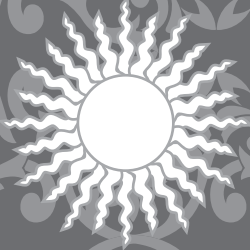


 Gul Ahmed



ANNUAL REPORT  
2015



# WEARING FOUR SEASONS

Annual Report 2015

At Gul Ahmed, we strive to harvest the colors of every season. Indulging in imagination with flair and stepping up with the world's best technology and trend, we bring you innovations in fabric that tops off your life. Gul Ahmed represents the finest of all products and ideas with superior quality with their lively vision and will to serve better.

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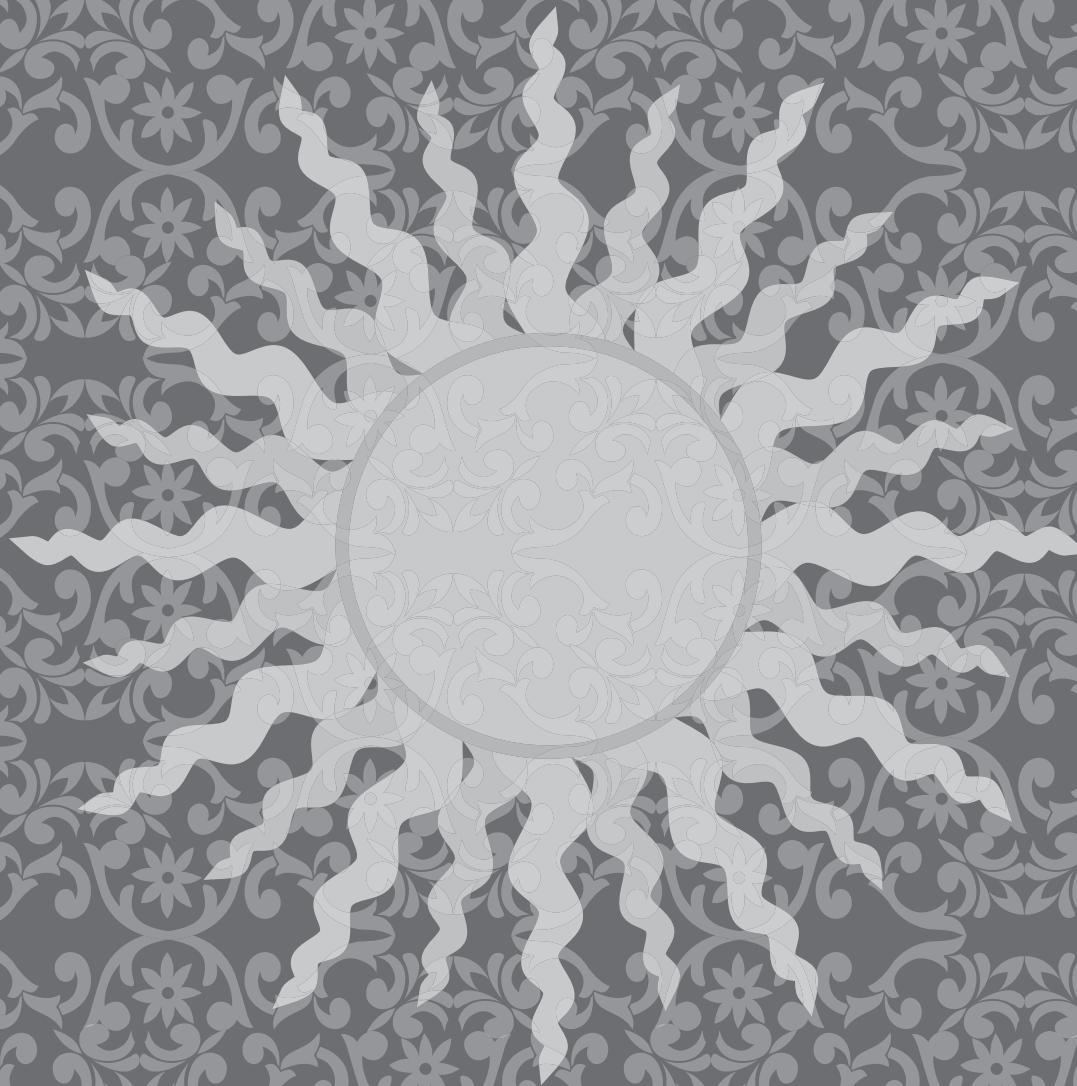
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## COMPANY INFORMATION

BOARD OF DIRECTORS	MOHOMED BASHIR ZAIN BASHIR MOHAMMED ZAKI BASHIR ZIAD BASHIR S.M. NADIM SHAFIQULLAH DR. AMJAD WAHEED ADNAN AFRIDI	- Chairman - Vice Chairman/Executive Director - Chief Executive Officer - Non-Executive - Independent - Independent - Independent
CHIEF FINANCIAL OFFICER	MOHAMMED SALEEM SATTAR	
COMPANY SECRETARY	MOHAMMED SALIM GHAFFAR	
AUDIT COMMITTEE	S.M. NADIM SHAFIQULLAH MOHOMED BASHIR ADNAN AFRIDI MOHAMMED SALIM GHAFFAR	- Chairman & Member - Member - Member - Secretary
HUMAN RESOURCE AND REMUNERATION COMMITTEE	MOHOMED BASHIR ZAIN BASHIR S.M. NADIM SHAFIQULLAH MOHAMMED SALIM GHAFFAR	- Chairman & Member - Member - Member - Secretary
BANKERS	ALLIED BANK LIMITED BANK AL HABIB LIMITED ASKARI BANK LIMITED AL BARAKA BANK (PAKISTAN) LIMITED BANK ALFALAH LIMITED BANK ISLAMI PAKISTAN LIMITED BURJ BANK LIMITED THE BANK OF PUNJAB DUBAI ISLAMIC BANK PAKISTAN LIMITED FAYSAL BANK LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK 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	
AUDITORS	KRESTON HYDER BHIMJI & CO. Chartered Accountants	
INTERNAL AUDITORS	GRANT THORNTON ANJUM RAHMAN Chartered Accountants	
LEGAL ADVISORS	A.K. BROHI & CO ADVOCATES	
REGISTERED OFFICE	PLOT NO. 82, MAIN NATIONAL HIGHWAY, LANDHI, KARACHI-75120	
SHARE REGISTRAR	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	
MILLS	LANDHI INDUSTRIAL AREA, KARACHI-75120	
EMAIL	<a href="mailto:finance@gulahmed.com">finance@gulahmed.com</a>	
URL	<a href="http://www.gulahmed.com">www.gulahmed.com</a>	

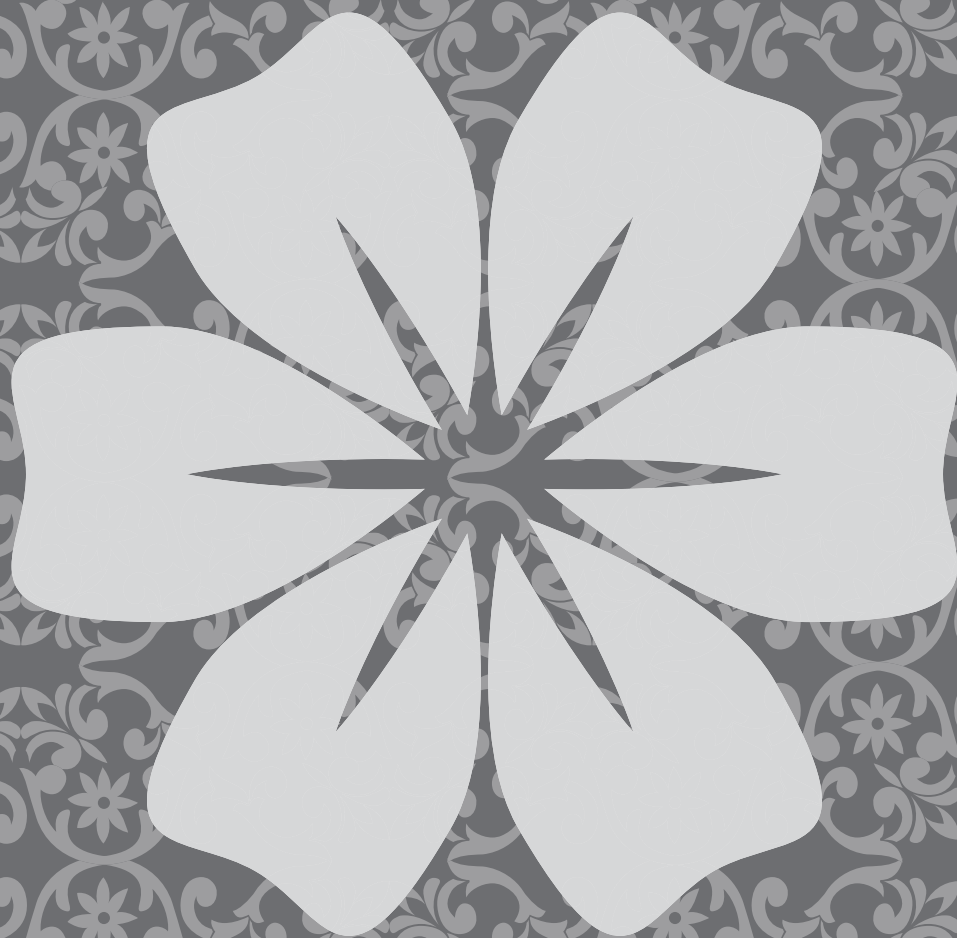




## SUMMER THE SPIRIT OF SUNSHINE

Summer brings the essence of life. The flowers are blooming and the trees are greening. With that thought in mind, Gul Ahmed moves ahead with its persistent innovation in style.





## SPRING THE BEAM OF LIFE

When all life on earth comes in its color,  
it's redemption for everyone. Our  
expression of jubilation is in our eyes, in  
our hearts and on us. The mark to clear  
the par here is creativity.



AUTUMN  
THE DECADENCE OF ETERNITY

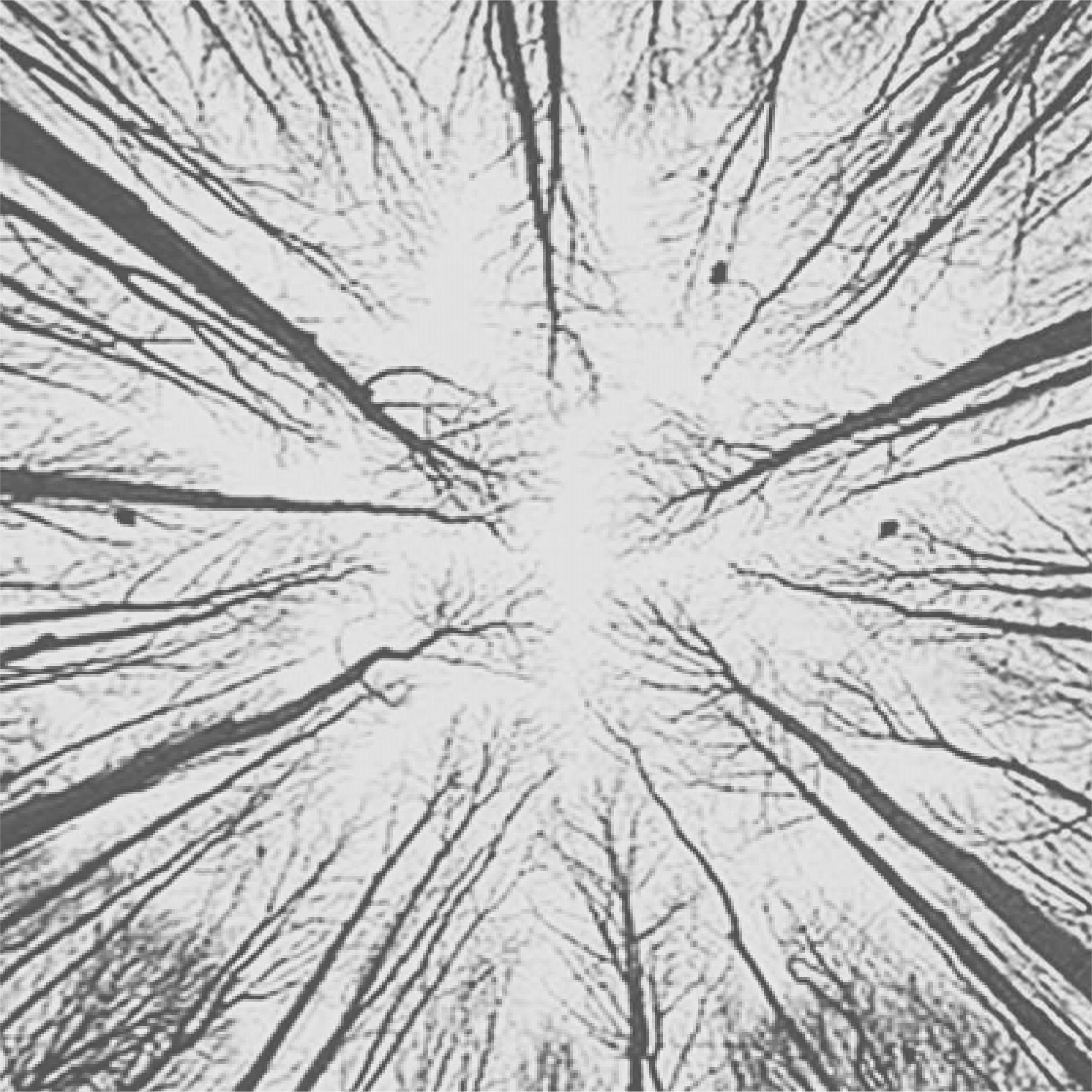
It's the time when life is obscured by the  
desire of recreation. The only way  
forward from here is to discover beauty  
in the unlikeliest of surrounds.



WINTER  
THE BEAUTY OF STILLNESS

When time comes to a halt and a moment feels like forever, life is at its coldest. It gives us the space to create beauty that's frozen in time.







## VALUES

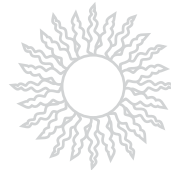
In achieving its vision and fulfilling its mission,  
the Company shall operate on the  
following core values:

Integrity  
Passion  
Creativity  
Teamwork



## MISSION

To deliver value to our stakeholders through innovative  
technology, teamwork and by fulfilling our social and  
environmental responsibilities.



## VISION

Setting trends globally in the textile industry. Delivering  
the best products and services to our customers.



## STATEMENT OF BUSINESS CONDUCT AND ETHICS CODE

Our dealings with business partners, colleagues, shareholders and general public is based on good corporate conduct. The statement of business conduct and ethics, as given below, is the foundation of our business principles:

### ETHICAL DECISION MAKING

General guidelines may include using good judgment and avoiding even the appearance of improper behavior. If ever in doubt about an action whether it is compliant with/is consistent with the guidelines of the Code, ask yourself:

- Is it consistent with the Code?
- Is it ethical?
- Is it legal?
- If it were made public, would I be comfortable?

If the answer is “No” to any of these questions, don’t do it.

If you are still uncertain, ask for guidance. You can seek help from any of the following:

1. The Management
2. Legal Department
3. Human Resource Department
4. Company Secretary

### COMPLIANCE WITH LAWS, POLICIES AND PROCEDURES

1. Directors/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.
2. Directors/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 AND RESPECT FOR OTHERS

1. Directors/employees shall conduct their activities with the highest principles of integrity, truthfulness, objectivity and honor.
2. Directors/employees shall neither use their position to engage in unfair, deceptive or misleading practices nor shall they offer, promise or provide anything to a customer or supplier in exchange for an inappropriate advantage for himself/herself or even for the Company.
3. Any person representing the Company to the third parties shall not allow himself/herself to be placed in a position in which an actual or apparent conflict of interest exists.

### CONFIDENTIALITY

1. Directors/employees shall not use or disclose the Company’s trade secrets, proprietary information, or any other confidential information gained in the performance of duty.
2. Every employee must be cautious and discreet when using information categorized as “classified” or “confidential-restricted access.” Such information should be shared only with the Company’s employees who have a legitimate “need to know.” Outside parties should have access to such information only if they are under binding confidentiality agreements and have a “need to know.”
3. Similarly, when handling sensitive information that has been entrusted to our Company by others, we must always treat it with the maximum care. Doing so, it can protect the Company from potential liability.
4. We must also comply with all laws, regulations and contractual commitments regarding the valid and enforceable intellectual property rights of third parties, including patents, copyrights, trade secrets and other proprietary information.
5. If anyone has a question about the use of patented or proprietary information, including computer software of third parties, he/she should contact Legal Department. In order to use copyright material such as articles, charts, maps, films and music, permission must be obtained from the copyright owner.

### AVOIDING CONFLICT OF INTEREST

It is always expected from every director/employee to act in the best interests of the Company. This means that business decisions should be made free from any conflict of interest. They should also appear impartial. Decisions must be made on sound business reasoning.



1. Directors and employees — and their close relatives — must never:
  - a. Compete against the Company.
  - b. Use their position or influence to secure an improper benefit for themselves or others.
  - c. Use Company information, assets or resources for their personal gain or for the unauthorised benefit of others.
  - d. Take advantage of inside information.
2. It is also a conflict of interest for a director or employee to give or receive gifts or cash in any amount to or from people or companies doing or seeking to do business with the Company. Therefore, we must not:
  - a. Accept fees or honoraria in exchange for services provided on behalf of the Company.
  - b. Provide or accept gifts or entertainment from anyone doing or seeking business with the Company or any of its affiliates. Generally, modest forms of gifts and entertainment (like souvenirs of the company or magazines and lunch/dinner in connection with their duties to the Company) received from vendors are acceptable and do not create conflict of interest. Consult with Legal Department to learn about the guidelines.

#### INSIDER TRADING

1. It is illegal to purchase or sell securities of the Company if you have “material non-public information” concerning the Company.
2. If anybody engages in insider trading then he/she will face disciplinary actions including significant civil and criminal penalties.

#### COMPANY RECORDS AND INTERNAL CONTROLS

1. The Company’s books and records must be prepared accurately and honestly, both by our accountants who prepare records of transactions and by any of us who contribute to the creation of business records.
2. The Company shall maintain accounting records and issue financial statements as required by the local laws to ensure transparency of information on the Company’s financial performance.
3. Reliable internal controls are critical for security of Company’s assets, proper, complete and accurate accounting and financial reporting. Everyone must understand the internal controls relevant to his/her position and follow the policies and procedures related to those controls. Everyone is encouraged to talk to their managers or supervisors immediately if ever in a doubt that a control is not adequately detecting or preventing inaccuracy, waste or fraud.
4. Audits performed by internal and external auditors help ensure compliance with established policies, procedures and controls. Audits also help identify potential weaknesses so these may be fixed promptly. Everyone is required to cooperate fully with internal and external auditors. This means always providing clear and truthful information and cooperating fully during the audit process.
5. Engaging in any scheme to defraud anyone — of money, property or honest services — violates Company’s policy and carries severe penalties. These consequences apply to all dishonest or fraudulent activities, including misusing or stealing assets. The Company relies on its internal controls and the personal integrity of all of its directors, employees and contractors to protect assets against damage, theft and other unauthorised use.

#### DEALING WITH VARIOUS STAKEHOLDERS

Every business unit or section of the Company shall follow policies and procedures which are consistent with the Code while dealing with different stakeholders.

##### I. Customers

- a) Treat customers fairly and honestly.
- b) Provide high standards of service and quality products
- c) Operate effective complaint processes to deal with situations where these standards are challenged.
- d) Aim to provide and promote a range of products and services that meet customer requirements and needs.





- e) Maintain the confidentiality of customer information, except where the law requires/permits disclosure, or the customer has given prior written consent.

## 2. Employees

- a) The Company has maintained a suitable working environment that provides appropriate training, transparent career growth opportunities and competitive remuneration packages including benefits which are also in compliance with the employment related laws and regulations of Pakistan as well as other relevant countries.
- b) It is ensured that all the values and standards required by our business practices are communicated to each employee.
- c) Provide a clean, healthy and safe work environment, stressing the obligation on all employees to take every reasonable precaution to avoid injury to themselves, colleagues and members of the public.
- d) Provide appropriate facilities to fulfill the needs of special employees
- e) The Company follows the laws that prohibit discrimination in employment practices. It is Company's policy to provide equal employment opportunities and to treat applicants and employees without bias. It is our policy that no one is ever subject to discrimination on the basis of:
  - Race
  - Religion
  - Color
  - National origin
  - Age
  - Sex
  - Disability
  - Personal/Political preference

## 3. Suppliers of Goods and Services

- a) Encourage dealing with those suppliers/vendors who operate with values and standards similar to those of the Company.
- b) Work together with suppliers/vendors following the laws and policies to improve all aspects of performance.
- c) Agree terms of payment when orders for goods and services are placed and pay in accordance with those terms.
- d) No one shall engage in unfair, deceptive or misleading practices including receiving or demanding of any favors or benefits from a supplier as an advantage for him to win a bid or contract.

## 4. Communities

- a) Contribute to the social and economic well-being of communities connected to the places of business of the Company.
- b) Encourage employees to participate in projects and initiatives for the welfare of these communities.
- c) Work and plan operations of business to minimize adverse environmental impact.

## 5. Competitors

- a) Conduct business in accordance with the Code and compete vigorously but honestly.
- b) Avoid disclosing any confidential information except as required by the law.
- c) The Company competes fairly and complies with all applicable competition laws wherever the Company operates. These laws often are complex, and vary considerably from country to country. Penalties for violation can be severe. Therefore, directors/employees should seek legal advice.

## 6. Governments and Regulators

- a) Comply with all applicable laws, rules and regulations under which the Company operates.
- b) Maintain a constructive and open relationship with regulators to foster mutual trust, respect and understanding.



## GOALS AND STRATEGIES

### Goals

- Lead textile industry
- Manufacture prime quality products
- Create new opportunities for business growth and diversification
- Be an environment-friendly and socially responsible Company
- Maintain operational, technological and managerial excellence

### Strategies


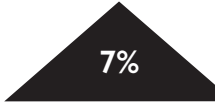

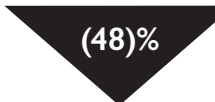



- Investing in state-of-the-art machinery to ensure quality
- Investing in technology to fulfill the manufacturing requirements of the diversified portfolio
- Implementation of the Enterprise Resource Planning software to integrate all the operations of the Company
- Strong quality management system to ensure that products not only meet the customers' requirements but are also safe for use both by adults and children
- Outsourcing
- Retaining and hiring competent and experienced staff/workers at competitive remuneration and benefits
- Paying benefits to the employees competitive to the labor market, considering the welfare of employees as well
- Nurturing of creative talent and skills in relevant human resource who can visualise and create new fashion trends
- Ensure that the workforce is fully aware of the safety measures which they have to take while performing daily assigned jobs and/or in case of any emergency
- Encouraging the employment of females and special persons
- Zero tolerance against child labor
- Effective marketing to secure highest growth rates in terms of sales and earnings per share
- Diversification of products is the core strategy. Depending on the latest fashion trends the Company must be able to fulfill the requirements of different customers
- Retain and develop a green environment
- Maximum possible recycling of waste
- Save energy, water and ensure minimum possible carbon emissions
- Employee stock option scheme



## KEY PERFORMANCE INDICATORS

## FINANCIAL PERFORMANCE INDICATORS

Objective: Increase shareholders wealth

<ul style="list-style-type: none"> <li>• <b>Export sales</b></li> </ul>	2015    Rs. 20,986 million 2014    Rs. 21,485 million	 (2)%
<ul style="list-style-type: none"> <li>• <b>Local sales</b></li> </ul>	2015    Rs. 12,267 million 2014    Rs. 11,422 million	 7%
<ul style="list-style-type: none"> <li>• <b>Gross profit</b></li> </ul>	2015    Rs. 6,094 million 2014    Rs. 5,976 million	 2%
<ul style="list-style-type: none"> <li>• <b>Profit before Tax</b></li> </ul>	2015    Rs. 783 million 2014    Rs. 1,496 million	 (48)%
<ul style="list-style-type: none"> <li>• <b>EBITDA</b></li> </ul>	2015    Rs. 3,094 million 2014    Rs. 3,519 million	 (12)%
<ul style="list-style-type: none"> <li>• <b>Earnings per share</b></li> </ul>	2015    Rs. 2.65 per share 2014    Rs. 5.40 per share	 (51)%
<ul style="list-style-type: none"> <li>• <b>Return on equity</b></li> </ul>	2015    8.75% 2014    20.43%	 (58)%

Relevance: These KPIs will remain relevant in future.



# KEY PERFORMANCE INDICATORS

## NON-FINANCIAL PERFORMANCE INDICATORS

### I. Internal Efficiency and Effectiveness

**Objective:** Promote Company's image by working ethically

- **Compliance with Local Laws**

The Company is in compliance with all applicable laws and regulations and has good working relationship with Regulators and Government Authorities.

- **Compliance with policies and procedures**

The Company has policies and procedures to run business effectively and robust system to monitor effectiveness.

- **Zero tolerance against unethical practices**

The Company has maintained zero tolerance policy against unethical practices such as harassment, fraud, misappropriation and serious violation of any policy.

**Objective:** Achieving production efficiencies

- **Reduction in cost of manufacturing**

During the year, the management focused on reducing the cost by replacing old machines with latest available machines which consume less energy and requires less man power to operate. Some difficult decisions to rightsize were taken along with streamlining the manufacturing processes and reducing waste.

- **Certifications from independent organizations for quality management**

Our product quality, creativity and innovation make our Company one of the best companies. The Company has been awarded and certified in the areas of environment and product quality.

**Relevance:** These KPIs will remain relevant in future.

### II. Long-Term Development and Innovation

**Objective:** To be industrial leader

- **Technological Advancement**

The Company is continuously investing in modernization of its production facilities by adding latest machinery to produce goods without compromising on its quality along with reduction in environmental footprint. During the year, the Company has modernized and upgraded its spinning, weaving and processing facilities.

- **Product development and diversification**

The Company is continuously engaged in product research and development.

- **Update MIS**

The Company has successfully upgraded its ERP system resulting in timely reporting and better resource planning.

**Relevance:** These KPIs will remain relevant in future.





## COMPANY'S PROFILE

### Company Overview

The story of textile in the subcontinent is the story of Gul Ahmed. The Group began trading in textile products in the early 1900s. The Group entered the field of manufacturing with the establishment of today's iconic name of Gul Ahmed Textile Mills Ltd (the Company) in the year 1953.

The Company was incorporated on April 1, 1953 in Pakistan as a private company with its liability limited by shares. The Company was converted into a public limited company on January 07, 1955 and got listed on the Karachi Stock Exchange (KSE) in 1970. Currently, the Company is listed at all the three Stock Exchanges of Pakistan.

### Nature of Business

With an installed capacity of more than 110,000 spindles, 4,800 Rotors, 300 state-of-the-art weaving machines and most modern yarn dyeing, processing and stitching units, Gul Ahmed is a composite unit – making everything from cotton yarn to finished products. Gul Ahmed has its own captive power plant comprising gas engines, gas and steam turbines, and backup diesel engines. Believing in playing its role in protecting the environment, Gul Ahmed has also set up a waste water treatment plant to treat 100% of its effluent, bringing it to NEQS levels.

Gul Ahmed is playing a vital role not only as a textile giant, but also as a strong player in the retail business as well. The opening of its flagship store - Ideas by Gul Ahmed - marked the Group's entry into the retail business. Starting from Karachi, Gul Ahmed now has an extensive chain of more than 65 retail stores across the country, offering a diverse range of products from home accessories to fashion clothing.

More than 60 years since its inception, the name Gul Ahmed is still globally synonymous with quality, innovation and reliability.

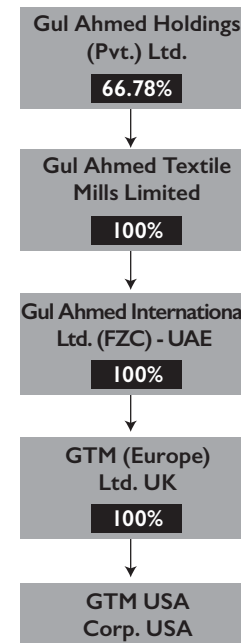
### Group Structure

Gul Ahmed Textile Mills Limited is a subsidiary of Gul Ahmed Holdings (Private) Limited (GAHPL), which owns 66.78% shares.

The Company has following three wholly owned subsidiaries which are engaged in trading of textile related products:

1. Gul Ahmed International Limited (FZC) incorporated in UAE on November 27, 2002.
2. GTM (Europe) Limited incorporated in United Kingdom (UK) on April 17, 2003 is a wholly owned subsidiary of Gul Ahmed International Limited (FZC).

3. GTM USA Corp. incorporated in United States of America (USA) is a wholly owned subsidiary of GTM (Europe) Limited.



## PRODUCT

### PRODUCT STEWARDSHIP

At Gul Ahmed, we focus on delivering high-quality products to our customers. Customers' satisfaction is our key objective. We have taken the 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;
- Environment 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 the set-up for back coating and flock printing which 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 mélangé 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 vibes. This section includes:

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

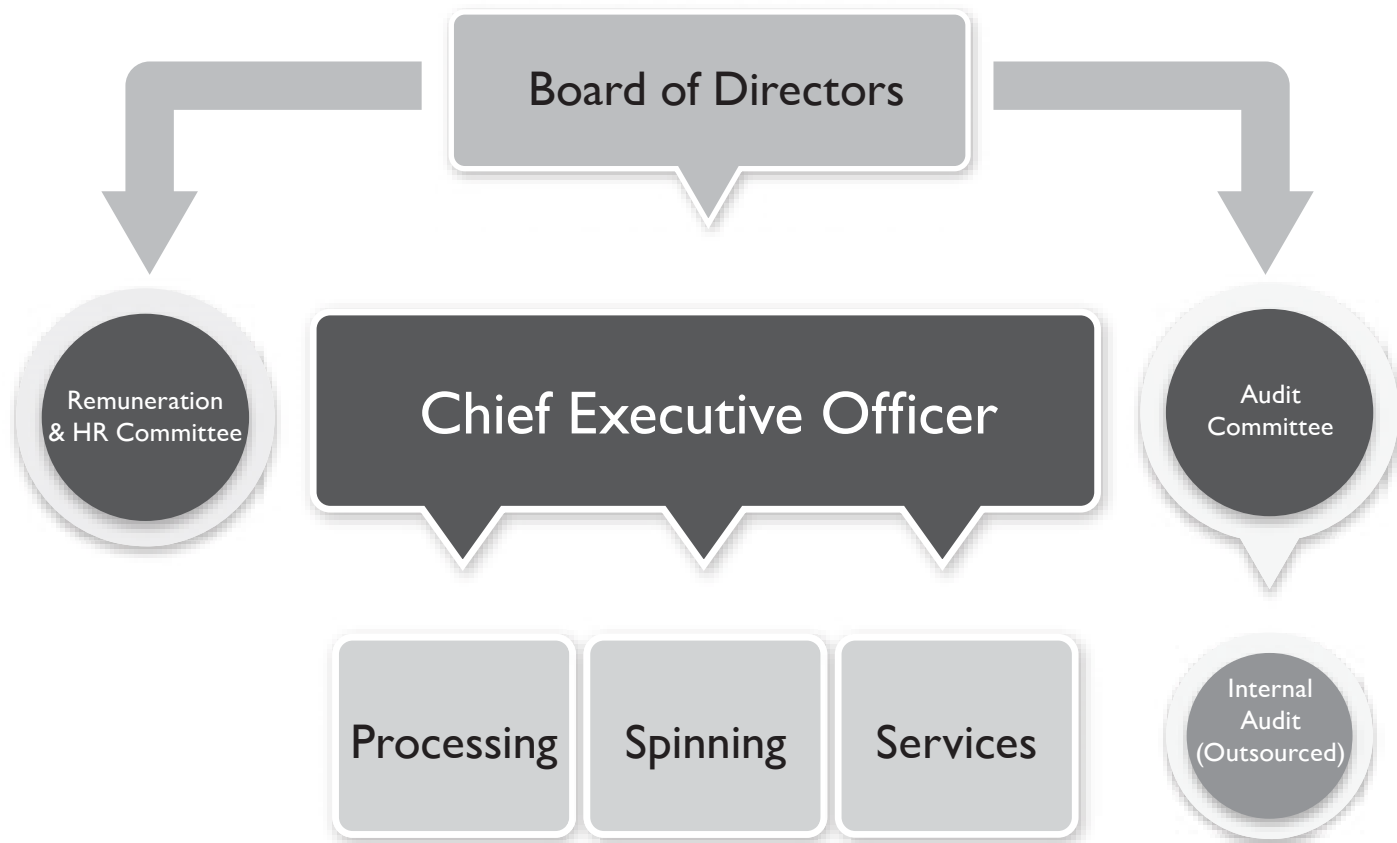
- **Apparel and Garments**

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.



ORGANOGRAM



## PROFILE OF THE DIRECTORS

### 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:

- Chairman, (Committee to Improve Pakistan's Rating on Ease of Business Index)
- 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
- Member, Tax Reform Commission, Ministry of Finance
- Member, Tax Advisory Council, FBR

Previously, he has also held the following honorary Government and Trade and 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 2013
- 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 and 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, UK, in the subject of International Business and is also a certified director from 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 Pakistan Institute of Corporate Governance (PICG).

Over the years, he has served as Chairman of 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 has also been serving on the Board of Security Leasing Corporation Limited since March 1995, and as the Vice-Chairman of the Board since November 2005.

**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 ten 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. 46 billion 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 USD 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.

Dr. Amjad Waheed is a certified director from Pakistan Institute of Corporate Governance (PICG).

**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 USD 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. Mr. 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 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 Corporation). 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. Mr. 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 Pakistan's 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. He is also a certified director from Pakistan Institute of Corporate Governance (PICG).

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

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. He has 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.



## BOARD COMMITTEES

### AUDIT COMMITTEE

#### 1. Composition

- |                              |                       |
|------------------------------|-----------------------|
| • Mr. S.M. Nadim Shafiqullah | - Chairman and 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.

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

### 3. Composition

- |                              |                       |
|------------------------------|-----------------------|
| • Mr. Mohomed Bashir         | - Chairman and 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 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.



## CHAIRMAN'S MESSAGE

It is indeed a great pleasure to present the Company's Annual Report 2015.

Global growth remains moderate and uneven. Amidst weaker prospects in emerging markets with five consecutive years of declining growth, the impact of weaker commodity prices, China rebalancing its economy and its cross border implications, the world economy will remain vulnerable.

Pakistan has improved its macroeconomic stability by improving its foreign currency reserves. With lower oil and commodity prices, inflation has gone down, resulting in lower interest rates. The Government has raised energy prices despite the lower oil prices burdening industry by subsidizing power costs to low income groups and passing on increased line losses to industry and commerce.

National economy has witnessed some improvements despite tough economic challenges which continued from last fiscal year. Structural reforms are needed to reinvigorate the economy along with stabilization of political and security situations. Overall, the textile industry is languishing due to unfavorable external environment, energy crisis, increasing energy tariffs. Government needs to review its decision of artificially holding PKR/USD parity as the major global economies like China, Japan, India and Turkey have allowed their currencies to depreciate significantly in order to provide advantage to the exporters.

Despite these tough economic challenges the Company maintained its revenue share though the profitability has decreased as compared to the previous year. We remained committed to focusing on risk management, good governance, timely management information system, creating ever increasing brand value and operational quality.

The Company has a clear and far reaching vision of enhancing its productivity and core competency through technological advancement. The Company is investing to modernize the production facilities and systems. We continue to drive efficiency and cost reduction by reducing waste, rightsizing and improving upon our operational performance.

We have systems in place to regularly review our corporate governance practices and legal requirements. The members of the Board of Directors are persons of integrity having complete knowledge of their responsibilities along with deep understanding of the business and its operations. They are regularly being updated with the performance of the business and compliance with applicable regulations. I acknowledge and thank the Directors for their valuable contributions to the progress of the Company.

Progress continues, but there is still a lot to do. While the challenges we face are not to be underestimated, bringing the Company to a level of success to which we aspire, is important, not only for shareholders, but also to our customers, our people, the society in which we operate, and to the industry as a whole where we play such a leading part.

I am extremely proud and thankful to the executive management and employees for their contribution throughout the year. I am also grateful for the way that they are implementing our strategy, living our values and representing the Company in our communities.

I also appreciate and greatly value the tremendous trust, the customers and shareholders have shown. Finally, I would like to express my thanks to the shareholders, bankers and other stake holders for their contributions towards the continued growth of the Company.

**MOHOMED 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, 2015 together with auditors' report thereon.

### ECONOMIC AND INDUSTRIAL OVERVIEW

During the fiscal year (FY) 2014-15, macroeconomic stability has been achieved through reduced budget deficits and gentler inflation rates. This is also endorsed by the donors and international rating agencies. The improvement in external account was noted due to a steep fall in international oil prices, privatization proceeds, growth in remittances along with successful issue of Bonds in international market and receipt of loan tranches from IMF.

GDP growth of 4.24% in FY 2014-15 (4.03% in FY 2013-14) is witnessed which is the highest since FY 2008. It was mainly result of growth in services and agricultural sectors which grew by 4.95% and 2.88%, respectively against the growth of 4.37% and 2.69% in the FY 2013-14.

However, Large Scale Manufacturing (LSM) remained undermined as it grew by 3.32% only against the growth of 4.08% in the corresponding FY. The performance of LSM is also represented by decline in exports of the country in the current fiscal year. The fall in exports has been led by large decline in textile and rice, with significant decrease in exports of jewellery, engineering goods, chemicals, and leather goods as well. Overall, the country's exports (in USD) declined by 4.88% in FY 2014-15 as compared to the corresponding FY.

Further, headline YoY CPI inflation plunged to decade's low of 3.2% in June 2015. Monetary easing was also initiated during the year where SBP reduced the interest rate by a cumulative 350 bps in its monetary policy decisions since November 2014. The government decision to pass-on the benefit of fall in international oil prices to domestic consumers has eased both inflation and inflationary expectations.

The textile sector in Pakistan has an overwhelming impact on the economy, contributing more than 50% to the country's exports. Major challenges to the industry were continuing energy crisis, unsettled security situation and unfavorable external environment which have been compounded by Government's decision to artificially hold the exchange rate. Many other countries across the world like Japan, India, Turkey, Europe, Russia, Argentina and Brazil have allowed their currencies to depreciate significantly in order to provide advantage to their exporters. The table below gives the currency fluctuations of the above-mentioned countries:

Countries	Units	Exchange Rates		
		30-Jun '15	30-Jun '14	(Revaluation)/ Devaluation %
Pakistan	USD/PKR	101.78	98.80	3.01
Europe	USD/EURO	0.90	0.73	22.74
Japan	USD/JPY	122.07	101.38	20.40
Turkey	USD/TRY	2.69	2.14	25.47
India	USD/INR	63.76	60.06	6.16
Russia	USD/RUB	55.42	33.98	63.12
Argentina	USD/ARS	9.09	8.14	11.69
Brazil	USD/BRL	3.11	2.20	41.09

The textile industry in Pakistan is languishing due to neglect and lack of policy implementation. The energy crisis along with ever increasing tariffs of energy has forced a number of textile mills to shut down and/or slowdown their operations. As a result the contribution of the textile industry in the growth of LSM has gone down to 0.53% in the current FY as compared to 1.32% in the previous FY.

During the current FY, textile exports were recorded at USD 13.53 billion as compared to USD 13.66 billion in the previous FY. Depreciation of Euro against USD (which is the major functional currency in the textile export market) and artificially holding PKR/USD parity have resulted in the decline of textile exports. Yarn exports have also sharply declined because of tapering demand of yarn in China which was a major importer of yarn from Pakistan.

### Company's Market Share

The Company is among country's largest composite textile mills and a leading exporter of value added textile products. The Company has contributed around 2.5% in the value added textile exports of the country.

### PERFORMANCE OVERVIEW

The current FY 2015 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 (KPIs) which we monitor are:

Description	Units	2015	2014
Export sales	Rs. in millions	20,986	21,485
Local sales	Rs. in millions	12,267	11,422
Gross profit	Rs. in millions	6,094	5,976
Profit before tax (PBT)	Rs. in millions	783	1,496
Profit after tax (PAT)	Rs. in millions	605	1,235
EBITDA	Rs. in millions	3,094	3,519
EPS (2014: Restated)	Rupees	2.65	5.40
Debt to equity	Time	0.34	0.34
Current ratio	Time	1.05	1.06
Breakup value per share (2014: Restated)	Rupees	31.37	29.14



### Profit and Loss Analysis

Performance of the Company remained satisfactory in terms of sales and gross profit despite the tough business environment during the year ended June 30, 2015. Profitability has decreased as compared to the last year due to higher cost of inputs – especially energy and wages, lower demand of yarn from China and unfavorable PKR/USD parity.

Local sales have grown by 7.4% whereas export sales posted negative growth of 2.3% over the corresponding period. The Company earned PBT of Rs. 783 million and PAT of Rs. 605 million in FY 2015 as compared to the PBT of Rs. 1,496 million and PAT of Rs. 1,235 million in FY 2014, respectively.

