

**GUL AHMED HOLDINGS (PRIVATE) LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE, 2017**

**AUDITORS' REPORT TO THE MEMBERS ON CONSOLIDATED  
FINANCIAL STATEMENTS**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Gul Ahmed Holdings (Private) Limited (the Holding Company) and its subsidiary companies namely Gul Ahmed Textile Mills Limited, Gul Ahmed International Limited (FZC), GTM (Europe) Limited and GTM USA Corp. and Sky Home Corp. (the subsidiary companies) as at June 30, 2017 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 and of a Subsidiary Company Gul Ahmed Textile Mills Limited. The financial statements of the subsidiary companies have been audited by the 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 subsidiary companies, is based solely on the report of such other auditors.

These consolidated 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 present fairly the financial position of Gul Ahmed Holdings (Private) Limited and its subsidiary companies as at June 30, 2017 and the results of their operations for the year then ended.

*Kreston Hyderabad & Co*

**KRESTON HYDER BHIMJI & CO.**

Chartered Accountants

Engagement Partner: Fahad Ali Shaikh

Karachi: 25 SEP 2017

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**Gul Ahmed Holdings (Private) Limited**  
**Consolidated Balance Sheet**  
**As at June 30, 2017**

		2017	2016			2017	2016
		-----Rs. 000s-----				-----Rs. 000s-----	
	Note				Note		
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>			
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON-CURRENT ASSETS</b>			
Share Capital	4	806	806	Property, plant and equipment	13	15,992,062	12,069,608
Reserves	5	6,232,460	5,743,810	Intangible assets	14	85,876	20,492
		6,233,266	5,744,616	Long term loans and advances	15	42,592	21,820
				Long term deposits	16	195,249	158,136
Non-Controlling interest		3,682,799	2,954,294	Deferred taxation	7	98	996
		9,916,065	8,698,910			16,315,877	12,271,052
<b>NON-CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Long term financing	6	7,146,403	4,630,604	Stores, spare parts and loose tools	17	988,216	903,447
Deferred Liabilities				Stock-in-trade	18	12,661,087	14,067,202
Deferred taxation	7	316,420	323,908	Trade debts	19	3,640,608	2,786,782
Staff retirement benefits	8	31,033	41,346	Loans and advances	20	693,880	729,911
		347,453	365,254	Short term prepayments	21	168,810	227,788
		7,493,856	4,995,858	Other receivables	22	1,143,099	475,709
<b>CURRENT LIABILITIES</b>				Tax refunds due from Government	23	648,960	913,960
Trade and other payables	9	5,773,754	5,377,776	Taxation - net		673,701	115,978
Accrued mark-up / profit	10	138,898	114,368	Cash and bank balances	24	287,332	339,976
Short term borrowings	11	11,935,343	12,866,493			20,905,693	20,550,753
Loans from Director		1,282,100	281,000				
Current maturity of long term financing	6	678,511	487,400				
Income tax payable		3,043	-				
		19,811,649	19,127,037				
<b>CONTINGENCIES AND COMMITMENTS</b>							
	12						
		37,221,570	32,821,805			37,221,570	32,821,805

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

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**MOHAMED BASHIR**  
Chief Executive Officer

*M. Zaki Bashir*

**MOHAMMED ZAKI BASHIR**  
Director

**Gul Ahmed Holdings (Private) Limited**  
**Consolidated Profit and Loss Account**  
**For the year ended June 30, 2017**

	Note	2017 -----Rs. 000s-----	2016
Sales	25	40,818,778	33,187,676
Cost of sales	26	<u>33,400,752</u>	<u>25,521,668</u>
Gross profit		7,418,026	7,666,008
Distribution cost	27	<u>3,530,626</u>	<u>3,285,630</u>
Administrative expenses	28	<u>2,602,774</u>	<u>2,097,416</u>
Other operating expenses	29	<u>58,429</u>	<u>137,554</u>
		<u>6,191,829</u>	<u>5,520,600</u>
		1,226,197	2,145,408
Other income	30	<u>487,870</u>	<u>160,449</u>
Operating profit		1,714,067	2,305,857
Finance cost	31	<u>879,286</u>	<u>915,843</u>
Profit before taxation		834,781	1,390,014
Taxation	32	<u>5,406</u>	<u>204,967</u>
Profit after taxation		<u>829,375</u>	<u>1,185,047</u>
<b>Attributable to:</b>			
Equity holders of Parent Company		556,318	796,151
Non-controlling interest holders		<u>273,057</u>	<u>388,896</u>
		<u>829,375</u>	<u>1,185,047</u>
Earnings per share - basic and diluted (Rs.)	33	<u>6,898.8</u>	<u>9,872.9</u>

