

INSPIRED BY NATURE



ANNUAL REPORT 2014

 **GulAhmed**<sup>®</sup>  
SINCE 1953

The background of the page is a light green color with a repeating pattern of stylized floral and leaf motifs in a slightly darker shade of green. The motifs include various types of leaves, such as maple leaves, and flowers, including what appears to be a hibiscus and several daisy-like flowers. The pattern is distributed across the entire page, framing the central text.

## **INSPIRED BY NATURE**

Nature has those splendors a curious soul desires. There are spectacles that enchant and phenomena that captivate. The making of textile is an inspired event that manifests the richness of the vibrant nature.

## 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



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Form of proxy

## Company Information

<b>BOARD OF DIRECTORS</b>	<p>MOHOMED BASHIR          ZAIN BASHIR          MOHAMMED ZAKI BASHIR          ZIAD BASHIR          S.M. NADIM SHAFIQULLAH          DR. AMJAD WAHEED          ADNAN AFRIDI</p>	<ul style="list-style-type: none"> <li>- Chairman</li> <li>- Vice Chairman/Executive Director</li> <li>- Chief Executive Officer</li> <li>- Non Executive</li> <li>- Independent</li> <li>- Independent</li> <li>- Independent</li> </ul>
<b>CHIEF FINANCIAL OFFICER</b>	MOHAMMED SALEEM SATTAR	
<b>COMPANY SECRETARY</b>	MOHAMMED SALIM GHAFFAR	
<b>AUDIT COMMITTEE</b>	<p>S.M. NADIM SHAFIQULLAH          MOHAMMED BASHIR          ADNAN AFRIDI          MOHAMMED SALIM GHAFFAR</p>	<ul style="list-style-type: none"> <li>- Chairman &amp; Member</li> <li>- Member</li> <li>- Member</li> <li>- Secretary</li> </ul>
<b>HUMAN RESOURCE AND REMUNERATION COMMITTEE</b>	<p>MOHAMMED BASHIR          ZAIN BASHIR          S.M. NADIM SHAFIQULLAH          MOHAMMED SALIM GHAFFAR</p>	<ul style="list-style-type: none"> <li>- Chairman &amp; Member</li> <li>- Member</li> <li>- Member</li> <li>- Secretary</li> </ul>
<b>BANKERS</b>	<p>ALLIED BANK LIMITED          BANK AL HABIB LIMITED          ASKARI BANK LIMITED          AL BARAKA BANK (PAKISTAN) LIMITED          BARCLAYS BANK PLC PAKISTAN          BANK ALFALAH LIMITED          BANKISLAMIC PAKISTAN LIMITED          BURJ BANK LIMITED          THE BANK OF PUNJAB          DUBAI ISLAMIC BANK PAKISTAN LIMITED          FAYSAL BANK LIMITED          HABIB BANK LIMITED          HABIB METROPOLITAN BANK LIMITED          HSBC BANK MIDDLE EAST LIMITED          MCB BANK LIMITED          MEEZAN BANK LIMITED          NATIONAL BANK OF PAKISTAN          NIB BANK LIMITED          SAMBA BANK LIMITED          SILKBANK LIMITED          SONERI BANK LIMITED          STANDARD CHARTERED BANK (PAKISTAN) LIMITED          UNITED BANK LIMITED</p>	
<b>AUDITORS</b>	<p>KRESTON HYDER BHIMJI &amp; CO.          Chartered Accountants</p>	
<b>INTERNAL AUDITORS</b>	<p>ANJUM ASIM SHAHID RAHMAN          Chartered Accountants</p>	
<b>LEGAL ADVISORS</b>	<p>A.K. BROHI &amp; CO          ADVOCATES</p>	
<b>REGISTERED OFFICE</b>	<p>PLOT NO.82, MAIN NATIONAL HIGHWAY          LANDHI, KARACHI-75120</p>	
<b>SHARE REGISTRAR</b>	<p>FAMCO ASSOCIATES (PRIVATE) LIMITED          8-F, NEXT TO HOTEL FARAN, NURSERY, BLOCK 6,          P.E.C.H.S., SHAHRAH-E-FAISAL, KARACHI.          PHONE NO. (+92-021) 34380101-5          FAX NO. (+92-021) 34380106</p>	
<b>MILLS</b>	<p>LANDHI INDUSTRIAL AREA, KARACHI-75120</p>	
<b>E-MAIL</b>	<p>finance@gulahmed.com</p>	
<b>URL</b>	<p>www.gulahmed.com</p>	





COLOR

Colors enliven a composition. They give the details and patterns their unique expression.

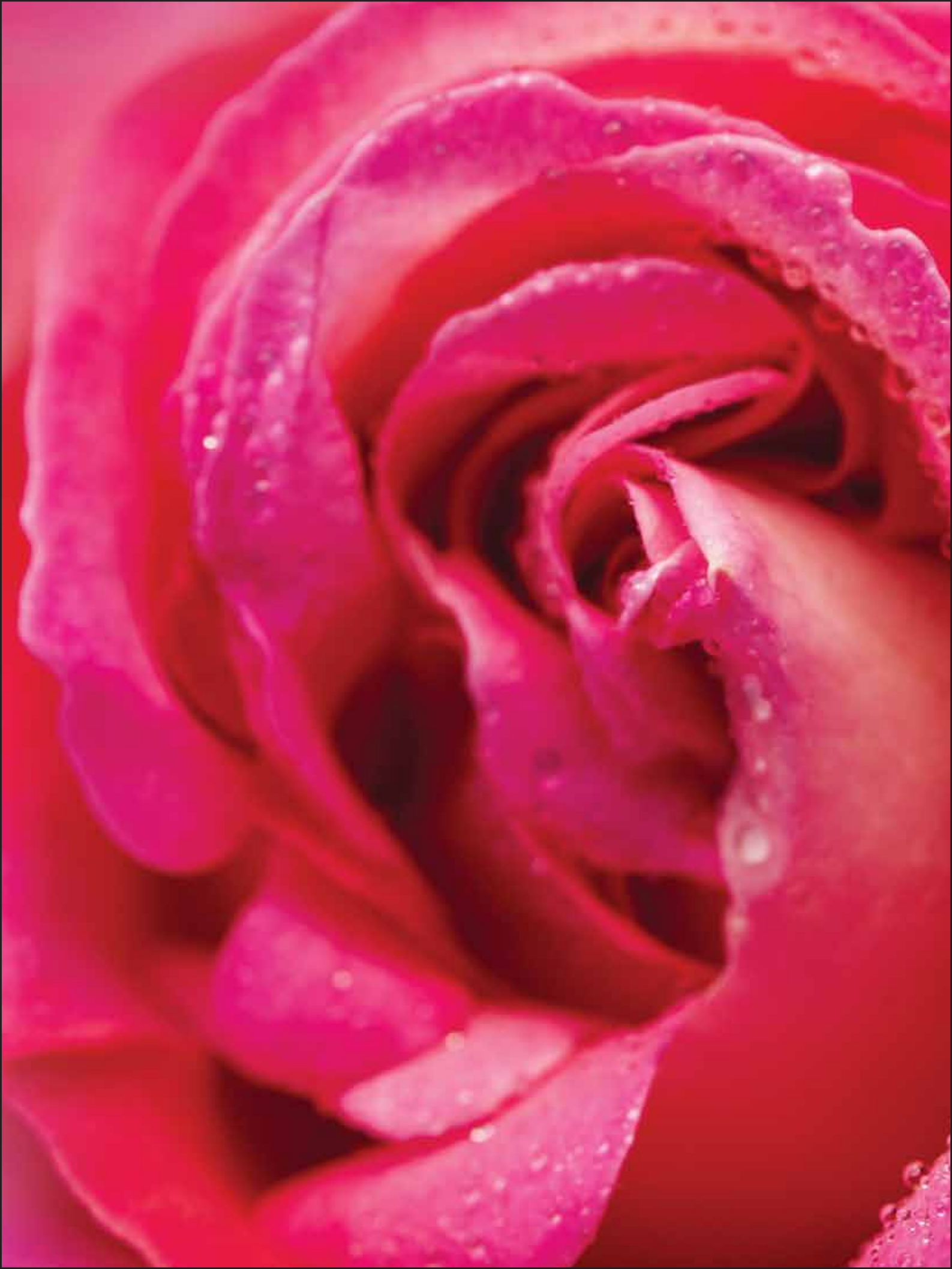


TEXTURE

Texture creates a sensation that makes a character interactive.



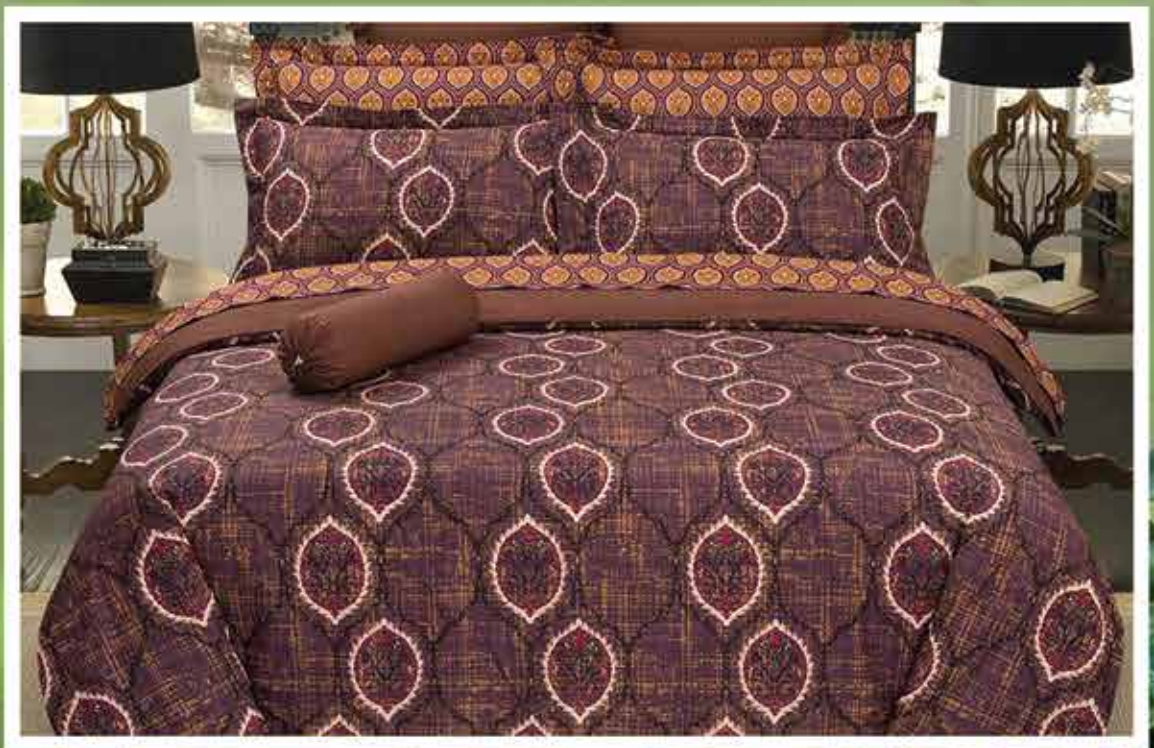


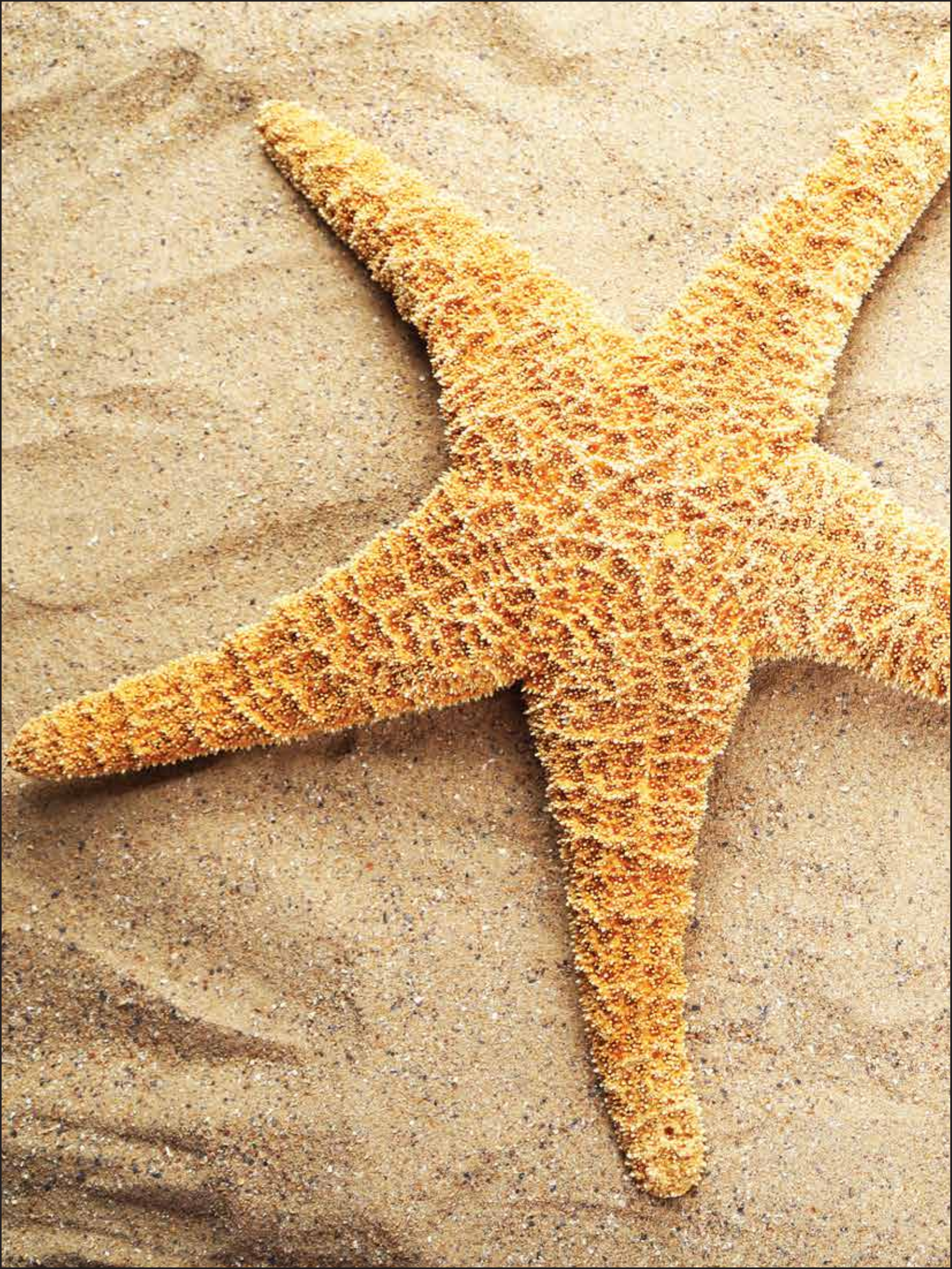




DETAILS

It's the details in a character which captivate an onlooker.





SHAPE

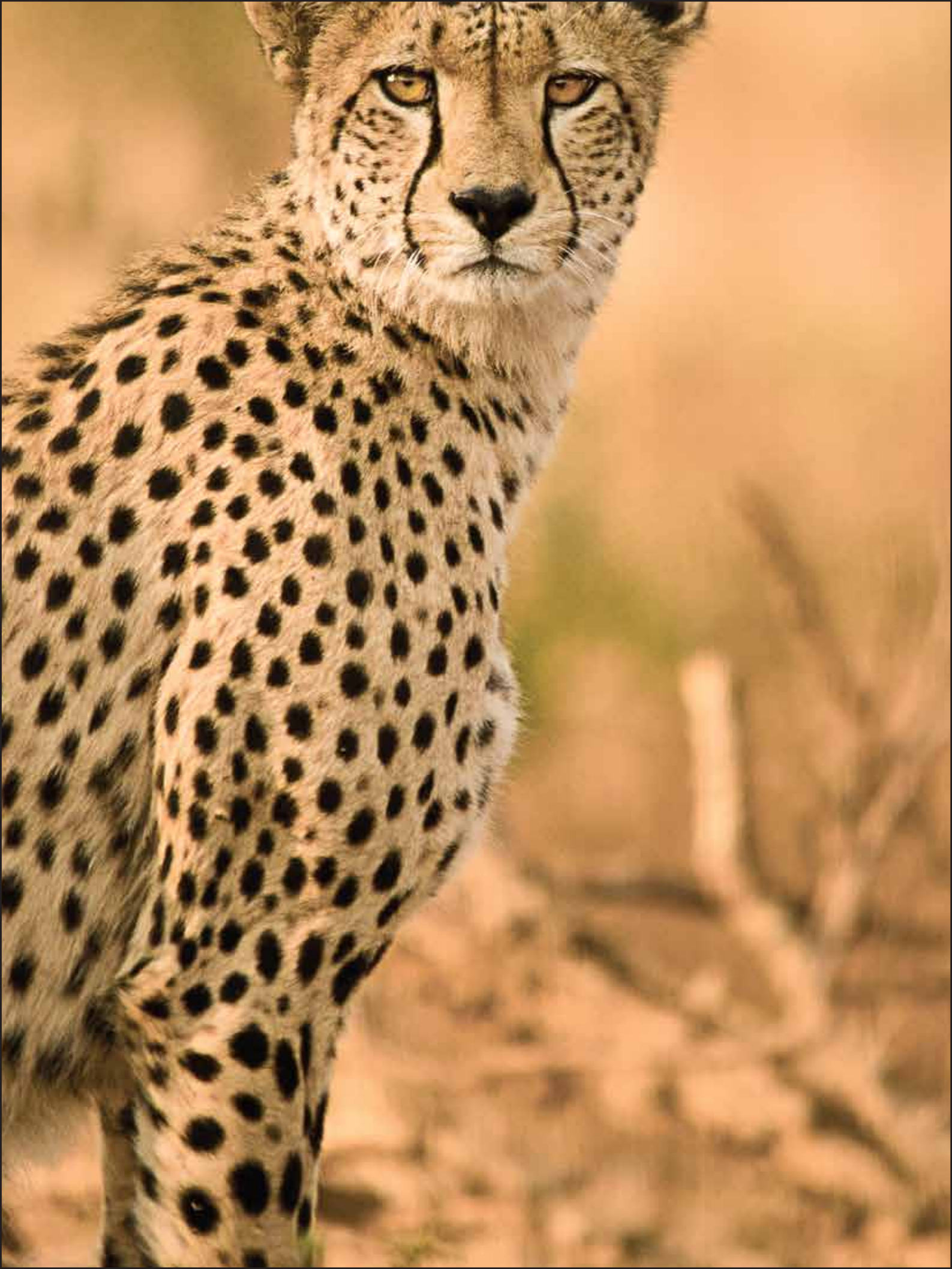
An existence makes its presence felt through its original shape.



PATTERN

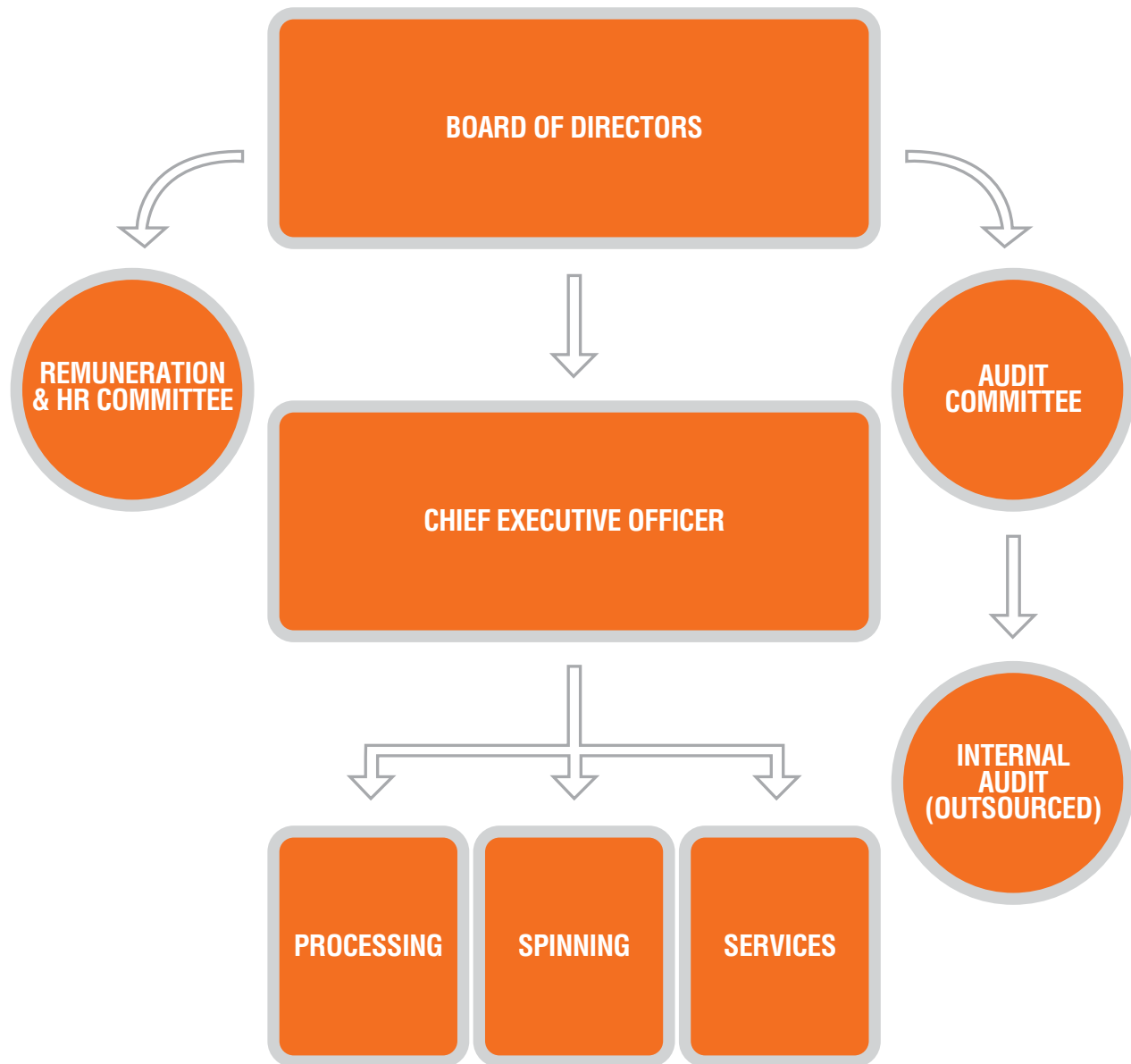
Patterns weave the persona and mirror all the splendors therein.





## Organogram

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## Strategic Objectives

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### The Company is primarily focused on following areas:

- Achieving sustainable growth in revenue of the Company.
- To be the industry leader by adopting latest technologies, production methodologies and artistic passion to produce best products setting new fashion trends.
- Develop and retain a highly capable human resource team to achieve our mission.
- To be a responsible corporate citizen and produce goods minimizing effects on environment while upholding the standards of health and safety at workplace. To share our resources with our community to help safeguarding their environment.
- Maintaining long-term relationships with customers and suppliers.
- Diversification of product portfolio to yield high margins.



## Environmental Overview (PESTEL Analysis)

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### Political Factors

- Political situation is yet to be fully mature
- Security concerns

### Economic Factors

- Change in discount rates impacts financial cost
- Rise in energy cost
- Currency fluctuations
- Existence of facilities to exporters like Export Refinance Facility and Long-Term Financing Facilities
- Investors are pulling out their capital by relocating, business shrinkages or shutdown due to energy crisis

### Social Factors

- The customers are very much fashion oriented and the companies are keen to develop and introduce new products setting new fashion trends
- The customers are very particular towards their safety while using the products and therefore our products require proper compliance with regards to consumer protection measures
- Growth in population is out-spacing the annual growth, resulting in unfavorable impact on the economy

### Technological Factors

- Technology change defines how fast technology advances. The Company is continuously monitoring technological advancement in production and is willing to adopt changes. It has state-of-the-art production facilities.
- Low research and development efforts in the industry and absence of industry specific think tanks
- Increasing trends of online shopping

### Environmental Factors

- Environmental factors especially recent heavy rains and flooding has affected overall economy.

### Legal Factors

- Increasing indirect taxes
- Trade and textile policies are not fully implemented. Policies by new government are awaited



## SWOT Analysis

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### Strengths

- Image and branding
- Pioneers in apparel fabric for both ladies and gents
- In-depth relationship with export customers
- Competent, vastly experienced and loyal staff and workers
- Global presence – wholly owned set-ups in UAE, Europe and USA to market the products
- Edge in technology – state-of-the-art plant and machinery
- In-house power generation
- Composite mill from cotton to made-ups
- Cordial relationship with the workforce
- Strong raw material base as Pakistan is the fourth largest producer of cotton

### Weaknesses

- Export dependent on limited customers
- Highly labor intensive industry
- Labor productivity is very low
- Leverage is somewhat higher than the desired level

### Opportunities

- Growing retail market including expansion of women's and men's apparel
- Growth in exports as a result of GSP Plus status from European Union
- Less explored USA, Canada and Australian markets
- Expand web-based sales
- E-marketing

### Threats

- Internal security situation and the looming war in the region
- Deteriorating economic conditions in the country compounded by increasing debt burden and circular debt
- Irrational taxation policies
- Continuous increase in energy prices and gas shortage affecting production and its cost
- Worsening of the economic conditions in Europe and America
- Textile industry is comprised of a large and unorganized sector, and the large number of competitors mostly in this sector especially in the ladies fashion fabric fray
- Key employees lured by competitors
- Shortage of raw material (cotton) due to natural disasters like heavy rain, floods, etc.
- Worldwide surplus production capacity resulting in price-cutting war between the competitors



## Product

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### PRODUCT STEWARDSHIP

**At Gul Ahmed, we focus on delivering high-quality products to our customers. Customers satisfaction is our key objective. We have taken following measures regarding product quality and consumer protection:**

- Quality control checks at different stages of the process of production and final quality check at the time of packing;
- Damaged or broken products are replaced;
- Environmental friendly and quality packing;
- Free product exchange service;
- Customer friendly and hygienic environment;
- Product safety guidelines for washable products to enhance their life;

### PRODUCT PORTFOLIO

**The production of textile is a mix of technical expertise and the creative art required to make products acceptable to valued customers. At Gul Ahmed, efforts are made to strive and grow through learning, continuous improvement and innovation. Gul Ahmed is also equipped with the most advanced technology that enables it to cater to a vast spectrum of product varieties.**

#### Yarn

Yarn produced by Gul Ahmed is exported to a host of countries around the globe. Gul Ahmed exports its yarn to different regions including China, other Asian, Middle East countries and Europe.

Gul Ahmed manufactures different qualities of yarn which include carded, combed, compact siro, fancy, plied, core spun, slub, package dyed/cone dyed, gassed mercerized/dyed yarn.

#### Fabric

Gul Ahmed has the facility to dye and print the whole range of home textile and apparel fabrics. In addition, we also have setup for back coating and flock printing that gives us an added opportunity to serve the needs of our customers. Our products under the fabric category are plain fabric, sheeting fabric, poplin, canvas, oxford, duck, bedford cord, herringbone, ottoman, twill, sateen, rib stops, slub fabric, stretch fabric and mélange fabric.

#### Made-ups

Gul Ahmed's fine textile products represent a unique fusion of the centuries-old traditions of the east and the latest textile technology of the west. The made-ups can be in white, dyed, printed or yarn-dyed form and in different styles of confectioning. Our made-ups section comprises:

- **Home Textiles**

Home textile products furnish all home and office decoration needs and are designed to set new trends and fashion vibe. This section includes:

- Sheets and Pillowcases
- Comforters
- Quilt/Duvet covers
- Bed-in-a-Bag
- Decorative pillows

- Curtains
- Upholstery fabrics

- **Apparel and Garments**

We have always kept alive the passion of creative designers and invited young talent to express their talent in various forms of design. This is how the Company encourages them and also benefits from their ideas. Our value creation process and our human resource have never let us down. The passion of our customers to rush to the stores on every new launch is a testament to our success in creating appealing designs and new fashion trends.

Getting impressive response from the local market, we have now gone for the export of garments. Designing products according to the fashion flow of the target countries and the GSP Plus status have helped us increase our exports.



## Stakeholders Engagement

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**Good stakeholder relationships are viewed as being fundamental to the core business of the Company. Stakeholder engagement is at the heart of the Company's sustainable development agenda. The Company believes that without engaging stakeholders, there can be no common enduring agreement, ownership or support for our business. The Company can only succeed, especially in the long-term, if it takes into consideration the environment in which it operates and endeavors to meet the needs of the stakeholders affected by it.**

### **Employees**

The Company realizes the fact that employees need to 'know' that they are valued. Therefore, the Company maintains a friendly environment for its employees and regards their feedback as essential for success and growth at each performance level. This creates motivation amongst employees and provides new and innovative ideas to the Company.

The Company maintains effective communication between the management and the staff. To secure maximum cooperation of the employees and to motivate them to give their best, it is ensured that they feel fairly treated, and understand the overall mission, objectives and values of the Company.

As a good employer, the Company emphasizes staff welfare and recreational facilities in order to maintain staff morale and enhance their motivation. The Company contributes to Workers Profit Participation Fund, Workers Welfare Fund, retirement plans (Provident Fund and Gratuity Fund), Health Insurance, Employees Old Age Benefits Institution and Social Security Institution.

Employees relationship is designed to secure staff commitment to resolve any disputes and address grievances. The Company has provided platform to the employees to raise their concerns, complaints and grievances.

### **Customers**

It was well said by an American author Michael LeBoeuf; "A satisfied customer is the best business strategy of all". We also maintain a good relationship with our customers by providing quality products and making deliveries on time. We also provide specialized services to our customers as per their requirements.

To further strengthen our relationship, the Company organizes and attends various events and exhibitions, providing our customers opportunities to interact, and obtains their feedback to understand their needs and requirements.

### **Suppliers and partners**

The quality of the products which goes into what we manufacture has a direct impact on the quality of the products that go to the market bearing our brand.

The Company develops two-way, mutually beneficial relationships with strategic suppliers and partners. This enables each business to develop shared goals, visions and strategies. Trade buyers and sellers can effectively collaborate to deliver the best value to end customers, which is beneficial to each partner. The Company complies with all the legal requirements and operates ethically and accordingly deals with suppliers and partners having similar standards.

### **Shareholders**

Safeguarding the interest and adding value for our shareholders are among our key objectives. Shareholders meetings and timely and accurate reporting to our shareholders are the effective modes of engagements with our shareholders. In addition to this, we promptly attend to shareholders' inquiries and appreciate their feedback.

### **Government Authorities**

We regularly coordinate with government authorities on different trade and commerce related issues. The Company carries out its business in compliance with all laws and regulations enacted in the country. As a responsible corporate citizen, the Company pays all duties and taxes in time.

### **General Public and Local Community**

The Company is continuously contributing towards the betterment of the local community. The Company has taken numerous initiatives for the local community which include employment opportunities, development of water recycling plant to preserve the nature, establishment of Police and Rangers check posts, etc.

### **Media**

The Company disseminates information through print, electronic, social and other web media.



## Profile of the Directors

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### Mr. Mohomed Bashir

Chairman

Mr. Mohomed Bashir joined the Board of Gul Ahmed Textile Mills Limited in 1982. He is a fellow member of Chartered Institute of Management Accountants (CIMA), United Kingdom.

Mr. Mohomed Bashir has a very rich and extensive experience in the textile industry. He is currently the Chairman of the Board of Directors of Gul Ahmed Textile Mills Limited and Pakistan Business Council. He is also serving on the Boards of the following companies;

- Pakistan Business Council (Chairman)
- Gul Ahmed Energy Limited
- Habib Metropolitan Bank Limited
- GTM (Europe) Limited – UK
- Gul Ahmed International Limited (FZC) – UAE
- GTM USA Corp – USA
- Habib University Foundation
- Education Fund for Sindh
- Gul Ahmed Holdings (Private) Limited

Presently, his honorary Government, Trade & Industry and Consular positions include:

- Honorary Consul General of Sweden – Karachi
- Member, Advisory Board of CPLC, Government of Sindh (2010)
- Member, Pakistan France Business Council
- Member, Pakistan German Business Council

Previously, he has also held the following honorary Government and Trade & Industry positions:

- Vice Chairman, Pakistan Business Council – 2013 - 2014
- President, International Textile Manufacturers Federation (ITMF) (2010-2012)
- Vice President, International Textile Manufacturers Federation (2008-2010)
- Founder, Trustee, Fellowship Fund For Pakistan till February 2014
- Member, Advisory Committee, Federal Tax Ombudsman, Government of Pakistan (2011-2014)
- Member, Economic Advisory Council, Government of Pakistan (2001-2003/2008-2013)
- Member, Export Promotion Bureau, Government of Pakistan (2002-2007, 1995-1997)
- Member, National Strategy on Textiles (2006-2007)
- Chairman, Pakistan Britain Advisory Council (2002-2005)
- Chairman, All Pakistan Textile Mills Association (1989 -1990)
- Vice Chairman, All Pakistan Textile Mills Association (1982-1985)
- Chairman, Pakistan Swiss Trade and Industry Committee (1981-2000)
- Governing Board, Pakistan Design Institute (1981- 2000)

In recognition of his services, he was awarded Sitara-e-Imtiaz by the President of Pakistan in 2006 and has also been conferred as Justice of Peace.

### Mr. Zain Bashir

Vice Chairman/Executive Director

Mr. Zain Bashir joined the Board in May 1997. He is also the Vice Chairman of the Company and is a certified director from the Pakistan Institute of Corporate Governance (PICG). He is on the Board of Landhi Infrastructure Development and Management Company which is responsible for enhancing the infrastructure of Landhi Industrial Area. In 2009-2010, he remained the Chairman of the Landhi Association of Trade & Industry. In 2012-2013, he remained the Chairman of the Pakistan Bedwear Exporters Association.

His extensive association with the textile sector has provided him with an in-depth knowledge of the industry.

### Mr. Mohammed Zaki Bashir

Chief Executive Officer

Mr. Mohammed Zaki Bashir joined the Board in March 2008. He is currently the Chief Executive Officer of Gul Ahmed Textile Mills Limited. He holds a graduate degree from Regent's Business School, London, in the subject of International Business and is also a certified director from the Pakistan Institute of Corporate Governance (PICG).

Through his thorough knowledge of the Company, he has contributed to the overall growth of the Company.

### Mr. Ziad Bashir

Non-Executive Director

Mr. Ziad Bashir has been on the Board since February 1999. A graduate from Babson College, USA, with a bachelor degree in Entrepreneurial Studies, he has a comprehensive experience of the textile sector and is involved in various developmental and operational activities of the Company.

He is also associated with the Information Technology (IT) industry and has played a key role in the transformation of the Company's IT infrastructure. He is a certified director from the Pakistan Institute of Corporate Governance (PICG).

Over the years, he has served as Chairman of the Landhi Association of Trade and Industry and on the Board of Central Managing Committee of All Pakistan Textile Mills Association (APTMA). He is also currently on the Board of Governors of Young Presidents Organization (YPO), Pakistan.

### Mr. S.M. Nadim Shafiqullah

Independent Non-Executive Director

As an independent non-executive director, Mr. S.M. Nadim Shafiqullah's association with the Board dates back to March 2008. He is also the Chairman of the Audit Committee of the Company and a certified director from Pakistan Institute of Corporate Governance (PICG).

He is also serving on the Board of Security Leasing Corporation Limited since March 1995, and as the Vice-Chairman of the Board since November 2005.



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## Dr. Amjad Waheed

Independent Non-Executive Director

Dr. Amjad Waheed joined the Board as an independent non-executive director on March 31, 2011. He holds a Doctorate in Business Administration with a major in Investments and Finance from Southern Illinois University, USA and is also a Chartered Financial Analyst. For the last nine years, he is CEO of NBP Fullerton Asset Management Limited (NAFA), which is a subsidiary of National Bank of Pakistan, with Fullerton Fund Management Company of Singapore as the other joint venture partner. NAFA is presently managing 15 mutual funds, two pension funds and several Advisory portfolios with around Rs. 44.5 billion as of August, 2014 invested in these funds.

Before joining NAFA, Dr. Amjad was Head of Equity Mutual Funds & Portfolios at Riyadh Bank, Saudi Arabia, for about five years where he was managing around US\$ 7.5 billion invested in 22 mutual funds. Prior to that he was Head of Asset Management at NIT, and Chief Operating Officer of FC-ABN AMRO Equities for several years. Before moving back to Pakistan, Dr. Amjad Waheed was Assistant Professor of Finance at Tennessee State University, USA and has published several articles in top journals of the world such as, Journal of Banking & Finance and Financial Management.

Dr. Amjad Waheed has served on the boards of various companies including Siemens (Pakistan) Engineering Co. Ltd., Nishat Mills Ltd., PICIC, Askari Bank Ltd., Millat Tractors Ltd., Fauji Fertilizer Company Ltd., Pakistan Tobacco Company Ltd., Parke-Davis & Company Ltd., Treet Corporation Ltd., Atlas Investment Bank Ltd., Bata Pakistan Ltd.

Dr. Amjad Waheed has been elected as the Chairman of the Board of Directors of Mutual Funds Association of Pakistan (MUFAP) for the year 2013-2014.

## Mr. Adnan Afridi

Independent Non-Executive Director

Mr. Adnan Afridi joined the Board as an independent non-executive director in March 2011. Mr. Adnan Afridi is currently CEO of Tethyan Group. Tethyan is a 50:50 joint venture between Antofagasta Minerals of Chile and Barrick Gold Corporation of Canada (both gold and copper mining leaders globally), which developed the Reko Diq project in Balochistan. The Company is currently engaged in ongoing international arbitrations against the Government of Balochistan at the ICC in Paris and the Government of Pakistan at the ICSID in Washington. The Company has already invested over US\$ 220 million into the project since 2006 apart from the acquisition cost.

Prior to this assignment, Mr. Adnan Afridi was Senior Advisor to Silkbank Limited, a publicly listed retail bank with 85 branches and a sponsor group that includes IFC, Nomura, Bank of Muscat and Sinthos Associates (led by Mr. Shaukat Tarin, former Federal Minister for Finance, Pakistan). Mr. Adnan Afridi was responsible for capital raising and the M&A strategy for the bank, and is also responsible for all non-banking financial services for the bank (Private Equity, Insurance, Distressed Assets and REITs).

Mr. Adnan Afridi also managed a Venture Capital and Private Equity portfolio that includes investments in Retail Food,

Corporate Agriculture, Financial Services and Oil & Gas. Adnan was also a key member of the Private Equity team that led the successful Dun and Bradstreet brand and business buyout in all of South Asia, GCC and Africa (77 countries).

Mr. Adnan Afridi has a degree in Economics (A.B., Magna Cum Laude, 1992) from Harvard University and a degree in Corporate Law (JD, Magna Cum Laude in 1995) from Harvard Law School. 19 years of international experience in Change Management, business transformation, innovation and profitability enhancement in blue chip companies, public sector and start-up situations. His industry experience includes Capital Markets, Commodities, Private Equity, Financial Services, FMCG, Food and Health Care sectors, operating in CEO roles with Board level representations.

