,698	7.00% p.a. payable quarterly	18,678	20,376
b) Under LTF-EOP scheme		12 half yearly February-2010	139	7.00% p.a. payable quarterly	1,524	1,663
<b>Habib Bank Limited Loan 10</b> Under State Bank of Pakistan (SBP) Scheme of Long Term Financing Facility (LTF)	6.1, 6.6	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	176,866	176,866
<b>Habib Bank Limited Loan 11</b> Under LTF scheme	6.1, 6.6	16 half yearly August-2011	562	10.00% p.a. payable quarterly	8,995	8,995
<b>Habib Bank Limited Loan 12</b> Under LTF scheme	6.1, 6.6	16 half yearly October-2011	710	10.00% p.a. payable quarterly	11,359	11,359
<b>Habib Bank Limited Loan 13</b> Under LTF scheme	6.1, 6.6	16 half yearly March-2012	277	10.00% p.a. payable quarterly	4,430	-
<b>Habib Bank Limited Loan 14</b> Under LTF scheme	6.1, 6.6	16 half yearly August-2012	3,536	10.25% p.a. payable quarterly	56,614	-
<b>United Bank Limited Loan 2</b> Original loan due in September 2008 rolled over for the period of five years.	6.3	10 half yearly March-2009	50,000	8.30% fixed rate plus 0.85% upto September-2008 and three months KIBOR + 1.00% after roll over date payable half yearly	350,000	450,000
<b>United Bank Limited Loan 3</b> Under LTF-EOP scheme	6.3, 6.5	12 half yearly April-2010	931	7.00% p.a. payable quarterly	10,241	11,172
<b>United Bank Limited Loan 4</b>	6.3	6 half yearly August-2010	48,199	Average six months KIBOR Ask rate + 1.00% payable half yearly	289,192	289,192
<b>United Bank Limited Loan 5</b> Under LTF scheme	6.3, 6.6	16 half yearly November-2010	363	10.00% p.a. payable quarterly	5,806	5,806

	Note	Number of installments and commencement month	Installment amount Rs. '000s	Mark-up rate per annum	2010	2009
					Rs. 000s	
United Bank Limited Loan 6	6.3	6 half yearly March-2011	25,000	Average six months KIBOR Ask rate + 1.25% payable half yearly	150,000	150,000
United Bank Limited Loan 7 Under LTFF scheme	6.3, 6.6	10 half yearly December-2012	1,319	10.50% p.a. payable quarterly	13,190	-
United Bank Limited Loan 8 Under LTFF scheme	6.3, 6.6	12 half yearly November-2011	557	10.50% p.a. payable quarterly	6,690	-
National Bank of Pakistan Loan 1	6.3	Repaid during the year	43,988	Average six months KIBOR Ask rate + 1.25% payable half yearly	-	87,976
National Bank of Pakistan Loan 1-A Under LTF-EOP scheme	6.3, 6.5	7 half yearly June-2007	62,296	7.00% p.a. payable quarterly	124,592	186,888
National Bank of Pakistan Loan 2	6.1	6 half yearly September-2008	24,295	Average six months KIBOR Ask rate + 1.50% payable half yearly	48,589	97,178
National Bank of Pakistan Loan 2-A Under LTF-EOP scheme	6.1, 6.5	6 half yearly September-2008	5,706	7.00% p.a. payable quarterly	22,822	28,528
National Bank of Pakistan Loan 3	6.3	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate + 1.00% payable quarterly	84,000	100,000
National Bank of Pakistan Loan 4 Subsequently converted in LTFF scheme in September 2010	6.2, 6.3, 6.6	16 quarterly September-2011	2,351	10.40% p.a. payable quarterly	37,615	-
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	6.2, 6.5	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	23,145	25,460
Habib Metropolitan Bank Loan 1 a) Under LTF-EOP scheme	6.2, 6.5	12 half yearly March-2010	684	7.00% p.a. payable quarterly	7,516	8,200
b) Under LTF-EOP scheme		12 half yearly April-2010	2,042	7.00% p.a. payable quarterly	22,458	24,500
Habib Metropolitan Bank Loan 2 Under LTF-EOP scheme	6.2, 6.5	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	233,000	233,000
Habib Metropolitan Bank Loan 3 Under LTFF scheme	6.2, 6.6	16 half yearly February-2012	2,719	10.00% p.a. payable quarterly	43,495	-
Habib Metropolitan Bank Loan 4 Under LTFF scheme	6.2, 6.6	16 half yearly March-2012	2,504	10.00% p.a. payable quarterly	40,065	-

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2010 Rs. 000s	2009 Rs. 000s
Habib Metropolitan Bank Loan 5 Under LTFF scheme	6.2, 6.6	16 half yearly June-2012	4,212	10.25% p.a. payable quarterly	67,373	-
Habib Metropolitan Bank Loan 6 Under LTFF scheme	6.2, 6.6	16 half yearly July-2012	1,804	10.25% p.a. payable quarterly	28,860	-
HSBC Bank Middle East Ltd Loan 1 a) Under LTF-EOP scheme	6.2, 6.5	12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	34,599	34,599
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	12,451	12,451
HSBC Bank Middle East Ltd Loan 2 Under LTF-EOP scheme	6.2, 6.5	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	22,061	22,061
HSBC Bank Middle East Ltd Loan 3 Under LTF-EOP scheme	6.2	12 half yearly February-2010	875	7.00% p.a. payable quarterly	9,623	10,497
HSBC Bank Middle East Ltd Loan 4 Under LTF-EOP scheme	6.2	12 half yearly March-2010	844	7.00% p.a. payable quarterly	9,285	10,129
Allied Bank Limited Loan 1	6.3	12 quarterly March-2010	16,667	Average three months KIBOR Ask rate + 1.00% payable quarterly	166,667	200,000
Allied Bank Limited Loan 2 Under LTFF scheme	6.3, 6.6	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	296,201	296,201
Meezan Bank Ltd Diminishing Musharaka 1	6.3	6 half yearly February-2011	15,266	Average six months KIBOR Ask rate + 1.00% payable half yearly	91,594	91,594
Meezan Bank Ltd Diminishing Musharaka 2	6.3	6 half yearly June-2011	1,449	Average six months KIBOR Ask rate + 1.50% payable half yearly	8,696	8,696
Meezan Bank Ltd Diminishing Musharaka 3	6.3	6 half yearly July-2011	5,253	Average six months KIBOR Ask rate + 1.50% payable half yearly	31,516	31,516
NIB Bank Limited-1 Under LTFF scheme	6.3, 6.6	16 quarterly June-2010	2,839	9.00% p.a. payable quarterly	42,578	45,417
NIB Bank Limited-2 Under LTFF scheme	6.3, 6.6	16 quarterly September-2010	1,883	9.00% p.a. payable quarterly	30,125	-
Current portion shown under current liabilities					2,899,513 (676,863) 2,222,650	3,069,691 (503,087) 2,566,604



- 6.1 These loans are secured by first pari passu charge over present and future fixed assets of the Company and equitable mortgage over land and building.
- 6.2 These loans are secured by charge over specified machinery.
- 6.3 These loans are secured by way of pari passu charge over the fixed assets of the Company.
- 6.4 Habib Metropolitan Bank is a related party.
- 6.5 Grace period of one year in payment of principal outstanding under LTF-EOP facilities was allowed by the banks as per State Bank of Pakistan SMEFD Circular No. 01 dated January 22, 2009.
- 6.6 The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years from the avilment date. However, where financing facilities have been provided for a period of upto five years maximum grace period shall not exceed one year as per State Bank of Pakistan MFD Circular No.07 dated December 31, 2007.

2010                      2009  
Rs. 000s

## 7 DEFERRED TAXATION

Credit / (debit) balances arising in respect of timing differences relating to:

Accelerated tax depreciation allowance	208,763	146,197
Provision for gratuity	(1,868)	(1,051)
Provision for doubtful debts	(7,281)	(3,027)
Provision for slow moving items	(5,300)	(2,846)
	<u>194,314</u>	<u>139,273</u>

## 8 STAFF RETIREMENT BENEFITS

% per annum

### 8.1 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation:

Estimated rate of increase in salary of the employees	11	12
Discount rate	12	15

Note

Rs. 000s

### 8.2 Movement in liability

Balance as at July 01		10,007	5,471
Charge for the year	8.4	7,015	8,634
Payments during the year		(4,739)	(4,098)
Balance as at June 30		<u>12,283</u>	<u>10,007</u>

	Note	2010	2009
		Rs. 000s	
<b>8.3 Changes in present value of defined benefit obligation</b>			
Balance as at July 01		10,007	5,471
Current service cost		6,223	7,193
Interest cost		1,501	2,120
Actuarial gain on present value of defined benefit obligation		(709)	(679)
Benefits paid		(4,739)	(4,098)
Balance as at June 30		<u>12,283</u>	<u>10,007</u>

#### 8.4 Charge for the year

Current service cost	6,223	7,193
Interest cost	1,501	2,120
Actuarial gain	(709)	(679)
	<u>7,015</u>	<u>8,634</u>

### 9 TRADE AND OTHER PAYABLES

Creditors		918,130	1,122,833
Due to associated undertakings		2,872	16,269
Murabaha	9.1	461,189	199,220
Accrued expenses		423,858	343,593
Advance from customers		22,630	18,927
Advance from related parties		76,559	10,322
Workers' profit participation fund	9.2	39,020	10,290
Unclaimed dividend		411	429
Others		20,300	14,035
		<u>1,964,969</u>	<u>1,735,918</u>

9.1 Murabaha is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed murabaha facility at the year end was Rs. 39 million (2009: Rs. 301 million). The effective rate of profit ranges from 7.5% to 13.53% (2009: 7.5% to 18.14%)

	2010	2009
	Rs. 000s	
<b>9.2 Workers' profit participation fund</b>		
Opening balance as at July 1	10,290	12,107
Provision for the year	38,036	9,123
Interest for the year	984	1,167
	<u>49,310</u>	<u>22,397</u>
Less: Payments made during the year	10,290	12,107
Closing balance as at June 30	<u>39,020</u>	<u>10,290</u>

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
<b>10 ACCRUED MARK-UP - SECURED</b>		
Mark-up on long term financing	52,009	64,071
Mark-up on short term borrowings	104,580	114,334
	<u>156,589</u>	<u>178,405</u>
<b>11 SHORT TERM BORROWINGS - SECURED</b>		
Short term bank borrowings	5,013,222	4,976,180
Short term running finance	731,505	356,028
	<u>5,744,727</u>	<u>5,332,208</u>

Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed facility at the year end was Rs. 3,041 million (2009: Rs.2,278 million).The facility for short term borrowings mature within twelve months. Short term borrowings include Rs. 27 million (2009: Rs. 601 million) from related party.

Mark-up rates range from 1.54% to 16.30% (2009: 3.68% to 18.52%) per annum.

## 12 CONTINGENCIES AND COMMITMENTS

- 12.1 Company owns and possesses a plot of land measuring 44 acres in Deh Khanto, which is appearing in the books at a cost of Rs. 64 million. Company holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Sindh High Court by some claimants who claim to be the owners, as this land was previously sold to them and subsequently resold to the Company. The claim of the alleged owners is fictitious. The Company is confident that its title to the land is secure and accordingly no provision has been made in these financial statements.
- 12.2 The Company has filed a suit in the Sindh High Court for recovery of Rs. 33,409 million (2009: Rs.33,409 million) included in other receivables. Company's management and its legal counsel are of the opinion that the case will be decided in the Company's favour and as such no provision has been made there against.
- 12.3 The Company has filed a petition in the Sindh High Court against order passed by the Board of Trustees, Employees Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-2001 and 2001-2002 amounting to Rs. 50.827 million (2009: Rs. 50.827 million).This demand has been raised after lapse of more than two years although the records and books of the Company were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI.The Honorable Sindh High Court has already restrained EOBI from taking any action or proceedings against the Company.No provision has been made there against in these financial statements as the Company is confident of the favourable outcome of the petition.
- 12.4 Three shareholders of the Company (who were also directors at that time) had filed a complaint against the Company and its Chief Executive to the Securities & Exchange Commission of Pakistan (SECP) for inter alia gross misconduct, breach of fiduciary obligations, embezzlement, misappropriation and non-compliance of corporate governance.The SECP after affording an opportunity to all concerned, and after duly scrutinizing the contents of the complaint, found the reply of the Company in order and it disposed off the complaint with no action against the Company. Thereafter, these shareholders (Petitioners) filed a petition against the Company and others including the SECP under Section 290 read with Section 305 of the Companies Ordinance, 1984 in the Sindh High Court at Karachi for appointment of an investigative auditor or alternately pass order for winding up the Company.

Thereafter, they filed an urgent miscellaneous application for the appointment of an investigative auditor. The Honorable High Court, after hearing arguments, dismissed the Petitioners' application for appointment of an investigative auditor and concluded that there was no substance to these allegations. The Petitioners have preferred an appeal to a larger bench which has not yet been decided.

The Petitioners had also sought interim orders preventing the Company from holding of Company's Board of Directors meeting on October 5, 2009. The High Court refused to restrain the Company from holding its Board meeting on October 5, 2009. The Petitioners however obtained an ex parte stay order restraining the Company from implementing any decisions taken at its Board meeting on October 5, 2009, including the Board's decision to hold its Annual General Meeting on October 30, 2009. However, after hearing arguments from both sides, the Court vacated the stay order and hence there is currently no restriction whatsoever in relation thereto.

Subsequently, the Petitioners filed an application alleging that the Company and its Directors had violated the High Court's order dated October 7, 2009 and hence were liable to be punished for contempt of Court. The High Court concluded that there had been no violation and it dismissed the Petitioner's Application.

The Petitioners have also filed a suit against the Company, some of its Directors and its associated undertakings seeking damages of Rs. 2,000 million. The suit is basically a repetition of the allegations contained in the winding up petition referred earlier. The case has not come up for hearing.

The Company is strongly defending the litigation and has sought opinion/advice of its legal counsel on the above cases and has been advised that there is every likelihood that the Petitioners will be found not entitled to the relief that they are seeking. Hence these financial statements have been prepared on a going concern basis.

Since these three shareholders, as Directors of the Company, had not been attending meetings of the Board of Directors of the Company, therefore pursuant to Section 188 of the Companies Ordinance, 1984, they ceased to be Directors of the Company. The three shareholders who had ceased to be Directors of the Company filed a suit in this regard challenging their cessation as Directors of the Company. They also filed an application seeking interim orders from the High Court allowing them to carry on as Directors of the Company during the pendency of the suit. This application was also dismissed by the Honorable High Court. The Petitioners then preferred an appeal against this judgment before the larger bench. The appeal has been heard and the decision has been reserved by the Honorable High Court.

The Company has filed a suit against its three former Directors and their companies (Pakistan Beverages Limited and Latif Cotton Mills Limited) seeking inter alia a declaration that they are unfit to be directors of any company and seeking damages of Rs. 700 million. The case has yet to come up for hearing.

### 12.5 Guarantees

- (a) Rs. 146 million (2009: Rs. 104 million) against guarantees issued by banks which are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables.
- (b) Post dated cheques Rs. 42 million (2009: Rs. 38 million) issued to various Government Agencies.
- (c) Bills discounted Rs. 1,156 million (2009: Rs. 335 million).
- (d) Corporate guarantee of Rs. 85.795 million (2009: Rs. 57.210 million) has been issued to a bank in favour of subsidiary company.