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

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**MOHOMED BASHIR**  
 Chief Executive Officer

  
**MOHAMMED ZAKI BASHIR**  
 Director



**Gul Ahmed Holdings (Private) Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended June 30, 2017**

	Note	2017	2016
		-----Rs. 000s-----	
Profit after taxation		829,375	1,185,047
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss account subsequently</i>			
Remeasurement (loss)/gain on defined benefit plan	8.1	(11,705)	8,376
Related tax effect	7	1,290	(952)
		(10,415)	7,424
<i>Items that will be reclassified to profit and loss account subsequently</i>			
Exchange difference on translation of foreign subsidiaries		7,302	9,076
<b>Total comprehensive income</b>		<b>826,262</b>	<b>1,201,547</b>
<b>Attributable to:</b>			
Equity holders of Parent Company		554,229	807,223
Non-controlling interest holders		272,033	394,324
		<b>826,262</b>	<b>1,201,547</b>

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

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**MOHOMED BASHIR**  
 Chief Executive Officer

  
**MOHAMMED ZAKI BASHIR**  
 Director

**Gul Ahmed Holdings (Private) Limited**  
**Consolidated Cash Flow Statement**  
**For the year ended June 30, 2017**

	Note	2017	2016
		Rs. 000s	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		834,781	1,390,014
Adjustments for:			
Depreciation	13.1.1	1,578,851	1,125,358
Amortisation	14.1	9,125	7,130
Provision for gratuity	8.2	33,280	36,585
Finance cost	31	879,287	915,843
Provision for slow moving/obsolete items	17.1	15,645	14,645
Provision for doubtful debts	19.3	38,307	34,825
Property, plant and equipment scrapped	13.1	425	1,014
Unclaimed liabilities written back	30	(49,685)	(10,917)
Net (gain) / loss on disposal of property plant and equipment	13.1.3	(245,310)	18,619
		2,259,925	2,143,102
Cash flows from operating activities before adjustments of working capital		3,094,706	3,533,116
Changes in working capital:			
Decrease/(increase) in current assets			
Stores, spare parts and loose tools		(100,414)	(219,030)
Stock-in-trade		1,396,115	(2,596,004)
Trade debts		(892,133)	(669,534)
Loans and advances		36,031	(380,664)
Short term prepayments		58,978	(112,824)
Other receivables		(667,390)	(144,310)
Tax refunds due from Government - Net		381,336	14,809
		212,523	(4,107,557)
Increase(decrease) in current liabilities			
Trade and other payables		443,064	(15,037)
		655,587	(4,122,594)
		3,750,293	(589,478)
Adjustments for:			
Gratuity paid	8.1	(55,298)	(35,696)
Finance cost paid		(854,756)	(1,007,956)
Income tax paid		(681,722)	(352,182)
Increase in long term loans and advances		(20,772)	(8,961)
Increase in long term deposits		(37,113)	(64,564)
		(1,649,661)	(1,469,359)
Net cash generated from/(used in) operating activities		2,100,632	(2,058,837)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition to property, plant and equipment		(5,590,166)	(4,225,010)
Addition to intangible assets		(74,509)	(11,788)
Proceeds from sale of property, plant and equipment		333,746	59,553
Net cash used in investing activities		(5,330,929)	(4,177,245)
Balance carried forward		(3,230,297)	(6,236,082)

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Note	2017	2016
	-----Rs. 000s-----	