Sales were severely hampered due to the reasons mentioned above. The growth in gross profit was recorded as 1.98% in FY 2015 over the corresponding FY. Despite the lower growth in sales we were able to contain the cost of sales to achieve the minimum possible gross margin.

The six-year trend of sales, gross profit, profit after and before tax is also presented in Financial Highlights which is the part of this annual report.

### Financial Position Analysis

Long-term liability has increased by 7.5% over the corresponding period. At the year end June 30, 2015, debt to equity and leverage were recorded as 0.34 (2014: 0.34) and 1.67 (2014: 1.62), respectively.

Working capital at year ended June 30, 2015 was Rs. 756 million as compared to Rs. 890 million at year ended June 30, 2014. The current ratio remained at 1.05 (2014:1.06).

Property, plant and equipment have increased by 10% mostly due to the addition of latest machinery. Trade debts have increased by 40% and debtor turnover has also improved to 18 days at year ended June 30, 2015 against 22 days at year ended June 30, 2014.

The six-year trend of financial position analysis and related ratios is also presented in Financial Highlights which is the part of this annual report.

### SUBSEQUENT EFFECTS

- I. The Board of Directors of the Company in its meeting held on September 22, 2015 has proposed the following:
  - a) **Dividend:**  
Pay cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2015.
  - b) **Transfer from Unappropriated Profit**  
An amount of Rs. 250 million be transferred to general reserve from unappropriated profit

### CAPITAL STRUCTURE

During the year, 25% (2014: 20%) bonus shares were issued which resulted in an increase in the paid-up capital by Rs. 457 million. Overall shareholders' equity increased by Rs. 510 million to Rs. 7,170 million as a result of the profits retained in the business. During the year, the Board recommended cash dividend of 15% (2014:Nil). The holding company and an associated company agreed to relinquish their portion of cash dividend amounting to Rs. 193 million.

### FUNDS MANAGEMENT

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. 7,004 million (2014: Rs. 6,312 million) unutilized credit lines to cover any temporary mismatches.

### BUSINESS SEGMENTS

#### Spinning

The financial year was very difficult for the spinning business due to lower demand both in local and international markets.

Spinning	2015	2014	Change
	Rs. in millions		%
Sales	8,750	9,924	(12)
Cost of sales	(8,270)	(9,093)	(9)
Gross profit	480	831	(42)
Distribution & admin expenses	(212)	(215)	(1)
Operating profit of the segment	268	616	(57)

Sales declined by 12% and dropped from Rs. 9,924 million to Rs. 8,750 million. The lower yarn demand from China (one of the major importers of yarn) severely affected the exports of yarn. This was further affected by holding artificially PKR/USD parity. Major portion of yarn produced was used in-house to take advantage of vertical integration. GP margin also dropped from 8% to 5%.

In line with decline in yarn demand, the Company reduced the production of yarn and is replacing older machines with new efficient machines.



### Processing

In the processing area, sales suffered due to political situation in the first quarter. Steep depreciation of the Euro against USD in the third quarter slowed down the Company's export sales to Europe. European retailers picked up goods slower than the forecast due to cash flow constraints on account of the currency crisis.

Despite these negative factors, the processing division managed to post good performance in terms of sales and production. Sales increased by Rs. 1.2 billion to Rs. 29.5 billion posting growth of 4%. To boost sales the Company incurred 22% additional cost on distribution chain and advertisements as given in below table.

Processing	2015	2014	Change
	Rs. in millions		%
Sales	29,515	28,311	4
Cost of sales	(23,900)	(23,166)	3
Gross profit	5,614	5,145	9
Distribution & admin expenses	(3,922)	(3,222)	22
Operating profit of the segment	1,692	1,923	(12)

To compensate shortfall from spinning segment, the Company is expanding its processing segment. During the year, some machines have been added. Assets of this segment have increased by 7% from Rs. 16.4 billion to 17.5 billion.

### MANAGEMENT'S OBJECTIVES AND STRATEGIES

Management's objectives are to lead the textile industry by manufacturing products of prime quality, identify niche markets and achieve growth, as well as maintain operational and technological excellence without compromising responsibility to the environment and society.

The strategies to achieve such objectives are discussed in detail separately on page number 12 forming part of this annual report.

### MATERIALITY APPROACH

Determination of materiality levels is judgmental and varies between organizations. Authorization for transactions and delegation of powers have been defined clearly and carried out through formalized processes in the Company. The Company has approved the materiality policy which will be reviewed annually to check its relevance.

### RISK MANAGEMENT AND OPPORTUNITIES

Risk management is discussed in detail on page number 52 forming part of the Annual Report 2015.

Opportunities have been discussed on page number 50 of the Annual Report in the 'SWOT Analysis' section.

### INFORMATION TECHNOLOGY (IT)

The Company's IT function benefits the business by facilitating employees to work more efficiently, maximize productivity and minimize risks. Faster communication, electronic storage, protection of records and surveillance are some of its contributions to the business.

The creation of high-tech environment in the business is a central concern of policymakers around the world. To meet up the pace of innovation and for continuous improvements in business, the Company is restructuring ERP Business Model and Systems.

#### IT Governance Policy

Information is a valuable asset that is critical to the operations of the Company. The value of the information as a corporate business resource increases by its integrity and appropriate use. Therefore the risks of insufficient capture, retention and unauthorised destruction of information or even compromised protections, unnecessary restrictions on its access are identified which are mitigated by the introduction of IT governance policy.

The intent of this policy is to provide an enterprise framework that is based on the principles of information technology governance to guide the creation, storage, use, archiving and deletion of information.

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 assets and ensure accountability.

To maintain IT system's reliability, safety and accuracy, the IT department has taken adequate measures including installation of anti-virus and firewalls, backup procedures, standby arrangements and disaster recovery plans.

#### Data Centre EMC Up-gradation Project

The Company has successfully deployed EMC VNX series Storage. The VNX series of EMC:



- is application-aware and wizard-driven disk provisioning in a small and dense space. It is energy-efficient and provides high availability and scalability.
- unifies EMC's file-based and block-based offerings into a single product that can be managed with easy to use graphical user interface.
- is a new VNX software environment which offers significant advancements in efficiency, simplicity and performance.

### BUSINESS CONTINUITY PLAN (BCP)

BCP refers to the activities required to keep the Company running during a period of displacement or interruption of normal operation.

Disasters may occur anytime and the Company is fully prepared to face those disasters. As we are the largest composite textile mill in the industry having several factories running with systems, fixed assets and inventories worth billions of Rupees, the disasters may cause severe damage to the operations.

A comprehensive and rigorous BCP is prepared to achieve a state of business continuity where critical systems and networks are continuously available. Arrangement of a Hot Site is in place to mitigate the risk of prolonged halting of operations. Backup of the data and system is maintained on daily basis in remote place so that it may be recovered immediately in case of disaster.

The Company has also arranged the security of all factory sites and offices along with tight surveillance through CCTVs. Fixed assets and inventory are insured and properly safeguarded. Very effective firefighting systems along with the team of professional and well trained firefighters are present at every location round the clock.

### SAFETY OF RECORDS

The Company ensures preservation of records in line with good governance practices including BCP.

The record includes books of accounts, documentation pertaining to secretarial, legal, contractual, taxation and other matters, which have been archived where needed, for periods as legally required in a well preserved and secured manner.

Secure storage centers are established to protect documentation from unauthorized access in addition to damage caused by fire, natural calamities and physical deterioration.

EMC VNX series storage has been successfully deployed and remote backup sites of all primary data have been established as discussed under

the IT section of this report.

### CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is discussed in detail on page number 30 forming part of the Annual Report 2015.

### HOLDING COMPANY

The Company is the subsidiary of Gul Ahmed Holdings (Private) Limited (the Holding Company). The Holding Company owns 66.78% shares of the Company and is the ultimate parent Company of the Group. The Holding Company was incorporated in Pakistan on April 14, 2014.

### SUBSIDIARY COMPANIES

The Company has following three wholly owned subsidiaries which are engaged in trading of textile related products:

1. Gul Ahmed International Limited (FZC) incorporated in UAE on November 27, 2002.
2. GTM (Europe) Limited incorporated in United Kingdom (UK) on April 17, 2003 is a wholly owned subsidiary of Gul Ahmed International Limited (FZC).
3. GTM USA Corp. incorporated in United States of America (USA) is a wholly owned subsidiary of GTM (Europe) Limited.

### CODE OF CORPORATE GOVERNANCE (CCG)

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, six 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 un-audited accounts as on June 30, 2015 is Rs. 682 million (FY 2014: As per audited accounts Rs. 559 million).
- Statements regarding the following are annexed or are disclosed in the notes to the financial statements:
  - o Number of Board meetings held and attendance by directors.
  - o Key financial data for the last six years.
  - o Pattern of shareholding.
  - o Trading in shares of Company by its Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children.

#### INVESTORS' GRIEVANCES AND COMPLAINTS

The Company allows full access to all shareholders, including potential investors, to call for information or detail on Company operations, in addition to details relating to their specific investment, dividend or circulation of regulatory publications by the Company. The required information is provided immediately or a query/grievance is resolved promptly in accordance with the statutory guidelines.

Investor grievances are managed centrally through an effective grievance management mechanism.

#### BOARD'S EVALUATION

Complying with Code of Corporate Governance, 2012, the Board approved a comprehensive mechanism for evaluation of its performance. The Company introduced a questionnaire covering Board's scope, objectives, functions and Company's performance and monitoring. The Board has evaluated all the factors based on inputs received from every director.

#### CONFLICT OF INTERESTS

All the directors exercise their due rights of participation in the Board proceedings and decisions are generally undertaken through consensus. Concerns of the Board members on any agenda point are duly noted in the

minutes of the meetings.

There is also an approved Code of Business Ethics requiring, in addition to compliance of regulatory requirements, formal disclosure of interests if any, to allow avoidance of known or perceived conflict of interests.

#### REVIEW OF RELATED PARTY TRANSACTIONS

In compliance with the CCG and other applicable laws and regulations, details of all related party transactions are placed before the Audit Committee and upon recommendations of the Audit Committee, the same are placed before the Board for review and approval.

#### CEO'S PERFORMANCE REVIEW

The Board establishes each year a list of goals and strategies aligned to achieve the mission of the Company. Each milestone is thus measured in order to assess the performance. The basic reason of this assessment is to discuss how the performance is contributing towards the growth of the Company. The factors to be evaluated are achieving mission, long and short-term objectives, ensuring long-term profitability, increasing shareholders' value, development of policies and procedures ensuring good governance and statutory reporting.

The Board provides honest feedback in order to strengthen and develop the role of CEO.

#### ROLE OF CHAIRMAN AND CEO

Chairman acts as the custodian of the Company on behalf of the Board and stakeholders. He heads the Board of Directors and is responsible for ensuring the Board's effectiveness. The Chairman ensures that development of business and protection of goodwill of the Company and its subsidiaries receive sufficient attention from the Board. He also ensures the balance of membership of the Board in the sense that its members are having versatile exposures of various business operations and are the persons of economic and business acumen.

CEO has prime responsibility of driving for achievement of Company's vision, mission and its long-term goals. He acts as direct liaison between the Board and the management of the Company and therefore communicates with Board on behalf of the management. CEO is responsible for the day to day management of the Company's affairs and the execution of long-term strategy, plans and budgets to increase shareholders' value.

CEO also represents the Company to shareholders, Government authorities and the public. Typically, CEO is the leader and decision maker who motivates employees, drives change within the Company and takes decisions to achieve growth targets.



## ISSUES RAISED IN LAST ANNUAL GENERAL MEETING (AGM)

The 62<sup>nd</sup> AGM was held on October 30, 2014 in Karachi. One of the shareholders inquired about the future prospects of the Company. The Chairman referred to the Directors' Report and also detailed the prospects of industry and discussed the threats of energy crisis and law and order situation.

The Chairman also showed concern about the appreciation of PKR/USD which may affect the exports of the Company.

Announcement of cash dividend and bonus shares was appreciated by the shareholders. They specially appreciated the decision of holding and associated companies to relinquish their portion of cash dividend.

## AUDITORS

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

## CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the year ended June 30, 2015 of the Company and its subsidiaries Gul Ahmed International Limited (FZC) UAE, GTM (Europe) Limited UK and GTM USA Corporation USA are attached.

## FORWARD LOOKING STATEMENT

During the current FY as against our expectations, increase in sales was only 1.04% due to subdued demand of textile products mainly in Europe, unfavorable PKR/USD parity, non implementation of textile policy and higher cost of doing business as compared to the regional countries producing value added textile products. As a result, the PBT and PAT have also decreased.

Overall business environment is tough but the Company's management has taken these challenges as an opportunity to focus on reducing costs and avoiding losses in future by adopting stringent controls on budgets and rightsizing. We are also modernizing our production facilities by replacing older machines with more efficient machines which consume less energy and requiring fewer workforce.

The Company shall maintain its position in textile sector by meeting the expectations of our shareholders and valued customers. Sales are expected to grow resulting in considerable increase in profitability due to the measures taken to reduce cost of sales. We shall operate with improved production facilities, efficiently utilizing our resources.

## FUTURE OUTLOOK

In today's highly competitive global environment, the textile sector needs to upgrade its supply chain, improve productivity and maximize value-addition which will require supportive textile policy from the Government to be able to compete. We hope that the energy situation will improve in the country and policy implementation will also be ensured by the Government.

To promote sustainable economic growth, structural reforms are needed to avert risks to the economic outlook in the long-term. Lower tax to GDP ratio, documenting the economy, reducing unemployment, resolving energy crisis and loss making public sector entities are the major challenges.

Steep decline in oil prices, improved credit rating from international rating agencies and fall in inflation and discount rates have developed positive business sentiments. The Government should capitalize on the opportunity and drive towards comprehensive economic growth. One of the major drivers is the LSM sector. A well thought out long-term policy and the commitment to implement it are needed to remove structural bottlenecks of the sectors.

## ACKNOWLEDGMENT

During the year, our former director of the Company Mr. Abdul Razak Bramchari expired. He was one of the senior most professionals in the insurance industry and had a long association with the Company. The Board prays that may Allah Tala bless him and offers its condolence to the bereaved family members.

Finally, we take this opportunity to 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. We look towards continuous support of our stakeholders, as always, to help the Company navigate through the next year.

For and on behalf of the Board

Karachi  
September 22, 2015

Mohammed Zaki Bashir  
Chief Executive Officer





## SUSTAINABILITY REPORT

We own this world and we acknowledge our social and ethical responsibility to carry out our business in order to keep it safe and protect it for the generations to come. Sustainability Policy is considered to be essential for continuity of the business at Gul Ahmed Textiles Mills Limited (the Company). This report is an effort to inform the stakeholders about the measures and initiatives taken to ensure sustainability. This report is divided under three performance measures – Economic, Social and Environmental.

### ECONOMIC MEASURES

#### 1. Better Cotton Initiative (BCI)

Better Cotton Initiative (BCI) is a program promoting the growth of Organic cotton which is processed without the use of pesticides, insecticides, defoliants, or artificial fertilizers, or dioxin-producing bleach. The general idea is to grow and harvest and process crops without damaging the ecosystem.

This is achieved by following the guidelines of BCI to achieve the objectives like reducing the hazardous environmental impact, improving livelihood and economic development of farmers and improving the flow of better cotton throughout the supply chain.

Gul Ahmed is a member of BCI and strongly pursues the objective of organization and therefore strongly promotes its objectives by purchasing the cotton which is produced according to BCI guidelines. At Gul Ahmed purchasing of BCI cotton increased by 3,650 tons to 14,701 tons in FY 2015 as compared to 11,051 tons in the corresponding FY.

#### 2. Education

We are regular contributor to the activities of “Fellowship Fund for Pakistan” to showcase the problems of public interest in media and nurture the think tanks for the country.

During the year, the Company also contributed Rs. 6 million to the scholarship fund of Habib University Foundation.

#### 3. Health

Aga Khan Hospital and Medical College Foundation is in the process of developing “Paediatrics Intensive Care Unit” which shall be equipped with world class technology along with strengthening child healthcare programmes in the country.

The company has pledged to contribute Rs. 20 million towards this project. During the year, the Company has paid Rs. 6.67 million and the balance amount shall be paid subsequently as committed to the Foundation.

#### 4. Contribution to National Exchequer

The Company is contributing to the National growth by sharing its revenues with the nation in the form of taxes, rates and duties. Not only this, the Company is also helping the Country to improve foreign reserves by earning foreign currency through exports. The Company contributed a total of Rs. 1,000.72 million in FY 2015 (FY 2014: 988.02 million) in various federal, provincial and local taxes, rates and duties.

### SOCIAL MEASURES

The Company’s efforts have primarily been focused on improving the social conditions of the communities and employees related to the Company. For example establishing fair working conditions, setting social standards, establishing minimum wages, ensuring occupational safety, zero tolerance on child and forced labor, etc. The Company believes that linking business to social projects enables to build a strong connection with consumers by involving them in sustainability initiatives.

#### 1. Health, Safety and Environment (HSE)

The Company follows strict adherence of the HSE policy. Safe operations have been long-standing part of the Company’s culture, reflecting the key beliefs that:

- Nothing is more important than protecting human health, safety and the environment
- All incidents can be prevented
- Management is accountable for HSE performance
- Working safely and in an environmentally responsible manner are conditions of employment
- Preventing incidents and managing environmental impacts are fundamental to good business

Our goal is to protect our people, the public, our property and the environment in which they work and live. It is a commitment that is in the best interests of our employees and other stakeholders.

The Company has established HSE Management System which is run with strong commitment of top leadership to address HSE concerns. Policies and objectives are well defined. All the divisions are responsible to evaluate the HSE risks and their mitigation while planning various operational activities which are reviewed and audited by the HSE and internal audit departments of the Company.

#### 2. Human Resource

Companies and brands are established by employees and their success is entirely dependent on the effort and hard work of its





employees. Our employees are the greatest custodians of the Company's goodwill, brands and success. We attract, develop and retain talented people who possess all the characteristics necessary to drive the Company forward – helping it to achieve its current and future objectives.

**a) Succession Planning**

The Company has formulated a proper succession plan which includes performance evaluation and appropriate training requirements for development of potential future leaders.

The Company ensures availability of competent personnel in each department through a comprehensive Succession Planning Policy, carried out in terms of an individual's potential, qualification, period of service and professional attitude amongst other criteria.

**b) Employee Benefits**

The Company treats all employees fairly and compensates them according to industry standards. The Company provides the benefits as detailed below along with the perks and benefits like annual leaves, pick and drop, facility of a mess, safe and healthy working environment, etc.

- Retirement benefits consisting of Provident Fund and Gratuity where the Company has contributed Rs. 123 million (2014: Rs. 98 million) during the year towards retirement benefits. The total retirement funds are amounted to Rs. 774 million (2014: Rs. 642 million). During the year Rs. 111 million (2013: Rs. 75 million) were paid to outgoing employees.
- Healthcare insurance where the Company incurs Rs. 15.74 million annually.
- Expenditures incurred for Employees Old Age Benefit Institution, Workers Welfare Fund and Workers Profit Participation Fund related.

**c) Training and Development**

The Company believes that the quality of training significantly impacts the performance of employees. Our thorough and timely training and development programs ensure our employees gain all the skills to perform optimally.

The Company conducts various training sessions and workshops in the areas including operational skills, management skills, technological shifts, ethical and HSE related practices, etc.

**d) Managing Employee Grievances**

Employees have the right to be treated fairly and raise their concerns without fear of judgment. Employees can raise their concerns directly with their supervisors, senior management or the human resource department.

The matters raised are dealt by professionals and trained staff to resolve fairly with prudent justifications.

**e) Employee Privacy**

The Company is committed to maintaining the principles of integrity and trust with respect to our employees' privacy. Personal information about employees is collected only where it is necessary to carry out legitimate business. Access to such data is limited to those who have legitimate business needs.

**f) Harassment Policy**

The Company provides a harassment-free work environment to its employees. It enables our diverse workforce to contribute to its highest potential. The Company operates zero tolerance policy against harassment which is crystal clear in the Code of Conduct. Every employee is expected to follow the Code ensuring that the work environment is free from harassment of any kind.

**g) Diversity**

We welcome diversity in terms of gender, ethnicity, thought and skill as this mix is a great help to achieve our goals. Multiple perspectives and experiences at the workplace allow us to understand the mindset of our customers, suppliers and communities.

One of our key challenges is to balance gender diversification in our Company. We had 1,065 female staff members and workers at the year end.

Recognizing the benefits of a diverse workforce, the Company encourages a culture of respect and tolerance among its employees.

**h) Special Persons**

We recognize the right of special persons to earn a respectable living with dignity. We always provide and reserve opportunity to hire special persons and train them to be valuable assets for the Company, their families and society. We had 36 number of special persons as a part of human resource at this year end.

## ENVIRONMENTAL MEASURES

The Company has placed pollution prevention measures to reduce manufacturing footprints. It is continuously working to make significant



contribution to environmental improvements. This commitment is reflected in the following activities:

#### I. Conservation of Resources

Currently, our country is facing severe energy crisis and efforts to increase power generation are yet to fully materialize. This adverse situation has resulted in load-shedding and power shutdowns. Considering the importance of the energy and to cater energy needs, the Company has been heavily investing in power generation which includes installation of turbines, fuel efficient generators and addition of energy efficient machines to our various manufacturing units.

##### a) Installation of New Energy Efficient Machines

The Company has upgraded its various manufacturing facilities. It has replaced old machines at its spinning, weaving and power generation facilities with more energy efficient and environment friendly machines.

A hot water chiller was installed at our powerhouse to generate 500 RTF by using hot water from Waukesha Engines. This chiller has replaced our electrical chillers where the electricity consumption was very high.

Further, we are in the process of installing a duplex waste heat recovery boiler on our two Jenbacher Engines which are presently emitting exhaust gases in environment. With this installation of boiler, all our engines would be utilising their flue gases to generate steam.

##### b) 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 to produce high pressure steam generation in waste heat recovery boiler. Steam turbine operates to generate 2.25 MW of electricity. Combined cycle has resulted in recycling 30,000 tons/Nautical Mile of carbon dioxide.

##### c) Water

The Company is committed to adhering to high standards in sustainable water management. The Company has in place Effluent Water Treatment Plant (ETP) which treats the waste water and discharges the effluent meeting National Environmental Quality Standards (NEQS) levels. The Company is presently working to install a water recycling plant of one million gallons/day capacity at the downstream of ETP to use the recycled water in the manufacturing process.

##### d) Caustic Recovery Plant

The Company has installed its second Caustic Recovery Plant (CRP) at its processing facility to recover caustic from weak lye generated from the newly installed mercerizing machines. CRP helps in recovering caustic from waste water and also helps in reducing chemicals cost required to control the pH of waste water.

#### 2. Pollution Prevention and Control

Pollution prevention programs should focus on reduction in water use and on more efficient use of process chemicals. Implementation of cleaner production processes and pollution prevention measures can provide both economic and environmental benefits. To contribute in this area, our activities are given below:

- The Company uses good quality surfactant and avoids using less-degradable surfactants (in washing and scouring operations).
- The Company uses transfer printing for synthetics and water-based printing pastes to reduce and control water and chemical (dyes) usage.
- The Company has Dyeing Pad Steam and pad batch in place which help to reduce water and energy consumption.
- The Company has installed jet dyers instead of winch dyers to reduce water consumption. Currently two dyeing jets are installed.
- The Company avoids the use of benzidine-based azo dyes and dyes containing cadmium and other heavy metals.
- The Company has process in place to recover and reuse caustic soda.
- The Company is using peroxide-based bleaches instead of sulphur and chlorine based in its processing process.



## AUDIT COMMITTEE REPORT

The Audit Committee (the Committee) has concluded its annual review of the conduct and operations of the Company during 2015 and reports that:

- The Company has issued a “Statement of Compliance with the Code of Corporate Governance” which has also been reviewed and certified by the Auditors of the Company.
- Understanding and compliance with Company codes and policies have been affirmed by the members of the Board, the management and employees of the Company individually. Equitable treatment of shareholders has also been ensured.
- Appropriate accounting policies have been consistently applied. All core and other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended June 30, 2015, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.
- The Chief Executive and the Chief Financial Officer have endorsed the financial statements of the Company, consolidated financial statements. They acknowledge their responsibility for true and fair presentation of the Company’s financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Directors’ Report is drafted and endorsed by the Board of Directors, and is presented in compliance with the requirements of Companies Ordinance, 1984. The Committee has reviewed and endorsed the report as to the compliance with regulations and acknowledges that business of the Company is fairly discussed in the Directors’ Report.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with management processes and adequate for shareholder needs.
- All Directors have access to the Company Secretary. All direct or indirect trading and holdings of Company’s shares by Directors and Executives or their spouses were notified to the Company Secretary along with the required information which was notified by the Company Secretary to the Board. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company’s shares, prior to each Board meeting involving announcement of interim/final results, distribution to shareholders or any other business decision, which could materially affect the share price of the Company, along with maintenance of confidentiality of all business information.

### INTERNAL AUDIT

- The internal control framework has been effectively implemented through an independent outsourced Internal Audit function established by the Board which is independent of the External Audit function.
- The Company’s system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.
- The Audit Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board’s attention where required.



- The Head of Internal Audit has direct access to the Chairperson of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to the management and the right to seek information and explanations.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

#### EXTERNAL AUDITORS

- The statutory Auditors of the Company, Kreston Hyder Bhimji & Co., Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended June 30, 2015 and shall retire on the conclusion of the 63<sup>rd</sup> Annual General Meeting.
- The Audit Committee has discussed Audit observations with the External Auditors. Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on financial statements under the listing regulations and shall accordingly be discussed in the next Audit Committee Meeting. Audit observations for interim review were also discussed with the Auditors.
- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the Annual General Meeting of the Company during the year and have confirmed attendance of the 63<sup>rd</sup> Annual General Meeting scheduled for October 31, 2015 and have indicated their willingness to continue as Auditors.
- The Audit Committee has recommended the appointment of Kreston Hyder Bhimji & Co., Chartered Accountants as External Auditors of the Company for the year ending June 30, 2016.

S.M. Nadim Shafiqullah  
Chairman Audit Committee

Karachi  
September 22, 2015



## FINANCIAL HIGHLIGHTS

Profit and Loss	2015	2014	2013	2012	2011	2010
Rupees in millions						
Sales	33,355	33,013	30,243	24,918	25,435	19,689
Gross profit	6,094	5,976	4,751	3,486	4,627	3,173
Operating profit	2,118	2,659	2,120	1,374	2,635	1,653
Profit/(Loss) before tax	783	1,496	852	(1)	1,537	708
Profit/(loss) after tax	605	1,235	711	(240)	1,196	478
Cash dividend	343	81	-	-	-	79
Bonus shares	-	457	305	-	635	-
<b>Balance Sheet</b>						
Property, plant and equipment	9,039	8,210	7,132	6,829	6,654	6,140
Intangible	11	20	23	27	39	16
Long-term investment, loans, advances and deposits	165	151	112	109	96	93
Net current assets	756	890	666	(98)	422	(224)
Total assets employed	9,971	9,271	7,933	6,867	7,211	6,025
Represented by:						
Share capital	2,285	1,828	1,523	1,270	635	635
Reserves	4,884	4,832	3,905	3,203	4,078	2,961
Shareholders' equity	7,169	6,660	5,428	4,473	4,713	3,596
Long-term loans	2,408	2,239	2,155	2,096	2,199	2,223
Deferred liabilities	394	372	350	298	299	207
Total capital employed	9,971	9,271	7,933	6,867	7,211	6,025
<b>Cash Flow Statement</b>						
Operating activities	670	2,090	(161)	3,497	(2,617)	454
Investing activities	(1,783)	(1,833)	(1,068)	(920)	(1,250)	(711)
Financing activities	108	217	210	(70)	(148)	(170)
Cash and cash equivalents at the end of the year	(8,721)	(7,715)	(8,188)	(7,169)	(9,676)	(5,660)



## FINANCIAL RATIOS

Profitability ratios		2015	2014	2013	2012	2011	2010
Gross profit ratio	%	18.27	18.10	15.71	13.99	18.19	16.12
Operating leverage ratio	Times	(19.65)	2.77	2.56	23.48	2.03	0.88
EBITDA margin to sales	%	9.28	10.66	9.59	8.54	13.21	11.92
Net profit to sales	%	1.81	3.74	2.35	(0.96)	4.70	2.43
Return on equity	%	8.75	20.43	14.36	(5.23)	28.80	14.22
Return on capital employed	%	22.01	30.91	28.65	19.90	40.25	27.87
Liquidity ratios							
Current ratio		1.05	1.06	1.05	0.99	1.03	0.97
Quick/acid test ratio		0.24	0.20	0.27	0.24	0.19	0.34
Cash to current liabilities		0.01	0.01	0.01	0.01	0.01	0.01
Cash flow from operations to sales		0.02	0.06	(0.01)	0.14	(0.10)	0.02
Capital structure ratios							
Financial leverage ratio		1.67	1.62	2.03	2.25	2.67	2.40
Weighted average cost of debt		0.09	0.10	0.11	0.11	0.10	0.11
Debt to equity ratio		0.34	0.34	0.40	0.47	0.47	0.62
Interest cover ratio		1.59	2.29	1.67	0.98	2.34	1.75
Turnover ratios							
Inventory turnover	Days	155	145	122	151	134	98
Inventory turnover ratio		2.35	2.52	3.00	2.41	2.72	3.74
Debtor turnover	Days	18	22	28	30	31	45
Debtor turnover ratio		20.33	16.76	13.01	12.14	11.59	8.05
Creditor turnover	Days	118	126	100	86	82	73
Creditor turnover ratio		3.10	2.91	3.64	4.23	4.43	4.98
Fixed assets turnover ratio		3.69	4.02	4.24	3.65	3.82	3.21
Total assets turnover ratio		1.34	1.36	1.43	1.41	1.25	1.35
Operating cycle	Days	55	41	49	95	83	70
Investment/Market ratios							
Earnings per share	Rupees	2.65	*5.40	*3.21	*(1.12)	*5.57	*2.22
Price earning ratio		18.51	11.85	7.39	(18.87)	9.29	8.34
Price to book ratio		0.45	0.48	0.17	0.15	0.16	0.08
Dividend yield ratio		0.03	**0.02	-	-	-	0.07
Cash dividend per share	Rupees	1.50	**1.50	-	-	-	1.25
Bonus shares issued	%	-	25	20	-	100	-
Dividend payout ratio	%	56.60	**22.21	-	-	-	16.60
Dividend cover ratio	Times	1.77	*4.50	-	-	-	6.02
Breakup value per share	Rupees	31.37	*29.14	*27.41	*25.90	*27.29	*20.82
Market value per share							
at the end of the year	Rupees	49.05	64.01	23.74	21.11	51.73	18.53
high during the year	Rupees	73.25	72.35	27.64	64.29	53.65	38.84
low during the year	Rupees	44.65	20.50	19.16	16.05	18.53	17.40
EBITDA	Rs. Million	3,094	3,519	2,900	2,129	3,359	2,347

\* Restated based on number of shares outstanding as on June 30, 2015.

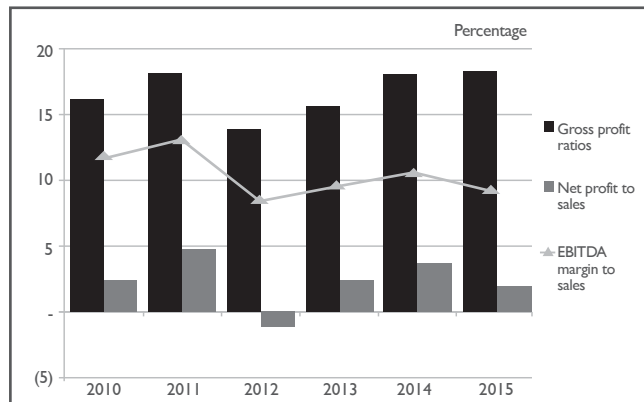
\*\* Represents cash dividend @ Rs. 1.50 per share. However the Holding Company and an Associated Company forgone their right to the dividend.



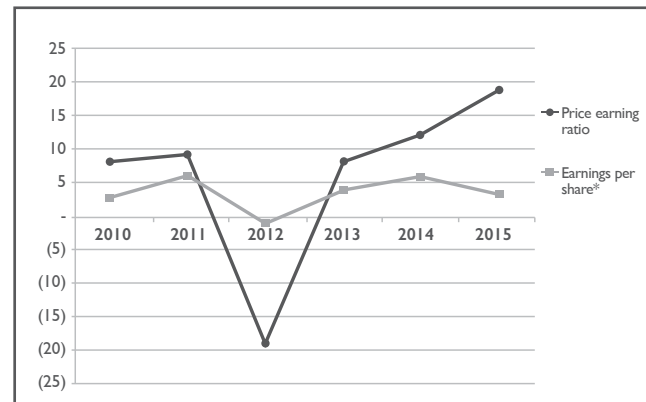


# GRAPHICAL ANALYSIS

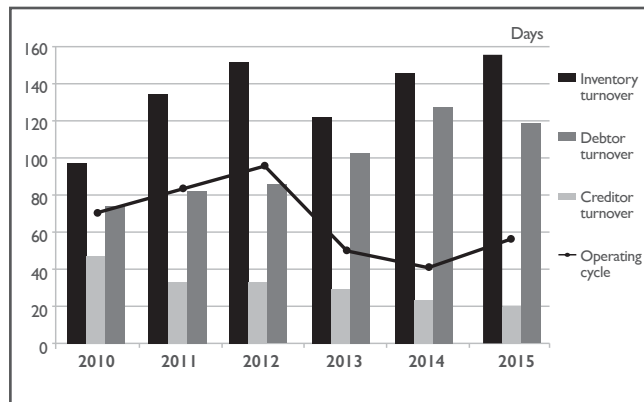
Profitability ratios



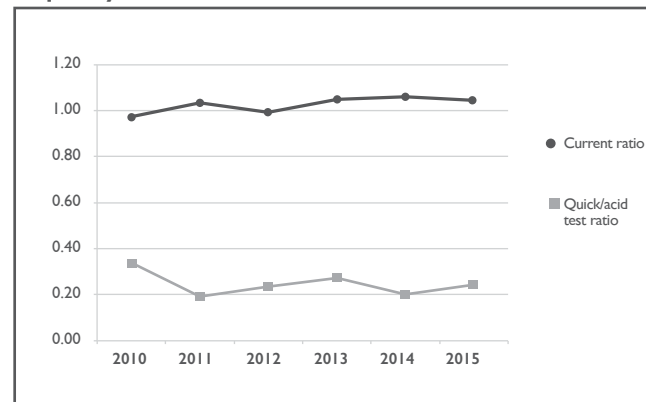
Investor ratios



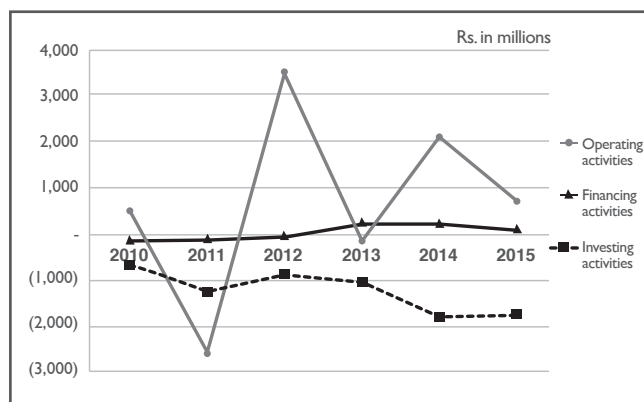
Turnover ratios



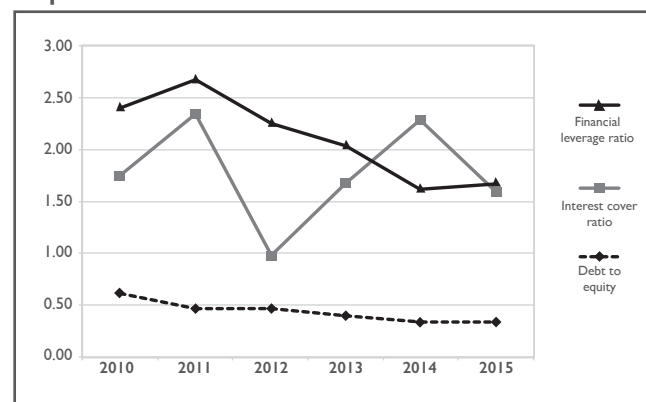
Liquidity ratios



Cash flow



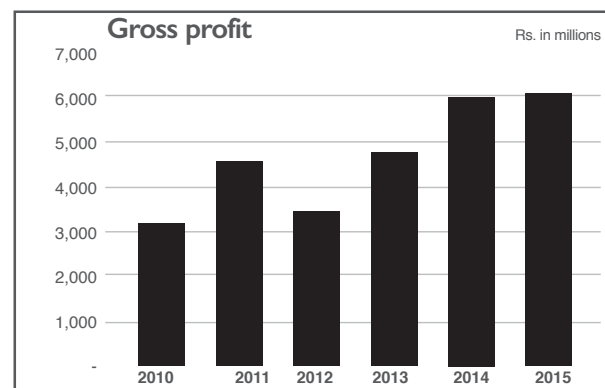
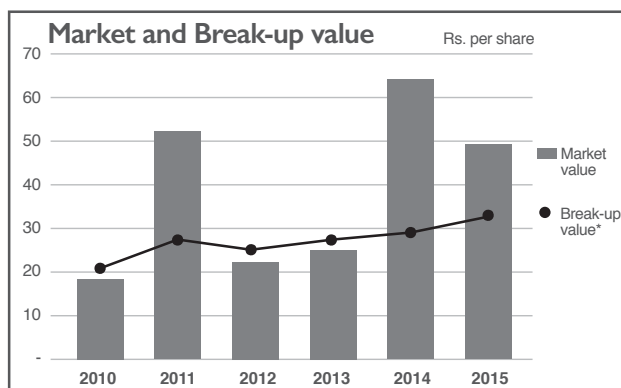
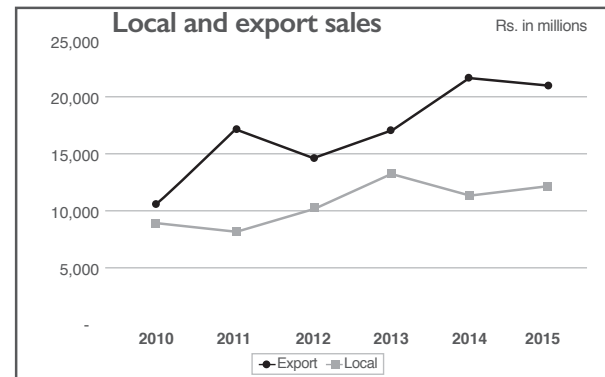
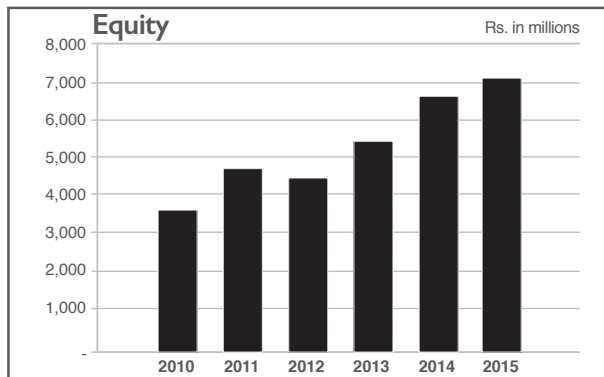
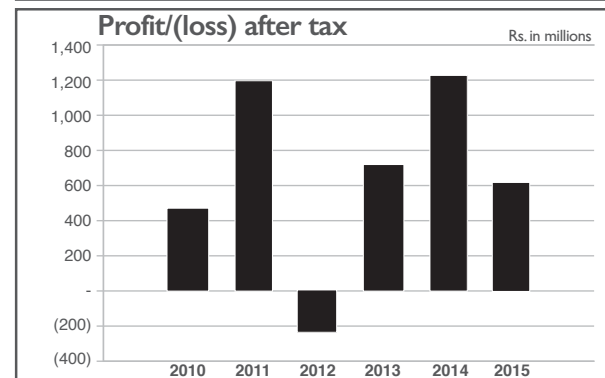
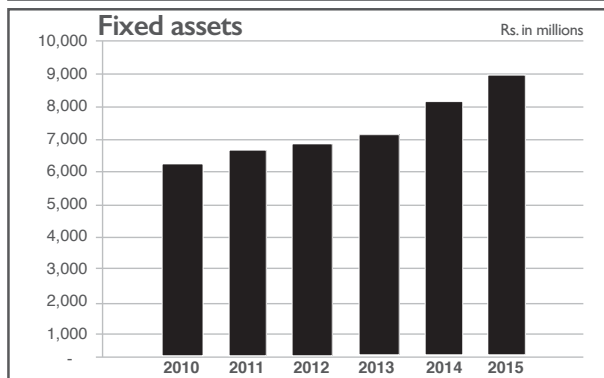
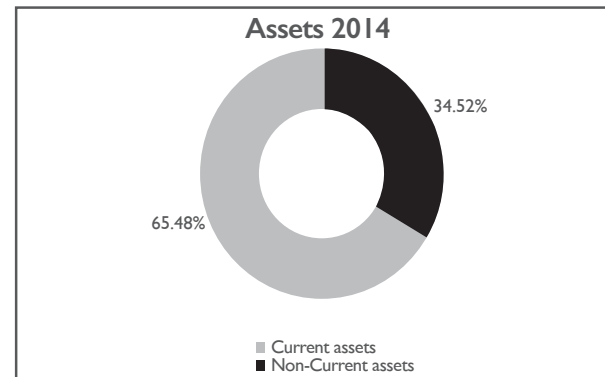
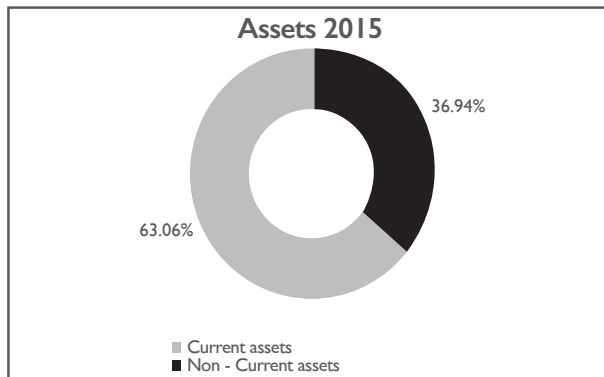
Capital structure ratios



\* Restated based on number of shares outstanding as on June 30, 2015.