12.6 The Company is committed for capital expenditure as at June 30, 2010 of Rs. 444 million (2009: Rs. 257 million).

12.7 The Company is committed for non capital expenditure items under letters of credits as at June 30, 2010 of Rs. 412 million (2009: Rs. 286 million)

## 13 PROPERTY, PLANT AND EQUIPMENT

	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
Operating assets	13.1	6,088,782	6,070,225
Capital work in progress	13.2	51,332	35,608
		<u>6,140,114</u>	<u>6,105,833</u>

### 13.1 Operating assets

	Leasehold land	Building and structures on leasehold land	Plant and machinery	Office equipment	Furniture and fixtures	Vehicles	Total
	Rs. 000s						
<b>Net carrying value basis year ended June 30, 2010</b>							
Opening net book value (NBV)	234,107	1,109,874	4,442,184	115,753	47,440	120,867	6,070,225
Addition (at Cost)	-	83,638	484,100	55,525	2,651	97,126	723,040
Disposal	-	-	(10,318)	(2,606)	(853)	(13,184)	(26,961)
Depreciation charge	-	(123,104)	(476,189)	(32,205)	(5,060)	(40,964)	(677,522)
Closing net book value	<b>234,107</b>	<b>1,070,408</b>	<b>4,439,777</b>	<b>136,467</b>	<b>44,178</b>	<b>163,845</b>	<b>6,088,782</b>
<b>Gross carrying value basis as at June 30, 2010</b>							
Cost	234,107	1,832,873	8,315,723	318,042	79,320	316,510	11,096,575
Accumulated depreciation	-	(762,465)	(3,875,946)	(181,575)	(35,142)	(152,665)	(5,007,793)
Net book value	<b>234,107</b>	<b>1,070,408</b>	<b>4,439,777</b>	<b>136,467</b>	<b>44,178</b>	<b>163,845</b>	<b>6,088,782</b>
<b>Net carrying value basis year ended June 30, 2009</b>							
Opening net book value (NBV)	234,107	1,017,050	3,858,842	85,634	44,822	99,745	5,340,201
Addition (at Cost)	-	217,034	1,053,099	59,301	9,821	60,166	1,399,421
Transfer (at Cost)	-	(1,620)	1,620	-	-	-	-
Disposal	-	-	(19,883)	(2,145)	(1,762)	(8,825)	(32,615)
Depreciation charge	-	(122,590)	(451,494)	(27,038)	(5,442)	(30,218)	(636,782)
Closing net book value	<b>234,107</b>	<b>1,109,874</b>	<b>4,442,184</b>	<b>115,753</b>	<b>47,440</b>	<b>120,868</b>	<b>6,070,225</b>
<b>Gross carrying value basis as at June 30, 2009</b>							
Cost	234,107	1,749,235	7,844,156	291,377	79,062	262,581	10,460,519
Accumulated depreciation	-	(639,361)	(3,401,972)	(175,624)	(31,622)	(141,713)	(4,390,293)
Net book value	<b>234,107</b>	<b>1,109,874</b>	<b>4,442,184</b>	<b>115,753</b>	<b>47,440</b>	<b>120,868</b>	<b>6,070,225</b>
Depreciation rate % per annum	-	10	10	15 to 30	10 to 12	20	

13.1.1 Structures on leased retail outlets are depreciated over the respective lease term.

13.1.2 Depreciation charge for the year has been allocated as follows:

	Note	2010	2009
		Rs. 000s	
Cost of goods manufactured	25.1	583,463	562,084
Distribution cost	26	19,027	13,022
Administrative expenses	27	75,032	61,676
		<b>677,522</b>	<b>636,782</b>

13.1.3 Disposals include assets scrapped during the year amounting to Rs. 1.129 million (2009: Rs. 1.122 million)

### 13.1.4 Details of operating assets sold (by negotiation except where stated)

Rs.000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Plant and machinery	8,716	6,878	4,761	Mariam Impex Shop No. 8 Akun Market, Kharadar Karachi
	503	482	368	Reckon Enterprises A-6/9 Block-19 Roshan Bagh, F.B.Area, North Karachi
	3,314	2,958	2,600	Combine Spinning (Pvt.) Ltd. House No. 10B, Block B, Model Town, Lahore
Office equipment, furniture and fixtures	8,588	356	450	Xpert Computer Feroz Sons Building, I.I. Chundrigar Road, Karachi
	2,985	624	625	Tech Care Airconditioning Central Commercial Area, Tariq Road, P.E.C.H.S. Karachi
	3,657	306	365	Gracious Printers Uni Tower, I.I. Chundrigar Road, Karachi
	899	231	242	Dyne Refrigeration Central Commercial Area P.E.C.H.S, Karachi
	1,364	430	444	Adamjee Wooden Work Aram Bagh, Karachi
	115	75	75	Insurance Claim
	1,572	349	976	Mr. Muhammad Aamir House # B-514, New Fatima Jinnah Colony, Sector IIE, North Karachi
Vehicles	939	262	381	Mr. Mohammad Amir Adhia House No.D-133, Block-5 Clifton, Karachi
	1,342	550	950	Mr. Muhammad Iqbal House # 1114/3, Hussainabad, Federal B. Area, Karachi
	400	205	250	Mr. Samad Ahmed Khan (Employee) House # A-511, Block-7, Gulistan-e-Jauhar; University Raod, Karachi
	400	205	250	Mr. Khurshid Alam (Employee) Tater Khel Tehsil Teht-e-Nasrati, District Karak, Khyber Pakhtunkhwa

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Vehicles (continued)	845	235	368	Mr. Muhammad Mushraf Baig (Employee) North City Apartment FL-4, Phase# II, Flat # E-3, Shadman Town, North Nazimabad Town, Sector I4-B, Karachi
	376	105	155	Mr. Muhammad Ashraf Mandvia (Employee) Zainab Manzil, House # I6, Sub-Sector Z-II, Gulshane Maymar, Sector # Z, Karachi
	939	262	381	Mr. Muhammad House No. J.M. 664 Fatima Jinnah Colony, Jamshed Road, Block No.2, Karachi
	3,324	854	2,116	Mr. Mohammad Arif House No. B-30, Sector I I-C, North Karachi
	5,323	1,402	3,620	Mr. Noman Hasan Khan House No. A-908/12 Gulberg Ancholi. F.B. Area, Karachi
	464	66	222	Mr. Hakim Khan House No. B-49, Sector I I-B North Karachi
	792	159	428	Mr. Mohammad Yameen House No. 875/3, Block No. 3, F.B. Area, Karachi
	3,160	655	1,975	Mr. Jawed 153/5, Aman Castle Flat No. C-24, Garden East, Karachi
	496	138	198	Mr. Javed M. Siddique (Employee) Hasan Center, Flat No. D-9, Block-I, Gulshan-e-Iqbal, Karachi
	1,922	925	1,088	Syed Muzammil Ahmed (Employee) House No. C-I, Lucky Plaza Block-I7, Gulshan-e-Iqbal, Karachi
	845	235	338	Mr. Shahab Ahmed (Employee) Flat No. B-2, Sohana Center, Plot No. LSC- II, Street No. 6/5, Block-5, Gulshan-e-Iqbal, Karachi
	590	164	215	Mr. Ahmed Khan Phaddi Khail Dakhana Khas, Bori Khail Tehsil & District Mianwali

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Vehicles (continued)	1,079	301	650	Mr. Riazat Hussain (Employee) House No. 49, Street-18 Off Khayaban-e-Mujaheed Phase-5 DHA, Karachi
	500	96	150	Mr. Muhammad Saleem (Employee) House No.B/189, Sector 35-A, Zaman Town, Korangi-4, Karachi
	1,080	691	750	Mr. Mohammad Danish (Employee) House No.95/1, Main Commercial Area, Phase No.4, D.H.A., Karachi
	825	147	252	Mr. Muhammad Hamid (Employee) House No. A-137, Block-11, Gulshan-e-Iqbal, Street No.4 Rashid Minhas Road, Karachi
	845	235	343	Mr. Ghulam Yasin Chahikan Tehsail & District Dera Ismail Khan
	590	164	239	Mr. Jamal Asghar (Employee) House No. C-168, Gulistan-e-Jauhar, Block-14, Karachi
	845	235	343	Mr. Mohammad Asif Haji Ismail Garden Bin Qasim, Malir District, Karachi
	1,179	215	771	Mr. Ilyas House No. 11-D-15/5, Al Mustafa Home, Nazimabad No.2, Karachi
	864	242	600	Mr. Zeeshan House No. D-310, Block-3, New Dhoraji Colony, Gulshan-e-Iqbal, Karachi
	500	96	191	Mr. Faisal Imran Azad (Employee) B-105, Block-6, Gulshan-e-Iqbal Rashid Minhas Road, Karachi
	496	138	201	Mr. Arshad Hussain (Employee) House No. 357, Block-14, Naseerabad, F.B. Area, Karachi
	1,305	323	1,078	Mr. Mohammad Yasin House No. 234, Abuzar Colony, D-11 Area, New Karachi
	845	294	343	Mr. Ahmed Nehal Jaffri (Employee) House No. 71-D, Street No.17, Askari IV, Rashid Minhas Road, Karachi



Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Vehicles (continued)	864	242	580	Mr. Mohammad Zahid Plot No. 15/2, Flat No. B-1, Block 4-D, Bhayani Image Centre, Nazimabad, Karachi
	939	262	381	Ms. Uzma House No. A-161 Sindh Baloch Society, Gulistan-e-Johar, Block-12, Karachi
	512	210	307	Mr. Shahid Iqbal Baber (Employee) House No. F-18, Usmania Colony, Nazimabad No. 1, Dodha Village Liaqatabad, Karachi
	496	173	201	Ms. Aneesa House No. 601, Street No. 1, Al-Madina Arcade, Muallimadad P.E.C.H.S, Jamal- Uddin Afghani Road, Block-3, Karachi
	2,188	509	1,232	Mr. Gul Dad House No. HK-579, KPT Building, Near Qadri, Karachi
	500	96	143	Mr. Ahmed Mustafa Patel (Employee) House No. 8/9-A, 2-F Area, Nazimabad, Karachi
	555	79	169	Mr. Shakeel Ahmed (Employee) House No. R-786, Block-16, Federal 'B' Area, Karachi
	1,752	1,418	1,728	Insurance Claim
Written down value below Rs. 50,000 each	2,206	555	562	Various
2010	<b>74,835</b>	<b>25,832</b>	<b>35,055</b>	
2009	133,051	30,867	43,582	

## 13.2 CAPITAL WORK-IN-PROGRESS

	2010			2009		
	Machinery and store items held for capitalisation	Building construction	Total	Machinery and store items held for capitalisation	Building construction	Total
	Rs. 000s					
Cost as at July 1	30,101	5,507	35,608	407,289	80,131	487,420
Capital expenditure incurred during the year	407,035	136,763	543,798	569,213	172,181	741,394
Transferred to property, plant and equipment	(436,086)	(91,988)	(528,074)	(946,401)	(246,805)	(1,193,206)
<b>Cost as at June 30</b>	<b>1,050</b>	<b>50,282</b>	<b>51,332</b>	<b>30,101</b>	<b>5,507</b>	<b>35,608</b>

	Note	2010	2009
		Rs. 000s	
<b>14 INTANGIBLE ASSETS - COMPUTER SOFTWARE</b>			
<b>Net carrying value basis - year ended June 30</b>			
Opening net book value (NBV)		28,883	28,215
Additions (at Cost)		4,138	14,456
Amortisation charge	14.1	(16,672)	(13,788)
Closing net book value		<u>16,349</u>	<u>28,883</u>
<b>Gross carrying value basis - as at June 30</b>			
Cost		109,447	105,309
Accumulated amortisation		(93,098)	(76,426)
Net book value		<u>16,349</u>	<u>28,883</u>
Amortisation rate is 20% per annum and is allocated as follows:			
Administrative expenses		14,789	12,382
Distribution cost		1,883	1,406
		<u>16,672</u>	<u>13,788</u>

14.1 The cost is being amortised over a period of five years. Remaining useful life range from one to four years.

	Note	2010	2009
		Rs. 000s	
<b>15 LONG TERM INVESTMENT</b>			
Gul Ahmed International Limited - FZC UAE	15.1	<u>58,450</u>	<u>58,450</u>

15.1 Gul Ahmed International Limited - FZC UAE is a wholly owned unquoted subsidiary (the subsidiary) of the Company having 10,000 (2009:10,000) ordinary shares of USD 100 each, valued at cost. The subsidiary is incorporated in United Arab Emirates (UAE). The Investment value on net assets basis as per the audited accounts for the year ended June 30, 2010 is Rs.187 million (2009: Rs. 175 million)

	Note	2010	2009
		Rs. 000s	
<b>16 LONG TERM LOANS AND ADVANCES - SECURED</b>			
Considered good			
- Due from executives	16.2	2,968	2,416
- Due from non-executive employees		1,465	3,023
		<u>4,433</u>	<u>5,439</u>
Less: Current portion of			
- Due from executives		(1,668)	(1,703)
- Due from non-executive employees	20	(919)	(1,474)
		<u>(2,587)</u>	<u>(3,177)</u>
		<u>1,846</u>	<u>2,262</u>

**16.1** Loans and advances have been given for the purchase of cars, scooters and household equipments and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against outstanding balance of provident fund, end of service dues and guarantees by two employees.

Included in these are loans of Rs. 0.6 million (2009: Rs. 2.4 million) which carry no interest. The balance amount carries interest ranging from 10.5% to 15%.

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 4.654 million (2009: Rs. 5.484 million).

	Note	2010	2009
		Rs. 000s	
<b>16.2 Reconciliation of carrying amount of loans to executives</b>			
Balance at the beginning of the year		2,416	5,786
Disbursement during the year		3,371	770
Repayment during the year		(2,819)	(4,140)
Balance at the end of the year		<u>2,968</u>	<u>2,416</u>
<b>17 STORES, SPARES AND LOOSE TOOLS</b>			
Stores			
- in hand		250,954	245,931
- in transit		-	7,000
		<u>250,954</u>	<u>252,931</u>
Spares			
- in hand		256,428	206,432
- in transit		-	12,000
		<u>256,428</u>	<u>218,432</u>
Loose tools			
		2,880	2,804
		<u>510,262</u>	<u>474,167</u>
Provision for slow moving/obsolete items	17.1	(34,840)	(27,104)
		<u>475,422</u>	<u>447,063</u>

	Note	<u>2010</u>	Rs. 000s	<u>2009</u>
<b>17.1 Movement in provision for slow moving/obsolete items.</b>				
Balance at beginning of the year		27,104		25,368
Charge for the year		7,736		1,736
Balance at end of the year		<u>34,840</u>		<u>27,104</u>

## 18 STOCK-IN-TRADE

Raw materials		1,532,769		673,071
Stock-in-transit		84,994		-
		<u>1,617,763</u>		<u>673,071</u>
Work-in-process		167,278		119,794
Finished goods	18.1	3,158,863		3,093,306
		<u>4,943,904</u>		<u>3,886,171</u>

**18.1** Finished goods include stock of waste valuing Rs. 35.748 million (2009: Rs. 56.189 million) determined at net realizable value.

	Note	<u>2010</u>	Rs. 000s	<u>2009</u>
<b>19 TRADE DEBTS</b>				
Export debts - secured		1,147,631		1,324,197
Local debts - unsecured				
- Considered good		1,211,634		1,208,384
- Considered doubtful		47,864		28,832
		<u>1,259,498</u>		<u>1,237,216</u>
Provision for doubtful trade debts	19.3	(47,864)		(28,832)
		<u>2,359,265</u>		<u>2,532,581</u>

**19.1** Includes Rs. 190 million (2009: Rs. 162 million) due from Gul Ahmed International Limited FZC-UAE and GTM (Europe) Limited

**19.2** The maximum aggregate month end balance due from related parties during the year is Rs. 114 million (2009: Rs. 325 million).

		<u>2010</u>	Rs. 000s	<u>2009</u>
<b>19.3 Movement in provision for doubtful trade debts</b>				
Balance at beginning of the year		28,832		23,801
Charge for the year		19,032		5,031
Balance at end of the year		<u>47,864</u>		<u>28,832</u>

	Note	2010	2009
		Rs. 000s	
<b>20 LOANS AND ADVANCES</b>			
Considered good			
Current portion of loans and advance to employees			
- Executives		1,668	1,703
- Other employees		919	1,474
	16	2,587	3,177
Suppliers		119,421	91,710
Income tax refundable - net of provision		-	22,824
Letters of credit		15,255	27,720
		<u>137,263</u>	<u>145,431</u>
<b>21 OTHER RECEIVABLES</b>			
Rebate receivable		-	3,593
Research and development claim		1,915	55,116
Duty drawback local taxes and levies		57,499	-
Duty drawback receivable		58,861	35,448
Mark-up rate facility		75,908	18,598
Others	21.1	43,753	47,994
		<u>237,936</u>	<u>160,749</u>
<b>21.1 Others</b>			
Receivable against sale of property		33,409	33,409
Others		10,344	14,585
		<u>43,753</u>	<u>47,994</u>
<b>22 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax		58,639	47,802
Income tax		5,266	5,877
		<u>63,905</u>	<u>53,679</u>
<b>23 CASH AND BANK BALANCES</b>			
Cash and cheques in hand		4,685	46,519
With banks in current accounts			
- Local currency		51,974	2,273
- Foreign currency		28,307	50,875
		<u>84,966</u>	<u>99,667</u>

Cash and bank balance include Rs. 61 million (2009: Rs. 51 million) with Habib Metropolitan Bank Limited.