Balance brought forward	(3,230,297)	(6,236,082)
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#### CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long term financing	3,427,770	2,681,678
Repayments of long term financing	(720,860)	(685,414)
Loan from Directors	1,001,100	280,000
Proceeds from issue of right shares	488,620	381,552
Dividend paid	(95,129)	(255,386)
Net cash generated from financing activities	4,101,501	2,402,430
Exchange difference on translation of foreign subsidiaries	7,302	9,076
Net increase/(decrease) in cash and cash equivalents	878,506	(3,824,576)
Cash and cash equivalents - at the beginning of the year	(12,526,517)	(8,701,941)
Cash and cash equivalents - at the end of the year	35 (11,648,011)	(12,526,517)

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

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**MOHOMED BASHIR**  
 Chief Executive Officer

  
**MOHAMMED ZAKI BASHIR**  
 Director

Gul Ahmed Holdings (Private) Limited  
Consolidated Statement of Changes in Equity  
For the year ended June 30, 2017

For the year ended June 30, 2017									
Note	Share capital	Reserves						Non-Controlling interest	Total
		Capital reserve	General Reserve	Exchange difference on translation of foreign subsidiaries	Statutory reserve created by foreign subsidiary (Note 5.4)	Unappropriated profit	Subtotal Reserves		
(Rs. 000s)									
Balance as at June 30, 2015	806	4,617,538	-	6,980	2,243	351,009	4,977,770	2,402,959	7,381,535
Transfer to									
General reserve	-	-	167,763	-	-	(167,763)	-	-	-
Statutory reserve	-	-	-	-	1,409	(1,409)	-	-	-
	-	-	167,763	-	1,409	(169,172)	-	-	-
Dividend to non controlling interest holders									
Final dividend for the year ended June 30, 2015	-	-	-	-	-	-	-	(113,882)	(113,882)
Interim dividend for the half year ended December 31, 2015	-	-	-	-	-	-	-	(75,921)	(75,921)
Interim dividend for the nine months ended March 31, 2016	-	-	-	-	-	-	-	(75,921)	(75,921)
	-	-	-	-	-	-	-	(265,724)	(265,724)
Issuance of Right Shares by Gul Ahmed Textile Mills Limited	-	-	-	-	-	-	-	381,552	381,552
Adjustment due to change in holding % of the Holding Company	-	-	-	(798)	(256)	(40,129)	(41,183)	41,183	-
Total comprehensive income for the year ended June 30, 2016									
Profit after taxation	-	-	-	-	-	796,151	796,151	388,896	1,185,047
Other comprehensive income	-	-	-	6,090	-	4,982	11,072	5,428	16,500
	-	-	-	6,090	-	401,133	807,223	394,324	1,201,547
Balance as at June 30, 2016	806	4,617,538	167,763	12,272	3,398	942,841	5,743,810	2,954,294	8,888,810
Transfer to									
General reserve	-	-	335,526	-	-	(335,526)	-	-	-
Statutory reserve	-	-	-	-	1,531	(1,531)	-	-	-
	-	-	335,526	-	1,531	(337,057)	-	-	-
Dividend to non controlling interest holders									
Final dividend for the year ended June 30, 2016	-	-	-	-	-	-	-	(97,727)	(97,727)
Issuance of Right Shares by Gul Ahmed Textile Mills Limited	-	-	-	-	-	-	-	488,620	488,620
Adjustment due to change in holding % of the Holding Company and effect of reversal of bonus shares	-	-	(9,708)	(715)	(198)	(54,898)	(65,579)	65,579	-
Total comprehensive income for the year ended June 30, 2017									
Profit after taxation	-	-	-	-	-	556,318	556,318	273,057	829,375
Other comprehensive income	-	-	-	4,900	-	(6,909)	(2,009)	(1,024)	(3,113)
	-	-	-	4,900	-	549,329	554,229	272,033	826,262
Balance as at June 30, 2017	806	4,617,538	493,521	16,457	4,729	1,100,215	6,232,460	3,682,799	9,910,865

The annexed notes 1 - 44 form an integral part of these consolidated financial statements.