GRAPHICAL ANALYSIS



\* Restated based on number of shares outstanding as on June 30, 2015.

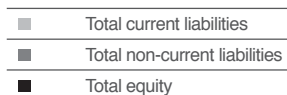
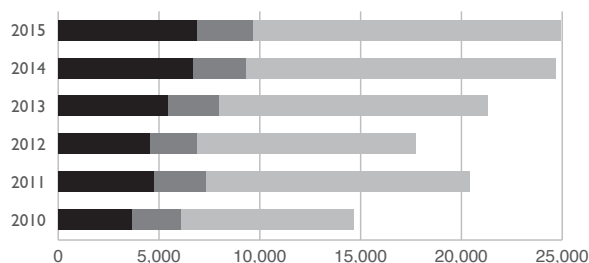


## HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

	2015	2014	2013	2012	2011	2010	2015	2014	2013	2012	2011	2010
	Rupees (000s)						Variance %					
<b>Balance Sheet</b>												
Total equity	7,169,472	6,659,903	5,428,502	4,472,509	4,712,873	3,595,765	7.65	22.68	21.37	(5.10)	31.07	15.31
Total non-current liabilities	2,802,022	2,611,672	2,504,664	2,394,295	2,497,260	2,429,247	7.29	4.27	4.61	(4.12)	2.80	(10.55)
Total current liabilities	14,971,853	15,005,632	13,255,764	10,851,954	13,194,546	8,574,679	(0.23)	13.20	22.15	(17.75)	53.88	10.65
Total equity and liabilities	24,943,347	24,277,207	21,188,930	17,718,758	20,404,679	14,599,691	2.74	14.57	19.58	(13.16)	39.76	7.48
Total non-current assets	9,215,047	8,381,303	7,267,065	6,964,606	6,788,103	6,249,091	9.95	15.33	4.34	2.60	8.63	0.40
Total current assets	15,728,300	15,895,904	13,921,865	10,754,152	13,616,576	8,350,600	(1.05)	14.18	29.46	(21.02)	63.06	13.47
Total assets	24,943,347	24,277,207	21,188,930	17,718,758	20,404,679	14,599,691	2.74	14.57	19.58	(13.16)	39.76	7.48
<b>Profit and Loss account</b>												
Net sales	33,354,784	33,012,724	30,242,719	24,918,480	25,435,465	19,688,794	1.04	9.16	21.37	(2.03)	29.19	41.58
Cost of sales	(27,260,395)	(27,036,675)	(25,491,927)	(21,432,746)	(20,808,843)	(16,515,934)	0.83	6.06	18.94	3.00	25.99	43.02
Gross profit	6,094,389	5,976,049	4,750,792	3,485,734	4,626,622	3,172,860	1.98	25.79	36.29	(24.66)	45.82	34.52
Distribution expenses	(2,602,887)	(2,122,660)	(1,509,886)	(1,322,582)	(1,090,588)	(791,442)	22.62	40.58	14.16	21.27	37.80	35.14
Administrative expenses	(1,531,584)	(1,313,920)	(1,086,920)	(955,070)	(808,926)	(700,085)	16.57	20.88	13.81	18.07	15.55	22.18
Other expenses	(185,397)	(116,197)	(72,356)	(653)	(116,918)	(53,619)	59.55	60.59	10,980.55	(99.44)	118.05	291.04
Other income	343,095	235,555	38,558	166,617	25,245	25,116	45.65	510.91	(76.86)	560.00	0.51	11.16
Operating profit	2,117,616	2,658,827	2,120,188	1,374,046	2,635,435	1,652,830	(20.36)	25.41	54.30	(47.86)	59.45	36.73
Financial expenses	(1,334,289)	(1,162,850)	(1,268,651)	(1,375,463)	(1,097,981)	(944,603)	14.74	(8.34)	(7.77)	25.27	16.24	(9.08)
Profit before taxation	783,327	1,495,977	851,537	(1,417)	1,537,454	708,227	(47.64)	75.68	(60,204.70)	(100.09)	117.08	316.95
Income tax expense	(178,384)	(261,179)	(140,474)	(238,947)	(340,997)	(230,694)	(31.70)	85.93	(41.21)	(29.93)	47.81	157.32
Profit for the year	604,943	1,234,798	711,063	(240,364)	1,196,457	477,533	(51.01)	73.66	(395.83)	(120.09)	150.55	495.35

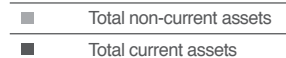
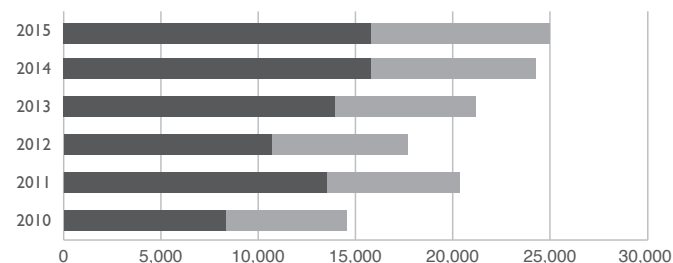
**Equity and liabilities**

Rs. in million



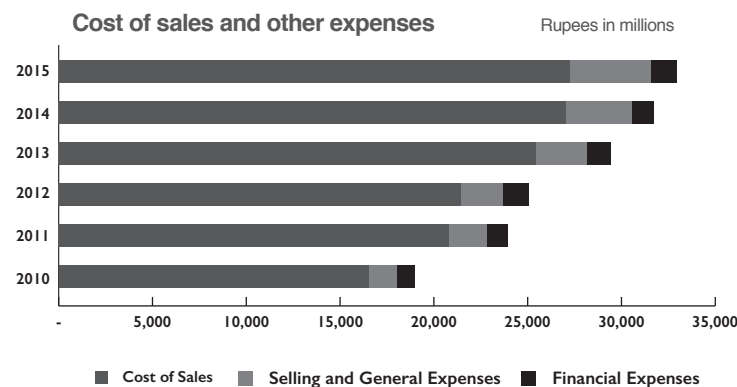
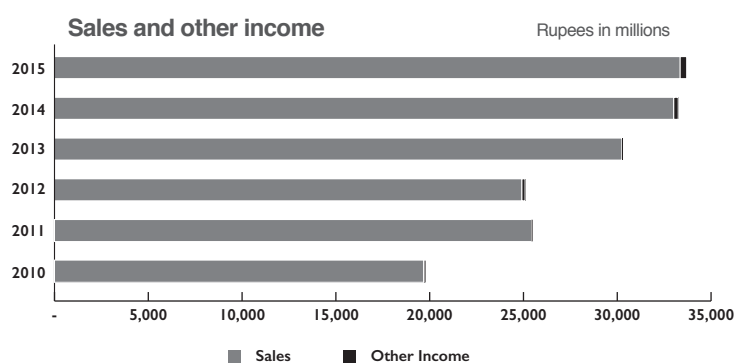
**Current and non-current assets**

Rs. in million



## VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

	2015		2014		2013		2012		2011		2010	
	Rs. in 000s	%	Rs. in 000s	%	Rs. in 000s	%	Rs. in 000s	%	Rs. in 000s	%	Rs. in 000s	%
<b>Balance Sheet</b>												
Total equity	7,169,472	28.74	6,659,903	27.43	5,428,502	25.62	4,472,509	25.24	4,712,873	23.10	3,595,765	24.63
Total non-current liabilities	2,802,022	11.23	2,611,672	10.76	2,504,664	11.82	2,394,295	13.51	2,497,260	12.24	2,429,247	16.64
Total current liabilities	14,971,853	60.02	15,005,632	61.81	13,255,764	62.56	10,851,954	61.25	13,194,546	64.66	8,574,679	58.73
Total equity and liabilities	24,943,347	100.00	24,277,207	100.00	21,188,930	100.00	17,718,758	100.00	20,404,679	100.00	14,599,691	100.00
Total non-current assets	9,215,047	36.94	8,381,303	34.52	7,267,065	34.30	6,964,606	39.31	6,788,103	33.27	6,249,091	42.80
Total current assets	15,728,300	63.06	15,895,904	65.48	13,921,865	65.70	10,754,152	60.69	13,616,576	66.73	8,350,600	57.20
Total assets	24,943,347	100.00	24,277,207	100.00	21,188,930	100.00	17,718,758	100.00	20,404,679	100.00	14,599,691	100.00
<b>Profit and Loss Account</b>												
Net sales	33,354,784	100.00	33,012,724	100.00	30,242,719	100.00	24,918,480	100.00	25,435,465	100.00	19,688,794	100.00
Cost of sales	(27,260,395)	(81.73)	(27,036,675)	(81.90)	(25,491,927)	(84.29)	(21,432,746)	(86.01)	(20,808,843)	(81.81)	(16,515,934)	(83.88)
Gross profit	6,094,389	18.27	5,976,049	18.10	4,750,792	15.71	3,485,734	13.99	4,626,622	18.19	3,172,860	16.12
Distribution expenses	(2,602,887)	(7.80)	(2,122,660)	(6.43)	(1,509,886)	(4.99)	(1,322,582)	(5.31)	(1,090,588)	(4.29)	(791,442)	(4.02)
Administrative expenses	(1,531,584)	(4.59)	(1,313,920)	(3.98)	(1,086,920)	(3.59)	(955,070)	(3.83)	(808,926)	(3.18)	(700,085)	(3.56)
Other income	343,095	1.03	235,555	0.71	38,558	0.13	166,617	0.67	25,245	0.10	25,116	0.13
Other expenses	(185,397)	(0.56)	(116,197)	(0.35)	(72,356)	(0.24)	(653)	(0.00)	(116,918)	(0.46)	(53,619)	(0.27)
Operating profit	2,117,616	6.35	2,658,827	8.05	2,120,188	7.01	1,374,046	5.51	2,635,435	10.36	1,652,830	8.39
Financial expenses	(1,334,289)	(4.00)	(1,162,850)	(3.52)	(1,268,651)	(4.19)	(1,375,463)	(5.52)	(1,097,981)	(4.32)	(944,603)	(4.80)
Profit/(Loss) before taxation	783,327	2.35	1,495,977	4.53	851,537	2.82	(1,417)	(0.01)	1,537,454	6.04	708,227	3.60
Income tax expense	(178,384)	(0.53)	(261,179)	(0.79)	(140,474)	(0.46)	(238,947)	(0.96)	(340,997)	(1.34)	(230,694)	(1.17)
Profit/(Loss) for the year	604,943	1.81	1,234,798	3.74	711,063	2.35	(240,364)	(0.96)	1,196,457	4.70	477,533	2.43



## COMMENTS ON FINANCIAL ANALYSIS

### EQUITY AND LIABILITIES

- **Shareholders' Equity**  
Aggregate equity of the Company has almost doubled over the past six years. It increased by 7.65% compared to last year. The issued share capital stood at Rs. 2.29 billion as a result of bonus issues of 25% in FY 2015, 20% during FY 2014 and also 20% right issue during FY 2014. Reserves of the Company increased from Rs. 2.96 billion to Rs. 4.88 billion over the period of past six years since FY 2010.
- **Non-current Liabilities**  
Total non-current liabilities comprising long-term loans, deferred taxation and staff retirement benefits, have remained fairly constant during the past six years. Long-term loans have increased by Rs. 168.49 million, while deferred liabilities increased by 5.87% as compared to FY 2014.
- **Current Liabilities**  
Over the past six years, current liabilities of the Company have increased from Rs. 8.57 billion in FY 2010 to Rs. 14.97 billion in FY 2015, primarily on account of trade and other payables and short-term borrowings as a result of increase in sales.

### ASSETS

- **Non-current Assets**  
Non-current assets of the Company including property, plant and equipment, intangible assets and long-term investments, depicted a steady growth over the past six years. Property, plant and equipment amounted to Rs. 9.04 billion at the end of FY 2015 registered an increase of Rs. 2.90 billion since FY 2010 primarily because of investment in plant and machinery and building. Long-term loans and advances have also increased by Rs. 72.25 million since FY 2010 to Rs. 106.43 million at the end of FY 2015.
- **Current Assets**  
Current assets include trade debts, stock in trade, short-term prepayments, cash and bank balances and loans and advances. With an aggregate balance of Rs. 15.73 billion at the end of FY 2015, the assets recorded an increasing trend mainly on account of increase in stock in trade and loans and advances.

### PROFIT AND LOSS

- **Revenue and Cost of Sales**  
In FY 2015, the Company's sales increased by Rs. 342.06 million as compared to last year. Sales performance in export market was somewhat lower but local market was positive, with local sales having increased by 7.39% due to strong branding, focus on customer satisfaction by having robust quality management systems and expansion in target markets. Over last six years, sales grew by 69.41% from Rs. 19.69 billion in FY 2010 to Rs. 33.54 billion in FY 2015.
- **Gross Profit**  
Gross profit has almost doubled over the last six years from Rs. 3.17 billion in FY 2010 to Rs. 6.09 billion in FY 2015. This was due to increase in gross profit margin which is 18.27% in FY 2015 as compared to the margin of 16.12% in FY 2010. Cost of sales (COS) increased by 65.06% over the period of six years mainly on account of increase in raw material prices, wages and energy. COS, as a percentage of sales, is 81.73% in FY 2015 as compared to 83.88% in FY 2010 showing reduction in COS due to improved efficiencies of manufacturing facilities and systems.
- **Operating Profit**  
Operating profit of the Company has grown 28.12% over six years. This represents the performance of the Company in achieving the efficiencies of its controls, strategies and systems.

For the FY 2015, the operating profit was Rs. 2.12 billion as compared to Rs. 2.66 billion at the corresponding FY 2014, due to non-adjustment of exchange rate.

## CASH FLOWS

- Cash and cash equivalents as at June 30, 2015 were recorded at Rs. (8.72) billion as compared to Rs. (7.71) billion at June 30, 2014. Acquisition of property, plant and equipment is the main factor for increase in total borrowings. The bank borrowings were partly offset by generation of Rs. 670 million from operating activities.

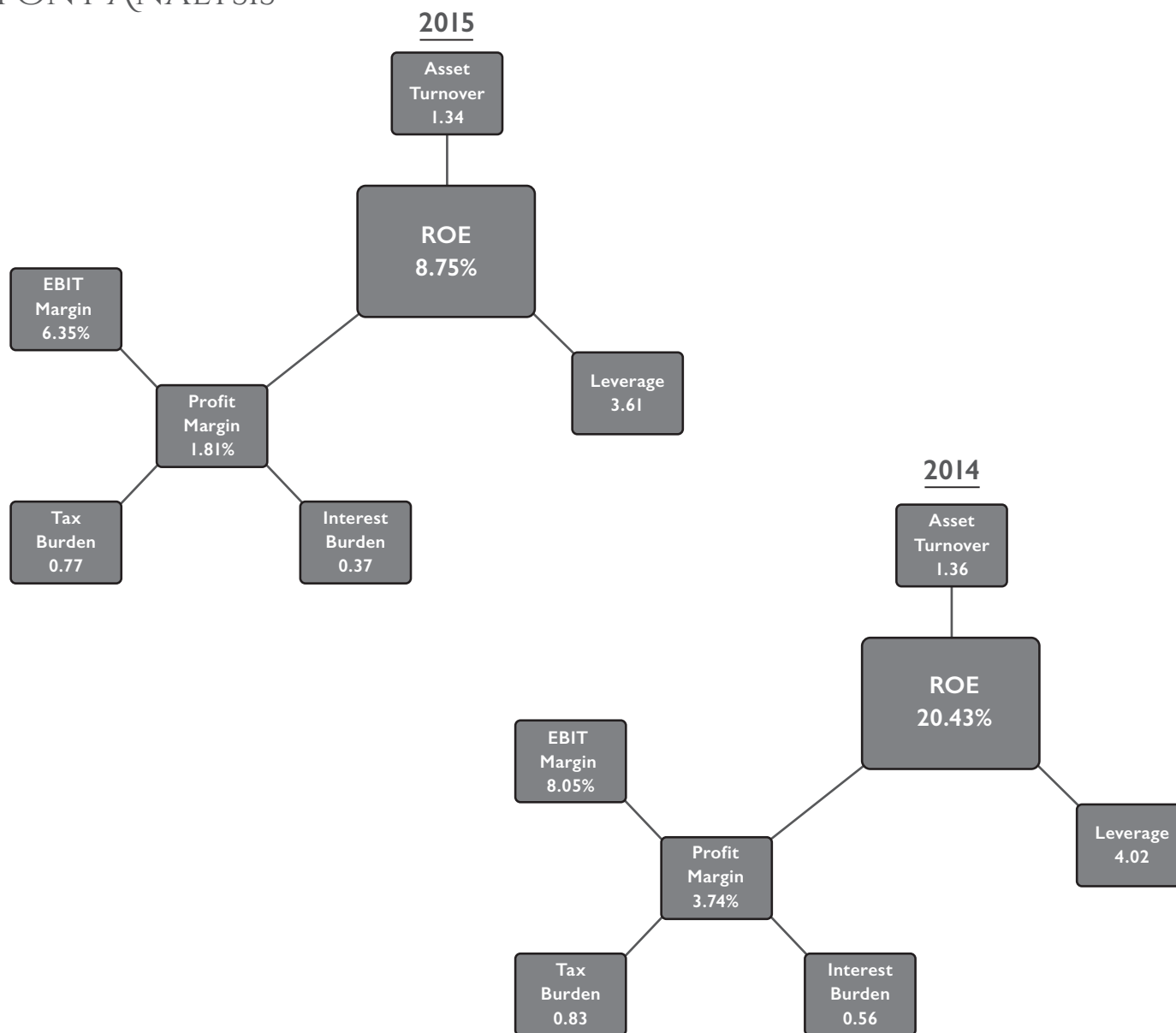
## RATIO ANALYSIS

- **Profitability Ratios**  
GP ratio increased to 18.27% in FY 2015 as compared to 16.12% in FY 2010, indicating achievement of manufacturing efficiencies. Net profit to sales ratio and EBITDA margin to sales have decreased by 25.22% and 22.19% over six years due to increase in cost of doing business and investments on distribution infrastructure of the Company. EBITDA margin to sales and return on equity have gone down in FY 2015. This is discussed in detail within the Directors' Report.
- **Liquidity Ratios**  
Efficient fund management has resulted in the improvement of the current ratio from 0.97 in FY 2010 to 1.05 in FY 2015.
- **Turnover Ratios**  
Inventory turnover days have increased by 7.16% from last year due to high anticipated demand. Debtors' turnover in days shows decreasing trend over the past six years showing better recovery performance. Creditors' turnover in days has increased is in line with the Company's fund management policy.  
  
Fixed asset turnover ratio has shown an improvement. It has increased from 3.21 in FY 2010 to 3.69 in FY 2015 depicting the effective use of fixed assets to generate sales.
- **Investment/Market Ratios**  
The Company posted earnings per share of Rs. 2.65 per share in FY 2015 as compared to Rs. 2.22 per share in FY 2010. Price earning ratio increased to 18.53 times in FY 2015 from 8.34 times in FY 2010 as a result of increase in market price to Rs. 49.05 per share at the end of current year from Rs. 18.53 per share at the end of FY 2010.
- **Capital Structure Ratios**  
Financial leverage ratio has improved to 1.67 times as compared to 2.40 times in FY 2010. The Company has also improved its debt to equity ratio by reducing significantly its debt burden. During the FY 2015, debt to equity ratio was 34:66 as compared to 62:38 in FY 2010.





## DUPONT ANALYSIS



### DuPont Analysis

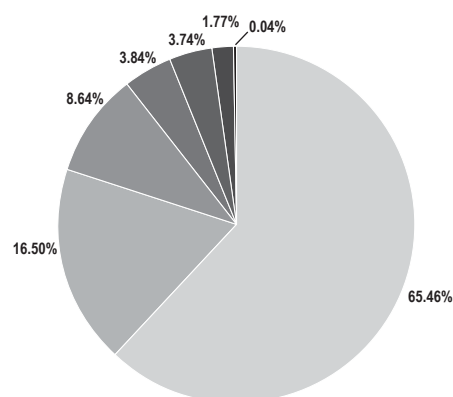
	2015	2014	2013	2012	2011	2010
Return on Equity (ROE)	8.75%	20.43%	14.36%	(5.23)%	28.80%	14.22%
Asset Turnover	1.34	1.36	1.43	1.41	1.25	1.35
Leverage (Total assets to average equity)	3.61	4.02	4.28	3.86	4.91	4.35
Net Profit Margin	1.81%	3.74%	2.35%	(0.96)%	4.70%	2.43%
Interest Burden	0.37	0.56	0.40	(0.00)	0.58	0.43
Tax Burden	0.77	0.83	0.83	169.63	0.78	0.67
EBIT Margin	6.35%	8.05%	7.01%	5.61%	10.46%	8.39%



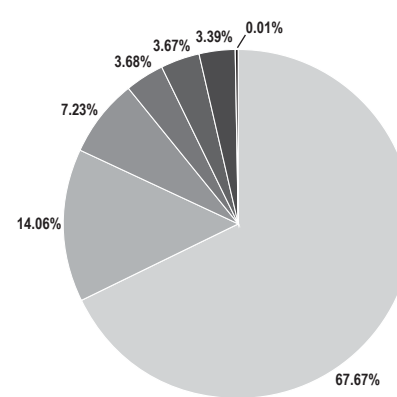
## OUR VALUE ADDITION AND ITS DISTRIBUTION

	2015		2014	
	Rupees (000s)	%	Rupees (000s)	%
<b>Value addition</b>				
Net sales including sales tax	33,798,152	99.00	33,429,940	99.30
Other operating income	343,095	1.00	235,555	0.70
	<b>34,141,247</b>	<b>100.00</b>	<b>33,665,495</b>	<b>100.00</b>
<b>Value distribution</b>				
Cost of sales (excluding employees' remuneration, duties and taxes)	22,350,233	65.46	22,881,932	67.97
Distribution and administration expenses (Excluding employees' remuneration and taxes)	2,950,017	8.64	2,432,408	7.23
Employees' remuneration	5,634,019	16.50	4,732,903	14.06
Government taxes (includes income tax, VPPF, WWF, duties, federal and provincial taxes, sales tax etc.)	1,275,449	3.74	1,237,970	3.68
Providers of capital (finance cost)	1,311,634	3.84	1,140,864	3.39
Contribution to society - Donations	14,951	0.04	4,619	0.01
Profit retained	604,943	1.77	1,234,798	3.67
	<b>34,141,247</b>	<b>100.00</b>	<b>33,665,494</b>	<b>100.00</b>

**Distribution of wealth 2015**



**Distribution of wealth 2014**



- Cost of sales
- Employees' remuneration
- Distribution and administration expense
- Providers of capital (finance cost)
- Government taxes
- Profit retained
- Contribution to society



## QUARTERLY ANALYSIS

	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			Total	
	2015	2014	Change	2015	2014	Change	2015	2014	Change	2015	2014	Change	2015	2014
	Rupees in millions			Rupees in millions			Rupees in millions			Rupees in millions			Rupees in millions	
Sales	6,675	7,061	(5)%	9,585	8,577	12%	8,616	8,343	3%	8,479	9,032	(6)%	33,355	33,013
GP	860	1,238	(31)%	1,880	1,710	9%	1,562	1,653	(6)%	1,792	1,375	30%	6,094	5,976
EBITDA	378	741	(49)%	1,129	1,099	3%	839	970	(14)%	748	709	6%	3,094	3,519
PAT	(177)	156	(214)%	429	414	4%	198	451	(56)%	155	214	(28)%	605	1,235
	Rupees per share			Rupees per share			Rupees per share			Rupees per share			Rupees per share	
EPS	(0.78)	0.85	(192)%	1.88	1.82	3%	0.87	1.97	(56)%	0.68	0.76	(11)%	2.65	5.40

**First Quarter Ended September 30, 2014**

The performance during the quarter was impacted due to various unfavorable factors. These include PKR appreciation against USD as compared to the corresponding quarter resulting in lower export proceeds and additional cost incurred due to breakdown of a gas turbine (which was rectified in the next month). Further, a major export customer did not take delivery of goods in July. Therefore, production was curtailed resulting in increased cost of production on account of unutilized capacity. Local sales also slowed down due to political situation in the country.

Sales during the quarter amounting to Rs. 6,675 million showed a decline of 5% as compared to the corresponding period.

**Second Quarter/Half Year Ended December 31, 2014**

Performance in this quarter shows an all-round improvement both as compared to the first quarter of the current year i.e. July to September 2014 as well as the corresponding quarter of the previous year, October to December 2013.

Sales which increased by 12% over the corresponding period amounted to Rs. 9,585 million contributed 29% to the annual sales of FY 2015.

PAT is Rs. 429 million as compared to the loss of Rs. 177 million in July – September 2014 and profit of Rs. 414 million in the corresponding quarter from October – December 2013. Accordingly, EPS was Rs. 1.88 in second quarter of FY 2015 as compared to EPS of Rs. 1.82 of the corresponding period. EPS of this quarter contributed 71% to the total EPS of FY 2015.

**Third Quarter/Nine Months Ended March 31, 2015**

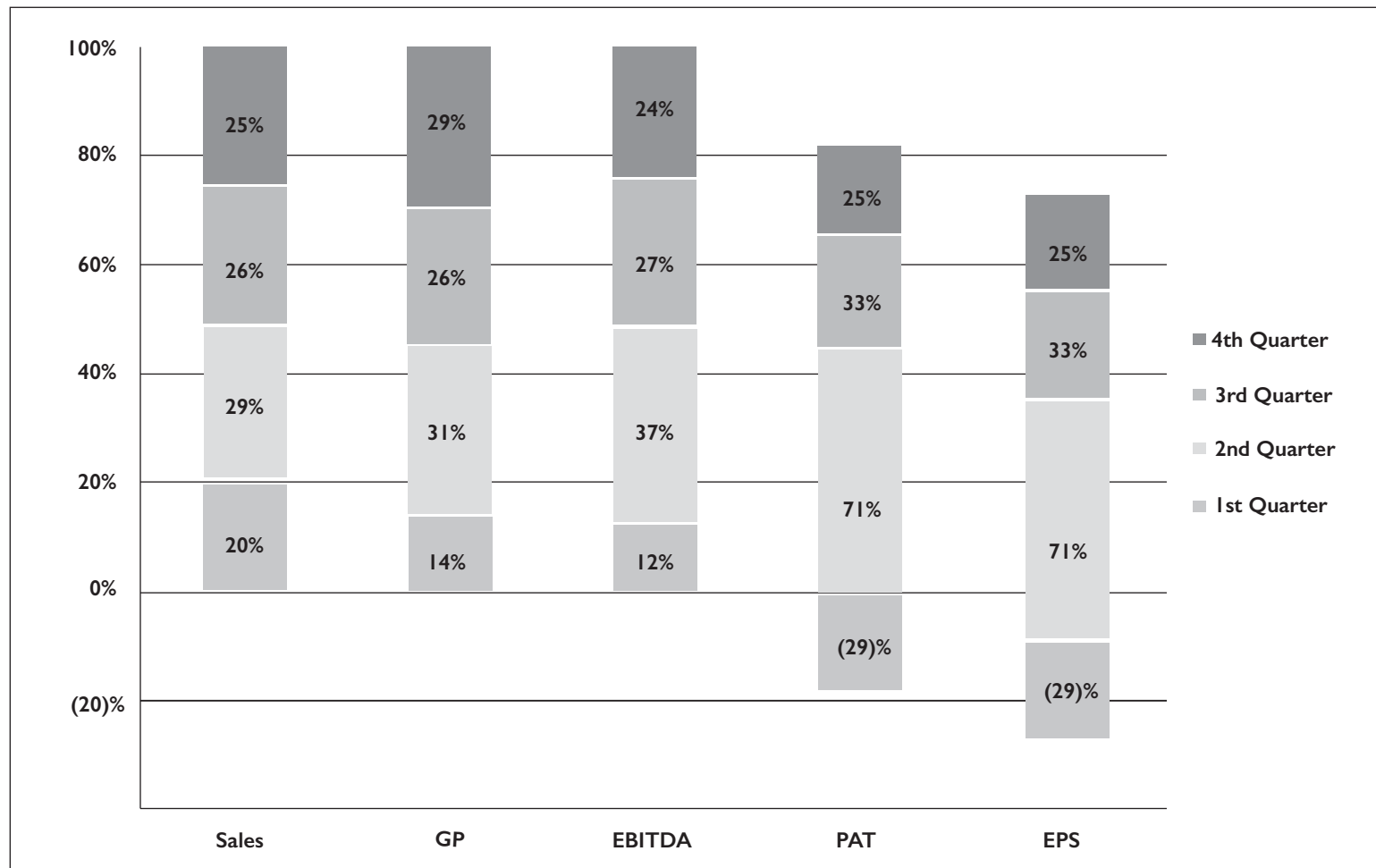
During third quarter, sales increased by 3% over the corresponding period. Local sales in this quarter, nominally decreased by 3% as compared to the corresponding period mainly due to low yarn sales.

PAT of Rs. 198 million was recorded as compared to Rs. 451 million in the corresponding period. This decrease in profitability is due to losses in the spinning segment, missed local sales targets and slight reduction of export orders from the European region due to steep devaluation of Euro and GBP without any corresponding change in PKR/USD parity.

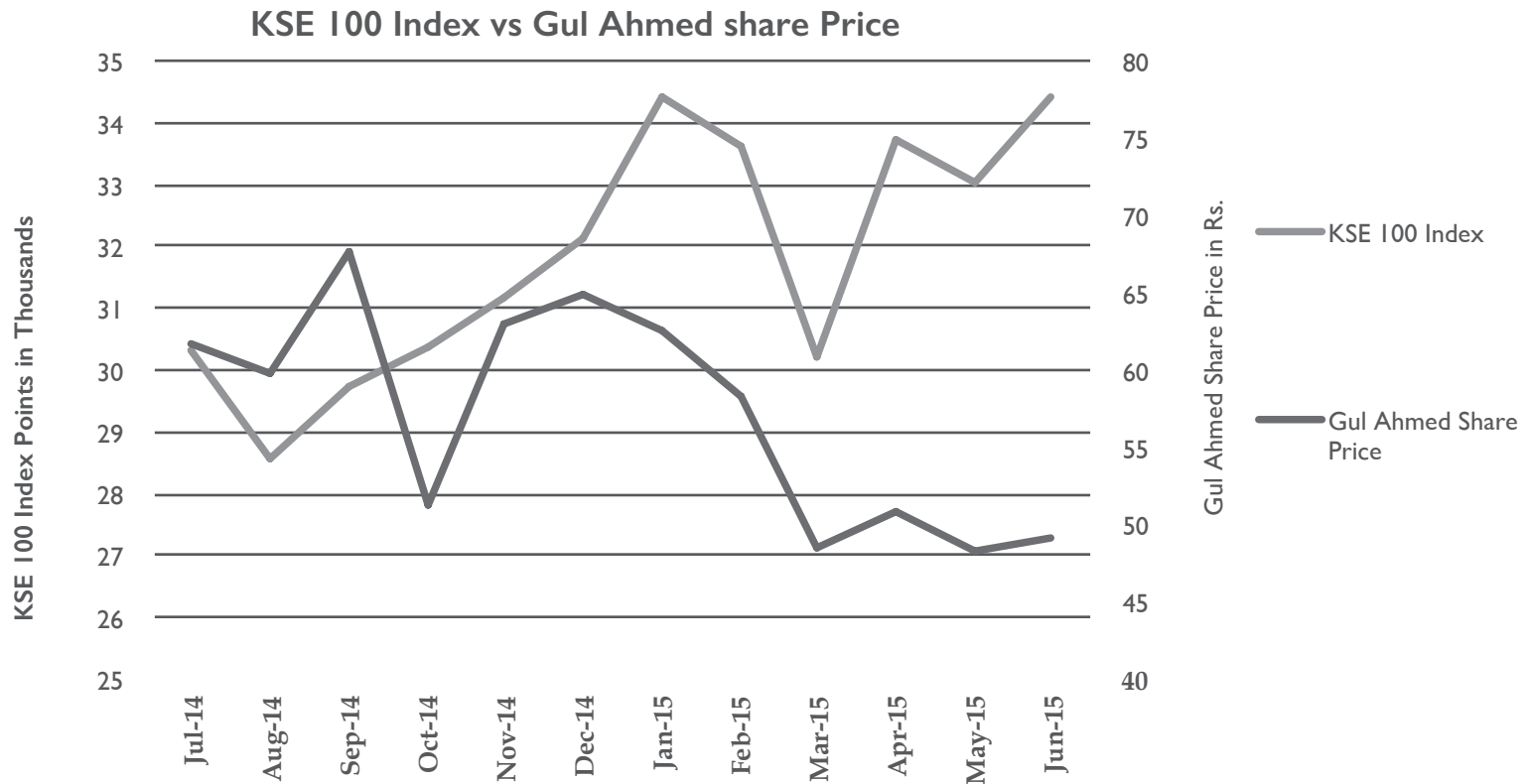
**Fourth Quarter/Year Ended June 30, 2015**

Sales during the quarter were Rs. 8,479 million as against the sales of Rs. 9,032 million in corresponding quarter. The quarter contributed 25% to the annual sales of the FY 2015.

Despite the decline in sales, GP and EBITDA increased by 30% and 6%, respectively over the corresponding quarter. This was due to the efforts of management to improve the operational efficiencies which resulted in reduction of cost of manufacturing and other operating expenses.



## SHARE PRICE SENSITIVITY ANALYSIS



The Company is exposed to several external factors beyond management’s control which can affect performance and profitability, and therefore affect the share prices.

Sensitivity analysis is performed on regular basis to minimize the risk of these external factors. This involves analyzing trends, yearly results and testing the effect of various critical and non-critical variables on the overall profitability of the Company.

Following external factors affect share price of the Company:

1. Any shortage/excess of cotton in the market may distort the profitability.
2. Exchange rate fluctuations affect the export sales of the Company in PKR.
3. Interest rate fluctuations affect the finance cost of the Company and also affect the decisions of the management to expand its operations/modernize its production facilities due to borrowing cost.
4. Pronouncements by Government of Pakistan relating to rebates, taxes, duties, refinance rates, etc. are all price sensitive. These affect the performance of the Company and major decisions of the management.
5. Pronouncements by foreign governments such as award of ‘GSP Plus Status’ to Pakistan from European Union which boosted the export revenue of the textile industry. Other pronouncements from competing countries like subsidies to the industry in energy prices, lower tax or duties rates will affect the competitiveness of the industry in Pakistan if such facilities are not provided to the industry in Pakistan by the Government.



# STAKEHOLDERS ENGAGEMENT AND INVESTORS' RELATIONS

## STAKEHOLDERS ENGAGEMENT

Good stakeholder relationships are important to the core business of the Company which is necessary for the Company's sustainable development agenda. The management believes that organizations grow only if they take into consideration the environment in which they operate and endeavor to meet the needs of the stakeholders affected by it.

### Employees

The Company realizes the fact that employees need to 'know' that they are valuable resources, and therefore maintains a pleasant 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 participation. The Company contributes to Workers Profit Participation Fund, Workers Welfare Fund, retirement plans (Provident Fund and Gratuity), Health Insurance, Employees Old Age Benefits Institution and Social Security Institution.

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

### Customers

It was well said by the 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 with opportunities to interact, and obtains their feedback to understand their needs and requirements.

### Suppliers and Partners

The quality of products which goes into what we manufacture has a direct impact on the quality of our 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 legal requirements and operates ethically, and accordingly deals with suppliers and partners having similar standards.

### Government Authorities

Management regularly coordinates 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. While setting up a new mill or production facility we always plan to operate with hazard free-procedures both for the human resource of the Company as well as the local community or general public surrounding the premises. We deploy extra amount of resources to keep the environment green and conducive to the community.

The Company has taken numerous initiatives for the local community which includes employment opportunities, installation of waste water treatment plant to preserve the nature, establishment of Police and Rangers check posts to secure the surrounding communities, etc.





## INVESTORS' RELATIONS

### Shareholders

Safeguarding the interest and adding value for our shareholders are among our key objectives. Shareholders meetings along with 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.

The Company recognizes the value of transparent and open communications with all its stakeholders in line with regulatory considerations and ensuring maintenance of corporate confidentiality. Therefore consistent, coherent and clear communications help to establish sound reputation of the Company and its management. Accordingly, the Company aims to promote dialogue with investors, analysts and other stakeholders.

### Annual General Meeting

The Company convenes Annual General Meeting (AGM) in accordance with the Companies Ordinance, 1984. AGM provides a good platform to engage with the shareholders and listen to their views and suggestions.

### Financial Reporting

The Company, being a listed Company, publishes and circulates its periodic financial statements (annual, half-yearly and quarterly) to the shareholders and stock exchanges, and also makes it available on the Company's website to facilitate easy access for the shareholders and potential investors.

### Stock Exchange Notifications

In compliance with the Code of Corporate Governance under the listing regulations of the stock exchanges, the Company notifies information to the stock exchanges from time to time. This helps the shareholders remain connected with the Company. The notifications mainly include Financial Results, Board of Directors meetings, shareholders meetings, etc.

### Media

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

### Website

The Company is maintaining its corporate website providing complete information including corporate details. The website, with its user-friendly interface, allows access to its corporate details, career portal as well as financial and sustainability reports. This can be accessed with the link [www.gulahmed.com](http://www.gulahmed.com)



## SWOT ANALYSIS

### STRENGTHS

- Image and branding
- Pioneer in apparel fabrics both for ladies and gents
- In-depth relationship with export customers
- Competent, well 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 ladies and gents apparel
- Growth in exports as a result of GSP Plus status from European Union
- Less explored American, Canadian and Australian markets
- Expand online sales
- E – marketing

### THREATS

- Internal and external security situation
- 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
- Textile industry comprises a large and unorganized sector and innumerable competitors who are mostly operating 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 rains, floods, etc.
- Worldwide surplus production capacity resulting in price cutting war between the competitors
- Exchange rate



## ENVIRONMENTAL OVERVIEW (PESTEL)

**P**olitical Factors

- Political situation has stabilized to a large extent
- Internal security has improved however, there are concerns about the situation on the borders with India

**E**conomic Factors

- Reduction in discount rates has favorable impact on the financial cost
- Rise in energy cost
- Reduction in oil prices
- Unfavorable PKR/USD parity has resulted in loss of export competitiveness
- Existence of facilities to exporters like Export Refinance Facility and Long Term Financing Facilities
- Business shrinkages/shutdown due to energy crisis
- Delayed payments of tax refunds due from the Government

**S**ocial Factors

- The customers are very much fashion-oriented. This situation requires introducing products while setting new fashion trends.
- The customers are very particular towards their safety while using the products and therefore 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.

**T**echnological Factors

- Technological changes define how fast technology advances. The Company is continuously monitoring technological advancement in production and is adopting the changes. It has state-of-the-art production facilities.
- In view of increasing trends of online shopping, the Company is working to benefit from this opportunity.