	Note	2010	Rs. 000s	2009
<b>24 SALES</b>				
Local	24.1	8,948,698		5,876,155
Export		10,572,046		7,987,102
		19,520,744		13,863,257
Add: Duty drawback		209,480		70,506
Less: Brokerage and commission		41,430		27,298
		19,688,794		13,906,465

24.1 Sales are exclusive of sales tax amounting Rs. 16.284 million (2009: Rs. 9.890 million).

	Note	2010	Rs. 000s	2009
<b>25 COST OF SALES</b>				
Opening stock of finished goods		3,093,307		1,734,731
Add: Cost of goods manufactured	25.1	13,404,716		10,159,607
Purchases and processing charges		3,176,774		2,746,824
		19,674,797		14,641,162
Less: Closing stock of finished goods		3,158,863		3,093,306
		16,515,934		11,547,856
<b>25.1 Cost of good manufactured</b>				
Raw materials consumed	25.2	7,297,486		4,696,489
Stores consumed		1,974,823		1,817,051
Staff Cost	27.1	1,781,950		1,603,696
Fuel, power and water		1,265,330		1,110,992
Insurance		51,211		44,534
Repairs and maintenance		495,253		319,576
Depreciation		583,463		562,084
Other expenses		56,151		54,589
Cost of samples shown under distribution cost		(53,467)		(49,615)
		13,452,200		10,159,396
<b>Work-in-process</b>				
Opening		119,794		120,005
Closing		(167,278)		(119,794)
		(47,484)		211
		13,404,716		10,159,607
<b>25.2 Raw material consumed</b>				
Opening stock		673,071		1,060,814
Purchases during the year		8,157,184		4,308,746
Closing stock		(1,532,769)		(673,071)
		7,297,486		4,696,489

	Note	2010	2009
		Rs. 000s	
<b>26 DISTRIBUTION COST</b>			
Freight and shipment expenses		185,052	148,133
Staff Cost	27.1	176,861	118,438
Insurance		5,656	2,265
Advertisement and publicity		130,758	117,435
Cost of samples transferred from cost of goods manufactured		53,467	49,615
Rent, rates and taxes		140,592	90,801
Depreciation		19,027	13,022
Amortisation		1,883	1,406
Other expenses		62,938	44,542
		<u>776,234</u>	<u>585,657</u>
<b>27 ADMINISTRATIVE EXPENSES</b>			
Staff Cost	27.1	232,629	208,494
Rent, rates and taxes		38,332	37,941
Repairs and maintenance		36,235	18,243
Vehicle up keep		59,076	54,749
Conveyance and traveling		58,708	44,687
Printing and stationery		31,700	30,346
Postage and telecommunication		42,708	37,572
Legal and consultancy fees		52,633	26,331
Depreciation		75,032	61,676
Amortisation		14,789	12,382
Auditors' remuneration	27.2	1,396	884
Donations	27.3	2,241	2,340
Insurance		7,506	6,378
Provision for doubtful trade debts		19,031	5,031
Provision for slow moving/obsolete items		7,736	1,736
Other expenses		35,541	24,193
		<u>715,293</u>	<u>572,983</u>

#### 27.1 Staff cost

	Cost of Sales		Distribution cost		Administrative expense		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	Rs. 000s							
- Salaries, wages & benefits	1,722,939	1,570,760	170,988	114,909	220,065	199,068	2,113,992	1,884,737
<b>Retirement benefits</b>								
- Gratuity	7,015	8,710	-	-	-	-	7,015	8,710
- Contribution to provident fund	20,214	16,660	5,572	3,464	8,610	8,826	34,396	28,950
	<u>27,229</u>	<u>25,370</u>	<u>5,572</u>	<u>3,464</u>	<u>8,610</u>	<u>8,826</u>	<u>41,411</u>	<u>37,660</u>
- Staff compensated absences	31,782	7,566	301	65	3,954	600	36,037	8,231
	<u>1,781,950</u>	<u>1,603,696</u>	<u>176,861</u>	<u>118,438</u>	<u>232,629</u>	<u>208,494</u>	<u>2,191,440</u>	<u>1,930,628</u>

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
<b>27.2 Auditor's Remuneration</b>		
Audit fee	1,000	750
Half yearly review	30	30
Audit of workers' profit participation fund and other services	167	12
Out of pocket expenses	199	92
	<u>1,396</u>	<u>884</u>

**27.3** None of the Directors or their spouses have any interest in the donees.

## 28 OTHER OPERATING EXPENSES

Workers' profit participation fund	38,036	9,123
Workers' welfare fund	14,454	3,467
Property, plant and equipment scrapped	1,129	1,122
	<u>53,619</u>	<u>13,712</u>

## 29 OTHER OPERATING INCOME

<b>Income from financial assets</b>		
Interest income from loan and advances	590	345
<b>Income from non-financial assets</b>		
Profit on sale of property, plant and equipments - net	9,223	12,715
Unclaimed liabilities written back	268	2,421
Scrap sales	5,628	6,005
Others	9,407	1,108
	<u>25,116</u>	<u>22,594</u>

## 30 FINANCE COST

Mark-up on long term financing	305,756	320,809
Mark-up on short term borrowings	563,105	640,224
Interest on workers' profit participation fund	984	1,167
Bank charges	74,560	36,884
Exchange loss on foreign currency loans	198	39,906
	<u>944,603</u>	<u>1,038,990</u>

**30.1** Mark-up on long term financing/short term borrowings include Rs. 64 million (2009: Rs. 66 million) in respect of long term financing/short term borrowings from related parties.



	<u>2010</u>	<u>2009</u>
	Rs. 000s	
<b>31 PROVISION FOR TAXATION</b>		
Current		
- for the year	181,000	83,000
- prior	(5,347)	(7,849)
	<u>175,653</u>	<u>75,151</u>
Deferred	55,041	14,500
	<u>230,694</u>	<u>89,651</u>

### 31.1 Reconciliation between accounting profit and tax expense

Net profit for the year before taxation	<u>708,227</u>	<u>169,861</u>
Tax rate	35%	35%
Tax on accounting profit	247,879	59,451
Tax on prior years	(5,347)	(7,849)
Tax effect of income assessed under FTR	(28,756)	45,742
Other (including tax effect of expenses that are not allowable in determining taxable profit and change in allocation ratio of revenue chargeable under FTR and non FTR)	16,918	(7,693)
	<u>230,694</u>	<u>89,651</u>

31.2 Income tax assessments of the Company have been finalised upto Fiscal Year 2008-2009 (Tax Year 2009).

### 32 EARNINGS PER SHARE - basic and diluted

Profit for the year	<u>477,533</u>	<u>80,210</u>
Weighted average number of shares	<u>63,478,548</u>	<u>55,266,791</u>
Earnings per share (Rs.)	7.52	1.45

There is no dilutive effect on the earnings per share of the Company.

### 33 SEGMENT INFORMATION

The Company has the following two reportable business segments:

- Spinning** : Production of different qualities of yarn using both natural and artificial fibers.
- Processing** : Production of grey fabric, its processing into various types of fabrics for sale as well as to manufacture home textile products.

Transactions among the business segments are recorded at cost.

#### 33.1 Segmental profitability

	Spinning		Processing		Elimination of inter segment transaction		Total	
	For the year ended		For the year ended		For the year ended		For the year ended	
	2010	2009	2010	2009	2010	2009	2010	2009
Sales	7,599,688	5,221,201	13,405,665	10,128,213	(1,316,559)	(1,442,949)	19,688,794	13,906,465
Cost of sales	6,470,583	4,948,021	11,361,910	8,042,784	(1,316,559)	(1,442,949)	16,515,934	11,547,856
Gross profit	1,129,105	273,180	2,043,755	2,085,429	-	-	3,172,860	2,358,609
Distribution & Administrative expenses	148,360	83,513	1,343,167	1,075,127	-	-	1,491,527	1,158,640
Profit before tax and Unallocated expenses & income	980,745	189,667	700,588	1,010,302	-	-	1,681,333	1,199,969
Financial charges							944,603	1,038,990
Other operating expenses							53,619	13,712
Other operating income							(25,116)	(22,594)
Provision of taxation							230,694	89,651
Profit after taxation							477,533	80,210

#### 33.2 Segment assets and liabilities

	Spinning		Processing		Unallocated		Total	
	For the year ended		For the year ended		For the year ended		For the year ended	
	2010	2009	2010	2009	2010	2009	2010	2009
Assets	4,563,920	4,219,654	9,779,544	9,123,578	256,227	240,502	14,599,691	13,583,734
Liabilities	3,410,961	3,427,663	7,447,814	6,898,321	145,151	139,518	11,003,926	10,465,502

- 33.3** Unallocated items represent those assets, liabilities income and expenses which are common to all segments and investment in subsidiaries.

### 33.4 Information by geographical area

	<u>Revenue</u>		<u>Non-current assets</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	Rs.000s			
Pakistan	8,907,268	5,848,857	6,190,641	6,166,012
United Kingdom	3,188,092	2,681,917	-	-
Germany	1,595,129	629,762	-	-
China	1,279,824	355,535	-	-
United States of America	1,073,554	1,454,006	-	-
Netherland	823,042	599,682	-	-
United Arab Emirates	169,115	115,106	58,450	58,450
Other Countries	2,652,770	2,221,600	-	-
Total	<u>19,688,794</u>	<u>13,906,465</u>	<u>6,249,091</u>	<u>6,224,462</u>

### 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	<u>2010</u>				<u>2009</u>			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rs. 000s							
Managerial remuneration	2,400	6,800	123,317	132,517	2,400	5,200	98,451	106,051
House rent allowance	960	2,720	49,326	53,006	960	2,080	39,382	42,422
Other allowances	240	1,007	25,686	26,933	240	687	21,517	22,444
Contribution to provident fund	200	566	8,913	9,679	200	433	7,428	8,061
	<u>3,800</u>	<u>11,093</u>	<u>207,242</u>	<u>222,135</u>	<u>3,800</u>	<u>8,400</u>	<u>166,778</u>	<u>178,978</u>
Number of persons	1	4	127	132	1	3	95	99

**34.1** The Chief Executive, Directors and certain Executives are provided with free use of Company cars and are covered under Company's Health Insurance Plan along with their dependents.

**34.2** The Chief Executive and two Directors are also provided with free residential telephones.

**34.3** Aggregate amount charged in the accounts for the year for meeting fee to four Directors was six thousand rupees (2009: five Directors - six thousand rupees).

**34.4** Executive means an employee other than the Chief Executive and Director; whose basic salary exceeds five hundred thousand rupees in a financial year.

### 35 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, directors of the Company and key management personnel. The Company in the normal course of business carried out transactions with various related parties.

Relationship with the Company	Nature of Transactions	2010	2009
		Rs. 000s	
Subsidiaries	Purchase of goods	7,471	4,718
	Sales of goods	506,521	589,693
	Corporate guarantee issued in favour of Subsidiary Company (at year end)	85,795	57,210
Associated companies and others related parties	Purchase of goods	22,423	26,028
	Sale of goods	334	218
	Rent paid	4,530	4,530
	Fees paid	750	375
	Commission/Rebate	3,329	-
	Deposit with bank (at year end)	61,119	51,102
	Borrowing from bank (at year end)	470,185	866,858
	Bank guarantee (at year end)	106,508	64,469
	Bills discounted	1,433,250	361,913
	Commission/Bank charges paid	33,904	16,511
	Mark-up/interest charged	64,199	66,071
Mark-up/interest earned	-	3	
Provident fund contribution	34,483	28,950	

There are no transactions with directors of the Company and key management personnel other than under the terms of employment. Loans and remuneration of the key management personnel are disclosed in Notes 16 and 34 respectively.

Related parties status of outstanding receivables and payable as at June 30, 2010 are included in respective notes to the financial statements.

### 36 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on October 04, 2010 have proposed cash dividend of Rs. 1.25 per share (2009: Nil) and transfer to revenue reserve from un-appropriated profit of Rs. 400 million (2009: Rs. 80 million) subject to the approval of members at the Annual General Meeting to be held on October 30, 2010.

### 37 CAPACITY AND PRODUCTION

	Unit	2010			2009	
		Capacity	Production	Working	Capacity	Production
Cloth	Sq. meters (50 Picks converted)	121,436	84,980	3 shifts	118,870	85,180
Yarn	Kgs. (20 Counts converted)	48,227	41,988	3 shifts	48,227	37,857

Production is lower due to variation in production mix and various technical factors.

## 38 FINANCIAL INSTRUMENTS

### 38.1 Financial risk management objectives

The Company's activities expose it to a variety of financial risks: market risk ( including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

Risk Management is carried out under policies and principles approved by Management. All treasury related transactions are carried out within the parameters of these policies and principles.

#### 38.1.1 Market risks

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Company manages market risk as follows:

##### a Foreign exchange risk management

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transactions or receivables and payables that exist due to transactions in foreign exchange.

The Company is exposed to foreign exchange risk arising from currency value fluctuations primarily with respect to the United States Dollar (USD), Euro and Pound Sterling.

	<u>2010</u>	<u>2009</u>
	000s	
<b>USD</b>		
Cash and bank	272	594
Advances, prepayments, other receivables and trade debts	10,145	14,099
Trade and other payables	<u>(588)</u>	<u>(451)</u>
Net exposure	<u>9,829</u>	<u>14,242</u>
<b>Euro</b>		
Cash and bank	49	23
Advances, prepayments, other receivables and trade debts	1,818	2,886
Trade and other payables	<u>(539)</u>	<u>(209)</u>
Net exposure	<u>1,328</u>	<u>2,700</u>
<b>Pound Sterling</b>		
Cash and bank	-	-
Advances, prepayments, other receivables and trade debts	893	3
Trade and other payables	<u>-</u>	<u>(70)</u>
Net exposure	<u>893</u>	<u>(67)</u>

	<u>2010</u>	<u>2009</u>
The following significant exchange rates were applied during the year:		
<b>Rupee per USD</b>		
Average rate	84.62	80.72
Reporting date rate	85.40	81.10
<b>Rupee per Euro</b>		
Average rate	107.72	107.85
Reporting date rate	104.33	114.54
<b>Rupee per Pound Sterling</b>		
Average rate	124.88	116.70
Reporting date rate	128.66	135.05

**b Price risk**

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified 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 price risk since there are no investments in equity securities.

**c Interest/mark-up rate risk management**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest/mark-up rates. The Company has long term finance and short term borrowings at fixed and variable rates. The Company is exposed to interest/mark-up rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option". Interest rate risk on short term borrowings is covered by holding "Prepayment Option" which can be exercised upon any adverse movement in the underlying interest rates.

Financial assets include balances of Rs. 4 million (2009: Rs. 3 million) which are subject to interest rate risk. Financial liabilities include balances of Rs. 9,144 million (2009: Rs. 8,611 million) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

## FINANCIAL ASSETS AND LIABILITIES

Rs. 000s

Interest/mark-up bearing			Non interest/mark-up bearing			2010 Total	2009 Total
Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		

### Financial assets

#### Loans and Receivables

Long term deposits	-	-	-	-	32,332	32,332	32,332	29,034
Trade debts	-	-	-	2,271,504	87,761	2,359,265	2,359,265	2,532,581
Loans and advances	2,107	1,716	3,823	480	130	610	4,433	5,439
Other receivables	-	-	-	237,936	-	237,936	237,936	70,185
Cash and bank balances	-	-	-	84,966	-	84,966	84,966	99,667
	2,107	1,716	3,823	2,594,886	120,223	2,715,109	2,718,932	2,736,906

### Financial liabilities

#### At amortised cost

Long term loans	676,863	2,222,650	2,899,513	-	-	-	2,899,513	3,069,691
-----------------	---------	-----------	-----------	---	---	---	-----------	-----------

#### At fair value through profit and loss account

Short term borrowings	5,744,727	-	5,744,727	-	-	-	5,744,727	5,332,208
Trade and other payables	500,209	-	500,209	1,348,560	-	1,348,560	1,848,769	1,675,938
Accrued interest	-	-	-	156,589	-	156,589	156,589	178,405
	6,921,799	2,222,650	9,144,449	1,505,149	-	1,505,149	10,649,598	10,256,242

### Off balance sheet items

#### Financial commitments

Guarantees	-	-	-	146,082	-	146,082	146,082	104,043
Bills discounted	-	-	-	1,156,147	-	1,156,147	1,156,147	334,891
Commitments	-	-	-	856,146	-	856,146	856,146	543,294
	-	-	-	2,158,375	-	2,158,375	2,158,375	982,228

### Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet would not effect profit or loss of the company.

---

## Cash flow sensitivity analysis for variable rate instruments

At June 30, 2010, if interest rates on long term borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been Rs 14 million (2009: Rs 18 million) higher / lower; mainly as a result of higher / lower interest expense on floating rate borrowings.