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*Mohamed Bashir*  
MOHAMED BASHIR  
Chief Executive Officer

*Mohammed Zaki Bashir*  
MOHAMMED ZAKI BASHIR  
Director



**Gul Ahmed Holdings (Private) Limited**  
**Notes to the Consolidated Financial Statements**  
**For the year ended June 30, 2017**

**1 LEGAL STATUS AND ITS OPERATIONS**

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

- Gul Ahmed Holdings (Private) Limited (The Holding Company)
- Gul Ahmed Textile Mills Limited
- Gul Ahmed International Limited (FZC) - UAE
- GTM (Europe) Limited - UK
- GTM USA Corp. - USA
- Sky Home Corp.- USA

Gul Ahmed Holdings (Private) Ltd (The Holding Company) is a Private Limited Company incorporated on 14th April, 2014 under the repealed Companies Ordinance, 1984. The Company has been incorporated to carry on business of Holding Company. The registered office of the Company is situated at Plot No.82, Main National Highway, Landhi, Karachi.

Gul Ahmed Textile Mills Limited (Direct Subsidiary) was incorporated on April 01, 1953 in Pakistan as a private limited company subsequently converted into a public limited company on January 07, 1955 and is listed on Pakistan Stock Exchange Limited. The Company is a composite textile mill and is engaged in the manufacture and sale of textile products.

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. and Sky Home Corp. are wholly owned subsidiaries of GTM (Europe) Limited.

All four indirect subsidiaries are engaged in trading of textile related products.

**Details of Subsidiaries**

	<u>Date of Incorporation</u>	<u>Percentage of Holding</u>	<u>Country of Incorporation</u>
Gul Ahmed Textile Mills Limited	April 01, 1953	67.11%	Pakistan
Gul Ahmed International Limited FZC- Indirect Subsidiary	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
Sky Home Corp.- Indirect Subsidiary	February 28, 2017	100%	U.S.A

**1.2 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 subsidiary companies are prepared for the same reporting period as the Holding Company's, 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.

**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 explanatory notes forming part thereof 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.

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## 2.2 Statement of compliance

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

Companies Act, 2017 (the Act) has been promulgated during the year and Companies Ordinance 1984 has been repealed. The Act introduces new disclosure and presentation requirements; however the Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 / 2017 date 20th July 2017 has notified its decision that the Companies whose financial year ends on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of repealed Companies Ordinance 1984. Accordingly these consolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance 1984.

## 2.3 Functional and presentation currency

These consolidated financial statements have been prepared in Pak Rupees, which is the Holding Company's functional and presentation currency.

## 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:

### (a) Defined benefit plan

Actuarial assumptions have been adopted as disclosed in note no. 8.3 to these consolidated financial statements for valuation of present value of defined benefit obligations.

### (b) 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).

### (c) Useful lives, pattern of economic benefits and impairments

Estimates 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.

### (d) 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.

### (e) 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.

### (f) 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.

### (g) Impairment allowance 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.

### (h) 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.

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## 2.5 New and revised standards and interpretations

### (a) New and amended Standards and Interpretations became effective:

Following new / amended standards and amendments / clarifications issued by IASB have become effective for annual periods beginning on or after January 01, 2016.

#### **IAS 1 Presentation of Financial Statements' (Effective for annual periods beginning on or after 1 January 2016)**

Disclosure Initiative (Amendments to IAS 1) introduces certain clarifications related to consideration of materiality, clarifications related to aggregation and disaggregation of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income and the amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes. This do not have any significant impact on the Group's consolidated financial statements.

#### **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 amortization for intangible assets and explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. This standard is not relevant to 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 amendment is not relevant to 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 a 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. The amendment do not have any significant impact on the Company's unconsolidated financial statements.

#### **IAS 27 (Revised 2011) - 'Separate Financial Statements' (Effective from annual 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. The Group already carries investment in its subsidiary at cost, therefore amendment do not 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 annual 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 a cross-reference from the interim financial statements to the location of that information. This amendment is retrospective. This amendment will only have effect the disclosure in Group's interim financial information.

#### **IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' - Changes in methods of disposal (Effective from annual 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 this do not have any significant impact on the Group's consolidated financial statements.

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

The amendments add additional guidance to clarify whether a servicing contract is continued 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. It has no any significant impact on the Groups's consolidated financial statements.