Mr. Adnan Afridi started his career with Monitor Company, USA as a Strategy Consultant, designing business unit and corporate strategies for Fortune 50 companies. Over the past 15 years, he has been facilitating foreign direct investment into Pakistan by assisting Private Equity transactions, including key privatization transactions (e.g., K-Electric Limited, formerly Karachi Electric Supply Company). Prior to joining KSE, he served as the Chief Executive Officer of the Overseas Investors' Chamber of Commerce and Industry (OICCI), a company representing major foreign investors operating in Pakistan. OICCI membership contributes over 14% of the GNP of Pakistan and over one third of all revenues collected by the Government of Pakistan. Adnan was responsible for developing the KFC and Dunkin Donuts brands in Pakistan. His current food investments and management interests include Pizzo (a local casual Italian brand), KBQ (a Dubai based Asian casual dining restaurant) and Chairman Mao (Karachi's largest delivery based provider of Oriental cuisine).

As Managing Director of Karachi Stock Exchange, he led a change management program responsible for restructuring the organization into a commercial entity with the introduction of professional management, new products including, bond trading, derivatives and data-vending, enhanced branding and agreements with regional exchanges. During his tenure, the KSE witnessed significant reforms in Listing Regulations (e.g. introduction of book-building), derivatives trading and Risk Management systems. Mr. Adnan Afridi has been the key interlocutor between global portfolio investors and the Pakistan equity markets.

Mr. Adnan Afridi currently serves as an Independent Director on the Board of Gul Ahmed Textile Limited as well as Trading Corporation of Pakistan. Mr. Adnan Afridi is also on the Board of Silkbank Limited. Previously, Mr. Adnan Afridi has served on the Board of Governors (Education Chair 2010) of Young Presidents Organization (YPO) Pakistan. He also served as the Chairman of South Asian Federation of Exchanges (SAFE) between 2009-2010. Mr. Adnan Afridi is also a Trainer for IFC-Pakistan Institute of Corporate Governance Course on Governance for Board of Directors of Banks.

Mr. Adnan Afridi is an active supporter of charitable organizations. He has served as the President of the Old Grammarians Society & Trust and is currently member of the Board of Governors (and Honorary Treasurer) of The Kidney Centre.



## Board Committees

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### AUDIT COMMITTEE

#### 1. Composition

• Mr. S.M. Nadim Shafiqullah	Chairman & Member
• Mr. Mohomed Bashir	Member
• Mr. Adnan Afridi	Member
• Mr. Mohammed Salim Ghaffar	Secretary

#### 2. Terms of Reference

The committee shall be responsible for:

- Reviewing the system of internal controls, risk management and the audit process besides assisting the Board in reviewing financial statements.
- Recommending to the Board of Directors the appointment of external auditors, determining audit fees and settling other related matters.
- Determination of appropriate measures to safeguard the Company's assets.
- Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors.

Major judgmental areas:

- Significant adjustments resulting from the audit;
  - The going concern assumption;
  - Any changes in accounting policies and practices;
  - Compliance with applicable accounting standards; and
  - Compliance with listing regulations and other statutory and regulatory requirements.
- Review of preliminary announcements of results prior to publication.
  - Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
  - Review of the management letter issued by external auditors and management's response thereto.
  - Ensuring coordination between the internal and external auditors of the Company.
  - Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
  - Consideration of major findings of internal investigations and management's response thereto.
  - Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
  - Review of the Company's statements on internal control system prior to endorsement by the Board of Directors.
  - Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and considering remittance of any matter to the external auditors or to any other external body.
  - Determination of compliance with relevant statutory requirements.
  - Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
  - Consideration of any other issue of matter as may be assigned by the Board of Directors.





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## HUMAN RESOURCE AND REMUNERATION COMMITTEE

### 3. Composition

• Mr. Mohamed Bashir	Chairman & Member
• Mr. Zain Bashir	Member
• Mr. S.M. Nadim Shafiqullah	Member
• Mr. Mohammed Salim Ghaffar	Secretary

### 4. Terms of Reference

The committee shall be responsible for:

- Ensuring that the appropriate procedures exist to assess the remuneration levels of the Chairman, Chief Executive Officer (CEO), Non-Executive Directors, Executive Directors, Board Committees and the Board of Directors as a whole.
- Ensuring that the Company adopts, monitors and applies appropriate remuneration policies and procedures.
- Ensuring that reporting disclosures related to remuneration meet the Board's disclosures objectives and all relevant legal requirements.
- Making recommendations to the Board on appropriate remuneration, in relation to both the amount and its compositions, for the Chairman, CEO, Non-Executive Directors, Executive Directors and Senior Executives.
- Developing and recommending to the Board performance based remuneration incentive programs such as bonus schemes, long-term incentive plans.
- Developing, maintaining and monitoring appropriate Human Resource Policies and Procedures.
- Developing, maintaining and monitoring appropriate talent management programs including succession planning, recruitment, development, retention and termination policies and procedures for senior management.
- Developing remuneration related disclosure objectives for the Company and ensuring that publicly disclosed information meets those objectives, all legal requirements and is accurate; and
- Developing and monitoring Workplace Health and Safety metrics and initiatives to ensure a safe working environment.



## Code of Conduct and Ethics

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**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 the 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, 2014 at 9:30 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, 2014 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.

Shareholders who have not yet submitted photocopy of their CNIC are requested to send the same to the Share Registrar of the Company FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi at the earliest.

### Ownership

On June 30, 2014 the Company has 2,973 shareholders.

### Karachi Stock Exchange Share Prices 2013-14

Period	Price in Rupees	
	High	Low
1st Quarter	30.67	23.10
2nd Quarter	45.32	20.50
3rd Quarter	65.66	45.50
4th Quarter	72.35	48.51

### Announcement of Financial Results

The tentative dates of the announcement of financial results and payment of cash dividend (if any) for the year 2014-15 are as follows:

Period	Financial Results	Dividend Payment (if any)
1st Quarter	October 28, 2014	---
2nd Quarter	February 27, 2015	---
3rd Quarter	April 28, 2015	---
Annual Accounts	September 29, 2015	November 30, 2015

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, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi, Phone Nos. (+92-021) 34380101-5 and Fax No. (+92-021) 34380106.

### Web Reference

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

### Investor Relation Contact

Mr. Mohammed Salim Ghaffar, Company Secretary

Email: [salim.ghaffar@gulahmed.com](mailto:salim.ghaffar@gulahmed.com) UAN: (+92-021) 111-485-485 & 111-486-486 Fax: (+92-021) 35018838



## Chairman's Message

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Dear Stakeholders

It is indeed a great pleasure to present the Company's Annual Report and audited financial statements for the year ended June 30, 2014.

Global recession of 2008-09 badly affected most of the developed countries including USA and almost whole of Europe. Asia has led the global recovery from the recession as the fastest growing economies in the world are noted to be China and India.

Talking about Pakistan's economy, it continued to witness growth despite tough fiscal, energy, political and security challenges. Reforms and initiatives are needed to be made on war footings to reinvigorate the economy.

Despite these tough economic challenges, your Company managed to increase sales by 9% and increase the profit after tax by 74% as compared to the previous year. This is due to our commitment and focus on risk management, good governance, strong information system, creating more brand value and operational quality.

Amidst the ever-changing fashion flows, the Company is the symbol of creating new fashion trends, a fact made possible by remaining continuously updated with demographic and geographic requirements and changes. The Company has a clear and far-reaching vision of enhancing its productivity and core competency by embracing technological advancement and therefore achieving accelerated growth rate and competitiveness.

We continue to drive efficiency and cost reduction by leveraging the scale and geographic footprint of our business. Furthermore, we are also taking advantage by exploiting the flexibility of our business strategy to respond to market trends. This has enabled us to offer value to our customers.

We believe strong governance is critical to the long-term creation of shareholder value, is our belief. We have the system in place to regularly review and refresh our corporate governance practices and the legal requirements. The new Board of Directors was established during the year following elections in March 2014 and includes three independent Directors. The positions of the Chairman and of the Chief Executive have been separated.

Furthermore, your Company is poised to reap benefits of its well established brand for future growth and better returns for the stakeholders.

I would like to thank all our employees for their contribution throughout the year. We value our employees and their efforts in implementing our strategy, living our values and representing the Company in our communities. We also appreciate the tremendous trust the customers have shown. Finally, I would like to express my gratitude to the shareholders of the Company.

**Mohammad Bashir**  
Chairman

## Directors' Report

The directors of your Company are pleased to present the Annual Report and the audited financial statements for the year ended June 30, 2014 together with Auditors,, Report thereon.

### ECONOMIC AND INDUSTRIAL OVERVIEW

During the fiscal year (FY) 2013-14, some positive results were noted; particularly stabilizing foreign exchange reserves, stability in prices, encouraging industrial growth, historical heights of Karachi Stock Exchange, shift in market-based (T-Bills and PIB) public debt toward medium to long-term, successful launching of Eurobond and auction of 3G/4G licenses reinforced this view.

GDP growth of 4.14% in FY 2013-14 (3.7% in FY 2012-13) is the highest in the last six comparative years. Encouragingly, this relatively higher growth was led by recovery in the industrial sector, thanks to better performance of Large-Scale Manufacturing (LSM). LSM grew by 5.31% as compared to 4.08% during the previous year. Major contributions (around 52%) were made by fertilizers, leather products, food, beverages and tobacco and rubber products. Textile could only contribute 1.44% to the growth of LSM in FY 2013-14 (0.91% in FY 2012-13).

Another significant event is the appreciation of PKR vs. USD parity during the year. By 11th July 2014, PKR has appreciated by 6.7% against the USD in the interbank market since January 2014. This appreciation is in contrast to the higher inflation in Pakistan as compared to the inflation in the United States of America and other western world trading partners. As a result, the country's export competitiveness has been adversely affected and the Government is losing revenues on account of import duties as imports have become cheaper. Moreover, there has been a significant increase in outward remittances on account of profits, dividends and other services impacting our balance of payment position.

Pakistan has to sustain and improve on required structural changes and the economic management, and carefully monitor the PKR-USD exchange rates. Improvement in country's security and political conditions is also critical in attracting non-debt creating foreign financial inflows.

Textile industry is the biggest manufacturing sector of Pakistan, the largest employer of the workforce and has the longest production chain, with inherent potential for value addition at each stage from cotton to ginning, spinning, weaving, processing, made-ups and garments. Overall the sector contributes around 8% of GDP. However, despite being the fourth largest producer and 3rd largest consumer of cotton globally, Pakistan's comparative advantage is to increase value added exports as reflected in country's textile ranking of 15th in world textiles exports.

Major threats to the industry are the shortage of energy and law and order situation. The problems of increase in cost of production due to rise in energy costs and appreciation of the PKR vs. USD have off-set the prospects of increase in textile exports due to GSP Plus status in the ongoing FY which will impact the exports of value added textile sector.

### PERFORMANCE OVERVIEW

The current FY 2014 also remained challenging for the industry as a whole. Despite these challenges, we are pleased to report that overall performance has remained positive and the Company's management continues to focus on creating value for its stakeholders, society and shareholders. Key performance indicators (KPI's) which we monitor are:

Description	Units	2014	2013
Export sales	Rs. in millions	21,485	16,979
Local sales	Rs. in millions	11,422	13,183
Gross profit	Rs. in millions	5,976	4,751
Profit before tax (PBT)	Rs. in millions	1,496	852
Profit after tax (PAT)	Rs. in millions	1,235	711
EBITDA	Rs. in millions	3,519	2,900
EPS	Rupees	6.75	4.09
Debt to equity	Time	0.34	0.40
Current ratio	Time	1.06	1.05
Break-up value per share	Rupees	36.43	35.63

### Profit and loss analysis

The performance is improving as our sales have grown by 9%. We were able to contain our finance cost which was achieved by efficient utilization of credit facilities. The Company has earned PBT of Rs. 1,496 million versus PBT of Rs. 852 million in the FY 2013. PAT for the year is Rs. 1,235 million as compared to PAT of Rs. 711 million in the previous FY which represents 74% growth over the comparative year.

Export sales have increased by 27%, whereas local sales have decreased by 13% over the comparative previous FY. Within local sales only yarn sales have decreased, whereas the sale of value added processed fabric, garments and made-ups has increased.

Description	Units	2014	2013
Fabric, Garments etc.	Rs. in millions	8,774	6,961
Yarn	Rs. in millions	4,008	7,017

Striving to achieve economies of scale we were able to cut the cost of production thereby improving the gross profit by 3.47%.

## Directors' Report

### Financial position analysis

Shareholders equity has increased by 23%. Trade debts have decreased by 47%. Property, plant and equipment have increased by 15% mostly due to addition of latest machinery, whereas long-term financing has increased only by Rs. 84.24 million which is 4% as compared to fiscal year 2013.

Overall there is improvement in the leverage, debt to equity and interest cover ratios. Debtors and creditors turnover has also improved. Comparisons are given in the financial analysis section.

### Subsequent effects

1. The Board of Directors of the Company in its meeting held on September 27, 2014 has proposed the following:

- a) **Bonus Shares:** Issue 25% bonus shares on the existing paid up capital of the Company in the ratio of one share for every four shares held.
- b) **Dividend:** Pay cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2014. Holding Company and an Associated Company have agreed to relinquish their portion of cash dividend.
- c) **Transfer from Unappropriated Profit:** An amount of Rs.650 million be transferred to general reserve from unappropriated profit

### 2. Fire in Warehouse

On July 26, 2014 there was an unfortunate fire incident on the third floor of one of our warehouses. Goods stored on this floor were damaged. Adequate insurance cover to mitigate the loss is in place. Estimate of the loss is around Rs. 400 million. All the Company's production facilities are working soundly. There is no disruption in any operation.

### CAPITAL STRUCTURE

During the year, authorized share capital was increased from Rs. 2,000 million to Rs. 4,000 million to cater to the bonus issue of the shares and the Company issued 20% bonus shares. As a result, the paid-up capital has increased to Rs. 1,828 million. Overall shareholders' equity increased by Rs. 1,231 million to Rs. 6,660 million as a result of the profits retained in the business.

The debt to equity ratio as at the end of June 30, 2014 improved to 25:75 (June 30, 2013: 28:72).

The Company is now a subsidiary of Gul Ahmed Holdings (Private) Limited holding 123,314,552 (67.45%) shares.

### FUNDS MANAGEMENT

Your Company posted improved operational performance and profitability which resulted in stronger cash flows. Management closely monitors the working capital requirements and cash flow forecasts along with interest and foreign exchange rates to manage risks or avail opportunities that may arise.

The Company ensures that funds are available as and when required. At the year end, the Company had Rs. 6,312 million (2013: Rs. 3,560 million) unutilized credit lines to cover any temporary mismatches.

### INFORMATION TECHNOLOGY

Relevant, timely and accurate reporting of information is essential to fulfill the needs of the users for decision-making. Considering needs of the users and role of IT in success of the business, the Company regularly reviews and upgrades the management information system which is geared to:

- monitor and improve ongoing performance;
- provide up-to-date information on which to base strategic decisions;
- verify and demonstrate departmental effectiveness; and
- create service-wide checks and balances to safeguard asset and ensure accountability.

The Company, in line with current development in IT and E-Commerce, started online sales system. This has enabled the Company to do business 24-hours-a-day, 7-days-a-week. This year, the Company has earned revenues of Rs. 141.27 million through online sales.

To maintain IT system as reliable, safe and accurate, the IT department has taken adequate measures including installation of anti-virus and firewalls, backup procedures, standby arrangements and disaster recovery plans.

### QUARTERLY ANALYSIS

Summary of quarterly results for the year ended June 30, 2014:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>Rupees in millions</b>					
Equity	5,584	5,999	6,432	6,660	6,660
Sales	7,051	8,562	8,331	9,069	33,013
GP	1,228	1,695	1,645	1,408	5,976
PAT	156	414	433	232	1,235
<b>Rupees per share</b>					
EPS	0.85	2.26	2.37	1.04	6.75



**Net assets**

Net assets of the Company have increased by 23% during the year. The Company performed better despite the tough economic conditions. The increase in net assets is due to the profits retained.

**Sales**

Sales growth over the year was recorded at 9%. First half contributed 47% to the annual sales, whereas the third and fourth quarters contributed 53%. The Company has started to reap benefits of EU's GSP Plus program.

**Gross profit**

Gross profit has increased progressively; there has been an overall improvement of 2.4% in the gross margin as compared to the corresponding period.

**Profit after tax**

Profit after tax has also increased steadily in each quarter. Increase in gross profit and controlling of the expenditure side contributed to the increase in profit after tax.

**RISK MANAGEMENT**

The Company has systematic and structured Risk Management Process as an integral part of governance process which is continually and periodically re-assessed.



Our Risk Management Process covers measuring, monitoring and controlling the strategic, financial, operational, market and compliance risks. Following are the significant risks to which the Company is exposed and the mitigating factors:

**Strategic risks**

1. **Technological shift rendering production process obsolete:**
  - Management ensures that the Company is producing goods with the latest technology available. Any technical advancement is acquired and adopted after feasibility studies.
2. **Decline in exports:**
  - The Board meets quarterly to review the results.
3. **Competition:**
  - Exhibitions and fashion shows to market product.
  - Effective advertisement and marketing to boost demand.
  - Continuous focus on the quality of the products to meet quality standards at reduced cost.

**Operational**

1. **Turnover of skilled staff**
  - The management ensures that adequate remuneration and compensation packages are being offered to the staff to retain and motivate them.
  - Continuous staff rotation and staff training contributes to succession planning.
  - Formal work procedures and instructions, and standardization of the processes are in place to help new employees to work effectively.
2. **Health and Safety at workplace**
  - Company has implemented appropriate Health and Safety policies and procedures. Health and Safety assurance team regularly visits and conducts audits to ensure that all employees adhere to Health and Safety procedures.
  - Social audit team regularly visits and also pays surprise visits to ensure compliance.
  - Disciplinary actions are taken against any non-compliance of policies and procedures.
3. **Wastage of resources**
  - Management of the Company conducts quality control reviews and critically monitors production and wastages and takes appropriate actions to minimize waste. Waste material is recycled as much as possible.



## Directors' Report

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### Financial

#### 1. Liquidity risk

- Management assesses liquidity risk where the Company may encounter difficulty in meeting obligations associated with financial liabilities.
- Committed credit facilities are obtained from financial institutions to bridge liquidity gap.

#### 2. Foreign currency risk

- The Company is exposed to foreign currency risk and manages this risk through various options such as forward cover, bill discounting, etc.

#### 3. Interest rate risk

- The Company has long term finance and short-term borrowings at fixed and variable rates. The Company is exposed to interest rate risk on long and short-term financing facilities and these are covered by holding "Prepayment Option" and "Rollover Option".

#### 4. Credit risk

- Wherever possible, sales are either in cash, against advance or irrevocable letters of credit, providing adequate cover against this risk.
- Credit sales are made after due diligence of the customers.
- Credit risk insurance cover is obtained for export customers whose credit rating based on due diligence is not fully satisfactory.

### Commercial

#### 1. Market risk

- The Company is continuously developing new products and improving quality of the existing products to compete in the market.

### Compliance

#### 1. Risk of non-compliance

- The Board has established policies and procedures to ensure that the Company's business is carried in accordance with applicable laws and regulations. Audit committee ensures that policies and procedures are being followed.

### CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is discussed in detail on page no. 31 forming part of the Annual Report 2014.

### 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 accounts of the 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 are non-executive directors. The Chairman is an independent non-executive director.
- The directors of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations. In compliance with the provisions of the Listing Regulations, four directors have attended and completed Corporate Governance Leadership Skills program under the Board Development Series of Pakistan Institute of Corporate Governance (PICG).
- 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 unaudited accounts as on June 30, 2014 is Rs. 470 million (FY 2013: As per audited accounts Rs. 462 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.



## BOARD CHANGES

During the year, election of the Directors was held at the Extraordinary General Meeting on March 19, 2014. The new Board of Directors consists of the following seven members:

S.No.	NAME	DESIGNATION
1.	Mr. Mohomed Bashir	Chairman
2.	Mr. Zain Bashir	Vice Chairman
3.	Mr. Mohammed Zaki Bashir	Chief Executive
4.	Mr. Ziad Bashir	Director
5.	Mr. S.M. Nadim Shafiqullah	Director
6.	Dr. Amjad Waheed	Director
7.	Mr. Adnan Afridi	Director

The term of the new Board will end on March 31, 2017.

The Board acknowledges the valuable contribution by Mr. Abdul Aziz Yousuf and Mr. Abdul Razak Bramchari, outgoing members of the Board.

The newly elected Board has an optimum combination of executive, non-executive and independent non-executive directors. Five out of the seven directors on the Board are non-executive, three of whom are independent directors. None of the directors on the Board is a director in more than seven listed companies. All the directors have diverse exposures, necessary skills and understanding to deal with various business issues and have the ability to review and challenge management performance.

## AUDITORS

The present auditors, Kreston Hyder Bhimji & Co., Chartered Accountants, retired and presented themselves for reappointment.

## CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the year ended June 30, 2014 of the Company and its subsidiaries Gul Ahmed International Limited (FZC) UAE, GTM (Europe) Limited UK and GTM USA Corporation USA are attached.

## FUTURE OUTLOOK

Low tax to GDP ratio, energy deficit, high unemployment, security concerns, weak confidence and low competitiveness are key problems creating hindrances in the growth of the country. Current political situation is also a matter of concern which may also have an unfavorable impact on the economic program agreed with IMF. Advanced economies are expected to lead global economic recovery in the next few years, which will definitely present an opportunity for Pakistan. By overcoming

energy needs, the country can become competitive in international market (particularly textile industry) and Pakistan could post a rather decent growth.

The consumer is under pressure due to continued energy crisis, adversely affecting the purchasing power. Any further increase in energy price and/or imposing a levy will no doubt lead to higher inflation.

Monetary policy so far has had a positive impact on the economy with a steady discount rate. However the management of the PKR/USD parity is a matter of concern. Revaluation of PKR against USD is making the country's exports uncompetitive.

Natural disasters, mostly floods due to weather changes and outdated irrigation system of Pakistan, have played havoc on the prosperity of the country. Due to recent floods, loss of hundreds of precious lives has been reported along with losses of billions of Rupees due to the destruction of crops, infrastructure, houses and deaths of cattle. The cotton crop has also been affected; a situation which has raised concerns about the increase in prices.

Our Company has shown its ability to grow in challenging times. We are working to increase the sales and profit, and materialize the opportunity of GSP plus scheme. Our human resource pool and efficient quality management system will lead the Company to progress further. Our efforts to diversify our product portfolio are bearing fruit and are being further strengthened.

## ACKNOWLEDGMENT

Directors acknowledge and appreciate the efforts of the employees and valuable support of the various government bodies, financial institutions, our customers, shareholders and members of the board of directors.

For and on behalf of the Board

Karachi  
September 27, 2014

**Mohammed Zaki Bashir**  
Chief Executive Officer



## Sustainability Report

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The world has reached a point where the Earth will have to end the burden placed on her, if the people do not lift the burden themselves. Therefore, we operate responsibly and act in the interests of our environment.

Stakeholders need to be informed of the measures and initiatives taken to ensure sustainability. This report is divided under three performance measures – Economic, Social and Environmental.

### ECONOMIC MEASURES

#### 1. Community development

In the area of community development, the Company helps people to recognize and develop their ability and potential to respond to problems and needs which they share. It provides opportunity to local people to learn and develop their own skills by providing them job opportunities.

Our children are the future of our country. The Company recognizes its responsibility towards children and strongly discourages child labor.

We encourage young talent by sponsoring and organizing different fashion designing programs and shows to appreciate their creativity and also offer them internship opportunities.

#### 2. Educational promotion/awareness

Gul Ahmed has always emphasized the education and professional awareness of the employees. The Company encourages its employees to pursue higher studies and supports them in achieving their educational goals.

We also arrange training programs and ensure the participation of employees to enhance their professional knowledge. Employees of Gul Ahmed are sponsored to participate in seminars and workshops to improve their personal skills.

#### 3. Better Cotton initiative (BCI)

BCI is a program aiming to improve the environment along with the livelihood of the farmers. This is achieved by following the guidelines of BCI. BCI's objectives are to:

- Reduce the environmental impact of cotton production
- Improve livelihood and economic development in cotton producing areas
- Reinforce commitment of keeping the flow of better cotton throughout the supply chain
- Endure the credibility and sustainability of BCI

Gul Ahmed is a member of BCI and strongly promotes its objectives by purchasing the cotton which is produced according to BCI guidelines. Gul Ahmed purchased BCI cotton weighing 5,855 tons in 2011-2012, 7,564 tons in 2012-2013 and 11,051 tons in 2013-14.

#### 4. Energy

Currently, the country is facing a severe energy crisis and efforts to install new capacity of power generation are yet to materialize. This adverse condition has resulted in load-shedding and power shutdowns. Considering the importance of energy and to cater to energy needs, the Company has heavily invested in power generation. This development includes the installation of a gas turbine and new fuel-efficient generators with the addition of energy-efficient machines to our various manufacturing units.

#### 5. Contribution to national exchequer

With the payment of taxes, the Company is making contribution to the country's development and growth. The Company contributed a total of Rs. 988.02 million in FY 2014 (FY 2013: 694.81 million) in various federal, provincial and local taxes.

### SOCIAL MEASURES

#### 1. Health, Safety and Environment

The management of Health, Safety and Environment (HSE) standards is imperative for any organization. Our focus is on health and safety of our workforce, security for assets, uninterrupted and successful business operations and protection of our local community and environment.

##### HSE Policy

The Company has established policies and practices on HSE. The main objective of these policies is that we conduct our business in compliance with laws and regulations related to health, safety and the environment in a way to make sure that workplace is safe and healthy, and our environment in which we operate is preserved.

The areas inside the factories are clearly marked with safety guidelines and use of safety tools and accessories which are provided to the workforce to protect them from injuries to their health and accidents. Chemicals storage area clearly contains Material Specification Data Sheets of Chemicals (MSDS).

The Company has established policies and practices on HSE. Salient features of HSE policy are:

- Maintain security of the people and assets
- Produce goods without compromising adverse effects on environment
- Comply with all laws and regulations on HSE
- Train employees and then hold them accountable for HSE responsibilities
- Conduct audit and ensure that activities are conducted in accordance with HSE guidelines of the Company
- Maintain green and clean environment
- Monitor accident reports and causes to make procedures and environment more controlled to avoid accidents in future

## 2. Human resource

The Company recognizes strategic importance of human capital and focuses on building and developing the human resource. For this purpose, the Board has established Human Resource Committee dedicated to review HR related decision-making.

Our approach for managing people effectively establishes a more open, flexible and caring management style so that staff remains motivated and is developed in a way that they will give their best to support the Company's objectives. The Company also offers competitive remuneration packages to its employees along with bonuses to employees to appreciate and acknowledge their performance.

Properly structured programs are also in place for the evaluation and appraisals of the employees so that they may be trained and rewarded accordingly. At Gul Ahmed, training is imparted not only to the management or technical staff but also to the workers. This will increase their efficiency and provide them more skills to compete while pursuing next level jobs.

The Company has always encouraged the hiring of women and special persons to help them in a manner which is respectable. We have always pursued a policy that restricts discrimination on the basis of gender, religion, nationality and even an abnormality. At the year end, we have more than 1200 women and 40 special persons on our payroll.

The Company has retirement plans in the form of gratuity and provident fund. The Company has contributed Rs. 102 million (2013: Rs. 82 million) during the year towards retirement benefits. The total

retirement funds are valued at Rs. 642 million (2013: Rs. 534 million). During the year, Rs. 75 million (2013: Rs. 42 million) have been paid to outgoing employees.

## ENVIRONMENTAL MEASURES

The Company is committed to making a significant contribution to environmental improvements. At the same time, the Company is working to reduce the impact of its activities on the environment. This commitment is reflected in the following activities:

### 1. Effluent Treatment Plant

The Company has installed Effluent Treatment Plant (ETP) which is functioning since July 2006 and meets all the NEQS standards. The capacity of plant is 1 million gallon per day.

### 2. Caustic recovery plant

The Company has installed Caustic Recovery Plant (CRP) at its processing facility to recover caustic soda from the wastewater generated from the mercerization process. CRP is helpful in recovering caustic soda to conserve resources and to reduce wastewater pollution.

### 3. Combined cycle gas turbine

We have been able to reduce our carbon footprint through combined cycle gas turbine. This helps in utilizing the energy of hot flue gases into waste heat recovery boiler, to produce high-pressure steam generation. The steam turbine running with it can generate 2.25 MW. Due to this cycle, we have reduced 30,000 tons/NM carbon dioxide.

### 4. Installation of latest generators

The Company has replaced some generators totalling 8 MW capacity with the new version of energy-efficient generators. These generators consume around 22-25% less natural gas to generate the same amount of electrical energy.

### 5. Condensate recovery of steam at goller pad

The Company has upgraded steam recovery process at Goller Pad Steam. This has resulted in saving 2.67 tons of steam per day.

### 6. Go green

The Company took a major initiative to make the employees aware of the benefits of planting trees, and conserving energy and water. We planted 247 saplings at our factories and residential areas to promote the green culture. Employees have been made aware of energy



## Sustainability Report

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conservation and encouraged to switch off lights, air conditioners and other electrical equipment when leaving the office not only at the end of the working hours but also during lunch, prayers or any other reason so that energy can be saved.

### AWARDS AND RECOGNITIONS

Our commitment to corporate responsibility enables us to produce and deliver quality products in the most sustainable way. Our product quality, creativity and innovation make our Company one of the best companies. Gul Ahmed has been awarded and recognized in the areas of environment and product quality. The Company has received a number of awards and recognitions including the recent Best Corporate Report Award, Legend of Textile Award, Pakistan France Business Alliance Trade Performance Award, etc. We have also been certified for our various efforts relating to safe working

environment and products, some of which are given below:

- SA-8000 and IWAY/ISQS both for keeping a safe and healthy environment
- Oeko-Tex Standard 100 for international testing for textiles limiting use of chemicals which are harmful for consumers
- ISO 9001:2008 for best quality management system
- International Maritime Organization certificate of compliance OE 100 V1.3

## Financial Highlights

<b>Profit and Loss</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Sales	Rs. in million	<b>33,013</b>	30,243	24,945	25,464	19,689	13,906
Gross profit	Rs. in million	<b>5,976</b>	4,751	3,512	4,655	3,173	2,359
Operating profit	Rs. in million	<b>2,659</b>	2,120	1,400	2,664	1,653	1,209
Profit/(loss) before tax	Rs. in million	<b>1,496</b>	852	(1)	1,537	708	170
Profit/(loss) after tax	Rs. in million	<b>1,235</b>	711	(240)	1,196	478	80
Cash dividend	Rs. in million	<b>*81</b>	-	-	-	79	-
Bonus share	Rs. in million	<b>457</b>	305	-	635	-	-
<b>Balance Sheet</b>							
Property, plant and equipment	Rs. in million	<b>8,210</b>	7,132	6,829	6,654	6,140	6,106
Intangible	Rs. in million	<b>20</b>	23	27	39	16	29
Long-term investment, loans, advances and deposits	Rs. in million	<b>151</b>	112	109	96	93	90
Net current assets	Rs. in million	<b>890</b>	666	(98)	422	(224)	(390)
Total assets employed	Rs. in million	<b>9,271</b>	7,933	6,867	7,211	6,025	5,835
Represented by:							
Share capital	Rs. in million	<b>1,828</b>	1,523	1,270	635	635	635
Reserves	Rs. in million	<b>4,832</b>	3,905	3,203	4,078	2,961	2,483
Shareholders' equity	Rs. in million	<b>6,660</b>	5,428	4,473	4,713	3,596	3,118
Long-term loans	Rs. in million	<b>2,239</b>	2,155	2,096	2,199	2,223	2,567
Deferred liabilities	Rs. in million	<b>372</b>	350	298	299	207	149
Total capital employed	Rs. in million	<b>9,271</b>	7,933	6,867	7,211	6,025	5,835
<b>Cash Flow Statement</b>							
Operating activities	Rs. in million	<b>2,090</b>	(161)	3,497	(2,617)	454	442
Investing activities	Rs. in million	<b>(1,833)</b>	(1,068)	(920)	(1,250)	(711)	(931)
Financing activities	Rs. in million	<b>217</b>	210	(70)	(148)	(170)	398
Cash and cash equivalents at the end of the year	Rs. in million	<b>(7,715)</b>	(8,188)	(7,169)	(9,676)	(5,660)	(5,233)

\*Represents actual dividend amount excluding amount payable to Holding Company and an Associated Company who have foregone their right to the dividend.

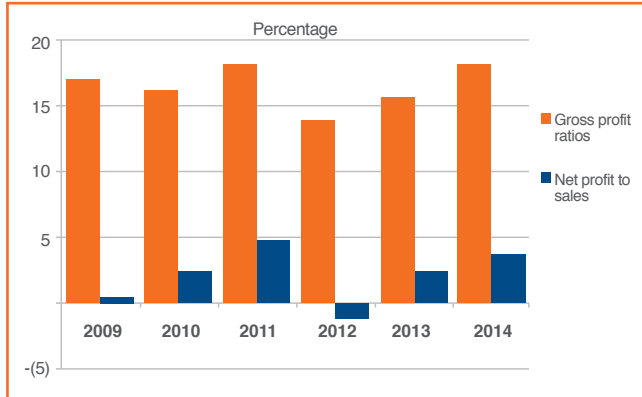
## Financial Ratios

		2014	2013	2012	2011	2010	2009
<b>Profitability ratios</b>							
Gross profit ratio	%	<b>18.10</b>	15.71	14.08	18.28	16.12	16.96
Operating leverage ratio	Times	<b>2.77</b>	2.56	23.48	2.03	0.88	1.57
EBITDA margin to sales	%	<b>10.66</b>	9.59	8.53	13.19	11.92	13.37
Net profit to sales	%	<b>3.74</b>	2.35	(0.96)	4.70	2.43	0.58
Return on equity	%	<b>20.43</b>	14.36	(5.23)	28.80	14.22	2.73
Return on capital employed	%	<b>30.91</b>	28.65	19.90	40.25	27.87	21.82
<b>Liquidity ratios</b>							
Current ratio		<b>1.06</b>	1.05	0.99	1.03	0.97	0.95
Quick/acid test ratio		<b>0.20</b>	0.27	0.24	0.19	0.34	0.39
Cash to current liabilities		<b>0.01</b>	0.01	0.01	0.01	0.01	0.01
Cash flow from operations to sales		<b>0.06</b>	(0.01)	0.14	(0.10)	0.02	0.03
<b>Capital structure ratios</b>							
Financial leverage ratio		<b>1.62</b>	2.03	2.25	2.67	2.40	2.69
Weighted average cost of debt		<b>0.10</b>	0.11	0.11	0.10	0.11	0.12
Debt to equity ratio		<b>0.34</b>	0.40	0.47	0.47	0.62	0.82
Interest cover ratio		<b>2.29</b>	1.67	0.98	2.34	1.75	1.16
<b>Turnover ratios</b>							
Inventory turnover	Days	<b>145</b>	121	151	134	98	107
Inventory turnover ratio		<b>2.52</b>	3.00	2.41	2.72	3.74	3.40
Debtor turnover	Days	<b>22</b>	28	30	31	45	66
Debtor turnover ratio		<b>16.76</b>	13.01	12.15	11.60	8.05	5.54
Creditor turnover	Days	<b>126</b>	100	86	82	73	76
Creditor turnover ratio		<b>2.91</b>	3.64	4.23	4.43	4.98	4.77
Fixed assets turnover ratio		<b>4.02</b>	4.24	3.65	3.83	3.21	2.27
Total assets turnover ratio		<b>1.36</b>	1.43	1.41	1.25	1.35	1.02
Operating cycle	Days	<b>41</b>	49	95	83	70	97
<b>Investor information</b>							
Earnings per share	Rupees	<b>6.75</b>	4.09	(1.73)	9.42	3.76	0.73
Price earning ratio		<b>9.48</b>	5.81	(12.18)	5.49	4.93	53.21
Price to book ratio		<b>0.48</b>	0.17	0.15	0.16	0.08	0.18
Dividend yield ratio		<b>*0.02</b>	-	-	-	0.07	-
Cash dividend per share	Rupees	<b>*1.50</b>	-	-	-	1.25	-
Bonus shares issued	%	<b>25</b>	20	-	100	-	-
Dividend payout ratio	%	<b>*22.21</b>	-	-	-	16.60	-
Dividend cover ratio	Times	<b>*4.50</b>	-	-	-	6.02	-
Break-up value per share	Rupees	<b>36.43</b>	35.63	35.23	37.12	28.32	24.56
Market value per share							
at the end of the year	Rupees	<b>64.01</b>	23.74	21.11	51.73	18.53	38.84
high during the year	Rupees	<b>72.35</b>	27.64	64.29	53.65	38.84	49.00
low during the year	Rupees	<b>20.50</b>	19.16	16.05	18.53	17.40	28.60
EBITDA	Rs. in million	<b>3,519</b>	2,900	2,129	3,359	2,347	1,860

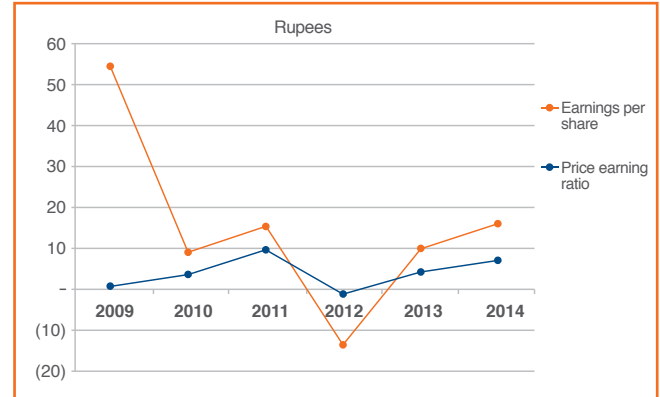
\*Represents cash dividend proposed @ Rs. 1.50 per share. However Holding Company and an Associated Company have foregone their right to the dividend.