At June 30, 2010, if interest rates on short term borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been Rs 71 million (2009: Rs 66 million) higher / lower; mainly as a result of higher / lower interest expense on floating rate borrowings.

### 38.1.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk inter alia by setting out credit limits in relation to individual customers and/or by obtaining advance against sales and/or through letter of credits and/or by providing for doubtful debts. Also the Company does not have significant exposure in relation to individual customer. Consequently the Company believes that it is not exposed to any major concentration of credit risk.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorised under the following headings:

#### 38.1.2.1 Trade debts

Trade debts are essentially due from local and foreign companies and the Company does not expect that these companies will fail to meet their obligations.

The Company established an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

#### 38.1.2.2 Bank balances

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

#### 38.1.2.3 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

#### 38.1.2.4 Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates.

##### a Long term loans

The Company obtains guarantees by two employees against each disbursement made on account of loans and these can be assessed by reference to note no. 16. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. Further, the guarantor will pay the outstanding amount if the counter party will not meet their obligation. In addition this loans are secured against outstanding balance of provident fund and end of service dues of the relevant employee.



The Company believes that no impairment allowance is necessary in respect of loans that are past due. The Company is actively pursuing for the recovery of the debt and the Company does not expect these employees will fail to meet their obligations.

**b Trade debts**

The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note no.19.

The Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from local and foreign debtors. The Company is actively pursuing for the recovery of the debt and the Company does not expect these debtors will fail to meet their obligations. Aging of trade debts is as follows:

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
1 to 6 months	2,178,572	2,361,127
6 months to 1 year	92,932	86,153
1 year to 3 years	87,761	85,301
	<u>2,359,265</u>	<u>2,532,581</u>

Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments.

**c Other receivables**

The Company believes that no impairment allowance is necessary in respect of receivable that are past due. The Company is actively pursuing for the recovery and the Company does not expect that the recovery will be made soon and can be assessed by reference to note no. 21.

**38.1.3 Liquidity risk**

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2010, the Company has Rs. 9,286 million (2009: Rs. 8,110 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 3,080 million (2009: Rs. 2,579 million) and also has Rs. 80 million (2009: Rs.53 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

**38.2 Fair value of financial instruments**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

**38.3 Capital risk management**

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustment to it, in 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.

During 2010 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
Total borrowings	8,644,240	8,401,899
Less: Cash and bank	(84,966)	(99,667)
Net debt	<u>8,559,274</u>	<u>8,302,232</u>
Total equity	<u>3,595,765</u>	<u>3,118,232</u>
Total equity and debt	<u>12,155,039</u>	<u>11,420,464</u>
Gearing ratio (%)	70	73

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

### 39 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 04, 2010 by the Board of Directors of the Company.

### 40 CORRESPONDING FIGURES

For better presentation reclassifications/rearrangements made in the financial statements are as follows:

Reclassification from component	Reclassification to component	Amount Rs. 000s
<b>Accrued Interest</b>	<b>Other receivables</b>	
Accrued Interest	Mark-up rate facility	18,598
<b>Cost of Sales</b>	<b>Administrative Expenses</b>	
Staff Cost	Staff Cost	7,196
<b>Cost of Sales</b>	<b>Distribution Cost</b>	
Depreciation	Depreciation	13,022
Staff Cost	Staff Cost	65
<b>Administrative Expenses</b>	<b>Distribution Cost</b>	
Staff Cost	Staff Cost	118,373
Amortisation	Amortisation	1,406
<b>Other Operating Expenses</b>	<b>Other Operating Income</b>	
Loss on sale of property, plant and equipment	Profit on sale of property, plant and equipment	3,683

### 41 GENERAL

Figures have been rounded off to the nearest thousand rupees.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

## Attendance at Board Meetings

For the Year Ended June 30, 2010

<u>Name of Director</u>	<u>Total number of meetings*</u>	<u>Number of meetings attended</u>
Bashir Ali Mohommad	4	4
Abdul Razak Teli	1	0
Siraj Kassam Teli	1	0
Muhammad Junaid	1	0
Zain Bashir	4	4
Ziad Bashir	4	4
Mohammad Zaki Bashir	4	4
Abdul Aziz Yousuf	4	4
S.M. Nadim Shafiqullah	4	4
Mohammed Saleem Sattar	2	2
Khwaja Fazlur Rahman	2	2
Abdul Razak Bramchari	2	2

\* held during the period the concerned Director was on the Board.

## Pattern of Shareholding

As at June 30, 2010

No. of Shareholders	Shareholding			Shares held	
953	From	1	to	100	44,079
730	From	101	to	500	155,149
155	From	501	to	1,000	107,046
119	From	1,001	to	5,000	248,778
25	From	5,001	to	10,000	184,651
9	From	10,001	to	15,000	108,046
4	From	15,001	to	20,000	71,157
3	From	20,001	to	25,000	66,700
2	From	30,001	to	35,000	60,741
2	From	35,001	to	40,000	76,270
1	From	40,001	to	45,000	42,782
2	From	45,001	to	50,000	96,472
1	From	50,001	to	55,000	50,077
2	From	55,001	to	60,000	113,288
1	From	65,001	to	70,000	69,200
3	From	70,001	to	75,000	216,398
1	From	80,001	to	85,000	81,130
1	From	85,001	to	90,000	88,147
1	From	90,001	to	95,000	90,914
1	From	100,001	to	105,000	102,023
1	From	120,001	to	125,000	121,126
1	From	130,001	to	135,000	134,791
1	From	145,001	to	150,000	147,600
1	From	155,001	to	160,000	155,963
1	From	165,001	to	170,000	169,577
1	From	190,001	to	195,000	191,553
1	From	210,001	to	215,000	210,410
1	From	220,001	to	225,000	223,994
1	From	245,001	to	250,000	248,239
2	From	255,001	to	260,000	515,417
2	From	265,001	to	270,000	535,902
1	From	275,001	to	280,000	276,179
1	From	285,001	to	290,000	286,244
2	From	295,001	to	300,000	595,488
2	From	305,001	to	310,000	616,073
1	From	320,001	to	325,000	320,833
1	From	330,001	to	335,000	333,605
1	From	375,001	to	380,000	378,390
1	From	430,001	to	435,000	430,865
1	From	475,001	to	480,000	475,525
2	From	480,001	to	485,000	969,008
1	From	520,001	to	525,000	524,048
1	From	530,001	to	535,000	531,020
1	From	545,001	to	550,000	549,154
1	From	570,001	to	575,000	573,573
1	From	585,001	to	590,000	589,427
1	From	635,001	to	640,000	639,434
1	From	645,001	to	650,000	647,551
1	From	670,001	to	675,000	672,370
1	From	680,001	to	685,000	681,371
4	From	695,001	to	700,000	2,796,877
1	From	900,001	to	905,000	902,474
1	From	1,055,001	to	1,060,000	1,057,912
1	From	1,390,001	to	1,395,000	1,393,210
1	From	1,585,001	to	1,590,000	1,588,008
1	From	2,035,001	to	2,040,000	2,037,009
1	From	2,965,001	to	2,970,000	2,969,829
1	From	3,920,001	to	3,925,000	3,923,277
1	From	5,535,001	to	5,540,000	5,536,398
1	From	6,185,001	to	6,190,000	6,189,812
1	From	6,200,001	to	6,205,000	6,203,716
1	From	6,925,001	to	6,930,000	6,929,609
1	From	7,130,001	to	7,135,000	7,132,639
<b>2,067</b>					<b>63,478,548</b>

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	2,022	46,517,504	73.28
Investment Companies	20	1,812,469	2.86
Insurance Companies	4	2,512,583	3.96
Joint Stock Companies	6	19,393	0.03
Modaraba Companies	4	57,746	0.09
Financial Institutions	3	128,748	0.20
Foreign Investors	2	12,393,528	19.52
Charitable Institutions	4	31,082	0.05
Government Departments	2	5,495	0.01
	<b>2,067</b>	<b>63,478,548</b>	<b>100.00</b>

# Pattern of Shareholding

As at June 30, 2010

## Additional Information

<u>Categories of Shareholders</u>	<u>Number</u>	<u>Shares held</u>
<b><u>NIT and ICP</u></b>		
IDBP (ICP Unit)	1	1,794
National Bank of Pakistan - Trustee Department	1	1,588,008
National Investment Trust Limited	1	8,794
<b>Investment Companies and Mutual Funds</b>		
17		213,873
<b>Insurance Companies</b>		
4		2,512,583
<b>Joint Stock Companies</b>		
6		19,393
<b>Modaraba Companies</b>		
4		57,746
<b>Financial Institutions</b>		
3		128,748
<b>Foreign Investors</b>		
2		12,393,528
<b>Charitable Institutions</b>		
4		31,082
<b>Government Departments</b>		
2		5,495
<b><u>DIRECTORS</u></b>		
Bashir Ali Mohommad (Chief Executive)	1	3,923,277
Zain Bashir	1	5,536,398
Ziad Bashir	1	6,929,609
Mohammad Zaki Bashir	1	7,132,639
Abdul Aziz Yousuf	1	4,655
S.M. Nadim Shafiqullah	1	2,875
Mohammed Saleem Sattar	1	2,500
Khwaja Fazlur Rahman	1	2,500
Abdul Razak Bramchari	1	2,504
<b><u>DIRECTORS'/CEO'S SPOUSES</u></b>		
Parveen Bashir	1	2,969,829
Tania Zain	1	1,393,210
<b><u>Shareholders holding 10% or more voting interest</u></b>		
Ziad Bashir (Director)	1	6,929,609
Mohammad Zaki Bashir (Director)	1	7,132,639

### Detail of trading in the shares by:

#### Directors, CEO, CFO, Company Secretary, their Spouses and Minor Children.

No trading was carried out by Directors, CEO, CFO, Company Secretary, their Spouses and minor children during the year under review.

---

This page left blank

# Auditors' Report on Consolidated Financial Statements

---

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED (the Holding Company) and Gul Ahmed International Limited (FZC) and GTM (Europe) Limited (the Subsidiaries) as at June 30, 2010 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. Subsidiaries have been audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Subsidiaries, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements examined by us, present fairly the financial position of GUL AHMED TEXTILE MILLS LIMITED and its Subsidiaries as at June 30, 2010 and the result of their operations for the year then ended.

Without qualifying our opinion, we draw your attention to Note 12.4 of the annexed consolidated financial statements which fully describes the nature of the contingency and the Company's contention on the issue which gives a rise with regard to ability of the Company to continue as a going concern. Consequently these consolidated accounts have been prepared on going concern basis pending the outcome of the decision of the Honorable Sindh High Court.

Karachi  
October 04, 2010

**HYDER BHIMJI & CO.**  
Chartered Accountants  
Engagement Partner: Hyder Ali Bhimji



# Consolidated Balance Sheet

As at June 30, 2010

	Note	2010 Rs. 000s	2009
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	4	634,785	634,785
Reserves	5	2,524,491	2,440,820
Unappropriated profit		550,752	162,667
		<u>3,710,028</u>	<u>3,238,272</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	6	2,222,650	2,566,604
Deferred liabilities			
Deferred taxation	7	202,281	139,273
Staff retirement benefits	8	15,016	11,945
		<u>217,297</u>	<u>151,218</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	1,946,397	1,746,194
Accrued mark-up	10	156,589	178,405
Short term borrowings	11	5,824,559	5,424,395
Current maturity of long term financing		676,863	503,087
Provision for income tax - net of payment		32,558	-
		<u>8,636,966</u>	<u>7,852,081</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	<u>14,786,941</u>	<u>13,808,175</u>



ASSETS	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	6,148,708	6,112,634
Intangible assets	14	21,253	33,525
Long term loans and advances	15	1,846	2,262
Long term deposits		32,332	29,034
		<u>6,204,139</u>	<u>6,177,455</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	16	475,422	447,063
Stock-in-trade	17	4,991,811	3,940,944
Trade debts	18	2,465,556	2,672,797
Loans and advances	19	131,373	147,970
Prepayments		56,639	41,971
Other receivables	20	237,936	160,727
Tax refunds due from government	21	66,877	56,622
Cash and bank balances	22	157,188	162,626
		<u>8,582,802</u>	<u>7,630,720</u>
		<u><u>14,786,941</u></u>	<u><u>13,808,175</u></u>

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

## Consolidated Profit and Loss Account

For the Year Ended June 30, 2010

		<u>2010</u>	<u>2009</u>
	Note	Rs. 000s	
Sales	23	19,885,337	14,207,448
Cost of sales	24	16,582,414	11,685,262
Gross profit		3,302,923	2,522,186
Distribution cost	25	800,060	621,312
Administrative expenses	26	808,255	671,405
Other operating expenses	27	53,853	13,712
		1,662,168	1,306,429
		1,640,755	1,215,757
Other operating income	28	(26,425)	(23,745)
Operating profit		1,667,180	1,239,502
Finance cost	29	959,259	1,035,224
Profit before taxation		707,921	204,278
Provision for taxation	30	239,688	90,438
Profit after taxation		468,233	113,840
Earnings per share - basic and diluted (Rs.)	31	7.38	2.06

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Consolidated Statement of Comprehensive Income

For the Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
Profit after taxation	468,233	113,840
Foreign currency translation differences - Foreign operations	3,523	8,411
Total comprehensive income	<u>471,756</u>	<u>122,251</u>

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Consolidated Cash Flow Statement

For the Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	707,921	204,278
Adjustments for:		
Depreciation	681,282	639,458
Amortisation	18,170	15,089
Provision for gratuity	7,810	10,496
Finance cost	959,247	1,035,224
Provision for slow moving/obsolete items	7,736	1,736
Provision for doubtful debts	19,031	5,031
Property, plant and equipment scrapped	1,314	1,122
Profit on sale of property, plant and equipment	(9,435)	(12,726)
	<u>2,393,076</u>	<u>1,899,708</u>
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(36,095)	37,158
Stock-in-trade	(1,050,867)	(977,839)
Trade debts	188,209	(32,933)
Loans and advances	(5,440)	(17,930)
Prepayments	(14,668)	4,230
Other receivables	(77,209)	37,852
Tax refunds due from government	(10,255)	11,910
	<u>(1,006,325)</u>	<u>(937,552)</u>
Increase in current liabilities		
Trade and other payables	200,203	567,482
	<u>(806,122)</u>	<u>(370,070)</u>
Cash generated from operations	1,586,954	1,529,638
Payments for/receipts from:		
Gratuity	(4,739)	(4,098)
Finance cost	(981,063)	(1,003,048)
Income tax	(122,084)	(81,267)
Long term loans and advances	416	1,243
Net cash generated from operating activities	<u>479,484</u>	<u>442,468</u>

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(745,778)	(951,318)
Addition to Intangible assets	(5,898)	(14,796)
Proceeds from sale of property, plant and equipment	36,542	43,668
Long term deposits	(3,298)	(13,435)
Net cash used in investing activities	(718,432)	(935,881)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loans	328,457	524,442
Repayments of long term loans	(498,634)	(402,739)
Dividend Paid	-	(55,199)
Right shares subscription	-	331,192
Net cash (used in)/generated from financing activities	(170,177)	397,696
Exchange difference on translation of foreign subsidiaries	3,523	8,411
<b>Net decrease in cash and cash equivalents</b>	(405,602)	(87,306)
<b>Cash and cash equivalents - at the beginning of the year</b>	(5,261,769)	(5,174,463)
<b>Cash and cash equivalents - at the end of the year</b>	<u>(5,667,371)</u>	<u>(5,261,769)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents include:		
Cash and bank balances	157,188	162,626
Short term running finance	(5,824,559)	(5,424,395)
	<u>(5,667,371)</u>	<u>(5,261,769)</u>

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Consolidated Statement of Changes in Equity

For the Year Ended June 30, 2010

Rs. 000s

	Share capital	Revenue reserve	Exchange difference on translation of foreign subsidiaries	Capital reserve	Statutory reserve	Unappropriated profit	Total
Balance as at June 30, 2008	551,987	1,900,000	25,376	202,052	4,411	156,202	2,840,028
Transfer to revenue reserve	-	50,000	-	-	-	(50,000)	-
Transfer to statutory reserve	-	-	-	-	2,176	(2,176)	-
<b>Total comprehensive income</b>							
Profit for the year	-	-	-	-	-	113,840	113,840
Other comprehensive income	-	-	8,411	-	-	-	8,411
Total comprehensive income for the year	-	-	8,411	-	-	113,840	122,251
<b>Transaction with owners</b>							
Final Dividend for the year ended June 30, 2008	-	-	-	-	-	(55,199)	(55,199)
Issue of right shares	82,798	-	-	248,394	-	-	331,192
Total transaction with owners	82,798	-	-	248,394	-	(55,199)	275,993
Balance as at June 30, 2009	634,785	1,950,000	33,787	450,446	6,587	162,667	3,238,272
Transfer to revenue reserve	-	80,000	-	-	-	(80,000)	-
Transfer to statutory reserve	-	-	-	-	148	(148)	-
<b>Total comprehensive income</b>							
Profit for the year	-	-	-	-	-	468,233	468,233
Other comprehensive income	-	-	3,523	-	-	-	3,523
Total comprehensive income for the year	-	-	3,523	-	-	468,233	471,756
Balance as at June 30, 2010	634,785	2,030,000	37,310	450,446	6,735	550,752	3,710,028

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

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Consolidated Notes to the Accounts

For the Year Ended June 30, 2010

## I THE GROUP AND ITS OPERATIONS

### I.1 Gul Ahmed Group comprises the following:

- Gul Ahmed Textile Mills Limited
- Gul Ahmed International Limited (FZC) - UAE
- GTM (Europe) Limited - UK

Gul Ahmed International Limited (FZC) - UAE is a wholly owned subsidiary of Gul Ahmed Textile Mills Limited and GTM (Europe) Limited is a wholly owned subsidiary of Gul Ahmed International Limited (FZC) - UAE.