**E**nvironmental Factors

- Environmental factors especially recent heavy rains and flooding has affected overall economy
- Pollution prevention and control needs extra investment in the manufacturing facilities

**L**egal Factors

- Increasing indirect taxes, duties and charges specially GIDC
- Trade and textile policies announced by the Government not being fully implemented



# RISK MANAGEMENT

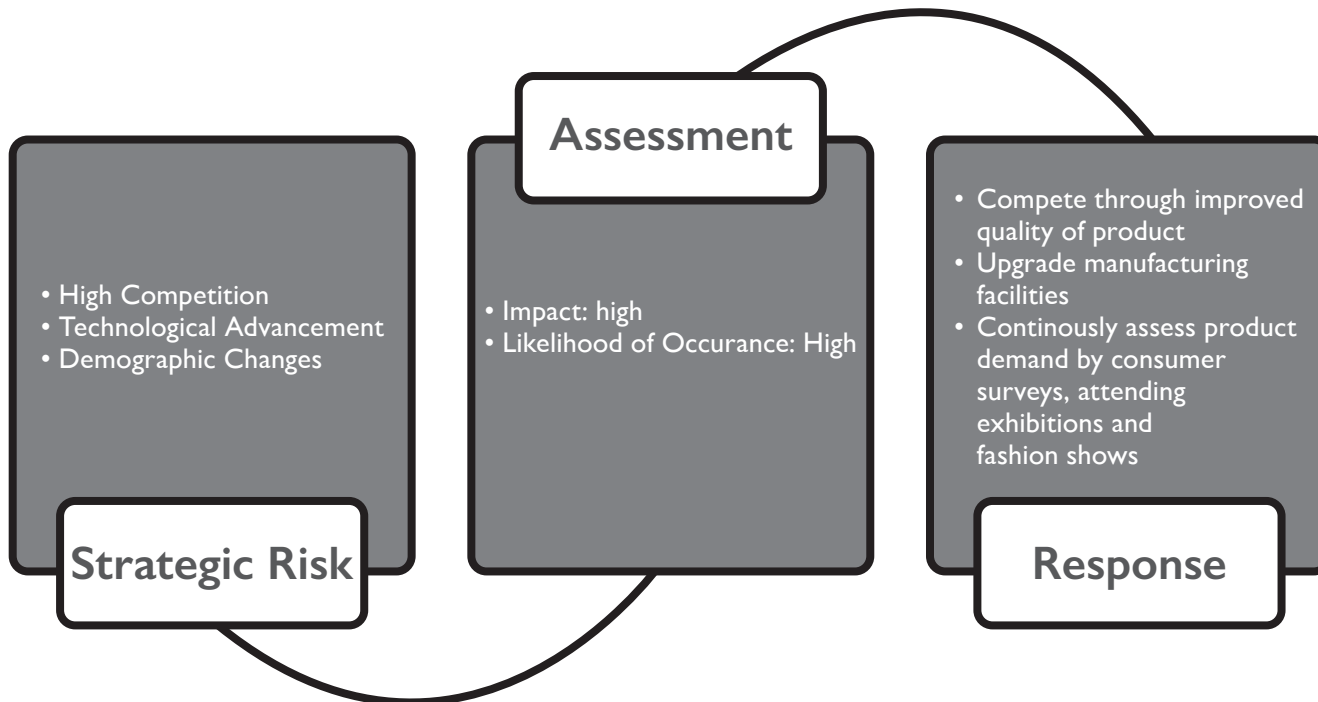
The Company has well established policies and plan under the risk management framework.

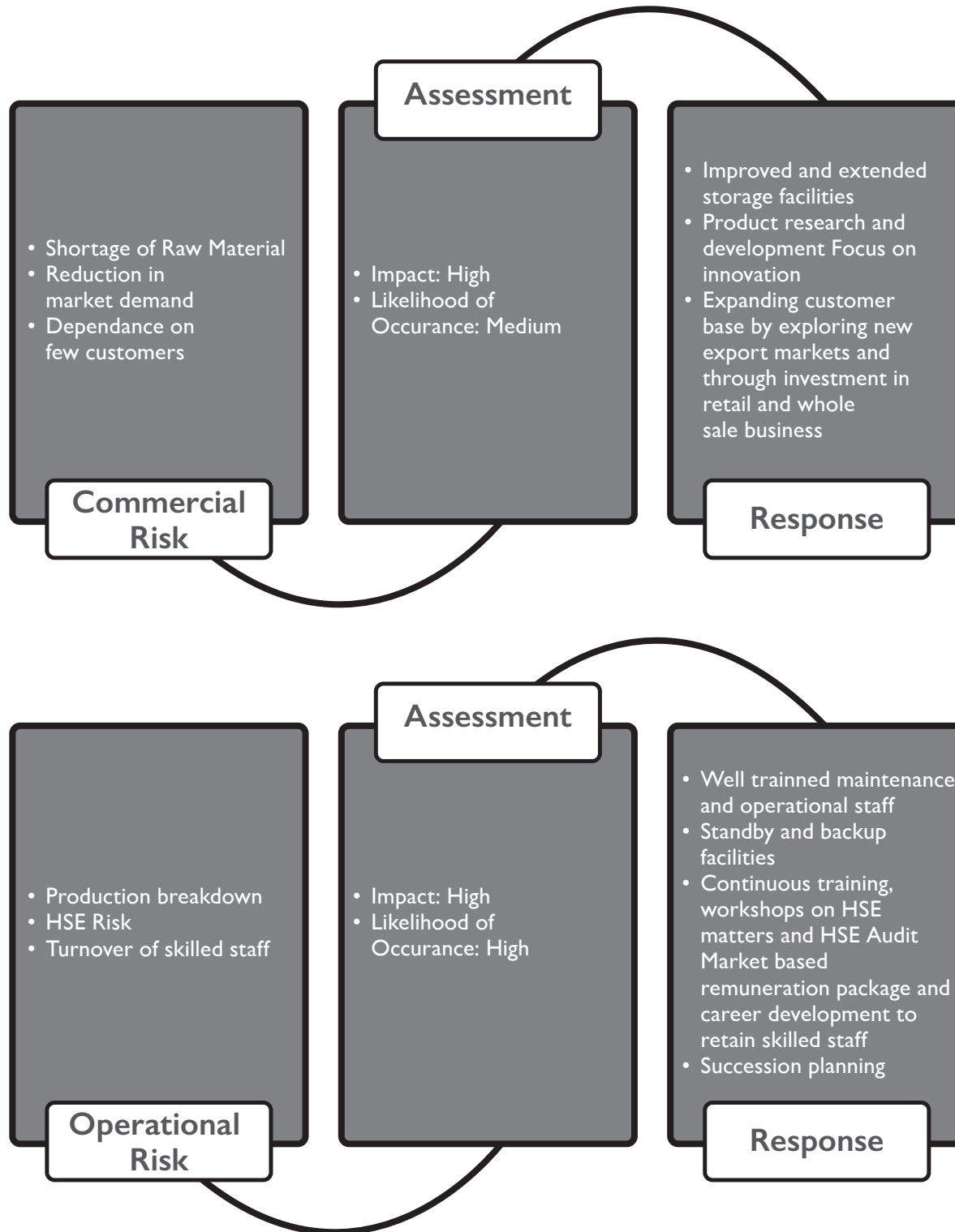
The Policy requires the management to cater, so far as is reasonably practicable and cost-effective, to threats or possibility that an action or event will adversely affect the Company's ability to achieve its goals.

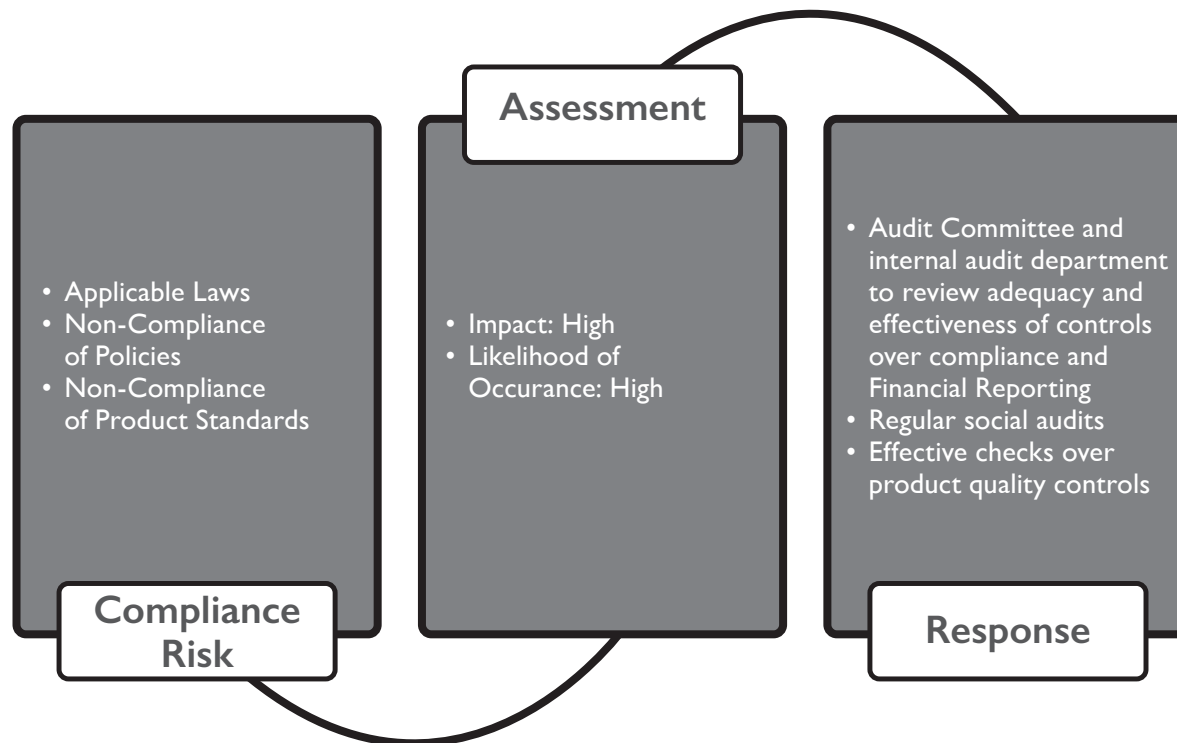
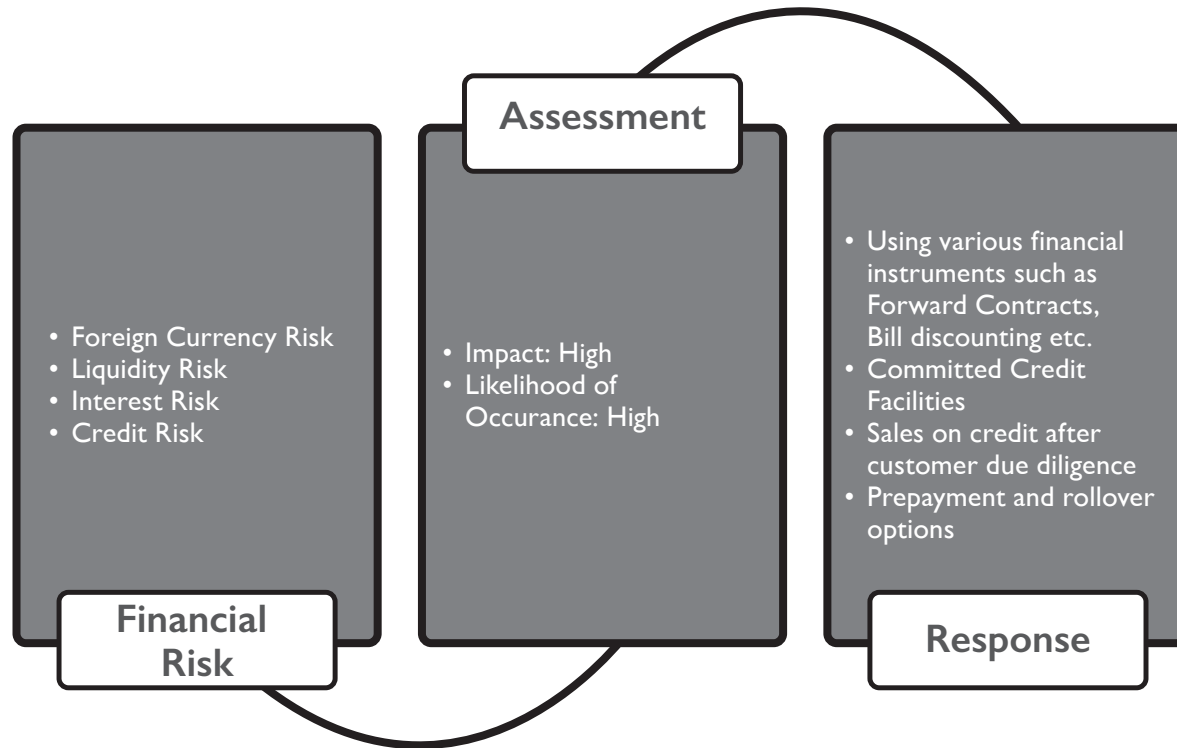
The plan enables the management to identify, assess, respond, monitor, control, and report risks. It defines how risks will be identified, analysed, and managed. It also outlines how risk management activities will be performed, recorded and monitored.



Upon identification of risks, these are immediately dealt with to mitigate their impact. The Company is exposed to different types of risks categorized as Strategic, Commercial, Operational and Financial risks.









## WHISTLE BLOWING POLICY

The purpose of this policy is to provide a channel to raise concerns of any violations of legal or regulatory requirements, incorrect or misrepresentation of any financial statements and reports, etc. without fear of punishment or unfair treatment.

### Guiding Principles

To ensure that this Policy is adhered to, and to assure that the protected disclosure will be acted upon seriously, the Company will:

- i Ensure that the whistle-blower and/or the person processing the Protected Disclosure is not victimized for doing so;
- ii Treat victimization as a serious matter, including initiating disciplinary action against such person(s);
- iii Ensure complete confidentiality;
- iv Not attempt to conceal evidence of the Protected Disclosure;
- v Take disciplinary action, if anyone destroys or conceals evidence of the Protected Disclosure made/to be made; and
- vi Provide an opportunity of being heard to the persons involved.

### Whistle Blowing Committee

The Whistle Blowing Committee comprises the following officials of the Company:

- i Chief Financial Officer
- ii Head of Human Resource
- iii Head of Internal Audit

### Procedure – Raising Protected Disclosure

Whistle-blowers may report their protected disclosures to the Whistle Blowing Committee through the following methods:

- i Confidential Call
- ii Email: [whistleblowing@gulahmed.com](mailto:whistleblowing@gulahmed.com)
- iii Whistle Blower Drop Box

### Handling Protected Disclosures

Each protected disclosure received by the Whistle Blowing Committee will be fully investigated.



## SHAREHOLDERS' INFORMATION

### Annual General Meeting

The Annual General Meeting of the shareholders' will be held on October 31, 2015 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 22, 2015 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxy must be a shareholder of the Company. 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., Shakra-e-Faisal, Karachi at the earliest.

### Ownership

On June 30, 2015, the Company has 4,560 shareholders.

Karachi Stock Exchange Share Prices 2014-15		
Period	Price in Rupees	
	High	Low
1st Quarter	73.25	48.80
2nd Quarter	72.82	50.10
3rd Quarter	68.00	44.65
4th Quarter	60.76	47.20

### Announcement of Financial Results

The tentative dates of the announcement of financial results and payment of cash dividend (if any) for the year 2015-16 are as follows:

Period	Financial Results	Dividend Payment (if any)
1st Quarter	October 28, 2015	-
2nd Quarter	February 26, 2016	-
3rd Quarter	April 28, 2016	-
Annual Accounts	September 29, 2016	November 30, 2016

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., Shakra-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



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 63<sup>rd</sup> Annual General Meeting of Gul Ahmed Textile Mills Limited will be held at Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi, on Saturday, October 31, 2015 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, 2015 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2015 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2015-2016 and fix their remuneration.

By Order of the Board

Karachi  
September 22, 2015

**Mohammed Salim Ghaffar**  
Company Secretary

### NOTES:

1. The Share Transfer Books of the Company will remain closed from October 22, 2015 to October 31, 2015 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers received in order at the office of our Share Registrar M/s. FAMCO Associates (Private) Limited, 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, by the close of the business on October 21, 2015 will be in time for the purpose of payment of final dividend to the transferees.
2. A member entitled to attend and vote at the meeting may appoint another member as proxy to attend, speak and vote instead of him/her. 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. A proxy must be a member of the Company.
3. The CDC Account holders/sub-account holders are requested to bring with them their original CNICs or Passports along with Participant(s) ID numbers and CDC account numbers at the time of attending the Annual General Meeting for identification purpose. If proxies are granted by such shareholders, the same must be accompanied with attested copies of the CNICs or the Passports of the beneficial owners. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced at the time of meeting. The nominee shall produce his original CNIC at the time of attending the meeting for identification purpose.
4. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831 (I)/2012 dated July 5, 2012, dividend warrants should bear the CNIC number of the registered member or the authorised person, except in case of minor(s) and corporate members. Accordingly, members who hold shares in physical form and have not yet submitted photocopies of their CNICs are requested to send the same to the Share Registrar of the Company, before book closure date. It may kindly be noted that in case of non-receipt of the copy of valid CNIC, the Company would be constrained to withhold dispatch of dividend warrants.
5. 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. Please note that this dividend mandate is optional and not compulsory.
6. Securities and Exchange Commission of Pakistan vide its SRO 787(I)/2014 has facilitated the companies to circulate Audited Financial Statements through email after obtaining prior written consent of its members. The members who intend to receive the Audited Accounts through email are therefore, requested to kindly send their written consent along with email address 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.
7. In compliance with SECP notification No. 634 (I)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2015 are being placed on the Company's website: [www.gulahmed.com](http://www.gulahmed.com) for the information and review of shareholders.

8. Through the Finance Act, 2015, enhanced rate of withholding tax on dividend amount has been prescribed in the Income Tax Ordinance, 2001. New tax rates are as under:

- a) For Filers of Income Tax return                      12.50%
- b) For Non-Filers of Income Tax return                17.50%

Shareholders who are filers are advised to make sure that their names are entered into the latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 17.50% instead of 12.50%.

9. The FBR has clarified that where the shares are held in joint accounts/names, each account/joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding. The shareholders, who are having joint shareholding status, are requested to kindly intimate their joint shareholding proportions to the Share Registrar of the Company latest by October 21, 2015, in the following format:

Folio / CDC A/c No.	Name of Shareholders (principle / joint holders)	No. of Shares or percentage (Proportion)	CNIC No.	Signature

If the shareholding proportion is not advised or determined, each joint shareholder will be assumed to hold equal proportion of shares and deduction of withholding tax will be made accordingly.

- 10. Withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to the Share Registrar of the Company before book closure otherwise tax will be deducted on dividend as per applicable rates.
- 11. Shareholders are requested to notify any change in their addresses immediately to the Share Registrar of the Company. Shareholders having shares in their CDC accounts are required to have their addresses updated with their respective participants.



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Gul Ahmed Textile Mills Limited for the Year Ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the Listing Regulations of Karachi, Lahore and Islamabad 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. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. 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.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations. All the directors, except chairman, have attended and completed directors' training course conducted by Pakistan Institute of Corporate Governance (PICG). The Chairman has the prescribed education and experience required for exemption from the training program of Directors pursuant to the clause (xi) of the CCG.

10. No new appointment of Chief Financial Officer (CFO), Head of Internal Audit 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.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. 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.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. 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.
18. The Board has set up an effective internal audit function. This function has been outsourced to Grant Thornton Anjum Rahman Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of 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.
20. 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.
21. 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 the Stock Exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through Karachi, Lahore and Islamabad Stock Exchanges.
23. 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 22, 2015







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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2015 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 of its 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, 2015.

Karachi  
September 22, 2015

KRESTON HYDER BHIMJI & CO.  
Chartered Accountants

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**KARACHI Office**

Suit No. 1601, 16th Floor, Kashif Centre, Shahrah-e-Faisal, Karachi. Phone: 92-21-35640050-1-2, Fax: 92-21-35640053, Email: bhimji@cyber.net.pk, info-khi@hyderbhimji.com

**LAHORE Office:**

Amin Building, 65-The Mall, Lahore. Phone: 92-42-37352661-37321043 Fax: 92-42-37248113, E-mail: info-lhr@hyderbhimji.com, hyderbhimjilahoreoffice@gmail.com

**FAISALABAD Office:**

206-1st Floor, Business Centre, New Civil Lines, Faisalabad. Phone: 92-41-2615632-2615650 Fax: 92-41-2617902 E-mail: hyderbhimjifsd@gmail.com, info-fsd@hyderbhimji.com

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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GUL AHMED TEXTILE MILLS LIMITED (the Company) as at June 30, 2015 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 test basis evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the central Zakat fund established under section 7 of that Ordinance.

Karachi  
September 22, 2015

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

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**KARACHI Office**

Suit No. 1601, 16th Floor, Kashif Centre, Shahrah-e-Faisal, Karachi. Phone: 92-21-35640050-1-2, Fax: 92-21-35640053, Email: bhimji@cyber.net.pk, info-khi@hyderbhimji.com

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[www.hyderbhimji.com](http://www.hyderbhimji.com)

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# BALANCE SHEET

As at June 30, 2015

		2015	2014
	Note	Rupees (000s)	
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	4	2,285,228	1,828,182
Revenue reserve	5	4,230,000	3,580,000
Unappropriated profit		654,244	1,251,721
		<b>7,169,472</b>	<b>6,659,903</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	6	2,407,732	2,239,239
Deferred liabilities			
Deferred taxation	7	350,339	332,921
Staff retirement benefits	8	43,951	39,512
		<b>394,290</b>	<b>372,433</b>
		<b>2,802,022</b>	<b>2,611,672</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	5,213,190	6,303,992
Accrued mark-up / profit	10	206,481	177,164
Short term borrowings	11	8,838,174	7,829,770
Current maturity of long term financing	6	714,008	694,706
		<b>14,971,853</b>	<b>15,005,632</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	<b>24,943,347</b>	<b>24,277,207</b>

		2015	2014
	Note	Rupees (000s)	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	9,038,685	8,209,553
Intangible assets	14	11,481	20,365
Long term investment	15	58,450	58,450
Long term loans and advances	16	12,859	11,901
Long term deposits		93,572	81,034
		<b>9,215,047</b>	<b>8,381,303</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	17	699,062	855,530
Stock-in-trade	18	11,283,818	11,914,365
Trade debts	19	1,913,872	1,366,694
Loans and advances	20	354,124	395,953
Short term prepayments		96,798	72,778
Other receivables	21	331,399	342,300
Tax refunds due from Government	22	750,196	653,481
Income tax refundable-payments less provision		181,730	179,849
Cash and bank balances	23	117,301	114,954
		<b>15,728,300</b>	<b>15,895,904</b>
		<b>24,943,347</b>	<b>24,277,207</b>

The annexed notes I - 44 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, 2015

		2015	2014
	Note	Rupees (000s)	
Sales	24	33,354,784	33,012,724
Cost of sales	25	27,260,395	27,036,675
Gross profit		6,094,389	5,976,049
Distribution cost	26	2,602,887	2,122,660
Administrative expenses	27	1,531,584	1,313,920
Other operating expenses	28	185,397	116,197
		4,319,868	3,552,777
		1,774,521	2,423,272
Other income	29	343,095	235,555
Operating profit		2,117,616	2,658,827
Finance cost	30	1,334,289	1,162,850
Profit before taxation		783,327	1,495,977
Provision for taxation	31	178,384	261,179
Profit after taxation		604,943	1,234,798
Earnings per share - basic and diluted (Rs.)	32	2.65	Restated 5.40

The annexed notes I - 44 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, 2015

		2015	2014
	Note	Rupees (000s)	
Profit after taxation		604,943	1,234,798
Other comprehensive income			
Items that will not be reclassified to profit and loss account subsequently			
Remeasurement loss on defined benefit plan	8.1	(16,437)	(3,910)
Tax effect on remeasurement loss	7	2,022	513
		(14,415)	(3,397)
<b>Total comprehensive income</b>		<b>590,528</b>	<b>1,231,401</b>

The annexed notes I - 44 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, 2015

		2015	2014
	Note	Rupees (000s)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		783,327	1,495,977
Adjustments for:			
Depreciation	13.1.1	964,842	848,978
Amortisation	14.1	11,331	11,253
Provision for gratuity	8.1	31,717	26,878
Finance cost	30	1,334,289	1,162,850
Provision for slow moving / obsolete items	17.1	10,645	17,952
Provision for doubtful debts	19.3	29,825	30,775
Property, plant and equipment scrapped	13.1	1,510	4,421
Gain on sale of short term investments	29	(5,983)	-
Dividend income	29	(406)	-
Net gain on sale of property, plant and equipment	13.1.3	(8,050)	(106,134)
		2,369,720	1,996,973
Cash flows from operating activities before adjustments of working capital		3,153,047	3,492,950
Changes in working capital:			
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		145,823	(150,047)
Stock-in-trade		630,547	(2,359,141)
Trade debts		(577,003)	1,175,799
Loans and advances		41,829	(49,524)
Short term prepayments		(24,020)	(44,606)
Other receivables		10,901	(168,586)
Tax refunds due from Government - Net		159,330	(424,027)
		387,407	(2,020,132)
(Decrease) / increase in current liabilities			
Trade and other payables		(1,091,564)	2,092,374
		(704,157)	72,242
Cash generated from operations		2,448,890	3,565,192
Gratuity paid		(43,715)	(24,913)
Finance cost paid		(1,304,972)	(1,177,478)
Income tax paid		(416,870)	(233,374)
Increase in long term loans and advances		(958)	(9,840)
Increase in long term deposits		(12,538)	(29,722)
		(1,779,053)	(1,475,327)
Net cash generated from operating activities		669,837	2,089,865

	2015	2014
Note	Rupees (000s)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(1,859,035)	(1,966,561)
Addition to intangible assets	(2,447)	(8,488)
Proceeds from sale of property, plant and equipment	71,601	141,855
Dividend received	406	-
Short term investments made during the year	(519,473)	-
Proceeds from sale of short term investments	525,456	-
Net cash used in investing activities	(1,783,492)	(1,833,194)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	873,209	789,322
Repayments of long term financing	(685,414)	(572,314)
Dividend paid	(80,197)	-
Net cash generated from financing activities	107,598	217,008
Net (decrease) / increase in cash and cash equivalents	(1,006,057)	473,679
Cash and cash equivalents - at the beginning of the year	(7,714,816)	(8,188,495)
Cash and cash equivalents - at the end of the year	(8,720,873)	(7,714,816)

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The annexed notes I - 44 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, 2015

	Share capital	Revenue reserve	Unappropriated profit	Total
	Rupees (000s)			
<b>Balance as at June 30, 2013</b>	1,523,486	3,180,000	725,016	5,428,502
Transfer to revenue reserve	-	400,000	(400,000)	-
<b>Transaction with owners</b>				
Issue of bonus shares for the year ended June 30, 2013	304,696	-	(304,696)	-
<b>Total comprehensive income for the year ended June 30, 2014</b>				
Profit after taxation	-	-	1,234,798	1,234,798
Other comprehensive income	-	-	(3,397)	(3,397)
	-	-	1,231,401	1,231,401
<b>Balance as at June 30, 2014</b>	<b>1,828,182</b>	<b>3,580,000</b>	<b>1,251,721</b>	<b>6,659,903</b>
Transfer to revenue reserve	-	650,000	(650,000)	-
<b>Transaction with owners</b>				
Issue of bonus shares for the year ended June 30, 2014	457,046	-	(457,046)	-
Final dividend for the year ended June 30, 2014	-	-	(80,959)	(80,959)
<b>Total comprehensive income for the year ended June 30, 2015</b>				
Profit after taxation	-	-	604,943	604,943
Other comprehensive income	-	-	(14,415)	(14,415)
	-	-	590,528	590,528
<b>Balance as at June 30, 2015</b>	<b>2,285,228</b>	<b>4,230,000</b>	<b>654,244</b>	<b>7,169,472</b>

The annexed notes I - 44 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, 2015

## I. 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 company with its liability limited by shares. The Company was converted into a public limited company on January 07, 1955. The Company is listed in all the three Stock Exchanges of Pakistan. 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. 4.2.1.

## 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.

These financial statements have been prepared following accrual basis of accounting except for cash flow statement.

### 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, unless otherwise stated.

### 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. 8 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).

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 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.

## 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 doubtful 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:

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. Impact of these standards, interpretations and amendments on Company's financial statements are mentioned below against the respective standards or interpretations.

#### IAS 19 'Employee Benefits': Employee contributions - A practical approach

The amendment clarifies that how contributions from employees or third parties, that are linked to service, should be attributed to period of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The amendments are relevant only to the defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendment does not have any impact on the Company's financial statements.

**IAS 32 'Financial Instruments: Presentation' - Offsetting financial assets and financial liabilities**

The amendment updates the application guidance to clarify some of the requirements for offsetting the financial assets and financial liabilities on the balance sheet date. The amendment clarifies that right of set-off must not be contingent on a future event. It must also be legally enforceable for all counter parties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The Company's current accounting treatment is already in line with the requirements of this amendment.

**IAS 36 'Impairment of Assets' - Recoverable amount disclosures for non-financial assets**

These narrow-scope amendments to IAS 36 'Impairment of Assets' reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendment has no impact on the Company's financial statements.

**IAS 39 'Financial Instruments: Recognition and Measurement' - Novation of derivatives and continuation of hedge accounting**

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. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendment has no impact on the Company's financial statements.

**IFRIC 21 'Levies'**

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. The amendment has no impact on the Company's financial statements.

**(b) Amendments to standards as a result of Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles became effective:**

Amendments to the following standards as a result of annual improvements to the International Financial Reporting Standards issued by IASB. Impact of these on Company's financial statements are mentioned below against the respective 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 separately clarifies 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. The amendment has no impact on the Company's financial statements.

**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. The amendment has no impact on the Company's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

### IFRS 8 'Operating Segments'

This amendment 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's 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. The Company's current disclosures are already in line with the requirements.

### 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 (amortisation) is not always proportionate to the change in the gross carrying amount of the asset. The amendment is not relevant to the Company's financial statements.

### IAS 24 'Related Party Disclosures'

This standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amount charged to the reporting entity is required. The amendment is not relevant to the Company's financial statements.

### IAS 40 'Investment Property'

This standard 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. The amendment is not relevant to the Company's financial statements.

### (c) Standards, Interpretations and Amendments not yet effective:

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

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

This amendment introduces severe restrictions on the use of revenue-based amortisation 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 amortisation 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. It is unlikely that the standard will have any significant impact on the Company's financial statements.

#### Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' - Bearer Plants (Effective for annual periods beginning on or after January 01, 2016)

Bearer plants are now in the scope of IAS 16 for measurement and disclosure purposes. Therefore, a Company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less cost to sell under IAS 41. A bearer plant is a plant that is used in the supply of agricultural produce, is expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. This standard is not relevant to the Company's financial statements.



**IAS 27 (Revised 2011) – ‘Separate Financial Statements’ (Effective from accounting period beginning on or after January 01, 2016)**

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. 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, in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement, or using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. It is unlikely that the standard will have any significant impact on the Company's financial statements.

**IAS 28 (Revised 2011) – ‘Investments in Associates and Joint Ventures’ (Effective from accounting period beginning on or after January 01, 2016)**

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. This standard is not relevant to the Company's financial statements.

**(d) Amendments to standards as a result of annual improvements to IFRSs 2012–2014 cycle that are not yet effective:**

Amendments to the following standards as a result of annual improvements to the International Financial Reporting Standards issued by IASB that are not yet effective. Impact of these on Company's financial statements are mentioned below against the respective standards.

**IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ - Changes in methods of disposal (Effective from accounting period beginning on or after January 01, 2016)**

The amendment adds specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. The amendment is prospective and it is unlikely that the standard will have any significant impact on the Company's financial statements.

**IFRS 7 ‘Financial Instruments: Disclosures’ (Effective from accounting period beginning on or after January 01, 2016)**

The amendments adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. The amendment also clarifies that the additional disclosure required by the amendment to IFRS 7, 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective. It is unlikely that the standard will have any significant impact on the Company's financial statements.

**IAS 19 ‘Employee Benefits’ - Discount rate regional market issue (Effective from accounting period beginning on or after January 01, 2016)**

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is currency that the liabilities are denominated in, is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, Government bonds in that relevant currency should be used. The amendment is retrospective but limited to the earliest period presented. It is unlikely that the standard will have any significant impact on the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## IAS 34 'Interim Financial Reporting' - Disclosure of information 'elsewhere in the interim financial report' (Effective from accounting period beginning on or after January 01, 2016)

This amendment clarifies what is meant by the reference in the standard to 'Disclosure of information elsewhere in the interim financial report'. The amendment also amends IAS 34 to require cross-reference from the interim financial statements to the location of that information. This amendment is retrospective. This amendment will only effect the disclosure in Company's interim financial statements.

### (e) 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. The standard only affects the disclosure in the Company's financial statements.

#### 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. It is unlikely that the standard will have any impact on the Company's financial statements.

#### 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. The standard may result in additional disclosures in the Company's financial statement.

#### 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. It is unlikely that the standard will have any significant impact on the Company's financial statements.

### (f) New Standards issued by IASB but not yet been notified by SECP:

International Financial Reporting Standards (IFRSs)	IASB effective date for annual periods beginning on or after
IFRS 1 - First Time Adoption of IFRS	January 01, 2013
IFRS 9 - Financial Instruments	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2017

## 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 vested to employees on completion of the prescribed qualifying period of service under the scheme. The Company's obligation is determined through actuarial valuations carried out periodically under the 'Projected Unit Credit Method'. The latest valuation was carried out as at June 30, 2015. The results of valuation are summarized in Note no. 8.

Current service cost, past service cost and interest cost is recognized in profit and loss account. Actuarial gains and losses arising at each valuation date are recognized immediately in other comprehensive income.

#### 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. The Company's contribution is charged to profit and loss account.

### 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 and contingencies

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. Where the outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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, net of transaction cost incurred, and are subsequently recorded at amortised cost using the effective interest rate method.

### 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 capitalised 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 all depreciable assets using reducing balance method except for structure on lease hold land / rented property and specific office equipments (i.e. I.T. equipments and mobile phones) which are depreciated at straight line method. These assets are depreciated at rates specified in the Note no. 13.1. Depreciation is charged on additions on monthly basis i.e. from the month in which it is capitalised till the month prior to the month of its disposal. Depreciation is charged on the assets even if the assets are idle. No amortisation is provided on lease hold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values.

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 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 Company and its cost can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognized in profit and loss account 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 assets on a systematic basis to income by applying the straight line method at the rate specified in Note no. 14.

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 asset's fair value less costs to sell or value in use.

### 3.11 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase. Investments of the Company are currently classified under following categories:

#### a) Investment at fair value through profit and loss

These are investments designated as held-for-trading at the inception. Investments under this category are classified in current assets. These investments are initially recorded at fair value and are remeasured at each reporting date. Gains or losses arising from changes in the fair value are recognised in profit and loss account in the period in which they arise. Gains or losses on disinvestments are also recognised in profit and loss account.

#### b) 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 investment is tested for impairment and the carrying amount is reduced to recoverable amount and impairment loss, if any, is recognized in profit and loss account. 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. Cost of goods-in-transit includes 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 realisable 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 upto balance sheet date.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

### 3.15 Trade debts

Trade debts are carried at original invoice amount being fair value. 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 recognized 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 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 are raised.
- Dividend income is recognized when the Company's right to receive the payment is established.
- Mark-up on loans and advances to employees is recognized on the effective yield method. Under effective yield method, amortised cost of a financial asset is computed and related mark-up income is allocated over the relevant period.

### 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 and loss".

Any gain or loss on subsequent measurement of the financial asset, except for available-for-sale investments, is charged / credited to the profit and loss account.

### 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 realises 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 derecognition of financial asset is also included / credited to the profit and loss account.

### 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 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, 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 recoverable amount of such assets is estimated.

An impairment loss is recognised if the carrying amount of a specific asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets of the unit on a pro-rata basis. 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.

#### **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, that do not qualify for hedge accounting, 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.

#### **3.21 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 realise the assets and settle the liabilities simultaneously.

#### **3.22 Cash and cash equivalents**

For the purpose of cash flow statement, 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 recognized 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 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.

#### **3.24 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 4 SHARE CAPITAL

### 4.1 Authorised capital

2015	2014		2015	2014
<b>Number of Shares</b>			<b>Rupees (000s)</b>	
400,000,000	400,000,000	Ordinary shares of Rs.10 each	4,000,000	4,000,000

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

2015	2014		2015	2014
<b>Number of Shares</b>				
64,188,985	64,188,985	Ordinary shares of Rs.10 each allotted for consideration fully paid in cash	641,890	641,890
5,447,326	5,447,326	Ordinary shares of Rs.10 allotted as fully paid under scheme of arrangement for amalgamation	54,473	54,473
158,886,461	113,181,907	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	1,588,865	1,131,819
<b>228,522,772</b>	<b>182,818,218</b>		<b>2,285,228</b>	<b>1,828,182</b>

- 4.2.1 As at June 30, 2015, Gul Ahmed Holdings (Private) Limited, the holding company of Gul Ahmed Textile Mills Limited, held 152,601,758 (2014: 123,314,552) ordinary shares of Rs. 10 each, constituting 66.78% (2014: 67.45%) of total paid-up capital.
- 4.2.2 As at June 30, 2015, no. of shares held by the associated companies and undertakings, other than holding company, aggregated to 6,967,864 (2014: 5,629,072) ordinary shares of Rs.10 each.
- 4.2.3 As per the Honourable Sindh High Court's order, the Company has held 1,541,432 shares and 69,138 shares out of the total bonus shares issue during the year to Gul Ahmed Holdings (Private) Limited and the associate company, respectively as these companies are the part of the suit file against the tax on bonus shares imposed through Finance Act 2014.