# Graphical Analysis

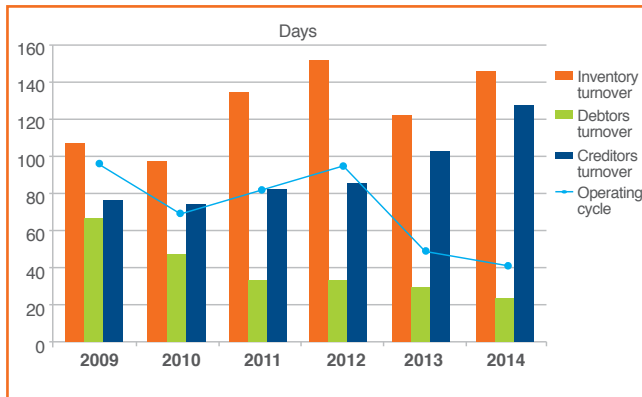
## Profitability ratios



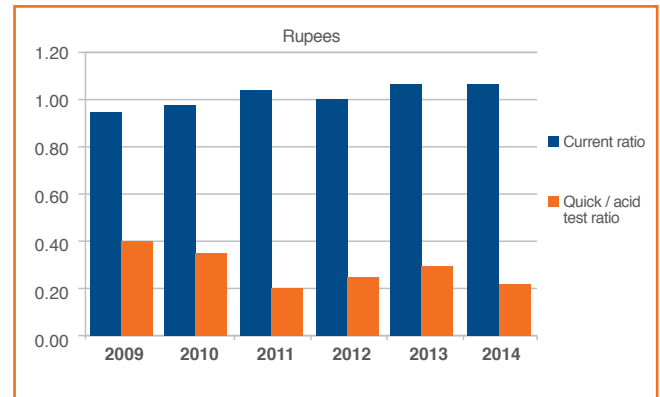
## Investor ratios



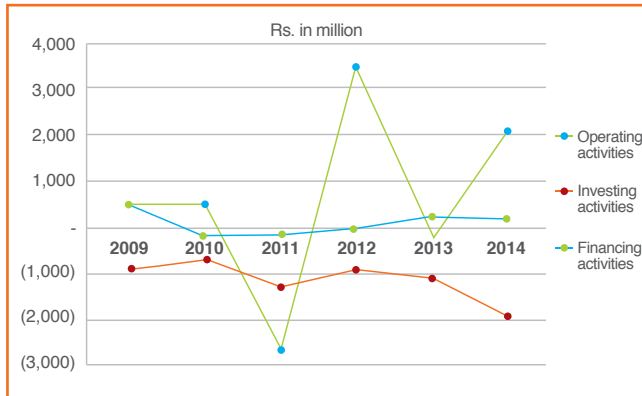
## Turnover ratios



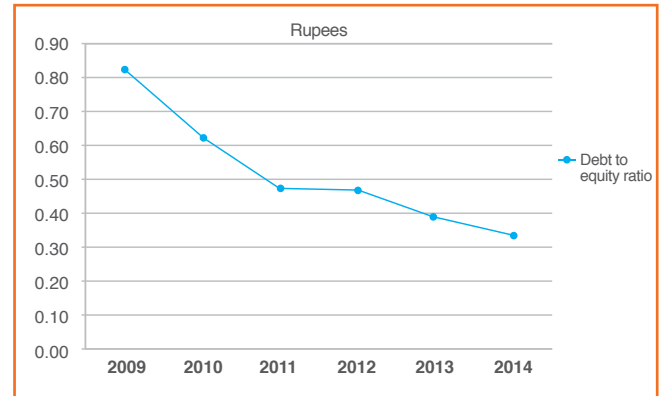
## Liquidity ratios



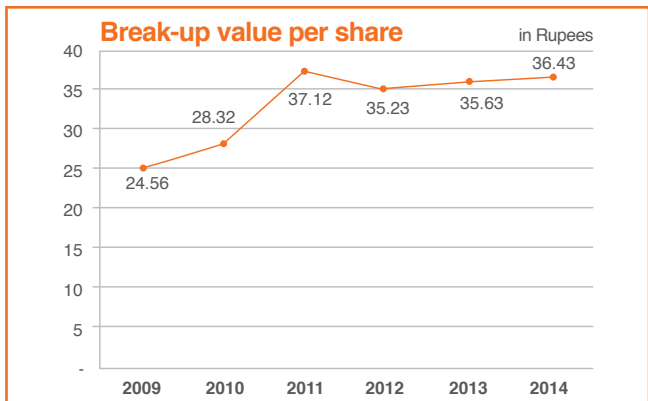
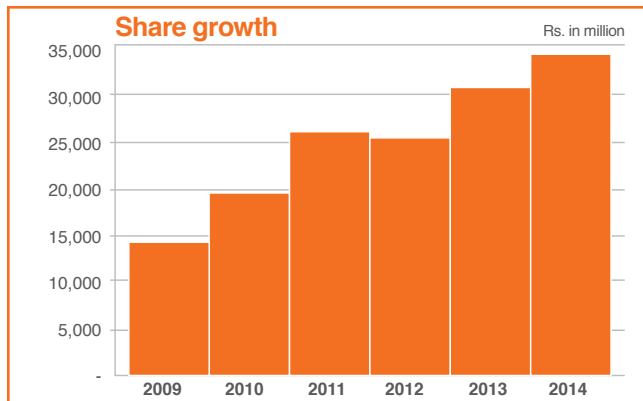
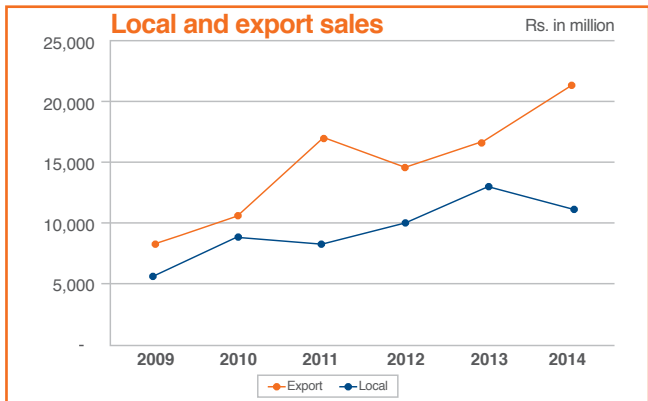
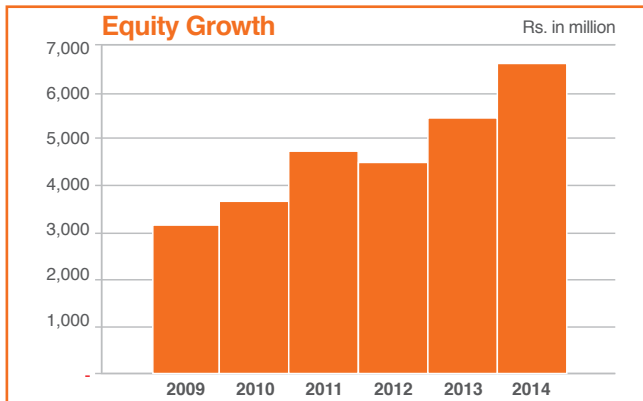
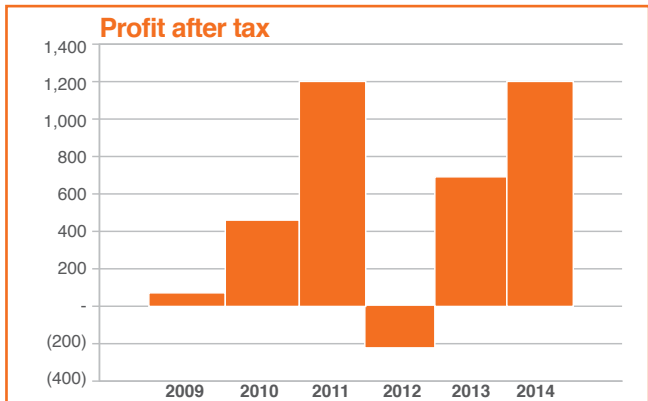
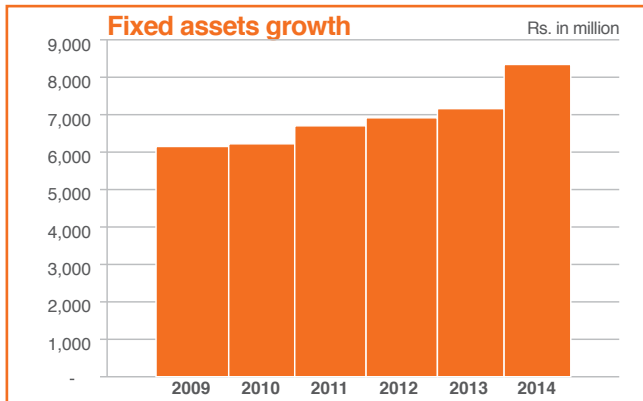
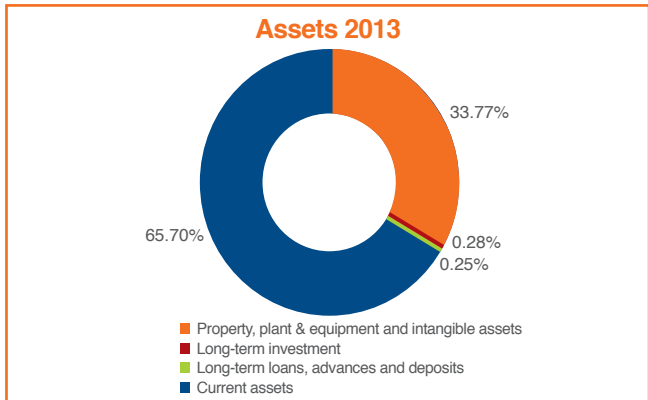
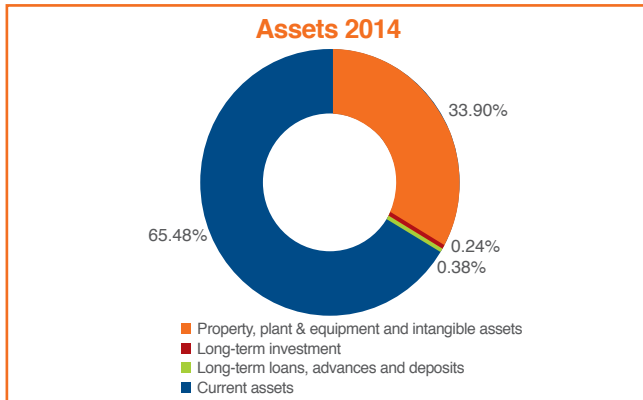
## Cash flow years at a glance



## Debt to equity ratio



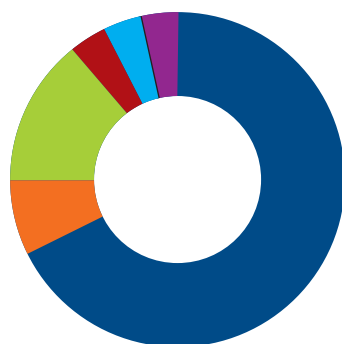
# Graphical Analysis





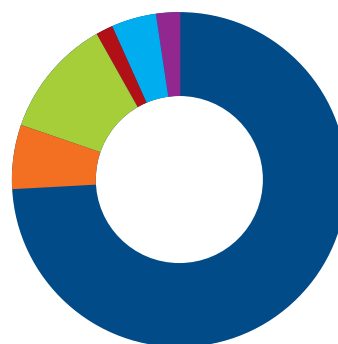
## Our Value Addition and its Distribution

	2014		2013	
	Rs. '000s	%	Rs. '000s	%
<b>Value addition</b>				
Net sales including Sales tax	33,429,940	99.30	30,243,000	99.87
Other operating income	235,555	0.70	38,558	0.13
	<u>33,665,495</u>	<u>100.00</u>	<u>30,281,558</u>	<u>100.00</u>
<b>Value distribution</b>				
Cost of sales (excluding employees' remuneration, duties and taxes)	22,881,932	67.97	22,451,882	74.14
Distribution and administration expenses (Excluding employees' remuneration and taxes)	2,432,408	7.23	1,841,623	6.08
Employees' remuneration	4,732,903	14.06	3,474,262	11.47
Government taxes (includes income tax, WPPF, WWF, duties, federal & provincial taxes, Sales Tax etc.)	1,237,970	3.68	553,375	1.83
Providers of capital (Finance cost)	1,140,864	3.39	1,247,214	4.12
Contribution to society - Donations	4,619	0.01	2,139	0.01
Profit retained/(Accumulated Loss)	1,234,798	3.67	711,063	2.35
	<u>33,665,495</u>	<u>100.00</u>	<u>30,281,558</u>	<u>100.00</u>



**Distribution of wealth 2014**

67.97%	Cost of sales
7.23%	Distribution and administration expenses
14.06%	Employees' remuneration
3.68%	Government taxes
3.39%	Providers of capital (finance cost)
0.01%	Contribution to society
3.67%	Profit retained



**Distribution of wealth 2013**

74.14%	Cost of sales
6.08%	Distribution and administration expenses
11.47%	Employees' remuneration
1.83%	Government taxes
4.12%	Providers of capital (finance cost)
0.01%	Contribution to society
2.35%	Profit retained

# Horizontal Analysis of Financial Statements

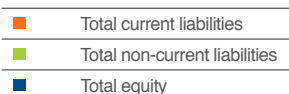
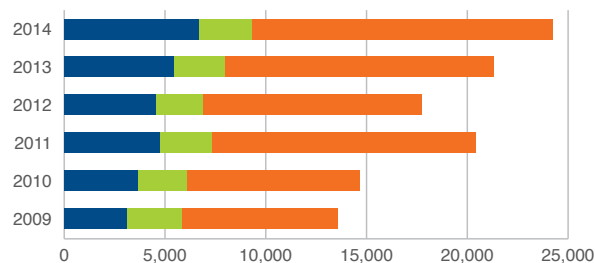
	2014	2013	2012	2011	2010	2009	2014	2013	2012	2011	2010	2009
	Rs. in '000s						Variance %					
<b>Balance Sheet</b>												
Total equity	6,659,903	5,428,502	4,472,509	4,712,873	3,595,765	3,118,232	22.68	21.37	(5.10)	31.07	15.31	12.90
Total non-current liabilities	2,611,672	2,504,664	2,394,295	2,497,260	2,429,247	2,715,884	4.27	4.61	(4.12)	2.80	(10.55)	9.31
Total current liabilities	15,005,632	13,255,764	10,851,954	13,194,546	8,574,679	7,749,618	13.20	22.15	(17.75)	53.88	10.65	9.38
Total equity and liabilities	24,277,207	21,188,930	17,718,758	20,404,679	14,599,691	13,583,734	14.57	19.58	(13.16)	39.76	7.48	10.15
Total non-current assets	8,381,303	7,267,065	6,964,606	6,788,103	6,249,091	6,224,462	15.33	4.34	2.60	8.63	0.40	4.91
Total current assets	15,895,904	13,921,865	10,754,152	13,616,576	8,350,600	7,359,272	14.18	29.46	(21.02)	63.06	13.47	15.02
Total assets	24,277,207	21,188,930	17,718,758	20,404,679	14,599,691	13,583,734	14.57	19.58	(13.16)	39.76	7.48	10.15

## Profit and Loss Account

Net sales	33,012,724	30,242,719	24,944,859	25,463,845	19,688,794	13,906,465	9.16	21.24	(2.04)	29.33	41.58	18.60
Cost of sales	(27,036,675)	(25,491,927)	(21,432,746)	(20,808,843)	(16,515,934)	(11,547,856)	6.06	18.94	3.00	25.99	43.02	16.05
Gross profit	5,976,049	4,750,792	3,512,113	4,655,002	3,172,860	2,358,609	25.79	35.27	(24.55)	46.71	34.52	32.90
Distribution expenses	(2,122,660)	(1,509,886)	(1,322,582)	(1,090,588)	(791,442)	(585,657)	40.58	14.16	21.27	37.80	35.14	109.94
Administrative expenses	(1,313,920)	(1,086,920)	(955,070)	(808,926)	(700,085)	(572,983)	20.88	13.81	18.07	15.55	22.18	1.71
Other expenses	(116,197)	(72,356)	(653)	(116,918)	(53,619)	(13,712)	60.59	10,980.55	(99.44)	118.05	291.04	(8.89)
Other income	235,555	38,558	166,617	25,245	25,116	22,594	510.91	(76.86)	560.00	0.51	11.16	23.80
Operating profit	2,658,827	2,120,188	1,400,426	2,663,815	1,652,830	1,208,851	25.41	51.40	(47.43)	61.17	36.73	29.20
Financial expenses	(1,162,850)	(1,268,651)	(1,401,842)	(1,126,361)	(944,603)	(1,038,990)	(8.34)	(9.50)	24.46	19.24	(9.08)	41.58
Profit before taxation	1,495,977	851,537	(1,417)	1,537,454	708,227	169,861	75.68	(60,204.70)	(100.09)	117.08	316.95	(15.84)
Income tax expense	(261,179)	(140,474)	(238,947)	(340,997)	(230,694)	(89,651)	85.93	(41.21)	(29.93)	47.81	157.32	(9.44)
Profit for the year	1,234,798	711,063	(240,364)	1,196,457	477,533	80,210	73.66	(395.83)	(120.09)	150.55	495.35	(22.00)

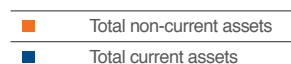
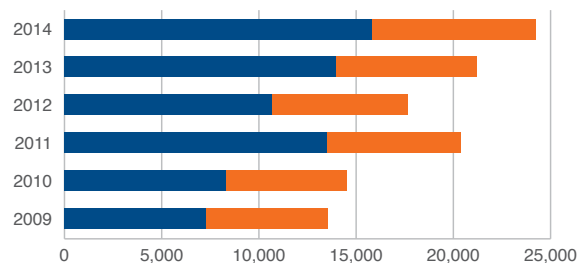
### Equity and Liabilities

Rs. in million



### Current and Non-Current Assets

Rs. in million



## Vertical Analysis of Financial Statements

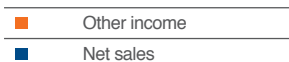
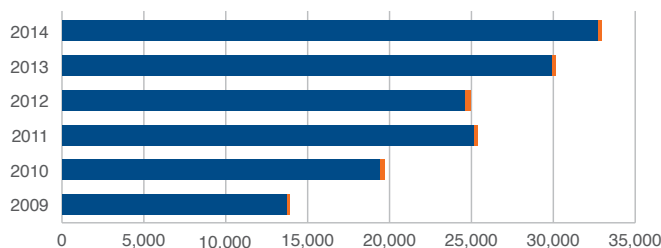
	2014		2013		2012		2011		2010		2009	
	Rs. in '000s	%	Rs. in '000s	%	Rs. in '000s	%	Rs. in '000s	%	Rs. in '000s	%	Rs. in '000s	%
<b>Balance Sheet</b>												
Total equity	<b>6,659,903</b>	<b>27.43</b>	5,428,502	25.62	4,472,509	25.24	4,712,873	23.10	3,595,765	24.63	3,118,232	22.96
Total non-current liabilities	<b>2,611,672</b>	<b>10.76</b>	2,504,664	11.82	2,394,295	13.51	2,497,260	12.24	2,429,247	16.64	2,715,884	19.99
Total current liabilities	<b>15,005,632</b>	<b>61.81</b>	13,255,764	62.56	10,851,954	61.25	13,194,546	64.66	8,574,679	58.73	7,749,618	57.05
Total equity and liabilities	<b>24,277,207</b>	<b>100.00</b>	21,188,930	100.00	17,718,758	100.00	20,404,679	100.00	14,599,691	100.00	13,583,734	100.00
Total non-current assets	<b>8,381,303</b>	<b>34.52</b>	7,267,065	34.30	6,964,606	39.31	6,788,103	33.27	6,249,091	42.80	6,224,462	45.82
Total current assets	<b>15,895,904</b>	<b>65.48</b>	13,921,865	65.70	10,754,152	60.69	13,616,576	66.73	8,350,600	57.20	7,359,272	54.18
Total assets	<b>24,277,207</b>	<b>100.00</b>	21,188,930	100.00	17,718,758	100.00	20,404,679	100.00	14,599,691	100.00	13,583,734	100.00

### Profit and Loss Account

Net sales	<b>33,012,724</b>	<b>100.00</b>	30,242,719	100.00	24,944,859	100.00	25,463,845	100.00	19,688,794	100.00	13,906,465	100.00
Cost of sales	<b>(27,036,675)</b>	<b>(81.90)</b>	(25,491,927)	(84.29)	(21,432,746)	(85.92)	(20,808,843)	(81.72)	(16,515,934)	(83.88)	(11,547,856)	(83.04)
Gross profit	<b>5,976,049</b>	<b>18.10</b>	4,750,792	15.71	3,512,113	14.08	4,655,002	18.28	3,172,860	16.12	2,358,609	16.96
Distribution expenses	<b>(2,122,660)</b>	<b>(6.43)</b>	(1,509,886)	(4.99)	(1,322,582)	(5.30)	(1,090,588)	(4.28)	(791,442)	(4.02)	(585,657)	(4.21)
Administrative expenses	<b>(1,313,920)</b>	<b>3.98</b>	(1,086,920)	(3.59)	(955,070)	(3.83)	(808,926)	(3.18)	(700,085)	(3.56)	(572,983)	(4.12)
Other income	<b>235,555</b>	<b>0.71</b>	38,558	0.13	166,617	0.67	25,245	0.10	25,116	0.13	22,594	0.16
Other expenses	<b>(116,197)</b>	<b>(0.35)</b>	(72,356)	(0.24)	(653)	(0.00)	(116,918)	(0.46)	(53,619)	(0.27)	(13,712)	(0.10)
Operating profit	<b>2,658,827</b>	<b>8.05</b>	2,120,188	7.01	1,400,426	5.61	2,663,815	10.46	1,652,830	8.39	1,208,851	8.69
Financial expenses	<b>(1,162,850)</b>	<b>(3.52)</b>	(1,268,651)	(4.19)	(1,401,842)	(5.62)	(1,126,361)	(4.42)	(944,603)	(4.80)	(1,038,990)	(7.47)
Profit before taxation	<b>1,495,977</b>	<b>4.53</b>	851,537	2.82	(1,417)	(0.01)	1,537,454	6.04	708,227	3.60	169,861	1.22
Income tax expense	<b>(261,179)</b>	<b>(0.79)</b>	(140,474)	(0.46)	(238,947)	(0.96)	(340,997)	(1.34)	(230,694)	(1.17)	(89,651)	(0.64)
Profit for the year	<b>1,234,798</b>	<b>3.74</b>	711,063	2.35	(240,364)	(0.96)	1,196,457	4.70	477,533	2.43	80,210	0.58

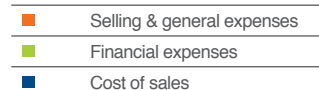
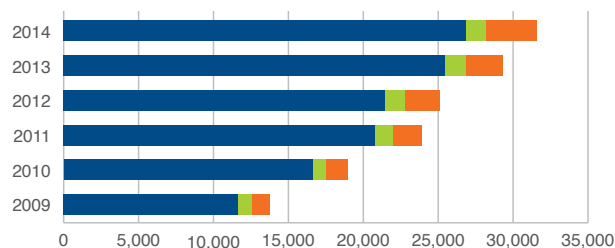
Sales and Other Income

Rs. in million



Sales and Other Expenses

Rs. in million





## Comments on Financial Analysis

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- Shareholders equity has almost doubled to Rs. 6,660 million as compared Rs. 3,118 million in FY 2009.
- Property, plant and equipment have increased by Rs. 2,104 million to Rs. 8,210 million over the six years period. State-of-the-art machinery has been inducted to improve the efficiency of production.
- Over the last six years, net sales grew by 138% from Rs. 13,906 million in FY 2009 to Rs. 33,013 million in FY 2014. The growth has more than doubled in the last six years. Export Sales have increased both in volume and price.
- Finance cost as percentage of sales has gone down to 3.5% in FY2014 from 7.5% in FY 2009.
- Profit after tax in FY 2014 has increased to Rs. 1,235 million as compared to Rs. 80 million in FY 2009. Earnings per share now stand at Rs. 6.75 versus Rs. 0.73 in FY 2009.
- During the six year period, the Company has paid 27.5% cash dividend and issued 145% bonus shares. In addition to the FY 2014 25% bonus shares and 15% cash dividend have been proposed. A Holding Company and an Associated Company have agreed to relinquish their portion of cash dividend.



## Statement of Compliance with the Code of Corporate Governance

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**This statement is being presented to comply with the Code of Corporate Governance (the CCG) 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 CCG in the following manner:

1. The Company encourages representation of independent directors and directors representing the minority interest on its Board of Directors (the Board). At present, the Board includes:

**Independent Directors**

S.M. Nadim Shafiqullah  
Dr. Amjad Waheed  
Adnan Afridi

**Executive Directors**

Zain Bashir  
Mohammed Zaki Bashir

**Non-Executive Directors**

Mohomed Bashir  
Ziad Bashir

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. During the year, the Company has separated the positions of the Chairman and the Chief Executive Officer (CEO). The Chairman is a non-executive director.
3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
4. 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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. No casual vacancy occurred on the Board during the year.
6. The Company has prepared a "Code of Conduct and Ethics" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. 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.
8. 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 Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board/shareholders.
9. 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.



10. The directors of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations. In compliance with the provisions of the Listing Regulations, four directors have attended and completed Corporate Governance Leadership Skills Program under the Board Development Series of Pakistan Institute of Corporate Governance (PICG).
11. During the year, Mr. Mohan Khemjee was appointed as Head of Internal Audit in place of Mr. Rizwan Siddique. No new appointment of Chief Financial Officer (CFO) and Company Secretary was made during the year. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. 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.
15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
16. The Board has formed an Audit Committee. It comprises three members, all members are non-executive directors. The Chairman of the Committee is an independent director.
17. 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 CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors. The Chairman of the Committee is non-executive director.
19. The Board has set up an effective internal audit function. This function has been outsourced to Anjum Asim Shahid Rahman, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. 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.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Karachi and Lahore Stock Exchanges.
23. Material/price sensitive information has been disseminated among all market participants at once through Karachi and Lahore Stock Exchanges.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

Karachi  
September 27, 2014



## Notice of Annual General Meeting

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Notice is hereby given that the 62nd 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 Thursday, October 30, 2014 at 9:30 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.
2. To approve the following:
  - a) Payment of cash dividend @ Rs.1.50 per share i.e., 15% for the year ended June 30, 2014 as recommended by the Board of Directors. A Holding Company and an Associated Company have agreed to relinquish their portion of cash dividend.
  - b) Issue of bonus shares in the ratio of One share for every Four shares held i.e., 25% as recommended by the Board.
3. To appoint Auditors for the year 2014-2015 and fix their remuneration.

By Order of the Board

Karachi  
September 27, 2014

**Mohammed Salim Ghaffar**  
Company Secretary

### NOTES :

1. Share Transfer Books of the Company will remain closed from October 23, 2014 to October 30, 2014 (both days inclusive) for determining entitlement to the cash dividend and bonus shares.
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 (CDC), 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. In order to comply with the requirements of SECP SRO 831 (1)/2012 dated July 2, 2012, members who hold shares in physical form and have not yet submitted photocopy of their CNIC are requested to send the same to the Share Registrar of the Company FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahr-e-Faisal, Karachi at the earliest. CDC shareholders are requested to submit their CNIC directly to their broker (participant)/CDC Investor account services.
6. Shareholders who hold shares in physical form are requested to provide option for dividend mandate to our share registrar in order to comply with the requirements of SECP Circular 18 of 2012 dated June 5, 2012. CDC shareholders are requested to submit their dividend mandate directly to their broker (participant)/CDC Investor account services.
7. SECP vide SRO 787 (1)/2014 dated September 8, 2014 has provided an option for shareholders to receive audited financial statements along with notice of annual general meeting electronically through email. Hence, members who hold shares in physical form and are interested in receiving the annual reports and notice of annual general meeting electronically in the future are required to submit their email addresses and consent for electronic transmission to the share registrar of the Company. CDC shareholders are requested to submit their email address and consent directly to their broker (participant)/CDC Investor account services.
8. In compliance with SECP notification No.634 (1)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2014 are being placed on the Company's website: [www.gulahmed.com](http://www.gulahmed.com) for the information and review of shareholders.
9. This is to inform the shareholders that the Government through its Fiscal Budget for 2014-15, announced that withholding tax rate on Dividend Income has been increased from 10% to 15% for non-filers. The shareholders are requested to submit a copy of their National Tax Number (NTN) Certificate to the Share Registrar of the Company in case of physical shareholding or to the CDC who are maintaining shareholding in Electronic Form. Those shareholders, who do not provide copy of their NTN Certificate, will be subject to 15% withholding tax deduction on dividend.
10. Shareholders who hold shares in physical form are requested to immediately notify the change of address, if any, to the Share Registrar of the Company. CDC shareholders are requested to notify the change of address, directly to their broker (participant)/CDC Investor account services.



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

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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of Gul Ahmed Textile Mills Limited (“the Company”) 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, the Listing Regulations require 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, applicable to the Company for the year ended June 30, 2014.

Karachi  
September 27, 2014

**KRESTON HYDER BHIMJI & CO.**  
Chartered Accountants  
Engagement Partner: Shaikh Mohammad Tanvir





## Auditors' Report to the Members

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We have audited the annexed Balance Sheet of Gul Ahmed Textile Mills Limited ("the Company") as at June 30, 2014 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 financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the Balance Sheet and Profit and Loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes described in note no. 4, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with 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, 2014 and of the profit, total comprehensive income, 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).

Karachi  
September 27, 2014

**KRESTON HYDER BHIMJI & CO.**  
Chartered Accountants  
Engagement Partner: Shaikh Mohammad Tanvir

## Balance Sheet

As at June 30, 2014

	Note	2014 Rs. 000s	2013
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	5	1,828,182	1,523,486
Revenue reserve	6	3,580,000	3,180,000
Unappropriated profit		1,251,721	725,016
		<b>6,659,903</b>	<b>5,428,502</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	7	2,239,239	2,154,999
Deferred liabilities			
Deferred taxation - net	8	332,921	316,028
Staff retirement benefits	9	39,512	33,637
		<b>372,433</b>	<b>349,665</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	6,303,992	4,211,618
Accrued mark-up/profit	11	177,164	191,792
Short term borrowings	12	7,829,770	8,290,416
Current maturity of long term financing	7	694,706	561,938
		<b>15,005,632</b>	<b>13,255,764</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		<b>24,277,207</b>	<b>21,188,930</b>

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	<b>8,209,553</b>	7,132,112
Intangible assets	15	<b>20,365</b>	23,130
Long term investment	16	<b>58,450</b>	58,450
Long term loans and advances	17	<b>11,901</b>	2,061
Long term deposits		<b>81,034</b>	51,312
		<b>8,381,303</b>	7,267,065
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	18	<b>855,530</b>	723,435
Stock-in-trade	19	<b>11,914,365</b>	9,555,224
Trade debts	20	<b>1,366,694</b>	2,573,268
Loans and advances	21	<b>395,953</b>	346,429
Short term prepayments		<b>72,778</b>	28,172
Other receivables	22	<b>342,300</b>	173,714
Tax refunds due from Government	23	<b>653,481</b>	229,454
Income tax refundable-payments less provision		<b>179,849</b>	190,248
Cash and bank balances	24	<b>114,954</b>	101,921
		<b>15,895,904</b>	13,921,865
		<b>24,277,207</b>	21,188,930

The annexed notes 1 - 46 form an integral part of these financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

## Profit and Loss Account

For the Year Ended June 30, 2014

	Note	2014 Rs. 000s	2013 Re-stated
Sales	25	33,012,724	30,242,719
Cost of sales	26	27,036,675	25,491,927
Gross profit		5,976,049	4,750,792
Distribution cost	27	2,122,660	1,509,886
Administrative expenses	28	1,313,920	1,086,920
Other operating expenses	29	116,197	72,356
		3,552,777	2,669,162
		2,423,272	2,081,630
Other income	30	235,555	38,558
Operating profit		2,658,827	2,120,188
Finance cost	31	1,162,850	1,268,651
Profit before taxation		1,495,977	851,537
Provision for taxation	32	261,179	140,474
Profit after taxation		1,234,798	711,063
Earnings per share - basic and diluted (Rs.)	33	6.75	4.09

The annexed notes 1 - 46 form an integral part of these financial statements.

MOHOMED BASHIR  
Chairman

MOHAMMED ZAKI BASHIR  
Chief Executive Officer

## Statement of Comprehensive Income

For the Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>
	Rs. 000s	Re-stated
Profit after taxation	1,234,798	711,063
Other comprehensive income		
<b>Items that will not be reclassified to profit and loss account subsequently</b>		
Remeasurement loss on defined benefit plan	(3,910)	(10,409)
Tax effect on remeasurement loss	513	1,424
	(3,397)	(8,985)
Total comprehensive income	<u>1,231,401</u>	<u>702,078</u>

The annexed notes 1 - 46 form an integral part of these financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

# Cash Flow Statement

For the Year Ended June 30, 2014

Note	<u>2014</u>	<u>2013</u>
	Rs. 000s	Re-stated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,495,977	851,537
Adjustments for:		
Depreciation	848,978	767,708
Amortisation	11,253	12,209
Provision for gratuity	26,878	14,544
Finance cost	1,162,850	1,268,651
Provision for slow moving/obsolete items	17,952	15,011
Provision for doubtful debts	30,775	29,825
Property, plant and equipment scrapped	4,421	5,489
Gain on sale of property, plant and equipment - net	(106,134)	(17,080)
	<u>1,996,973</u>	<u>2,096,357</u>
Cash flows from operating activities before adjustments of working capital	3,492,950	2,947,894
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spare parts and loose tools	(150,047)	1,540
Stock-in-trade	(2,359,141)	(2,139,773)
Trade debts	1,175,799	(528,934)
Loans and advances	(49,524)	(176,817)
Short term prepayments	(44,606)	(811)
Other receivables	(168,586)	8,985
Tax refunds due from Government	(424,027)	(204,583)
	<u>(2,020,132)</u>	<u>(3,040,393)</u>
Increase in current liabilities		
Trade and other payables	2,092,374	1,494,628
	<u>72,242</u>	<u>(1,545,765)</u>
	3,565,192	1,402,129
Adjustment for:		
Gratuity paid	(24,913)	(15,210)
Finance cost paid	(1,177,478)	(1,248,471)
Income tax paid	(233,374)	(296,890)
(Increase)/decrease in long term loans and advances	(9,840)	839
Increase in long term deposits	(29,722)	(3,511)
	<u>(1,475,327)</u>	<u>(1,563,243)</u>
Net cash generated from/(used in) operating activities	2,089,865	(161,114)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(1,966,561)	(1,139,216)
Addition to intangible assets	(8,488)	(5,289)
Proceeds from sale of property, plant and equipment	141,855	76,393
Net cash used in investing activities	(1,833,194)	(1,068,112)

	<u>2014</u>	<u>2013</u>
Note	Rs. 000s	Re-stated
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	789,322	619,510
Repayments of long term financing	(572,314)	(663,641)
Proceeds from issue of right shares	-	253,915
Net cash generated from financing activities	<u>217,008</u>	<u>209,784</u>
Net increase/(decrease) in cash and cash equivalents	473,679	(1,019,443)
Cash and cash equivalents - at the beginning of the year	(8,188,495)	(7,169,052)
Cash and cash equivalents - at the end of the year	35 <u><u>(7,714,816)</u></u>	<u><u>(8,188,495)</u></u>

The annexed notes 1 - 46 form an integral part of these financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

## Statement of Changes in Equity

For the Year Ended June 30, 2014

	Share Capital	Revenue reserve	(Accumulated loss)/ Unappropriated profit	Total
	Rs. 000s			
Balance as at June 30, 2012	1,269,571	3,430,000	(227,062)	4,472,509
Transfer from revenue reserve	-	(250,000)	250,000	-
<b>Total comprehensive income for the year ended June 30, 2013 - as re-stated</b>				
Profit for the year - as re-stated	-	-	711,063	711,063
Other comprehensive income - as re-stated	-	-	(8,985)	(8,985)
	-	-	702,078	702,078
<b>Transaction with owners</b>				
Issue of right shares	253,915	-	-	253,915
Balance as at June 30, 2013	1,523,486	3,180,000	725,016	5,428,502
Transfer to revenue reserve	-	400,000	(400,000)	-
<b>Total comprehensive income for the year ended June 30, 2014</b>				
Profit for the year	-	-	1,234,798	1,234,798
Other comprehensive income	-	-	(3,397)	(3,397)
	-	-	1,231,401	1,231,401
<b>Transaction with owners</b>				
Issue of bonus shares	304,696	-	(304,696)	-
Balance as at June 30, 2014	<b>1,828,182</b>	<b>3,580,000</b>	<b>1,251,721</b>	<b>6,659,903</b>

The annexed notes 1 - 46 form an integral part of these financial statements.

MOHOMED BASHIR  
Chairman

MOHAMMED ZAKI BASHIR  
Chief Executive Officer



# Notes to the Financial Statements

For the Year Ended June 30, 2014

## 1. LEGAL STATUS AND ITS OPERATIONS

**1.1** Gul Ahmed Textile Mills Limited (The Company) was incorporated on April 01, 1953 in Pakistan as a private limited company, converted into public limited company on January 07, 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.

The Company is a subsidiary of Gul Ahmed Holdings (Private) Limited note no. 5.2.1.

## 2. BASIS OF PREPERATION

### 2.1 Basis of measurement

These financial statements comprise of 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 specifically stated below in respective notes.

### 2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of 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.

### 2.3 Functional and presentation currency

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency. All financial information presented in Pak Rupees has been rounded to nearest thousand.

### 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 involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements, are as follows:

#### Defined benefit plan

Actuarial assumptions have been adopted as disclosed in note no. 9 to the financial statements for valuation of present value of defined benefit obligations.

#### 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 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).

#### Useful lives, pattern of economic benefits and impairments

Estimate with respect to residual values and useful lives and patterns of flow of economic benefits are based on the analysis of management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimate in the future might effect the carrying amount of respective item of property, plant and equipment with the corresponding effect on the depreciation charge and impairment.

# Notes to the Financial Statements

For the Year Ended June 30, 2014

## Intangibles

The Company reviews appropriateness of useful life. Further, where applicable, an estimate of recoverable amount of intangible asset is made for possible impairment on an annual basis.

## Impairment of investment in subsidiary company

In making an estimate of recoverable amount of the Company's investment in subsidiary company, the management considers break-up value of shares as per audited accounts of respective period.

## Provision for obsolescence and slow moving spare parts and loose tools

Provision for obsolescence and slow moving spare parts is based on parameters set out by management.

## Stock-in-trade

The Company reviews the net realisable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated currently prevailing selling price/market 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. While determining provision, the Company considers financial health, market information, ageing of receivables, credit worthiness, credit rating, past records and business relationship.

## Taxation

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note no. 3.5 of these financial statements. Deferred tax calculation has been made based on estimate of expected future ratio of export and local sales based on past history.

## 2.5 Adoption of new and revised standards and interpretations

### a New and amended standards and interpretations became effective:

During the year, certain amendments to standards & revised standards have become effective; however, they are either irrelevant or did not have material effect on these financial statements except for the effects of Revised IAS-19 Employee Benefits as stated in note no. 4. Amendments/revision are as follows;

**IAS-19 Employee Benefits** - The amendment removes the options for accounting for the liability and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income (elimination of 'corridor method' for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

**IFRS-7 Financial Instruments: Disclosures** - Disclosures about offsetting of financial assets and liabilities; these amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed and the related net credit exposure. These disclosures are intended to facilitate the evaluation of the effect or potential effect of netting arrangements on an entity's financial position.

**IAS-27 Separate Financial Statements (2011) - Amendment;** The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost or in accordance with IFRS 9 Financial Instruments/IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

**IAS-28 Investments in Associates and Joint Ventures - Amendment;** This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

**b Standards, Interpretations and Amendments not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

**IFRIC 21- 'Levies, an Interpretation on the accounting for levies imposed by governments'** (effective for annual periods beginning on or after 01 January 2014).

IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

**Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'** - (effective for annual periods beginning on or after 01 January 2014).

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

**Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 01 January 2014).

These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

**Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'** Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 01 January, 2014).

The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

**Amendments to IAS 19 'Employee Benefits' Employee contributions** - a practical approach (effective for annual periods beginning on or after 01 July 2014).

The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

# Notes to the Financial Statements

For the Year Ended June 30, 2014

**Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment'** (effective for annual periods beginning on or after 01 January 2016).

This amendment introduces severe restrictions on the use of revenue-based amortization for intangible assets and explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated' or when the intangible asset is expressed as a measure of revenue.

These amendments to the standards are either irrelevant or will not have any material effect on the Company's financial statements.

**c Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 01 July 2014). The new cycle of improvements contains amendments to the following standards:**

**IFRS 2 'Share-Based Payment'**; IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

**IFRS 3 'Business Combinations'**; These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

**IFRS 8 'Operating Segments'** has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition, this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

**Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets'**. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

**IAS 24 'Related Party Disclosure'**. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

**IAS 40 'Investment Property'**. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

These amendments/clarification are not likely to have any material impact on the Company's financial statements.

**d New Standards issued by IASB and notified by SECP but not yet effective**

Following new standards issued by IASB have been adopted by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan through SRO 633(1)/2014 dated July 10, 2014 and will be effective for annual periods beginning on or after January 01, 2015.

#### **IFRS 10 Consolidated Financial Statements**

This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

#### **IFRS 11 Joint Arrangements**

This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

#### **IFRS 12 Disclosure of Interest in Other Entities**

This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

#### **IFRS 13 Fair Value Measurement**

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

These new standards are either irrelevant or will not have any material effect on the Company's financial statements.

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

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

All monetary assets and liabilities denominated 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.

All non-monetary items are translated into Pak Rupees at the rates on date of transaction or on the date when fair values are determined.

Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction or as fixed under contractual arrangement.

Foreign exchange gains and losses on translation are recognized in the profit and loss account.

#### **3.2 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. Benefits under the scheme are payable to employees on completion of the prescribed qualifying

# Notes to the Financial Statements

For the Year Ended June 30, 2014

period of service under the scheme. Actuarial valuation is conducted periodically using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2014. The results of valuation are summarized in note no. 9.

Actuarial gains and losses arising at each valuation date are recognized immediately in other comprehensive income.

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.

### 3.3 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.

### 3.4 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.

### 3.5 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 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 or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except that it relates to items recognized in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity, respectively.

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### **3.6 Borrowings**

Borrowings are recorded at the amount of proceeds received.

### **3.7 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.

### **3.8 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.

### **3.9 Property, plant and equipment**

#### **Operating fixed assets**

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss except leasehold land which is stated at cost.

Depreciation is charged on reducing balance method and straight line method on class of items at rates specified in the note no. 14.1. Depreciation is charged on additions on monthly basis i.e. from the month in which it is capitalized till the month of its disposal. Depreciation is charged on the assets even if the assets are idle.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Gains and losses on disposal of operating assets are included in profit and loss account.

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### **Capital work-in-progress**

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

### **3.10 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the assets on a systematic basis to income by applying the straight line method at the rate specified in note no. 15.

# Notes to the Financial Statements

For the Year Ended June 30, 2014

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets' fair value less costs to sell and value in use.

### 3.11 Investment in subsidiary

Investment in subsidiary company is stated at cost. The Company periodically considers the carrying amount of the investment 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.

### 3.12 Loans and receivables

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortised cost less impairment, if any.

### 3.13 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at moving average cost less provision for slow moving/obsolete items. Goods-in-transit are valued at invoice/purchase amount plus other costs incurred thereon up to balance sheet date.

### 3.14 Stock-in-trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued 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 incurred 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.

### 3.15 Trade debts

Trade debts are carried at original invoice amount except export receivables. Export trade debts 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.

### 3.16 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is recognised on following basis:

- Sale is recognised when the goods are dispatched to the customer 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.
- Profit on deposits with banks is recognised on time proportion basis taking into account the amount outstanding and rates applicable thereon.



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- Duty draw back on export sales is recognized on an accrual basis at the time of export sale.
  - Processing charges are recorded when processed goods are delivered to customers and invoices raised.
  - Dividend income is recognised when the Company's right to receive the payment is established.
  - Interest on loans and advances to employees is recognised on receipt basis.

### **3.17 Financial Instruments**

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss".

### **3.18 Derecognition**

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the profit or loss currently.

### **3.19 Impairment**

#### **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognised as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

#### **Non-Financial assets**

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

### **3.20 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.

# Notes to the Financial Statements

For the Year Ended June 30, 2014

## 3.21 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.

## 3.22 Cash and cash equivalents

The cash and cash equivalents comprises cash and cheques in hand and balances with banks on current, savings and deposit accounts less short-term borrowings.

## 3.23 Dividend and appropriation to reserves

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while the interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

## 3.24 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relates to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative and other operating expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

## 4 CHANGE IN ACCOUNTING POLICY

The revised IAS 19 "Employees Benefits" (Revised) have become effective for the Company's financial statements for the year ended June 30, 2014. The amendments to IAS 19 changes the accounting for Defined Benefit Plan and termination benefits. The significant changes are as follows:

### Recognition

#### a Actuarial gains and losses

The amendments require all remeasurement gains and losses (actuarial gains and losses) to be fully recognised immediately through other comprehensive income. Previously, the Company fully recognised actuarial gains and losses in the profit and loss account as allowed under the relevant provision of IAS 19.

#### b Past service cost

Past service cost (either vested or non vested) is recognised in the profit and loss account as soon as the change in the benefit plans are made. Previously, this was also recognised in the profit and loss account as allowed by the relevant provision of the IAS 19.

## Presentation of Changes in Defined Benefit Obligation and Plan Assets

Presentation of changes in defined benefit obligation will be split into following components in our case:

### i Service cost

Recognised in profit and loss account and includes current and past service cost as well as gains or losses on settlements.

### ii Re-measurement

Recognised in other comprehensive income and comprises actuarial gains and losses on the defined benefit obligation.

## Revised Accounting Policy of recognizing remeasurement Gain/Loss on Staff Retirement Benefits - Defined Benefit Plans

The application of revised IAS 19 requires the change in Company's accounting policy in respect of actuarial gains and losses to be accounted for retrospectively in accordance with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors by reclassifying the figures of actuarial gains and losses to other comprehensive income from profit and loss account and hence comparative figures of profit and loss and other comprehensive income have been restated.

### Effect of Change in Accounting Policy

Effect of retrospective application of change in Accounting policy are as follows:

	Amounts as previously stated	Effect of restatement	Amounts as re-stated
<b>Rs. 000s</b>			
<b>Effect on Profit &amp; Loss Account for the year ended June 30, 2013</b>			
Cost of sales	25,502,336	(10,409)	25,491,927
Taxation	139,050	1,424	140,474
Net profit before tax	702,078	8,985	711,063
<b>Effect on Other Comprehensive Income</b>			
Remeasurement loss on defined benefit obligation	-	(10,409)	(10,409)
Impact of tax	-	1,424	1,424
	-	(8,985)	(8,985)
<b>Effect on Comparative Basic and Diluted EPS</b>			
Basic and Diluted EPS - Rupees per share	4.84	0.06	4.90

Further comparative EPS is also restated due to effect of issuance of bonus shares during the year as disclosed in note no. 33.

### Effect On Balance Sheet

The change in accounting policy has no effect on the balance sheet since the actuarial gains/losses were already recorded through profit and loss account, therefore, third balance sheet presentation is not applicable.

# Notes to the Financial Statements

For the Year Ended June 30, 2014

		<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>5</b>	<b>SHARE CAPITAL</b>		
<b>5.1</b>	<b>Authorised capital</b>		
	<u>2014</u> <u>2013</u>		
	<b>Number of Shares</b>		
	<u>400,000,000</u> <u>200,000,000</u> Ordinary shares of Rs.10 each	<u>4,000,000</u>	<u>2,000,000</u>
<b>5.2</b>	<b>Issued, subscribed and paid-up capital</b>		
	<u>2014</u> <u>2013</u>		
	<b>Number of Shares</b>		
	<b>64,188,985</b> 64,188,985      Ordinary shares of Rs.10 each allotted for consideration fully paid in cash	<b>641,890</b>	641,890
	<b>5,447,326</b> 5,447,326      Ordinary shares of Rs.10 allotted as fully paid under scheme of arrangement for amalgamation	<b>54,473</b>	54,473
	<b>113,181,907</b> 82,712,204      Ordinary shares of Rs.10 each allotted as fully paid bonus shares	<b>1,131,819</b>	827,123
	<u><b>182,818,218</b></u> <u>152,348,515</u>	<u><b>1,828,182</b></u>	<u>1,523,486</u>
5.2.1	During the year certain major shareholders of the Company transferred their shares in one direction for group formation to Gul Ahmed Holdings (Private) Limited (GAHPL); a company established and beneficially owned by these transferors. Consequently, GAHPL now owns 67.45% shares of the Company and has become the holding company of the Company.		
5.2.2	As at June 30, 2014, 129,001,910 (2013: 107,457,082) ordinary shares of Rs.10 each are held by related parties.		
		<u>2014</u>	<u>2013</u>
	<b>Note</b>	<b>(Number of Shares)</b>	
<b>5.2.3</b>	<b>Reconciliation of the number of shares outstanding</b>		
	Number of shares outstanding at the beginning of the year	<b>152,348,515</b>	126,957,096
	Add: 20% Issue of bonus shares	<b>30,469,703</b>	-
	Add: 20% Issue of right shares	<b>-</b>	25,391,419
		<u><b>182,818,218</b></u>	<u>152,348,515</u>
<b>6.</b>	<b>REVENUE RESERVE</b>		
		Rs. 000s	
	General reserve - opening	<b>3,180,000</b>	3,430,000
	Transfer from/(to) unappropriated profit	<b>400,000</b>	(250,000)
		<u><b>3,580,000</b></u>	<u>3,180,000</u>
6.1	This represents appropriation of profit in past years to meet future exigencies.		
<b>7</b>	<b>LONG TERM FINANCING - SECURED</b>		
	<b>From Banking Companies</b>		
	Related party	<b>598,511</b>	646,103
	Other banks	<b>2,335,434</b>	2,070,834
		<u><b>2,933,945</b></u>	<u>2,716,937</u>
	Current portion shown under current liabilities	<b>(694,706)</b>	(561,938)
		<u><b>2,239,239</b></u>	<u>2,154,999</u>

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2014	2013
					Rs. 000s	
<b>7.1 Related party</b>						
Habib Metropolitan Bank Limited Loan 1 a) Under LTF-EOP scheme	7.4, 7.6, 7.7	12 half yearly March-2010	684	7.00% p.a. payable quarterly	<b>2,047</b>	3,414
b) Under LTF-EOP scheme		12 half yearly April-2010	2,042	7.00% p.a. payable quarterly	<b>6,123</b>	10,206
Habib Metropolitan Bank Limited Loan 2 Under LTF-EOP scheme	7.4, 7.6, 7.7	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	<b>77,665</b>	116,498
Habib Metropolitan Bank Limited Loan 3 Under LTFF scheme	7.4, 7.6, 7.8	16 half yearly February-2012	2,719	10.00% p.a. payable quarterly	<b>29,900</b>	35,338
Habib Metropolitan Bank Limited Loan 4 Under LTFF scheme	7.4, 7.6, 7.8	16 half yearly March-2012	2,504	10.00% p.a. payable quarterly	<b>27,545</b>	32,553
Habib Metropolitan Bank Limited Loan 5 Under LTFF scheme	7.4, 7.6, 7.8	16 half yearly June-2012	4,212	10.25% p.a. payable quarterly	<b>46,313</b>	54,737
Habib Metropolitan Bank Limited Loan 6 Under LTFF scheme	7.4, 7.6, 7.8	16 half yearly July-2012	1,804	10.25% p.a. payable quarterly	<b>21,644</b>	25,252
Habib Metropolitan Bank Limited Loan 7 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly December-2013	3,328	11.20% p.a. payable quarterly	<b>26,624</b>	33,280
Habib Metropolitan Bank Limited Loan 8 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly January-2014	970	12.70% p.a. payable quarterly	<b>8,721</b>	9,691
Habib Metropolitan Bank Limited Loan 9 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly February-2014	1,342	12.70% p.a. payable quarterly	<b>12,072</b>	13,414
Habib Metropolitan Bank Limited Loan 10 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly June-2014	9,618	12.70% p.a. payable quarterly	<b>86,562</b>	96,180
Habib Metropolitan Bank Limited Loan 11 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly August-2014	1,357	12.70% p.a. payable quarterly	<b>13,570</b>	13,570
Habib Metropolitan Bank Limited Loan 12 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly September-2014	3,392	12.70% p.a. payable quarterly	<b>33,920</b>	33,920
Habib Metropolitan Bank Limited Loan 13 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly October-2014	158	12.70% p.a. payable quarterly	<b>1,575</b>	1,575
Habib Metropolitan Bank Limited Loan 14 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly August-2015	2,959	11.40% p.a. payable quarterly	<b>29,590</b>	29,590
Habib Metropolitan Bank Limited Loan 15 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly September-2015	13,689	11.40% p.a. payable quarterly	<b>136,885</b>	136,885
Habib Metropolitan Bank Limited Loan 16	7.4, 7.6, 7.8	10 half yearly April-2016	3,776	11.40% p.a. payable quarterly	<b>37,755</b>	-
		<b>Total due to Related Party</b>			<b>598,511</b>	646,103
<b>7.2 Other banks</b>						
Allied Bank Limited Loan 2 Under LTFF scheme	7.5, 7.8	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	<b>148,104</b>	185,129
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	7.4, 7.7	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	<b>4,627</b>	9,256
Bank Al-Habib Limited Loan 2 Under LTFF scheme	7.3, 7.4, 7.8	8 half yearly December-2013	17,159	12.60% p.a. payable quarterly	<b>102,947</b>	137,265
Bank Alfalah Limited Loan 1	7.4	9 half yearly July-2014	1,147	Average six months KIBOR Ask rate + 1.25% payable half yearly	<b>10,325</b>	-
Bank Alfalah Limited Loan 2	7.4	9 half yearly August-2014	1,472	Average six months KIBOR Ask rate + 1.25% payable half yearly	<b>13,252</b>	-

## Notes to the Financial Statements

For the Year Ended June 30, 2014

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2014 Rs. 000s	2013
Bank Alfalah Limited Loan 3	7.4	9 half yearly September-2014	8,172	Average six months KIBOR Ask rate + 1.25% payable half yearly	73,547	-
Bank Alfalah Limited Loan 4	7.4	9 half yearly October-2014	10,285	Average six months KIBOR Ask rate + 1.25% payable half yearly	92,567	-
Bank Alfalah Limited - Loan 5 Islamic Banking	7.4	09 half yearly March-2014	9,439	Average six months KIBOR Ask rate + 1.25% payable half yearly	75,511	84,950
Bank Alfalah Limited - Loan 6 Islamic Banking	7.4	09 half yearly April-2014	6,457	Average six months KIBOR Ask rate + 1.25% payable half yearly	51,662	58,119
Faysal Bank Limited Loan 1 Under LTFF scheme	7.4, 7.8	10 half Yearly January-2014	6,720	12.70% p.a payable quarterly	60,480	67,200
Faysal Bank Limited Loan 2 Under LTFF scheme	7.4, 7.8	10 half yearly January-2014	3,850	12.70% p.a. payable quarterly	34,650	38,500
Faysal Bank Limited Loan 3 Under LTFF scheme	7.4, 7.8	10 half yearly April-2014	672	12.70% p.a. payable quarterly	6,042	6,714
Faysal Bank Limited Loan 4 Under LTFF scheme	7.4, 7.8	10 half yearly June-2014	241	12.70% p.a. payable quarterly	2,169	2,410
Faysal Bank Limited Loan 5 Under LTFF scheme	7.4, 7.8	10 half yearly July-2014	846	12.70% p.a. payable quarterly	8,460	8,460
Faysal Bank Limited Loan 6 Under LTFF scheme	7.4, 7.8	10 half yearly September-2014	10,970	12.70% p.a. payable quarterly	109,700	109,700
Habib Bank Limited Loan 1 a) Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)	7.3, 7.7	12 half yearly June-2010	5,416	7.00% p.a. payable quarterly	16,245	28,097
b) Under LTF-EOP scheme		12 half yearly November-2010	4,450	7.00% p.a. payable quarterly	17,803	26,703
Habib Bank Limited Loan 2 Under LTF-EOP scheme	7.3, 7.7	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	10,284	15,426
Habib Bank Limited Loan 3 Under LTF-EOP scheme	7.3, 7.7	12 half yearly February-2010	9,510	7.00% p.a. payable quarterly	28,531	47,551
Habib Bank Limited Loan 4 Under LTF-EOP scheme	7.3, 7.7	12 half yearly January-2010	778	7.00% p.a. payable quarterly	2,332	3,888
Habib Bank Limited Loan 5 a) Under LTF-EOP scheme	7.3, 7.7	12 half yearly January-2010	1,698	7.00% p.a. payable quarterly	5,091	8,487
b) Under LTF-EOP scheme		12 half yearly February-2010	139	7.00% p.a. payable quarterly	414	692
Habib Bank Limited Loan 6 Under State Bank of Pakistan (SBP) Scheme of Long Term Financing Facility (LTFF)	7.3, 7.8	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	110,542	132,650
Habib Bank Limited Loan 7 Under LTFF scheme	7.3, 7.8	16 half yearly August-2011	562	10.00% p.a. payable quarterly	5,623	6,747
Habib Bank Limited Loan 8 Under LTFF scheme	7.3, 7.8	16 half yearly October-2011	709	10.00% p.a. payable quarterly	7,096	8,514
Habib Bank Limited Loan 9 Under LTFF scheme	7.3, 7.8	16 half yearly March-2012	277	10.00% p.a. payable quarterly	3,045	3,599
Habib Bank Limited Loan 10 Under LTFF scheme	7.3, 7.8	16 half yearly August-2012	3,536	10.25% p.a. payable quarterly	42,470	49,542
HSBC Bank Middle East Limited Loan 1 a) Under LTF-EOP scheme	7.4, 7.7	12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	11,534	17,300
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	4,149	6,225

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2014	2013
					Rs. 000s	
HSBC Bank Middle East Limited Loan 2 Under LTF-EOP scheme	7.4, 7.7	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	7,353	11,030
HSBC Bank Middle East Limited Loan 3 Under LTF-EOP scheme	7.4, 7.7	12 half yearly February-2010	875	7.00% p.a. payable quarterly	2,623	4,373
HSBC Bank Middle East Limited Loan 4 Under LTF-EOP scheme	7.4, 7.7	12 half yearly March-2010	844	7.00% p.a. payable quarterly	2,532	4,220
Meezan Bank Limited Loan 1 Diminishing Musharaka	7.5	6 half yearly February-2011	15,266	Average six months KIBOR Ask rate + 1.00% payable half yearly	-	15,266
Meezan Bank Limited Loan 2 Diminishing Musharaka	7.5	6 half yearly June-2011	1,449	Average six months KIBOR Ask rate + 1.50% payable half yearly	-	1,449
Meezan Bank Limited Loan 3 Diminishing Musharaka	7.5	6 half yearly July-2011	5,253	Average six months KIBOR Ask rate + 1.50% payable half yearly	-	10,505
National Bank of Pakistan Loan 1	7.5	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate + 1.00% payable quarterly	20,000	36,000
National Bank of Pakistan Loan 2 Under LTFF scheme	7.4, 7.5, 7.8	16 quarterly September-2011	2,351	10.40% p.a. payable quarterly	11,755	21,159
National Bank Of Pakistan Loan 3	7.4, 7.5, 7.8	20 quarterly January-2014	3,190	10.90% p.a. payable quarterly	57,420	-
National Bank Of Pakistan Loan 4	7.4, 7.5, 7.8	20 quarterly May-2014	801	10.90% p.a. payable quarterly	15,219	-
National Bank Of Pakistan Loan 5	7.4, 7.5, 7.8	20 quarterly April-2014	6,009	10.90% p.a. payable quarterly	114,171	-
NIB Bank Limited Loan 1 Under LTFF scheme	7.5, 7.8	16 quarterly June-2010	2,839	9.00% p.a. payable quarterly	-	8,510
NIB Bank Limited Loan 2 Under LTFF scheme	7.5, 7.8	16 quarterly September-2010	1,883	9.00% p.a. payable quarterly	-	7,529
NIB Bank Limited Loan 3 Under LTFF scheme	7.5, 7.8	16 quarterly June-2014	2,827	10.90% p.a. payable quarterly	42,407	45,234
NIB Bank Limited Loan 4 Under LTFF scheme	7.5, 7.8	16 quarterly March-2014	829	10.90% p.a. payable quarterly	11,607	13,265
NIB Bank Limited Loan 5 Under LTFF scheme	7.5, 7.8	16 quarterly August-2014	498	10.90% p.a. payable quarterly	7,960	7,960
NIB Bank Limited Loan 6	7.5, 7.8	16 quarterly March-2014	829	Average three months KIBOR Ask rate + 1.50% payable quarterly	11,607	13,265
NIB Bank Limited Loan 7	7.5, 7.8	16 quarterly June-2014	2,827	Average three months KIBOR Ask rate + 1.50% payable quarterly	42,408	45,235
NIB Bank Limited Loan 8 Under LTFF scheme	7.5, 7.8	16 quarterly September-2014	1,289	10.90% p.a. payable quarterly	20,640	20,640
NIB Bank Limited Loan 9	7.5, 7.8	16 quarterly November-2014	301	10.90% p.a. payable quarterly	4,830	-
NIB Bank Limited Loan 10	7.5, 7.8	16 quarterly February-2015	3,220	10.90% p.a. payable quarterly	51,530	-
NIB Bank Limited Loan 11	7.5, 7.8	16 quarterly March-2015	2,016	10.90% p.a. payable quarterly	32,266	-
NIB Bank Limited Loan 12	7.5, 7.8	16 quarterly April-2015	538	10.90% p.a. payable quarterly	8,610	-
NIB Bank Limited Loan 13	7.5, 7.8	16 quarterly May-2015	1,324	10.90% p.a. payable quarterly	21,190	-
NIB Bank Limited Loan 14	7.5, 7.8	16 quarterly June-2015	168	Average three months KIBOR Ask rate + 1.50% payable quarterly	2,695	-

## Notes to the Financial Statements

For the Year Ended June 30, 2014

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2014	2013
					Rs. 000s	
NIB Bank Limited Loan 15	7.5, 7.8	16 quarterly June-2015	2,037	10.90% p.a. payable quarterly	32,605	-
NIB Bank Limited Loan 16	7.5, 7.8	16 quarterly October-2015	803	10.90% p.a. payable quarterly	12,850	-
Standard Chartered Bank Loan 1 Under LTFF scheme	7.5, 7.8	8 Half Yearly October-2012	2,995	11.10% p.a. payable quarterly	11,980	17,970
Standard Chartered Bank Loan 2 Under LTFF scheme	7.5, 7.8	8 Half Yearly November-2012	21,886	11.10% p.a. payable quarterly	87,557	131,329
United Bank Limited Loan 1	7.5	10 half yearly March-2009	50,000	Average three months KIBOR Ask rate + 1.00% payable half yearly	-	50,000
United Bank Limited Loan 2 Under LTF-EOP scheme	7.5, 7.7	12 half yearly April-2010	931	7.00% p.a. payable quarterly	2,793	4,655
United Bank Limited Loan 3 Under LTFF scheme	7.5, 7.8	16 half yearly November-2010	363	10.00% p.a. payable quarterly	2,902	3,628
United Bank Limited Loan 4	7.5	6 half yearly March-2011	25,000	Average six months KIBOR Ask rate + 1.25% payable half yearly	-	25,000
United Bank Limited Loan 5 Under LTFF scheme	7.5, 7.8	10 half yearly December-2012	1,319	10.50% p.a. payable quarterly	7,915	10,553
United Bank Limited Loan 6 Under LTFF scheme	7.5, 7.8	12 half yearly December-2011	557	10.50% p.a. payable quarterly	3,348	4,462
United Bank Limited Loan 7 Under LTFF scheme	7.5, 7.8	12 half yearly January-2012	128	10.50% p.a. payable quarterly	900	1,156
United Bank Limited Loan 8 Under LTFF scheme	7.5, 7.8	12 half yearly February-2012	741	10.50% p.a. payable quarterly	5,190	6,672
United Bank Limited Loan 9 Under LTFF scheme	7.5, 7.8	12 half yearly April-2012	3,686	11.20% p.a. payable quarterly	25,800	33,172
United Bank Limited Loan 10 Under LTFF scheme	7.5, 7.8	19 half yearly November-2011	7,441	11.20% p.a. payable quarterly	96,739	111,621
United Bank Limited Loan 11 Under LTFF scheme	7.5, 7.8	19 half yearly December-2011	5,916	11.20% p.a. payable quarterly	76,905	88,737
United Bank Limited Loan 12	7.5	12 half yearly September-2013	269	Average six months KIBOR Ask rate + 1.00% payable half yearly	2,687	3,225
United Bank Limited Loan 13	7.5	12 half yearly October-2013	1,235	Average six months KIBOR Ask rate + 1.00% payable half yearly	12,353	14,823
United Bank Limited Loan 14	7.5	12 half yearly December-2013	5,892	Average six months KIBOR Ask rate + 1.00% payable half yearly	58,916	70,700
United Bank Limited Loan 15 Under LTFF scheme	7.5, 7.8	12 half yearly January-2014	259	12.70% p.a. payable quarterly	2,856	3,115
United Bank Limited Loan 16 Under LTFF scheme	7.5, 7.8	12 half yearly March-2014	1,525	11.20% p.a. payable quarterly	16,776	18,302
United Bank Limited Loan 17	7.5	12 half yearly January-2014	11,913	Average six months KIBOR Ask rate + 1.00% payable half yearly	131,037	142,950
Samba Bank Limited Loan 1	7.5,7.8	9 half yearly May-2015	17,245	10.90% p.a. payable quarterly	155,200	-
Samba Bank Limited Loan 2	7.5,7.8	9 half yearly June-2015	4,456	10.90% p.a. payable quarterly	40,100	-
<b>Total from other banks</b>					<b>2,335,434</b>	<b>2,070,834</b>



- 7.3 These loans are secured by first pari passu charge over present and future property, plant and equipment of the Company and equitable mortgage over land and building.
- 7.4 These loans are secured by charge over specified machinery.
- 7.5 These loans are secured by way of pari passu charge over the property, plant and equipment of the Company.
- 7.6 Habib Metropolitan Bank Limited is a related party - Associated Company.
- 7.7 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.
- 7.8 The financing availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years of the date when financing was availed. 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.

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
<b>8 DEFERRED TAXATION - NET</b>		Re-Styled
Opening	<b>316,028</b>	273,969
Charged to profit and loss account	<b>17,406</b>	43,483
Charged to other comprehensive income	<b>(513)</b>	(1,424)
	<b><u>332,921</u></b>	<u>316,028</u>
<b>Deferred tax arises due to:</b>		
Taxable temporary differences in respect of Accelerated tax depreciation allowance	<b>372,060</b>	349,378
Deductible temporary differences in respect of		
Provision for gratuity	<b>(5,185)</b>	(4,604)
Provision for doubtful debts	<b>(22,094)</b>	(18,832)
Provision for slow moving items	<b>(11,860)</b>	(9,914)
	<b><u>(39,139)</u></b>	<u>(33,350)</u>
	<b><u>332,921</u></b>	<u>316,028</u>
<b>9 STAFF RETIREMENT BENEFITS</b>		
<b>9.1 Reconciliation of the present value of defined benefit obligation/movement in liability</b>		
Opening balance	<b>33,637</b>	23,894
Charge for the year		
Current service cost	<b>24,654</b>	11,677
Interest cost	<b>2,224</b>	2,867
	<b><u>26,878</u></b>	<u>14,544</u>
Remeasurement loss charged in other comprehensive income	<b>3,910</b>	10,409
Benefits paid during the year	<b>(24,913)</b>	(15,210)
Closing balance	<b><u>39,512</u></b>	<u>33,637</u>

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### 9.2 Significant actuarial assumptions used

Following significant actuarial assumptions were used for the valuation:

Discount rate used

Expected increase in salary for year end obligation

Average expected remaining working lifetime of employees

2014

13.25 % p.a

12.25 % p.a

8 years

2013

10.5 % p.a

9.5 % p.a

10 years

### 9.3 General description

The scheme provides retirement benefits to permanent employees who have attained the minimum qualifying period. Actuarial valuation of the scheme is carried out periodically and latest actuarial valuation was carried out at 30 June 2014. The disclosure is based on information included in that actuarial report.

### 9.4 Sensitivity analysis

Year end sensitivity analysis ( $\pm$  100 bps) on Defined Benefit Obligation as presented by actuary in the report.

2014

Rs. 000s

Discount Rate + 100 bps

Discount Rate - 100 bps

Salary increase + 100 bps

Salary increase - 100 bps

36,571

43,028

43,152

36,409

The average duration of the defined benefit obligation is 8 years.

		<u>2014</u>	<u>2013</u>
	Note	Rs. 000s	
<b>10 TRADE AND OTHER PAYABLES</b>			
Creditors - Due to related parties		28,801	73,829
- Others		4,658,717	2,828,618
		4,687,518	2,902,447
Murabaha	10.1	358,202	507,569
Accrued expenses	10.2	806,653	575,991
Advance from customers		252,809	101,131
Payable to employees' provident fund		9,016	7,712
Workers' profit participation fund	10.3	84,102	45,224
Workers' welfare fund	10.4	53,634	40,289
Unclaimed dividend		512	512
Taxes withheld		35,351	16,071
Others		16,195	14,672
		<u>6,303,992</u>	<u>4,211,618</u>

10.1 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.150 million (2013: Rs. Nil). Murabaha facilities mature within 12 months. It includes accrued profit of Rs. 8.202 million (2013: Rs. 7.569 million). The effective rate of profit ranges from 9.15% to 11.28% and is payable on maturity.

10.2 Accrued expenses include infrastructure cess amounting to Rs. 72.48 million (2013: Rs. 34.962 million). The Company along with other petitioners have challenged the imposition of Infrastructure Cess by the relevant Excise and Taxation Officer, Karachi. However, in view of the uncertainties in such matters, full provision has been made in the financial statements.

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>10.3 Workers' profit participation fund</b>			
Opening balance		45,224	8,884
Allocation for the year		80,340	45,224
Interest for the year	10.3.1	3,762	-
		<u>129,326</u>	<u>54,108</u>
Payments made during the year		(45,224)	(8,884)
Closing balance		<u>84,102</u>	<u>45,224</u>

10.3.1 The Company retains Workers' Profit Participation Fund for its business operations till the date of allocation to the workers. Interest is payable at prescribed rate under Companies Profit (Workers Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

10.4 The Company along with other petitioners have challenged the constitutionality of the amendments brought into Workers' Welfare Fund Ordinance, 1971 through Finance Acts of 2006 and 2008. The Honorable Sindh High Court has given the decision in favor of the Government. The Company has filed an appeal in the Supreme Court of Pakistan against the above decision. However, in view of the uncertainties in such matters, full provision has been made in the financial statements.

		<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>11 ACCRUED MARK-UP/PROFIT</b>			
Mark-up on long term financing		75,169	64,145
Mark-up/profit on short term borrowings		101,995	127,647
		<u>177,164</u>	<u>191,792</u>

11.1 Accrued markup includes Rs. 1.92 million (2013: Rs. 0.60 million) in respect of short term finance and Rs. 16.70 million (2013: Rs. 17.34 million) in respect of long term finance due to related party - Habib Metropolitan Bank Limited (Associated Company).

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>12 SHORT TERM BORROWINGS - SECURED</b>			
<b>Short term bank borrowings</b>			
Foreign currency		5,212,442	3,209,532
Local currency	12.1	2,510,700	4,799,945
		<u>7,723,142</u>	<u>8,009,477</u>
Short term running finance		106,628	280,939
		<u>7,829,770</u>	<u>8,290,416</u>

12.1 Short term borrowing includes Istisna Rs. 580 million (2013: Rs. 1,125 million) in local currency and Rs. 1,959 million (2013: Rs. 218 million) in foreign currency.

## Notes to the Financial Statements

For the Year Ended June 30, 2014

- 12.2 Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts, other receivables and pledge over cotton. Unavailed facility at the year end was Rs. 6,162 million (2013: Rs.3,560 million). The facility for short term finance matures within twelve months. Short term borrowings include Rs. 614 million (2013: Rs. 592 million) from related party - Habib Metropolitan Bank Limited (Associated Company).
- 12.3 Foreign currency mark-up/profit rates range from 0.84% to 3.75% (2013: 0.80% to 3.75%) per annum. Local currency mark-up/profit rates range from 8.95% to 13.38% (2013: 8.95% to 14.98%) per annum.

### 13 CONTINGENCIES AND COMMITMENTS

- 13.1 The 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. The 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 in this behalf has been made in these financial statements.
- 13.2 The Company has filed a suit in the Honorable Sindh High Court for recovery of Rs. 33.409 million (2013: Rs. 33.409 million) against sale of property included in other receivables note no. 22. The Company's management and its legal counsel are of the opinion that the case will be decided in the Company's favor and as such no provision has been made there against.
- 13.3 The Company has filed a Petition in the Honorable 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 2000-01 and 2001-02 amounting to Rs.50.827 million (2013: Rs. 50.827 million). This demand had 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 favorable outcome of the Petition.
- 13.4 The Company has filed a Constitution Petition in the Honorable Sindh High Court against the City District Government of Karachi for striking down the unjustified demand of payment of Ground Rent of Rs.10 million and against which part payment of Rs. 2.57 million has been made. The Honorable Sindh High Court has already restrained the City District Government of Karachi from taking any coercive action against the Company. No provision has been made there against in these financial statements as the Company is confident of the favorable outcome of the Petition. Also refer note no. 21.1.
- 13.5 The Government of Pakistan increased the Gas Infrastructure Development Cess (GIDC) from Rs. 13 per MMBTU to Rs.100 per MMBTU with effect from July 2012. This was subsequently reduced by the Government to Rs.50 per MMBTU from September 2012 and then again increased to Rs. 100 per MMBTU and it has been further increased to Rs. 150 per MMBTU with effect from July 2014. The Company along with several other companies has filed a suit in the Honorable Sindh High Court challenging the increase in GIDC and the Honorable Sindh High Court has issued stay against recovery of the enhanced GIDC and hence the Company has not paid the enhanced amount of GIDC. Further as the Company is confident that the case will be decided in favour of the Appellants hence no provision in respect of the enhanced GIDC is made in these Financial Statements which amounts to Rs. 344.210 million (2013: Rs. 145.972 million) as on the balance sheet date.

Similar petitions filed in the Peshawar and Islamabad High Courts have been decided in favor of the Appellants. In the case of Islamabad High Court the matter is now with its division bench and decision of the Peshawar High Court has been challenged by the Government in the Supreme Court of Pakistan. Subsequent to year end a Three – Member Bench of Honorable Supreme Court of Pakistan has declared the GIDC illegal and unconstitutional vide its judgment dated August 22, 2014 and has accordingly suspended collection of GIDC and maintained the order of the refund of GIDC so far collected.

Considering these decisions and no subsequent actions on part of the Government against the decision of Honorable Supreme Court, the Company is confident that amount of the enhanced GIDC as stated above will no more be payable and that the amount already paid at the original rate of Rs. 13 per MMBTU aggregating to Rs. 105 million up to June 30, 2014 will be recovered so it has been reversed and reported in these financial statements as GIDC refundable as reflected in note no. 22.1. Out of this total amount paid, the amount of Rs. 62.958 million paid and charged in preceding years is reported in other income as stated in note no. 30 whereas the amount of Rs. 42.293 million represents the amount paid in current year in respect of GIDC which is not charged in current year in these financial statements.

- 13.6 The Company has filed a suit in the Honorable Sindh High Court for recovery of Rs. 17.851 million against a customer for the sale of fabric included in trade debts note no. 20. However, in view of the uncertainties in such matters, full provision has been made in the financial statements.

### 13.7 Guarantees

- (a) Rs. 636 million (2013: Rs. 332 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. These guarantees includes guarantees issued by related party - Habib Metropolitan Bank Limited amounting to Rs. 567.241 million (2013: Rs. 268.622 million).
- (b) Post dated cheques Rs. 535 million (June - 2013: Rs. 182 million) are issued to custom authorities in respect of duties on imported items availed on the basis of consumption and export plans.
- (c) Bills discounted Rs. 2,900 million (June - 2013: Rs. 2,216 million).
- (d) Corporate guarantee of Rs. 109.398 million (June - 2013: Rs. 102.26 million) has been issued to bank in favor of indirect subsidiary company - GTM (Europe) Limited-UK.