Gul Ahmed Textile Mills Limited (The Company) was incorporated in 1953 in Pakistan as a private limited company, converted into public limited company in 1955 and was listed on Karachi and Lahore Stock Exchanges in 1970 and 1971 respectively. The Company is a composite textile mill and is engaged in the manufacture and sale of textile products.

The Group's registered office is situated at Plot No. 82, Main National Highway, Landhi, Karachi.

Both subsidiaries are engaged in trading of textile related products.

### I.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiaries - "The Group".

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the Holding Company or power to govern the financial and operating policies over the subsidiary and is excluded from consolidation from the date of disposal or cessation of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies.

The assets and liabilities of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of investment held by the Holding Company is eliminated against the subsidiary's share capital. Material intra-group balances and transactions are eliminated.

## 2 BASIS OF PREPARATION

These financial statements comprise balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with explanatory notes and have been prepared under the 'historical cost convention' except as has been stated below in respective notes.

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to standards are mandatory for the first time for the financial year beginning July 01, 2009:

- During the year, International Accounting Standard I (Revised), 'Presentation of Financial Statements'

---

(Revised IAS - 1) became effective for the annual period beginning on or after January 01, 2009. The application of this standard has resulted in certain increased disclosures.

The revised IAS - 1 prohibits the presentation of items of income and expenses in the statement of changes in equity and requires non owners changes in equity to be shown in a separate statement.

The group under the given circumstances has a choice of presenting one statement (Statement of comprehensive income) or two separate statements (Profit and loss account and Statement of comprehensive income). The group has opted to present two statements. As this change only impacts presentation aspects, there is no impact on profit for the year.

- Revised IAS 23, 'Borrowing Costs' (amendment) effective from January 01, 2009, removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

The Group's current accounting policy is in compliance with this amendment, therefore, there is no effect on the Group's financial statements.

- IFRS 7, 'Improving Disclosures About Financial Instruments' (amendment) effective from January 01, 2009 introduces a three level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements.
- IFRS 8, 'Operating segments' replaces IAS 14 effective from January 01, 2009, requires an entity to determine and present operating segments based on the information that is provided internally to the Chief Operating Decision Maker who is responsible for allocating resources and assessing performance of the operating segments. Adoption of this standard has resulted in disclosure of reportable segments.

During the year, other standards, amendments to standards and interpretations also became applicable. However, these are either not relevant or do not affect financial statements of the Group.

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

Following accounting standards, amendments and interpretations to approved accounting standards have been published that are mandatory to Group's accounting periods beginning on or after the dates mentioned below:

- IFRS 9, 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the accounting for financial assets. The standard is not applicable until January 01, 2013 but is available for early adoption. The group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect accounting for available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
- Revised IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 01, 2011. These amendments are unlikely to have an impact on the Group's financial statement other than increase in disclosures.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 01, 2010 but are considered not to be relevant or to have any significant effect on the Group's operations and are therefore not detailed in these financial statements.



### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Group's functional currency.

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

#### Defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in note 8 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

#### Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/non-occurrence of the uncertain future event(s).

#### Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

#### Stock-in-trade and stores & spares

The Group reviews the net realisable value of stock-in-trade and stores & spares to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

#### Provision against trade debts, advances and other receivables

The Group reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

#### Income taxes

The Group takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 3.7 of these financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Foreign currency transaction and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or as fixed under contractual arrangements. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

---

For the purposes of consolidation, income and expense items of the foreign subsidiaries are translated at annual average exchange rate. All monetary and non monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date except for share capital which is translated at historical rate. Exchange differences arising on the translation of foreign subsidiaries are classified as equity reserve until the disposal of interest in such subsidiaries.

### **3.2 Borrowing cost**

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its' commissioning.

### **3.3 Staff retirement benefits**

#### **Defined benefit plan**

The Group operates unfunded gratuity schemes for all its eligible employees who are not part of the provident fund scheme.

The Group accounts for gratuity provision on the basis of actuarial valuation using the projected unit credit method. The results of valuation are summarised in note 8.

Actuarial gains and losses arising at each valuation date are recognized immediately in the profit and loss account.

Benefits under the scheme are payable to employees on completion of the prescribed qualifying period of service under the scheme.

#### **Defined contribution plan**

The Group operates a recognized provident fund scheme for its eligible employees to which equal monthly contribution is made by the Group and the employees at the rate of 8.33% of the basic salary.

### **3.4 Accumulated employee compensated absences**

The Group provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Group.

### **3.5 Provisions**

Provisions are recognized when the Group has present obligation (legal or constructive) as a result of past event, and 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 at each balance sheet date and adjusted to reflect current best estimate.

### **3.6 Taxation**

#### **Current**

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

## Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable 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 taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. The Group takes into account the current income tax law and decisions taken by the taxation authorities.

### 3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except leasehold land which is stated at cost. No amortisation is provided on leasehold land since the lease is renewable at the option of the lessee.

Depreciation is charged on reducing balance method at rates specified in note 13.1. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. Gains and losses on disposal of property, plant and equipment are included in current year's income.

### 3.8 Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date and represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets start operation.

### 3.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in note 14.

### 3.10 Stores, spares and loose tools

These are stated at average cost less slow moving provision and goods-in-transit are valued at cost accumulated to the balance sheet date. A provision is made for any excess of book value over net realizable value.

### 3.11 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at lower of weighted average cost and net realizable value. Waste products are valued at net realisable value. Cost of raw materials and trading stock comprises of the invoice value plus other charges paid thereon. Cost of work-in-process and finished goods includes cost of direct materials, labour and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

---

### **3.12 Trade debts**

Trade debts are carried at original invoice amount except export receivables. These are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

### **3.13 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### **3.14 Financial assets and liabilities**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or amortised cost, as the case may be.

### **3.15 Derivative financial instruments**

The Group uses derivative financial instruments to hedge its risks associated with interest and exchange rate fluctuations. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

### **3.16 Offsetting of financial assets and liabilities**

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Group has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

### **3.17 Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

### **3.18 Revenue recognition**

Sales are recorded on dispatch of goods and in case of export when the goods are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

### **3.19 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises short term investment, cash and cheques in hand and cash with banks on current, savings and deposit accounts, running finance under mark-up arrangements and short term finance.

### **3.20 Dividend and appropriation to reserves**

Dividend and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

## 4 SHARE CAPITAL

### 4.1 Authorised capital

<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
<u>75,000,000</u>	<u>75,000,000</u>	Ordinary shares of Rs.10 each	<u>750,000</u>	<u>750,000</u>

### 4.2 Issued, subscribed and paid - up capital

<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
<u>38,797,566</u>	38,797,566	Ordinary shares of Rs.10 each fully paid in cash	<u>387,975</u>	387,975
<u>5,447,326</u>	5,447,326	Ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	<u>54,473</u>	54,473
<u>19,233,656</u>	19,233,656	Ordinary shares of Rs.10 each issued as fully paid bonus shares	<u>192,337</u>	192,337
<u>63,478,548</u>	<u>63,478,548</u>		<u>634,785</u>	<u>634,785</u>

### 4.3 Reconciliation of the number of shares outstanding

	Note	(Numbers of shares)
Number of shares outstanding at the beginning of the year	<u>63,478,548</u>	55,198,738
Add: 15% Right issue of shares during the year	-	8,279,810
	<u>63,478,548</u>	<u>63,478,548</u>

## 5 RESERVES

		Rs. 000s
Revenue reserve		
General reserve	1,950,000	1,900,000
Add: Transfer from profit and loss account	80,000	50,000
	<u>2,030,000</u>	<u>1,950,000</u>
Exchange difference on translation of foreign subsidiaries	37,310	33,787
Capital reserve		
Share premium	428,887	180,493
Add: Premium on right shares issued during the year	-	248,394
	<u>428,887</u>	<u>428,887</u>
Book difference of share capital under scheme of arrangement for amalgamation	21,559	21,559
	450,446	450,446
Statutory reserve	6,735	6,587
	<u>2,524,491</u>	<u>2,440,820</u>

5.1 This represents appropriation of profit in past year to meet future exigencies.

## 6 LONG TERM FINANCING - SECURED

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2010	2009
					Rs. 000s	
<b>Habib Bank Limited Loan 3</b> Under State Bank of Pakistan (SBP) scheme of Long Term Finance- Export Oriented Projects (LTF-EOP)	6.1, 6.5	Repaid during the year	116,666	6.00% p.a. payable quarterly	-	116,666
<b>Habib Bank Limited Loan 4</b> a) Under LTF-EOP scheme	6.1, 6.5	12 half yearly June-2010	5,416	7.00% p.a. payable quarterly	59,579	64,995
b) Under LTF-EOP scheme		12 half yearly November-2010	4,450	7.00% p.a. payable quarterly	53,405	53,405
<b>Habib Bank Limited Loan 5</b> Under LTF-EOP scheme	6.1, 6.5	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	30,851	30,851
<b>Habib Bank Limited Loan 6</b> Under LTF-EOP scheme	6.1	12 half yearly February-2010	9,510	7.00% p.a. payable quarterly	104,612	114,122
<b>Habib Bank Limited Loan 7</b> Under LTF-EOP scheme	6.1, 6.5	12 half yearly January-2010	778	7.00% p.a. payable quarterly	8,555	9,332
<b>Habib Bank Limited Loan 8</b> a) Under LTF-EOP scheme	6.1	12 half yearly January-2010	1,698	7.00% p.a. payable quarterly	18,678	20,376
b) Under LTF-EOP scheme		12 half yearly February-2010	139	7.00% p.a. payable quarterly	1,524	1,663
<b>Habib Bank Limited Loan 10</b> Under State Bank of Pakistan (SBP) Scheme of Long Term Financing Facility (LTFF)	6.1, 6.6	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	176,866	176,866
<b>Habib Bank Limited Loan 11</b> Under LTFF scheme	6.1, 6.6	16 half yearly August-2011	562	10.00% p.a. payable quarterly	8,995	8,995
<b>Habib Bank Limited Loan 12</b> Under LTFF scheme	6.1, 6.6	16 half yearly October-2011	710	10.00% p.a. payable quarterly	11,359	11,359
<b>Habib Bank Limited Loan 13</b> Under LTFF scheme	6.1, 6.6	16 half yearly March-2012	277	10.00% p.a. payable quarterly	4,430	-
<b>Habib Bank Limited Loan 14</b> Under LTFF scheme	6.1, 6.6	16 half yearly August-2012	3,536	10.25% p.a. payable quarterly	56,614	-
<b>United Bank Limited Loan 2</b> Original loan due in September 2008 rolled over for the period of five years	6.3	10 half yearly March-2009	50,000	8.30% fixed rate plus 0.85% upto September-2008 and three months KIBOR + 1.00% after roll over date payable half yearly	350,000	450,000

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2010	2009
					Rs. 000s	
United Bank Limited Loan 3 Under LTF-EOP scheme	6.3, 6.5	12 half yearly April-2010	931	7.00% p.a. payable quarterly	10,241	11,172
United Bank Limited Loan 4	6.3	6 half yearly August-2010	48,199	Average six months KIBOR Ask rate + 1.00% payable half yearly	289,192	289,192
United Bank Limited Loan 5 Under LTFF scheme	6.3, 6.6	16 half yearly November-2010	363	10.00% p.a. payable quarterly	5,806	5,806
United Bank Limited Loan 6	6.3	6 half yearly March-2011	25,000	Average six months KIBOR Ask rate + 1.25% payable half yearly	150,000	150,000
United Bank Limited Loan 7 Under LTFF scheme	6.3, 6.6	10 half yearly December-2012	1,319	10.50% p.a. payable quarterly	13,190	-
United Bank Limited Loan 8 Under LTFF scheme	6.3, 6.6	12 half yearly November-2011	557	10.50% p.a. payable quarterly	6,690	-
National Bank of Pakistan Loan 1	6.3	Repaid during the year	43,988	Average six months KIBOR Ask rate + 1.25% payable half yearly	-	87,976
National Bank of Pakistan Loan 1-A Under LTF-EOP scheme	6.3, 6.5	7 half yearly June-2007	62,296	7.00% p.a. payable quarterly	124,592	186,888
National Bank of Pakistan Loan 2	6.1	6 half yearly September-2008	24,295	Average six months KIBOR Ask rate + 1.50% payable half yearly	48,589	97,178
National Bank of Pakistan Loan 2-A Under LTF-EOP scheme	6.1, 6.5	6 half yearly September-2008	5,706	7.00% p.a. payable quarterly	22,822	28,528
National Bank of Pakistan Loan 3	6.3	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate + 1.00% payable quarterly	84,000	100,000
National Bank of Pakistan Loan 4 Subsequently converted in LTFF scheme in September-2010	6.2, 6.3, 6.6	16 quarterly September-2011	2,351	10.40% p.a. payable quarterly	37,615	-
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	6.2, 6.5	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	23,145	25,460
Habib Metropolitan Bank Loan 1 a) Under LTF-EOP scheme	6.2, 6.5	12 half yearly March-2010	684	7.00% p.a. payable quarterly	7,516	8,200
b) Under LTF-EOP scheme		12 half yearly April-2010	2,042	7.00% p.a. payable quarterly	22,458	24,500

	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2010 Rs. 000s	2009
<b>Habib Metropolitan Bank Loan 2</b> Under LTF-EOP scheme	<b>6.2, 6.5</b>	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	<b>233,000</b>	233,000
<b>Habib Metropolitan Bank Loan 3</b> Under LTFF scheme	<b>6.2, 6.6</b>	16 half yearly February-2012	2,719	10.00% p.a. payable quarterly	<b>43,495</b>	-
<b>Habib Metropolitan Bank Loan 4</b> Under LTFF scheme	<b>6.2, 6.6</b>	16 half yearly March-2012	2,504	10.00% p.a. payable quarterly	<b>40,065</b>	-
<b>Habib Metropolitan Bank Loan 5</b> Under LTFF scheme	<b>6.2, 6.6</b>	16 half yearly June-2012	4,212	10.25% p.a. payable quarterly	<b>67,373</b>	-
<b>Habib Metropolitan Bank Loan 6</b> Under LTFF scheme	<b>6.2, 6.6</b>	16 half yearly July-2012	1,804	10.25% p.a. payable quarterly	<b>28,860</b>	-
<b>HSBC Bank Middle East Ltd Loan 1</b> a) Under LTF-EOP scheme	<b>6.2, 6.5</b>	12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	<b>34,599</b>	34,599
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	<b>12,451</b>	12,451
<b>HSBC Bank Middle East Ltd Loan 2</b> Under LTF-EOP scheme	<b>6.2, 6.5</b>	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	<b>22,061</b>	22,061
<b>HSBC Bank Middle East Ltd Loan 3</b> Under LTF-EOP scheme	<b>6.2</b>	12 half yearly February-2010	875	7.00% p.a. payable quarterly	<b>9,623</b>	10,497
<b>HSBC Bank Middle East Ltd Loan 4</b> Under LTF-EOP scheme	<b>6.2</b>	12 half yearly March-2010	844	7.00% p.a. payable quarterly	<b>9,285</b>	10,129
<b>Allied Bank Limited Loan 1</b>	<b>6.3</b>	12 quarterly March-2010	16,667	Average three months KIBOR Ask rate + 1.00% payable quarterly	<b>166,667</b>	200,000
<b>Allied Bank Limited Loan 2</b> Under LTFF scheme	<b>6.3, 6.6</b>	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	<b>296,201</b>	296,201
<b>Meezan Bank Ltd</b> Diminishing Musharaka 1	<b>6.3</b>	6 half yearly February-2011	15,266	Average six months KIBOR Ask rate + 1.00%	<b>91,594</b>	91,594
<b>Meezan Bank Ltd</b> Diminishing Musharaka 2	<b>6.3</b>	6 half yearly June-2011	1,449	Average six months KIBOR Ask rate + 1.50% payable half yearly	<b>8,696</b>	8,696
<b>Meezan Bank Ltd</b> Diminishing Musharaka 3	<b>6.3</b>	6 half yearly July-2011	5,253	Average six months KIBOR Ask rate + 1.50% payable half yearly	<b>31,516</b>	31,516



	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	<u>2010</u>	<u>2009</u>
					Rs. 000s	
NIB Bank Ltd-1 Under LTFF scheme	6.3, 6.6	16 quarterly June-2010	2,839	9.00% p.a. payable quarterly	42,578	45,417
NIB Bank Ltd-2 Under LTFF scheme	6.3, 6.6	16 quarterly September-2010	1,883	9.00% p.a. payable quarterly	30,125	-
					<u>2,899,513</u>	<u>3,069,691</u>
Current portion shown under current liabilities					<u>(676,863)</u>	<u>(503,087)</u>
					<u>2,222,650</u>	<u>2,566,604</u>

- 6.1 These loans are secured by first pari passu charge over present and future fixed assets of the Company and equitable mortgage over land and building.
- 6.2 These loans are secured by charge over specified machinery.
- 6.3 These loans are secured by way of pari passu charge over the fixed assets of the Company.
- 6.4 Habib Metropolitan Bank is a related party.
- 6.5 Grace period of one year in payment of principal outstanding under LTF-EOP facilities was allowed by the banks as per State Bank of Pakistan SMEFD Circular No. 01 dated January 22, 2009.
- 6.6 The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years from the avilment date. However, where financing facilities have been provided for a period of upto five years maximum grace period shall not exceed one year as per State Bank of Pakistan MFD Circular No.07 dated December 31, 2007.