### 4.3 Reconciliation of the number of shares outstanding

Number of shares outstanding at the beginning of the year  
Add: 25% Issue of bonus shares during the year (2014: 20%)

2015	2014
<b>(Number of Shares)</b>	
182,818,218	152,348,515
45,704,554	30,469,703
<b>228,522,772</b>	<b>182,818,218</b>

## 5. REVENUE RESERVE

General reserve at start  
Transfer from unappropriated profit

	2015	2014
	<b>Rupees (000s)</b>	
	3,580,000	3,180,000
	650,000	400,000
	<b>4,230,000</b>	<b>3,580,000</b>

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

## 6. LONG TERM FINANCING

### From Banking Companies - Secured

Related party  
Other banks

	2015	2014
	491,414	598,511
	2,630,326	2,335,434
	<b>3,121,740</b>	<b>2,933,945</b>
	(714,008)	(694,706)
	<b>2,407,732</b>	<b>2,239,239</b>

Current portion shown under current liabilities

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
<b>6.1 Related party</b>						
Habib Metropolitan Bank Limited Loan 1	6.4, 6.6, 6.7					
a) Under LTF-EOP scheme		12 half yearly March-2010	678	7.00% p.a. payable quarterly	678	2,047
b) Under LTF-EOP scheme		12 half yearly April-2010	2,038	7.00% p.a. payable quarterly	2,038	6,123
Habib Metropolitan Bank Limited Loan 2 Under LTF-EOP scheme	6.4, 6.6, 6.7	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	38,830	77,665
Habib Metropolitan Bank Limited Loan 3 Under LTF scheme	6.4, 6.6, 6.8	16 half yearly February-2012	2,719	10.00% p.a. payable quarterly	24,462	29,900
Habib Metropolitan Bank Limited Loan 4 Under LTF scheme	6.4, 6.6, 6.8	16 half yearly March-2012	2,504	10.00% p.a. payable quarterly	22,537	27,545
Habib Metropolitan Bank Limited Loan 5 Under LTF scheme	6.4, 6.6, 6.8	16 half yearly June-2012	4,212	10.25% p.a. payable quarterly	37,889	46,313
Habib Metropolitan Bank Limited Loan 6 Under LTF scheme	6.4, 6.6, 6.8	16 half yearly July-2012	1,804	10.25% p.a. payable quarterly	18,036	21,644
Habib Metropolitan Bank Limited Loan 7 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly December-2013	3,328	11.20% p.a. payable quarterly	19,968	26,624
Habib Metropolitan Bank Limited Loan 8 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly January-2014	970	12.70% p.a. payable quarterly	6,781	8,721
Habib Metropolitan Bank Limited Loan 9 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly February-2014	1,342	12.70% p.a. payable quarterly	9,388	12,072
Habib Metropolitan Bank Limited Loan 10 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly June-2014	9,618	12.70% p.a. payable quarterly	67,326	86,562
Habib Metropolitan Bank Limited Loan 11 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly August-2014	1,357	12.70% p.a. payable quarterly	10,856	13,570
Habib Metropolitan Bank Limited Loan 12 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly September-2014	3,392	12.70% p.a. payable quarterly	27,136	33,920
Habib Metropolitan Bank Limited Loan 13 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly October-2014	158	12.70% p.a. payable quarterly	1,259	1,575
Habib Metropolitan Bank Limited Loan 14 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly August-2015	2,959	11.40% p.a. payable quarterly	29,590	29,590
Habib Metropolitan Bank Limited Loan 15 Under LTF scheme	6.4, 6.6, 6.8	10 half yearly September-2015	13,689	11.40% p.a. payable quarterly	136,885	136,885
Habib Metropolitan Bank Limited Loan 16	6.4, 6.6, 6.8	10 half yearly April-2016	3,776	11.40% p.a. payable quarterly	37,755	37,755
		<b>Total from related party</b>			<b>491,414</b>	<b>598,511</b>
<b>6.2 Other banks</b>						
Allied Bank Limited Loan Under LTF scheme	6.5, 6.8	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	111,081	148,104
Askari Bank Limited Loan 1 Under LTF scheme	6.4, 6.8	20 quarterly October-2016	8,346	8.50% p.a. payable quarterly	166,920	-
Askari Bank Limited Loan 2 Under LTF scheme	6.4, 6.8	20 quarterly December-2016	2,930	8.50% p.a. payable quarterly	58,578	-
Askari Bank Limited Loan 3 Under LTF scheme	6.4, 6.8	20 quarterly March-2017	1,066	8.50% p.a. payable quarterly	21,325	-
Al Baraka Bank (Pakistan) Limited Loan	6.4	20 quarterly March-2016	7,780	Average three month KIBOR Ask rate + 1.10% payable quarterly	155,600	-
Bank Al Habib Limited Loan 1 Under LTF-EOP scheme	6.4, 6.7	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	-	4,627
Bank Al Habib Limited Loan 2 Under LTF scheme	6.3, 6.4, 6.8	8 half yearly December-2013	17,159	12.60% p.a. payable quarterly	68,629	102,947

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
Bank Alfalah Limited Loan 1	6.4	9 half yearly July-2014	1,147	Average six months KIBOR Ask rate + 1.25% payable half yearly	8,031	10,325
Bank Alfalah Limited Loan 2	6.4	9 half yearly August-2014	1,472	Average six months KIBOR Ask rate + 1.25% payable half yearly	10,308	13,252
Bank Alfalah Limited Loan 3	6.4	9 half yearly September-2014	8,172	Average six months KIBOR Ask rate + 1.25% payable half yearly	57,203	73,547
Bank Alfalah Limited Loan 4	6.4	9 half yearly October-2014	10,285	Average six months KIBOR Ask rate + 1.25% payable half yearly	71,997	92,567
Bank Alfalah Limited - Loan 5 Islamic Banking	6.4	9 half yearly March-2014	9,439	Average six months KIBOR Ask rate + 1.25% payable half yearly	56,633	75,511
Bank Alfalah Limited - Loan 6 Islamic Banking	6.4	9 half yearly April-2014	6,457	Average six months KIBOR Ask rate + 1.25% payable half yearly	38,747	51,662
Faysal Bank Limited Loan 1 Under LTFF scheme	6.4, 6.8	10 half Yearly January-2014	6,720	12.70% p.a. payable quarterly	47,040	60,480
Faysal Bank Limited Loan 2 Under LTFF scheme	6.4, 6.8	10 half yearly January-2014	3,850	12.70% p.a. payable quarterly	26,950	34,650
Faysal Bank Limited Loan 3 Under LTFF scheme	6.4, 6.8	10 half yearly April-2014	672	12.70% p.a. payable quarterly	4,698	6,042
Faysal Bank Limited Loan 4 Under LTFF scheme	6.4, 6.8	10 half yearly June-2014	241	12.70% p.a. payable quarterly	1,687	2,169
Faysal Bank Limited Loan 5 Under LTFF scheme	6.4, 6.8	10 half yearly July-2014	846	12.70% p.a. payable quarterly	6,768	8,460
Faysal Bank Limited Loan 6 Under LTFF scheme	6.4, 6.8	10 half yearly September-2014	10,970	12.70% p.a. payable quarterly	87,760	109,700
Habib Bank Limited Loan 1	6.3, 6.7					
a) Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)		12 half yearly June-2010	5,411	7.00% p.a. payable quarterly	5,411	16,245
b) Under LTF-EOP scheme		12 half yearly November-2010	4,450	7.00% p.a. payable quarterly	8,903	17,803
Habib Bank Limited Loan 2 Under LTF-EOP scheme	6.3, 6.7	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	5,142	10,284
Habib Bank Limited Loan 3 Under LTF-EOP scheme	6.3, 6.7	12 half yearly February-2010	9,511	7.00% p.a. payable quarterly	9,511	28,531
Habib Bank Limited Loan 4 Under LTF-EOP scheme	6.3, 6.7	12 half yearly January-2010	776	7.00% p.a. payable quarterly	776	2,332
Habib Bank Limited Loan 5	6.3, 6.7					
a) Under LTF-EOP scheme		12 half yearly January-2010	1,691	7.00% p.a. payable quarterly	1,691	5,091
b) Under LTF-EOP scheme		12 half yearly February-2010	136	7.00% p.a. payable quarterly	136	414
Habib Bank Limited Loan 6 Under State Bank of Pakistan (SBP) Scheme of Long Term Financing Facility (LTFF)	6.3, 6.8	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	88,434	110,542
Habib Bank Limited Loan 7 Under LTFF scheme	6.3, 6.8	16 half yearly August-2011	562	10.00% p.a. payable quarterly	4,499	5,623
Habib Bank Limited Loan 8 Under LTFF scheme	6.3, 6.8	16 half yearly October-2011	709	10.00% p.a. payable quarterly	5,678	7,096
Habib Bank Limited Loan 9 Under LTFF scheme	6.3, 6.8	16 half yearly March-2012	277	10.00% p.a. payable quarterly	2,491	3,045
Habib Bank Limited Loan 10 Under LTFF scheme	6.3, 6.8	16 half yearly August-2012	3,536	10.25% p.a. payable quarterly	35,398	42,470

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
Habib Bank Limited Loan 11 Under LTFF scheme	6.3, 6.8	20 quarterly September-2016	5,804	9.00% p.a. payable quarterly	116,050	-
Habib Bank Limited Loan 12 Under LTFF scheme	6.3, 6.8	20 quarterly November-2016	1,698	9.00% p.a. payable quarterly	33,950	-
HSBC Bank Middle East Limited Loan 1	6.4, 6.7					
a) Under LTF-EOP scheme		12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	-	11,534
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	-	4,149
HSBC Bank Middle East Limited Loan 2 Under LTF-EOP scheme	6.4, 6.7	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	-	7,353
HSBC Bank Middle East Limited Loan 3 Under LTF-EOP scheme	6.4, 6.7	12 half yearly February-2010	875	7.00% p.a. payable quarterly	-	2,623
HSBC Bank Middle East Limited Loan 4 Under LTF-EOP scheme	6.4, 6.7	12 half yearly March-2010	844	7.00% p.a. payable quarterly	-	2,532
MCB Bank Limited Loan 1 Under LTFF scheme	6.5, 6.8	10 half yearly March-2017	17,412	8.25% p.a. payable quarterly	174,050	-
MCB Bank Limited Loan 2 Under LTFF scheme	6.5, 6.8	10 half yearly April-2017	2,417	8.25% p.a. payable quarterly	24,251	-
MCB Bank Limited Loan 3 Under LTFF scheme	6.5, 6.8	10 half yearly April-2017	5,773	8.25% p.a. payable quarterly	57,730	-
MCB Bank Limited Loan 4	6.5	10 quarterly March-2017	1,486	Average three months KIBOR Ask rate +2.25% payable quarterly	14,860	-
National Bank of Pakistan Loan 1	6.5	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate + 1.00% payable quarterly	4,000	20,000
National Bank of Pakistan Loan 2 Under LTFF scheme	6.4, 6.5, 6.8	16 quarterly September-2011	2,350	10.40% p.a. payable quarterly	2,350	11,755
National Bank of Pakistan Loan 3 Under LTFF scheme	6.4, 6.5, 6.8	20 quarterly January-2014	3,190	10.90% p.a. payable quarterly	44,660	57,420
National Bank of Pakistan Loan 4 Under LTFF scheme	6.4, 6.5, 6.8	20 quarterly May-2014	801	10.90% p.a. payable quarterly	12,015	15,219
National Bank of Pakistan Loan 5 Under LTFF scheme	6.4, 6.5, 6.8	20 quarterly April-2014	6,009	10.90% p.a. payable quarterly	90,135	114,171
NIB Bank Limited Loan 1 Under LTFF scheme	6.5, 6.8	16 quarterly June-2014	2,827	10.90% p.a. payable quarterly	31,099	42,407
NIB Bank Limited Loan 2 Under LTFF scheme	6.5, 6.8	16 quarterly March-2014	829	10.90% p.a. payable quarterly	8,291	11,607
NIB Bank Limited Loan 3 Under LTFF scheme	6.5, 6.8	16 quarterly August-2014	498	10.90% p.a. payable quarterly	5,968	7,960
NIB Bank Limited Loan 4	6.5	16 quarterly March-2014	829	Average three months KIBOR Ask rate + 1.50% payable quarterly	9,120	11,607
NIB Bank Limited Loan 5	6.5	16 quarterly June-2014	2,827	Average three months KIBOR Ask rate + 1.50% payable quarterly	31,099	42,408
NIB Bank Limited Loan 6 Under LTFF scheme	6.5, 6.8	16 quarterly September-2014	1,289	10.90% p.a. payable quarterly	15,480	20,640
NIB Bank Limited Loan 7 Under LTFF scheme	6.5, 6.8	16 quarterly November-2014	301	10.90% p.a. payable quarterly	3,924	4,830
NIB Bank Limited Loan 8 Under LTFF scheme	6.5, 6.8	16 quarterly February-2015	3,220	10.90% p.a. payable quarterly	45,090	51,530
NIB Bank Limited Loan 9 Under LTFF scheme	6.5, 6.8	16 quarterly March-2015	2,016	10.90% p.a. payable quarterly	28,234	32,266
NIB Bank Limited Loan 10 Under LTFF scheme	6.5, 6.8	16 quarterly April-2015	538	10.90% p.a. payable quarterly	8,072	8,610
NIB Bank Limited Loan 11 Under LTFF scheme	6.5, 6.8	16 quarterly May-2015	1,324	10.90% p.a. payable quarterly	19,866	21,190
NIB Bank Limited Loan 12	6.5	16 quarterly June-2015	168	Average three months KIBOR Ask rate + 1.50% payable quarterly	2,527	2,695

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
NIB Bank Limited Loan 13 Under LTFF scheme	6.5, 6.8	16 quarterly June-2015	2,037	10.90% p.a. payable quarterly	30,568	32,605
NIB Bank Limited Loan 14 Under LTFF scheme	6.5, 6.8	16 quarterly October-2015	803	10.90% p.a. payable quarterly	12,850	12,850
Standard Chartered Bank Loan 1 Under LTFF scheme	6.5, 6.8	8 Half Yearly October-2012	2,995	11.10% p.a. payable quarterly	5,990	11,980
Standard Chartered Bank Loan 2 Under LTFF scheme	6.5, 6.8	8 Half Yearly November-2012	21,886	11.10% p.a. payable quarterly	43,784	87,557
United Bank Limited Loan 1 Under LTF-EOP scheme	6.5, 6.7	12 half yearly April-2010	931	7.00% p.a. payable quarterly	931	2,793
United Bank Limited Loan 2 Under LTFF scheme	6.5, 6.8	16 half yearly November-2010	363	10.00% p.a. payable quarterly	2,176	2,902
United Bank Limited Loan 3 Under LTFF scheme	6.5, 6.8	10 half yearly December-2012	1,319	10.50% p.a. payable quarterly	5,276	7,915
United Bank Limited Loan 4 Under LTFF scheme	6.5, 6.8	12 half yearly December-2011	557	10.50% p.a. payable quarterly	2,234	3,348
United Bank Limited Loan 5 Under LTFF scheme	6.5, 6.8	12 half yearly January-2012	128	10.50% p.a. payable quarterly	644	900
United Bank Limited Loan 6 Under LTFF scheme	6.5, 6.8	12 half yearly February-2012	741	10.50% p.a. payable quarterly	3,708	5,190
United Bank Limited Loan 7 Under LTFF scheme	6.5, 6.8	12 half yearly April-2012	3,686	11.20% p.a. payable quarterly	18,432	25,800
United Bank Limited Loan 8 Under LTFF scheme	6.5, 6.8	19 half yearly November-2011	7,441	11.20% p.a. payable quarterly	81,857	96,739
United Bank Limited Loan 9 Under LTFF scheme	6.5, 6.8	19 half yearly December-2011	5,916	11.20% p.a. payable quarterly	65,072	76,905
United Bank Limited Loan 10	6.5	12 half yearly September-2013	269	Average six months KIBOR Ask rate + 1.00% payable half yearly	2,150	2,687
United Bank Limited Loan 11	6.5	12 half yearly October-2013	1,235	Average six months KIBOR Ask rate + 1.00% payable half yearly	9,883	12,353
United Bank Limited Loan 12	6.5	12 half yearly December-2013	5,892	Average six months KIBOR Ask rate + 1.00% payable half yearly	47,133	58,916
United Bank Limited Loan 13 Under LTFF scheme	6.5, 6.8	12 half yearly January-2014	259	12.70% p.a. payable quarterly	2,338	2,856
United Bank Limited Loan 14 Under LTFF scheme	6.5, 6.8	12 half yearly March-2014	1,525	11.20% p.a. payable quarterly	13,727	16,776
United Bank Limited Loan 15	6.5	12 half yearly January-2014	11,913	Average six months KIBOR Ask rate + 1.00% payable half yearly	107,213	131,037
United Bank Limited Loan 16 Under LTFF scheme	6.4, 6.8	10 half yearly July-2017	1,802	8.00% p.a. payable quarterly	18,020	-
United Bank Limited Loan 17 Under LTFF scheme	6.4, 6.8	10 half yearly August-2017	398	6.50% p.a. payable quarterly	3,985	-
United Bank Limited Loan 18 Under LTFF scheme	6.4, 6.8	10 half yearly September-2017	215	6.50% p.a. payable quarterly	2,150	-
United Bank Limited Loan 19 Under LTFF scheme	6.4, 6.8	10 half yearly October-2017	102	6.50% p.a. payable quarterly	1,020	-
United Bank Limited Loan 20	6.4	10 half yearly November-2017	2,385	Average six months KIBOR Ask rate + 1.25% Payable quarterly	23,850	-
United Bank Limited Loan 21 Under LTFF scheme	6.4, 6.8	10 half yearly December-2017	89	6.50% p.a. payable quarterly	890	-
Samba Bank Limited Loan 1 Under LTFF scheme	6.5,6.8	9 half yearly May-2015	17,245	10.90% p.a. payable quarterly	137,955	155,200
Samba Bank Limited Loan 2 Under LTFF scheme	6.5,6.8	9 half yearly June-2015	4,456	10.90% p.a. payable quarterly	35,644	40,100
<b>Total from other banks</b>					<b>2,630,326</b>	<b>2,335,434</b>

- 6.3 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.
- 6.4 These loans are secured by charge over specified machinery.
- 6.5 These loans are secured by way of pari passu charge over the property, plant and equipment of the Company.
- 6.6 Habib Metropolitan Bank Limited is a related party and associated company by virtue of common directorship.
- 6.7 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.
- 6.8 The financing availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years from 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.

		2015	2014
		Rupees (000s)	
<b>7</b>	<b>DEFERRED TAXATION</b>		
	Opening	332,921	316,028
	Charged to profit and loss account	19,440	17,406
	Charged to other comprehensive income	(2,022)	(513)
		<u>350,339</u>	<u>332,921</u>
	<b>Deferred tax arises due to:</b>		
	Taxable temporary differences in respect of Accelerated tax depreciation allowance	392,567	372,060
	Deductible temporary differences in respect of		
	Provision for gratuity	(5,408)	(5,185)
	Provision for doubtful debts	(24,388)	(22,094)
	Provision for slow moving items	(12,432)	(11,860)
		<u>(42,228)</u>	<u>(39,139)</u>
		<u>350,339</u>	<u>332,921</u>

- 7.1 Deferred taxation has been calculated only to the extent of those temporary differences which do not relate to income falling under the Final Tax Regime of the Income Tax Ordinance, 2001.

		2015	2014
		Rupees (000s)	
<b>8</b>	<b>STAFF RETIREMENT BENEFITS</b>		
	<b>8.1 Reconciliation of the present value of defined benefit obligation and movement in net defined benefit liability</b>		
	Opening balance	39,512	33,637
	Charge for the year	31,717	26,878
	Remeasurement loss charged in other comprehensive income	16,437	3,910
	Benefits paid during the year	(43,715)	(24,913)
	Closing balance	<u>43,951</u>	<u>39,512</u>
		<u>43,951</u>	<u>39,512</u>

Note

8.2



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

		2015	2014
	Note	Rupees (000s)	
<b>8.2</b>	<b>Charge for the year recognized in profit and loss account</b>		
	Current service cost	27,920	24,654
	Past service cost	1,458	-
	Interest cost	2,339	2,224
		31,717	26,878
<b>8.3</b>	<b>Significant actuarial assumptions used</b>		
	Following significant actuarial assumptions were used for the valuation:		
	Discount rate used	9.75% p.a	13.25% p.a
	Expected increase in salary for year end obligation	8.75% p.a	12.25% p.a
	Average expected remaining working lifetime of employees	9 years	8 years
	Mortality rates	SLIC 2001-2005 Set back 1 Year	SLIC 2001-2005 Set back 1 Year
<b>8.4</b>	Past service cost has arisen due to change in plan (eligible payment days) for certain employees of the Company.		
<b>8.5</b>	<b>General description</b>		
	The scheme provides retirement benefits to all its eligible employees who are not part of the provident fund scheme and who have attained the minimum qualifying period. Actuarial valuation of the scheme is carried out periodically and latest actuarial valuation was carried out at June 30, 2015. The disclosure is based on information included in that actuarial report.		
<b>8.6</b>	<b>Sensitivity analysis</b>		
	Year end sensitivity analysis ( $\pm 100$ bps) on Defined Benefit Obligation as presented by actuary in the report.		

		2015	2014
	Note	Rupees (000s)	
	Discount Rate + 100 bps	40,225	36,571
	Discount Rate - 100 bps	48,442	43,028
	Salary increase + 100 bps	48,442	43,152
	Salary increase - 100 bps	40,162	36,409
<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors - Due to related parties	11,793	28,801
	- Others	3,666,875	4,658,717
		3,678,668	4,687,518
	Murabaha	-	358,202
	Accrued expenses	1,135,406	806,653
	Advance from customers	274,889	252,809
	Workers' profit participation fund	49,498	84,102
	Workers' welfare fund	15,986	53,634
	Unclaimed dividend	1,274	512
	Taxes withheld	25,627	35,351
	Payable to employees' provident fund	2,158	9,016
	Others	29,684	16,195
		5,213,190	6,303,992



9.1 Murabaha is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed murabaha facility at the year end was Rs. Nil (2014: Rs. 150 million) and the limit is interchangeable with Istisna. Murabaha facilities mature within 12 months. It includes accrued profit of Rs. Nil (2014: Rs. 8.202 million). The effective rate of profit ranges from 7.5% to 11.09% (2014: 9.15% to 11.28%).

9.2 Accrued expenses include infrastructure cess amounting to Rs. 94.2 million (2014: Rs. 72.48 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 amount has been expensed out in the financial statements.

		2015	2014
	Note	Rupees (000s)	
<b>9.3 Workers' profit participation fund</b>			
Opening balance		84,102	45,224
Allocation for the year	28	42,069	80,340
Interest for the year	9.3.1	7,429	3,762
		133,600	129,326
Payments made during the year		(84,102)	(45,224)
Closing balance		49,498	84,102

9.3.1 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 utilised by the Company till the date of allocation / payments to workers.

9.4 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 Honourable Sindh High Court has given the decision in favour 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 amount has been expensed out in the financial statements.

		2015	2014
	Note	Rupees (000s)	

**10 ACCRUED MARK-UP / PROFIT**

Mark-up on long term financing		71,540	75,169
Mark-up on short term borrowings		134,941	101,995
	10.1	206,481	177,164

10.1 Accrued markup includes markup due to following related parties:

<b>Long term financing</b>			
Habib Metropolitan Bank Limited - associated company		14,205	16,701
<b>Short term borrowings</b>			
Habib Metropolitan Bank Limited - associated company		1,729	1,918
Silk Bank Limited - associated company		7,182	-
		8,911	1,918
		23,116	18,619

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

		2015	2014
		Rupees (000s)	
	Note		
<b>11</b>	<b>SHORT TERM BORROWINGS - SECURED</b>		
Short term bank borrowings			
Foreign currency		967,746	5,212,442
Local currency		7,077,400	2,510,700
	11.1	8,045,146	7,723,142
Short term running finance		793,028	106,628
		8,838,174	7,829,770
11.1	Short term borrowing includes Istisna amounting to Rs. 2,209 million (2014: Rs. 580 million) in local currency and Rs. Nil (2014: Rs. 1,959 million) in foreign currency.		
11.2	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. 7,004 million (2014: Rs. 6,162 million). The facility for short term finance matures within twelve months. Short term borrowings include following from related parties:		
		2015	2014
		Rupees (000s)	
	Habib Metropolitan Bank Limited - associated company	183,551	614,563
	Silk Bank Limited - associated company	475,000	-
		658,551	614,563
11.3	Foreign currency mark-up / profit rates range from 1.15% to 2.00% (2014: 0.84% to 3.75%) per annum. Local currency mark-up / profit rates range from 5.75% to 13.21% (2014: 8.95% to 13.38%) per annum.		
<b>12</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
12.1	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 Honourable 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.		
12.2	The Company has filed a suit in the Honourable Sindh High Court for recovery of Rs. 33.409 million (2014: Rs. 33.409 million) against sale of property included in other receivables Note no. 21. The Company's management and its legal counsel are of the opinion that the case will be decided in the Company's favour and as such no provision has been made there against.		
12.3	The Company has filed a Petition in the Honourable 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 (2014: Rs. 50.827 million). This demand has been raised after lapse of more than two years although the records and books of the Company were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The Honourable Sindh High Court has already restrained EOBI from taking any action or proceedings against the Company. No provision has been made there against in these financial statements as the Company is confident of the favourable outcome of the Petition.		
12.4	The Company has filed a Constitution Petition in the Honourable 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 (2014: Rs. 10 million) and against which part payment of Rs. 2.57 million has been made. The Honourable 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 favourable outcome of the Petition. Also refer Note no. 20.1.		

- 12.5 On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby GIDC rates of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumers, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The matter regarding levy of the GIDC prior to promulgation of the GIDC Act, 2015 is presently indeterminate and subjudice. The Company along with several other companies has filed a suit in the Honourable Sindh High Court challenging the increase in GIDC through the GIDC Act, 2011, the GIDC Ordinance, 2014 and the GIDC Act, 2015. The Honourable Sindh High Court has issued stay against recovery of the GIDC under the GIDC Act, 2011, the GIDC Ordinance, 2014 and the GIDC Act, 2015 and hence the Company has not paid GIDC under the above referred laws. Further as the Company is confident that the case will be decided in favour of the Appellants hence no provision in respect of the GIDC Act, 2011 and GIDC Ordinance, 2014 is made in these financial statements amounting to Rs. 868.221 million (2014: Rs. 344.210 million).

However as a matter of abundant prudence amount payable under the GIDC Act, 2015 commencing from May 22, 2015 to the balance sheet date amounting to Rs. 44.473 million has been provided in these financial statements.

- 12.6 The Company has filed a suit in the Honourable Sindh High Court for recovery of Rs. 17.851 million (2014: Rs. 17.851 million) against a customer for the sale of fabric included in trade debts Note no. 19. However, in view of the uncertainties in such matters, full provision has been made in the financial statements.

**12.7 Guarantees**

- (a) Rs. 656 million (2014: Rs. 636 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 amounting to Rs. 588 million (2014: Rs. 567 million).
- (b) Post dated cheques Rs. 462 million (2014: Rs. 535 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. 1,818 million (2014: Rs. 2,900 million).
- (d) Corporate guarantee of Rs. 96.873 million (2014: Rs. 109.398 million) has been issued to bank in favour of indirect subsidiary company-GTM (Europe) Limited - UK.

**12.8 Commitments**

- (a) The Company is committed for capital expenditure as at June 30, 2015 of Rs. 1,335 million (2014: Rs. 469 million).
- (b) The Company is committed for non capital expenditure items under letters of credits as at June 30, 2015 of Rs. 2,000 million (2014: Rs. 2,221 million).
- (c) The Company is committed to minimum rental payments for each of the following period as follows:

	2015	2014
Note	Rupees (000s)	
Not more than one year	408,079	323,120
More than one year but not more than five years	1,486,287	1,242,552
More than five years	939,586	730,377
	2,833,952	2,296,049

**13 PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets	13.1	8,701,473	7,712,257
Capital work in progress (CWIP)	13.2	337,212	497,296
		9,038,685	8,209,553

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 13.1 Operating Assets

Note	Leasehold land	Buildings and structures on leasehold land	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Total
<b>Rupees (000s)</b>							
<b>Movement in net book value during the year ended June 30, 2015</b>							
	227,564	1,000,544	5,941,830	51,743	153,871	336,705	7,712,257
	-	164,370	205,838	722	42,173	93,683	506,786
	-	518,654	984,818	66	8,795	-	1,512,333
13.1.2	-	-	(46,279)	(58)	(856)	(16,358)	(63,551)
	-	-	-	(501)	(1,009)	-	(1,510)
13.1.1	-	(163,854)	(681,355)	(5,739)	(35,752)	(78,142)	(964,842)
<b>Closing net book value</b>	<b>227,564</b>	<b>1,519,714</b>	<b>6,404,852</b>	<b>46,233</b>	<b>167,222</b>	<b>335,888</b>	<b>8,701,473</b>
<b>Net book value as at June 30, 2015</b>							
Cost	227,564	2,928,849	12,906,373	95,692	444,258	652,746	17,255,482
Accumulated depreciation	-	(1,409,135)	(6,501,521)	(49,459)	(277,036)	(316,858)	(8,554,009)
<b>Net book value</b>	<b>227,564</b>	<b>1,519,714</b>	<b>6,404,852</b>	<b>46,233</b>	<b>167,222</b>	<b>335,888</b>	<b>8,701,473</b>
<b>Movement in net book value during the year ended June 30, 2014</b>							
	234,107	992,286	5,242,964	57,179	141,127	239,136	6,906,799
	-	23,082	88,330	919	34,693	181,993	329,017
	-	106,514	1,242,091	2,558	14,398	-	1,365,561
13.1.2	(6,543)	-	(9,156)	-	(1,914)	(18,108)	(35,721)
	-	-	-	(2,765)	(1,656)	-	(4,421)
13.1.1	-	(121,338)	(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>Net book value 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>Depreciation rate % per annum</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>10 to 12</b>	<b>15 to 30</b>	<b>20</b>	

13.1.1	Depreciation charge for the year has been allocated as follows:	Note	2015	2014
			<b>Rupees (000s)</b>	
	Cost of goods manufactured	25.1	758,913	692,899
	Distribution cost	26	106,228	71,629
	Administrative expenses	27	99,701	84,450
			<b>964,842</b>	<b>848,978</b>

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

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rupees (000s)				
<b>Plant and machinery</b>					
Ring Spinning	16,211	6,552	2,783	Negotiation	Haji Shahabuddin Faisalabad
Ring Spinning	26,949	8,828	4,000	Negotiation	Ishaq Textile Mills Limited 1088/2, Jail Road, Faisalabad
Ring Spinning	2,535	73	1,265	Negotiation	M. Akram Engineering Works Flat No. B-7, VIP City House North Karachi, Karachi
Ring Spinning	5,721	1,611	1,000	Negotiation	Nooriabad Textile Mills (Pvt) Ltd. D-148, Nooriabad S.I.T.E., Karachi
Ring Spinning	63,623	19,922	9,000	Negotiation	Sally Textile Mills Limited 4-F, Gulberg, Lahore
Quilting Machine	1,622	422	455	Negotiation	Ittehad Sewing Machine Ind. Shop No. 240, Madina Market Garden Road, Karachi
Margassa Plant	16,692	8,609	24,867	Negotiation	Simco Spinning & Textile Limited House No. 122/2, Dohs Baridhara Dhaka, Bangladesh
Air Compressor	300	261	400	Negotiation	M.S. Industrial Engineering Main Shakra-e-Faisal, Karachi
<b>Office equipment</b>					
Stablizer	290	53	50	Negotiation	Al-Hamd Furniture Liaquatabad, Karachi
<b>Vehicles</b>					
Honda City - BBH-638	1,713	1,519	1,590	Negotiation	Mr. Gul Dad House No. HK-579 KPT Building, Karachi
Toyota Corolla - AVM-729	1,565	609	1,050	Company Policy	Mr. Mian Farhan Panhyar - Employee House No. C-61, Block-12 Gulistan-e-Johar, Karachi
Toyota Corolla - ASV-549	1,388	432	1,000	Negotiation	Mr. Adnan Hassan Khan House No. A-908, Block-12 Gulberg, Karachi
Toyota Corolla - AQE-711	1,161	289	650	Negotiation	Mr. Muhammad Farhan House No. A-209, Block-4 Gulshan-e-Iqbal, Karachi

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rupees (000s)				
Honda City - AXN-395	1,487	723	1,100	Company policy	Mr. Muhammad Iqbal Shaikh - Employee House No. B-292, Block-2, Gulistan-e-Johar, Karachi
Suzuki Mehran - AQX-440	432	86	173	Company policy	Mr. Tariq Kalam - Employee House No. B-494, Sector II-A North Karachi, Karachi
Suzuki Mehran - APC-693	398	79	162	Company policy	Mr. Afroz Hussain - Employee House No. A-749, Muhammadi Dera Malir-15, Karachi
Suzuki Mehran - ARK-763	489	122	197	Company policy	Mr. Syed Adil Raza Alam - Employee House No. H-403, Block-13, Gulistan-e-Johar, Karachi
Suzuki Alto - AQU-340	537	107	215	Company policy	Mr. Nadeem Akhter - Employee House No. R-488Z, Sector No. 10, North Karachi, Karachi
Suzuki Alto - ARH-036	636	158	257	Company policy	Mr. Abdul Wahab - Employee House No. C-64, Wehdat Colony, Qasimabad, Hyderabad
Suzuki Alto - AKU-265	512	64	431	Negotiation	Mr. Syed Muhammad Taufiq House No. B-150, Block-6 Gulshan-e-Iqbal, Karachi
Suzuki Cultus - ARH-087	766	187	641	Negotiation	Mr. Syed Muhammad Taufiq House No. B-150, Block-6 Gulshan-e-Iqbal, Karachi
Suzuki Alto - AUE-635	697	267	530	Negotiation	Mr. Noman Hassan Khan House No. A-908, Block-12 Gulberg Town, Karachi
Suzuki Cultus - AWE-825	948	453	740	Negotiation	Mr. Noman Hassan Khan House No. A-908, Block-12 Gulberg Town, Karachi
Suzuki Cultus - AQW-329	662	130	261	Company policy	Mr. Arshad Mehmood Khan - Employee House No. A-66, Alfalah Society, Malir Halt, Karachi
Toyota Corolla - ASV-541	1,427	437	960	Negotiation	Mr. Mohsin House No. A-45, Block-4, New Dhoraji Colony, Gulshan-e-Iqbal, Karachi
Suzuki Mehran - ASM-846	512	157	390	Negotiation	Mr. Ashraf Ali House No. L-412, Block-5, North Karachi, Karachi

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rupees (000s)				
Honda City - ARF-459	1,070	252	431	Negotiation	Mr. Sadiq Iqbal Siddiqui House No. A-1066, Quidabad Bin Qasim, Karachi
Honda Civic - AUP-068	2,063	732	1,150	Company policy	Mr. Muhammad Omer - Employee House No. 13/11, Khayaban-e-Badban, DHA, Karachi
Suzuki Mehran - ARK-851	484	110	194	Company policy	Mr. Mustafa Fakhruddin Ali - Employee Flat No. 24, Al-Noor Arcade, Saddar, Karachi
Suzuki Cultus - AQY-753	703	128	546	Negotiation	Mr. Adnan Hassan Khan House No. A-908, Block-12, Gulberg Town, Karachi
Honda Civic - BBW-898	2,506	2,213	2,220	Negotiation	Mr. Shakeel Ahmed Memon House No. 201, Shangrila Garden, Soldar Bazar, Karachi
Toyota Corolla - ASV-904	1,427	405	1,000	Company policy	Mr. Muhammad Atif - Employee House No. B-145, Block-12, Gulistan-e-Johar, Karachi
Suzuki Bolan - CS-3435	483	93	300	Negotiation	Mr. Muhammad Rehman Sher Paow Colony, Landhi, Karachi
Suzuki Alto - AWN-541	984	462	510	Negotiation	Mr. Shafqat Flat No. M-16, Khayaban-e-Ittehad, DHA, Karachi
Daihatsu Cuore - ASX-870	747	224	299	Company policy	Ms. Rubina Saeed - Employee House No. D-21, Shate-27 Model Colony, Karachi
Suzuki Mehran - AUF-063	546	205	369	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi
Suzuki Cultus - ATT-226	864	260	686	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi
Suzuki Alto - ASY-349	824	248	671	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi
Toyota Corolla - ARW-748	1,872	409	887	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi
Honda City - ARJ - 766	1,090	243	701	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rupees (000s)				
Suzuki Cultus - ARP - 694	836	179	335	Negotiation	Mr. Muhammad Jawed House No. D-9, Block-I6, Gulshan-e-Iqbal, Karachi
Honda Civic - ASM - 306	1,867	500	747	Negotiation	Mr. Mohiuddin House No. 42/6, Street No. 7, Muslimabad, Karachi
Suzuki Cultus - ASW - 674	824	221	330	Company policy	Mr. Rashid Ahmed - Employee House No. B-29, Sector 31-D, Korangi, Karachi
Honda City - ARB - 480	1,058	227	424	Company policy	Mr. Shahbaz Zahid Butt - Employee House No. 1, Azadi Chowk, Ravi Road, Lahore
Toyota Corolla - ARW-675	1,351	290	540	Company policy	Mr. Muhammad Tahir - Employee Deh 50 Dad, Shahdadpoor Road, Liaqatabad, Nawab Shah
Suzuki Mehran - BAL-391	731	548	633	Insurance Claim	M/s. EFU General Insurance Limited
Toyota Corolla - BAL-159	1,819	1,362	1,773	Insurance Claim	M/s. EFU General Insurance Limited
Suzuki Mehran - BBP - 887	734	603	738	Insurance Claim	M/s. EFU General Insurance Limited
Written down value below Rs. 50,000 each					
- Vehicle	2,213	625	1,000	Negotiation	Various
- Others	4,663	862	950	Negotiation	Various
2015	<b>181,032</b>	<b>63,551</b>	<b>71,601</b>		
2014	<b>123,139</b>	<b>35,721</b>	<b>141,855</b>		
				<b>Note</b>	<b>Rupees (000s)</b>
<b>13.1.3 Details of net gain on disposal of property, plant and equipment</b>					
Other income - gain on disposal of property, plant and equipment				29	28,631
Other operating expenses - loss on disposal of property, plant and equipment				28	(20,581)
					<b>8,050</b>
					<b>106,134</b>

13.2 Capital work-in-progress

	2015				2014			
	Machinery and store items held for capitalisation	Civil work	Other assets	Total	Machinery and store items held for capitalisation	Civil work	Other assets	Total
	Rupees (000s)							
Cost as at start	341,999	153,887	1,410	497,296	175,122	45,556	4,635	225,313
Capital expenditure incurred during the year	897,405	444,818	10,026	1,352,249	1,408,968	214,845	13,731	1,637,544
Transferred to property, plant and equipment	(984,818)	(518,654)	(8,861)	(1,512,333)	(1,242,091)	(106,514)	(16,956)	(1,365,561)
<b>Cost as at end</b>	<b>254,586</b>	<b>80,051</b>	<b>2,575</b>	<b>337,212</b>	<b>341,999</b>	<b>153,887</b>	<b>1,410</b>	<b>497,296</b>

14 INTANGIBLE ASSETS

Computer Software

Net carrying value basis as at June 30

Opening net book value  
 Additions (at cost)  
 Amortisation charge  
 Closing net book value

Note

	2015	2014
	Rupees (000s)	
	20,365	23,130
	2,447	8,488
	(11,331)	(11,253)
	<u>11,481</u>	<u>20,365</u>
<b>Gross carrying value as at June 30</b>		
Cost	167,938	165,491
Accumulated amortisation	(156,457)	(145,126)
Net book value	<u>11,481</u>	<u>20,365</u>

Gross carrying value as at June 30

Cost  
 Accumulated amortisation  
 Net book value

14.1 The cost is being amortised using straight line method over a period of five years and the amortisation charge has been allocated as follows:

	2015	2014
	Rupees (000s)	
Distribution cost	41	563
Administrative expenses	11,290	10,690
	<u>11,331</u>	<u>11,253</u>

14.2 Remaining useful life range from one to four years.

14.3 This includes cost of Rs. 109.45 million in respect of assets which are fully amortised but are still in use of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

		2015	2014
	Note	Rupees (000s)	
<b>15</b>	<b>LONG TERM INVESTMENT</b>		
	Gul Ahmed International Limited - FZC UAE	<u>58,450</u>	<u>58,450</u>

15.1 Gul Ahmed International Limited - FZC UAE, an unquoted company incorporated in United Arab Emirates (UAE), is a wholly owned subsidiary (the subsidiary) of the Company. The paid-up share capital of the subsidiary is divided into 10,000 (2014:10,000) ordinary shares of USD 100 each, The Company has accounted for the investment in subsidiary at cost. The breakup value per share of the subsidiary as per the audited financial statements for the year ended June 30, 2015 is Rs. 277 million (2014: Rs. 261 million).

		2015	2014
	Note	Rupees (000s)	
<b>16</b>	<b>LONG TERM LOANS AND ADVANCES</b>		
	<b>Considered good - Secured</b>		
	- Due from executives (other than CEO and Directors)	20,725	15,680
	- Due from non-executive employees	1,424	1,594
		<u>22,149</u>	<u>17,274</u>
	<b>Current portion being receivable within twelve months following the balance sheet date</b>		
	- Due from executives	(9,029)	(5,119)
	- Due from non-executive employees	(261)	(254)
		<u>(9,290)</u>	<u>(5,373)</u>
		<u>12,859</u>	<u>11,901</u>

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 retirement benefits and / or guarantees of two employees.

Included in these are loans of Rs. 8.117 million (2014: Rs. 9.730 million) to executives and Rs. 0.475 million (2014: Rs. 0.535 million) to non-executives which carry no interest. The balance amount carries mark-up ranging from 7% to 14% (2014: 9% to 14%). Interest free long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these financial statements.

		2015	2014
		Rupees (000s)	
<b>16.2</b>	<b>Reconciliation of carrying amount of loans to executives</b>		
	Opening balance	15,680	2,075
	Disbursement during the year	11,569	19,067
	Transfer from non-executive to executive employees	36	-
	Recovered during the year	(6,560)	(5,462)
	Closing balance	<u>20,725</u>	<u>15,680</u>

16.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 20.725 million (2014: Rs. 16.554 million).

		2015	2014
		Rupees (000s)	
<b>17</b>	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>		
	Stores	433,310	575,990
	Spare parts	362,328	365,951
	Loose tools	4,463	3,983
		800,101	945,924
	Provision for slow moving / obsolete items	(101,039)	(90,394)
		699,062	855,530
<b>17.1</b>	<b>Movement in provision for slow moving / obsolete items</b>		
	Opening balance	90,394	72,442
	Charge for the year	10,645	17,952
	Closing balance	101,039	90,394
<b>18</b>	<b>STOCK-IN-TRADE</b>		
	Raw materials	2,076,097	2,926,027
	Work-in-process	237,034	329,995
	Finished goods	8,970,687	8,658,343
		11,283,818	11,914,365

18.1 Raw materials amounting to Rs. Nil (2014: Rs. Nil ) has been pledged with the banks as at balance sheet date.

18.2 Finished goods include stock of waste valuing Rs. 38 million (2014: Rs. 30 million) determined at net realisable value.

		2015	2014
		Rupees (000s)	
<b>19</b>	<b>TRADE DEBTS</b>		
	<b>Export debtors - secured</b>		
	Csidered good	788,035	560,449
	<b>Local debtors - unsecured</b>		
	- Considered good	1,125,837	806,245
	- Considered doubtful	198,210	168,385
		1,324,047	974,630
	Provision for doubtful trade debts	2,112,082	1,535,079
		(198,210)	(168,385)
		1,913,872	1,366,694

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

	2015	2014
	Rupees (000s)	
19.1 Includes amounts due from related parties as under:		
<b>Export debtors - secured</b>		
Gul Ahmed International Ltd. (FZC) - UAE - wholly owned subsidiary	22,232	3,813
GTM (Europe) Limited - indirect wholly owned subsidiary	195,019	-
GTM USA Corporation - indirect wholly owned subsidiary	28,234	36,745
	245,485	40,558
<b>Local debtors - unsecured</b>		
Swisstex Chemicals (Private) Limited - Associated company	1,427	-
	246,912	40,558

19.2 The maximum aggregate month end balance due from related parties during the year was Rs. 247 million (2014: Rs. 99 million).