### 13.8 Commitments

- (a) The Company is committed for capital expenditure as at June 30, 2014 of Rs. 469 million (2013: Rs. 410 million).
- (b) The Company is committed for non capital expenditure items under letters of credits as at June 30, 2014 of Rs. 2,221 million (2013: Rs. 579 million).
- (c) The Company is committed to minimum rental payments for each of the following period as follows:

	<u>2014</u>	<u>2013</u>
Note	Rs. 000s	
Not more than one year	323,120	262,090
More than one year but not more than five years	1,242,552	994,498
More than five years	730,377	600,930
	<u>2,296,049</u>	<u>1,857,518</u>

## 14 PROPERTY, PLANT AND EQUIPMENT

Operating assets	14.1	7,712,257	6,906,799
Capital work in progress (CWIP)	14.2	497,296	225,313
		<u>8,209,553</u>	<u>7,132,112</u>

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### 14.1 Operating Assets

Note	Leasehold land	Buildings and structures on leasehold land	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Total
Rs. 000s							
<b>Year ended June 30, 2014</b>							
<b>Net carrying value basis</b>							
Opening net book value (NBV)	234,107	992,286	5,242,964	57,179	141,127	239,136	6,906,799
Direct additions (at Cost)	-	23,082	88,330	919	34,693	181,993	329,017
Transfer from CWIP	-	106,514	1,242,091	2,558	14,398	-	1,365,561
Disposal at NBV	14.1.2	(6,543)	(9,156)	-	(1,914)	(18,108)	(35,721)
Scrapped at NBV	-	-	-	(2,765)	(1,656)	-	(4,421)
Depreciation charge	14.1.1	-	(622,399)	(6,148)	(32,777)	(66,316)	(848,978)
<b>Closing net book value</b>	<b>227,564</b>	<b>1,000,544</b>	<b>5,941,830</b>	<b>51,743</b>	<b>153,871</b>	<b>336,705</b>	<b>7,712,257</b>
<b>Gross carrying value basis as at June 30, 2014</b>							
Cost	227,564	2,245,825	11,849,370	96,644	403,565	601,491	15,424,459
Accumulated depreciation	-	(1,245,281)	(5,907,540)	(44,901)	(249,694)	(264,786)	(7,712,202)
<b>Net book value</b>	<b>227,564</b>	<b>1,000,544</b>	<b>5,941,830</b>	<b>51,743</b>	<b>153,871</b>	<b>336,705</b>	<b>7,712,257</b>
<b>Year ended June 30, 2013</b>							
<b>Net carrying value basis</b>							
Opening net book value (NBV)	234,107	1,017,567	4,918,427	63,180	155,148	218,104	6,606,533
Direct additions (at cost)	-	23,287	142,949	3,188	21,793	77,720	268,937
Transfer from CWIP	-	72,501	779,316	559	11,462	-	863,838
Disposal at NBV	14.1.2	-	(51,279)	(455)	(770)	(6,808)	(59,312)
Scrapped at NBV	-	-	-	(2,451)	(3,038)	-	(5,489)
Depreciation charge	14.1.1	-	(546,449)	(6,842)	(43,468)	(49,880)	(767,708)
<b>Closing net book value</b>	<b>234,107</b>	<b>992,286</b>	<b>5,242,964</b>	<b>57,179</b>	<b>141,127</b>	<b>239,136</b>	<b>6,906,799</b>
<b>Gross carrying value basis as at June 30, 2013</b>							
Cost	234,107	2,116,229	10,568,505	100,991	372,316	476,930	13,869,078
Accumulated depreciation	-	(1,123,943)	(5,325,541)	(43,812)	(231,189)	(237,794)	(6,962,279)
<b>Net book value</b>	<b>234,107</b>	<b>992,286</b>	<b>5,242,964</b>	<b>57,179</b>	<b>141,127</b>	<b>239,136</b>	<b>6,906,799</b>
<b>Depreciation rate % per annum</b>	-	10	10	10 to 12	15 to 30	20	

	Note	2014	2013
14.1.1	Depreciation charge for the year has been allocated as follows:		
	Cost of goods manufactured	692,899	623,544
	Distribution cost	71,629	65,990
	Administrative expenses	84,450	78,174
		<b>848,978</b>	<b>767,708</b>

#### 14.1.2 Details of operating assets sold

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
<b>Land</b>					
Plot No. 43 B, Block-6, P.E.C.H.S	6,543	6,543	72,500	Negotiation	Mr. Qamar Usman Resident No. 431/3, Sirajuddulah Road, Bahadurabad, Karachi.
<b>Plant and machinery</b>					
Ring Spinning	2,535	472	2,720	Negotiation	Anwar Textile Mills Limited. 8th Floor, Sheikh Sultan Trust - Building, Beaumor, Karachi.
Ring Spinning	1,229	235	765	Negotiation	International Textile Machinery Enterprise Suit No.1001, 10th Floor, Business Plaza, Mumtaz Hassan Road, Off. I.I. Chundrigar Road, Karachi.
Ring Spinning	3,919	756	2,308	Negotiation	MKB Spinning Mills (Pvt) Limited 446-C, Batala Colony, Faisalabad.
Ring Spinning	7,991	1,533	5,400	Negotiation	Sally Textile Mills Ltd 4-F, Gulberg-li, Lahore Distt, Lahore.
Rotary Screen Printing Unit	5,949	312	2,024	Negotiation	Chaudhary Traders Chak Number 173 G-B, Tehsil Samundri District, Faisalabad.
Waukesha Generator	5,151	316	3,760	Negotiation	Orient Energy Systems (Private) Limited. Plot 16, Sector 24, Korangi Industrial Area, Karachi.
Waukesha Gas Generator	19,776	5,177	8,940	Negotiation	Orient Energy Systems (Private) Limited. Plot 16, Sector 24, Korangi Industrial Area, Karachi.
Blanket Rubber	755	328	2,131	Negotiation	Zulekha Welcome Textiles F-468 & B-19 Site, Karachi.
<b>Office equipment</b>					
Air Condition	2,113	375	211	Negotiation	Zarina Air Conditioning Services Saddar, Karachi.
<b>Vehicles</b>					
Suzuki Alto - ARG-047	601	177	234	Company Policy	Mr. Abdul Rasheed - Employee House # L-42, Sector 5-M, Khayam Town, North Karachi, Karachi.
Toyota Corolla - ASH-278	1,311	447	1,006	Negotiation	Mr. Adnan Ahmed Bhatti House # E-148, Defence View Phase II, Karachi.

## Notes to the Financial Statements

For the Year Ended June 30, 2014

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
Suzuki Alto - APH-643	516	111	490	Negotiation	Mr. Adnan Hassan Khan House # A-908/12, F.B. Area, Gulberg, Ancholi, Karachi.
Suzuki Cultus - ARM-403	837	224	633	Negotiation	Mr. Adnan Hassan Khan House # A-908/12, F.B. Area, Gulberg, Ancholi, Karachi.
Suzuki Cultus - ARC-018	709	205	280	Company policy	Mr. Ashraf Nawaz - Employee House # 8-14/3, F-1, Mohalla Tareen Road, Quetta.
Suzuki Cultus - AQQ-107	640	143	256	Negotiation	Mr. Faizan Sidiq House # B-631, Zaman Town, Korangi 4, Sector 35/A, Karachi.
Suzuki Alto - ARJ-057	636	174	255	Company policy	Miss. Fouzia Anwar - Employee Flat # 109, Sea Breeze Heights, Block # 2, Clifton, Karachi.
Suzuki Alto - AHN-782	507	67	200	Negotiation	Mrs. Ghazala Jaseem House # A-33, Mohalla Anwar Ibrahim, Malir City, Karachi.
Toyota Corolla - AVA-057	1,498	626	945	Company policy	Mr. Ghulam Rasool - Employee Flat # B-2/36, Kazimabad, Model Colony, Block-A, Karachi.
Honda City - AJT-948	900	126	566	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Shehzore - CT-3533	1,534	759	785	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Cultus - ASX-284	892	304	736	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Cultus - ARP-695	836	233	666	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Cultus - ASW-381	824	281	716	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Cultus - ARB-417	710	225	611	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Toyota Corolla - AJF-904	1,002	140	825	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.



Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
Toyota Corolla - ARY-926	1,348	368	522	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Alto - AKW-804	512	77	419	Negotiation	Mr. Imran Ahmed House # 219, Sector 35-B, Korangi # 4, Karachi.
Suzuki Alto - APJ-648	516	131	212	Company policy	Mr. Javed Naeem - Employee House#426, Street # 7, Sector 37-D, Landhi # 1 Karachi
Suzuki Bolan - CN-5768	396	55	323	Negotiation	Mr. Jawed Iqbal House # 2874, Usman Ghani Colony, North Karachi, Dakhana Al-Hyderi, Block-R, Karachi.
Suzuki Bolan - CS-2237	408	103	403	Negotiation	Mr. Jawed Iqbal House # 2874, Usman Ghani Colony, North Karachi, Dakhana Al-Hyderi, Block-R, Karachi.
Suzuki Cultus - AGR-367	590	65	428	Negotiation	Mr. Jawed Iqbal House # 2874, Usman Ghani Colony, North Karachi, Dakhana Al-Hyderi, Block-R, Karachi.
Honda City - BBA-880	1,876	1,720	1,800	Company policy	Mr. Khurram Mushtaq - Employee House # A-134, Block 7, Mohalla Gulistan-e-Johar, Karachi.
Honda City - ARE-485	1,070	316	429	Company policy	Mr. Mobeen Aslam - Employee House # A-260, Block J, North Nazimabad, Karachi.
Honda City - ATG-218	1,269	468	850	Negotiation	Mr. Mobeen Aslam - Employee House # A-260, Block J, North Nazimabad, Karachi.
Suzuki Swift - AUF-892	1,092	456	750	Negotiation	Mr. Mobeen Aslam - Employee House # A-260, Block J, North Nazimabad, Karachi.
Honda City - ASA-718	1,467	433	591	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Hyundai Grace - CN-5666	1,194	129	620	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Suzuki Alto - AHZ-348	504	69	413	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Suzuki Cultus - AFT-094	590	65	433	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.

## Notes to the Financial Statements

For the Year Ended June 30, 2014

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
Suzuki Cultus - APN-169	626	142	573	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Suzuki Cultus - AQY-751	682	155	618	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Suzuki Mehran - AMV-610	402	82	367	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Toyota Corolla - ASP-494	1,428	487	1,189	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Toyota Corolla - ASN-214	1,313	439	1,091	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Honda City - ARE-227	1,070	316	892	Negotiation	Mr. Muhammad Faizan Javed House # 1095, Block-4, Shah Faisal Colony, Karachi.
Suzuki Cultus - APL-026	621	146	582	Negotiation	Mr. Muhammad Faizan Javed House # 1095, Block-4, Shah Faisal Colony, Karachi.
Suzuki Cultus - ARL-746	775	229	612	Negotiation	Mr. Muhammad Faizan Javed House # 1095, Block-4, Shah Faisal Colony, Karachi.
Suzuki Alto - AMJ-446	513	90	205	Company policy	Mr. Muhammad Javed - Employee Flat # 101, First Floor, Mustafa Centre, Karachi.
Suzuki Pickup - CR-4172	351	61	357	Negotiation	Mr. Muhammad Sadiq House No. G-935, Adamjee Road, Karachi.
Toyota Corolla - ATG-946	1,419	504	795	Company policy	Mr. Muhammad Yousuf Hussain - Employee House # C6, Street AB Arcade, Block-A, Fatima Jinnah Colony, Karachi.
Suzuki Cultus - ARP-693	831	245	333	Negotiation	Mr. Mujeeb-ur-Rehman Block-A, Area 2-9, S.I.T.E. Karachi
Honda City - AEM-408	785	64	658	Negotiation	Mr. Nadeem-ur-Rehman House # E-14, KDA Center, View Apartment, Sector 15-A/1, Buffer Zone, Karachi.
Suzuki Bolan - CR-8367	469	89	404	Negotiation	Mr. Nadeem-ur-Rehman House # E-14, KDA Center, View Apartment, Sector 15-A/1, Buffer Zone, Karachi.

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
Suzuki Alto - AQA-149	516	124	208	Company policy	Mr. Rehan Ahmed - Employee House # 4/884, Shah Faisal Colony, Karachi.
Suzuki Alto - ARK-189	512	60	256	Company policy	Mr. Riaz Abdul Razzak - Employee House # 417/2, Area Muzzamil Arcade Azizabad, Karachi.
Honda City - ARB-481	1,058	301	424	Negotiation	Mrs. Saira Nadeem Bilal Garden, Plot # 66/3, Flat # B-902, Karachi.
Honda City - ARH-033	1,070	339	431	Company policy	Mr. Saleemuddin - Employee House # R-124, Tariq Bin Ziyad Society Jinnah Avenue, Malir Halt, Karachi.
Suzuki Cultus - APM-715	626	148	495	Negotiation	Mr. Shaikh Abdul Waheed House # A-419, Mohalla Harmeen Tower, Gulistan-e-Johar, Block-19, Karachi.
Honda Civic - ARL-853	1,975	561	1,113	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi.
Suzuki Alto - ARJ-247	636	174	493	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi.
Suzuki Alto - ARM-576	681	197	273	Company policy	Mr. Syed Adnan Aslam - Employee House # 309, Mohallah J-1 Area, Korangi-5, Karachi.
Suzuki Mehran - APD-028	402	97	158	Negotiation	Mr. Syed Junaid Aziz Bukhari House # C1-16/1, Second Floor, Ropali Residency, Block 19, Karachi.
Suzuki Alto - APH-742	516	113	491	Negotiation	Mr. Syed Muhammad Taufiq House # B-150, Gulshan-E-Iqbal, Block-6, Karachi.
Honda City - APN-894	919	244	351	Company policy	Mr. Syed Nusrat Abbas - Employee House # B-405, B Area, Malir Colony, Karachi.
Suzuki Mehran - APS-973	406	99	163	Company policy	Mr. Syed Shujaat Hussain - Employee House # B-22, Sector 35/A, Zaman Town, Korangi-4, Karachi.
Honda City - ASW-158	1,303	445	900	Negotiation	Mr. Umer Farooq Farooqi House # A-344, Sector 11-A, North Karachi, Karachi.
Suzuki Alto - ANT-058	512	89	462	Negotiation	Mr. Wali Ahmed Khan House # B-88, Block-C, North Nazimabad, Karachi.

## Notes to the Financial Statements

For the Year Ended June 30, 2014

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
Suzuki Alto - AQH-645	516	113	489	Negotiation	Mr. Wali Ahmed Khan House # B-88, Block-C, North Nazimabad, Karachi.
Suzuki Alto - AQE-843	521	114	485	Negotiation	Mr. Wali Ahmed Khan House # B-88, Block-C, North Nazimabad, Karachi.
Suzuki Alto - AND-591	504	90	458	Negotiation	Mr. Waseem Khan Flat# 09, Ruffi Corner, Block-3,D/1, Gulshan-e-Iqbal, Karachi.
Honda Civic - BAQ-548	2,487	2,238	2,414	Insurance Claim	M/s. EFU General Insurance Ltd.
Suzuki Mehran - AYL-862	675	497	612	Insurance Claim	M/s. EFU General Insurance Ltd.
<b>Written down value below Rs. 50,000 each</b>					
- Plant & machinery	2,250	26	1,158	Negotiation	Various
- Vehicle	3,529	320	2,388	Negotiation	Various
- Others	7,494	1,539	801	Negotiation	Various
<b>2014</b>	<b>123,139</b>	<b>35,721</b>	<b>141,855</b>		
2013	161,615	59,312	76,392		

### 14.2 Capital work-in-progress

	2014				2013			
	Machinery and store items held for capitalisation	Civil work	Other assets	Total	Machinery and store items held for capitalisation	Civil work	Other assets	Total
Cost as at start	175,122	45,556	4,635	225,313	199,596	19,951	2,840	222,387
Capital expenditure incurred during the year	1,408,968	214,845	13,731	1,637,544	754,842	98,106	17,331	870,279
Transferred to property, plant and equipment	(1,242,091)	(106,514)	(16,956)	(1,365,561)	(779,316)	(72,501)	(12,021)	(863,838)
Transferred to intangible assets	-	-	-	-	-	-	(3,515)	(3,515)
<b>Cost as at close</b>	<b>341,999</b>	<b>153,887</b>	<b>1,410</b>	<b>497,296</b>	<b>175,122</b>	<b>45,556</b>	<b>4,635</b>	<b>225,313</b>

		<u>2014</u>	<u>2013</u>
	Note	Rs. 000s	
<b>15</b>	<b>INTANGIBLE ASSETS</b>		
	<b>Computer Software</b>		
	<b>Net carrying value basis</b>		
	Opening net book value	23,130	26,535
	Additions (at cost)	8,488	5,289
	Transfer from capital work in process	-	3,515
	Amortisation charge	(11,253)	(12,209)
	Closing net book value	<u>20,365</u>	<u>23,130</u>
	<b>Gross carrying value as at June 30</b>		
	Cost	165,491	157,003
	Accumulated amortisation	(145,126)	(133,873)
	Net book value	<u>20,365</u>	<u>23,130</u>
15.1	The cost is being amortized using straight line method over a period of five years and the amortization charge has been allocated as follows:		
		<u>2014</u>	<u>2013</u>
		Rs. 000s	
	Distribution cost	563	1,384
	Administrative expenses	10,690	10,825
		<u>11,253</u>	<u>12,209</u>
15.2	Remaining useful life of these assets range from one to four years.		
<b>16</b>	<b>LONG TERM INVESTMENT</b>		
	Gul Ahmed International Limited - FZC UAE	<u>58,450</u>	<u>58,450</u>
16.1	Gul Ahmed International Limited - FZC UAE is a wholly owned unquoted subsidiary (the subsidiary) of the Company having 10,000 (2013:10,000) ordinary shares of USD 100 each, valued at cost. The subsidiary is incorporated in United Arab Emirates (UAE). The Investment's breakup value of shares as per the audited accounts for the year ended June 30, 2014 is Rs. 261 million (2013: Rs. 263 million).		
		<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>17</b>	<b>LONG TERM LOANS AND ADVANCES</b>		
	Considered good - Secured		
	Due from executives (other than CEO and Directors)	15,680	2,075
	Due from non-executive employees	1,594	1,340
		<u>17,274</u>	<u>3,415</u>
	Current portion being receivable within twelve months following the balance sheet date		
	Due from executives	(5,119)	(1,163)
	Due from non-executive employees	(254)	(191)
		<u>(5,373)</u>	<u>(1,354)</u>
		<u>11,901</u>	<u>2,061</u>

## Notes to the Financial Statements

For the Year Ended June 30, 2014

17.1 Loans and advances have been given for the purchase of cars, motorcycles and household equipments and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against cars, outstanding balance of provident fund, retirement benefits and/or guarantees of two employees.

Included in these are loans of Rs. 9.730 million (2013: Rs. 0.367 million) to executives and Rs. 0.535 million (2013: Rs. 0.595 million) to non-executives which carry no interest. The balance amount carries interest/mark-up ranging from 9% to 14%.

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
<b>17.2 Reconciliation of carrying amount of loans to executives</b>		
Opening balance	2,075	5,183
Disbursement during the year	19,067	-
Recovered during the year	(5,462)	(3,108)
Closing balance	<u>15,680</u>	<u>2,075</u>

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 16.554 million (2013: Rs. 4.852 million).

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>18 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		575,990	432,227
Spare parts		365,951	360,497
Loose tools		3,983	3,153
		<u>945,924</u>	<u>795,877</u>
Provision for slow moving/obsolete items	18.1	<u>(90,394)</u>	<u>(72,442)</u>
		<u>855,530</u>	<u>723,435</u>

### 18.1 Movement in provision for slow moving/obsolete items

Opening balance	72,442	57,431
Charge for the year	17,952	15,011
Closing balance	<u>90,394</u>	<u>72,442</u>

### 19 STOCK-IN-TRADE

Raw materials		2,926,027	2,457,304
Work-in-process		329,995	265,327
Finished goods	19.1	<u>8,658,343</u>	<u>6,832,593</u>
		<u>11,914,365</u>	<u>9,555,224</u>

19.1 Finished goods include stock of waste valuing Rs. 30 million (2013: Rs. 77 million) determined at net realizable value.

19.2 Raw materials amounting to Rs. Nil (2013: Rs. Nil ) has been pledged with the banks as at balance sheet date.

	Note	2014	2013
		Rs. 000s	
<b>20 TRADE DEBTS</b>			
<b>Export debtors - secured</b>			
Considered good	20.1	560,449	622,544
<b>Local debtors - unsecured</b>			
- Considered good		806,245	1,950,724
- Considered doubtful		168,385	137,610
		974,630	2,088,334
Provision for doubtful trade debts	20.3	1,535,079 (168,385)	2,710,878 (137,610)
		1,366,694	2,573,268
<b>20.1 Includes amounts due from related parties as under:</b>			
<b>Export debtors - secured</b>			
Gul Ahmed International Ltd. (FZC)-UAE - wholly owned subsidiary		3,813	1,587
GTM (Europe) Limited - indirect subsidiary		-	33,560
GTM USA Corporation - indirect subsidiary		36,745	-
		40,558	35,147

20.2 The maximum aggregate month end balance due from related parties during the year was Rs. 99 million (2013: Rs. 255 million).

20.2.1 Aging analysis of the amounts due from related parties is as follows:

	2014				2013			
	Upto 1 month	1-6 months	More than 6 months	Total	Upto 1 month	1-6 months	More than 6 months	Total
	Rs. 000s							
Gul Ahmed International Ltd. (FZC)-UAE	3,813	-	-	3,813	1,587	-	-	1,587
GTM (Europe) Limited	-	-	-	-	-	33,560	-	33,560
GTM USA Corporation	30,814	5,931	-	36,745	-	-	-	-
	34,627	5,931	-	40,558	1,587	33,560	-	35,147

	2014	2013
	Rs. 000s	
<b>20.3 Movement in provision for doubtful trade debts</b>		
Opening balance	137,610	107,785
Charge for the year	30,775	29,825
Closing balance	168,385	137,610

## Notes to the Financial Statements

For the Year Ended June 30, 2014

	Note	2014	2013
		Rs. 000s	
<b>21 LOANS AND ADVANCES</b>			
<b>Considered Good</b>			
Current portion being receivable within twelve months following the balance sheet date			
- Executives		5,119	1,163
- Other employees		254	191
	17	5,373	1,354
Advances to suppliers	21.1 & 21.2	390,580	272,212
Letters of credit		-	72,863
		<b>395,953</b>	<b>346,429</b>
21.1	This includes Rs. 2.57 million (2013: Rs. 2.57 million) paid to Nazir Sindh High Court, Karachi in compliance with the Order of the Honorable Sindh High Court in respect of ground rent suit as mentioned in note no. 13.4.		
21.2	Advances to suppliers include Rs. 4.76 million (2013: Rs. 1.53 million) with related parties - Rs. 3.44 million (2013: Rs. 1.53 million) with Arwen Tech (Private) Limited and Rs. 1.32 million (2013: Nil) with Win Star (Private) Limited.		
		2014	2013
	Note	Rs. 000s	
<b>22 OTHER RECEIVABLES</b>			
Duty drawback		152,716	104,158
Duty drawback local taxes and levies		7,777	-
Mark-up rate subsidy receivable		6,918	6,918
Receivable against sale of property	13.2	33,409	33,409
Others	22.1	141,480	29,229
		<b>342,300</b>	<b>173,714</b>
22.1	This includes Rs. 105.251 million (2013: Nil) in respect of GIDC paid as stated in note no. 13.5.		
		2014	2013
	Note	Rs. 000s	
<b>23 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax		483,405	168,735
Income tax		170,076	60,719
		<b>653,481</b>	<b>229,454</b>
<b>24 CASH AND BANK BALANCES</b>			
Cash in hand		6,837	8,246
Balances with banks in current accounts			
- Local currency		105,589	84,638
- Foreign currency		2,528	9,037
	24.1	108,117	93,675
		<b>114,954</b>	<b>101,921</b>
24.1	Bank balances include Rs. 3.504 million (2013: Rs. 35.341 million) kept with a related party - Habib Metropolitan Bank (Associated Company).		



	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>25 SALES</b>			
Local	25.1	<b>11,422,345</b>	13,182,713
Export			
Direct export		<b>20,124,985</b>	16,184,262
Indirect export		<b>1,359,807</b>	794,987
		<b>21,484,792</b>	16,979,249
Duty drawback		<b>172,963</b>	143,011
		<b>33,080,100</b>	30,304,973
Brokerage and commission		<b>(67,376)</b>	(62,254)
		<b>33,012,724</b>	30,242,719

25.1 Sales are exclusive of sales tax amounting to Rs. 417.216 million (2013: Rs. 280.518 million).

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	Re-stated
<b>26 COST OF SALES</b>			
Opening stock of finished goods		<b>6,832,593</b>	4,945,923
Cost of goods manufactured	26.1	<b>22,976,999</b>	21,764,855
Purchases and processing charges		<b>5,885,426</b>	5,613,742
		<b>35,695,018</b>	32,324,520
Closing stock of finished goods		<b>(8,658,343)</b>	(6,832,593)
		<b>27,036,675</b>	25,491,927
<b>26.1 Cost of goods manufactured</b>			
Raw materials consumed	26.2	<b>11,761,667</b>	12,897,675
Stores, spare parts and loose tools consumed		<b>3,721,970</b>	2,976,436
Staff cost	28.1	<b>3,925,307</b>	2,865,885
Fuel, power and water		<b>2,061,862</b>	1,739,168
Insurance		<b>111,106</b>	97,779
Repairs and maintenance - net of insurance claim		<b>806,507</b>	590,417
Depreciation	14.1.1	<b>692,899</b>	623,544
Other manufacturing expenses		<b>113,984</b>	104,584
Cost of samples shown under distribution cost		<b>(153,635)</b>	(98,459)
		<b>23,041,667</b>	21,797,029
Work-in-process			
Opening		<b>265,327</b>	233,153
Closing		<b>(329,995)</b>	(265,327)
		<b>(64,668)</b>	(32,174)
		<b>22,976,999</b>	21,764,855

## Notes to the Financial Statements

For the Year Ended June 30, 2014

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>26.2 Raw materials consumed</b>			
Opening stock		2,457,304	2,236,375
Purchases during the year		12,230,390	13,118,604
Closing stock		<u>(2,926,027)</u>	<u>(2,457,304)</u>
		<u>11,761,667</u>	<u>12,897,675</u>
<b>27 DISTRIBUTION COST</b>			
Freight and shipment expenses		253,178	201,961
Staff Cost	28.1	539,273	365,181
Insurance		21,569	13,019
Advertisement and publicity		615,281	382,703
Participation in exhibition		17,377	13,453
Cost of samples transferred from cost of goods manufactured		153,635	98,459
Rents, rates and taxes		348,774	280,425
Depreciation	14.1.1	71,629	65,990
Amortisation	15.1	563	1,384
Export development surcharge		51,475	41,326
Other expenses		49,906	45,985
		<u>2,122,660</u>	<u>1,509,886</u>
<b>28 ADMINISTRATIVE EXPENSES</b>			
Staff cost	28.1	408,589	356,730
Rents, rates and taxes		55,155	36,617
Repairs and maintenance		51,150	35,643
Vehicle up keep and maintenance		133,590	103,857
Utilities		99,894	75,634
Conveyance and traveling		152,118	130,689
Printing and stationery		36,088	29,868
I.T. expenses		36,270	26,330
Postage and telecommunication		72,638	57,376
Legal and consultancy fees		41,496	39,616
Depreciation	14.1.1	84,450	78,174
Amortisation	15.1	10,690	10,825
Auditors' remuneration	28.2	1,765	1,597
Donations	28.3	4,619	2,139
Insurance		16,972	14,672
Provision for doubtful trade debts		30,775	29,825
Provision for slow moving/obsolete items		17,952	15,011
Other expenses		59,709	42,317
		<u>1,313,920</u>	<u>1,086,920</u>

## 28.1 Staff cost

	Cost of sales		Distribution cost		Administrative expenses		Total	
	2014	2013 Re-stated	2014	2013	2014	2013	2014	2013
	Rs. 000s							
- Salaries, wages & benefits	3,799,395	2,784,996	525,208	354,431	389,058	339,726	4,713,661	3,479,153
<b>Retirement benefits</b>								
- Gratuity	26,878	14,544	-	-	-	-	26,878	14,544
- Contribution to provident fund	41,451	32,132	13,066	10,035	17,092	14,768	71,609	56,935
	68,329	46,676	13,066	10,035	17,092	14,768	98,487	71,479
- Staff compensated absences	57,583	34,213	999	715	2,439	2,236	61,021	37,164
	3,925,307	2,865,885	539,273	365,181	408,589	356,730	4,873,169	3,587,796

2014  
Rs. 000s  
2013

## 28.2 Auditors' remuneration

Audit fee	1,150	1,150
Review fee of half yearly accounts	100	30
Fee for consolidation of holding and subsidiaries	150	150
Review fee of statement of compliance with code of corporate governance	50	50
Other certification fees	115	32
Out of pocket expenses	200	185
	<u>1,765</u>	<u>1,597</u>

28.3 Donation of Rs. 2.095 million (2013: Rs. 1.920 million) paid to Fellowship Fund for Pakistan. Mr. Mohamed Bashir, Chairman of the Company was the Trustee of the Fund up to February, 2014.

Note  
2014  
Rs. 000s  
2013

## 29 OTHER OPERATING EXPENSES

Workers' profit participation fund	80,340	45,224
Workers' welfare fund	30,530	18,124
Loss on sale of property, plant and equipment	906	3,519
Property, plant and equipment scrapped	4,421	5,489
	<u>116,197</u>	<u>72,356</u>

## 30 OTHER INCOME

### Income from financial assets

Interest/mark-up on loans and advances	1,635	1,151
Exchange gain on realisation of export receivables	52,533	9,605
	54,168	10,756

### Income from non-financial assets

Gain on sale of property, plant and equipment	107,040	20,599
Scrap sales	11,389	7,203
GIDC paid in preceding years-Reversed	62,958	-
	<u>181,387</u>	<u>27,802</u>
	<u>235,555</u>	<u>38,558</u>

## Notes to the Financial Statements

For the Year Ended June 30, 2014

	Note	2014	2013
		Rs. 000s	
<b>31 FINANCE COST</b>			
Mark-up on long term financing		302,851	291,354
Mark-up on short term borrowings	31.2	694,384	842,993
Profit on murabaha		45,753	40,340
Interest on workers' profit participation fund		3,762	-
Bank charges and commission		116,100	93,964
		<u>1,162,850</u>	<u>1,268,651</u>

31.1 Mark-up on long term financing and short term borrowings include Rs. 69 million (2013: Rs. 58 million) and Rs. 15 million (2013: Rs. 58 million) respectively from related party Habib Metropolitan Bank Limited - Associated Company.

31.2 It includes exchange gain of Rs. 63 million (2013: exchange loss of Rs. 53 million) on short term borrowings in foreign currency.

	Note	2014	2013
		Rs. 000s	
			Re-stated
<b>32 PROVISION FOR TAXATION</b>			
Current			
- for the year		235,221	151,032
- prior		8,552	(54,041)
		243,773	96,991
Deferred		17,406	43,483
	32.1	<u>261,179</u>	<u>140,474</u>

### 32.1 Reconciliation between accounting profit and tax expense

Net Profit for the year before taxation		<u>1,495,977</u>	<u>851,537</u>
Tax rate		34%	35%
Tax on accounting profit		508,632	298,038
Tax effect of			
Tax credit		(142,368)	(92,976)
Prior year		8,552	(54,041)
Final tax on exports		(116,560)	4,461
Admissible/inadmissible		657	(9,554)
Rate differences and others		2,266	(5,454)
		<u>(247,453)</u>	<u>(157,564)</u>
		<u>261,179</u>	<u>140,474</u>

### 33 EARNINGS PER SHARE - basic and diluted

Profit for the year		1,234,798	711,063
Weighted average number of shares	33.1	<u>182,818,218</u>	<u>174,062,102</u>
Earnings per share (Rs.)	33.2	<u>6.75</u>	<u>4.09</u>

33.1 Weighted average number of shares in issue during last year have been re-stated for the effect of bonus shares issued during current year.

33.2 There is no dilutive effect on the earnings per share of the Company as the Company has no potential ordinary shares.

## 34 SEGMENT INFORMATION

The Company has the following two reportable business segments:

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

Transactions among the business segments are recorded at cost.

### 34.1 Segment profitability

	Spinning		Processing		Elimination of Inter Segment Transactions		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs. 000s							
Sales	9,924,339	10,703,756	28,310,803	21,780,906	(5,222,418)	(2,241,943)	33,012,724	30,242,719
Cost of sales	9,093,155	9,605,299	23,165,938	18,128,571	(5,222,418)	(2,241,943)	27,036,675	25,491,927
Gross profit	831,184	1,098,457	5,144,865	3,652,335	-	-	5,976,049	4,750,792
Distribution and Administrative expenses	214,952	257,126	3,221,628	2,339,680	-	-	3,436,580	2,596,806
Profit before tax and before charging following	616,232	841,331	1,923,237	1,312,655	-	-	2,539,469	2,153,986
Other operating expenses							116,197	72,356
Other income							(235,555)	(38,558)
Finance cost							1,162,850	1,268,651
							1,043,492	1,302,449
Profit before taxation							1,495,977	851,537
Taxation							261,179	140,474
Profit after taxation							1,234,798	711,063

### 34.2 Segment assets and liabilities

	Spinning		Processing		Unallocated		Total Company	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rs. 000s							
Assets	5,134,995	5,574,899	16,305,487	13,668,111	2,836,725	1,945,920	24,277,207	21,188,930
Liabilities	2,032,155	815,183	5,729,788	4,680,755	9,855,361	10,264,490	17,617,304	15,760,428

34.3 Unallocated items represent those assets and liabilities which are common to all segments and investment in subsidiary.

### 34.4 Information about major customers

Revenue from major customers whose revenue exceeds 10% of gross sales is Rs. 8,939 million (2013: Rs. 5,490 million).

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### 34.5 Information by geographical area

	Revenue		Non-current assets	
	2014	2013	2014	2013
	Rs. 000s			
Pakistan	11,354,969	13,120,459	8,322,853	7,208,615
Germany	6,053,568	3,141,496	-	-
United Kingdom	2,163,680	2,959,899	-	-
China	1,669,259	2,098,851	-	-
United States	2,626,257	2,065,066	-	-
Netherland	1,934,723	1,021,286	-	-
France	1,602,332	1,326,246	-	-
Brazil	339,723	503,155	-	-
United Arab Emirates	198,352	242,358	58,450	58,450
Other Countries	5,069,861	3,763,903	-	-
Total	33,012,724	30,242,719	8,381,303	7,267,065

### 35 CASH AND CASH EQUIVALENTS

	Note	2014	2013
		Rs. 000s	
Cash and bank balances	24	114,954	101,921
Short term borrowings	12	(7,829,770)	(8,290,416)
		<u>(7,714,816)</u>	<u>(8,188,495)</u>

### 36 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

	2014				2013			
	Chief Executives	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rs. 000s							
Managerial remuneration	5,600	9,300	330,755	345,655	4,800	10,400	253,062	268,262
House rent allowance	2,240	3,720	132,280	138,240	1,920	4,160	101,224	107,304
Other allowances	560	930	46,539	48,029	730	1,482	44,361	46,573
Contribution to provident fund	467	775	23,801	25,043	400	866	18,815	20,081
	<u>8,867</u>	<u>14,725</u>	<u>533,375</u>	<u>556,967</u>	<u>7,850</u>	<u>16,908</u>	<u>417,462</u>	<u>442,220</u>
Number of persons	<u>2</u>	<u>4</u>	<u>294</u>	<u>300</u>	<u>1</u>	<u>3</u>	<u>241</u>	<u>245</u>

- 36.1 The Chief Executive, Directors and certain Executives are provided with free use of Company maintained cars and are also covered under Company's Health Insurance Plan along with their dependents.
- 36.2 The Chief Executive and two Directors are also provided with free residential telephones.
- 36.3 Aggregate amount charged in the accounts for the year, for meeting fee to five Non-Executive Directors and the Chairman was Rs. 800,000 (2013: five Non-Executive Directors Rs. 450,000).
- 36.4 Executive means an employee other than the Chief Executive and Executive Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.
- 36.5 Chief Executive remuneration includes remuneration to former Chief Executive Mr. Mohamed Bashir upto March, 2014 and remuneration of newly appointed Chief Executive Mr. Mohammed Zaki Bashir effective from April, 2014.
- 36.6 Directors remuneration included remuneration of outgoing Director Mr. Abdul Aziz Yousuf upto March, 2014 and thereafter his remuneration has been included in the category of "Executives" and remuneration of Mr. Ziad Bashir upto March, 2014 as thereafter his remuneration has been discontinued and inclusion of remuneration to director Mr. Zain Bashir effective from April, 2014.

### 37 TRANSACTIONS AND BALANCES 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 carries out transactions with various related parties.

		2014	2013
		Rs. 000s	
<b>Relationship with the Company</b>	<b>Nature of Transactions</b>		
Subsidiaries and indirect subsidiaries	Purchase of goods	-	43,001
	Sales of goods	188,786	713,967
	Commission paid	143,346	64,147
Associated companies and others related parties	Purchase of goods	97,188	79,208
	Sale of goods	957	5,029
	Rent paid	7,200	7,200
	Fees paid	1,375	1,250
	Commission earned	3,451	4,863
	Bills discounted	3,341,649	1,801,027
	Commission/Bank charges paid	53,503	38,083
	Mark-up/interest charged	83,765	116,260
	Company's contribution to provident fund	71,609	56,935
<b>Relationship with the Company</b>	<b>Nature of Outstanding Balances</b>		
Subsidiaries and indirect subsidiaries	Corporate guarantee issued in favour of subsidiary company	109,398	102,260
	Trade & other payable	17,517	62,440
	Long term investment	58,450	58,450
	Trade debts	40,558	35,147
Associated companies and others related parties	Deposit with bank	3,504	35,341
	Borrowing from bank	1,213,072	1,238,406
	Bank guarantee	567,241	268,628
	Trade & other payable	11,284	11,389
	Accrued mark-up	18,619	17,942
	Advances to suppliers	4,763	1,534
	Loans to key management personnel & executives	15,680	2,075
Payable to employees' provident fund	9,016	7,712	

There are no transactions with directors and key management personnel of the Company other than under the terms of employment. Loans and remuneration of the directors, key management personnel and executives are disclosed in note no.17 and 36, respectively.

Related parties status of outstanding receivables and payables as at June 30, 2014 are also included in respective notes to the financial statements.

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### 38 CAPACITY AND PRODUCTION

Unit	2014			2013		
	Capacity	Production	Working	Capacity	Production	Working
	000s			000s		
Cloth Sq. meters (50 Picks converted)	136,745	80,025	3 shifts	136,745	83,819	3 shifts
Yarn Kgs. (20 Counts converted)	51,341	36,096	3 shifts	49,055	37,501	3 shifts

Production is lower due to variation in production mix due to production of high value items and various technical factors.

### 39 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities of the Company as at June 30, 2014 are as follows

	2014						Total
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Rs. 000s							
<b>Financial assets</b>							
<b>Investment in subsidiary</b>							
Long term investment	-	-	-	-	58,450	58,450	58,450
<b>Loans and receivables</b>							
Loans and advances	2,293	4,716	7,009	3,080	7,185	10,265	17,274
Long term deposits	-	-	-	-	81,034	81,034	81,034
Trade debts	-	-	-	1,366,694	-	1,366,694	1,366,694
Other receivables	-	-	-	65,168	-	65,168	65,168
Cash and bank balances	-	-	-	114,954	-	114,954	114,954
	2,293	4,716	7,009	1,549,896	146,669	1,696,569	1,703,574
<b>Financial liabilities</b>							
<b>At Amortized cost</b>							
Long term financing	694,706	2,239,239	2,933,945	-	-	-	2,933,945
Short term borrowings	7,829,770	-	7,829,770	-	-	-	7,829,770
Trade and other payables	442,304	-	442,304	5,503,699	-	5,503,699	5,946,003
Accrued mark-up/profit	-	-	-	177,164	-	177,164	177,164
	8,966,780	2,239,239	11,206,019	5,680,863	-	5,680,863	16,886,882
<b>Off balance sheet items</b>							
Guarantees	-	-	-	1,279,730	-	1,279,730	1,279,730
Bills discounted	-	-	-	2,900,378	-	2,900,378	2,900,378
Commitments	-	-	-	3,012,647	1,972,929	4,985,576	4,985,576
	-	-	-	7,192,755	1,972,929	9,165,684	9,165,684



Financial assets and liabilities of the Company as at June 30, 2013 are as follows:

	2013						Total
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
<b>Rs. 000s</b>							
<b>Financial assets</b>							
<b>Investment in subsidiary</b>							
Long term investment	-	-	-	-	58,450	58,450	58,450
<b>Loans and receivables</b>							
Loans and advances	1,093	1,360	2,453	260	702	962	3,415
Long term deposits	-	-	-	-	51,312	51,312	51,312
Trade debts	-	-	-	2,573,268	-	2,573,268	2,573,268
Other receivables	-	-	-	54,279	-	54,279	54,279
Cash and bank balances	-	-	-	101,921	-	101,921	101,921
	1,093	1,360	2,453	2,729,728	110,464	2,840,192	2,842,645
<b>Financial liabilities</b>							
<b>At Amortized cost</b>							
Long term financing	561,938	2,154,999	2,716,937	-	-	-	2,716,937
Short term borrowings	8,290,416	-	8,290,416	-	-	-	8,290,416
Trade and other payables	552,793	-	552,793	3,486,662	-	3,486,662	4,039,455
Accrued mark-up/profit	-	-	-	191,792	-	191,792	191,792
	9,405,147	2,154,999	11,560,146	3,678,454	-	3,678,454	15,238,600
<b>Off balance sheet items</b>							
Guarantees	-	-	-	616,117	-	616,117	616,117
Bills discounted	-	-	-	2,215,854	-	2,215,854	2,215,854
Commitments	-	-	-	1,250,869	1,595,428	2,846,297	2,846,297
	-	-	-	4,082,840	1,595,428	5,678,268	5,678,268

## 40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial risk management objectives

The Company's activities exposes 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

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

The information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk and the Company's management of capital is as follows:

## Notes to the Financial Statements

For the Year Ended June 30, 2014

### 40.1 Market risks

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk. The company is exposed to currency risk and interest rate risk only.