	Note	2010	2009
		Rs. 000s	
<b>7 DEFERRED TAXATION</b>			
Credit / (debit) balances arising in respect of timing differences relating to:			
Accelerated tax depreciation allowance		208,763	146,197
Provision for gratuity		(1,868)	(1,051)
Provision for doubtful debts		(7,281)	(3,027)
Provision for slow moving items		(5,300)	(2,846)
Provision for income of subsidiaries		7,967	-
		<u>202,281</u>	<u>139,273</u>
<b>8 STAFF RETIREMENT BENEFITS</b>			
<b>8.1 Principal actuarial assumptions</b>			
Following principal actuarial assumptions were used for the valuation:		% per annum	
Estimated rate of increase in salary of the employees		11	12
Discount rate		12	15
			Rs. 000s
<b>8.2 Movement in liability</b>			
Balance as at July 01		11,945	5,547
Charge for the year	8.4	7,810	10,496
Payments during the year		(4,739)	(4,098)
Balance as at June 30		<u>15,016</u>	<u>11,945</u>
<b>8.3 Changes in present value of defined benefit obligation</b>			
Balance as at July 01		11,945	5,547
Current service cost		6,928	8,744
Interest cost		1,671	2,577
Actuarial gain on present value of defined benefit obligation		(789)	(825)
Benefits paid		(4,739)	(4,098)
Balance as at June 30		<u>15,016</u>	<u>11,945</u>
<b>8.4 Charge for the year</b>			
Current service cost		6,928	8,744
Interest cost		1,671	2,577
Actuarial gain		(789)	(825)
		<u>7,810</u>	<u>10,496</u>

		<u>2010</u>	<u>2009</u>
	Note	Rs. 000s	
<b>9 TRADE AND OTHER PAYABLES</b>			
Creditors		924,468	1,147,322
Due to associated undertakings		2,872	6,894
Murabaha	9.1	461,189	199,220
Accrued expenses		451,903	348,577
Advance from customers		46,234	18,927
Workers' profit participation fund	9.2	39,020	10,290
Unclaimed dividend		411	429
Others		20,300	14,535
		<u>1,946,397</u>	<u>1,746,194</u>

9.1 Murabaha is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed murabaha facility at the year end was Rs. 39 million (2009: Rs.301 million). The effective rate of profit ranges from 7.5% to 13.53% (2009: 7.5% to 18.14%)

		<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>9.2 Workers' profit participation fund</b>			
Opening balance as at July 1		10,290	12,107
Provision for the year		38,036	9,123
Interest for the year		984	1,167
		<u>49,310</u>	<u>22,397</u>
Less: Payments made during the year		10,290	12,107
Closing balance as at June 30		<u>39,020</u>	<u>10,290</u>

## 10 ACCRUED MARK-UP - SECURED

Mark-up on long term financing	52,009	64,071
Mark-up on short term borrowings	104,580	114,334
	<u>156,589</u>	<u>178,405</u>

## 11 SHORT TERM BORROWINGS - SECURED

Short term bank borrowings	5,093,054	5,068,367
Short term running finance	731,505	356,028
	<u>5,824,559</u>	<u>5,424,395</u>

---

Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables and Rs. 79.832 million (2009: Rs. 92.187 million) which is secured against counter guarantee of the ultimate Parent Company and lien on deposit of Gul Ahmed International FZC. Unavailed facility at the year end was Rs. 3,043 million (2009: Rs. 2,278 million). The facility for short term borrowings mature within twelve months. Short term borrowings include Rs. 27 million (2009: Rs. 601 million) from related party.

Mark-up rates range from 1.54% to 16.30% (2009: 3.68% to 18.52%) per annum.

## 12 CONTINGENCIES AND COMMITMENTS

- 12.1** The Group owns and possesses a plot of land measuring 44 acres in Deh Khanto, which is appearing in the books at a cost of Rs. 64 million. The Group holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Sindh High Court by some claimants who claim to be the owners, as this land was previously sold to them and subsequently resold to the Group. The claim of the alleged owners is fictitious. The Group is confident that its title to the land is secure and accordingly no provision has been made in these financial statements.
- 12.2** The Group has filed a suit in the Sindh High Court for recovery of Rs. 33.409 million (2009: Rs. 33.409 million) included in other receivables. The Group's management and its legal counsel are of the opinion that the case will be decided in the Group's favour and as such no provision has been made there against.
- 12.3** The Group has filed a petition in the Sindh High Court against order passed by the Board of Trustees, Employees Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-2001 and 2001-2002 amounting to Rs. 50.827 million (2009: Rs. 50.827 million). This demand has been raised after lapse of more than two years although the records and books of the Group were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The Honorable Sindh High Court has already restrained EOBI from taking any action or proceedings against the Group. No provision has been made there against in these financial statements as the Group is confident of the favourable outcome of the petition.
- 12.4** Three shareholders of Gul Ahmed Textile Mills Limited (the Parent Company) (who were also directors at that time) had filed a complaint against the Parent Company and its Chief Executive to the Securities & Exchange Commission of Pakistan (SECP) for inter alia gross misconduct, breach of fiduciary obligations, embezzlement, misappropriation, and non-compliance of corporate governance. The SECP after affording an opportunity to all concerned, and after duly scrutinizing the contents of the complaint, found the reply of the Parent Company in order and it disposed off the complaint with no action against the Parent Company. Thereafter, these shareholders (Petitioners) filed a petition against the Parent Company and others including the SECP under Section 290 read with Section 305 of the Companies Ordinance, 1984 in the Sindh High Court at Karachi for appointment of an investigative auditor or alternately pass order for winding up the Parent Company.

Thereafter, they filed an urgent miscellaneous application for the appointment of an investigative auditor. The Honorable High Court, after hearing arguments, dismissed the Petitioners' application for appointment of an investigative auditor and concluded that there was no substance to these allegations. The Petitioners have preferred an appeal to a larger bench which has not yet been decided.

The Petitioners had also sought interim orders preventing the Parent Company from holding of Parent Company's Board of Directors meeting on October 5, 2009. The High Court refused to restrain the Parent Company from holding its Board meeting on October 5, 2009. The Petitioners however obtained an ex parte stay order restraining the Parent Company from implementing any decisions taken at its Board meeting on October 5, 2009, including the Board's decision to hold its Annual General Meeting on October 30, 2009. However, after hearing arguments from both sides, the Court vacated the stay order and hence there is currently no restriction whatsoever in relation thereto.

Subsequently, the Petitioners filed an application alleging that the Parent Company and its Directors had violated the High Court's order dated October 7, 2009 and hence were liable to be punished for contempt of Court. The High Court concluded that there had been no violation and it dismissed the Petitioner's Application.

The Petitioners have also filed a suit against the Parent Company, some of its Directors and its associated undertakings seeking damages of Rs. 2,000 million. The suit is basically a repetition of the allegations contained in the winding up petition referred earlier. The case has not come up for hearing.

The Parent Company is strongly defending the litigation and has sought opinion/advice of its legal counsel on the above cases and has been advised that there is every likelihood that the Petitioners will be found not entitled to the relief that they are seeking. Hence these financial statements have been prepared on a going concern basis.

Since these three shareholders, as Directors of the Parent Company, had not been attending meetings of the Board of Directors of the Parent Company, therefore pursuant to Section 188 of the Companies Ordinance, 1984, they ceased to be Directors of the Parent Company. The three shareholders who had ceased to be Directors of the Parent Company filed a suit in this regard challenging their cessation as directors of the Parent Company. They also filed an application seeking interim orders from the High Court allowing them to carry on as Directors of the Parent Company during the pendency of the suit. This application was also dismissed by the Honorable High Court. The Petitioners then preferred an appeal against this judgment before the larger bench. The appeal has been heard and the decision has been reserved by the Honorable High Court.

The Parent Company has filed a suit against its three former Directors and their companies (Pakistan Beverages Limited and Latif Cotton Mills Limited) seeking inter alia a declaration that they are unfit to be directors of any company and seeking damages of Rs. 700 million. The case has yet to come up for hearing.

## 12.5 Guarantees

- (a) Rs. 146 million (2009: Rs. 104 million) against guarantees issued by banks which are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables.
- (b) Post dated cheques Rs. 42 million (2009: Rs. 38 million) issued to various Government Agencies.
- (c) Bills discounted Rs. 1.156 million (2009: Rs. 335 million)
- (d) Corporate guarantee of Rs. 85.795 million (2009: Rs. 57.210 million) has been issued to a bank in favour of subsidiary company.

**12.6** The Group is committed for capital expenditure as at June 30, 2010 of Rs. 444 million (2009: Rs. 257 million).

**12.7** The Group is committed for non capital expenditure items under letters of credit as at June 30, 2010 of Rs. 412 million (2009: Rs. 286 million).

	Note	<u>2010</u>	<u>2009</u>
		Rs000s	
<b>13 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	13.1	6,097,376	6,077,026
Capital work in progress	13.2	51,332	35,608
		<u>6,148,708</u>	<u>6,112,634</u>

## 13.1 OPERATING ASSETS

	Leasehold lands	Buildings and structures on leasehold land	Plant and machinery	Office equipment	Furniture and fixture	Vehicles	Total
<b>OPERATING ASSETS</b>							
<b>Net carrying value basis as at June 30, 2010</b>							
Opening net book value (NBV)	234,107	1,109,874	4,442,181	119,419	47,259	124,186	6,077,026
Addition (at Cost)	-	83,638	484,100	55,817	3,649	102,851	730,055
Disposal	-	-	(10,318)	(2,606)	(1,087)	(14,410)	(28,421)
Depreciation charge	-	(123,104)	(476,189)	(32,608)	(5,550)	(43,831)	(681,282)
Closing net book value	<b>234,107</b>	<b>1,070,408</b>	<b>4,439,774</b>	<b>140,022</b>	<b>44,271</b>	<b>168,796</b>	<b>6,097,376</b>
<b>Gross carrying value basis as at June 30, 2010</b>							
Cost	234,107	1,832,873	8,315,723	324,603	80,157	326,023	11,113,486
Accumulated depreciation	-	(762,465)	(3,875,949)	(184,581)	(35,886)	(157,227)	(5,016,110)
Net book value	<b>234,107</b>	<b>1,070,408</b>	<b>4,439,774</b>	<b>140,022</b>	<b>44,271</b>	<b>168,796</b>	<b>6,097,376</b>
<b>Net carrying value basis year ended June 30, 2009</b>							
Opening net book value (NBV)	234,107	1,017,050	3,858,839	88,576	44,554	102,291	5,345,418
Addition (at Cost)	-	217,034	1,053,099	60,433	10,220	62,969	1,403,756
Transfer (at Cost)	-	(1,620)	1,620	-	-	-	-
Disposal	-	-	(19,883)	(2,145)	(1,762)	(8,900)	(32,690)
Depreciation charge	-	(122,590)	(451,494)	(27,446)	(5,754)	(32,174)	(639,458)
Closing net book value	<b>234,107</b>	<b>1,109,874</b>	<b>4,442,181</b>	<b>119,419</b>	<b>47,259</b>	<b>124,186</b>	<b>6,077,026</b>
<b>Gross carrying value basis as at June 30, 2009</b>							
Cost	234,107	1,749,235	7,844,156	297,646	79,524	268,709	10,473,377
Accumulated depreciation	-	(639,361)	(3,401,975)	(178,227)	(32,265)	(144,523)	(4,396,351)
Net book value	<b>234,107</b>	<b>1,109,874</b>	<b>4,442,181</b>	<b>119,419</b>	<b>47,259</b>	<b>124,186</b>	<b>6,077,026</b>
Depreciation rate % per annum	-	10	10	15 to 30	10 to 12	20 to 25	

13.1.1 Structures on leased retail outlets are depreciated over the respective lease term.

13.1.2 Depreciation charge for the year has been allocated as follows:

	Note	2010 Rs. 000s	2009 Rs. 000s
Cost of goods manufactured	24.1	583,463	562,084
Distribution cost	25	19,027	13,022
Administrative expenses	26	78,792	65,653
		<b>681,282</b>	<b>640,759</b>

13.1.3 Disposals include assets scrapped during the year amounting to Rs. 1.363 million (2009: Rs. 1.122 million)

## 13.1.4 Details of operating assets sold (by negotiation except where stated)

Rs.000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Plant and machinery	8,716	6,878	4,761	Mariam Impex Shop No. 8 Akun Market, Kharadar Karachi
	503	482	368	Reckon Enterprises A-6/9 Block-19 Roshan Bagh, F.B.Area, North Karachi
	3,314	2,958	2,600	Combine Spinning (Pvt.) Ltd. House No. 10B, Block B, Model Town, Lahore
Office equipment, furniture and fixtures	8,588	356	450	Xpert Computer Feroz Sons Building, I.I. Chundrigar Road, Karachi
	2,985	624	625	Tech Care Airconditioning Central Commercial Area, Tariq Road, P.E.C.H.S. Karachi
	3,657	306	365	Gracious Printers Uni Tower, I.I. Chundrigar Road, Karachi
	899	231	242	Dyne Refrigeration Central Commercial Area P.E.C.H.S, Karachi
	1,364	430	444	Adamjee Wooden Work Aram Bagh, Karachi
	115	75	75	Insurance Claim
	1,572	349	976	Mr. Muhammad Aamir House # B-514, New Fatima Jinnah Colony, Sector I I E, North Karachi
Vehicles	939	262	381	Mr. Mohammad Amir Adhia House No.D-133, Block-5 Clifton, Karachi
	1,342	550	950	Mr. Muhammad Iqbal House # 1114/3, Hussainabad, Federal B. Area, Karachi
	400	205	250	Mr. Samad Ahmed Khan (Employee) House # A-511, Block-7, Gulistan-e-Jauhar, University Raod, Karachi
	400	205	250	Mr. Khurshid Alam (Employee) Tater Khel Tehsil Teht-e-Nasrati, District Karak, Khyber Pakhtunkhwa