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

	2015				2014			
	Upto 1 month	1-6 months	More than 6 months	Total	Upto 1 month	1-6 months	More than 6 months	Total
	Rupees (000s)							
Gul Ahmed International Ltd. (FZC) - UAE	22,232	-	-	22,232	3,813	-	-	3,813
GTM (Europe) Limited	195,019	-	-	195,019	-	-	-	-
GTM USA Corporation	28,234	-	-	28,234	30,814	5,931	-	36,745
Swisstex Chemicals (Private) Limited	1,427	-	-	1,427	-	-	-	-
	246,912	-	-	246,912	34,627	5,931	-	40,558

		2015	2014
		Rupees (000s)	
19.3 Movement in provision for doubtful trade debts	Note		
Opening balance		168,385	137,610
Charge for the year	27	29,825	30,775
Closing balance		198,210	168,385

		2015	2014
		Rupees (000s)	
<b>20</b>	<b>LOANS AND ADVANCES</b>	<b>Note</b>	
	<b>Considered Good</b>		
	Current portion being receivable within twelve months following the balance sheet date		
	- Executives	9,029	5,119
	- Other employees	261	254
		9,290	5,373
	Advances to suppliers	344,834	390,580
		354,124	395,953

20.1 This includes amount of Rs. 2.57 million (2014: Rs. 2.57 million) paid to Nazir Sindh High Court, Karachi in compliance with the Order of the Honourable Sindh High Court in respect of ground rent suit as mentioned in Note no. 12.4.

20.2 Advances to suppliers includes following to related parties - Rs. 7.44 million (2014: Rs. Nil) with GTM (Europe) Limited, Rs. 2.63 million (2014: Rs. Nil) with GTM USA Corporation, Rs. Nil (2014: Rs. 3.44 million) with Arwen Tech (Private) Limited and Rs. Nil (2014: Rs. 1.32 million) with Win Star (Private) Limited.

		2015	2014
		Rupees (000s)	
<b>21</b>	<b>OTHER RECEIVABLES</b>	<b>Note</b>	
	Duty drawback	225,195	160,493
	Mark-up rate subsidy receivable	6,918	6,918
	Receivable against sale of property	33,409	33,409
	Fair value of forward exchange contracts	18,762	-
	Others	47,115	141,480
		331,399	342,300

21.1 This includes Rs. Nil (2014: Rs. 105.251 million) in respect of Gas Infrastructure Development Cess (GIDC) paid as stated in Note no. 12.5.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

		2015	2014
	Note	Rupees (000s)	
<b>22 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax		538,928	483,405
Income tax		211,268	170,076
		750,196	653,481
<b>23 CASH AND BANK BALANCES</b>			
Cash in hand		11,033	6,837
Balances with banks in current accounts			
- Local currency		105,192	105,589
- Foreign currency		1,076	2,528
	23.1	106,268	108,117
		117,301	114,954
23.1 Bank balances include amounts held by related parties as under:			
Habib Metropolitan Bank Limited - associated company		15,550	3,504
Silk Bank Limited - associated company		2,936	-
		18,486	3,504
<b>24 SALES</b>			
Local	24.1	12,266,853	11,422,345
Export			
Direct export		20,292,667	20,124,985
Indirect export		693,290	1,359,807
		20,985,957	21,484,792
Duty drawback		214,121	172,963
		33,466,931	33,080,100
Brokerage and commission		(112,147)	(67,376)
		33,354,784	33,012,724
24.1 Sales are exclusive of sales tax amounting to Rs. 443.367 million (2014: Rs. 417.216 million).			



		2015	2014
		Rupees (000s)	
	Note		
<b>25</b>	<b>COST OF SALES</b>		
Opening stock of finished goods		8,658,343	6,832,593
Cost of goods manufactured	25.1	21,782,823	22,976,999
Purchases and processing charges		5,789,916	5,885,426
		36,231,082	35,695,018
Closing stock of finished goods		(8,970,687)	(8,658,343)
		27,260,395	27,036,675
<b>25.1</b>	<b>Cost of goods manufactured</b>		
Raw materials consumed	25.2	9,425,068	11,761,667
Stores, spare parts and loose tools consumed		3,908,439	3,721,970
Staff cost	27.1	4,645,142	3,925,307
Fuel, power and water		2,005,092	2,061,862
Insurance		137,082	111,106
Repair and maintenance		775,533	806,507
Depreciation	13.1.1	758,913	692,899
Other manufacturing expenses		150,889	113,984
Cost of samples shown under distribution cost		(116,296)	(153,635)
		21,689,862	23,041,667
Work-in-process			
Opening		329,995	265,327
Closing		(237,034)	(329,995)
		92,961	(64,668)
		21,782,823	22,976,999
<b>25.2</b>	<b>Raw materials consumed</b>		
Opening stock		2,926,027	2,457,304
Purchases during the year		8,575,138	12,230,390
Closing stock		(2,076,097)	(2,926,027)
		9,425,068	11,761,667
<b>26</b>	<b>DISTRIBUTION COST</b>		
Staff cost	27.1	663,203	539,273
Freight and shipment expenses		280,639	253,178
Insurance		26,843	21,569
Advertisement and publicity		822,848	615,281
Participation in exhibition		40,208	17,377
Cost of samples transferred from cost of goods manufactured		116,296	153,635
Rents, rates and taxes		429,251	348,774
Depreciation	13.1.1	106,228	71,629
Amortisation	14.1	41	563
Export development surcharge		51,708	51,475
Other expenses		65,622	49,906
		2,602,887	2,122,660

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

27 ADMINISTRATIVE EXPENSES	Note	2015	2014
		Rupees (000s)	
Staff cost	27.1	472,202	408,589
Rents, rates and taxes		89,340	55,155
Repairs and maintenance		64,978	51,150
Vehicle up keep and maintenance		134,394	133,590
Utilities		127,785	99,894
Conveyance and traveling		150,177	152,118
Printing and stationery		43,849	36,088
I.T. expenses		33,985	36,270
Postage and telecommunication		77,577	72,638
Legal and consultancy fees		50,075	41,496
Depreciation	13.1.1	99,701	84,450
Amortisation	14.1	11,290	10,690
Auditors' remuneration	27.2	2,068	1,765
Donations	27.3	14,951	4,619
Insurance		21,138	16,972
Provision for doubtful trade debts	19.3	29,825	30,775
Provision for slow moving / obsolete items	17.1	10,645	17,952
Other expenses		97,604	59,709
		<b>1,531,584</b>	<b>1,313,920</b>

Cost of sales		Distribution cost		Administrative expenses		Total	
2015	2014	2015	2014	2015	2014	2015	2014
Rupees (000s)							

### 27.1 Staff cost

- Salaries, wages & benefits	4,509,153	3,799,395	645,994	525,208	449,173	389,058	5,604,320	4,713,661
Retirement benefits								
- Gratuity	31,717	26,878	-	-	-	-	31,717	26,878
- Contribution to provident fund	55,277	41,451	16,123	13,066	20,188	17,092	91,588	71,609
	86,994	68,329	16,123	13,066	20,188	17,092	123,305	98,487
- Staff compensated absences	48,995	57,583	1,086	999	2,841	2,439	52,922	61,021
	<b>4,645,142</b>	<b>3,925,307</b>	<b>663,203</b>	<b>539,273</b>	<b>472,202</b>	<b>408,589</b>	<b>5,780,547</b>	<b>4,873,169</b>

		2015	2014								
		Rupees (000s)									
<b>27.2</b>	<b>Auditors' remuneration</b>										
	Audit fee	1,265	1,150								
	Review fee of half yearly accounts	110	100								
	Fee for consolidation of holding and subsidiaries	165	150								
	Review fee of statement of compliance with code of corporate governance	55	50								
	Other certification fee	32	42								
	Sindh sales tax on services at 6% (2014: 5%)	96	73								
	Out of pocket expenses	345	200								
		<b>2,068</b>	<b>1,765</b>								
<b>27.3</b>	Donation includes donation to the following organizations in which a director is / was a trustee:										
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Name of Director</th> <th style="text-align: left;">Interest in Donee</th> <th style="text-align: left;">Name of Donee</th> </tr> </thead> <tbody> <tr> <td>Mohomed Bashir</td> <td>Trustee (upto February 2014)</td> <td>Fellowship fund for Pakistan</td> </tr> <tr> <td>Mohomed Bashir</td> <td>Trustee</td> <td>Habib University Foundation</td> </tr> </tbody> </table>	Name of Director	Interest in Donee	Name of Donee	Mohomed Bashir	Trustee (upto February 2014)	Fellowship fund for Pakistan	Mohomed Bashir	Trustee	Habib University Foundation	
Name of Director	Interest in Donee	Name of Donee									
Mohomed Bashir	Trustee (upto February 2014)	Fellowship fund for Pakistan									
Mohomed Bashir	Trustee	Habib University Foundation									
		1,980	2,095								
		6,000	-								
		<b>7,980</b>	<b>2,095</b>								
<b>28</b>	<b>OTHER OPERATING EXPENSES</b>										
	Workers' profit participation fund	42,069	80,340								
	Workers' welfare fund	15,986	30,530								
	GIDC paid in preceding years written off	105,251	-								
	Loss on sale of property, plant and equipment	20,581	906								
	Property, plant and equipment scrapped	1,510	4,421								
		<b>185,397</b>	<b>116,197</b>								
<b>29</b>	<b>OTHER INCOME</b>										
	<b>Income from financial assets</b>										
	Mark-up income from loans and advances	1,116	1,635								
	Gain on sale of short term investments	5,983	-								
	Dividend income	406	-								
	Net exchange gain on forward contracts	18,762	-								
	Exchange gain on realisation of export receivables	185,585	52,533								
		<b>211,852</b>	<b>54,168</b>								
	<b>Income from non-financial assets</b>										
	Gain on sale of property, plant and equipment	28,631	107,040								
	Scrap sales	20,595	11,389								
	GIDC paid in preceding years - Reversed	-	62,958								
	Unclaimed liability written back	82,017	-								
		<b>131,243</b>	<b>181,387</b>								
		<b>343,095</b>	<b>235,555</b>								

Note

12.5

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

		2015	2014
		Rupees (000s)	
<b>30</b>	<b>FINANCE COST</b>		
	Mark-up on long term financing	334,286	302,851
	Mark-up on short term borrowings	861,771	694,384
	Profit on murabaha	22,491	45,753
	Interest on workers' profit participation fund	7,429	3,762
	Bank charges and commission	108,312	116,100
		1,334,289	1,162,850
30.1	Includes mark-up on long term financing charged by related parties as under:		
	Habib Metropolitan Bank Limited - associated company	60,720	68,714
30.2	Includes mark-up on short term borrowings charged by related parties as under:		
	Habib Metropolitan Bank Limited - associated company	14,365	15,051
	Silk Bank Limited - associated company	14,259	-
		28,624	15,051

30.3 It includes exchange loss of Rs. 205 million (2014: exchange gain of Rs. 63 million) on short term borrowing in foreign currency.

		2015	2014
		Rupees (000s)	
<b>31</b>	<b>PROVISION FOR TAXATION</b>		
	Current		
	- for the year	235,140	235,221
	- prior	(76,196)	8,552
		158,944	243,773
	Deferred	19,440	17,406
		178,384	261,179

### 31.1 Reconciliation between accounting profit and tax expense

Provision for current taxation has been made on the basis of minimum tax on turnover under section 113, final taxation, tax credit and separate block income under the Income Tax Ordinance, 2001. Accordingly, reconciliation of tax expense with the accounting profit has not been prepared.

		2015	2014
		Rupees (000s)	
<b>32</b>	<b>EARNINGS PER SHARE - basic and diluted</b>		Re-Styled
	Profit for the year	604,943	1,234,798
	Weighted average number of shares	228,522,772	228,522,772
	Earnings per share (Rs.)	2.65	5.40

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

**33 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.

**33.1 Segment profitability**

	Spinning		Processing		Elimination of Inter Segment Transactions		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Rupees (000s)								
Sales	8,749,956	9,924,339	29,514,848	28,310,803	(4,910,020)	(5,222,418)	33,354,784	33,012,724
Cost of sales	8,270,026	9,093,155	23,900,389	23,165,938	(4,910,020)	(5,222,418)	27,260,395	27,036,675
Gross profit	479,930	831,184	5,614,459	5,144,865	-	-	6,094,389	5,976,049
Distribution and Administrative expenses	212,079	214,952	3,922,392	3,221,628	-	-	4,134,471	3,436,580
Profit before tax and before charging following	267,851	616,232	1,692,067	1,923,237	-	-	1,959,918	2,539,469
Other operating expenses							185,397	116,197
Other income							(343,095)	(235,555)
Finance cost							1,334,289	1,162,850
							1,176,591	1,043,492
Profit before taxation							783,327	1,495,977
Taxation							178,384	261,179
Profit after taxation							604,943	1,234,798

**33.2 Segment assets and liabilities**

	Spinning		Processing		Unallocated		Total Company	
	2015	2014	2015	2014	2015	2014	2015	2014
Rupees (000s)								
Assets	4,654,991	5,134,995	17,507,671	16,305,487	2,780,685	2,836,725	24,943,347	24,277,207
Liabilities	1,900,111	2,032,155	5,988,192	5,729,788	9,885,572	9,855,361	17,773,875	17,617,304

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

**33.4 Information about major customer**

Revenue from major customer whose revenue exceeds 10% of gross sales is Rs. 10,027 million (2014: Rs. 8,939 million).

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

### 33.5 Information by geographical area

	Revenue		Non - current assets	
	2015	2014	2015	2014
	Rupees (000s)			
Pakistan	12,847,996	12,714,776	9,156,597	8,322,853
Germany	5,567,692	6,053,568	-	-
United Kingdom	1,764,755	2,163,680	-	-
China	1,610,533	1,669,259	-	-
United States	2,969,100	2,626,257	-	-
Netherland	2,082,832	1,934,723	-	-
France	2,011,317	1,602,332	-	-
Brazil	126,131	339,723	-	-
United Arab Emirates	169,988	198,352	58,450	58,450
Other countries	4,204,440	3,710,054	-	-
	<u>33,354,784</u>	<u>33,012,724</u>	<u>9,215,047</u>	<u>8,381,303</u>

	Note	Rupees (000s)	
		2015	2014
<b>34 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	23	117,301	114,954
Short term borrowings	11	(8,838,174)	(7,829,770)
		<u>(8,720,873)</u>	<u>(7,714,816)</u>

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

	2015				2014			
	Chief Executive	Director	Executives	Total	Chief Executives	Directors	Executives	Total
	Rupees (000s)							
Managerial remuneration	8,200	6,150	437,537	451,887	5,600	9,300	330,755	345,655
House rent allowance	3,280	2,460	175,015	180,755	2,240	3,720	132,280	138,240
Other allowances	1,003	677	83,372	85,052	560	930	46,539	48,029
Contribution to provident fund	683	513	33,723	34,919	467	775	23,801	25,043
	<u>13,166</u>	<u>9,800</u>	<u>729,647</u>	<u>752,613</u>	<u>8,867</u>	<u>14,725</u>	<u>533,375</u>	<u>556,967</u>
Number of persons	1	1	395	397	2	4	294	300

- 35.1 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.
- 35.2 The Chief Executive is also provided with free residential telephones.
- 35.3 Aggregate amount charged in the accounts for the year, for meeting fee to four Non-Executive Directors and the Chairman was Rs. 2.2 million (2014: five Non-Executive Directors and the Chairman Rs. 0.8 million).
- 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.

### 36 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.

Relationship with the Company	Nature of Transactions	2015	2014
		Rupees (000s)	
Subsidiaries and indirect subsidiaries	Sales of goods	463,548	188,786
	Commission paid	143,271	143,346
Associated companies and others related parties	Purchase of goods	48,931	97,188
	Sale of goods	3,124	957
	Rent paid	9,900	7,200
	Fees paid	1,500	1,375
	Commission / discount	5,532	3,451
	Donation paid	7,980	2,095
	Bills discounted	3,174,522	3,341,649
	Commission / Bank charges paid	34,051	53,503
	Mark-up / interest charged	89,344	83,765
	Company's contribution to provident fund	91,588	71,609
	Dividend paid	147	-
Relationship with the Company	Nature of Outstanding Balances		
Subsidiaries and indirect subsidiaries	Corporate guarantee issued in favour of subsidiary company	96,873	109,398
	Trade and other payables	-	17,517
	Long term investment	58,450	58,450
	Trade debts	245,485	40,558
	Advances to suppliers	10,074	-
Associated companies and others related parties	Deposit with banks	18,486	3,504
	Borrowing from banks	1,149,965	1,213,072
	Bank guarantee	587,583	567,241
	Trade and other payables	11,793	11,284
	Trade debts	1,427	-
	Accrued mark-up	23,116	18,619
	Advances to suppliers	-	4,763
	Loans to key management personnel & executive	20,725	15,680
Payable to employee's provident fund	2,158	9,016	

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

Related parties status of outstanding receivables and payables as at June 30, 2015 are also included in respective notes to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 37 CAPACITY AND PRODUCTION

Unit	2015			2014		
	Capacity	Production	Working	Capacity	Production	Working
	(000s)			(000s)		
Cloth Sq. meters (50 Picks converted)	159,205	103,461	3 shifts	136,745	80,025	3 shifts
Yarn Kgs. (20 Counts converted)	46,970	33,929	3 shifts	51,341	36,096	3 shifts

Increase in production of cloth is due to installation of new airjet looms hence increase in capacity. Production of yarn 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 Company as at June 30, 2015 are as follows:

	2015						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>Financial assets</b>	<b>Rupees (000s)</b>						
<b>Investment in subsidiary</b>							
Long term investment	-	-	-	-	58,450	58,450	58,450
<b>Loans and receivables</b>							
Loans and advances	6,588	6,969	13,557	2,702	5,890	8,592	22,149
Long term deposits	-	-	-	-	93,572	93,572	93,572
Trade debts	-	-	-	1,913,872	-	1,913,872	1,913,872
Other receivables	-	-	-	99,286	-	99,286	99,286
Cash and bank balances	-	-	-	117,301	-	117,301	117,301
	6,588	6,969	13,557	2,133,161	157,912	2,291,073	2,304,630
<b>Financial liabilities</b>							
Long term financing	714,008	2,407,732	3,121,740	-	-	-	3,121,740
Short term borrowings	8,838,174	-	8,838,174	-	-	-	8,838,174
Trade and other payables	49,498	-	49,498	4,817,506	-	4,817,506	4,867,004
Accrued mark-up / profit	-	-	-	206,481	-	206,481	206,481
	9,601,680	2,407,732	12,009,412	5,023,987	-	5,023,987	17,033,399
<b>Off balance sheet items</b>							
Guarantees	-	-	-	752,945	-	752,945	752,945
Bills discounted	-	-	-	1,818,318	-	1,818,318	1,818,318
Commitments	-	-	-	3,742,586	2,425,873	6,168,459	6,168,459
	-	-	-	6,313,849	2,425,873	8,739,722	8,739,722

	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	
	Rupees (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	-	-	-	174,889	-	174,889	174,889
Cash and bank balances	-	-	-	114,954	-	114,954	114,954
	2,293	4,716	7,009	1,659,617	146,669	1,806,286	1,813,295
<b>Financial liabilities</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

## 39 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, 2015

## 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 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:

	2015	2014
	USD (000s)	
Long term investment	1,000	1,000
Trade debts	7,775	5,699
Cash and bank balances	11	26
Borrowings from financial institutions	(9,549)	(53,163)
Trade and other payables	(18,805)	(21,644)
Net exposure	(19,568)	(68,082)

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:

	2015	2014
	(000s)	
USD	19,276	23,098
EURO	1,510	539
JPY	324,013	180,560
CHF	6,035	27
GBP	13	-

The following significant exchange rates were applied during the year:

<b>Rupee per USD</b>		
Average rate	101.35	98.35
Reporting date rate	101.45 / 101.25	98.45 / 98.25

### Foreign currency sensitivity analysis

A five percent strengthening / weakening of the PKR against the USD at June 30, 2015 would have increased / decreased the equity and profit / loss after tax by Rs. 66 million (2014: Rs. 217 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2014.

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

#### b Interest / mark-up 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 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. 14 million (2014: Rs. 7 million) which are subject to interest rate risk. Financial liabilities include balances of Rs. 12,009 million (2014: Rs. 11,206 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, 2015, 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. 5.38 million (2014: Rs 3.95 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

At June 30, 2015, 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. 74.1 million (2014: Rs. 73.4 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 and loss account. Therefore, a change in interest rate at the balance sheet would not effect profit and loss account 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.

### 39.2 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 and 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, 2015

		2015	2014
	Note	Rupees (000s)	
Loans and advances	16	22,149	17,274
Long term deposit		93,572	81,034
Trade debts	19	1,913,872	1,366,694
Other receivables		99,286	174,889
Bank balances	23	106,268	108,117
		2,235,147	1,748,008

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 limit 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 no.19.

Aging of trade debts is as follows:

		2015	2014
	Note	Rupees (000s)	
1 to 6 months		1,826,782	1,324,839
6 months to 1 year		71,558	16,492
1 year to 3 years		15,532	25,363
	19	1,913,872	1,366,694

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:

		2015	2014
	Note	Rupees (000s)	
AAA		27,625	17,995
AA+		19,820	4,173
AA		24,789	20,688
A+		29,215	52,817
A		896	4,854
A-		3,105	49
AA-		818	7,541
	23	106,268	108,117

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 Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The exposure to liquidity risk along with their maturities is disclosed in respective notes and in Note no. 38.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2015, the Company has Rs. 15,842 million (2014: Rs. 14,492 million) available borrowing limit from financial institutions. Unutilised borrowing facilities of Rs. 7,004 million (2014: Rs. 6,312 million) and also has Rs. 106 million (2014: Rs. 108 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 long term investment in subsidiary as stated in Note no. 15.

### 39.5 Capital risk management

The primary objective 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, 2015

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, 2015 and 2014 were as follows:

	2015	2014
	Rupees (000s)	
Total borrowings	11,959,914	10,763,715
Cash and bank	(117,301)	(114,954)
Net debt	11,842,613	10,648,761
Total equity	7,169,472	6,659,903
Total equity and debt	19,012,085	17,308,664
Gearing ratio (%)	62	62

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.

		2015	2014
	Note	Un-audited	Un-audited
<b>40 PROVIDENT FUND RELATED DISCLOSURES</b>			
The following information based on latest financial statements of the fund:			
Size of the fund - Total assets (Rs. 000s)		730,275	602,870
Cost of investments made (Rs. 000s)		587,130	520,170
Percentage of investments made		80.40%	86.28%
Fair value of investments (Rs. 000s)	40.1	682,100	558,618

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

	2015		2014	
	Rupees (000s)	Percentage	Rupees (000s)	Percentage
	Un-audited		Un-audited	
Shares in listed companies	77,530	11.37%	35,953	6.44%
Government securities	413,662	60.64%	189,041	33.84%
Debt securities	85,700	12.56%	110,401	19.76%
Mutual funds	74,198	10.88%	134,588	24.09%
Balance in saving accounts	31,010	4.55%	88,635	15.87%
	682,100	100.00%	558,618	100.00%



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 13,384 (2014: 12,814) and average number of employees during the year were 12,899 (2014: 12,679).

#### 42 EVENT AFTER BALANCE SHEET DATE

##### 42.1 Subsequent Effects

The Board of Directors of the Company in its meeting held on September 22, 2015 has proposed the following:

a) **Dividend**

Your directors have decided to pay cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2015.

b) **Transfer from Unappropriated Profit**

An amount of Rs. 250 million to be transferred to general reserve from unappropriated profit.

42.2 Through the Finance Act, 2015 Income Tax has been levied at the rate of 10% on undistributed reserves where such reserves of the company are in excess of its paid up capital unless the company distributes cash dividend equal to at least 40% of its after tax profits or 50% of paid up capital, which ever is lower, within six months of the end of the said tax year. Since the Board of Directors has recommended 15% cash dividend for the year ended June 30, 2015 (refer note 42.1) which exceeds the above stated limits, hence there will be no such tax liability.

#### 43 DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on September 22, 2015.

#### 44 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, 2015

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

## PATTERN OF SHAREHOLDING

As at June 30, 2015

No. of Shareholders	Shareholding				Shares held
701	From	1	to	100	23,910
1,201	From	101	to	500	434,864
924	From	501	to	1,000	766,081
1,220	From	1,001	to	5,000	3,137,475
228	From	5,001	to	10,000	1,787,090
78	From	10,001	to	15,000	984,015
44	From	15,001	to	20,000	809,220
31	From	20,001	to	25,000	718,397
21	From	25,001	to	30,000	589,088
17	From	30,001	to	35,000	551,939
11	From	35,001	to	40,000	422,317
6	From	40,001	to	45,000	260,727
20	From	45,001	to	50,000	982,836
10	From	50,001	to	55,000	534,901
1	From	55,001	to	60,000	60,000
4	From	60,001	to	65,000	252,318
2	From	65,001	to	70,000	136,368
3	From	70,001	to	75,000	216,625
1	From	75,001	to	80,000	75,294
1	From	80,001	to	85,000	85,000
3	From	85,001	to	90,000	262,444
2	From	90,001	to	95,000	184,923
1	From	95,001	to	100,000	100,000
2	From	100,001	to	105,000	201,777
1	From	120,001	to	125,000	123,245
2	From	135,001	to	140,000	277,500
1	From	155,001	to	160,000	158,250
1	From	175,001	to	180,000	177,205
1	From	185,001	to	190,000	189,213
3	From	195,001	to	200,000	600,000
1	From	255,001	to	260,000	256,891
1	From	285,001	to	290,000	288,000
1	From	290,001	to	295,000	292,048
1	From	305,001	to	310,000	310,000
1	From	370,001	to	375,000	375,000
1	From	515,001	to	520,000	516,500
1	From	555,001	to	560,000	555,851
1	From	565,001	to	570,000	570,000
1	From	795,001	to	800,000	800,000
1	From	1,000,001	to	1,005,000	1,000,118
1	From	2,005,001	to	2,010,000	2,009,004
1	From	2,355,001	to	2,360,000	2,356,000
1	From	4,605,001	to	4,610,000	4,605,500
1	From	4,920,001	to	4,925,000	4,923,541
1	From	6,045,001	to	6,050,000	6,049,915
1	From	6,840,001	to	6,845,000	6,844,619
1	From	11,130,001	to	11,135,000	11,133,538
1	From	17,930,001	to	17,935,000	17,931,467
1	From	152,600,001	to	152,605,000	152,601,758
<b>4,560</b>					<b>228,522,772</b>

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	4,480	17,555,556	7.68
Investment Companies & Mutual Funds	49	13,618,964	5.96
Insurance Companies	5	7,425,151	3.25
Joint Stock Companies	11	159,691,099	69.88
Modaraba Companies	2	32,722	0.01
Financial Institutions	4	858,865	0.38
Foreign Investors	4	29,133,835	12.75
Charitable Institutions	2	17,173	0.01
Government Departments	3	189,407	0.08
	<b>4,560</b>	<b>228,522,772</b>	<b>100.00</b>

## PATTERN OF SHAREHOLDING

As at June 30, 2015

### Additional Information

#### Categories of Shareholders

##### Associated Companies, Undertakings and Related Parties

	Number	Shares held
Gul Ahmed Holdings (Private) Limited	1	152,601,758
Swisstex Chemicals (Private) Limited	1	6,844,619
Trustee - Gul Ahmed Textile Mills Limited Employees Provident Fund Trust	1	123,245

##### NIT and ICP

IDBP (ICP Unit)	1	2,064
IDBL (ICP Unit)	1	3,151
National Bank of Pakistan - Trustee Department	1	566
National Bank of Pakistan - Trustee Department NI(U)T Fund	1	4,923,541
Trustee National Bank of Pakistan Employees Benevolent Fund Trust	1	3,253
Trustee National Bank of Pakistan Employees Pension Fund	1	92,730

##### Mutual Funds

CDC Trustee AKD Index Tracker Fund	1	16,995
CDC Trustee Al-Ameen Islamic Ret. Sav. Fund Equity Sub Fund	1	288,000
CDC Trustee Al-Ameen Shariah Stock Fund	1	4,605,500
CDC Trustee Alfalah GHP Alpha Fund	1	125
CDC Trustee Alfalah GHP Stock Fund	1	67,687
CDC Trustee UBL Retirement Savings Fund Sub Fund	1	516,500
CDC Trustee UBL Stock Advantage Fund	1	2,356,000

Banks, NBFIs, DFI and Investment Companies	35	619,607
Insurance Companies	5	7,425,151
Joint Stock Companies	9	244,722
Modaraba Companies	2	32,722
Financial Institutions	4	858,865
Foreign Investors	4	29,133,835
Charitable Institutions	2	17,173
Government Departments	3	189,407

##### DIRECTORS

Mohomed Bashir (Chairman)	1	292,048
Zain Bashir (Vice Chairman)	1	3,093
Mohammed Zaki Bashir (Chief Executive)	1	3,093
Ziad Bashir	1	3,093
S.M. Nadim Shafiqullah	1	10,350
Dr. Amjad Waheed	1	8,910
Adnan Afridi	1	9,000

##### DIRECTORS'/CEO'S SPOUSE:

Tania Zain	1	3,093
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##### CHIEF FINANCIAL OFFICER (CFO)

Mohammed Saleem Sattar	1	8,910
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##### Shareholders holding 5% or more Voting Interest

Gul Ahmed Holdings (Private) Limited	1	152,601,758
Hamdan Holdings Limited	1	17,931,467

Details of trading in the shares by:

##### DIRECTORS

Mohomed Bashir =288,955= Shares acquired as gift from family members

##### DIRECTORS'/CEO'S SPOUSE:

Parveen Bashir =3,093= Shares given as gift to family member

**CONSOLIDATED  
FINANCIAL STATEMENTS  
2015**

## GROUP DIRECTOR'S REPORT

The directors are pleased to present their report together with the audited Consolidated Financial Statements of the Group for the year ended June 30, 2015.

### The Group

The Group comprises of Gul Ahmed International Limited (FZC) – UAE, GTM (Europe) Limited – UK and GTM USA Corp. – USA, wholly owned subsidiaries of Gul Ahmed Textile Mills Limited. 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	791,668
Taxation	(177,399)
Profit after tax	614,269
Un-appropriated profit brought forward	1,336,209
Amount available for appropriation	1,950,478
<b>Appropriation</b>	
Transfer to general reserves	650,000
Transfer to statutory reserve	1,779
Amount carried to other comprehensive Income	14,415
Issue of bonus shares	457,046
Cash dividend	80,959
Amount carried forward	746,279
	1,950,478
Earnings per share (Rs.)	2.69

### 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 subsidiary of Gul Ahmed Holdings (Private) Limited holding 152,601,758 (2014: 123,314,552) shares of Rs. 10 each constituting 66.78% (2014: 67.45%) of total paid up capital.

### Subsequent Effects

The directors of the Group in their meeting held on September 22, 2015 have proposed the following:

1. Cash Dividend: Pay cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2015.
2. Reserves: An amount of Rs. 250 million to be transferred to general reserve from un - appropriated profit



## Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Gul Ahmed Textile Mills Limited (the Holding Company) and Gul Ahmed International Limited (FZC), GTM (Europe) Limited and GTM USA Corp. (the Subsidiaries) as at June 30, 2015 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, 2015 and the result of their operations for the year then ended.

Karachi  
September 22, 2015

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

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**KARACHI Office**

Suit No. 1601, 16th Floor, Kashif Centre, Shahrah-e-Faisal, Karachi. Phone: 92-21-35640050-1-2, Fax: 92-21-35640053, Email: bhimji@cyber.net.pk, info-khi@hyderbhimji.com

**LAHORE Office:**

Amin Building, 65-The Mall, Lahore. Phone: 92-42-37352661-37321043 Fax: 92-42-37248113, E-mail: info-lhr@hyderbhimji.com, hyderbhimjilahoreoffice@gmail.com

**FAISALABAD Office:**

206-1st Floor, Business Centre, New Civil Lines, Faisalabad. Phone: 92-41-2615632-2615650 Fax: 92-41-2617902 E-mail: hyderbhimjifsd@gmail.com, info-fsd@hyderbhimji.com

[www.hyderbhimji.com](http://www.hyderbhimji.com)

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# CONSOLIDATED BALANCE SHEET

As at June 30, 2015

		2015	2014
	Note	Rupees (000s)	
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	4	2,285,228	1,828,182
Reserves	5	4,350,852	3,688,803
Unappropriated profit		746,279	1,336,209
		<b>7,382,359</b>	<b>6,853,194</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	6	2,407,732	2,239,239
Deferred liabilities			
Deferred taxation	7	356,354	338,936
Staff retirement benefits	8	48,833	44,816
		<b>405,187</b>	<b>383,752</b>
		<b>2,812,919</b>	<b>2,622,991</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	5,393,287	6,428,420
Accrued mark-up/profit	10	206,481	177,164
Short term borrowings	11	8,838,174	7,829,770
Current maturity of long term financing	6	714,008	694,706
		<b>15,151,950</b>	<b>15,130,060</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		
		<b>25,347,228</b>	<b>24,606,245</b>

		2015	2014
	Note	Rupees (000s)	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	9,049,142	8,217,907
Intangible assets	14	15,834	24,020
Long term loans and advances	15	12,859	11,901
Long term deposits		93,572	81,034
		9,171,407	8,334,862
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	16	699,062	855,530
Stock-in-trade	17	11,461,198	12,129,702
Trade debts	18	2,152,073	1,482,683
Loans and advances	19	349,247	404,734
Short term prepayments		114,964	95,018
Other receivables	20	331,399	346,027
Tax refunds due from Government	21	750,196	655,664
Income tax refundable-payments less provision		181,730	177,812
Cash and bank balances	22	135,952	124,213
		16,175,821	16,271,383
		25,347,228	24,606,245

The annexed notes 1 - 43 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, 2015

		2015	2014
	Note	Rupees (000s)	
Sales	23	34,217,319	33,698,111
Cost of sales	24	27,787,984	27,418,741
Gross profit		6,429,335	6,279,370
Distribution cost	25	2,644,798	2,184,014
Administrative expenses	26	1,790,118	1,559,796
Other operating expenses	27	185,397	116,311
		4,620,313	3,860,121
		1,809,022	2,419,249
Other income	28	343,095	235,555
Operating profit		2,152,117	2,654,804
Finance cost	29	1,360,449	1,177,345
Profit before taxation		791,668	1,477,459
Provision for taxation	30	177,399	256,448
Profit after taxation		614,269	1,221,011
Earnings per share - basic and diluted (Rs.)	31	2.69	Restated 5.34

The annexed notes I - 43 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, 2015

		2015	2014
	Note	Rupees (000s)	
Profit after taxation		614,269	1,221,011
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit and loss account subsequently</b>			
Remeasurement loss on defined benefit plan	8.1	(16,437)	(3,910)
Tax effect on remeasurement loss	7	2,022	513
		(14,415)	(3,397)
<b>Items that will be reclassified to profit and loss account subsequently</b>			
Exchange difference on translation of foreign subsidiaries		10,270	18,746
<b>Total comprehensive income</b>		<b>610,124</b>	<b>1,236,360</b>

The annexed notes I - 43 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, 2015

		2015	2014
	Note	Rupees (000s)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		791,668	1,477,459
Adjustments for:			
Depreciation	13.1.1	968,706	856,477
Amortisation	14.1	13,703	12,507
Provision for gratuity	8.2	33,531	28,762
Finance cost	29	1,360,449	1,177,345
Provision for slow moving / obsolete items	16.1	10,645	17,952
Provision for doubtful debts	18.3	29,825	30,775
Property, plant and equipment scrapped	13.1	1,510	4,421
Gain on sale of short term investments	28	(5,983)	-
Dividend income	28	(406)	-
Net gain on sale of property, plant and equipment	13.1.3	(8,050)	(106,020)
		<b>2,403,930</b>	<b>2,022,219</b>
Cash flows from operating activities before adjustments of working capital		<b>3,195,598</b>	<b>3,499,678</b>
Changes in working capital:			
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		145,823	(150,047)
Stock-in-trade		668,504	(2,455,881)
Trade debts		(699,215)	1,188,915
Loans and advances		55,487	(52,676)
Short term prepayments		(19,946)	(48,300)
Other receivables		14,628	(168,435)
Tax refunds due from Government - Net		159,476	(424,646)
		<b>324,757</b>	<b>(2,111,070)</b>
(Decrease) / Increase in current liabilities			
Trade and other payables		(1,035,895)	2,180,407
		<b>(711,138)</b>	<b>69,337</b>
Cash generated from operations		<b>2,484,460</b>	<b>3,569,015</b>
Gratuity paid		(45,951)	(28,159)
Finance cost paid		(1,331,132)	(1,191,973)
Income tax paid		(415,885)	(231,741)
Increase in long term loans and advances		(958)	(9,840)
Increase in long term deposits		(12,538)	(29,722)
		<b>(1,806,464)</b>	<b>(1,491,435)</b>
Net cash generated from operating activities		<b>677,996</b>	<b>2,077,580</b>

	2015	2014
Note	Rupees (000s)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(1,865,002)	(1,970,456)
Addition to intangible assets	(5,517)	(9,285)
Proceeds from sale of property, plant and equipment	71,601	141,909
Dividend received	406	-
Short term investments made during the year	(519,473)	-
Proceeds from sale of short term investments	525,456	-
Net cash used in investing activities	(1,792,529)	(1,837,832)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	873,209	789,322
Repayments of long term financing	(685,414)	(572,314)
Dividend paid	(80,197)	-
Net cash generated from financing activities	107,598	217,008
Exchange difference on translation of foreign subsidiaries	10,270	18,746
Net (decrease) / increase in cash and cash equivalents	(996,665)	475,502
Cash and cash equivalents - at the beginning of the year	(7,705,557)	(8,181,059)
Cash and cash equivalents - at the end of the year	(8,702,222)	(7,705,557)
33		

The annexed notes I - 43 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, 2015

	Share capital	Revenue reserve	Exchange difference on translation of foreign subsidiaries	Statutory reserve created by foreign subsidiary	Unappropriated profit	Total
Rupees (000s)						
<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>Transaction with owners</b>						
Issue of bonus shares for the year ended June 30, 2013	304,696	-	-	-	(304,696)	-
<b>Total comprehensive income for the year ended June 30, 2014</b>						
Profit after taxation	-	-	-	-	1,221,011	1,221,011
Other comprehensive income	-	-	18,746	-	(3,397)	15,349
	-	-	18,746	-	1,217,614	1,236,360
<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>
<b>Transfer of reserves</b>						
Transfer to revenue reserve	-	650,000	-	-	(650,000)	-
Transfer to statutory reserve	-	-	-	1,779	(1,779)	-
	-	650,000	-	1,779	(651,779)	-
<b>Transaction with owners</b>						
Issue of bonus shares for the year ended June 30, 2014	457,046	-	-	-	(457,046)	-
Final dividend for the year ended June 30, 2014	-	-	-	-	(80,959)	(80,959)
<b>Total comprehensive income for the year ended June 30, 2015</b>						
Profit after taxation	-	-	-	-	614,269	614,269
Other comprehensive income	-	-	10,270	-	(14,415)	(4,145)
	-	-	10,270	-	599,854	610,124
<b>Balance as at June 30, 2015</b>	<b>2,285,228</b>	<b>4,230,000</b>	<b>107,172</b>	<b>13,680</b>	<b>746,279</b>	<b>7,382,359</b>

The annexed notes 1 - 43 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, 2015

## I LEGAL STATUS AND ITS OPERATIONS

### I.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 April 01, 1953 in Pakistan as a private company with its liability limited by shares. The Holding Company was converted into a public limited company on January 07, 1955. The Holding Company is listed in all the three Stock Exchanges of Pakistan. 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. 4.2.1.

#### Details of Subsidiaries

	Date of Incorporation	Percentage of Holding	Country of Incorporation
Gul Ahmed International Limited FZC	November 27, 2002	100%	U.A.E
GTM (Europe) Limited - Indirect subsidiary	April 17, 2003	100%	U.K
GTM USA Corp. - Indirect subsidiary	March 19, 2012	100%	U.S.A

### I.2 Basis of consolidation

The financial statements comprise of 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 Holding Company is eliminated against the subsidiary's share capital. All intra-group balances and transactions are eliminated.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 2 BASIS OF PREPERATION

### 2.1 Basis of measurement

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

These consolidated financial statements have been prepared following accrual basis of accounting except for cash flow statement.

### 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.

### 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, unless otherwise stated.

### 2.4 Critical accounting estimates and judgments

The preparation of 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 Group consolidated financial statements, are as follows:

#### Defined benefit plan

Actuarial assumptions have been adopted as disclosed in Note no. 8 to these consolidated 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 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 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 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:**

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. Impact of these standards, interpretations and amendments on Group's financial statements are mentioned below against the respective standards or interpretations.

#### **IAS 19 'Employee Benefits': Employee contributions - A practical approach**

The amendment clarifies that how contributions from employees or third parties, that are linked to service, should be attributed to period of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The amendments are relevant only to the defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendment does not have any impact on the Group's consolidated financial statements.

#### **IAS 32 'Financial Instruments: Presentation' - Offsetting financial assets and financial liabilities**

The amendment updates the application guidance to clarify some of the requirements for offsetting the financial assets and financial liabilities on the balance sheet date. The amendment clarifies that right of set-off must not be contingent on a future event. It must also be legally enforceable for all counter parties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The Group's current accounting treatment is already in line with the requirements of this amendment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## **IAS 36 'Impairment of Assets' - Recoverable amount disclosures for non-financial assets**

These narrow-scope amendments to IAS 36 'Impairment of Assets' reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendment has no impact on the Group's consolidated financial statements.