#### a Currency risk

Foreign currency 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 currency risk arises mainly from future economic transactions or receivables and payables that exist due to transactions in foreign exchange.

#### Exposure to foreign currency risk

The Company is exposed to foreign currency risk arising from foreign exchange fluctuations due to the following financial assets and liabilities:

	<u>2014</u>	<u>2013</u>
	USD 000s	
Long term investment	1,000	1,000
Trade debts	5,704	6,321
Cash and bank balances	26	91
Borrowings from financial institutions	(53,163)	(32,578)
Trade and other payables	(20,364)	(6,177)
Net exposure	<u>(66,797)</u>	<u>(31,343)</u>

The Company manages foreign currency risk through obtaining forward covers and due monitoring of the exchange rates and net exposure.

Foreign currency commitments outstanding at year end are as follows:

	<u>2014</u>	<u>2013</u>
	000s	
USD	23,098	7,515
EURO	539	1,339
JPY	180,560	3,310
CHF	27	-

The following significant exchange rates were applied during the year:

	Rupees	
<b>Rupee per USD</b>		
Average rate	98.35	98.49
Reporting date rate	98.45/98.25	98.94/98.74

#### Foreign currency sensitivity analysis

A 5 percent strengthening/weakening of the PKR against the USD at June 30, 2014 would have increased/decreased the equity and profit/loss after tax by Rs. 217 million (2013: Rs.104 million). The analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for June 30, 2013.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year.

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**b Interest/mark-up/profit rate risk**

Interest rate risk is the risk that the fair value or future cash flows 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 mainly exposed to interest/mark-up/profit rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option", which can be exercised upon any adverse movement in the underlying interest rates.

Financial assets include balances of Rs. 7 million (2013: Rs. 2.4 million) which are subject to interest rate risk. Financial liabilities include balances of Rs.11,206 million (2013: Rs. 11,560 million) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

**Cash flow sensitivity analysis for variable rate instruments**

At June 30, 2014, if interest rates on long term financing would have been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs 3.95 million (2013: Rs 3.9 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At June 30, 2014, if interest rates on short term borrowings would have been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs. 35.1 million (2013: Rs. 64.4 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

**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.

**c Other Price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from 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.

**40.2 Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

**Exposure to credit risk**

Company's operating activities exposes it to credit risks arising mainly in respect of loans and advances, trade debts, deposits, other receivables and cash at bank. The maximum exposure to credit risk at the reporting date is as follows:

## Notes to the Financial Statements

For the Year Ended June 30, 2014

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	
Loans and advances	17	<b>17,274</b>	3,415
Long term deposit		<b>81,034</b>	51,312
Trade debts	20	<b>1,366,694</b>	2,573,268
Other receivables		<b>65,168</b>	54,279
Bank balances	24	<b>108,117</b>	93,675
		<b><u>1,638,287</u></b>	<u>2,775,949</u>

The Company manages credit risk as follows:

### Loans and advances

These loans are due from employees and are secured against vehicles, outstanding balance of provident fund and retirement dues of the relevant employee. In addition, the Company obtains guarantees by two employees against each disbursement on account of loans and these are up to the extent of loans outstanding as at the date of default. The guarantor will pay the outstanding amount if the counter party will not meet their obligation.

The Company actively pursues for the recovery of these loans and the Company does not expect these employees will fail to meet their obligations hence no impairment allowance is made.

### Trade debts

Trade debts are due from local and foreign customers. 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.

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

The Company actively pursues for the recovery of the debt and based on past experience and business relationship and credit worthiness of these customers. The Company does not expect these customers will fail to meet their obligations except for some doubtful debtors against which adequate allowance for impairment have been made in these financial statements.

The Company has 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. The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note 20.

Aging of trade debts is as follows:

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
1 to 6 months	<b>1,324,839</b>	2,503,470
6 months to 1 year	<b>16,492</b>	49,028
1 year to 3 years	<b>25,363</b>	20,770
	<b><u>1,366,694</u></b>	<u>2,573,268</u>

The Company believes that no impairment allowance is necessary in respect of trade debts that are past due other than the amount provided.

### Other receivables

The Company believes that no impairment allowance is necessary in respect of receivables 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.

### Bank balances

The Company limits its exposure to credit risk by maintaining bank accounts only with counter-parties that have stable credit rating.

The bank balances along with credit ratings are tabulated below:

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
AAA	17,995	1,033
AA+	4,173	69,242
AA	20,688	2,500
A+	52,817	-
A	4,854	19,639
A-	49	817
AA-	7,541	444
	<u>108,117</u>	<u>93,675</u>

Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

### 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.

The management believes that there are no financial assets that are impaired except against which provision has been made as a matter of prudence.

### 40.3 Liquidity risk

Liquidity risk represents the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The exposure to liquidity risk along with their maturities disclosed in respective notes and in note no. 39.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2014, the Company has Rs. 14,342 million (2013: Rs. 12,350 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 6,162 million (2013: Rs. 3,560 million) and also has Rs. 108 million (2013: Rs. 94 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

### 40.4 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 long term investment in subsidiary note no. 16.

### 40.5 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.

## Notes to the Financial Statements

For the Year Ended June 30, 2014

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.

The Company's strategy is to maintain leveraged gearing. The gearing ratios as at June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
Total borrowings	<b>10,763,715</b>	11,007,353
Cash and bank	<b>(114,954)</b>	(101,921)
Net debt	<b>10,648,761</b>	10,905,432
Total equity	<b>6,659,903</b>	5,428,502
Total equity and debt	<b>17,308,664</b>	16,333,934
Gearing ratio (%)	<b>62</b>	67

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 and borrowing cost.

	<u>2014</u>	<u>2013</u>
Note	Un-audited	Audited
<b>41 PROVIDENT FUND RELATED DISCLOSURES</b>		

The following information based on latest financial statements of the fund:

Size of the fund - Total assets (Rs. 000s)		<b>602,870</b>	500,775
Cost of investments made (Rs. 000s)		<b>520,170</b>	434,582
Percentage of investments made		<b>86.28%</b>	86.78%
Fair value of investments (Rs. 000s)	41.1	<b>558,618</b>	467,698

### 41.1 The break-up of fair value of investment is:

	<u>2014</u>		<u>2013</u>	
	Un-audited		Audited	
	Rs. 000s	%	Rs. 000s	%
Shares in listed companies	<b>35,953</b>	<b>6.44%</b>	26,314	5.63%
Government securities	<b>189,041</b>	<b>33.84%</b>	202,513	43.30%
Debt securities	<b>110,401</b>	<b>19.76%</b>	133,971	28.64%
Mutual funds	<b>134,588</b>	<b>24.09%</b>	98,942	21.16%
Balance in saving accounts	<b>88,635</b>	<b>15.87%</b>	5,958	1.27%
	<b>558,618</b>	<b>100.00%</b>	467,698	100.00%

41.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

### 42 NUMBER OF PERSONS

Number of persons employed as on year end were 12,814 (2013: 12,436) and average number of employees during the year was 12,679 (2013: 12,369)

# Notes to the Financial Statements

For the Year Ended June 30, 2014

## 43 EVENT AFTER BALANCE SHEET DATE

### 43.1 Subsequent Effects

The Board of Directors of the Company in its meeting held on September 27, 2014 has proposed the following:

#### a) Bonus Shares

Your directors have decided to issue 25% bonus shares on the existing paid up capital of the Company in the ratio of one share for every four shares held.

#### b) Dividend

Your directors have decided to pay cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2014. Holding Company and an Associated Company have agreed to relinquish their portion of cash dividend.

#### c) Transfer from Unappropriated Profit

An amount of Rs. 650 million to be transferred to general reserve from un-appropriated profit

### 43.2 Fire in Warehouse:

On July 26, 2014, there was an unfortunate fire incident on the third floor of one of our warehouses. Goods stored on this floor were damaged. Adequate insurance cover to mitigate the loss is in place. Estimate of the loss is around Rs. 400 million. All the Company's production facilities are working soundly. There is no disruption in any operation.

## 44 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 27, 2014 by the Board of Directors of the Company.

## 45 CORRESPONDING FIGURES

For better presentation, reclassification made in the financial statements is as follows:

<u>Reclassification from</u>	<u>Reclassification to</u>	<b>Amount Rs.000s</b>
<b>Sales</b>	<b>Financial charges</b>	
Export Sales	Bank Charges	41,131
<b>Trade and Other payables</b>	<b>Trade and Other payables</b>	
Others	Taxes withheld	16,071
Others	Accrued expenses	7,903

## 46 GENERAL

Figures have been rounded off to the nearest thousand rupees.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

## Attendance at Board and Committee Meetings

For the Year Ended June 30, 2014

Name of Director	Board		Audit Committee		Human Resource & Remuneration Committee	
	*Required	Attended	Required	Attended	Required	Attended
Mohomed Bashir	4	4	2	2	-	-
Zain Bashir	4	4	3	3	1	1
Mohammed Zaki Bashir	4	4	3	3	-	-
Ziad Bashir	4	4	-	-	-	-
Abdul Aziz Yousuf	3	3	-	-	1	1
S.M. Nadim Shafiqullah	4	2	5	3	1	1
Abdul Razak Bramchari	3	2	-	-	-	-
Dr. Amjad Waheed	4	2	-	-	-	-
Adnan Afridi	4	4	2	2	-	-

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



## Pattern of Shareholding

As at June 30, 2014

No. of Shareholders	Shareholding			Shares held	
671	From	1	to	100	23,740
944	From	101	to	500	333,533
549	From	501	to	1,000	440,404
549	From	1,001	to	5,000	1,395,364
106	From	5,001	to	10,000	836,224
32	From	10,001	to	15,000	428,872
27	From	15,001	to	20,000	509,499
14	From	20,001	to	25,000	332,238
11	From	25,001	to	30,000	312,790
8	From	30,001	to	35,000	273,500
8	From	35,001	to	40,000	312,729
5	From	40,001	to	45,000	216,172
8	From	45,001	to	50,000	394,028
2	From	50,001	to	55,000	103,500
4	From	55,001	to	60,000	231,000
1	From	60,001	to	65,000	60,844
1	From	65,001	to	70,000	68,904
4	From	70,001	to	75,000	296,785
1	From	75,001	to	80,000	80,000
1	From	80,001	to	85,000	80,721
1	From	85,001	to	90,000	86,000
6	From	95,001	to	100,000	590,566
1	From	105,001	to	110,000	107,500
1	From	120,001	to	125,000	125,000
1	From	130,001	to	135,000	133,499
1	From	140,001	to	145,000	141,764
1	From	160,001	to	165,000	162,000
1	From	200,001	to	205,000	202,000
1	From	205,001	to	210,000	205,513
1	From	220,001	to	225,000	225,000
1	From	230,001	to	235,000	231,000
1	From	280,001	to	285,000	281,000
1	From	295,001	to	300,000	300,000
1	From	445,001	to	450,000	449,173
1	From	495,001	to	500,000	500,000
1	From	780,001	to	785,000	785,000
1	From	3,975,001	to	3,980,000	3,978,619
1	From	4,885,001	to	4,890,000	4,888,821
1	From	5,480,001	to	5,485,000	5,481,006
1	From	16,070,001	to	16,075,000	16,072,701
1	From	17,825,001	to	17,830,000	17,826,657
1	From	123,310,001	to	123,315,000	123,314,552
<b>2,973</b>					<b>182,818,218</b>

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	2,915	8,972,364	4.91
Investment Companies & Mutual Funds	33	5,100,344	2.79
Insurance Companies	5	5,688,938	3.11
Joint Stock Companies	10	128,975,620	70.55
Modaraba Companies	1	180	-
Financial Institutions	1	295	-
Foreign Investors	2	33,899,358	18.54
Charitable Institutions	4	180,722	0.10
Government Departments	2	397	-
	<b>2,973</b>	<b>182,818,218</b>	<b>100.00</b>

## Pattern of Shareholding

As at June 30, 2014

### Additional Information

<u>Categories of Shareholders</u>	<u>Number</u>	<u>Shares held</u>
<u>Associated Companies, Undertakings and Related Parties</u>		
Gul Ahmed Holdings (Private) Limited	1	123,314,552
Swisstex Chemicals (Private) Limited	1	5,531,006
Trustee - Gul Ahmed Textile Mills Limited Employees Provident Fund Trust	1	98,066
<u>NIT and ICP</u>		
IDBP (ICP Unit)	1	4,215
National Bank of Pakistan - Trustee Department	1	458
National Bank of Pakistan - Trustee Department NI(U)T Fund	1	3,978,619
Trustee National Bank of Pakistan Employees Benevolent Fund Trust	1	2,629
Trustee National Bank of Pakistan Employees Pension Fund	1	74,934
<u>Mutual Funds</u>		
CDC Trustee Alfalah GHP Alpha Fund	1	36,000
CDC Trustee First Habib Stock Fund	1	15,000
CDC Trustee IGI Stock Fund	1	125,000
Banks, NBFIs, DFI and Investment Companies	24	765,423
Insurance Companies	5	5,688,938
Joint Stock Companies	8	130,062
Modaraba Companies	1	180
Financial Institutions	1	295
Foreign Investors	2	33,899,358
Charitable Institutions	4	180,722
Government Departments	2	397
<u>DIRECTORS</u>		
Mohomed Bashir (Chairman)	1	2,500
Zain Bashir (Vice Chairman)	1	2,500
Mohammed Zaki Bashir (Chief Executive)	1	2,500
Ziad Bashir	1	2,500
S.M. Nadim Shafiqullah	1	8,280
Dr. Amjad Waheed	1	7,200
Adnan Afridi	1	7,200
<u>DIRECTORS/CEO'S SPOUSE:</u>		
Parveen Bashir	1	2,500
Tania Zain	1	2,500
<u>CHIEF FINANCIAL OFFICER (CFO)</u>		
Mohammed Saleem Sattar	1	7,200
<u>Shareholders holding 5% or more Voting Interest</u>		
Gul Ahmed Holdings (Private) Limited	1	123,314,552
Hamdan Holdings Limited	1	16,072,701
Metalcrest Limited	1	17,826,657
<u>Details of trading in the shares by:</u>		
<u>DIRECTORS</u>		
Mohomed Bashir	21,676,382	Shares acquired as gift from family members
Zain Bashir	1,070,513	Shares given as gift to family member
Zain Bashir	13,622,384	Shares acquired as gift from family member
Mohammed Zaki Bashir	3,797,990	Shares given as gift to family member
Ziad Bashir	3,797,990	Shares given as gift to family member
<u>DIRECTORS/CEO'S SPOUSE:</u>		
Parveen Bashir	13,009,889	Shares given as gift to family member
Tania Zain	13,622,384	Shares given as gift to family member

During the year the following shares of Mr. Mohamed Bashir (Chairman) and his family members have been transferred in one direction for group formation to Gul Ahmed Holdings (Private) Limited in accordance with the Group Companies Registration Regulation 2008.

<u>DIRECTORS</u>	<u>NO. OF SHARES</u>
Mohomed Bashir	30,828,638
Zain Bashir	30,828,638
Mohammed Zaki Bashir	30,828,638
Ziad Bashir	30,828,638



# Consolidated Financial Statements 2014

## Group Director's Report

The directors are pleased to present their report together with the audited Group Consolidated Financial Statements for the year ended June 30, 2014.

### The Group

The Group comprises of Gul Ahmed International Limited (FZC) - UAE, GTM (Europe) Limited - UK and GTM USA Corp. - USA, wholly owned subsidiaries. All the subsidiaries are engaged in trading of textile related products.

### Group Results

The consolidated financial results of the Group are given below:

	Rs. '000s
Profit before tax	1,477,459
Taxation	(256,448)
Profit after tax	<u>1,221,011</u>
Un-appropriated profit brought forward	824,837
Amount available for appropriation	<u>2,045,848</u>
Transfer to general reserves	400,000
Transfer to statutory reserve	1,546
Amount carried to other comprehensive Income	3397
Issue of bonus shares	304,696
Amount carried forward	<u>1,336,209</u>
	<u>2,045,848</u>
Earnings per share (Rs.)	6.68

### Pattern of Shareholding

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

Parent Company is now subsidiary of Gul Ahmed Holdings (Private) Limited holding 123,314,552 (67.45%) shares.

### Subsequent Effects

The directors of the Group in their meeting held on September 27, 2014 have proposed the following:

1. Cash Dividend: Your directors have decided to pay cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2014. Holding Company and an Associated Company have agreed to relinquish their portion of cash dividend.
2. Bonus Shares: Your directors have decided to issue 25% bonus shares on the existing paid up capital of the Company in the ratio of one share for every four shares held.
3. Reserves: An amount of Rs. 650 million to be transferred to general reserve from un - appropriated profit

By order of the Board

Karachi  
September 27, 2014

**Mohammed Zaki Bashir**  
Chief Executive Officer

## Auditors' Report on Consolidated Financial Statements

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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), GTM (Europe) Limited and GTM USA Corp. (the Subsidiaries) as at June 30, 2014 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. The financial statements of Gul Ahmed International Limited (FZC), GTM (Europe) Limited and GTM USA Corp. (the 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, 2014 and the result of their operations for the year then ended.

Karachi  
September 27, 2014

**KRESTON HYDER BHIMJI & CO**  
Chartered Accountants  
Engagement Partner: Shaikh Mohammad Tanvir

# Consolidated Balance Sheet

As at June 30, 2014

	Note	2014 Rs. 000s	2013
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	5	1,828,182	1,523,486
Reserves	6	3,688,803	3,268,511
Unappropriated profit		1,336,209	824,837
		<b>6,853,194</b>	<b>5,616,834</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	7	2,239,239	2,154,999
Deferred liabilities			
Deferred taxation - net	8	338,936	326,526
Staff retirement benefits	9	44,816	40,303
		<b>383,752</b>	<b>366,829</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	6,428,420	4,248,013
Accrued mark-up/profit	11	177,164	191,792
Short term borrowings	12	7,829,770	8,290,416
Current maturity of long term financing	7	694,706	561,938
		<b>15,130,060</b>	<b>13,292,159</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		<b>24,606,245</b>	<b>21,430,821</b>

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	<b>8,217,907</b>	7,144,238
Intangible assets	15	<b>24,020</b>	27,242
Long term loans and advances	16	<b>11,901</b>	2,061
Long term deposits		<b>81,034</b>	51,312
		<b>8,334,862</b>	7,224,853
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	17	<b>855,530</b>	723,435
Stock-in-trade	18	<b>12,129,702</b>	9,673,821
Trade debts	19	<b>1,482,683</b>	2,702,373
Loans and advances	20	<b>404,734</b>	352,058
Short term deposits and prepayments		<b>95,018</b>	46,718
Other receivables	21	<b>346,027</b>	177,592
Tax refunds due from Government	22	<b>655,664</b>	231,018
Income tax refundable-payments less provision		<b>177,812</b>	189,596
Cash and bank balances	23	<b>124,213</b>	109,357
		<b>16,271,383</b>	14,205,968
		<b>24,606,245</b>	21,430,821

The annexed notes 1 - 45 form an integral part of these consolidated financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

## Consolidated Profit and Loss Account

For the Year Ended June 30, 2014

	Note	<u>2014</u>	<u>2013</u>
		Rs. 000s	Re-stated
Sales	24	<b>33,698,111</b>	30,633,892
Cost of sales	25	<b>27,418,741</b>	25,678,935
Gross profit		<b>6,279,370</b>	4,954,957
Distribution cost	26	<b>2,184,014</b>	1,536,025
Administrative expenses	27	<b>1,559,796</b>	1,252,790
Other operating expenses	28	<b>116,311</b>	72,356
		<b>3,860,121</b>	2,861,171
		<b>2,419,249</b>	2,093,786
Other income	29	<b>235,555</b>	39,033
Operating profit		<b>2,654,804</b>	2,132,819
Finance cost	30	<b>1,177,345</b>	1,283,887
Profit before taxation		<b>1,477,459</b>	848,932
Provision for taxation	31	<b>256,448</b>	141,143
Profit after taxation		<b>1,221,011</b>	707,789
Earnings per share - basic and diluted (Rs.)	32	<b>6.68</b>	4.07

The annexed notes 1 - 45 form an integral part of these consolidated financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer



## Consolidated Statement of Comprehensive Income

For the Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
		Re-stated
Profit after taxation	1,221,011	707,789
Other comprehensive income		
<b>Items that will not be reclassified to profit and loss account subsequently</b>		
Remeasurement loss on defined benefit plan	(3,910)	(10,409)
Tax effect on remeasurement loss	513	1,424
	(3,397)	(8,985)
<b>Items that will be reclassified to profit and loss account subsequently</b>		
Exchange difference on translation of foreign subsidiaries	18,746	11,065
Total comprehensive income	<u>1,236,360</u>	<u>709,869</u>

The annexed notes 1 - 45 form an integral part of these consolidated financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

# Consolidated Cash Flow Statement

For the Year Ended June 30, 2014

Note	<u>2014</u>	<u>2013</u>
	Rs. 000s	Re-stated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,477,459	848,932
Adjustments for:		
Depreciation	856,477	775,977
Amortization	12,507	13,766
Provision for gratuity	28,762	17,152
Finance cost	1,177,345	1,283,887
Provision for slow moving/obsolete items	17,952	15,011
Provision for doubtful debts	30,775	29,825
Property, plant and equipment scrapped	4,421	5,490
Gain on sale of property, plant and equipment - net	(106,020)	(17,080)
	<u>2,022,219</u>	<u>2,124,028</u>
Cash flows from operating activities before adjustments of working capital	3,499,678	2,972,960
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spare parts and loose tools	(150,047)	1,540
Stock-in-trade	(2,455,881)	(2,191,987)
Trade debts	1,188,915	(459,933)
Loans and advances	(52,676)	(176,447)
Short term deposits and prepayments	(48,300)	(7,231)
Other receivables	(168,435)	5,107
Tax refunds due from Government	(424,646)	(205,115)
	<u>(2,111,070)</u>	<u>(3,034,066)</u>
Increase in current liabilities		
Trade and other payables	2,180,407	1,529,870
	<u>69,337</u>	<u>(1,504,196)</u>
	3,569,015	1,468,764
Adjustments for		
Gratuity paid	(28,159)	(15,210)
Finance cost paid	(1,191,973)	(1,263,707)
Income tax paid	(231,741)	(298,550)
(Increase)/decrease in long term loans and advances	(9,840)	839
Increase in long term deposits	(29,722)	(3,511)
	<u>(1,491,435)</u>	<u>(1,580,139)</u>
Net cash generated from/(used in) operating activities	2,077,580	(111,375)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(1,970,456)	(1,149,104)
Addition to intangible assets	(9,285)	(8,028)
Proceeds from sale of property, plant and equipment	141,909	76,401
Net cash used in investing activities	(1,837,832)	(1,080,731)

	<u>2014</u>	<u>2013</u>
Note	Rs. 000s	Re-stated
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	<b>789,322</b>	619,510
Repayments of long term financing	<b>(572,314)</b>	(663,641)
Proceeds from issue of right shares	-	253,915
Net cash generated from financing activities	<b>217,008</b>	209,784
Exchange difference on translation of foreign subsidiaries	<b>18,746</b>	11,065
Net increase/(decrease) in cash and cash equivalents	<b>475,502</b>	(971,257)
Cash and cash equivalents - at the beginning of the year	<b>(8,181,059)</b>	(7,209,802)
Cash and cash equivalents - at the end of the year	<b>(7,705,557)</b>	(8,181,059)
34		

The annexed notes 1 - 45 form an integral part of these consolidated financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

## Consolidated Statement of Changes in Equity

For the Year Ended June 30, 2014

	Share capital	Revenue reserve	Exchange difference on translation of foreign subsidiaries	Statutory reserve	(Accumulated loss)/ Unappropriated profit	Total
<b>Rs. 000s</b>						
<b>Balance as at June 30, 2012</b>	1,269,571	3,430,000	67,091	10,146	(123,758)	4,653,050
<b>Transfer of reserves</b>						
Transfer from revenue reserve	-	(250,000)	-	-	250,000	-
Transfer to statutory reserve	-	-	-	209	(209)	-
	-	(250,000)	-	209	249,791	-
<b>Total comprehensive income for the year ended June 30, 2013 - as re-stated</b>						
Profit for the year - as re-stated	-	-	-	-	707,789	707,789
Other comprehensive income - as re-stated	-	-	11,065	-	(8,985)	2,080
	-	-	11,065	-	698,804	709,869
<b>Transaction with owners</b>						
Issue of right shares	253,915	-	-	-	-	253,915
<b>Balance as at June 30, 2013</b>	1,523,486	3,180,000	78,156	10,355	824,837	5,616,834
<b>Transfer of reserves</b>						
Transfer to revenue reserve	-	400,000	-	-	(400,000)	-
Transfer to statutory reserve	-	-	-	1,546	(1,546)	-
	-	400,000	-	1,546	(401,546)	-
<b>Total comprehensive income for the year ended June 30, 2014</b>						
Profit for the year	-	-	-	-	1,221,011	1,221,011
Other comprehensive income	-	-	18,746	-	(3,397)	15,349
	-	-	18,746	-	1,217,614	1,236,360
<b>Transaction with owners</b>						
Issue of bonus shares	304,696	-	-	-	(304,696)	-
<b>Balance as at June 30, 2014</b>	<b>1,828,182</b>	<b>3,580,000</b>	<b>96,902</b>	<b>11,901</b>	<b>1,336,209</b>	<b>6,853,194</b>

The annexed notes 1 - 45 form an integral part of these consolidated financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## 1 LEGAL STATUS AND ITS OPERATIONS

### 1.1 Gul Ahmed Group ("the Group") comprises the following:

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

Gul Ahmed Textile Mills Limited (The Holding Company) was incorporated on 1st April 1953 in Pakistan as a private limited company, converted into public limited company on 7th January 1955 and was listed on Karachi and Lahore Stock Exchanges in 1970 and 1971 respectively. The Holding Company is a composite textile mill and is engaged in the manufacture and sale of textile products.

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

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

All three subsidiaries are engaged in trading of textile related products.

The Holding Company is a subsidiary of Gul Ahmed Holdings (Private) Limited. note no. 5.2.1.

#### Details of Subsidiaries

	<u>Date of Incorporation</u>	<u>% Holding</u>	<u>Country of Incorporation</u>
Gul Ahmed International Limited	November 27, 2002	100%	U.A.E
GTM (Europe) Limited	April 17, 2003	100%	U.K
GTM USA Corp.	March 19, 2012	100%	U.S.A

### 1.2 Basis of consolidation

The financial statements include the financial statements of 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 companies have been consolidated on a line-by-line basis and the carrying value of investment held by the Company is eliminated against the subsidiary's share capital. All intra-group balances and transactions are eliminated.

## 2. BASIS OF PREPARATION

### 2.1 Basis of measurement

These consolidated financial statements comprise of 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 specifically stated below in respective notes.

### 2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of 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.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## 2.3 Functional and presentation currency

These consolidated financial statements have been prepared in Pak Rupees, which is the Group's functional currency. All financial information presented in Pak Rupees has been rounded to nearest thousand.

## 2.4 Critical accounting estimates and judgments

The preparation of these consolidated 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 involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements, are as follows:

### Defined benefit plan

Actuarial assumptions have been adopted as disclosed in note no. 9 to the financial statements for valuation of defined benefit obligations.

### 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).

### Useful lives, pattern of economic benefits and impairments

Estimate with respect to residual values and useful lives and patterns of flow of economic benefits are based on the analysis of management of the Group. Further, the Group reviews the value of assets for possible impairment on an annual basis. Any change in the estimate in the future might effect the carrying amount of respective item of property, plant and equipment with the corresponding effect on the depreciation charge and impairment.

### Intangibles

The Group reviews appropriateness of useful life. Further, where applicable, an estimate of recoverable amount of intangible asset is made for possible impairment on an annual basis.

### Provision for obsolescence and slow moving spare parts and loose tools

Provision for obsolescence and slow moving spare parts is based on parameters set out by management.

### Stock-in-trade

The Group reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated currently prevailing selling price/market 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 doubtful debts and provision required there against on annual basis. While determining provision, the Group considers financial health, market information, ageing of receivables, credit worthiness, credit rating, past records and business relationship.

## Taxation

The Group takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note no. 3.5 of these consolidated financial statements. Deferred tax calculation has been made based on estimate of expected future ratio of export and local sales based on past history.

## 2.5 Adoption of new and revised standards and interpretations

### a New and amended standards and interpretations became effective:

During the year, certain amendments to standards & revised standards have become effective; however, they are either irrelevant or did not have material effect on these financial statements except for the effects of Revised IAS-19 Employee Benefits as stated in note no. 4. Amendments/revision are as follows;

**IAS-19 Employee Benefits** - The amendment removes the options for accounting for the liability and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income (elimination of 'corridor method' for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

**IFRS-7 Financial Instruments: Disclosures** - Disclosures about offsetting of financial assets and liabilities; these amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed and the related net credit exposure. These disclosures are intended to facilitate the evaluation of the effect or potential effect of netting arrangements on an entity's financial position.

**IAS-27 Separate Financial Statements (2011)** - Amendment; The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost or in accordance with IFRS 9 Financial Instruments/IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

**IAS-28 Investments in Associates and Joint Ventures** - Amendment; This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

### b Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

**IFRIC 21 - 'Levies, an Interpretation on the accounting for levies imposed by governments'** (effective for annual periods beginning on or after 01 January 2014).

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

**Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'** - (effective for annual periods beginning on or after 01 January 2014).

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

**Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 01 January 2014).

These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

**Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'** Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 01 January 2014).

The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

**Amendments to IAS 19 'Employee Benefits' Employee contributions** - a practical approach (effective for annual periods beginning on or after 01 July 2014).

The practical experience addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

**Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment'** (effective for annual periods beginning on or after 01 January 2016).

This amendment introduces severe restrictions on the use of revenue-based amortization for intangible assets and explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated' or when the intangible asset is expressed as a measure of revenue.

These amendments to the standards are either irrelevant or will not have any material effect on the consolidated financial statements.

**c Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 01 July 2014). The new cycle of improvements contains amendments to the following standards:**

**IFRS 2 'Share-Based Payment'**; IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.



**IFRS 3 'Business Combinations'**; These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

**IFRS 8 'Operating Segments'** has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition, this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

**Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets'**. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

**IAS 24 'Related Party Disclosure'**. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

**IAS 40 'Investment Property'**. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

These amendments/clarification are not likely to have any material impact on the consolidated financial statements.

**d New Standards issued by IASB and notified by SECP but not yet effective**

Following new standards issued by IASB have been adopted by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan through SRO 633(1)/2014 dated July 10, 2014 and will be effective for annual periods beginning on or after January 01, 2015.

**IFRS 10 Consolidated Financial Statements**

This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

**IFRS 11 Joint Arrangements**

This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

**IFRS 12 Disclosure of Interest in Other Entities**

This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## **IFRS 13 Fair Value Measurement**

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

These new standards are either irrelevant or will not have any material effect on the consolidated financial statements.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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

All monetary assets and liabilities denominated 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.

All non-monetary items are translated into Pak Rupees at the rates on date of transaction or on the date when fair values are determined.

Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction or as fixed under contractual arrangement.

Foreign exchange gains and losses on translation are recognized in the profit and loss account.

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 recognized under translation reserve in Consolidated reserves until the disposal of interest in such subsidiaries.

### **3.2 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. Benefits under the scheme are payable to employees on completion of the prescribed qualifying period of service under the scheme. Actuarial valuation is conducted periodically using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2014. The results of valuation are summarized in note no. 9.

Actuarial gains and losses arising at each valuation date are recognized immediately in other comprehensive income.

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

#### **Defined contribution plan**

The Holding Company 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.

### **3.3 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.

### **3.4 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.

### **3.5 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 and decisions taken by the Taxation Authorities. 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 Group 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 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 or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except that it relates to items recognized in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity, respectively.

### **3.6 Borrowings**

Borrowings are recorded at the amount of proceeds received.

### **3.7 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.

### **3.8 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.

### **3.9 Property, plant and equipment**

#### **Operating fixed assets**

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss except leasehold land which is stated at cost.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

Depreciation is charged on reducing balance method and straight line method on class of items at rates specified in the note no. 14.1. Depreciation is charged on additions on monthly basis i.e. from the month in which it is capitalized till the month of its disposal. Depreciation is charged on the assets even if the assets are idle.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of operating assets are included in profit and loss account.

## Capital work-in-progress

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

### 3.10 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is charged over the useful life of the assets on a systematic basis to income by applying the straight line method at the rate specified in note no. 15.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets' fair value less costs to sell and value in use.

### 3.11 Loans and receivables

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortized cost less impairment, if any.

### 3.12 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at moving average cost less provision for slow moving/obsolete items. Goods-in-transit are valued at invoice/purchase amount plus other costs incurred thereon up to balance sheet date.

### 3.13 Stock-in-trade

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

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.

### 3.14 Trade debts

Trade debts are carried at original invoice amount except export receivables. Export trade debts are translated into Park 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.

### 3.15 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is recognized on following basis:

- Sale is recognized when the goods are dispatched to the customer 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.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amount outstanding and rates applicable thereon.
- Duty draw back on export sales is recognized on an accrual basis at the time of export sale.
- Processing charges are recorded when processed goods are delivered to customers and invoices raised.
- Dividend income is recognized when the Group's right to receive the payment is established.
- Interest on loans and advances to employees is recognized on receipt basis.

### 3.16 Financial Instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss".

### 3.17 Derecognition

Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial asset. The Group loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Group surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the profit or loss currently.

### 3.18 Impairment

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Group considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognized as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### Non-Financial assets

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognized as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## 3.19 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.

## 3.20 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.

## 3.21 Cash and cash equivalents

The cash and cash equivalents comprises cash and cheques in hand and balances with banks on current, savings and deposit accounts less short-term borrowings.

## 3.22 Dividend and appropriation to reserves

Final dividend distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders at the Annual General Meeting, while the interim dividend distributions are recognized in the period in which the dividends are declared by the Board of Directors. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

## 3.23 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relates to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative and other operating expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

## 4 CHANGE IN ACCOUNTING POLICY

The revised IAS 19 "Employees Benefits" (Revised) have become effective for the Holding Company's financial statements for the year ended June 30, 2014. The amendments to IAS 19 changes the accounting for Defined Benefit Plan and termination benefits. The significant changes are as follows:

### Recognition

#### a Actuarial gains and losses

The amendments require all remeasurement gains and losses (actuarial gains and losses) to be fully recognized immediately through other comprehensive income. Previously, the Holding Company's fully recognized actuarial gains and losses in the profit and loss account as allowed under the relevant provision of IAS 19.

#### b Past service cost

Past service cost (either vested or non vested) is recognized in the profit and loss account as soon as the change in the benefit plans are made. Previously, this was also recognized in the profit and loss account as allowed by the relevant provision of the AS 19.

### Presentation of Changes in Defined Benefit Obligation and Plan Assets

Presentation of changes in defined benefit obligation will be split into following components in our case:

#### i Service cost

Recognized in profit and loss account and includes current and past service cost as well as gains or losses on settlements.

#### ii Re-measurement

Recognized in other comprehensive income and comprises actuarial gains and losses on the defined benefit obligation.

### Revised Accounting Policy of Staff Retirement Benefits - Defined Benefit Plans

The application of revised IAS 19 requires the change in Group's accounting policy in respect of actuarial gains and losses to be accounted for retrospectively in accordance with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors by reclassifying the figures of actuarial gains and losses to other comprehensive income from profit and loss account and hence comparative figures of profit and loss and other comprehensive income have been restated.

#### Effect of Change in Accounting Policy

Effect of retrospective application of change in Accounting policy are as follows:

	Amounts as previously stated	Effect of restatement	Amounts as re-stated
<b>Rs. 000s</b>			
<b>Effect on Profit &amp; Loss Account for the year ended June 30, 2013</b>			
Cost of sales	25,689,344	(10,409)	25,678,935
Taxation	139,719	1,424	141,143
Net profit before tax	698,804	8,985	707,789
<b>Effect on Other Comprehensive Income</b>			
Remeasurement loss on defined benefit obligation	-	(10,409)	(10,409)
Impact of tax	-	1,424	1,424
	-	(8,985)	(8,985)
<b>Effect on Comparative Basic and Diluted EPS</b>			
Basic and Diluted EPS - Rupees per share	4.82	0.06	4.88

Further comparative EPS is also restated due to effect of issuance of bonus shares during the year as disclosed in note no. 32.