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Vehicles (continued)	845	235	368	Mr. Muhammad Mushraf Baig (Employee) North City Apartment FL-4, Phase# II, Flat # E-3, Shadman Town, North Nazimabad Town, Sector 14-B, Karachi
	376	105	155	Mr. Muhammad Ashraf Mandvia (Employee) Zainab Manzil, House # 16, Sub-Sector Z-II, Gulshane Maymar, Sector # Z, Karachi
	939	262	381	Mr. Muhammad House No. J. M. 664 Fatima Jinnah Colony, Jamshed Road, Block No.2, Karachi
	3,324	854	2,116	Mr. Mohammad Arif House No. B-30, Sector 11-C, North Karachi
	5,323	1,402	3,620	Mr. Noman Hasan Khan House No. A-908/12 Gulberg Ancholi. F.B. Area, Karachi
	464	66	222	Mr. Hakim Khan House No. B-49, Sector 11-B North Karachi
	792	159	428	Mr. Mohammad Yameen House No. 875/3, Block No. 3, F.B. Area, Karachi
	3,160	655	1,975	Mr. Jawed 153/5, Aman Castle Flat No. C-24, Garden East, Karachi
	496	138	198	Mr. Javed M. Siddique (Employee) Hasan Center, Flat No. D-9, Block-I, Gulshan-e-Iqbal, Karachi
	1,922	925	1,088	Syed Muzammil Ahmed (Employee) House No. C-1, Lucky Plaza Block-17, Gulshan-e-Iqbal, Karachi
	845	235	338	Mr. Shahab Ahmed (Employee) Flat No. B-2, Sohana Center, Plot No. LSC- II, Street No. 6/5, Block-5, Gulshan-e-Iqbal, Karachi
	590	164	215	Mr. Ahmed Khan Phaddi Khail Dakhana Khas, Bori Khail Tehsil & District Mianwali



Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Vehicles (continued)	1,079	301	650	Mr. Riazat Hussain (Employee) House No. 49, Street-18 Off Khayaban-e-Mujaheed Phase-5 DHA, Karachi
	500	96	150	Mr. Muhammad Saleem (Employee) House No.B/189, Sector 35-A, Zaman Town, Korangi-4, Karachi
	1,080	691	750	Mr. Mohammad Danish (Employee) House No.95/1, Main Commercial Area, Phase No.4, D.H.A., Karachi
	825	147	252	Mr. Muhammad Hamid (Employee) House No. A-137, Block-11, Gulshan-e-Iqbal, Street No.4 Rashid Minhas Road, Karachi
	845	235	343	Mr. Ghulam Yasin Chahikan Tehsil & District Dera Ismail Khan
	590	164	239	Mr. Jamal Asghar (Employee) House No. C-168, Gulistan-e-Jauhar, Block-14, Karachi
	845	235	343	Mr. Mohammad Asif Haji Ismail Garden Bin Qasim, Malir District, Karachi
	1,179	215	771	Mr. Ilyas House No. 11-D-15/5, Al Mustafa Home, Nazimabad No.2, Karachi
	864	242	600	Mr. Zeeshan House No. D-310, Block-3, New Dhoraji Colony, Gulshan-e-Iqbal, Karachi
	500	96	191	Mr. Faisal Imran Azad (Employee) B-105, Block-6, Gulshan-e-Iqbal Rashid Minhas Road, Karachi
	496	138	201	Mr. Arshad Hussain (Employee) House No. 357, Block-14, Naseerabad, F.B. Area, Karachi
	1,305	323	1,078	Mr. Mohammad Yasin House No. 234, Abuzar Colony, D-11 Area, New Karachi
	845	294	343	Mr. Ahmed Nehal Jaffri (Employee) House No. 71-D, Street No.17, Askari IV, Rashid Minhas Road, Karachi

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Vehicles (continued)	864	242	580	Mr. Mohammad Zahid Plot No. 15/2, Flat No. B-1, Block 4-D, Bhayani Image Centre, Nazimabad, Karachi
	939	262	381	Ms. Uzma House No. A-161 Sindh Baloch Society, Gulistan-e-Johar, Block-12, Karachi
	512	210	307	Mr. Shahid Iqbal Baber (Employee) House No. F-18, Usmania Colony, Nazimabad No. 1, Dodha Village Liaqatabad, Karachi
	496	173	201	Ms. Aneesa House No. 601, Street No. 1, Al-Madina Arcade, Muallimadad P.E.C.H.S, Jamal- Uddin Afghani Road, Block-3, Karachi
	2,188	509	1,232	Mr. Gul Dad House No. HK-579, KPT Building, Near Qadri, Karachi
	500	96	143	Mr. Ahmed Mustafa Patel (Employee) House No. 8/9-A, 2-F Area, Nazimabad, Karachi
	555	79	169	Mr. Shakeel Ahmed (Employee) House No. R-786, Block-16, Federal 'B' Area, Karachi
	1,122	355	558	Mr. Khalid Khan H. Habeeb P.O. Box 85062, Fujaira, UAE
	233	131	70	Mr. Ismail P.O. Box 120305, Sharjah, UAE
	2,739	2,158	2,587	Insurance Claim
Written down value below Rs. 50,000 each	2,206	555	562	Various
2010	77,177	27,058	36,542	
2009	138,937	32,064	43,668	

## 13.2 Capital work-in-progress

	2010			2009		
	Machinery and store items held for capitalisation	Building construction	Total	Machinery and store items held for capitalisation	Building construction	Total
	Rs. 000s					
Cost as at July 1	30,101	5,507	35,608	407,289	80,131	487,420
Capital expenditure incurred during the year	407,035	136,763	543,798	569,213	172,181	741,394
Transferred to property, plant and equipment	(436,086)	(91,988)	(528,074)	(946,401)	(246,805)	(1,193,206)
<b>Cost as at June 30</b>	<b>1,050</b>	<b>50,282</b>	<b>51,332</b>	<b>30,101</b>	<b>5,507</b>	<b>35,608</b>

## 14 INTANGIBLE ASSETS

### Net carrying value basis - year ended June 30

	Computer Software	Trade Marks	Total	
Opening net book value (NBV)	28,883	4,642	33,525	33,818
Additions (at cost)	4,138	1,760	5,898	14,796
Amortisation charge	(16,672)	(1,498)	(18,170)	(15,089)
Closing net book value	<u>16,349</u>	<u>4,904</u>	<u>21,253</u>	<u>33,525</u>

### Gross carrying value basis - as at June 30

Cost	109,447	8,697	118,144	112,246
Accumulated amortisation	<u>(93,098)</u>	<u>(3,793)</u>	<u>(96,891)</u>	<u>(78,721)</u>
Net book value	<u>16,349</u>	<u>4,904</u>	<u>21,253</u>	<u>33,525</u>

Amortisation rate is 20% per annum and is allocated as follows:

Administrative expenses	16,287	13,683
Distribution cost	1,883	1,406
	<u>18,170</u>	<u>15,089</u>

14.1 The cost is being amortised over a period of ten years. Remaining useful life range from one to nine years.

## 15 LONG TERM LOANS AND ADVANCES - SECURED

	Note	2010	2009
		Rs. 000s	
Considered good			
- Due from executives	15.2	2,968	2,416
- Due from non-executive employees		1,465	3,023
		<u>4,433</u>	<u>5,439</u>
Less: Current portion of			
- Due from executives		(1,668)	(1,703)
- Due from non-executive employees		(919)	(1,474)
	19	<u>(2,587)</u>	<u>(3,177)</u>
		<u>1,846</u>	<u>2,262</u>

15.1 Loans and advances have been given for the purchase of cars, scooters and household equipments and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against outstanding balance of provident fund, end of service dues and guarantees by two employees.

Included in these are loans of Rs. 0.6 million (2009: Rs. 2.4 million) which carry no interest. The balance amount carries interest ranging from 10.5% to 15%.

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 4.654 million (2009: Rs. 5.484 million).

	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>15.2 Reconciliation of carrying amount of loans to executives</b>			
Balance at the beginning of the year		2,416	5,786
Disbursement during the year		3,371	770
Repayment during the year		(2,819)	(4,140)
Balance at the end of the year		<u>2,968</u>	<u>2,416</u>
<b>16 STORES, SPARES AND LOOSE TOOLS</b>			
Stores			
- in hand		250,954	245,931
- in transit		-	7,000
		250,954	252,931
Spares			
- in hand		256,428	206,432
- in transit		-	12,000
		256,428	218,432
Loose tools		2,880	2,804
		510,262	474,167
Provision for slow moving/obsolete items	16.1	(34,840)	(27,104)
		<u>475,422</u>	<u>447,063</u>
<b>16.1 Movement in provision for slow moving/obsolete items</b>			
Balance at beginning of the year		27,104	25,368
Charge for the year		7,736	1,736
Balance at end of the year		<u>34,840</u>	<u>27,104</u>

	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>17 STOCK-IN-TRADE</b>			
Raw materials		1,532,769	673,071
Stock-in-transit		84,994	-
		<u>1,617,763</u>	<u>673,071</u>
Work-in-process		167,278	119,794
Finished goods	17.1	3,206,770	3,148,079
		<u>4,991,811</u>	<u>3,940,944</u>

17.1 Finished goods include stock of waste valuing Rs. 35.748 million (2009: Rs. 56.189 million) determined at net realizable value.

	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>18 TRADE DEBTS</b>			
Export debts - secured		1,253,922	1,464,413
Local debts - unsecured			
- Considered good		1,211,634	1,208,384
- Considered doubtful		47,864	28,832
		<u>1,259,498</u>	<u>1,237,216</u>
Provision for doubtful trade debts	18.3	(47,864)	(28,832)
		<u>2,465,556</u>	<u>2,672,797</u>

18.1 Includes Rs. 190 million (2009: Rs. 162 million) due from Gul Ahmed International Limited FZC-UAE and GTM (Europe) Limited.

18.2 The maximum aggregate month end balance due from related parties during the year is Rs. 114 million (2009: Rs. 325 million).

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
<b>18.3 Movement in provision for doubtful trade debts</b>		
Balance at beginning of the year	28,832	23,801
Charge for the year	19,032	5,031
Balance at end of the year	<u>47,864</u>	<u>28,832</u>

	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>19 LOANS AND ADVANCES</b>			
Considered good			
Current portion of loans and advance to employees			
- Executives		1,668	1,703
- Other employees		919	1,474
	15	2,587	3,177
Suppliers		113,531	95,036
Income tax refundable - net of provision		-	22,037
Letters of credit		15,255	27,720
		<u>131,373</u>	<u>147,970</u>
<b>20 OTHER RECEIVABLES</b>			
Rebate receivable		-	3,593
Research and development claim		1,915	55,116
Duty drawback local taxes and levies		57,499	-
Duty drawback receivable		58,861	35,448
Mark-up rate facility		75,908	18,598
Others	20.1	43,753	47,972
		<u>237,936</u>	<u>160,727</u>
<b>20.1 Others</b>			
Receivable against sale of property		33,409	33,409
Others		10,344	14,563
		<u>43,753</u>	<u>47,972</u>
<b>21 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax		61,611	50,745
Income tax		5,266	5,877
		<u>66,877</u>	<u>56,622</u>
<b>22 CASH AND BANK BALANCES</b>			
Cash and cheques in hand		4,765	46,575
With banks in current accounts			
- Local currency		51,974	58,657
- Foreign currency		100,449	57,394
		<u>157,188</u>	<u>162,626</u>

Cash and bank balance include Rs. 61 million (2009: Rs. 51 million) with Habib Metropolitan Bank Limited.

	Note	2010	2009
		Rs. 000s	
<b>23 SALES</b>			
Local	23.1	8,948,698	5,876,155
Export		10,768,589	8,288,085
		<u>19,717,287</u>	<u>14,164,240</u>
Add: Duty drawback		209,480	70,506
Less: Brokerage and commission		41,430	27,298
		<u>19,885,337</u>	<u>14,207,448</u>

23.1 Sales are exclusive of sales tax amounting Rs. 16.284 million (2009: Rs. 9.890 million).

	Note	2010	2009
		Rs. 000s	
<b>24 COST OF SALES</b>			
Opening stock of finished goods		3,148,079	1,782,286
Add: Cost of goods manufactured	24.1	13,404,716	10,159,607
Purchases and processing charges		3,236,389	2,891,448
		<u>19,789,184</u>	<u>14,833,341</u>
Less: Closing stock of finished goods		3,206,770	3,148,079
		<u>16,582,414</u>	<u>11,685,262</u>
<b>24.1 Cost of goods manufactured</b>			
Raw materials consumed	24.2	7,297,486	4,696,489
Stores consumed		1,974,823	1,817,051
Staff cost	26.1	1,781,950	1,603,696
Fuel, power and water		1,265,330	1,110,992
Insurance		51,211	44,534
Repairs and maintenance		495,253	319,576
Depreciation		583,463	562,084
Other expenses		56,151	54,589
Cost of samples shown under distribution cost		(53,467)	(49,615)
		<u>13,452,200</u>	<u>10,159,396</u>
<b>Work-in-process</b>			
Opening		119,794	120,005
Closing		(167,278)	(119,794)
		<u>(47,484)</u>	<u>211</u>
		<u>13,404,716</u>	<u>10,159,607</u>
<b>24.2 Raw material consumed</b>			
Opening stock		673,071	1,060,814
Purchases during the year		8,157,184	4,308,746
Closing stock		(1,532,769)	(673,071)
		<u>7,297,486</u>	<u>4,696,489</u>

	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>25 DISTRIBUTION COST</b>			
Freight and shipment expenses		189,254	154,284
Staff cost	26.1	176,861	118,438
Insurance		5,656	2,265
Advertisement and publicity		147,789	142,083
Cost of samples transferred from cost of goods manufactured		53,467	49,615
Rent, rates and taxes		140,592	90,801
Depreciation		19,027	13,022
Amortisation		1,883	1,406
Other expenses		65,531	49,398
		<u>800,060</u>	<u>621,312</u>
<b>26 ADMINISTRATIVE EXPENSES</b>			
Staff cost	26.1	282,594	247,564
Rent, rates and taxes		44,675	44,704
Repairs and maintenance		37,954	19,818
Vehicle up keep		60,358	55,602
Conveyance and traveling		64,653	48,550
Printing and stationery		32,902	31,422
Postage and telecommunication		45,207	39,295
Legal and consultancy fees		52,082	41,436
Depreciation		78,792	65,653
Amortisation		16,287	12,382
Auditors' remuneration	26.2	3,348	2,410
Donations	26.3	2,241	2,340
Insurance		9,995	8,919
Provision for doubtful trade debts		19,031	5,031
Provision for slow moving/obsolete items		7,736	1,736
Other expenses		50,400	44,543
		<u>808,255</u>	<u>671,405</u>



## 26.1 Staff cost

	Cost of sales		Distribution cost		Administrative expenses		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	Rs. 000s							
- Salaries, wages & benefits	1,722,939	1,570,760	170,988	114,909	269,166	236,262	2,163,093	1,921,931
<b>Retirement benefits</b>								
- Gratuity	7,015	8,710	-	-	864	1,876	7,879	10,586
- Contribution to provident fund	20,214	16,660	5,572	3,464	8,610	8,826	34,396	28,950
	27,229	25,370	5,572	3,464	9,474	10,702	42,275	39,536
- Staff compensated absences	31,782	7,566	301	65	3,954	600	36,037	8,231
	<u>1,781,950</u>	<u>1,603,696</u>	<u>176,861</u>	<u>118,438</u>	<u>282,594</u>	<u>247,564</u>	<u>2,241,405</u>	<u>1,969,698</u>

## 26.2 Auditor's Remuneration

	2010	2009
	Rs. 000s	
Audit fee	2,952	2,276
Half yearly review	30	30
Audit of workers' profit participation fund and other services	167	12
Out of pocket expenses	199	92
	<u>3,348</u>	<u>2,410</u>

26.3 None of the Directors or their spouses have any interest in the donees.

## 27 OTHER OPERATING EXPENSES

Workers' profit participation fund	38,036	9,123
Workers' welfare fund	14,454	3,467
Property, plant and equipment scrapped	1,363	1,122
	<u>53,853</u>	<u>13,712</u>

## 28 OTHER OPERATING INCOME

### Income from financial assets

Interest income from loan and advances	1,638	345
--	-------	-----

### Income from non - financial assets

Profit on sale of property, plant and equipment - net	9,484	12,726
Unclaimed liabilities written back	268	2,421
Scrap sales	5,628	6,005
Others	9,407	2,248
	<u>26,425</u>	<u>23,745</u>

	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>29 FINANCE COST</b>			
Mark-up on long term financing	29.1	305,756	320,809
Mark-up on short term borrowings		564,981	642,443
Interest on workers' profit participation fund		984	1,167
Bank charges		76,418	37,647
Exchange loss on foreign currency loans		11,120	33,158
		<u>959,259</u>	<u>1,035,224</u>

**29.1** Mark-up on long term financing/short term borrowings include Rs. 64 million (2009: Rs. 66 million) in respect of long term financing/short term borrowings from related parties.