## **IAS 39 'Financial Instruments: Recognition and Measurement' - Novation of derivatives and continuation of hedge accounting**

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. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendment has no impact on the Group's consolidated financial statements.

## **IFRIC 21 'Levies'**

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. The amendment has no impact on the Group's consolidated financial statements.

## **(b) Amendments to standards as a result of Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles became effective:**

Amendments to the following standards as a result of annual improvements to the International Financial Reporting Standards issued by IASB. Impact of these amendments on Group's financial statements are mentioned below against the respective 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 separately clarifies 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. The amendment has no impact on the Group's consolidated financial statements.

### **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. The amendment has no impact on the Group's consolidated financial statements.

### **IFRS 8 'Operating Segments'**

This amendment 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's 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. The Group's current disclosures are already in line with the requirements.

**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 (amortisation) is not always proportionate to the change in the gross carrying amount of the asset. The amendment is not relevant to the Group's consolidated financial statements.

**IAS 24 'Related Party Disclosures'**

This standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amount charged to the reporting entity is required. The amendment is not relevant to the Group's consolidated financial statements.

**IAS 40 'Investment Property'**

This standard 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. The amendment is not relevant to the Group's consolidated financial statements.

**(c) Standards, Interpretations and Amendments not yet effective:**

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

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

This amendment introduces severe restrictions on the use of revenue-based amortisation 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 amortisation 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. It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

**Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' - Bearer Plants (Effective for annual periods beginning on or after January 01, 2016)**

Bearer plants are now in the scope of IAS 16 for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less cost to sell under IAS 41. A bearer plant is a plant that is used in the supply of agricultural produce, is expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. This standard is not relevant to the Group's consolidated financial statements.

**IAS 27 (Revised 2011) - 'Separate Financial Statements' (Effective from accounting period beginning on or after January 01, 2016)**

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. 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, in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement, or using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## **IAS 28 (Revised 2011) – ‘Investments in Associates and Joint Ventures’ (Effective from accounting period beginning on or after January 01, 2016)**

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. This standard is not relevant to the Group's consolidated financial statements.

## **(d) Amendments to standards as a result of annual improvements to IFRSs 2012–2014 cycle that are not yet effective:**

Amendments to the following standards as a result of annual improvements to the International Financial Reporting Standards issued by IASB that are not yet effective. Impact of these amendments on Group's financial statements are mentioned below against the respective standards.

### **IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ - Changes in methods of disposal (Effective from accounting period beginning on or after January 01, 2016)**

The amendment adds specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. The amendment is prospective and it is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

### **IFRS 7 ‘Financial Instruments: Disclosures’ (Effective from accounting period beginning on or after January 01, 2016)**

The amendments adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. The amendment also clarifies that the additional disclosure required by the amendment to IFRS 7, 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective. It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

### **IAS 19 ‘Employee Benefits’ - Discount rate regional market issue (Effective from accounting period beginning on or after January 01, 2016)**

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is currency that the liabilities are denominated in, is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, Government bonds in that relevant currency should be used. The amendment is retrospective but limited to the earliest period presented. It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

### **IAS 34 ‘Interim Financial Reporting’ - Disclosure of information 'elsewhere in the interim financial report' (Effective from accounting period beginning on or after January 01, 2016)**

This amendment clarifies what is meant by the reference in the standard to 'Disclosure of information elsewhere in the interim financial report'. The amendment also amends IAS 34 to require cross-reference from the interim financial statements to the location of that information. This amendment is retrospective. This amendment will only effect the disclosure in Group's consolidated interim financial statements.

**(e) 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(I) / 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. The standard only affects the disclosure in the Group's consolidated financial statements.

**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. It is unlikely that the standard will have any impact on the Group's consolidated financial statements.

**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. The standard may result in additional disclosures in the Group's consolidated financial statement.

**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. It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

**(f) New Standards issued by IASB but not yet been notified by SECP:****International Financial Reporting Standards (IFRSs)****IASB effective date for annual periods beginning on or after**

IFRS 1	- First Time Adoption of IFRS	January 1, 2013
IFRS 9	- Financial Instruments	January 1, 2018
IFRS 14	- Regulatory Deferral Accounts	January 1, 2016
IFRS 15	- Revenue from Contracts with Customers	January 1, 2017

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 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 vested to employees on completion of the prescribed qualifying period of service under the scheme. The Group's obligation is determined through actuarial valuations carried out periodically under the 'Projected Unit Credit Method'. The latest valuation was carried out as at June 30, 2015. The results of valuation are summarized in Note no. 8.

Current service cost, past service cost and interest cost are recognized in profit and loss account. Actuarial gains and losses arising at each valuation date are recognized immediately in other comprehensive income.

#### 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 Holding Company and its employees at the rate of 8.33% of the basic salary. The Holding Company's contribution is charged to profit and loss account.

### 3.3 Accumulated employee compensated absences

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

### 3.4 Provisions and contingencies

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. Where the outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

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 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 net of transaction cost incurred, and are subsequently recorded at amortised cost using the effective interest rate method.

### **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 capitalised 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 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 all depreciable assets using reducing balance method except for structure on lease hold land / rented property and specific office equipments (i.e. I.T. equipments and mobile phones) which are depreciated at straight line method. These assets are depreciated at rates specified in the Note no. 13.1. Depreciation is charged on additions on monthly basis i.e. from the month in which it is capitalised till the month prior to the month of its disposal. Depreciation is charged on the assets even if the assets are idle. No amortisation is provided on lease hold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values.

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.

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 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.

### 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. 14.

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 asset's fair value less costs to sell and value in use.

## 3.11 Investment at fair value through profit and loss

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

These are investments designated as held-for-trading at the inception. Investments under this category are classified in current assets. These investments are initially recorded at fair value and are remeasured at each reporting date. Gains or losses arising from changes in the fair value are recognised in profit and loss account in the period in which they arise. Gains or losses on disinvestments are also recognised in profit and loss account.

**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. Cost of goods-in-transit includes 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 realisable 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, labor and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon up to the balance sheet date.

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

**3.15 Trade debts**

Trade debts are carried at original invoice amount being fair value. 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 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 are raised.
- Dividend income is recognized when the Group's right to receive the payment is established.
- Mark-up on loans and advances to employees is recognized on the effective yield method. Under effective yield method, amortised cost of a financial asset is computed and related mark-up income is allocated over the relevant period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 3.17 Financial Instruments

Financial instruments carried on the balance sheet include deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, 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 and loss”.

Any gain or loss on subsequent measurement of the financial asset, except for available-for-sale investments, is charged / credited to the profit and loss account.

## 3.18 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 realises 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 de-recognition of financial asset is also included / credited to the profit and loss account.

## 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 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, 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 recoverable amount of such assets is estimated.

An impairment loss is recognised if the carrying amount of a specific asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in profit and loss account. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets of the unit on a pro-rata basis. 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.

## 3.20 Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest and exchange rate fluctuations. Derivative financial instruments, that do not qualified for hedge accounting, 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.

### **3.21 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 Group has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realise the assets and settle the liabilities simultaneously.

### **3.22 Cash and cash equivalents**

For the purpose of cash flow statement, 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 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 consolidated 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 4 SHARE CAPITAL

### 4.1 Authorised capital

2015	2014		2015	2014
Number of Shares			Rupees (000s)	
400,000,000	400,000,000	Ordinary shares of Rs.10 each	4,000,000	4,000,000

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

2015	2014		2015	2014
Number of Shares			Rupees (000s)	
64,188,985	64,188,985	Ordinary shares of Rs.10 each allotted for consideration fully paid in cash	641,890	641,890
5,447,326	5,447,326	Ordinary shares of Rs.10 each allotted as fully paid under scheme of arrangement for amalgamation	54,473	54,473
158,886,461	113,181,907	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	1,588,865	1,131,819
<b>228,522,772</b>	<b>182,818,218</b>		<b>2,285,228</b>	<b>1,828,182</b>

4.2.1 As at June 30, 2015, Gul Ahmed Holdings (Private) Limited, the parent company of Gul Ahmed Textile Mills Limited held 152,601,758 (2014: 123,314,552) ordinary shares of Rs. 10 each, constituting 66.78% (2014: 67.45%) of total paid-up capital.

4.2.2 As at June 30, 2015, no. of shares held by the associated companies and undertakings, other than Parent Company of Gul Ahmed Textile Mills Limited, aggregated to 6,967,864 (2014: 5,629,072) ordinary shares of Rs. 10 each.

4.2.3 As per the Honourable Sindh High Court's order, the Holding Company has held 1,541,432 shares and 69,138 shares out of the total bonus shares issued during the year to Gul Ahmed Holdings (Private) Limited and the associate company, respectively as these companies are the part of the suit filed against the tax on bonus shares imposed through Finance Act 2014.

### 4.3 Reconciliation of the number of shares outstanding

Number of shares outstanding at the beginning of the year  
Add: 25% Issue of bonus shares during the year (2014: 20%)

Note

2015	2014
Number of Shares	
182,818,218	152,348,515
45,704,554	30,469,703
<b>228,522,772</b>	<b>182,818,218</b>

## 5. RESERVES

### Revenue Reserve

General reserve at start  
Transfer from unappropriated profit

### Exchange difference on translation of foreign subsidiaries

### Statutory reserve

5.1

5.2

Rupees (000s)	
3,580,000	3,180,000
650,000	400,000
<b>4,230,000</b>	<b>3,580,000</b>
107,172	96,902
13,680	11,901
<b>4,350,852</b>	<b>3,688,803</b>

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

5.2 This represent reserve created by Gul Ahmed International Limited FZC, in accordance with Emiri decree No. 2 of 1995, issued by the ruler of Sharjah, U.A.E.

**6 LONG TERM FINANCING**
**From Banking Companies - Secured**

 Related party  
 Other banks

**Note**
**2015**
**2014**
**Rupees (000s)**

Current portion shown under current liabilities

 6.1  
 6.2

491,414
2,630,326
3,121,740
(714,008)
2,407,732

598,511
2,335,434
2,933,945
(694,706)
2,239,239

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
<b>6.1 Related party</b>						
Habib Metropolitan Bank Limited Loan 1	6.4, 6.6, 6.7					
a) Under LTF-EOP scheme		12 half yearly March-2010	678	7.00% p.a. payable quarterly	678	2,047
b) Under LTF-EOP scheme		12 half yearly April-2010	2,038	7.00% p.a. payable quarterly	2,038	6,123
Habib Metropolitan Bank Limited Loan 2 Under LTF-EOP scheme	6.4, 6.6, 6.7	12 half yearly November-2010	19,417	7.00% p.a. payable quarterly	38,830	77,665
Habib Metropolitan Bank Limited Loan 3 Under LTFF scheme	6.4, 6.6, 6.8	16 half yearly February-2012	2,719	10.00% p.a. payable quarterly	24,462	29,900
Habib Metropolitan Bank Limited Loan 4 Under LTFF scheme	6.4, 6.6, 6.8	16 half yearly March-2012	2,504	10.00% p.a. payable quarterly	22,537	27,545
Habib Metropolitan Bank Limited Loan 5 Under LTFF scheme	6.4, 6.6, 6.8	16 half yearly June-2012	4,212	10.25% p.a. payable quarterly	37,889	46,313
Habib Metropolitan Bank Limited Loan 6 Under LTFF scheme	6.4, 6.6, 6.8	16 half yearly July-2012	1,804	10.25% p.a. payable quarterly	18,036	21,644
Habib Metropolitan Bank Limited Loan 7 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly December-2013	3,328	11.20% p.a. payable quarterly	19,968	26,624
Habib Metropolitan Bank Limited Loan 8 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly January-2014	970	12.70% p.a. payable quarterly	6,781	8,721
Habib Metropolitan Bank Limited Loan 9 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly February-2014	1,342	12.70% p.a. payable quarterly	9,388	12,072
Habib Metropolitan Bank Limited Loan 10 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly June-2014	9,618	12.70% p.a. payable quarterly	67,326	86,562
Habib Metropolitan Bank Limited Loan 11 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly August-2014	1,357	12.70% p.a. payable quarterly	10,856	13,570
Habib Metropolitan Bank Limited Loan 12 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly September-2014	3,392	12.70% p.a. payable quarterly	27,136	33,920
Habib Metropolitan Bank Limited Loan 13 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly October-2014	158	12.70% p.a. payable quarterly	1,259	1,575
Habib Metropolitan Bank Limited Loan 14 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly August-2015	2,959	11.40% p.a. payable quarterly	29,590	29,590
Habib Metropolitan Bank Limited Loan 15 Under LTFF scheme	6.4, 6.6, 6.8	10 half yearly September-2015	13,689	11.40% p.a. payable quarterly	136,885	136,885
Habib Metropolitan Bank Limited Loan 16	6.4, 6.6, 6.8	10 half yearly April-2016	3,776	11.40% p.a. payable quarterly	37,755	37,755
		<b>Total from related party</b>			<b>491,414</b>	<b>598,511</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
<b>6.2 Other banks</b>						
Allied Bank Limited Loan Under LTFF scheme	6.5, 6.8	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	111,081	148,104
Askari Bank Limited Loan 1 Under LTFF scheme	6.4, 6.8	20 quarterly October-2016	8,346	8.50% p.a. payable quarterly	166,920	-
Askari Bank Limited Loan 2 Under LTFF scheme	6.4, 6.8	20 quarterly December-2016	2,930	8.50% p.a. payable quarterly	58,578	-
Askari Bank Limited Loan 3 Under LTFF scheme	6.4, 6.8	20 quarterly March-2017	1,066	8.50% p.a. payable quarterly	21,325	-
Al Baraka Bank (Pakistan) Limited Loan	6.4	20 quarterly March-2016	7,780	Average three month KIBOR Ask rate + 1.10% payable quarterly	155,600	-
Bank Al Habib Limited Loan 1 Under LTF-EOP scheme	6.4, 6.7	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	-	4,627
Bank Al Habib Limited Loan 2 Under LTFF scheme	6.3, 6.4, 6.8	8 half yearly December-2013	17,159	12.60% p.a. payable quarterly	68,629	102,947
Bank Alfalah Limited Loan 1	6.4	9 half yearly July-2014	1,147	Average six months KIBOR Ask rate + 1.25% payable half yearly	8,031	10,325
Bank Alfalah Limited Loan 2	6.4	9 half yearly August-2014	1,472	Average six months KIBOR Ask rate + 1.25% payable half yearly	10,308	13,252
Bank Alfalah Limited Loan 3	6.4	9 half yearly September-2014	8,172	Average six months KIBOR Ask rate + 1.25% payable half yearly	57,203	73,547
Bank Alfalah Limited Loan 4	6.4	9 half yearly October-2014	10,285	Average six months KIBOR Ask rate + 1.25% payable half yearly	71,997	92,567
Bank Alfalah Limited - Loan 5 Islamic Banking	6.4	9 half yearly March-2014	9,439	Average six months KIBOR Ask rate + 1.25% payable half yearly	56,633	75,511
Bank Alfalah Limited - Loan 6 Islamic Banking	6.4	9 half yearly April-2014	6,457	Average six months KIBOR Ask rate + 1.25% payable half yearly	38,747	51,662
Faysal Bank Limited Loan 1 Under LTFF scheme	6.4, 6.8	10 half Yearly January-2014	6,720	12.70% p.a. payable quarterly	47,040	60,480
Faysal Bank Limited Loan 2 Under LTFF scheme	6.4, 6.8	10 half yearly January-2014	3,850	12.70% p.a. payable quarterly	26,950	34,650
Faysal Bank Limited Loan 3 Under LTFF scheme	6.4, 6.8	10 half yearly April-2014	672	12.70% p.a. payable quarterly	4,698	6,042
Faysal Bank Limited Loan 4 Under LTFF scheme	6.4, 6.8	10 half yearly June-2014	241	12.70% p.a. payable quarterly	1,687	2,169
Faysal Bank Limited Loan 5 Under LTFF scheme	6.4, 6.8	10 half yearly July-2014	846	12.70% p.a. payable quarterly	6,768	8,460
Faysal Bank Limited Loan 6 Under LTFF scheme	6.4, 6.8	10 half yearly September-2014	10,970	12.70% p.a. payable quarterly	87,760	109,700
Habib Bank Limited Loan 1	6.3, 6.7					
a) Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)		12 half yearly June-2010	5,411	7.00% p.a. payable quarterly	5,411	16,245

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
b) Under LTF-EOP scheme		12 half yearly November-2010	4,450	7.00% p.a. payable quarterly	8,903	17,803
Habib Bank Limited Loan 2 Under LTF-EOP scheme	6.3, 6.7	12 half yearly December-2010	2,571	7.00% p.a. payable quarterly	5,142	10,284
Habib Bank Limited Loan 3 Under LTF-EOP scheme	6.3, 6.7	12 half yearly February-2010	9,511	7.00% p.a. payable quarterly	9,511	28,531
Habib Bank Limited Loan 4 Under LTF-EOP scheme	6.3, 6.7	12 half yearly January-2010	776	7.00% p.a. payable quarterly	776	2,332
Habib Bank Limited Loan 5	6.3, 6.7					
a) Under LTF-EOP scheme		12 half yearly January-2010	1,691	7.00% p.a. payable quarterly	1,691	5,091
b) Under LTF-EOP scheme		12 half yearly February-2010	136	7.00% p.a. payable quarterly	136	414
Habib Bank Limited Loan 6 Under State Bank of Pakistan (SBP) Scheme of Long Term Financing Facility (LTFF)	6.3, 6.8	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	88,434	110,542
Habib Bank Limited Loan 7 Under LTFF scheme	6.3, 6.8	16 half yearly August-2011	562	10.00% p.a. payable quarterly	4,499	5,623
Habib Bank Limited Loan 8 Under LTFF scheme	6.3, 6.8	16 half yearly October-2011	709	10.00% p.a. payable quarterly	5,678	7,096
Habib Bank Limited Loan 9 Under LTFF scheme	6.3, 6.8	16 half yearly March-2012	277	10.00% p.a. payable quarterly	2,491	3,045
Habib Bank Limited Loan 10 Under LTFF scheme	6.3, 6.8	16 half yearly August-2012	3,536	10.25% p.a. payable quarterly	35,398	42,470
Habib Bank Limited Loan 11 Under LTFF scheme	6.3, 6.8	20 quarterly September-2016	5,804	9.00% p.a. payable quarterly	116,050	-
Habib Bank Limited Loan 12 Under LTFF scheme	6.3, 6.8	20 quarterly November-2016	1,698	9.00% p.a. payable quarterly	33,950	-
HSBC Bank Middle East Limited Loan 1	6.4, 6.7					
a) Under LTF-EOP scheme		12 half yearly October-2010	2,883	7.00% p.a. payable quarterly	-	11,534
b) Under LTF-EOP scheme		12 half yearly November-2010	1,038	7.00% p.a. payable quarterly	-	4,149
HSBC Bank Middle East Limited Loan 2 Under LTF-EOP scheme	6.4, 6.7	12 half yearly December-2010	1,838	7.00% p.a. payable quarterly	-	7,353
HSBC Bank Middle East Limited Loan 3 Under LTF-EOP scheme	6.4, 6.7	12 half yearly February-2010	875	7.00% p.a. payable quarterly	-	2,623
HSBC Bank Middle East Limited Loan 4 Under LTF-EOP scheme	6.4, 6.7	12 half yearly March-2010	844	7.00% p.a. payable quarterly	-	2,532
MCB Bank Limited Loan 1 Under LTFF scheme	6.5, 6.8	10 half yearly March-2017	17,412	8.25% p.a. payable quarterly	174,050	-
MCB Bank Limited Loan 2 Under LTFF scheme	6.5, 6.8	10 half yearly April-2017	2,417	8.25% p.a. payable quarterly	24,251	-
MCB Bank Limited Loan 3 Under LTFF scheme	6.5, 6.8	10 half yearly April-2017	5,773	8.25% p.a. payable quarterly	57,730	-
MCB Bank Limited Loan 4	6.5	10 quarterly March-2017	1,486	Average three months KIBOR Ask rate +2.25% payable quarterly	14,860	-
National Bank of Pakistan Loan 1	6.5	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate + 1.00% payable quarterly	4,000	20,000
National Bank of Pakistan Loan 2 Under LTFF scheme	6.4, 6.5, 6.8	16 quarterly September-2011	2,350	10.40% p.a. payable quarterly	2,350	11,755



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For the Year Ended June 30, 2015

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
National Bank of Pakistan Loan 3 Under LTFF scheme	6.4, 6.5, 6.8	20 quarterly January-2014	3,190	10.90% p.a. payable quarterly	44,660	57,420
National Bank of Pakistan Loan 4 Under LTFF scheme	6.4, 6.5, 6.8	20 quarterly May-2014	801	10.90% p.a. payable quarterly	12,015	15,219
National Bank of Pakistan Loan 5 Under LTFF scheme	6.4, 6.5, 6.8	20 quarterly April-2014	6,009	10.90% p.a. payable quarterly	90,135	114,171
NIB Bank Limited Loan 1 Under LTFF scheme	6.5, 6.8	16 quarterly June-2014	2,827	10.90% p.a. payable quarterly	31,099	42,407
NIB Bank Limited Loan 2 Under LTFF scheme	6.5, 6.8	16 quarterly March-2014	829	10.90% p.a. payable quarterly	8,291	11,607
NIB Bank Limited Loan 3 Under LTFF scheme	6.5, 6.8	16 quarterly August-2014	498	10.90% p.a. payable quarterly	5,968	7,960
NIB Bank Limited Loan 4	6.5	16 quarterly March-2014	829	Average three months KIBOR Ask rate + 1.50% payable quarterly	9,120	11,607
NIB Bank Limited Loan 5	6.5	16 quarterly June-2014	2,827	Average three months KIBOR Ask rate + 1.50% payable quarterly	31,099	42,408
NIB Bank Limited Loan 6 Under LTFF scheme	6.5, 6.8	16 quarterly September-2014	1,289	10.90% p.a. payable quarterly	15,480	20,640
NIB Bank Limited Loan 7 Under LTFF scheme	6.5, 6.8	16 quarterly November-2014	301	10.90% p.a. payable quarterly	3,924	4,830
NIB Bank Limited Loan 8 Under LTFF scheme	6.5, 6.8	16 quarterly February-2015	3,220	10.90% p.a. payable quarterly	45,090	51,530
NIB Bank Limited Loan 9 Under LTFF scheme	6.5, 6.8	16 quarterly March-2015	2,016	10.90% p.a. payable quarterly	28,234	32,266
NIB Bank Limited Loan 10 Under LTFF scheme	6.5, 6.8	16 quarterly April-2015	538	10.90% p.a. payable quarterly	8,072	8,610
NIB Bank Limited Loan 11 Under LTFF scheme	6.5, 6.8	16 quarterly May-2015	1,324	10.90% p.a. payable quarterly	19,866	21,190
NIB Bank Limited Loan 12	6.5	16 quarterly June-2015	168	Average three months KIBOR Ask rate + 1.50% payable quarterly	2,527	2,695
NIB Bank Limited Loan 13 Under LTFF scheme	6.5, 6.8	16 quarterly June-2015	2,037	10.90% p.a. payable quarterly	30,568	32,605
NIB Bank Limited Loan 14 Under LTFF scheme	6.5, 6.8	16 quarterly October-2015	803	10.90% p.a. payable quarterly	12,850	12,850
Standard Chartered Bank Loan 1 Under LTFF scheme	6.5, 6.8	8 Half Yearly October-2012	2,995	11.10% p.a. payable quarterly	5,990	11,980
Standard Chartered Bank Loan 2 Under LTFF scheme	6.5, 6.8	8 Half Yearly November-2012	21,886	11.10% p.a. payable quarterly	43,784	87,557
United Bank Limited Loan 1 Under LTF-EOP scheme	6.5, 6.7	12 half yearly April-2010	931	7.00% p.a. payable quarterly	931	2,793
United Bank Limited Loan 2 Under LTFF scheme	6.5, 6.8	16 half yearly November-2010	363	10.00% p.a. payable quarterly	2,176	2,902
United Bank Limited Loan 3 Under LTFF scheme	6.5, 6.8	10 half yearly December-2012	1,319	10.50% p.a. payable quarterly	5,276	7,915
United Bank Limited Loan 4 Under LTFF scheme	6.5, 6.8	12 half yearly December-2011	557	10.50% p.a. payable quarterly	2,234	3,348
United Bank Limited Loan 5 Under LTFF scheme	6.5, 6.8	12 half yearly January-2012	128	10.50% p.a. payable quarterly	644	900
United Bank Limited Loan 6 Under LTFF scheme	6.5, 6.8	12 half yearly February-2012	741	10.50% p.a. payable quarterly	3,708	5,190
United Bank Limited Loan 7 Under LTFF scheme	6.5, 6.8	12 half yearly April-2012	3,686	11.20% p.a. payable quarterly	18,432	25,800
United Bank Limited Loan 8 Under LTFF scheme	6.5, 6.8	19 half yearly November-2011	7,441	11.20% p.a. payable quarterly	81,857	96,739

Particulars	Note	Number of installments and commencement month	Installment amount Rs. 000s	Mark-up rate per annum	2015	2014
					Rupees (000s)	
United Bank Limited Loan 9 Under LTFF scheme	6.5, 6.8	19 half yearly December-2011	5,916	11.20% p.a. payable quarterly	65,072	76,905
United Bank Limited Loan 10	6.5	12 half yearly September-2013	269	Average six months KIBOR Ask rate + 1.00% payable half yearly	2,150	2,687
United Bank Limited Loan 11	6.5	12 half yearly October-2013	1,235	Average six months KIBOR Ask rate + 1.00% payable half yearly	9,883	12,353
United Bank Limited Loan 12	6.5	12 half yearly December-2013	5,892	Average six months KIBOR Ask rate + 1.00% payable half yearly	47,133	58,916
United Bank Limited Loan 13 Under LTFF scheme	6.5, 6.8	12 half yearly January-2014	259	12.70% p.a. payable quarterly	2,338	2,856
United Bank Limited Loan 14 Under LTFF scheme	6.5, 6.8	12 half yearly March-2014	1,525	11.20% p.a. payable quarterly	13,727	16,776
United Bank Limited Loan 15	6.5	12 half yearly January-2014	11,913	Average six months KIBOR Ask rate + 1.00% payable half yearly	107,213	131,037
United Bank Limited Loan 16 Under LTFF scheme	6.4, 6.8	10 half yearly July-2017	1,802	8.00% p.a. payable quarterly	18,020	-
United Bank Limited Loan 17 Under LTFF scheme	6.4, 6.8	10 half yearly August-2017	398	6.50% p.a. payable quarterly	3,985	-
United Bank Limited Loan 18 Under LTFF scheme	6.4, 6.8	10 half yearly September-2017	215	6.50% p.a. payable quarterly	2,150	-
United Bank Limited Loan 19 Under LTFF scheme	6.4, 6.8	10 half yearly October-2017	102	6.50% p.a. payable quarterly	1,020	-
United Bank Limited Loan 20	6.4	10 half yearly November-2017	2,385	Average six months KIBOR Ask rate + 1.25% Payable quarterly	23,850	-
United Bank Limited Loan 21 Under LTFF scheme	6.4, 6.8	10 half yearly December-2017	89	6.50% p.a. payable quarterly	890	-
Samba Bank Limited Loan 1 Under LTFF scheme	6.5,6.8	9 half yearly May-2015	17,245	10.90% p.a. payable quarterly	137,955	155,200
Samba Bank Limited Loan 2 Under LTFF scheme	6.5,6.8	9 half yearly June-2015	4,456	10.90% p.a. payable quarterly	35,644	40,100
<b>Total from other banks</b>					<b>2,630,326</b>	<b>2,335,434</b>

- 6.3 These loans are secured by first pari passu charge over present and future property, plant and equipment of the Holding Company and equitable mortgage over land and building.
- 6.4 These loans are secured by charge over specified machinery.
- 6.5 These loans are secured by way of pari passu charge over the property, plant and equipment of the Holding Company.
- 6.6 Habib Metropolitan Bank Limited is a related party and associated company by virtue of common directorship.
- 6.7 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.
- 6.8 The financing availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years from 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

	2015	2014
	Rupees (000s)	
<b>7 DEFERRED TAXATION</b>		
Opening	338,936	326,526
Charged to profit and loss account	19,440	12,923
Charged to other comprehensive income	(2,022)	(513)
	356,354	338,936
<b>Deferred tax arises due to:</b>		
Taxable temporary differences in respect of		
Accelerated tax depreciation allowance	392,121	371,552
Provision for income of subsidiaries	9,209	8,221
	401,330	379,773
Deductible temporary differences in respect of		
Provision for gratuity	(5,408)	(5,185)
Provision for doubtful debts	(24,388)	(22,094)
Provision for slow moving items	(12,432)	(11,860)
Unused tax losses	(2,748)	(1,698)
	(44,976)	(40,837)
	356,354	338,936
7.1	Deferred taxation has been calculated only to the extent of those temporary differences which do not relate to income falling under the Final Tax Regime of the Income Tax Ordinance, 2001.	

	2015	2014
	Rupees (000s)	
<b>8 STAFF RETIREMENT BENEFITS</b>		
<b>8.1 Reconciliation of the present value of defined benefit obligation and movement in net defined benefit liability</b>		
Opening balance	44,816	40,303
Charge for the year	33,531	28,762
Remeasurement loss charged in other comprehensive income	16,437	3,910
Benefits paid during the year	(45,951)	(28,159)
Closing balance	48,833	44,816
<b>8.2 Charge for the year recognized in profit and loss account</b>		
Current service cost	29,734	26,382
Past service cost	1,458	-
Interest cost	2,339	2,380
	33,531	28,762

Note

8.2

8.4

26.1

8.3 Significant actuarial assumptions used	2015	2014
Following significant actuarial assumptions were used for the valuation:		
Discount rate used	9.75% p.a	13.25% p.a
Expected increase in salary for year end obligation	8.75% p.a	12.25% p.a
Average expected remaining working lifetime of employees	9 years	8 years
Mortality rates	SLIC 2001-2005 Set back 1 Year	SLIC 2001-2005 Set back 1 Year

8.4 Past service cost has arisen due to change in plan (eligible payment days) for certain employees of the Holding Company.

8.5 General description

The scheme provides retirement benefits to all its eligible employees who are not part of the provident fund scheme and who have attained the minimum qualifying period. Actuarial valuation of the scheme is carried out periodically and latest actuarial valuation was carried out at June 30, 2015. The disclosure is based on information included in that actuarial report.

8.6 Sensitivity analysis

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

Note	2015	2014
	Rupees (000s)	
Discount Rate + 100 bps	40,225	36,571
Discount Rate - 100 bps	48,442	43,028
Salary increase + 100 bps	48,442	43,152
Salary increase - 100 bps	40,162	36,409

9 TRADE AND OTHER PAYABLES

Creditors - Due to related parties		11,793	11,284
- Others		3,841,765	4,793,637
		3,853,558	4,804,921
Murabaha	9.1	-	358,202
Accrued expenses	9.2	1,138,952	811,713
Advance from customers		274,889	254,774
Workers' profit participation fund	9.3	49,498	84,102
Workers' welfare fund	9.4	15,986	53,634
Unclaimed dividend		1,274	512
Taxes withheld		25,627	35,351
Payable to employees' provident fund		2,158	9,016
Others		31,345	16,195
		<u>5,393,287</u>	<u>6,428,420</u>

9.1 Murabaha is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed murabaha facility at the year end was Rs. Nil (2014: Rs. 150 million) and the limit is interchangeable with Istisna. Murabaha facilities mature within 12 months. It includes accrued profit of Rs. Nil (2014: Rs. 8.202 million). The effective rate of profit ranges from 7.5% to 11.09% (2014: 9.15% to 11.28%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

- 9.2** Accrued expenses include infrastructure cess amounting to Rs. 94.2 million (2014: Rs. 72.48 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 amount has been expensed out in the financial statements.

		2015	2014
	Note	Rupees (000s)	
<b>9.3</b>	<b>Workers' profit participation fund</b>		
Opening balance		84,102	45,224
Allocation for the year	27	42,069	80,340
Interest for the year	9.3.1	7,429	3,762
		133,600	129,326
Payments made during the year		(84,102)	(45,224)
Closing balance		49,498	84,102

- 9.3.1** 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 utilised by the Holding Company till the date of allocation/payments to workers.

- 9.4** 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 Honourable Sindh High Court has given the decision in favour 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 amount has been expensed out in the consolidated financial statements.

		2015	2014
	Note	Rupees (000s)	
<b>10</b>	<b>ACCRUED MARK-UP / PROFIT</b>		
Mark-up on long term financing		71,540	75,169
Mark-up on short term borrowings		134,941	101,995
	10.1	206,481	177,164
<b>10.1</b>	Accrued mark-up includes mark-up due to following related parties:		
	<b>Long term financing</b>		
	Habib Metropolitan Bank Limited - associated company	14,205	16,701
	<b>Short term borrowings</b>		
	Habib Metropolitan Bank Limited - associated company	1,729	1,918
	Silk Bank Limited - associated company	7,182	-
		8,911	1,918
		23,116	18,619

		2015	2014
	Note	Rupees (000s)	
<b>II SHORT TERM BORROWINGS - SECURED</b>			
Short term bank borrowings			
Foreign currency		967,746	5,212,442
Local currency		7,077,400	2,510,700
	11.1	8,045,146	7,723,142
Short term running finance		793,028	106,628
		8,838,174	7,829,770

11.1 Short term bank borrowing includes Istisna amounting to Rs. 2,209 million (2014: Rs. 580 million) in local currency and Rs. Nil (2014: Rs. 1,959 million) in foreign currency.

11.2 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. 7,004 million (2014: Rs. 6,162 million). The facility for short term finance matures within twelve months. Short term borrowings include following from related parties:

	2015	2014
	Rupees (000s)	
Habib Metropolitan Bank Limited - associated company	183,551	614,563
Silk Bank Limited - associated company	475,000	-
	658,551	614,563

11.3 Foreign currency mark-up/profit rates range from 1.15% to 2.00% (2014: 0.84% to 3.75%) per annum. Local currency mark-up/profit rates range from 5.75% to 13.21% (2014: 8.95% to 13.38%) per annum.

## 12 CONTINGENCIES AND COMMITMENTS

12.1 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 Group 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.

12.2 The Holding Company has filed a suit in the Honourable Sindh High Court for recovery of Rs. 33.409 million (2014: Rs. 33.409 million) against sale of property included in other receivables note no. 20. The Group's management and its legal counsel are of the opinion that the case will be decided in the Holding Company's favour and as such no provision has been made there against.

12.3 The Holding Company has filed a Petition in the Honourable 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 (2014: Rs. 50.827 million). This demand has 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 finalisation of all matters by EOBI. The Honourable 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 favourable outcome of the Petition.

12.4 The Holding Company has filed a Constitution Petition in the Honourable 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 (2014: Rs. 10 million) and against which part payment of Rs. 2.57 million has been made. The Honourable 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 favourable outcome of the Petition. Also refer Note no. 19.1.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

- 12.5 On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby GIDC rates of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumers, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The matter regarding levy of the GIDC prior to promulgation of the GIDC Act, 2015 is presently subjudice. The Holding Company along with several other companies has filed a suit in the Honourable Sindh High Court challenging the increase in GIDC through the GIDC Act, 2011, the GIDC Ordinance, 2014 and the GIDC Act, 2015. The Honourable Sindh High Court has issued stay against recovery of the GIDC under the GIDC Act, 2011, the GIDC Ordinance, 2014 and the GIDC Act, 2015 and hence the Holding Company has not paid GIDC under the above referred laws. Further as the Group is confident that the case will be decided in favour of the Appellants hence no provision in respect of the GIDC Act, 2011 and GIDC Ordinance, 2014 is made in these consolidated financial statements amounting to Rs. 868.221 million (2014: Rs. 344.210 million).

However as a matter of abundant prudence amount payable under the GIDC Act 2015 commencing from May 22, 2015 to the balance sheet date amounting to Rs. 44.473 million has been provided in these financial statements.

- 12.6 The Holding Company has filed a suit in the Honourable Sindh High Court for recovery of Rs. 17.851 million (2014: Rs. 17.851 million) against a customer for the sale of fabric included in trade debts Note no. 18. However, in view of the uncertainties in such matters, full provision has been made in the consolidated financial statements.

### 12.7 Guarantees

- (a) Rs. 656 million (2014: Rs. 636 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 amounting to Rs. 588 million (2014: Rs. 567 million).
- (b) Post dated cheques Rs. 462 million (2014: Rs. 535 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. 1,858 million (2014: Rs. 2,927 million).
- (d) Corporate guarantee of Rs. 96.873 million (2014: Rs. 109.398 million) has been issued to a bank by the Holding Company in favour of indirect subsidiary company - GTM (Europe) Limited - UK.