#### Effect On Balance Sheet

The change in accounting policy has no effect on the balance sheet since the actuarial gains/losses were already recorded through profit and loss account, therefore, third balance sheet presentation is not applicable.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

		<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>5</b>	<b>SHARE CAPITAL</b>		
<b>5.1</b>	<b>Authorized capital</b>		
	<u>2014</u> <u>2013</u>		
	<b>Number of Shares</b>		
	<b>400,000,000</b> 200,000,000      Ordinary shares of Rs.10 each	<b>4,000,000</b>	2,000,000
<b>5.2</b>	<b>Issued, subscribed and paid-up capital</b>		
	<u>2014</u> <u>2013</u>		
	<b>Number of Shares</b>		
	<b>64,188,985</b> 64,188,985      Ordinary shares of Rs.10 each allotted for consideration fully paid in cash	<b>641,890</b>	641,890
	<b>5,447,326</b> 5,447,326      Ordinary shares of Rs.10 allotted as fully paid under scheme of arrangement for amalgamation	<b>54,473</b>	54,473
	<b>113,181,907</b> 82,712,204      Ordinary shares of Rs.10 each allotted as fully paid bonus shares	<b>1,131,819</b>	827,123
	<b>182,818,218</b> 152,348,515	<b>1,828,182</b>	1,523,486
5.2.1	During the year certain major shareholders of the Holding Company transferred their shares in one direction for group formation to Gul Ahmed Holdings (Private) Limited (GAHPL); a company established and beneficially owned by these transferors. Consequently, GAHPL now owns 67.45% shares of the Holding Company and has become the ultimate parent of the Group.		
5.2.2	As at June 30, 2014, 129,001,910 (2013: 107,457,082) ordinary shares of Rs.10 each are held by related parties.		
		<u>2014</u>	<u>2013</u>
<b>5.2.3</b>	<b>Reconciliation of the number of shares outstanding</b>	<b>Note (Number of Shares)</b>	
	Number of shares outstanding at the beginning of the year	<b>152,348,515</b>	126,957,096
	Add: 20% Issue of bonus shares	<b>30,469,703</b>	-
	Add: 20% Issue of right shares	<b>-</b>	25,391,419
		<b>182,818,218</b>	152,348,515
<b>6.</b>	<b>RESERVES</b>		
	<b>Revenue reserve</b>		
	General reserve - opening	<b>3,180,000</b>	3,430,000
	Transfer from/(to) unappropriated profit	<b>400,000</b>	(250,000)
		<b>3,580,000</b>	3,180,000
	<b>Exchange difference on translation of foreign subsidiaries</b>	<b>96,902</b>	78,156
	<b>Statutory reserve</b>	<b>11,901</b>	10,355
		<b>3,688,803</b>	3,268,511
6.1	This represents appropriation of profit in past years to meet future exigencies.		
<b>7</b>	<b>LONG TERM FINANCING - SECURED</b>		
	<b>From Banking Companies</b>		
	Related party	<b>598,511</b>	646,103
	Other banks	<b>2,335,434</b>	2,070,834
		<b>2,933,945</b>	2,716,937
	Current portion shown under current liabilities	<b>(694,706)</b>	(561,938)
		<b>2,239,239</b>	2,154,999



Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2014	2013
					Rs. 000s	
<b>7.1 Related party</b>						
Habib Metropolitan Bank Limited Loan 1 a) Under LTF-EOP scheme	7.4, 7.6, 7.7	12 half yearly March-2010	684	7.00% p.a. payable quarterly	<b>2,047</b>	3,414
b) Under LTF-EOP scheme		12 half yearly April-2010	2,042	7.00% p.a. payable quarterly	<b>6,123</b>	10,206
Habib Metropolitan Bank Limited Loan 2 Under LTFF scheme	7.4, 7.6, 7.7	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	<b>77,665</b>	116,498
Habib Metropolitan Bank Limited Loan 3 Under LTFF scheme	7.4, 7.6, 7.8	16 half yearly February-2012	2,719	10.00% p.a. payable quarterly	<b>29,900</b>	35,338
Habib Metropolitan Bank Limited Loan 4 Under LTFF scheme	7.4, 7.6, 7.8	16 half yearly March-2012	2,504	10.00% p.a. payable quarterly	<b>27,545</b>	32,553
Habib Metropolitan Bank Limited Loan 5 Under LTFF scheme	7.4, 7.6, 7.8	16 half yearly June-2012	4,212	10.25% p.a. payable quarterly	<b>46,313</b>	54,737
Habib Metropolitan Bank Limited Loan 6 Under LTFF scheme	7.4, 7.6, 7.8	16 half yearly July-2012	1,804	10.25% p.a. payable quarterly	<b>21,644</b>	25,252
Habib Metropolitan Bank Limited Loan 7 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly December-2013	3,328	11.20% p.a. payable quarterly	<b>26,624</b>	33,280
Habib Metropolitan Bank Limited Loan 8 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly January-2014	970	12.70% p.a. payable quarterly	<b>8,721</b>	9,691
Habib Metropolitan Bank Limited Loan 9 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly February-2014	1,342	12.70% p.a. payable quarterly	<b>12,072</b>	13,414
Habib Metropolitan Bank Limited Loan 10 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly June-2014	9,618	12.70% p.a. payable quarterly	<b>86,562</b>	96,180
Habib Metropolitan Bank Limited Loan 11 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly August-2014	1,357	12.70% p.a. payable quarterly	<b>13,570</b>	13,570
Habib Metropolitan Bank Limited Loan 12 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly September-2014	3,392	12.70% p.a. payable quarterly	<b>33,920</b>	33,920
Habib Metropolitan Bank Limited Loan 13 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly October-2014	158	12.70% p.a. payable quarterly	<b>1,575</b>	1,575
Habib Metropolitan Bank Limited Loan 14 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly August-2015	2,959	11.40% p.a. payable quarterly	<b>29,590</b>	29,590
Habib Metropolitan Bank Limited Loan 15 Under LTFF scheme	7.4, 7.6, 7.8	10 half yearly September-2015	13,689	11.40% p.a. payable quarterly	<b>136,885</b>	136,885
Habib Metropolitan Bank Limited Loan 16	7.4, 7.6, 7.8	10 half yearly April-2016	3,776	11.40% p.a. payable quarterly	<b>37,755</b>	-
		<b>Total due to Related Party</b>			<b>598,511</b>	<b>646,103</b>
<b>7.2 Other banks</b>						
Allied Bank Limited Loan 2 Under LTFF scheme	7.5, 7.8	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	<b>148,104</b>	185,129
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	7.4, 7.7	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	<b>4,627</b>	9,256
Bank Al-Habib Limited Loan 2 Under LTFF scheme	7.3, 7.4, 7.8	8 half yearly December-2013	17,159	12.60% p.a. payable quarterly	<b>102,947</b>	137,265
Bank Alfalah Limited Loan 1	7.4	9 half yearly July-2014	1,147	Average six months KIBOR Ask rate + 1.25% payable half yearly	<b>10,325</b>	-
Bank Alfalah Limited Loan 2	7.4	9 half yearly August-2014	1,472	Average six months KIBOR Ask rate + 1.25% payable half yearly	<b>13,252</b>	-

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2014 Rs. 000s	2013
Bank Alfalah Limited Loan 3	7.4	9 half yearly September-2014	8,172	Average six months KIBOR Ask rate + 1.25% payable half yearly	73,547	-
Bank Alfalah Limited Loan 4	7.4	9 half yearly October-2014	10,285	Average six months KIBOR Ask rate + 1.25% payable half yearly	92,567	-
Bank Alfalah Limited - Loan 5 Islamic Banking	7.4	09 half yearly March-2014	9,439	Average six months KIBOR Ask rate + 1.25% payable half yearly	75,511	84,950
Bank Alfalah Limited - Loan 6 Islamic Banking	7.4	09 half yearly April-2014	6,457	Average six months KIBOR Ask rate + 1.25% payable half yearly	51,662	58,119
Faysal Bank Limited Loan 1 Under LTFF scheme	7.4, 7.8	10 half Yearly January-2014	6,720	12.70% p.a payable quarterly	60,480	67,200
Faysal Bank Limited Loan 2 Under LTFF scheme	7.4, 7.8	10 half yearly January-2014	3,850	12.70% p.a payable quarterly	34,650	38,500
Faysal Bank Limited Loan 3 Under LTFF scheme	7.4, 7.8	10 half yearly April-2014	672	12.70% p.a payable quarterly	6,042	6,714
Faysal Bank Limited Loan 4 Under LTFF scheme	7.4, 7.8	10 half yearly June-2014	241	12.70% p.a payable quarterly	2,169	2,410
Faysal Bank Limited Loan 5 Under LTFF scheme	7.4, 7.8	10 half yearly July-2014	846	12.70% p.a payable quarterly	8,460	8,460
Faysal Bank Limited Loan 6 Under LTFF scheme	7.4, 7.8	10 half yearly September-2014	10,970	12.70% p.a payable quarterly	109,700	109,700
Habib Bank Limited Loan 1 a) Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)	7.3, 7.7	12 half yearly June-2010	5,416	7.00% p.a payable quarterly	16,245	28,097
b) Under LTF-EOP scheme		12 half yearly November-2010	4,450	7.00% p.a payable quarterly	17,803	26,703
Habib Bank Limited Loan 2 Under LTF-EOP scheme	7.3, 7.7	12 half yearly December-2010	2,571	7.00% p.a payable quarterly	10,284	15,426
Habib Bank Limited Loan 3 Under LTF-EOP scheme	7.3, 7.7	12 half yearly February-2010	9,510	7.00% p.a payable quarterly	28,531	47,551
Habib Bank Limited Loan 4 Under LTF-EOP scheme	7.3, 7.7	12 half yearly January-2010	778	7.00% p.a payable quarterly	2,332	3,888
Habib Bank Limited Loan 5 a) Under LTF-EOP scheme	7.3, 7.7	12 half yearly January-2010	1,698	7.00% p.a payable quarterly	5,091	8,487
b) Under LTF-EOP scheme		12 half yearly February-2010	139	7.00% p.a payable quarterly	414	692
Habib Bank Limited Loan 6 Under State Bank of Pakistan (SBP) Scheme of Long Term Financing Facility (LTFF)	7.3, 7.8	16 half yearly July-2011	11,054	10.00% p.a payable quarterly	110,542	132,650
Habib Bank Limited Loan 7 Under LTFF scheme	7.3, 7.8	16 half yearly August-2011	562	10.00% p.a payable quarterly	5,623	6,747
Habib Bank Limited Loan 8 Under LTFF scheme	7.3, 7.8	16 half yearly October-2011	709	10.00% p.a payable quarterly	7,096	8,514
Habib Bank Limited Loan 9 Under LTFF scheme	7.3, 7.8	16 half yearly March-2012	277	10.00% p.a payable quarterly	3,045	3,599
Habib Bank Limited Loan 10 Under LTFF scheme	7.3, 7.8	16 half yearly August-2012	3,536	10.25% p.a payable quarterly	42,470	49,542
HSBC Bank Middle East Limited Loan 1 a) Under LTF-EOP scheme	7.4, 7.7	12 half yearly October-2010	2,883	7.00% p.a payable quarterly	11,534	17,300
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a payable quarterly	4,149	6,225

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2014 Rs. 000s	2013
HSBC Bank Middle East Limited Loan 2 Under LTF-EOP scheme	7.4, 7.7	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	7,353	11,030
HSBC Bank Middle East Limited Loan 3 Under LTF-EOP scheme	7.4, 7.7	12 half yearly February-2010	875	7.00% p.a. payable quarterly	2,623	4,373
HSBC Bank Middle East Limited Loan 4 Under LTF-EOP scheme	7.4, 7.7	12 half yearly March-2010	844	7.00% p.a. payable quarterly	2,532	4,220
Meezan Bank Limited Loan 1 Diminishing Musharaka	7.5	6 half yearly February-2011	15,266	Average six months KIBOR Ask rate + 1.00% payable half yearly	-	15,266
Meezan Bank Limited Loan 2 Diminishing Musharaka	7.5	6 half yearly June-2011	1,449	Average six months KIBOR Ask rate + 1.50% payable half yearly	-	1,449
Meezan Bank Limited Loan 3 Diminishing Musharaka	7.5	6 half yearly July-2011	5,253	Average six months KIBOR Ask rate + 1.50% payable half yearly	-	10,505
National Bank of Pakistan Loan 1	7.5	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate + 1.00% payable quarterly	20,000	36,000
National Bank of Pakistan Loan 2 Under LTFF scheme	7.4, 7.5, 7.8	16 quarterly September-2011	2,351	10.40% p.a. payable quarterly	11,755	21,159
National Bank Of Pakistan Loan 3	7.4, 7.5, 7.8	20 quarterly January-2014	3,190	10.90% p.a. payable quarterly	57,420	-
National Bank Of Pakistan Loan 4	7.4, 7.5, 7.8	20 quarterly May-2014	801	10.90% p.a. payable quarterly	15,219	-
National Bank Of Pakistan Loan 5	7.4, 7.5, 7.8	20 quarterly April-2014	6,009	10.90% p.a. payable quarterly	114,171	-
NIB Bank Limited Loan 1 Under LTFF scheme	7.5, 7.8	16 quarterly June-2010	2,839	9.00% p.a. payable quarterly	-	8,510
NIB Bank Limited Loan 2 Under LTFF scheme	7.5, 7.8	16 quarterly September-2010	1,883	9.00% p.a. payable quarterly	-	7,529
NIB Bank Limited Loan 3 Under LTFF scheme	7.5, 7.8	16 quarterly June-2014	2,827	10.90% p.a. payable quarterly	42,407	45,234
NIB Bank Limited Loan 4 Under LTFF scheme	7.5, 7.8	16 quarterly March-2014	829	10.90% p.a. payable quarterly	11,607	13,265
NIB Bank Limited Loan 5 Under LTFF scheme	7.5, 7.8	16 quarterly August-2014	498	10.90% p.a. payable quarterly	7,960	7,960
NIB Bank Limited Loan 6	7.5, 7.8	16 quarterly March-2014	829	Average three months KIBOR Ask rate + 1.50% payable quarterly	11,607	13,265
NIB Bank Limited Loan 7	7.5, 7.8	16 quarterly June-2014	2,827	Average three months KIBOR Ask rate + 1.50% payable quarterly	42,408	45,235
NIB Bank Limited Loan 8 Under LTFF scheme	7.5, 7.8	16 quarterly September-2014	1,289	10.90% p.a. payable quarterly	20,640	20,640
NIB Bank Limited Loan 9	7.5, 7.8	16 quarterly November-2014	301	10.90% p.a. payable quarterly	4,830	-
NIB Bank Limited Loan 10	7.5, 7.8	16 quarterly February-2015	3,220	10.90% p.a. payable quarterly	51,530	-
NIB Bank Limited Loan 11	7.5, 7.8	16 quarterly March-2015	2,016	10.90% p.a. payable quarterly	32,266	-
NIB Bank Limited Loan 12	7.5, 7.8	16 quarterly April-2015	538	10.90% p.a. payable quarterly	8,610	-
NIB Bank Limited Loan 13	7.5, 7.8	16 quarterly May-2015	1,324	10.90% p.a. payable quarterly	21,190	-
NIB Bank Limited Loan 14	7.5, 7.8	16 quarterly June-2015	168	Average three months KIBOR Ask rate + 1.50% payable quarterly	2,695	-

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2014	2013
					Rs. 000s	
NIB Bank Limited Loan 15	7.5, 7.8	16 quarterly June-2015	2,037	10.90% p.a. payable quarterly	32,605	-
NIB Bank Limited Loan 16	7.5, 7.8	16 quarterly October-2015	803	10.90% p.a. payable quarterly	12,850	-
Standard Chartered Bank Loan 1 Under LTFF scheme	7.5, 7.8	8 Half Yearly October-2012	2,995	11.10% p.a. payable quarterly	11,980	17,970
Standard Chartered Bank Loan 2 Under LTFF scheme	7.5, 7.8	8 Half Yearly November-2012	21,886	11.10% p.a. payable quarterly	87,557	131,329
United Bank Limited Loan 1	7.5	10 half yearly March-2009	50,000	Average three months KIBOR Ask rate + 1.00% payable half yearly	-	50,000
United Bank Limited Loan 2 Under LTF-EOP scheme	7.5, 7.7	12 half yearly April-2010	931	7.00% p.a. payable quarterly	2,793	4,655
United Bank Limited Loan 3 Under LTFF scheme	7.5, 7.8	16 half yearly November-2010	363	10.00% p.a. payable quarterly	2,902	3,628
United Bank Limited Loan 4	7.5	6 half yearly March-2011	25,000	Average six months KIBOR Ask rate + 1.25% payable half yearly	-	25,000
United Bank Limited Loan 5 Under LTFF scheme	7.5, 7.8	10 half yearly December-2012	1,319	10.50% p.a. payable quarterly	7,915	10,553
United Bank Limited Loan 6 Under LTFF scheme	7.5, 7.8	12 half yearly December-2011	557	10.50% p.a. payable quarterly	3,348	4,462
United Bank Limited Loan 7 Under LTFF scheme	7.5, 7.8	12 half yearly January-2012	128	10.50% p.a. payable quarterly	900	1,156
United Bank Limited Loan 8 Under LTFF scheme	7.5, 7.8	12 half yearly February-2012	741	10.50% p.a. payable quarterly	5,190	6,672
United Bank Limited Loan 9 Under LTFF scheme	7.5, 7.8	12 half yearly April-2012	3,686	11.20% p.a. payable quarterly	25,800	33,172
United Bank Limited Loan 10 Under LTFF scheme	7.5, 7.8	19 half yearly November-2011	7,441	11.20% p.a. payable quarterly	96,739	111,621
United Bank Limited Loan 11 Under LTFF scheme	7.5, 7.8	19 half yearly December-2011	5,916	11.20% p.a. payable quarterly	76,905	88,737
United Bank Limited Loan 12	7.5	12 half yearly September-2013	269	Average six months KIBOR Ask rate + 1.00% payable half yearly	2,687	3,225
United Bank Limited Loan 13	7.5	12 half yearly October-2013	1,235	Average six months KIBOR Ask rate + 1.00% payable half yearly	12,353	14,823
United Bank Limited Loan 14	7.5	12 half yearly December-2013	5,892	Average six months KIBOR Ask rate + 1.00% payable half yearly	58,916	70,700
United Bank Limited Loan 15 Under LTFF scheme	7.5, 7.8	12 half yearly January-2014	259	12.70% p.a. payable quarterly	2,856	3,115
United Bank Limited Loan 16 Under LTFF scheme	7.5, 7.8	12 half yearly March-2014	1,525	11.20% p.a. payable quarterly	16,776	18,302
United Bank Limited Loan 17	7.5	12 half yearly January-2014	11,913	Average six months KIBOR Ask rate + 1.00% payable half yearly	131,037	142,950
Samba Bank Limited Loan 1	7.5,7.8	9 half yearly May-2015	17,245	10.90% p.a. payable quarterly	155,200	-
Samba Bank Limited Loan 2	7.5,7.8	9 half yearly June-2015	4,456	10.90% p.a. payable quarterly	40,100	-
<b>Total from other banks</b>					<b>2,335,434</b>	<b>2,070,834</b>

- 7.3 These loans are secured by first pari passu charge over present and future property, plant and equipment of the Company and equitable mortgage over land and building.
- 7.4 These loans are secured by charge over specified machinery.
- 7.5 These loans are secured by way of pari passu charge over the property, plant and equipment of the Company.
- 7.6 Habib Metropolitan Bank Limited is a related party - Associated Company.
- 7.7 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.
- 7.8 The financing availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years of the date when financing was availed. 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.

<b>8 DEFERRED TAXATION - NET</b>	<b>2014</b>	<b>2013</b>
	<b>Rs. 000s</b>	
		<b>Re-stated</b>
Opening	<b>326,526</b>	284,467
Charged to profit and loss account	<b>12,923</b>	43,483
Charged to other comprehensive income	<b>(513)</b>	(1,424)
	<b>338,936</b>	326,526
<b>Deferred tax arises due to:</b>		
Taxable temporary differences in respect of		
Accelerated tax depreciation allowance	<b>371,552</b>	349,378
Provision for income of subsidiaries	<b>8,221</b>	10,498
	<b>379,773</b>	359,876
Deductible temporary differences in respect of		
Provision for gratuity	<b>(5,185)</b>	(4,604)
Provision for doubtful debts	<b>(22,094)</b>	(18,832)
Provision for slow moving items	<b>(11,860)</b>	(9,914)
Unused tax losses	<b>(1,698)</b>	-
	<b>(40,837)</b>	(33,350)
	<b>338,936</b>	326,526
<b>9 STAFF RETIREMENT BENEFITS</b>		
<b>9.1 Reconciliation of the present value of defined benefit obligation/movement in liability</b>		
Opening balance	<b>40,303</b>	27,952
Charge for the year		
Current service cost	<b>26,382</b>	14,285
Interest cost	<b>2,380</b>	2,867
	<b>28,762</b>	17,152
Remeasurement loss chargeable in other comprehensive income	<b>3,910</b>	10,409
Benefits paid during the year	<b>(28,159)</b>	(15,210)
Closing balance	<b>44,816</b>	40,303

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## 9.2 Significant actuarial assumptions used

Following significant actuarial assumptions were used for the valuation:

Discount rate used

**13.25 % p.a**

10.5 % p.a

Expected increase in salary for year end obligation

**12.25 % p.a**

9.5 % p.a

Average expected remaining working lifetime of employees

**8 years**

10 years

## 9.3 General description

The scheme provides retirement benefits to permanent employees who have attained the minimum qualifying period. Actuarial valuation of the scheme is carried out periodically and latest actuarial valuation was carried out at 30 June 2014. The disclosure is based on information included in that actuarial report.

## 9.4 Sensitivity analysis

Year end sensitivity analysis ( $\pm 100$  bps) on Defined Benefit Obligation as presented by actuary in the report.

**2014**

**Rs. 000s**

Discount Rate + 100 bps

**36,571**

Discount Rate - 100 bps

**43,028**

Salary increase + 100 bps

**43,152**

Salary increase - 100 bps

**36,409**

The average duration of the defined benefit obligation is 8 years.

	Note	2014	2013
		Rs. 000s	
<b>10 TRADE AND OTHER PAYABLES</b>			
Creditors - Due to related parties		<b>11,284</b>	11,389
- Others		<b>4,793,637</b>	2,920,267
		<b>4,804,921</b>	2,931,656
Murabaha	10.1	<b>358,202</b>	507,569
Accrued expenses	10.2	<b>811,713</b>	581,130
Advance from customers		<b>254,774</b>	101,131
Payable to employees' provident fund		<b>9,016</b>	7,712
Workers' profit participation fund	10.3	<b>84,102</b>	45,224
Workers' welfare fund	10.4	<b>53,634</b>	40,289
Unclaimed dividend		<b>512</b>	512
Taxes withheld		<b>35,351</b>	16,071
Others		<b>16,195</b>	16,719
		<b>6,428,420</b>	4,248,013

10.1 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.150 million (2013: Rs. Nil). Murabaha facilities mature within 12 months. It includes accrued profit of Rs. 8.202 million (2013: Rs. 7.569 million). The effective rate of profit ranges from 9.15% to 11.28% and is payable on maturity.

10.2 Accrued expenses include infrastructure cess amounting to Rs. 72.48 million (2013: Rs. 34.962 million). The Holding Company along with other petitioners have challenged the imposition of Infrastructure Cess by the relevant Excise and Taxation Officer, Karachi. However, in view of the uncertainties in such matters, full provision has been made in the financial statements.

	Note	2014	2013
		Rs. 000s	
<b>10.3 Workers' profit participation fund</b>			
Opening balance		45,224	8,884
Allocation for the year		80,340	45,224
Interest for the year	10.3.1	3,762	-
		129,326	54,108
Payments made during the year		(45,224)	(8,884)
Closing balance		84,102	45,224

10.3.1 The Holding Company retains Workers' Profit Participation Fund for its business operations till the date of allocation to the workers. Interest is payable at prescribed rate under Companies Profit (Workers Participation) Act, 1968 on funds utilized by the Holding Company till the date of allocation to workers.

10.4 The Holding Company along with other petitioners have challenged the constitutionality of the amendments brought into Workers' Welfare Fund Ordinance, 1971 through Finance Acts of 2006 and 2008. The Honorable Sindh High Court has given the decision in favor of the Government. The Holding Company has filed an appeal in the Supreme Court of Pakistan against the above decision. However, in view of the uncertainties in such matters, full provision has been made in the financial statements.

		2014	2013
		Rs. 000s	
<b>11 ACCRUED MARK-UP/PROFIT</b>			
Mark-up on long term financing		75,169	64,145
Mark-up/profit on short term borrowings		101,995	127,647
		177,164	191,792

11.1 Accrued markup includes Rs. 1.92 million (2013: Rs. 0.60 million) in respect of short term finance and Rs. 16.70 million (2013: Rs. 17.34 million) in respect of long term finance due to related party - Habib Metropolitan Bank Limited (Associated Company).

	Note	2014	2013
		Rs. 000s	
<b>12 SHORT TERM BORROWINGS - SECURED</b>			
Short term bank borrowings			
Foreign currency		5,212,442	3,209,532
Local currency		2,510,700	4,799,945
	12.1	7,723,142	8,009,477
Short term running finance		106,628	280,939
		7,829,770	8,290,416

12.1 Short term borrowing includes Istisna Rs. 580 million (2013: Rs. 1,125 million) in local currency and Rs. 1,959 million (2013: Rs. 218 million) in foreign currency.

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

- 12.2 Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts, other receivables and pledge over cotton. Unavailed facility at the year end was Rs. 6,162 million (2013: Rs. 3,560 million). The facility for short term finance mature within twelve months. Short term borrowings include Rs. 614 million (2013: Rs. 592 million) from related party - Habib Metropolitan Bank Limited (Associated Company).
- 12.3 Mark-up/profit rates on foreign currency borrowings range from 0.84% to 3.75% (2013: 0.80% to 3.75%) per annum. Local currency mark-up/profit rates range from 8.95% to 13.38% (2013: 8.95% to 14.98%) per annum.

### 13 CONTINGENCIES AND COMMITMENTS

- 13.1 The Holding 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. The Holding 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 Holding Company. The claim of the alleged owners is fictitious. The Holding Company is confident that its title to the land is secure and accordingly no provision in this behalf has been made in these consolidated financial statements.
- 13.2 The Holding Company has filed a suit in the Honorable Sindh High Court for recovery of Rs. 33.409 million (2013: Rs. 33.409 million) against sale of property included in other receivables note no. 21.1. The Group's management and its legal counsel are of the opinion that the case will be decided in the Holding Company's favor and as such no provision has been made there against.
- 13.3 The Holding Company has filed a Petition in the Honorable 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 2000-01 and 2001-02 amounting to Rs.50.827 million (2013: Rs. 50.827 million). This demand had been raised after lapse of more than two years although the records and books of the Holding 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 Holding Company. No provision has been made there against in these consolidated financial statements as the Group is confident of the favorable outcome of the Petition.
- 13.4 The Holding Company has filed a Constitution Petition in the Honorable Sindh High Court against the City District Government of Karachi for striking down the unjustified demand of payment of Ground Rent of Rs.10 million and against which part payment of Rs. 2.57 million has been made. The Honorable Sindh High Court has already restrained the City District Government of Karachi from taking any coercive action against the Holding Company. No provision has been made there against in these consolidated financial statements as the Group is confident of the favorable outcome of the Petition. Also refer note no. 20.1.
- 13.5 The Government of Pakistan increased the Gas Infrastructure Development Cess (GIDC) from Rs. 13 per MMBTU to Rs.100 per MMBTU with effect from July 2012. This was subsequently reduced by the Government to Rs.50 per MMBTU from September 2012 and then again increased to Rs. 100 per MMBTU and it has been further increased to Rs. 150 per MMBTU with effect from July 2014. The Holding Company along with several other companies has filed a suit in the Honorable Sindh High Court challenging the increase in GIDC and the Honorable Sindh High Court has issued stay against recovery of the enhanced GIDC and hence the Holding Company has not paid the enhanced amount of GIDC. Further as the Group is confident that the case will be decided in favour of the Appellants hence no provision in respect of the enhanced GIDC is made in these consolidated financial statements which amounts to Rs. 344.210 million (2013: Rs. 145.972 million) as on the balance sheet date.

Similar petitions filed in the Peshawar and Islamabad High Courts have been decided in favor of the Appellants. In the case of Islamabad High Court the matter is now with its division bench and decision of the Peshawar High Court has been challenged by the Government in the Supreme Court of Pakistan. Subsequent to year end a Three – Member Bench of Honorable Supreme Court of Pakistan has declared the GIDC illegal and unconstitutional vide its judgment dated August 22, 2014 and has accordingly suspended collection of GIDC and maintained the order of the refund of GIDC so far collected.



Considering these decisions and no subsequent actions on part of the Government against the decision of Honorable Supreme Court, the Holding Company is confident that amount of the enhanced GIDC as stated above will no more be payable and that the amount already paid at the original rate of Rs. 13 per MMBTU aggregating to Rs. 105 million up to June 30, 2014 will be recovered so it has been reversed and reported in these consolidated financial statements as GIDC refundable as reflected in note no. 22.1. Out of this total amount paid, the amount of Rs.62.958 million paid and charged in preceding years is reported in other income as stated in note no. 30 whereas the amount of Rs. 42.293 million represents the amount paid in current year in respect of GIDC which is not charged in current year in these consolidated financial statements.

- 13.6 The Holding Company has filed a suit in the Honorable Sindh High Court for recovery of Rs. 17.851 million against a customer for the sale of fabric included in trade debts note no. 20. However, in view of the uncertainties in such matters, full provision has been made in the consolidated financial statements.

### 13.7 Guarantees

- (a) Rs. 636 million (2013: Rs. 332 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 of Holding Company. These guarantees includes guarantees issued by related party - Habib Metropolitan Bank Limited amounting to Rs. 567.241 million (2013: Rs. 268.622 million).
- (b) Post dated cheques Rs. 535 million (June-2013: Rs. 182 million) are issued to custom authorities in respect of duties on imported items availed on the basis of consumption and export plans.
- (c) Bills discounted Rs. 2,927 million (June-2013: Rs. 2,216 million).
- (d) Corporate guarantee of Rs. 109.398 million (June-2013: Rs. 102.26 million) has been issued to bank by the Holding Company in favor of indirect subsidiary company - GTM (Europe) Limited - UK.

### 13.8 Commitments

- (a) The Group is committed for capital expenditure as at June 30, 2014 of Rs. 469 million (2013: Rs. 410 million).
- (b) The Group is committed for non capital expenditure items under letters of credits as at June 30, 2014 of Rs. 2,221 million (2013: Rs. 579 million).
- (c) The Group is committed to minimum rental payments for each of the following period, as follows:

	Note	2014	2013
		Rs. 000s	
Not more than one year		323,120	262,090
More than one year but not more than five years		1,242,552	994,498
More than five years		730,377	600,930
		<b>2,296,049</b>	<b>1,857,518</b>

## 14 PROPERTY, PLANT AND EQUIPMENT

Operating assets	14.1	7,720,611	6,918,925
Capital work in progress (CWIP)	14.2	497,296	225,313
		<b>8,217,907</b>	<b>7,144,238</b>

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## 14.1 Operating Assets

	Note	Leasehold land	Buildings and structures on leasehold land	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Total
Rs. 000s								
<b>Year ended June 30, 2014</b>								
<b>Net carrying value basis</b>								
Opening net book value (NBV)		234,107	992,286	5,242,962	58,567	146,910	244,093	6,918,925
Direct additions (at Cost)		-	23,082	88,330	1,490	35,139	184,871	332,912
Transfer from CWIP		-	106,514	1,242,091	2,558	14,398	-	1,365,561
Disposal at NBV	14.1.2	(6,543)	-	(9,156)	-	(1,914)	(18,276)	(35,889)
Scrapped at NBV		-	-	-	(2,765)	(1,656)	-	(4,421)
Depreciation charge	14.1.1	-	(121,338)	(622,399)	(8,674)	(34,223)	(69,843)	(856,477)
<b>Closing net book value</b>		<b>227,564</b>	<b>1,000,544</b>	<b>5,941,828</b>	<b>51,176</b>	<b>158,654</b>	<b>340,845</b>	<b>7,720,611</b>
<b>Gross carrying value basis as at June 30, 2014</b>								
Cost		227,564	2,245,825	11,889,117	106,691	430,658	658,475	15,558,330
Accumulated depreciation		-	(1,245,281)	(5,947,289)	(55,515)	(272,004)	(317,630)	(7,837,719)
<b>Net book value</b>		<b>227,564</b>	<b>1,000,544</b>	<b>5,941,828</b>	<b>51,176</b>	<b>158,654</b>	<b>340,845</b>	<b>7,720,611</b>
<b>Year ended June 30, 2013</b>								
<b>Net carrying value basis</b>								
Opening net book value (NBV)		234,107	1,017,567	4,918,425	63,443	155,703	224,022	6,613,267
Direct additions (at cost)		-	24,804	142,949	4,993	26,437	79,642	278,825
Transfer from CWIP		-	76,283	779,316	559	11,462	-	867,620
Reclassification/adjustments		-	(5,299)	-	-	5,299	-	-
Disposal at NBV	14.1.2	-	-	(51,279)	(455)	(769)	(6,817)	(59,320)
Scrapped at NBV		-	-	-	(2,451)	(3,039)	-	(5,490)
Depreciation charge	14.1.1	-	(121,069)	(546,449)	(7,522)	(48,183)	(52,754)	(775,977)
<b>Closing net book value</b>		<b>234,107</b>	<b>992,286</b>	<b>5,242,962</b>	<b>58,567</b>	<b>146,910</b>	<b>244,093</b>	<b>6,918,925</b>
<b>Gross carrying value basis as at June 30, 2013</b>								
Cost		234,107	2,116,229	10,568,505	105,408	384,691	491,880	13,900,820
Accumulated depreciation		-	(1,123,943)	(5,325,543)	(46,841)	(237,781)	(247,787)	(6,981,895)
<b>Net book value</b>		<b>234,107</b>	<b>992,286</b>	<b>5,242,962</b>	<b>58,567</b>	<b>146,910</b>	<b>244,093</b>	<b>6,918,925</b>
<b>Depreciation rate % per annum</b>		-	10	10	10 to 12	15 to 30	20	

	Note	2014	2013
Rs. 000s			
14.1.1	Depreciation charge for the year has been allocated as follows:		
	Cost of goods manufactured	692,899	623,544
	Distribution cost	71,629	65,990
	Administrative expenses	91,949	86,443
		<b>856,477</b>	<b>775,977</b>

#### 14.1.2 Details of operating assets sold

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
<b>Land</b>					
Plot No. 43 B, Block-6, P.E.C.H.S.	6,543	6,543	72,500	Negotiation	Mr. Qamar Usman Resident No. 431/3, Sirajuddulah Road, Bahadurabad, Karachi.
<b>Plant and machinery</b>					
Ring Spinning	2,535	472	2,720	Negotiation	Anwar Textile Mills Limited. 8th Floor, Sheikh Sultan Trust - Building, Beaumor, Karachi.
Ring Spinning	1,229	235	765	Negotiation	International Textile Machinery Enterprise Suit No.1001, 10th Floor, Business Plaza, Mumtaz Hassan Road, Off. I.I. Chundrigar Road, Karachi.
Ring Spinning	3,919	756	2,308	Negotiation	MKB Spinning Mills (Pvt) Limited 446-C, Batala Colony, Faisalabad.
Ring Spinning	7,991	1,533	5,400	Negotiation	Sally Textile Mills Ltd 4-F, Gulberg-li, Lahore Distt, Lahore.
Rotary Screen Printing Unit	5,949	312	2,024	Negotiation	Chaudhary Traders Chak Number 173 G-B, Tehsil Samundri District, Faisalabad.
Waukesha Generator	5,151	316	3,760	Negotiation	Orient Energy Systems (Private) Limited. Plot 16, Sector 24, Korangi Industrial Area, Karachi.
Waukesha Gas Generator	19,776	5,177	8,940	Negotiation	Orient Energy Systems (Private) Limited. Plot 16, Sector 24, Korangi Industrial Area, Karachi.
Blanket Rubber	755	328	2,131	Negotiation	Zulekha Welcome Textiles F-468 & B-19 Site, Karachi.
<b>Office equipment</b>					
Air Condition	2,113	375	211	Negotiation	Zarina Air Conditioning Services Saddar, Karachi.
<b>Vehicles</b>					
Suzuki Alto - ARG-047	601	177	234	Group Policy	Mr. Abdul Rasheed - Employee House # L-42, Sector 5-M, Khayam Town, North Karachi, Karachi.
Toyota Corolla - ASH-278	1,311	447	1,006	Negotiation	Mr. Adnan Ahmed Bhatti House # E-148, Defence View Phase II, Karachi.

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
Suzuki Alto - APH-643	516	111	490	Negotiation	Mr. Adnan Hassan Khan House # A-908/12, F.B. Area, Gulberg, Ancholi, Karachi.
Suzuki Cultus - ARM-403	837	224	633	Negotiation	Mr. Adnan Hassan Khan House # A-908/12, F.B. Area, Gulberg, Ancholi, Karachi.
Suzuki Cultus - ARC-018	709	205	280	Group policy	Mr. Ashraf Nawaz - Employee House # 8-14/3, F-1, Mohalla Tareen Road, Quetta.
Suzuki Cultus - AQQ-107	640	143	256	Negotiation	Mr. Faizan Sidiq House # B-631, Zaman Town, Korangi 4, Sector 35/A, Karachi.
Suzuki Alto - ARJ-057	636	174	255	Group policy	Miss. Fouzia Anwar - Employee Flat # 109, Sea Breeze Heights, Block # 2, Clifton, Karachi.
Suzuki Alto - AHN-782	507	67	200	Negotiation	Mrs. Ghazala Jaseem House # A-33, Mohalla Anwar Ibrahim, Malir City, Karachi.
Toyota Corolla - AVA-057	1,498	626	945	Group policy	Mr. Ghulam Rasool - Employee Flat # B-2/36, Kazimabad, Model Colony, Block-A, Karachi.
Honda City - AJT-948	900	126	566	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Shehzore - CT-3533	1,534	759	785	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Cultus - ASX-284	892	304	736	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Cultus - ARP-695	836	233	666	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Cultus - ASW-381	824	281	716	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Cultus - ARB-417	710	225	611	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Toyota Corolla - AJF-904	1,002	140	825	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
Toyota Corolla - ARY-926	1,348	368	522	Negotiation	Mr. Gul Dad House No. Hk-579, KPT Building, New Qadri, Karachi.
Suzuki Alto - AKW-804	512	77	419	Negotiation	Mr. Imran Ahmed House # 219, Sector 35-B, Korangi # 4, Karachi.
Suzuki Alto - APJ-648	516	131	212	Group policy	Mr. Javed Naeem - Employee House # 426, Street # 7, Sector 37-D, Landhi #1 Karachi
Suzuki Bolan - CN-5768	396	55	323	Negotiation	Mr. Jawed Iqbal House # 2874, Usman Ghani Colony, North Karachi, Dakhana Al-Hyderi, Block-R, Karachi.
Suzuki Bolan - CS-2237	408	103	403	Negotiation	Mr. Jawed Iqbal House # 2874, Usman Ghani Colony, North Karachi, Dakhana Al-Hyderi, Block-R, Karachi.
Suzuki Cultus - AGR-367	590	65	428	Negotiation	Mr. Jawed Iqbal House # 2874, Usman Ghani Colony, North Karachi, Dakhana Al-Hyderi, Block-R, Karachi.
Honda City - BBA-880	1,876	1,720	1,800	Group policy	Mr. Khurram Mushtaq - Employee House # A-134, Block 7, Mohalla Gulistan-e-Johar, Karachi.
Honda City - ARE-485	1,070	316	429	Group policy	Mr. Mobeen Aslam - Employee House # A-260, Block J, North Nazimabad, Karachi.
Honda City - ATG-218	1,269	468	850	Negotiation	Mr. Mobeen Aslam - Employee House # A-260, Block J, North Nazimabad, Karachi.
Suzuki Swift - AUF-892	1,092	456	750	Negotiation	Mr. Mobeen Aslam - Employee House # A-260, Block J, North Nazimabad, Karachi.
Honda City - ASA-718	1,467	433	591	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Hyundai Grace - CN-5666	1,194	129	620	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Suzuki Alto - AHZ-348	504	69	413	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Suzuki Cultus - AFT-094	590	65	433	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rs.000s				
Suzuki Cultus - APN-169	626	142	573	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Suzuki Cultus - AQY-751	682	155	618	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Suzuki Mehran - AMV-610	402	82	367	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Toyota Corolla - ASP-494	1,428	487	1,189	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Toyota Corolla - ASN-214	1,313	439	1,091	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi.
Honda City - ARE-227	1,070	316	892	Negotiation	Mr. Muhammad Faizan Javed House # 1095, Block-4, Shah Faisal Colony, Karachi.
Suzuki Cultus - APL-026	621	146	582	Negotiation	Mr. Muhammad Faizan Javed House # 1095, Block-4, Shah Faisal Colony, Karachi.
Suzuki Cultus - ARL-746	775	229	612	Negotiation	Mr. Muhammad Faizan Javed House # 1095, Block-4, Shah Faisal Colony, Karachi.
Suzuki Alto - AMJ-446	513	90	205	Group policy	Mr. Muhammad Javed - Employee Flat # 101, First Floor, Mustafa Centre, Karachi.
Suzuki Pickup - CR-4172	351	61	357	Negotiation	Mr. Muhammad Sadiq House No. G-935, Adamjee Road, Karachi.
Toyota Corolla - ATG-946	1,419	504	795	Group policy	Mr. Muhammad Yousuf Hussain - Employee House # C6, Street AB Arcade, Block A, Fatima Jinnah Colony, Karachi.
Suzuki Cultus - ARP-693	831	245	333	Negotiation	Mr. Mujeeb-ur-Rehman Block-A, Area 2-9, S.I.T.E. Karachi
Honda City - AEM-408	785	64	658	Negotiation	Mr. Nadeem-ur-Rehman House # E-14, KDA Center, View Apartment, Sector 15-A/1, Buffer Zone, Karachi.
Suzuki Bolan - CR-8367	469	89	404	Negotiation	Mr. Nadeem-ur-Rehman House # E-14, KDA Center, View Apartment, Sector 15-A/1, Buffer Zone, Karachi.