	Note	<u>2010</u>	<u>2009</u>
		Rs. 000s	
<b>30 PROVISION FOR TAXATION</b>			
Current			
- for the year		182,027	83,787
- prior		(5,347)	(7,849)
		<u>176,680</u>	<u>75,938</u>
Deferred		63,008	14,500
	30.1	<u>239,688</u>	<u>90,438</u>
<b>30.1 Reconciliation between accounting profit and tax expense</b>			
Net profit for the year before taxation		<u>707,921</u>	<u>204,278</u>
Tax rate		35%	35%
Tax on accounting profit		247,772	71,497
Income not chargeable to tax		1,134	(11,259)
Tax on prior years		(5,347)	(7,849)
Tax effect of income assessed under FTR		(28,697)	45,742
Tax on income of subsidiaries		7,967	-
Others (including tax effect of expenses that are not allowable in determining taxable profit and change in allocation ratio of revenue chargeable under FTR and non FTR)		16,859	(7,693)
		<u>239,688</u>	<u>90,438</u>

**30.2** Income tax assessments of the Group have been finalised upto to Fiscal Year 2008-2009 (Tax Year 2009).

	<u>2010</u>	<u>2009</u>
		000s
<b>31 EARNINGS PER SHARE - basic and diluted</b>		
Profit for the year	<u>468,233</u>	<u>113,840</u>
Weighted average number of shares	<u>63,478,548</u>	<u>55,266,791</u>
Earnings per share (Rs.)	7.38	2.06

There is no dilutive effect on the earnings per share of the Group.

### 32 SEGMENT INFORMATION

The Group has the following two reportable business segments:

- Spinning** : Production of different qualities of yarn using both natural and artificial fibers.
- Processing** : Production of grey fabric, its processing into various types of fabrics for sale as well as to manufacture home textile products.
- Overseas subsidiaries**: These subsidiaries are also in the textile business reselling product to the ultimate customers, imported from parent Company.

Transactions among the business segments are recorded at cost

#### 32.1 Consolidated Segmental Profitability

	Spinning		Processing		Gul Ahmed International Limited FZC - UAE		GTM (Europe) Limited - UK		Elimination of inter segment transaction		Total	
	For the year ended		For the year ended		For the year ended		For the year ended		For the year ended		For the year ended	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Sales	7,599,688	5,221,201	13,405,665	10,128,213	231,632	234,294	499,045	669,711	(1,850,693)	(2,045,971)	19,885,337	14,207,448
Cost of sales	6,470,583	4,948,021	11,361,910	8,042,784	176,467	161,048	429,137	576,262	(1,855,671)	(2,042,853)	16,582,426	11,685,262
Gross profit	1,129,105	273,180	2,043,755	2,085,429	55,165	73,246	69,908	93,449	4,978	(3,118)	3,302,911	2,522,186
Distribution & administrative expenses	148,360	83,513	1,343,167	1,075,127	52,987	47,509	63,801	86,568	-	-	1,608,315	1,292,717
Profit before tax and unallocated expenses	980,745	189,667	700,588	1,010,302	2,178	25,737	6,107	6,881	4,978	(3,118)	1,694,596	1,229,469
Financial charges											959,247	1,035,224
Other operating expenses											53,619	13,712
Other operating income											(26,191)	(23,745)
Provision of taxation											231,721	90,438
Profit after taxation											476,200	113,840

#### 32.2 Consolidated Segment Assets and Liabilities

	Spinning		Processing		Gul Ahmed International Limited FZC - UAE		GTM (Europe) Limited - UK		Unallocated		Total	
	For the year ended		For the year ended		For the year ended		For the year ended		For the year ended		For the year ended	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Assets	4,563,920	4,219,654	9,572,568	8,897,316	200,820	173,684	251,856	277,019	197,777	240,502	14,786,941	13,808,175
Liabilities	3,410,961	3,427,663	7,371,256	6,878,391	26,701	13,232	114,877	111,099	145,151	139,518	11,068,946	10,569,903

32.3 Unallocated items represent those assets and liabilities which are common to all segments.

#### 32.4 Information by geographical area

	Revenue		Non-current assets	
	2010	2009	2010	2009
Pakistan	8,907,268	5,848,857	6,190,641	6,166,012
United Kingdom	2,998,499	2,224,434	3,835	1,661
Germany	1,595,129	629,762	-	-
China	1,279,824	355,535	-	-
United State	1,073,554	1,454,006	-	-
Netherlands	887,928	1,143,252	-	-
United Arab Emirates	248,428	261,778	9,663	9,782
Other Countries	2,894,707	2,289,824	-	-
Total	19,885,337	14,207,448	6,204,139	6,177,455

### 33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010				2009			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	<b>Rs. 000s</b>							
Managerial remuneration	2,400	6,800	123,317	132,517	2,400	5,200	98,451	106,051
House rent allowance	960	2,720	49,326	53,006	960	2,080	39,382	42,422
Other allowances	240	1,007	25,686	26,933	240	687	21,517	22,444
Contribution to provident fund	200	566	8,913	9,679	200	433	7,428	8,061
	<u>3,800</u>	<u>11,093</u>	<u>207,242</u>	<u>222,135</u>	<u>3,800</u>	<u>8,400</u>	<u>166,778</u>	<u>178,978</u>
Number of persons	1	4	127	132	1	3	95	99

33.1 The Chief Executive, Directors and certain Executives are provided with free use of Company cars and are covered under Company's Health Insurance Plan along with their dependents.

33.2 The Chief Executive and two Directors are also provided with free residential telephones.

33.3 Aggregate amount charged in the accounts for the year for meeting fee to four Directors was six thousand rupees (2009: five Directors: six thousand rupees).

33.4 Executive means an employee other than the Chief Executive and Director; whose basic salary exceeds five hundred thousand rupees in a financial year.

### 34 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, directors of the Group and key management personnel. The Group in the normal course of business carried out transactions with various related parties.

Relationship with the Company	Nature of Transactions	2010	2009
		Rs. 000s	
Associated companies and other related parties	Purchase of goods	22,423	26,028
	Sale of goods	334	218
	Rent paid	4,530	4,530
	Fees paid	750	375
	Commission/bank charges rebate	3,329	-
	Deposit with bank (at year end)	61,119	51,102
	Borrowing from bank (at year end)	470,185	866,858
	Bank guarantee (at year end)	106,508	64,469
	Bills discounted	1,433,250	361,913
	Commission/bank charges paid	33,904	16,511
	Mark-up/interest charged	64,199	66,071
	Mark-up/interest earned	-	3
	Provident fund contribution	34,483	28,950

There are no transactions with directors of the Group and key management personnel other than under the terms of employment. Loan and remuneration of the key management personnel are disclosed in Notes 15 and 33 respectively.

Related parties status of outstanding receivables and payable as at June 30, 2010 are included in respective notes to the financial statements.

### 35 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of Parent Company in their meeting held on October 04, 2010 have proposed cash dividend of Rs. 1.25 per share (2009: Nil) and transfer to revenue reserve from un-appropriated profit of Rs. 400 million (2009: transfer to revenue reserve Rs. 80 million) subject to the approval of members at the Annual General Meeting to be held on October 30, 2010.

### 36 CAPACITY AND PRODUCTION

		2010 000s			2009 000s	
	Unit	Capacity	Production	Working	Capacity	Production
Cloth	Sq. meters (50 Picks converted)	121,436	84,980	3 shifts	118,870	85,180
Yarn	Kgs. (20 Counts converted)	48,227	41,988	3 shifts	48,227	37,857

Production is lower due to variation in production mix and various technical factors..

### 37 FINANCIAL INSTRUMENTS

#### 37.1 Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk ( including foreign exchange risk, price and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

Risk Management is carried out under policies and principles approved by the Board. All treasury related transactions are carried out within the parameters of these policies and principles.

#### 37.1.1 Market risk

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Group manages market risk as follows:

##### a Foreign exchange risk management

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

The Group is exposed to foreign exchange risk arising from currency value fluctuations primarily with respect to the United States Dollar (USD), Euro and Pound Sterling.

	<u>2010</u>	000s	<u>2009</u>
<b>USD</b>			
Cash and bank	1,115		1,329
Advances, prepayments, other receivables and trade debts	11,796		14,995
Trade and other payables	(714)		(672)
Net exposure	<u>12,197</u>		<u>15,652</u>
<b>Euro</b>			
Cash and bank	49		23
Advances, prepayments, other receivables and trade debts	2,734		2,732
Trade and other payables	(615)		(473)
Net exposure	<u>2,168</u>		<u>2,282</u>
<b>Pound Sterling</b>			
Cash and bank	-		-
Advances, prepayments, other receivables and trade debts	979		121
Trade and other payables	(1,049)		(112)
Net exposure	<u>(70)</u>		<u>9</u>

The following significant exchange rates were applied during the year:

	<u>2010</u>	<u>2009</u>
<b>Rupee per USD</b>		
Average rate	84.62	80.72
Reporting date rate	85.40	81.10
<b>Rupee per Euro</b>		
Average rate	107.72	107.85
Reporting date rate	104.33	114.54
<b>Rupee per Pound Sterling</b>		
Average rate	124.88	116.70
Reporting date rate	128.66	135.05

**b Price risk**

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not exposed to equity price risk since there are no investments in equity securities.

**c Interest/mark-up rate risk management**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest/mark-up rates. The Group has long term finance and short term borrowings at fixed and variable rates. The Group is exposed to interest/mark-up rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option". Interest rate risk on short term borrowings is covered by holding "Prepayment Option" which can be exercised upon any adverse movement in the underlying interest rates.

Financial assets include balances of Rs. 4 million (2009: Rs. 3 million) which are subject to interest rate risk. Financial liabilities include balances of Rs. 9,224 million (2009: Rs. 8,611 million) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

## FINANCIAL ASSETS AND LIABILITIES

Rs. 000s

Interest/mark-up bearing			Non interest/mark-up bearing			2010 Total	2009 Total
Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		

### Financial assets

#### Loans and Receivables

Long term deposits	-	-	-	-	32,332	32,332	32,332	29,034
Trade debts	-	-	-	2,377,796	87,760	2,465,556	2,465,556	2,683,119
Loans and advances	2,107	1,716	3,823	480	130	610	4,433	5,439
Other receivables	-	-	-	119,661	-	119,661	119,661	70,163
Cash and bank balances	-	-	-	157,188	-	157,188	157,188	162,626
	2,107	1,716	3,823	2,655,125	120,222	2,775,347	2,779,170	2,950,381

### Financial liabilities

#### At amortised cost

Long term loans	676,863	2,222,650	2,899,513	-	-	-	2,899,513	3,069,691
-----------------	---------	-----------	-----------	---	---	---	-----------	-----------

#### At fair value through profit and loss account

Short term borrowings	5,824,559	-	5,824,559	-	-	-	5,824,559	5,424,395
Trade and other payables	500,209	-	500,209	1,382,943	-	1,382,943	1,883,152	1,705,409
Accrued interest	-	-	-	156,589	-	156,589	156,589	178,405
	7,001,631	2,222,650	9,224,281	1,539,532	-	1,539,532	10,763,813	10,377,900

### Off balance sheet items

#### Financial commitments

Guarantees	-	-	-	146,082	-	146,082	146,082	104,043
Bills discounted	-	-	-	1,156,147	-	1,156,147	1,156,147	334,891
Commitments	-	-	-	856,146	-	856,146	856,146	543,294
	-	-	-	2,158,375	-	2,158,375	2,158,375	982,228

### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet would not effect profit or loss of the Group.

---

### Cash flow sensitivity analysis for variable rate instruments

At June 30, 2010, if interest rates on long term borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been Rs 14 million (2009: Rs 18 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

At June 30, 2010, if interest rates on short term borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been Rs 72 million (2009: Rs 67 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

#### 37.1.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Group manages credit risk inter alia by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and / or through letter of credits and/or by providing for doubtful debts. Also the Group does not have significant exposure in relation to individual customer. Consequently the Group believes that it is not exposed to any major concentration of credit risk.

The Group is exposed to credit risk from its operating and certain investing activities and the Group's credit risk exposures are categorised under the following headings:

##### 37.1.2.1 Trade debts

Trade debts are essentially due from local and foreign companies and the Group does not expect that these companies will fail to meet their obligations.

The Group established an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

##### 37.1.2.2 Bank balances

The Group limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

##### 37.1.2.3 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

##### 37.1.2.4 Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates.

###### a Long term loans

The Group obtains guarantees by two employees against each disbursement made on account of loans and these can be assessed by reference to note no. 15. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. Further, the guarantor will pay the outstanding amount if the counter party will not meet their obligation. In addition these loans are secured against outstanding balance of provident fund and end of service dues of the relevant employee.

The Group believes that no impairment allowance is necessary in respect of loans that are past due. The Group is actively pursuing for the recovery of the debt and the Group does not expect these employees will fail to meet their obligations.



#### b Trade debts

The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note no. 18.

The Group believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from local and foreign debtors. The Group is actively pursuing for the recovery of the debt and the Group does not expect these debtors will fail to meet their obligations. Aging of trade debts is as follows:

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
1 to 6 months	2,308,348	2,560,681
6 months to 1 year	69,448	37,137
1 year to 3 years	87,760	85,301
	<u>2,465,556</u>	<u>2,683,119</u>

Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments.

#### c Other receivables

The Group believes that no impairment allowance is necessary in respect of receivable that are past due. The Group is actively pursuing for the recovery and the Group does not expect that the recovery will be made soon and can be assessed by reference to note no. 20.

### 37.1.3 Liquidity risk

Liquidity risk represent the risk where the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2010, the Group has Rs. 9,367 million (2009: Rs. 8,202 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 3,082 million (2009: Rs. 2,579 million) and also has Rs. 152 million (2009: Rs. 116 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

### 37.2 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

### 37.3 Capital risk management

The primary objectives of the Group when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

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

During 2010 the Group's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
	Rs. 000s	
Total borrowings	8,724,072	8,494,086
Less: Cash and bank	<u>(157,188)</u>	<u>(162,626)</u>
Net debt	8,566,884	8,331,460
Total equity	<u>3,710,028</u>	<u>3,238,272</u>
Total equity and debt	<u>12,276,912</u>	<u>11,569,732</u>
Gearing ratio (%)	70	72

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

### 38. DETAIL OF SUBSIDIARIES

	<u>Accounting year end</u>	<u>Percentage of holding</u>	<u>Country of Incorporation</u>
Gul Ahmed International Limited (FZC)	June 30, 2010	100%	U.A.E.
GTM (Europe) Limited	June 30, 2010	100%	U.K.

### 39. DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 04, 2010 by the Board of Directors of the Parent Company.

### 40. CORRESPONDING FIGURES

For better presentation reclassifications/rearrangements made in the financial statements are as follows:

Reclassification from component	Reclassification to component	Amount Rs. 000s
<b>Accrued Interest</b>	<b>Other receivables</b>	
Accrued Interest	Mark-up rate facility	18,598
<b>Cost of Sales</b>	<b>Administrative Expenses</b>	
Staff Cost	Staff Cost	7,196
<b>Cost of Sales</b>	<b>Distribution Cost</b>	
Depreciation	Depreciation	13,022
Staff Cost	Staff Cost	65
<b>Administrative Expenses</b>	<b>Distribution Cost</b>	
Staff Cost	Staff Cost	118,373
Amortisation	Amortisation	1,406
<b>Other Operating Expenses</b>	<b>Other Operating Income</b>	
Loss on sale of property, plant and equipment	Profit on sale of property, plant and equipment	3,683

### 41. GENERAL

Figures have been rounded off to the nearest thousand rupees.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# FORM OF PROXY

---

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of GUL AHMED TEXTILE MILLS LIMITED and holder of \_\_\_\_\_  
Ordinary Shares hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her \_\_\_\_\_  
of \_\_\_\_\_ another member of the Company,  
as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 58th ANNUAL GENERAL MEETING of the Company to be held on October 30, 2010 or at any adjournment thereof.

1) Witness \_\_\_\_\_ Signed by me this \_\_\_\_\_ day of \_\_\_\_\_ 2010  
Name \_\_\_\_\_  
Address \_\_\_\_\_ Signed \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Affix Revenue  
Stamp Rs.5.00

2) Witness \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_ Folio No./CDC Account No. \_\_\_\_\_  
CNIC No. \_\_\_\_\_

---

## Notes:

1. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
2. Proxies granted by shareholders who have deposited their shares into Central Depository Company of Pakistan Limited must be accompanied with attested copies of the Computerized National Identity Card (CNIC) or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
3. A Proxy must be a member of the Company.
4. If the member is a corporation its common seal should be affixed to the proxy.
5. In case of CDC Account Holders, attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