### 12.8 Commitments

- (a) The Group is committed for capital expenditure as at June 30, 2015 of Rs. 1,335 million (2014: Rs. 469 million).
- (b) The Group is committed for non capital expenditure items under letters of credits as at June 30, 2015 of Rs. 2,000 million (2014: Rs. 2,221 million).
- (c) The Group is committed to minimum rental payments for each of the following period as follows:

	2015	2014
Note	Rupees (000s)	
Not more than one year	408,079	323,120
More than one year but not more than five years	1,486,287	1,242,552
More than five years	939,586	730,377
	<u>2,833,952</u>	<u>2,296,049</u>

## 13 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	13.1	8,711,930	7,720,611
Capital work in progress (CWIP)	13.2	337,212	497,296
		<u>9,049,142</u>	<u>8,217,907</u>

**13.1 Operating fixed assets**

	Leasehold land	Buildings and structures on leasehold land	Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
<b>Note</b>	<b>Rupees (000s)</b>						
<b>Movement in net book value during the year ended June 30, 2015</b>							
Opening net book value (NBV)	227,564	1,000,544	5,941,828	51,176	158,654	340,845	7,720,611
Direct additions (at Cost)	-	164,370	205,838	6,355	42,507	93,683	512,753
Transfer from CWIP	-	518,654	984,818	66	8,795	-	1,512,333
Disposal at NBV	13.1.2	-	(46,279)	(58)	(856)	(16,358)	(63,551)
Scrapped at NBV	-	-	-	(501)	(1,009)	-	(1,510)
Depreciation charge	13.1.1	(163,854)	(681,355)	(6,828)	(37,405)	(79,264)	(968,706)
<b>Closing net book value</b>	<b>227,564</b>	<b>1,519,714</b>	<b>6,404,850</b>	<b>50,210</b>	<b>170,686</b>	<b>338,906</b>	<b>8,711,930</b>
<b>Net book value as at June 30, 2015</b>							
Cost	227,564	2,928,849	13,033,494	112,553	480,095	735,800	17,518,355
Accumulated depreciation	-	(1,409,135)	(6,628,644)	(62,343)	(309,409)	(396,894)	(8,806,425)
<b>Net book value</b>	<b>227,564</b>	<b>1,519,714</b>	<b>6,404,850</b>	<b>50,210</b>	<b>170,686</b>	<b>338,906</b>	<b>8,711,930</b>
<b>Movement in net book value during the year ended June 30, 2014</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	13.1.2	(6,543)	(9,156)	-	(1,914)	(18,276)	(35,889)
Scrapped at NBV	-	-	-	(2,765)	(1,656)	-	(4,421)
Depreciation charge	13.1.1	(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>Net book value 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>
Depreciation rate % per annum	-	10	10	10 to 12	15 to 30	20 to 25	

		2015	2014
<b>Note</b>	<b>Rupees (000s)</b>		
<b>13.1.1 Depreciation charge for the year has been allocated as follows:</b>			
Cost of goods manufactured	24.1	758,913	692,899
Distribution cost	25	106,228	71,629
Administrative expenses	26	103,565	91,949
		<b>968,706</b>	<b>856,477</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rupees (000s)				
<b>Plant and machinery</b>					
Ring Spinning	16,211	6,552	2,783	Negotiation	Haji Shahabuddin Faisalabad
Ring Spinning	26,949	8,828	4,000	Negotiation	Ishaq Textile Mills Limited 1088/2, Jail Road, Faisalabad
Ring Spinning	2,535	73	1,265	Negotiation	M. Akram Engineering Works Flat No. B-7, VIP City House North Karachi, Karachi
Ring Spinning	5,721	1,611	1,000	Negotiation	Nooriabad Textile Mills (Pvt) Ltd. D-148, Nooriabad S.I.T.E, Karachi
Ring Spinning	63,623	19,922	9,000	Negotiation	Sally Textile Mills Limited 4-F, Gulberg, Lahore
Quilting Machine	1,622	422	455	Negotiation	Ittehad Sewing Machine Ind. Shop No. 240, Madina Market Garden Road, Karachi
Margassa Plant	16,692	8,609	24,867	Negotiation	Simco Spinning & Textile Limited House No. 122/2, Dohs Baridhara Dhaka, Bangladesh
Air Compressor	300	261	400	Negotiation	M.S. Industrial Engineering Main Shakra-e-Faisal, Karachi
<b>Office equipment</b>					
Stablizer	290	53	50	Negotiation	Al-Hamd Furniture Liaquatabad, Karachi
<b>Vehicles</b>					
Honda City - BBH-638	1,713	1,519	1,590	Negotiation	Mr. Gul Dad House No. HK-579 KPT Building, Karachi
Toyota Corolla - AVM-729	1,565	609	1,050	Company policy	Mr. Mian Farhan Panhyar - Employee House No. C-61, Block-12 Gulistan-e-Johar, Karachi
Toyota Corolla - ASV-549	1,388	432	1,000	Negotiation	Mr. Adnan Hassan Khan House No. A-908, Block-12 Gulberg, Karachi
Toyota Corolla - AQE-711	1,161	289	650	Negotiation	Mr. Muhammad Farhan House No. A-209, Block-4 Gulshan-e-Iqbal, Karachi

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
Rupees (000s)					
Honda City - AXN-395	1,487	723	1,100	Company policy	Mr. Muhammad Iqbal Shaikh - Employee House No. B-292, Block-2, Gulistan-e-Johar, Karachi
Suzuki Mehran - AQX-440	432	86	173	Company policy	Mr. Tariq Kalam - Employee House No. B-494, Sector 11-A North Karachi, Karachi
Suzuki Mehran - APC-693	398	79	162	Company policy	Mr. Afroz Hussain - Employee House No. A-749, Muhammadi Dera Malir-15, Karachi
Suzuki Mehran - ARK-763	489	122	197	Company policy	Syed Adil Raza Alam - Employee House No. H-403, Block-13, Gulistan-e-Johar, Karachi
Suzuki Alto - AQU-340	537	107	215	Company policy	Mr. Nadeem Akhter - Employee House No. R-488Z, Sector No. 10, North Karachi, Karachi
Suzuki Alto - ARH-036	636	158	257	Company policy	Mr. Abdul Wahab - Employee House No. C-64, Wehdat Colony, Qasimabad, Hyderabad
Suzuki Alto - AKU-265	512	64	431	Negotiation	Syed Muhammad Taufiq House No. B-150, Block-6, Gulshan-e-Iqbal, Karachi
Suzuki Cultus - ARH-087	766	187	641	Negotiation	Syed Muhammad Taufiq House No. B-150, Block-6, Gulshan-e-Iqbal, Karachi
Suzuki Alto - AUE-635	697	267	530	Negotiation	Mr. Noman Hassan Khan House No. A-908, Block-12, Gulberg Town, Karachi
Suzuki Cultus - AWE-825	948	453	740	Negotiation	Mr. Noman Hassan Khan House No. A-908, Block-12, Gulberg Town, Karachi
Suzuki Cultus - AQW-329	662	130	261	Company policy	Mr. Arshad Mehmood Khan - Employee House No. A-66, Alfalah Society, Malir Halt, Karachi
Toyota Corolla - ASV-541	1,427	437	960	Negotiation	Mr. Mohsin House No. A-45, Block-4, New Dhoraji Colony, Gulshan-e-Iqbal, Karachi
Suzuki Mehran - ASM-846	512	157	390	Negotiation	Mr. Ashraf Ali House No. L-412, Block-5, North Karachi, Karachi

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Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
Rupees (000s)					
Honda City - ARF-459	1,070	252	431	Negotiation	Mr. Sadiq Iqbal Siddiqui House No. A-1066, Quaidabad Bin Qasim, Karachi
Honda Civic - AUP-068	2,063	732	1,150	Company policy	Mr. Muhammad Omer - Employee House No. 13/11, Khayaban-e-badban DHA, Karachi
Suzuki Mehran - ARK-851	484	110	194	Company policy	Mr. Mustafa Fakhruddin Ali - Employee Flat No. 24, Al-Noor Arcade, Saddar, Karachi
Suzuki Cultus - AQY-753	703	128	546	Negotiation	Mr. Adnan Hassan Khan House No. A-908, Block-12, Gulberg Town, Karachi
Honda Civic - BBW-898	2,506	2,213	2,220	Negotiation	Mr. Shakeel Ahmed Memon House No. 201, Shangrilla Garden, Soldier Bazar, Karachi
Toyota Corolla - ASV-904	1,427	405	1,000	Company policy	Mr. Muhammad Atif - Employee House No. B-145, Block-12, Gulistan-e-Johar, Karachi
Suzuki Bolan - CS-3435	483	93	300	Negotiation	Mr. Muhammad Rehman Sher Paow Colony, Landhi, Karachi
Suzuki Alto - AWN-541	984	462	510	Negotiation	Mr. Shafqat Flat No. M-16, Khayaban-e-Ittehad, DHA, Karachi
Daihatsu Cuore - ASX-870	747	224	299	Company policy	Ms. Rubina Saeed - Employee House No. D-21, Shate-27, Model Colony, Karachi
Suzuki Mehran - AUF-063	546	205	369	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi
Suzuki Cultus - ATT-226	864	260	686	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi
Suzuki Alto - ASY-349	824	248	671	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi
Toyota Corolla - ARW-748	1,872	409	887	Negotiation	Mr. Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi
Honda City - ARJ - 766	1,090	243	701	Negotiation	Mr. Sultan Hassan Khan House No. A-908/12, F.B. Area, Karachi

Particulars of assets	Cost	Written down value	Sale proceeds	Mode of disposal	Particulars of buyers
Rupees (000s)					
Suzuki Cultus - ARP - 694	836	179	335	Negotiation	Mr. Muhammad Jawed House No. D-9, Block No. 16, Gulshan-e-Iqbal, Karachi
Honda Civic - ASM - 306	1,867	500	747	Negotiation	Mr. Mohiuddin House No. 42/6, Street No. 7, Muslimabad, Karachi
Suzuki Cultus - ASW - 674	824	221	330	Company policy	Mr. Rashid Ahmed - Employee House No. B-29, Sector 31-D, Korangi, Karachi
Honda City - ARB - 480	1,058	227	424	Company policy	Mr. Shahbaz Zahid Butt - Employee House No. 1, Azadi Chowk, Ravi Road, Lahore
Toyota Corola - ARW-675	1,351	290	540	Company policy	Mr. Muhammad Tahir - Employee Deh 50 Dad, Shahdadpore Road, Liaqatabad, Nawab Shah
Suzuki Mehran - BAL-391	731	548	633	Insurance claim	M/s. EFU General Insurance Limited
Toyota Corolla - BAL-159	1,819	1,362	1,773	Insurance claim	M/s. EFU General Insurance Limited
Suzuki Mehran - BBP - 887	734	603	738	Insurance claim	M/s. EFU General Insurance Limited
<b>Written down value below Rs. 50,000 each</b>					
- Vehicle	2,213	625	1,000	Negotiation	Various
- Others	4,663	862	950	Negotiation	Various
<b>2015</b>	<b>181,032</b>	<b>63,551</b>	<b>71,601</b>		
<b>2014</b>	<b>123,443</b>	<b>35,889</b>	<b>141,909</b>		

**13.1.3 Details of net gain on disposal of property, plant and equipment**

Other income - gain on disposal of property, plant and equipment	28
Other operating expenses - loss on disposal of property, plant and equipment	27

**Note**

	2015	2014
Rupees (000s)		
	<b>28,631</b>	107,040
	<b>(20,581)</b>	(1,020)
	<b>8,050</b>	106,020

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 13.2 Capital work-in-progress

	2015				2014			
	Machinery and store items held for capitalisation	Civil work	Other assets	Total	Machinery and store items held for capitalisation	Civil work	Other assets	Total
	Rupees (000s)							
Cost as at start	341,999	153,887	1,410	497,296	175,122	45,556	4,635	225,313
Capital expenditure incurred during the year	897,405	444,818	10,026	1,352,249	1,408,968	214,845	13,731	1,637,544
Transferred to property, plant and equipment	(984,818)	(518,654)	(8,861)	(1,512,333)	(1,242,091)	(106,514)	(16,956)	(1,365,561)
<b>Cost as at end</b>	<b>254,586</b>	<b>80,051</b>	<b>2,575</b>	<b>337,212</b>	<b>341,999</b>	<b>153,887</b>	<b>1,410</b>	<b>497,296</b>

## 14 INTANGIBLE ASSETS

	Note	Computer Software	Trade Marks	2015	2014
		Rupees (000s)			
<b>Net carrying value basis as at June 30</b>					
Opening net book value		20,365	3,655	24,020	27,242
Additions (at cost)		2,447	3,070	5,517	9,285
Amortisation charge	14.1	(11,331)	(2,372)	(13,703)	(12,507)
<b>Closing net book value</b>		<b>11,481</b>	<b>4,353</b>	<b>15,834</b>	<b>24,020</b>
<b>Gross carrying value basis as at June 30</b>					
Cost	14.2	167,938	16,833	184,771	179,254
Accumulated amortisation		(156,457)	(12,480)	(168,937)	(155,234)
<b>Net book value</b>		<b>11,481</b>	<b>4,353</b>	<b>15,834</b>	<b>24,020</b>
Amortisation is charged using straight line method over a period of :		5 Years	10 years		

	Note	2015	2014
		Rupees (000s)	
14.1 Amortisation charge has been allocated as follows:			
Distribution cost	25	41	563
Administrative expenses	26	13,662	11,944
		<b>13,703</b>	<b>12,507</b>

14.2 This includes cost of Rs. 118.92 million in respect of assets which are fully amortised but are still in use of the Group.

		2015	2014
		Rupees (000s)	
<b>15</b>	<b>LONG TERM LOANS AND ADVANCES</b>	<b>Note</b>	
	<b>Considered good - Secured</b>		
	- Due from executives (other than CEO and Directors)	20,725	15,680
	- Due from non-executive employees	1,424	1,594
		<b>22,149</b>	<b>17,274</b>
	<b>Current portion being receivable within twelve months following the balance sheet date</b>		
	- Due from executives	(9,029)	(5,119)
	- Due from non-executive employees	(261)	(254)
		<b>(9,290)</b>	<b>(5,373)</b>
		<b>12,859</b>	<b>11,901</b>

15.1 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 retirement benefits and/or guarantees of two employees.

Included in these are loans of Rs. 8.117 million (2014: Rs. 9.730 million) to executives and Rs. 0.475 million (2014: Rs. 0.535 million) to non-executives which carry no interest. The balance amount carries mark-up ranging from 7% to 14% (2014: 9% to 14%). Interest free long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these consolidated financial statements.

		2015	2014
		Rupees (000s)	
<b>15.2</b>	<b>Reconciliation of carrying amount of loans to executives</b>		
	Opening balance	15,680	2,075
	Disbursement during the year	11,569	19,067
	Transfer from non-executive to executive employees	36	-
	Recovered during the year	(6,560)	(5,462)
	Closing balance	<b>20,725</b>	<b>15,680</b>

15.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 20.725 million (2014: Rs. 16.554 million).

		2015	2014
		Rupees (000s)	
<b>16</b>	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>	<b>Note</b>	
	Stores	433,310	575,990
	Spare parts	362,328	365,951
	Loose tools	4,463	3,983
		<b>800,101</b>	<b>945,924</b>
	Provision for slow moving / obsolete items	(101,039)	(90,394)
		<b>699,062</b>	<b>855,530</b>
<b>16.1</b>	<b>Movement in provision for slow moving / obsolete items</b>		
	Opening balance	90,394	72,442
	Charge for the year	10,645	17,952
	Closing balance	<b>101,039</b>	<b>90,394</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

		2015	2014
		Rupees (000s)	
17	STOCK-IN-TRADE	Note	
	Raw materials	2,076,097	2,926,027
	Work-in-process	237,034	329,995
	Finished goods	9,148,067	8,873,680
		11,461,198	12,129,702

17.1 Raw materials amounting to Rs. Nil (2014: Rs. Nil ) has been pledged with the banks as at balance sheet date.

17.2 Finished goods include stock of waste valuing Rs. 38 million (2014: Rs. 30 million) determined at net realisable value.

		2015	2014
		Rupees (000s)	
18	TRADE DEBTS	Note	
	<b>Export debtors - secured</b>		
	- Considered good	1,026,236	676,438
	<b>Local debtors - unsecured</b>		
	- Considered good	1,125,837	806,245
	- Considered doubtful	198,210	168,385
		1,324,047	974,630
	Provision for doubtful trade debts	2,350,283	1,651,068
		(198,210)	(168,385)
		2,152,073	1,482,683

18.1 Includes amount due from related parties as under:

Swisstex Chemicals (Private) Limited - Associated company

2015	2014
1,427	-

18.2 The maximum aggregate month end balance due from related parties during the year was Rs. 1.8 million (2014: Rs. Nil).

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

	Upto 1 month	1-6 months	More than 6 months	As at June 2015
Rupees (000s)				
Swisstex Chemicals (Private) Limited	1,427	-	-	1,427

		2015	2014
		Rupees (000s)	
18.3	Movement in provision for doubtful trade debts	Note	
	Opening balance	168,385	137,610
	Charge for the year	29,825	30,775
	Closing Balance	198,210	168,385

			2015	2014
<b>19</b>	<b>LOANS AND ADVANCES</b>	<b>Note</b>	<b>Rupees (000's)</b>	
	Considered good			
	Current portion being receivable within twelve months following the balance sheet date			
	- Executives		9,029	5,119
	- Other employees		261	254
		15	9,290	5,373
	Advances to suppliers	19.1 & 19.2	339,957	399,361
			349,247	404,734
19.1	This includes amount of Rs. 2.57 million (2014: Rs. 2.57 million) paid to Nazir Sindh High Court, Karachi in compliance with the Order of the Honourable Sindh High Court in respect of ground rent suit as mentioned in Note 12.4.			
19.2	Advances to suppliers includes following to related parties - Rs. Nil (2014: Rs. 3.44 million) with Arwen Tech (Private) Limited and Rs. Nil (2014: Rs. 1.32 million) with Win Star (Private) Limited.			
<b>20</b>	<b>OTHER RECEIVABLES</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
			<b>Rupees (000s)</b>	
	Duty drawback		225,195	160,493
	Mark-up rate subsidy receivable		6,918	6,918
	Receivable against sale of property		33,409	33,409
	Fair value of forward exchange contracts		18,762	-
	Others	20.1	47,115	145,207
			331,399	346,027
20.1	This includes Rs. Nil (2014: Rs. 105.251 million) in respect of Gas Infrastructure Development Cess (GIDC) paid as stated in Note no 12.5.			
<b>21</b>	<b>TAX REFUNDS DUE FROM GOVERNMENT</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
			<b>Rupees (000s)</b>	
	Sales tax		538,928	485,588
	Income tax		211,268	170,076
			750,196	655,664
<b>22</b>	<b>CASH AND BANK BALANCES</b>			
	Cash in hand		11,266	7,024
	Balances with banks in current accounts			
	- Local currency		105,192	105,589
	- Foreign currency		19,494	11,600
		22.1	124,686	117,189
			135,952	124,213
22.1	Bank balances include amounts held by related parties as under:			
	Habib Metropolitan Bank Limited - associated company		15,550	-
	Silk Bank Limited - associated company		2,936	3,504
			18,486	3,504



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

		2015	2014
	Note	Rupees (000s)	
<b>23 SALES</b>			
Local	23.1	12,266,853	11,422,345
Export			
Direct export		21,155,202	20,810,372
Indirect export		693,290	1,359,807
		21,848,492	22,170,179
Duty drawback		214,121	172,963
		34,329,466	33,765,487
Brokerage and commission		(112,147)	(67,376)
		<u>34,217,319</u>	<u>33,698,111</u>
23.1 Sales are exclusive of sales tax amounting to Rs. 443.367 million (2014: Rs. 417.216 million).			
<b>24 COST OF SALES</b>			
Opening stock of finished goods		8,873,680	6,951,190
Cost of goods manufactured	24.1	21,782,823	22,976,999
Purchases and processing charges		6,279,548	6,364,232
		36,936,051	36,292,421
Closing stock of finished goods		(9,148,067)	(8,873,680)
		<u>27,787,984</u>	<u>27,418,741</u>
<b>24.1 Cost of goods manufactured</b>			
Raw materials consumed	24.2	9,425,068	11,761,667
Stores, spare parts and loose tools consumed		3,908,439	3,721,970
Staff cost	26.1	4,645,142	3,925,307
Fuel, power and water		2,005,092	2,061,862
Insurance		137,082	111,106
Repair and maintenance		775,533	806,507
Depreciation	13.1.1	758,913	692,899
Other manufacturing expenses		150,889	113,984
Cost of samples shown under distribution cost		(116,296)	(153,635)
		21,689,862	23,041,667
Work-in-process			
Opening		329,995	265,327
Closing		(237,034)	(329,995)
		92,961	(64,668)
		<u>21,782,823</u>	<u>22,976,999</u>
<b>24.2 Raw materials consumed</b>			
Opening stock		2,926,027	2,457,304
Purchases during the year		8,575,138	12,230,390
Closing stock		(2,076,097)	(2,926,027)
		<u>9,425,068</u>	<u>11,761,667</u>

		2015	2014
		Rupees (000s)	
<b>25</b>	<b>DISTRIBUTION COST</b>		
	Staff cost	663,203	539,273
	Freight and shipment expenses	287,085	265,271
	Insurance	26,843	21,569
	Advertisement and publicity	832,109	637,386
	Participation in exhibitions	40,208	17,377
	Cost of samples transferred from cost of goods manufactured	116,296	153,635
	Rent, rates and taxes	429,251	348,774
	Depreciation	106,228	71,629
	Amortisation	41	563
	Export development surcharge	51,708	51,475
	Other expenses	91,826	77,062
		<b>2,644,798</b>	<b>2,184,014</b>
<b>26</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Staff cost	627,664	561,266
	Rent, rates and taxes	116,675	78,655
	Repairs and maintenance	68,861	54,353
	Vehicle up keep and maintenance	136,978	135,466
	Utilities	129,377	101,463
	Conveyance and traveling	163,146	164,597
	Printing and stationery	44,641	39,726
	I.T. expenses	38,409	39,604
	Postage and telecommunication	85,122	78,927
	Legal and consultancy fees	54,060	48,528
	Depreciation	103,565	91,949
	Amortisation	13,662	11,944
	Auditors' remuneration	4,089	4,404
	Donations	14,951	4,619
	Insurance	25,338	21,559
	Provision for doubtful trade debts	29,825	30,775
	Provision for slow moving / obsolete items	10,645	17,952
	Other expenses	123,110	74,009
		<b>1,790,118</b>	<b>1,559,796</b>

	Cost of sales		Distribution cost		Administrative expenses		Total		
	2015	2014	2015	2014	2015	2014	2015	2014	
<b>26.1</b>	<b>STAFF COST</b>								
	Rupees (000s)								
	- Salaries, wages & benefits	4,509,153	3,799,395	645,994	525,208	602,821	539,851	5,757,968	4,864,454
	<b>Retirement benefits</b>								
	- Gratuity	31,717	26,878	-	-	1,814	1,884	33,531	28,762
	- Contribution to provident fund	55,277	41,451	16,123	13,066	20,188	17,092	91,588	71,609
		86,994	68,329	16,123	13,066	22,002	18,976	125,119	100,371
	- Staff compensated absences	48,995	57,583	1,086	999	2,841	2,439	52,922	61,021
		<b>4,645,142</b>	<b>3,925,307</b>	<b>663,203</b>	<b>539,273</b>	<b>627,664</b>	<b>561,266</b>	<b>5,936,009</b>	<b>5,025,846</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

	2015	2014
Note	Rupees (000s)	
<b>26.2 Auditor's Remuneration</b>		
Audit fee - Holding Company	1,265	1,150
Audit fee - Foreign Subsidiaries	2,021	2,639
Review fee of half yearly accounts	110	100
Fee for consolidation of holding and subsidiaries	165	150
Review fee of statement of compliance with code of corporate governance	55	50
Other certification fee	32	42
Sindh sales tax on services at 6% (2014: 5%)	96	73
Out of pocket expenses	345	200
	4,089	4,404
26.3 Donation includes donation to the following organizations in which a director is / was a trustee:		
<b>Name of Director</b>	<b>Interest in Donee</b>	<b>Name of Donee</b>
Mohomed Bashir	Trustee (upto February 2014)	Fellowship fund for Pakistan
		1,980
Mohomed Bashir	Trustee	Habib University Foundation
		6,000
		7,980
2,095		2,095
<b>27 OTHER OPERATING EXPENSES</b>		
Workers' profit participation fund	42,069	80,340
Workers' welfare fund	15,986	30,530
GIDC paid in preceding years written off	105,251	-
Loss on sale of property, plant and equipment	20,581	1,020
Property, plant and equipment scrapped	1,510	4,421
	185,397	116,311
<b>28 OTHER INCOME</b>		
<b>Income from financial assets</b>		
Mark-up on loan and advances	1,116	1,635
Gain on sale of short term investments	5,983	-
Dividend income	406	-
Net exchange gain on forward contracts	18,762	-
Exchange gain on realisation of export receivables	185,585	52,533
	211,852	54,168
<b>Income from non-financial assets</b>		
Gain on sale of property, plant and equipment	28,631	107,040
Scrap sales	20,595	11,389
GIDC paid in preceding years-Reversed	-	62,958
Unclaimed liability written back	82,017	-
	131,243	181,387
	343,095	235,555

12.5

		2015	2014
		Rupees (000s)	
<b>29</b>	<b>FINANCE COST</b>		
		<b>Note</b>	
	Mark-up on long term financing	29.1	334,286
	Mark-up on short term borrowings	29.2 & 29.3	882,483
	Profit on murabaha		22,491
	Interest on workers' profit participation fund		7,429
	Bank charges and commission		113,760
			<u>1,360,449</u>
29.1	Includes mark-up on long term financing charged by related parties as under:		
	Habib Metropolitan Bank Limited - associated company		60,720
29.2	Includes mark-up on short term borrowings from related parties as under:		
	Habib Metropolitan Bank Limited - associated company		14,365
	Silk Bank Limited - associated company		14,259
			<u>28,624</u>
29.3	It includes exchange loss of Rs. 224 million (2014: exchange gain of Rs. 49 million) on short term borrowings in foreign currency.		
			<u>1,177,345</u>

		2015	2014
		Rupees (000s)	
<b>30</b>	<b>PROVISION FOR TAXATION</b>		
		<b>Note</b>	
	Current		
	- for the year		234,155
	- prior		(76,196)
			<u>157,959</u>
	Deferred		19,440
		30.1	<u>177,399</u>
			<u>234,888</u>
			<u>8,637</u>
			<u>243,525</u>
			<u>12,923</u>
			<u>256,448</u>

**30.1 Reconciliation between accounting profit and tax expense**

Provision for current taxation has been made on the basis of min umum tax on turnover under section 113, final taxation, tax credit and separate block income under the Income Tax Ordinance, 2001. Accordingly, reconciliation of tax expense with the accounting profit has not been prepared.

		2015	2014
		Rupees (000s)	
<b>31</b>	<b>EARNINGS PER SHARE - basic and diluted</b>		
		<b>Note</b>	<b>Re-Stated</b>
	Profit for the year		614,269
	Weighted average number of shares	31.1	228,522,772
	Earnings per share (Rs.)	31.2	2.69
31.1	Weighted average number of shares in issue during last year have been restated for the effect of bonus shares issued during current year.		1,221,011
31.2	There is no dilutive effect on the earnings per share of the Group as the Group has no potential ordinary shares.		228,522,772
			<u>5.34</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 32 SEGMENT INFORMATION

The Group has the following 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 made-ups and home textile products.
- c) Overseas subsidiaries: These subsidiaries are also in the textile business reselling products to the ultimate customers, imported from Parent Company.

Transactions among the business segments are recorded at cost.

### 32.1 Segment profitability

	Spinning		Processing		Gul Ahmed International Limited (FZC)-UAE		GTM (Europe) Limited - UK		GTM USA Corp.		Elimination of Inter Segment Transactions		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	<b>Rupees (000s)</b>													
Sales	8,749,956	9,924,339	29,514,848	28,310,802	788,737	701,888	267,449	114,896	265,584	57,292	(5,369,255)	(5,411,106)	34,217,319	33,698,111
Cost of sales	8,270,026	9,093,155	23,900,389	23,165,938	620,869	540,841	196,725	17,296	181,790	6,843	(5,381,815)	(5,405,332)	27,787,984	27,418,741
Gross profit	479,930	831,184	5,614,459	5,144,864	167,868	161,047	70,724	97,600	83,794	50,449	12,560	(5,774)	6,429,335	6,279,370
Distribution and Administrative expenses	212,079	214,952	3,922,392	3,221,623	138,957	145,554	79,581	106,734	81,907	54,947	-	-	4,434,916	3,743,810
Profit/(loss) before tax and before charging the following	267,851	616,232	1,692,067	1,923,241	28,911	15,493	(8,857)	(9,134)	1,887	(4,498)	12,560	(5,774)	1,994,419	2,535,560
Other operating expenses													185,397	116,311
Other income													(343,095)	(235,555)
Finance cost													1,360,449	1,177,345
													1,202,751	1,058,101
Profit before taxation													791,668	1,477,459
Taxation													177,399	256,448
Profit after taxation													614,269	1,221,011

### 32.2 Segment assets and liabilities

	Spinning		Processing		Gul Ahmed International Limited (FZC)-UAE		GTM (Europe) Limited - UK		GTM USA Corp.		Unallocated		Total Company	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	<b>Rupees (000s)</b>													
Assets	4,654,991	5,134,995	17,191,540	16,175,646	470,873	408,213	210,041	16,823	39,098	33,843	2,780,685	2,836,725	25,347,228	24,606,245
Liabilities	1,900,111	2,032,155	5,974,840	5,666,176	201,306	189,315	2,186	7,976	854	2,067	9,885,572	9,855,362	17,964,869	17,753,051

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

### 32.4 Information about major customers

Revenue from major customer whose revenue exceeds 10% of gross sales is Rs. 10,027 million (2014: Rs. 8,939 million).

**32.5 Information by geographical area**

	Revenue		Non - current assets	
	2015	2014	2015	2014
	Rupees (000s)		Rupees (000s)	
Pakistan	12,847,996	12,714,776	9,156,597	8,322,853
Germany	5,567,692	6,053,568	-	-
United Kingdom	1,769,699	2,171,185	2,106	2,018
China	1,657,174	1,669,259	-	-
United States	2,969,100	2,626,123	4,418	72
Netherland	2,082,832	1,934,723	-	-
France	2,011,317	1,602,332	-	-
Brazil	793,811	339,723	-	-
United Arab Emirates	169,988	769,800	8,297	9,919
Other countries	4,347,710	3,816,622	-	-
	<u>34,217,319</u>	<u>33,698,111</u>	<u>9,171,418</u>	<u>8,334,862</u>

**33 CASH AND CASH EQUIVALENTS**

	Note	2015	2014
		Rupees (000s)	
Cash and bank balances	22	135,952	124,213
Short term borrowings	11	(8,838,174)	(7,829,770)
		<u>(8,702,222)</u>	<u>(7,705,557)</u>

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

	2015				2014			
	Chief Executive	Directors	Executives	Total	Chief Executives	Directors	Executives	Total
	Rupees (000s)							
Managerial remuneration	8,200	6,150	504,361	518,711	5,600	9,300	397,006	411,906
House rent allowance	3,280	2,460	201,745	207,485	2,240	3,720	158,780	164,740
Other allowances	1,003	677	90,054	91,734	560	930	53,164	54,654
Contribution to provident fund	683	513	33,723	34,919	467	775	23,801	25,043
	<u>13,166</u>	<u>9,800</u>	<u>829,883</u>	<u>852,849</u>	<u>8,867</u>	<u>14,725</u>	<u>632,751</u>	<u>656,343</u>
Number of persons	<u>1</u>	<u>1</u>	<u>413</u>	<u>415</u>	<u>2</u>	<u>4</u>	<u>314</u>	<u>320</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

- 34.1 The Chief Executive, Directors and certain Executives are provided with free use of Group's maintained cars and are also covered under Group's Health Insurance Plan alongwith their dependents.
- 34.2 The Chief Executive is also provided with free residential telephones.
- 34.3 Aggregate amount charged in the accounts for the year for meeting fee to four Non Executive Directors and the Chairman was Rs. 2.2 million (2014: five Non Executive Directors and Chairman Rs. 0.8 million).
- 34.4 Executive means an employee other than the Chief Executive and Executive Directors, whose basic salary exceeds five hundred thousand rupees in a financial year for the Holding Company and Senior Executive Staff of the Subsidiaries.

### 35 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise 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	2015	2014
		Rupees (000s)	
Associated companies and other related parties	Purchase of goods	48,931	97,188
	Sale of goods	3,124	957
	Rent paid	9,900	7,200
	Fees paid	1,500	1,375
	Commission / Discount	5,532	3,451
	Donation paid	7,980	2,095
	Bills discounted	3,174,522	3,341,649
	Commission / Bank charges paid	34,051	53,503
	Mark-up / interest charged	89,344	83,765
	Holding Company's contribution to provident fund	91,588	71,609
	Dividend paid	147	-
Associated companies and others related parties	Deposit with banks	18,486	3,504
	Borrowings from banks	1,149,965	1,213,072
	Bank guarantee	587,583	567,241
	Trade and other payables	11,793	11,284
	Trade debts	1,427	-
	Accrued mark-up	23,116	18,619
	Advances to suppliers	-	4,763
	Loans to key management personnel & executives	20,725	15,680
	Payable to employees' provident fund	2,158	9,016

There are no transactions with directors of the Group and key management personnel other than under the terms of employment. Loan and remuneration of the key management personnel are disclosed in Note no. 15 and 34 respectively.

Related parties status of outstanding receivables and payable as at June 30, 2015 are also included in respective notes to the consolidated financial statements.

**36 CAPACITY AND PRODUCTION**

Unit	2015			2014			
	Capacity	Production	Working	Capacity	Production	Working	
	(000s)			(000s)			
Cloth	Sq. meters (50 Picks converted)	159,205	103,461	3 shifts	136,745	80,025	3 shifts
Yarn	Kgs. (20 Counts converted)	46,970	33,929	3 shifts	51,341	36,096	3 shifts

Increase in production of cloth is due to installation of new airjet looms hence increase in capacity. Production of yarn is lower due to variation in production mix due to production of high value items and various technical factors.

**37 FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities of the Group as at June 30, 2015 are as follows:

	2015						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>Rupees (000s)</b>							
<b>Financial assets</b>							
<b>Loans and receivables</b>							
Loans and advances	6,588	6,969	13,557	2,702	5,890	8,592	22,149
Long term deposits	-	-	-	-	93,572	93,572	93,572
Trade debts	-	-	-	2,152,073	-	2,152,073	2,152,073
Other receivables	-	-	-	99,286	-	99,286	99,286
Cash and bank balances	-	-	-	135,952	-	135,952	135,952
	<b>6,588</b>	<b>6,969</b>	<b>13,557</b>	<b>2,390,013</b>	<b>99,462</b>	<b>2,489,475</b>	<b>2,503,032</b>
<b>Financial liabilities</b>							
Long term financing	714,008	2,407,732	3,121,740	-	-	-	3,121,740
Short term borrowings	8,838,174	-	8,838,174	-	-	-	8,838,174
Trade and other payables	49,498	-	49,498	4,995,942	-	4,995,942	5,045,440
Accrued mark-up/profit	-	-	-	206,481	-	206,481	206,481
	<b>9,601,680</b>	<b>2,407,732</b>	<b>12,009,412</b>	<b>5,202,423</b>	<b>-</b>	<b>5,202,423</b>	<b>17,211,835</b>
<b>Off balance sheet items</b>							
Guarantees	-	-	-	752,945	-	752,945	752,945
Bills discounted	-	-	-	1,858,208	-	1,858,208	1,858,208
Commitments	-	-	-	3,742,586	2,425,873	6,168,459	6,168,459
	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,353,739</b>	<b>2,425,873</b>	<b>8,779,612</b>	<b>8,779,612</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

Financial assets and liabilities of the Group as at June 30, 2014 were 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	
<b>Rupees (000s)</b>							
<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	-	-	-	178,616	-	178,616	178,616
Cash and bank balances	-	-	-	124,213	-	124,213	124,213
	<b>2,293</b>	<b>4,716</b>	<b>7,009</b>	<b>1,788,592</b>	<b>88,219</b>	<b>1,876,811</b>	<b>1,883,820</b>
<b>Financial liabilities</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
	<b>8,966,780</b>	<b>2,239,239</b>	<b>11,206,019</b>	<b>5,803,326</b>	<b>-</b>	<b>5,803,326</b>	<b>17,009,345</b>
<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
	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,220,100</b>	<b>1,972,929</b>	<b>9,193,029</b>	<b>9,193,029</b>

## 38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial risk management objectives

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

Risk Management is carried out under policies and principles approved by the 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:

### 38.1 Market risks

Market risk is the risk that the fair value of 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:

	2015	2014
	USD (000s)	
Trade debts	10,126	6,885
Cash and bank balances	192	118
Borrowings from financial institutions	(9,549)	(53,223)
Trade and other payables	(20,582)	(24,851)
<b>Net exposure</b>	<b>(19,813)</b>	<b>(71,071)</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

	2015	2014
	(000s)	
Foreign currency commitments outstanding at year end are as follows:		
USD	19,276	23,098
EURO	1,510	539
JPY	324,013	180,560
CHF	6,035	27
GBP	13	-
The following significant exchange rates were applied during the year:		
<b>Rupee per USD</b>		
Average rate	101.35	98.35
Reporting date rate	101.45 / 101.25	98.45 / 98.25

### Foreign currency sensitivity analysis

A five percent strengthening / weakening of the PKR against the USD at June 30, 2015 would have increased / decreased the equity and profit / loss after tax by Rs. 67 million (2014: Rs. 226 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2014.

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

### b Interest / mark-up 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 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. 14 million (2014: Rs. 7 million) which are subject to interest rate risk. Financial liabilities include balances of Rs. 12,009 million (2014: Rs. 11,206 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, 2015, 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. 5.38 million (2014: Rs. 3.95 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At June 30, 2015, 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. 74.1 million (2014: Rs. 73.4 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 and loss account. 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.

### 38.2 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 and other receivables and cash at bank. The maximum exposure to credit risk at the reporting date is as follows:

		2015	2014
	Note	Rupees (000s)	
Loans and advances	15	22,149	17,274
Long term deposit		93,572	81,034
Trade debts	18	2,152,073	1,482,683
Other receivables		99,286	178,616
Bank balances	22	124,686	117,189
		2,491,766	1,876,796

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 made 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 counterparty will not meet its obligation.

The Group actively pursues for the recovery of these 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 doubtful debts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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.18.

Aging of trade debts is as follows:

		2015	2014
	Note	Rupees (000s)	
1 to 6 months		2,064,983	1,440,828
6 months to 1 year		71,558	16,492
1 year to 3 years		15,532	25,363
	18	2,152,073	1,482,683

The Group believes that no impairment allowance is necessary in respect of trade debts 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. 20.

### 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:

		2015	2014
	Note	Rupees (000s)	
AAA		27,625	18,105
AA+		19,820	4,173
AA		24,789	20,688
A+		47,633	57,725
A		896	6,303
A-		3,105	49
AA-		818	10,146
	22	124,686	117,189

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.

### 38.3 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. 37.

The Group manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2015, the Group has Rs. 15,824 million (2014: Rs. 14,492 million) available borrowing limit from financial institutions. Unutilised borrowing facilities of Rs. 7,004 million (2014: Rs. 6,312 million) and also has Rs. 125 million (2014: Rs. 117 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

### 38.4 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 these consolidated financial statements approximate their fair values except those which are described in respective notes.

### 38.5 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, 2015 and 2014 were as follows:

	2015	2014
	Rupees (000s)	
Total borrowings	11,959,914	10,763,715
Cash and bank	(135,952)	(124,213)
Net debt	<u>11,823,962</u>	<u>10,639,502</u>
Total equity	<u>7,382,359</u>	6,853,194
Total equity and debt	<u><u>19,206,321</u></u>	<u><u>17,492,696</u></u>
Gearing ratio (%)	<u>62</u>	<u>61</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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

## 39 PROVIDENT FUND RELATED DISCLOSURES

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

		2015	2014
	Note	Un-audited	Un-audited
Size of the fund - Total assets (Rs. 000s)		730,275	602,870
Cost of investments made (Rs. 000s)		587,130	520,170
Percentage of investments made		80.40%	86.28%
Fair value of investments (Rs. 000s)	39.1	682,100	558,618

39.1 The break-up of fair value of investment is:

	2015		2014	
	Rupees (000s)	Percentage	Rupees (000s)	Percentage
	Un-audited		Un-audited	
Shares in listed companies	77,530	11.37%	35,953	6.44%
Government securities	413,662	60.64%	189,041	33.84%
Debt securities	85,700	12.56%	110,401	19.76%
Mutual funds	74,198	10.88%	134,588	24.09%
Balance in saving accounts	31,010	4.55%	88,635	15.87%
	<u>682,100</u>	<u>100.00%</u>	<u>558,618</u>	<u>100.00%</u>

39.2 The investment 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.

## 40 NUMBER OF PERSONS

Number of persons employed as on year end were 13,422 (2014: 12,850) and average number of employee during the year was 12,937 (2014: 12,715).

## 41 EVENT AFTER BALANCE SHEET DATE

41.1 Subsequent Effects

The Board of Directors of the Holding Company in its meeting held on September 22, 2015 has proposed the following:

**(a) Dividend**

Your directors have decided to pay cash dividend @ Rs. 1.50 per share i.e. 15% for the year ended June 30, 2015.

**(b) Transfer from unappropriated profit**

An amount of Rs. 250 million (2014: 650 million) to be transferred to general reserve from unappropriated profit

- 41.2 Through the Finance Act, 2015 income tax has been levied at the rate of 10% on undistributed reserves where such reserves of the Holding Company are in excess of its paid up capital and the Holding Company derives profits for a tax year but does not distribute cash dividend equal to at least 40% of its after tax profits or 50% of paid up capital, which ever is lower, within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

#### **42 DATE OF AUTHORISATION**

These Consolidated Financial Statements were authorised for issue on September 22, 2015 by the Board of Directors of the Holding Company.

#### **43 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer





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## DEFINITIONS & GLOSSARY OF TERMS

### Definitions

#### Profitability Ratios

Profitability Ratios are used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

#### Liquidity Ratios

Liquidity ratios determine the Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

#### Turnover Ratios

Turnover ratios evaluate the operational efficiency of the Company to convert inventory and debtors into cash against time taken to pay creditors, measured in terms of revenue and cost of sales.

#### Investment/Market Ratios

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders. Market Ratios evaluate the current market price of a share versus an indicator of the company's ability to generate profits.

#### Capital Structure Ratios

Capital Structure ratios provide an indication of the long term solvency of the Company and its cost of debt, in relation to equity and profits.

### Glossary of terms

AGM	Annual General Meeting	ICMAP	Institute of Cost & Management Accountants of Pakistan
BCI	Better Cotton Initiative	IFRS	International Financial Reporting Standards
BCP	Business Continuity Planning	ISO	International Organization for Standardization
BOD	Board of Directors	IT	Information Technology
CEO	Chief Executive Officer	KIBOR	Karachi Inter Bank Offer Rate
CFO	Chief Financial Officer	KPI	Key Performance Indicators
CPI	Consumer Price Index	KSE	Karachi Stock Exchange
CRP	Caustic Recovery Plant	LSM	Large Scale Manufacturing
CSR	Corporate Social Responsibility	MMBTU	Million British Thermal Units
EBITDA	Earnings Before Interest, Tax, Depreciation, and Amortisation	MW	Mega Watts
EOBI	Employees Old Age Benefit Institution	NEQS	National Environmental Quality Standard
EPS	Earnings Per Share	PAT	Profit after tax
ERP	Enterprise Resource Planning	PBT	Profit before tax
ETP	Effluent Water Treatment Plant	PESTEL	Political, Economical, Social, Technical, Environmental, Legal
FDI	Foreign Direct Investments	PICG	Pakistan Institute of Corporate Governance
FY	Fiscal Year	PKR	Pak Rupee
FZC	Free Zone Company	R&D	Research & Development
GDP	Gross Domestic Product	ROE	Return On Equity
GIDC	Gas Infrastructure Development Cess	SECP	Securities and Exchange Commission of Pakistan
GST	General Sales Tax	SWOT	Strength, Weakness, Opportunity, Threat
HSE	Health Safety and Environment	USD	United States Dollar
IAS	International Accounting Standard	WWF	Workers' Welfare Fund
IASB	International Accounting Standards Board	YoY	Year on Year
ICAP	Institute of Chartered Accountants of Pakistan		

# FORM OF PROXY

---

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of Gul Ahmed Textile Mills Limited and holder of \_\_\_\_\_

Ordinary Shares hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_ another member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 63<sup>rd</sup> ANNUAL GENERAL MEETING of the Company to be held on October 31, 2015 or at any adjournment thereof.

1) Witness \_\_\_\_\_ Signed by me this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

Signed \_\_\_\_\_

Affix Revenue  
Stamp Rs. 5.00

2) Witness \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. \_\_\_\_\_

Folio No./CDC Account 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.



Plot No. 82, Main National Highway  
Landhi, Karachi - 75120 - Pakistan  
Tel: 0092 21 111 486 486  
[finance@gulahmed.com](mailto:finance@gulahmed.com)  
[www.gulahmed.com](http://www.gulahmed.com)