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
————— Rs.000s —————					
Suzuki Alto - AQA-149	516	124	208	Group policy	Mr. Rehan Ahmed - Employee House # 4/884, Shah Faisal Colony, Karachi.
Suzuki Alto - ARK-189	512	60	256	Group policy	Mr. Riaz Abdul Razzak - Employee House # 417/2, Area Muzzamil Arcade Azizabad, Karachi.
Honda City - ARB-481	1,058	301	424	Negotiation	Mrs. Saira Nadeem Bilal Garden, Plot # 66/3, Flat # B-902, Karachi.
Honda City - ARH-033	1,070	339	431	Group policy	Mr. Saleemuddin - Employee House # R-124, Tariq Bin Ziyad Society Jinnah Avenue, Malir Halt, Karachi.
Suzuki Cultus - APM-715	626	148	495	Negotiation	Mr. Shaikh Abdul Waheed House # A-419, Mohalla Harmeen Tower, Gulistan-e-Johar, Block-19, Karachi.
Honda Civic - ARL-853	1,975	561	1,113	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi.
Suzuki Alto - ARJ-247	636	174	493	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi.
Suzuki Alto - ARM-576	681	197	273	Group policy	Mr. Syed Adnan Aslam - Employee House # 309, Mohallah J-1 Area, Korangi 5, Karachi.
Suzuki Mehran - APD-028	402	97	158	Negotiation	Mr. Syed Junaid Aziz Bukhari House # C1-16/1, Second Floor, Ropali Residency, Block-19, Karachi.
Suzuki Alto - APH-742	516	113	491	Negotiation	Mr. Syed Muhammad Taufiq House # B-150, Gulshan-e-Iqbal, Block-6, Karachi.
Honda City - APN-894	919	244	351	Group policy	Mr. Syed Nusrat Abbas - Employee House # B-405, B Area, Malir Colony, Karachi.
Suzuki Mehran - APS-973	406	99	163	Group policy	Mr. Syed Shujaat Hussain - Employee House # B-22, Sector 35/A, Zaman Town, Korangi 4, Karachi.
Honda City - ASW-158	1,303	445	900	Negotiation	Mr. Umer Farooq Farooqi House # A-344, Sector 11-A, North Karachi, Karachi.
Suzuki Alto - ANT-058	512	89	462	Negotiation	Mr. Wali Ahmed Khan House # B-88, Block-C, North Nazimabad, Karachi.

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
Suzuki Alto - AQH-645	516	113	489	Negotiation	Mr. Wali Ahmed Khan House # B-88, Block-C, North Nazimabad, Karachi.
Suzuki Alto - AQE-843	521	114	485	Negotiation	Mr. Wali Ahmed Khan House # B-88, Block-C, North Nazimabad, Karachi.
Suzuki Alto - AND-591	504	90	458	Negotiation	Mr. Waseem Khan Flat # 09, Ruffi Corner, Block-13, D/1, Gulshan-e-Iqbal, Karachi.
Honda Civic - BAQ-548	2,487	2,238	2,414	Insurance Claim	M/s. EFU General Insurance Ltd.
Suzuki Mehran - AYL-862	675	497	612	Insurance Claim	M/s. EFU General Insurance Ltd.
Toyota Previa TCR-101162961	304	168	54	Negotiation	Mr. Muhammad Musherief, Dar Al Baidah, Riyadh, KSA, Dubai.
<b>Written down value below Rs. 50,000 each</b>					
- Plant & machinery	2,250	26	1,158	Negotiation	Various
- Vehicle	3,529	320	2,388	Negotiation	Various
- Others	7,494	1,539	801	Negotiation	Various
<b>2014</b>	<b>123,443</b>	<b>35,889</b>	<b>141,909</b>		
2013	161,636	59,321	76,401		

### 14.2 Capital work-in-progress

	2014				2013			
	Machinery and store items held for capitalisation	Civil work	Other assets	Total	Machinery and store items held for capitalisation	Civil work	Other assets	Total
	Rs. 000s							
Cost as at start	175,122	45,556	4,635	225,313	199,776	23,733	2,660	226,169
Capital expenditure incurred during the year	1,408,968	214,845	13,731	1,637,544	754,842	98,106	17,331	870,279
Transferred to property, plant and equipment	(1,242,091)	(106,514)	(16,956)	(1,365,561)	(779,316)	(76,283)	(12,021)	(867,620)
Transferred to intangible assets	-	-	-	-	-	-	(3,515)	(3,515)
<b>Cost as at close</b>	<b>341,999</b>	<b>153,887</b>	<b>1,410</b>	<b>497,296</b>	<b>175,302</b>	<b>45,556</b>	<b>4,455</b>	<b>225,313</b>



15	INTANGIBLE ASSETS	Note	2014			2013
			Computer Software	Trade Marks	Total	Rs.000s
<b>Net carrying value basis</b>						
	Opening net book value		23,130	4,112	27,242	29,465
	Additions (at cost)		8,488	797	9,285	8,028
	Transfer from capital work in process		-	-	-	3,515
	Amortisation charge	15.1	(11,253)	(1,254)	(12,507)	(13,766)
	Closing net book value		20,365	3,655	24,020	27,242
<b>Gross carrying value basis</b>						
	Cost		165,491	13,763	179,254	169,969
	Accumulated amortisation		(145,126)	(10,108)	(155,234)	(142,727)
	Net book value		20,365	3,655	24,020	27,242

15.1	The cost is being amortized using straight line method over a period of five years and the amortization charge has been allocated as follows:	Note	2014		2013
				Rs. 000s	
	Distribution cost	26	563	1,384	
	Administrative expenses	27	11,944	12,382	
			12,507	13,766	

15.2 Remaining useful life of these assets range from one to four years.

## 16 LONG TERM LOANS AND ADVANCES

Considered good - Secured

Due from executives (other than CEO and Directors)	16.2	15,680	2,075
Due from non-executive employees		1,594	1,340
		17,274	3,415

Current portion being receivable within twelve months following the balance sheet date

Due from executives		(5,119)	(1,163)
Due from non-executive employees	20	(254)	(191)
		(5,373)	(1,354)
		11,901	2,061

16.1 Loans and advances have been given for the purchase of cars, motorcycles and household equipments and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against cars, outstanding balance of provident fund, retirement benefits and/or guarantees of two employees.

Included in these are loans of Rs. 9.730 million (2013: Rs. 0.367 million) to executives and Rs. 0.535 million (2013: Rs. 0.595 million) to non-executives which carry no interest. The balance amount carries interest/mark-up ranging from 9% to 14%.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

		<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>16.2</b>	<b>Reconciliation of carrying amount of loans to executives</b>		
	Opening balance	2,075	5,183
	Disbursement during the year	19,067	-
	Recovered during the year	(5,462)	(3,108)
	Closing balance	<u>15,680</u>	<u>2,075</u>
	The maximum aggregate amount due from executives at the end of any month during the year was Rs. 16.554 million (2013: Rs. 4.852 million).		
		<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>17</b>	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>		
	Stores	575,990	432,227
	Spare parts	365,951	360,497
	Loose tools	3,983	3,153
		<u>945,924</u>	<u>795,877</u>
	Provision for slow moving/obsolete items	(90,394)	(72,442)
		<u>855,530</u>	<u>723,435</u>
	<b>17.1 Movement in provision for slow moving/obsolete items</b>		
	Opening balance	72,442	57,431
	Charge for the year	17,952	15,011
	Closing balance	<u>90,394</u>	<u>72,442</u>
<b>18</b>	<b>STOCK-IN-TRADE</b>		
	Raw materials	2,926,027	2,457,304
	Work-in-process	329,995	265,327
	Finished goods	8,873,680	6,951,190
		<u>12,129,702</u>	<u>9,673,821</u>
	18.1 Finished goods include stock of waste valuing Rs. 30 million (2013: Rs. 77 million) determined at net realizable value.		
	18.2 Raw materials amounting to Rs. Nil (2013: Rs. Nil) has been pledged with the banks as at balance sheet date		
		<u>2014</u>	<u>2013</u>
		Rs. 000s	
<b>19</b>	<b>TRADE DEBTS</b>		
	<b>Export debtors - secured</b>		
	Considered good	676,438	751,649
	<b>Local debtors - unsecured</b>		
	- Considered good	806,245	1,950,724
	- Considered doubtful	168,385	137,610
		<u>974,630</u>	<u>2,088,334</u>
	Provision for doubtful trade debts	1,651,068	2,839,983
		(168,385)	(137,610)
		<u>1,482,683</u>	<u>2,702,373</u>
	<b>19.1 Movement in provision for doubtful trade debts</b>		
	Opening balance	137,610	107,785
	Charge for the year	30,775	29,825
	Closing balance	<u>168,385</u>	<u>137,610</u>

	Note	2014	2013
		Rs. 000s	
<b>20 LOANS AND ADVANCES</b>			
<b>Considered Good</b>			
Current portion being receivable within twelve months following the balance sheet date			
- Executives		5,119	1,163
- Other employees		254	191
	16	5,373	1,354
Advances to suppliers	20.1 & 20.2	399,361	277,841
Letters of credit		-	72,863
		<b>404,734</b>	<b>352,058</b>

20.1 This includes Rs. 2.57 million (2013: Rs. 2.57 million) paid to Nazir Sindh High Court, Karachi in compliance with the Order of the Honorable Sindh High Court in respect of ground rent suit as mentioned in note no. 13.4.

20.2 Advances to suppliers include Rs. 4.76 million (2013: Rs. 1.53 million) with related parties - Rs. 3.44 million (2013: Rs.1.53 million) with Arwen Tech (Private) Limited and Rs. 1.32 million (2013: Nil) with Win Star (Private) Limited.

	Note	2014	2013
		Rs. 000s	
<b>21 OTHER RECEIVABLES</b>			
Duty drawback		152,716	104,158
Duty drawback local taxes and levies		7,777	-
Mark-up rate subsidy receivable		6,918	6,918
Receivable against sale of property	13.2	33,409	33,409
Others	21.1	145,207	33,107
		<b>346,027</b>	<b>177,592</b>

21.1 This includes Rs. 105.251 million (2013: Nil) in respect of GIDC paid as stated in note no. 13.5.

	Note	2014	2013
		Rs. 000s	
<b>22 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax		485,588	170,299
Income tax		170,076	60,719
		<b>655,664</b>	<b>231,018</b>

	Note	2014	2013
		Rs. 000s	
<b>23 CASH AND BANK BALANCES</b>			
Cash in hand		7,024	8,557
Balances with banks in current accounts			
- Local currency		105,589	84,638
- Foreign currency		11,600	16,162
	23.1	117,189	100,800
		<b>124,213</b>	<b>109,357</b>

23.1 Bank balances include Rs. 3.504 million (2013: Rs. 35.341 million) kept with a related party - Habib Metropolitan Bank (Associated Company).

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

	Note	2014	2013
		Rs. 000s	
<b>24 SALES</b>			
Local	24.1	11,422,345	13,182,713
Export			
Direct export		20,810,372	16,575,435
Indirect export		1,359,807	794,987
		22,170,179	17,370,422
Duty drawback		172,963	143,011
		33,765,487	30,696,146
Brokerage and commission		(67,376)	(62,254)
		33,698,111	30,633,892

24.1 Sales are exclusive of sales tax amounting to Rs. 417.216 million (2013: Rs. 280.518 million).

	Note	2014	2013
		Rs. 000s	
			Re-stated
<b>25 COST OF SALES</b>			
Opening stock of finished goods		6,951,190	5,012,307
Cost of goods manufactured	25.1	22,976,999	21,764,853
Purchases and processing charges		6,364,232	5,852,965
		36,292,421	32,630,125
Closing stock of finished goods		(8,873,680)	(6,951,190)
		27,418,741	25,678,935
<b>25.1 Cost of goods manufactured</b>			
Raw materials consumed	25.2	11,761,667	12,897,675
Stores, spare parts and loose tools consumed		3,721,970	2,976,434
Staff cost	27.1	3,925,307	2,865,885
Fuel, power and water		2,061,862	1,739,168
Insurance		111,106	97,779
Repairs and maintenance - net of insurance claim		806,507	590,417
Depreciation	14.1.1	692,899	623,544
Other manufacturing expenses		113,984	104,584
Cost of samples shown under distribution cost		(153,635)	(98,459)
		23,041,667	21,797,027
Work-in-process			
Opening		265,327	233,153
Closing		(329,995)	(265,327)
		(64,668)	(32,174)
		22,976,999	21,764,853

	Note	2014	2013
		Rs. 000s	
<b>25.2 Raw materials consumed</b>			
Opening stock		2,457,304	2,236,375
Purchases during the year		12,230,390	13,118,604
Closing stock		(2,926,027)	(2,457,304)
		<u>11,761,667</u>	<u>12,897,675</u>
<b>26 DISTRIBUTION COST</b>			
Freight and shipment expenses		265,271	211,224
Staff Cost	27.1	539,273	365,181
Insurance		21,569	13,019
Advertisement and publicity		637,386	398,081
Participation in exhibition		17,377	13,453
Cost of samples transferred from cost of goods manufactured		153,635	98,459
Rents, rates and taxes		348,774	280,425
Depreciation	14.1.1	71,629	65,990
Amortisation	15.1	563	1,384
Export development surcharge		51,475	41,326
Other expenses		77,062	47,483
		<u>2,184,014</u>	<u>1,536,025</u>
<b>27 ADMINISTRATIVE EXPENSES</b>			
Staff cost	27.1	561,266	409,824
Rents, rates and taxes		78,655	94,717
Repairs and maintenance		54,353	38,058
Vehicle up keep and maintenance		135,466	112,253
Utilities		101,463	75,634
Conveyance and traveling		164,597	138,651
Printing and stationery		39,726	31,466
I.T. expenses		39,604	27,531
Postage and telecommunication		78,927	61,188
Legal and consultancy fees		48,528	44,601
Depreciation	14.1.1	91,949	86,443
Amortisation	15.1	11,944	12,382
Auditors' remuneration	27.2	4,404	3,197
Donations	27.3	4,619	2,139
Insurance		21,559	17,754
Provision for doubtful trade debts		30,775	29,825
Provision for slow moving/obsolete items		17,952	15,011
Other expenses		74,009	52,116
		<u>1,559,796</u>	<u>1,252,790</u>

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## 27.1 Staff cost

	Cost of sales		Distribution cost		Administrative expenses		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Re-stated		Rs. 000s					
- Salaries, wages & benefits	3,797,511	2,784,996	525,208	354,431	541,735	392,820	4,864,454	3,532,247
<b>Retirement benefits</b>								
- Gratuity	28,762	14,544	-	-	-	-	28,762	14,544
- Contribution to provident fund	41,451	32,132	13,066	10,035	17,092	14,768	71,609	56,935
	70,213	46,676	13,066	10,035	17,092	14,768	100,371	71,479
- Staff compensated absences	57,583	34,213	999	715	2,439	2,236	61,021	37,164
	3,925,307	2,865,885	539,273	365,181	561,266	409,824	5,025,846	3,640,890

2014                      2013  
Rs. 000s

## 27.2 Auditors' remuneration

Audit fee	3,789	2,750
Review fee of half yearly accounts	100	30
Fee for consolidation of holding and subsidiaries	150	150
Review fee of statement of compliance with code of corporate governance	50	50
Other certification fees	115	32
Out of pocket expenses	200	185
	<u>4,404</u>	<u>3,197</u>

27.3 Donation of Rs. 2.095 million (2013: Rs. 1.920 million) paid to Fellowship Fund for Pakistan. Mr. Mohamed Bashir, Chairman of the Group was the Trustee of the Fund up to February, 2014.

2014                      2013  
Rs. 000s

## 28 OTHER OPERATING EXPENSES

Workers' profit participation fund	80,340	45,224
Workers' welfare fund	30,530	18,124
Loss on sale of property, plant and equipment	1,020	3,519
Property, plant and equipment scrapped	4,421	5,489
	<u>116,311</u>	<u>72,356</u>

## 29 OTHER INCOME

### Income from financial assets

Interest/mark-up on loans and advances	1,635	1,151
Exchange gain on realisation of export receivables	52,533	9,605
	54,168	10,756

### Income from non-financial assets

Gain on sale of property, plant and equipment	107,040	20,599
Scrap sales	11,389	7,203
GIDC paid in preceding years-Reversed	62,958	475
	181,387	28,277
	<u>235,555</u>	<u>39,033</u>

13.5

	Note	2014	2013
		Rs. 000s	
<b>30 FINANCE COST</b>			
Mark-up on long term financing		302,851	291,354
Mark-up/profit on short term borrowings	30.2	708,040	856,971
Profit on murabaha		45,753	40,340
Interest on workers' profit participation fund		3,762	-
Bank charges and commission		116,939	95,222
		<u>1,177,345</u>	<u>1,283,887</u>

30.1 Mark-up on long term financing and short term borrowings include Rs. 69 million (2013: Rs. 58 million) and Rs. 15 million (2013: Rs. 58 million) respectively from related party Habib Metropolitan Bank Limited - Associated Company.

30.2 It includes exchange gain of Rs. 49 million (2013: exchange loss of Rs. 66 million) on short term borrowings in foreign currency.

	Note	2014	2013
		Rs. 000s	
			Re-stated
<b>31 PROVISION FOR TAXATION</b>			
Current			
- for the year		234,888	151,701
- prior		8,637	(54,041)
		243,525	97,660
Deferred		12,923	43,483
	31.1	<u>256,448</u>	<u>141,143</u>

#### 31.1 Reconciliation between accounting profit and tax expense

Net Profit for the year before taxation		<u>1,477,459</u>	<u>848,932</u>
Tax rate		34%	35%
Tax on accounting profit		502,337	297,126
Tax effect of			
Tax credit		(142,701)	(92,976)
Prior year		8,637	(54,041)
Final tax on exports		(116,560)	4,461
Admissible/inadmissible		657	(9,554)
Others		4,078	(3,873)
		<u>256,448</u>	<u>141,143</u>

#### 32 EARNINGS PER SHARE - basic and diluted

Profit for the year		1,221,011	707,789
Weighted average number of shares	32.1	<u>182,818,218</u>	<u>174,062,102</u>
Earnings per share (Rs.)	32.2	<u>6.68</u>	<u>4.07</u>

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

- 32.1 Weighted average number of shares in issue during last year have been restated for the effect of bonus shares issued during current year.  
32.2 There is no dilutive effect on the earnings per share of the Group as the Group has no potential ordinary shares.

## 33 SEGMENT INFORMATION

The Group has the following two reportable business segments:

- a) Spinning : Production of different qualities of yarn using both natural and artificial fibers.  
b) Processing : Production of greig fabric, its processing into various types of fabrics for sale as well as manufacture and sale of madeups and home textile products.  
c) 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.

### 33.1 Segment Profitability

	Spinning		Processing		Gul Ahmed International Limited (FZC) - UAE		GTM (Europe) Limited - UK		GTM USA Corp.		Elimination of Inter Segment Transactions		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Sales	9,924,339	10,703,756	28,310,802	21,780,905	701,888	529,670	114,896	589,848	57,292	27,718	(5,411,106)	(2,988,005)	33,698,111	30,633,892
Cost of sales	9,093,155	9,605,299	23,165,938	18,128,571	540,841	419,813	17,296	527,877	6,843	-	(5,405,332)	(3,002,625)	27,418,741	25,678,935
Gross profit	831,184	1,098,457	5,144,864	3,652,334	161,047	109,857	97,600	61,971	50,449	27,718	(5,774)	4,620	6,279,370	4,954,957
Administrative and selling expenses	214,952	257,126	3,221,623	2,339,680	145,554	101,118	106,734	64,480	54,947	26,411	-	-	3,743,810	2,788,815
Profit/(loss) before tax and before charging following	616,232	841,331	1,923,241	1,312,654	15,493	8,739	(9,134)	2,509	(4,498)	1,307	(5,774)	4,620	2,535,560	2,166,142
Other operating expenses														
Other income													116,311	72,356
Financial cost													(235,555)	(39,033)
Profit before taxation													1,177,345	1,283,887
Taxation													1,058,101	1,317,210
Profit after taxation													1,477,459	848,932
													256,448	141,143
													1,221,011	707,789

### 33.2 Segment assets and liabilities

	Spinning		Processing		Gul Ahmed International Limited (FZC) - UAE		GTM (Europe) Limited - UK		GTM USA Corp.		Un-allocated		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Assets	5,134,995	5,574,899	16,175,646	13,572,122	406,213	296,233	16,823	31,394	33,843	8,253	2,836,725	1,945,920	24,606,245	21,430,821
Liabilities	2,032,155	815,183	5,666,176	4,612,952	189,315	80,422	7,976	38,908	2,067	2,032	9,855,362	10,264,490	17,753,051	15,813,987

- 33.3 Unallocated items represent those assets and liabilities which are common to all segments and investment in subsidiary.

- 33.4 Information about major customers.

Revenue from major customers whose revenue exceeds 10% of gross sales is Rs. 8,939 million (2013: 5,490 million)



# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## 33.5 Information by geographical area

	Revenue		Non-current assets	
	2014	2013	2014	2013
	Rs. 000s			
Pakistan	11,354,969	13,120,459	8,322,853	7,208,615
Germany	6,053,568	3,141,496	-	-
United Kingdom	2,171,185	2,959,899	2,018	3,895
China	1,669,259	2,098,851	-	-
United States	2,626,123	2,065,066	72	3,161
Netherland	1,934,723	1,021,286	-	-
France	1,602,332	1,326,246	-	-
Brazil	339,723	503,155	-	-
United Arab Emirates	769,800	242,358	9,919	9,182
Other Countries	5,176,429	4,155,076	-	-
Total	33,698,111	30,633,892	8,334,862	7,224,853

## 34 CASH AND CASH EQUIVALENTS

	Note	2014	2013
		Rs. 000s	
Cash and bank balances	23	124,213	109,357
Short term borrowings	12	(7,829,770)	(8,290,416)
		<u>(7,705,557)</u>	<u>(8,181,059)</u>

## 35 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

	2014				2013			
	Chief Executives	Directors	Executives	Total	Chief Executives	Directors	Executives	Total
	Rs. 000s							
Managerial remuneration	5,600	9,300	397,006	411,906	4,800	10,400	298,589	313,789
House rent allowance	2,240	3,720	158,780	164,740	1,920	4,160	119,435	125,515
Other allowances	560	930	53,164	54,654	730	1,482	48,913	51,125
Contribution to provident fund	467	775	23,801	25,043	400	866	18,815	20,081
	<u>8,867</u>	<u>14,725</u>	<u>632,751</u>	<u>656,343</u>	<u>7,850</u>	<u>16,908</u>	<u>485,752</u>	<u>510,510</u>
Number of persons	<u>2</u>	<u>4</u>	<u>314</u>	<u>320</u>	<u>1</u>	<u>3</u>	<u>255</u>	<u>259</u>

- 35.1 The Chief Executive, Directors and certain Executives are provided with free use of Group cars and are also covered under Group's Health Insurance Plan along with their dependents.
- 35.2 The Chief Executive and two Directors are also provided with free residential telephones.
- 35.3 Aggregate amount charged in the accounts for the year, for meeting fee to five Non-executive Directors and the Chairman was Rs. 800,000 (2013: five Non-executive Directors Rs. 450,000).
- 35.4 Executive means an employee other than the Chief Executive and Executive Directors, whose basic salary exceeds five hundred thousand rupees in a financial year, of the Company and Senior Executive Staff of subsidiaries.
- 35.5 Chief Executive remuneration includes remuneration to former Chief Executive Mr. Mohamed Bashir upto March, 2014 and remuneration of newly appointed Chief Executive Mr. Mohammed Zaki Bashir effective from April, 2014.
- 35.6 Directors remuneration included remuneration of outgoing Director Mr. Abdul Aziz Yousuf upto March, 2014 and thereafter his remuneration has been included in the category of "Executives" and remuneration of Mr. Ziad Bashir upto March 2014 as thereafter his remuneration has been discontinued and inclusion of remuneration to director Mr. Zain Bashir effective from April, 2014.

## Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

### 36 TRANSACTIONS AND BALANCES 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 carries out transactions with various related parties.

Relationship with the Group	Nature of Transactions	2014	2013
		Rs. 000s	
Associated companies and others related parties	Purchase of goods	97,188	79,208
	Sale of goods	957	5,029
	Rent paid	7,200	7,200
	Fees paid	1,375	1,250
	Commission/Rebate	3,451	4,863
	Bills discounted	3,341,649	1,801,027
	Commission/Bank charges paid	53,503	38,083
	Mark-up/interest charged	83,765	116,260
	Holding Company's contribution to provident fund	71,609	56,935
Associated companies and others related parties	Nature of Outstanding Balances	3,504	35,341
		1,213,072	1,238,406
		567,241	268,628
		11,284	11,389
		18,619	17,942
		4,763	1,534
		15,680	2,075
		9,016	7,712

There are no transactions with directors of the Group and key management personnel other than under the terms of employment. Loans and remuneration of the key management personnel and executives are disclosed in notes no. 16 and 35, respectively.

Related parties status of outstanding receivables and payables as at June 30, 2014 are also included in respective notes to the financial statements.

### 37 CAPACITY AND PRODUCTION

Unit	2014			2013		
	Capacity	Production	Working	Capacity	Production	Working
	000s			000s		
Cloth Sq. meters (50 Picks converted)	136,745	80,025	3 shifts	136,745	83,819	3 shifts
Yarn Kgs. (20 Counts converted)	51,341	36,096	3 shifts	49,055	37,501	3 shifts

Production is lower due to variation in production mix due to production of high value items and various technical factors.

## 38 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities of the Group as at June 30, 2014 are as follows:

	2014						Total
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
Rs. 000s							
<b>Financial assets</b>							
<b>Loans and receivables</b>							
Loans and advances	2,293	4,716	7,009	3,080	7,185	10,265	17,274
Long term deposits	-	-	-	-	81,034	81,034	81,034
Trade debts	-	-	-	1,482,683	-	1,482,683	1,482,683
Other receivables	-	-	-	68,895	-	68,895	68,895
Cash and bank balances	-	-	-	124,213	-	124,213	124,213
	2,293	4,716	7,009	1,678,871	88,219	1,767,090	1,774,099
<b>Financial liabilities</b>							
<b>At Amortized cost</b>							
Long term financing	694,706	2,239,239	2,933,945	-	-	-	2,933,945
Short term borrowings	7,829,770	-	7,829,770	-	-	-	7,829,770
Trade and other payables	442,304	-	442,304	5,626,162	-	5,626,162	6,068,466
Accrued mark-up/profit	-	-	-	177,164	-	177,164	177,164
	8,966,780	2,239,239	11,206,019	5,803,326	-	5,803,326	17,009,345
<b>Off balance sheet items</b>							
Guarantees	-	-	-	1,279,730	-	1,279,730	1,279,730
Bills discounted	-	-	-	2,927,723	-	2,927,723	2,927,723
Commitments	-	-	-	3,012,647	1,972,929	4,985,576	4,985,576
	-	-	-	7,220,100	1,972,929	9,193,029	9,193,029

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

Financial assets and liabilities of the Group as at June 30, 2013 are as follows:

2013						
Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			Total
Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	

Rs. 000s

## Financial assets

### Loans and receivables

Loans and advances	1,093	1,360	2,453	260	702	962	3,415
Long term deposits	-	-	-	-	51,312	51,312	51,312
Trade debts	-	-	-	2,702,373	-	2,702,373	2,702,373
Other receivables	-	-	-	58,157	-	58,157	58,157
Cash and bank balances	-	-	-	109,357	-	109,357	109,357
	1,093	1,360	2,453	2,870,147	52,014	2,922,161	2,924,614

## Financial liabilities

### At Amortized cost

Long term financing	561,938	2,154,999	2,716,937	-	-	-	2,716,937
Short term borrowings	8,290,416	-	8,290,416	-	-	-	8,290,416
Trade and other payables	552,793	-	552,793	3,521,010	-	3,521,010	4,073,803
Accrued interest	-	-	-	191,792	-	191,792	191,792
	9,405,147	2,154,999	11,560,146	3,712,802	-	3,712,802	15,272,948

### Off balance sheet items

Guarantees	-	-	-	616,117	-	616,117	616,117
Bills discounted	-	-	-	2,215,854	-	2,215,854	2,215,854
Commitments	-	-	-	1,250,869	1,595,428	2,846,297	2,846,297
	-	-	-	4,082,840	1,595,428	5,678,268	5,678,268

## 39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial risk management objectives

The Group's activities exposes 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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

The information about the Group's exposure to each of the above risk, the Group's objectives, policies and procedures for measuring and managing risk and the Group's management of capital is as follows:

### 39.1 Market risks

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk. The Group is exposed to currency risk and interest rate risk only.

#### a Currency risk

Foreign currency 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 currency risk arises mainly from future economic transactions or receivables and payables that exist due to transactions in foreign exchange.

#### Exposure to foreign currency risk

The Group is exposed to foreign currency risk arising from foreign exchange fluctuations due to the following financial assets and liabilities:

	<u>2014</u>	<u>2013</u>
	USD 000s	
Trade debts	6,885	7,624
Cash and bank balances	118	167
Borrowings from financial institutions	(53,223)	(32,578)
Trade and other payables	(24,851)	(6,538)
Net exposure	<u>(71,071)</u>	<u>(31,325)</u>

The Group manages foreign currency risk through obtaining forward covers and due monitoring of the exchange rates and net exposure.

Foreign currency commitments outstanding at year end are as follows:

	<u>2014</u>	<u>2013</u>
	000s	
USD	23,098	7,515
EURO	539	1,339
JPY	180,560	3,310
CHF	27	-

The following significant exchange rates were applied during the year:

	Rupees	
<b>Rupee per USD</b>		
Average rate	102.54	96.38
Reporting date rate	98.45/98.25	98.94/98.74

#### Foreign currency sensitivity analysis

A 5 percent strengthening/weakening of the PKR against the USD at June 30, 2014 would have increased/decreased the equity and profit/loss after tax by Rs. 226 million (2013: Rs.100 million). The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2013.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## **b Interest/mark-up/profit rate risk**

Interest rate risk is the risk that the fair value or future cash flows 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 mainly exposed to interest/mark-up/profit rate risk on long and short term financing and these are covered by holding "Prepayment Option" and "Rollover Option", which can be exercised upon any adverse movement in the underlying interest rates.

Financial assets include balances of Rs. 7 million (2013: Rs. 2.4 million) which are subject to interest rate risk. Financial liabilities include balances of Rs.11,656 million (2013: Rs. 11,560 million) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

### **Cash flow sensitivity analysis for variable rate instruments**

At June 30, 2014, if interest rates on long term financing would have been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs. 3.95 million (2013: Rs. 3.9 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At June 30, 2014, if interest rates on short term borrowings would have been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs. 35.1 million (2013: Rs. 64.4 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

### **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.

## **c Other price risk**

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from 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.

## **39.2 Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

### **Exposure to credit risk**

Group's operating activities exposes it to credit risks arising mainly in respect of loans and advances, trade debts, deposits, other receivables and cash at bank. The maximum exposure to credit risk at the reporting date is as follows:

		<u>2014</u>	<u>2013</u>
	Note	Rs. 000s	
Loans and advances	16	17,274	3,415
Long term deposit		81,034	51,312
Trade debts	19	1,482,683	2,702,373
Other receivables		68,895	58,157
Bank balances	23	117,189	100,800
		<u>1,767,075</u>	<u>2,916,057</u>

The Group manages credit risk as follows:

#### Loans and advances

These loans are due from employees and are secured against vehicles, outstanding balance of provident fund and retirement dues of the relevant employee. In addition, the Group obtains guarantees by two employees against each disbursement on account of loans and these are up to the extent of loans outstanding as at the date of default. The guarantor will pay the outstanding amount if the counter party will not meet their obligation.

The Group actively pursues for the recovery of these loans and the Group does not expect these employees will fail to meet their obligations hence no impairment allowance is made.

#### Trade debts

Trade debts are due from local and foreign customers. 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.

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

The Group actively pursues for the recovery of the debt and based on past experience and business relationship and credit worthiness of these customers. The Group does not expect these customers will fail to meet their obligations except for some doubtful debtors against which adequate allowance for impairment have been made in these consolidated financial statements.

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

Aging of trade debts is as follows:

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
1 to 6 months	1,440,828	2,632,575
6 months to 1 year	16,492	49,028
1 year to 3 years	25,363	20,770
	<u>1,482,683</u>	<u>2,702,373</u>

The Group believes that no impairment allowance is necessary in respect of trade debts are past due other than the amount provided.

#### Other receivables

The Group believes that no impairment allowance is necessary in respect of receivables 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. 21.

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## Bank balances

The Group limits its exposure to credit risk by maintaining bank accounts only with counter-parties that have stable credit rating.

The bank balances along with credit ratings are tabulated below:

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
AAA	18,105	1,033
AA+	4,173	76,367
AA	20,688	2,500
A+	57,725	-
A	6,303	19,639
A-	49	817
AA-	10,146	444
	<u>117,189</u>	<u>100,800</u>

Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

## 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.

The management believes that there are no financial assets that are impaired except against which provision has been made as a matter of prudence.

### 39.3 Liquidity risk

Liquidity risk represents the risk where the Group will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The exposure to liquidity risk along with their maturities disclosed in respective notes and in note no. 39.

The Group manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2014, the Group has Rs. 14,342 million (2013: Rs. 12,350 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 6,162 million (2013: Rs. 3,560 million) and also has Rs.117 million (2013: Rs. 94 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

### 39.4 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.

### 39.5 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.

The Group's strategy is to maintain leveraged gearing. The gearing ratios as at June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
	Rs. 000s	
Total borrowings	10,763,715	11,007,353
Cash and bank	(124,213)	(109,357)
Net debt	<u>10,639,502</u>	<u>10,897,996</u>
Total equity	6,853,194	5,616,834
Total equity and debt	<u>17,492,696</u>	<u>16,514,830</u>
Gearing ratio (%)	<u>61</u>	<u>66</u>

The Group 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 and borrowing cost.

#### 40 PROVIDENT FUND RELATED DISCLOSURES

Following is the information based on latest financial statements of the fund:

	<u>2014</u>	<u>2013</u>
	Un-audited	Audited
Size of the fund - Total assets (Rs. 000s)	602,870	500,775
Cost of investments made (Rs. 000s)	520,170	434,582
Percentage of investments made	86.28%	86.78%
Fair value of investments (Rs. 000s)	558,618	467,698

##### 40.1 The break-up of fair value of investment is:

	<u>2014</u>		<u>2013</u>	
	Un-audited	%	Un-audited	Audited
	Rs. 000s	%	Rs. 000s	%
Shares in listed companies	35,953	6.44%	26,314	5.63%
Government securities	189,041	33.84%	202,513	43.30%
Debt securities	110,401	19.76%	133,971	28.64%
Mutual funds	134,588	24.09%	98,942	21.16%
Balance in saving accounts	88,635	15.87%	5,958	1.27%
	<u>558,618</u>	<u>100.00%</u>	<u>467,698</u>	<u>100.00%</u>

40.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

#### 41 NUMBER OF PERSONS

Number of persons employed as on year end were 12,850 (2013: 12,466) and average number of employees during the year was 12,715 (2013: 12,397).

# Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2014

## 42 EVENT AFTER BALANCE SHEET DATE

### 42.1 Subsequent Effects

The Board of Directors of the Parent Company in its meeting held on September 27, 2014 has proposed the following:

#### a) Bonus Shares

Your directors have decided to issue 25% bonus shares on the existing paid up capital of the Parent Company in the ratio of one share for every four shares held.

#### b) Dividend

Your directors have decided to pay cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2014. Holding Company and an Associated Company have agreed to relinquish their portion of cash dividend.

#### c) Transfer from Unappropriated Profit

An amount of Rs. 650 million to be transferred to general reserve from un-appropriated profit

### 42.2 Fire in Warehouse:

On July 26, 2014, there was an unfortunate fire incident on the third floor of one of Holding Company's warehouses. Goods stored on this floor were damaged. Adequate insurance cover to mitigate the loss is in place. Estimate of the loss is around Rs. 400 million. All the Holding Company's production facilities are working soundly. There is no disruption in any operation.

## 43 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on September 27, 2014 by the Board of Directors of the Holding Company.

## 44 CORRESPONDING FIGURES

For better presentation, reclassification made in the consolidated financial statements is as follows:

<u>Reclassification from</u>	<u>Reclassification to</u>	<b>Amount Rs.000s</b>
<b>Sales</b>	<b>Financial charges</b>	
Export Sales	Bank Charges	41,131
<b>Trade and Other payables</b>	<b>Trade and Other payables</b>	
Others	Taxes withheld	16,071
Others	Accrued expenses	7,903

## 45 GENERAL

Figures have been rounded off to the nearest thousand rupees.

MOHOMED BASHIR  
Chairman

MOHAMMED ZAKI BASHIR  
Chief Executive Officer

## Form of Proxy

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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 62nd ANNUAL  
GENERAL MEETING of the Company to be held on October 30, 2014 or at any adjournment thereof.

1) Witness \_\_\_\_\_ Signed by me this \_\_\_\_\_ day of \_\_\_\_\_ 2014  
Name \_\_\_\_\_  
Address \_\_\_\_\_ Signed \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Affix Revenue  
Stamp Rs. 5.00

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

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### 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 corporate entity, 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.