**Amendments to IFRS 10 , 'Consolidated Financial Statements ' and IAS 28 , 'Investments in Associates and Joint Venture ' and IFRS 12' Disclosure of Interest in other entities (Effective from annual period beginning on or after January 01, 2016)**

Investment Entities : Applying the consolidation Exception clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statement is available to a parent entity which is a subsidiary of an investment entity ; (c) how an entity that is not an investment entity should apply the equity method of accounting for its investments in an associate or joint venture that is an investment entity and (d) an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12. The amendment do not have any significant impact on the Groups's consolidated financial statements.

**Amendments to IFRS 11 ' Joint Arrangements ' ' (Effective from annual period beginning on or after January 01, 2016)**

Accounting for acquisition of interest in joint operations - Amendments to IFRS 11 'Joint Arrangements' clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require investors to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendment is not relevant to the Groups's consolidated 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 Group's consolidated financial statements.

**(b) 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:

**IAS 7 'Statement of Cash Flows' (Effective for annual periods beginning on or after 1 January 2017)**

This standard has been amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flow and non-cash changes. The amendments are unlikely to have any material impact on the Group's consolidated financial statements.

**IAS 12 'Income Taxes' (Effective for annual periods beginning on or after 1 January 2017)**

This standard has been amended to clarify:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The amendments are unlikely to have any material impact on the Groups's consolidated financial statements.

**IAS 40 'Investment Property' amendments to clarify transfers or property to, or from, investment property (Effective for annual periods beginning on or after 1 January 2018)**

The amendment clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendment is not relevant to the Group's consolidated financial statements.

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**IFRS 2 – Classification and Measurement of Share Based Payment Transactions (Amendment) (Effective for annual periods beginning on or after 1 January 2018)**

The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendment is not relevant to the Group's consolidated financial statements.

**IFRIC 22 'Foreign Currency Transactions and Advance Consideration' ( Effective for annual periods beginning on or after 1 January 2018)**

The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises non monetary assets or non monetary liability arising from payment or receipt of advance consideration. In case there are multiple payments or receipts in advance, the entity should determine a date of the transaction for each payment or receipt of advance consideration. This IFRIC is not likely to have a material impact on Group's consolidated financial statements.

**IFRIC 23 'the Accounting for uncertainties in income taxes' (Effective for annual periods beginning on or after 1 January 2019 )**

This Amendment clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. This IFRIC is not likely to have a material impact on Group's consolidated financial statements.

**Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts [Completed] (Effective for annual periods beginning on or after 1 January 2018)**

The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contract standard is applied. The amendments are not relevant to the Group's consolidated financial statements.

**Annual improvements to IFRS standards 2014-2016 cycle.** The new cycle of improvements addresses

**IFRS 12 Disclosure of Interests in Other Entities amendments resulting from Annual Improvements**

**IAS 28 Investments in Associates and Joint Ventures amendments resulting from Annual Improvements 2014–2016 Cycle clarifying certain fair value measurements (Effective for annual periods beginning on or after 1 January 2018)**

This amendment clarifies that the election to measure an investment in an associate or a joint venture that is held by an entity and that is a venture capital organization, or other qualifying entity, at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendment is not relevant to the Group's consolidated financial statements.

**( c ) New Standards issued by IASB but not yet been notified by SECP**

International Financial Reporting Standards (IFRSs)	IASB effective date 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, 2018
IFRS 16 - Leases	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

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### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Foreign currency transactions and translation

All monetary assets and liabilities denominated in foreign currencies are retranslated 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

Foreign exchange gains and losses on translation or realization 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. 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 Direct Subsidiary 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 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, 2017. The results of valuation are summarized in note no. 8. Provision in respect of the staff retirement benefit obligation is made by indirect subsidiaries in accordance with relevant labour laws of their respective countries.

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 fully in other comprehensive income.

##### Defined contribution plan

The Direct Subsidiary 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 laws 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 laws and decisions taken by the Taxation Authorities.

##### Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except that it relates to items recognized in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity, respectively.

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### 3.6 Borrowings

Borrowings are recorded at the amount of proceeds received net of transaction cost incurred, and are subsequently recorded at amortized 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 capitalized as part of the cost of that asset up to the date of its commissioning.

### 3.8 Trade and other payables

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

### 3.9 Property, plant and equipment

#### 3.9.1 Operating fixed assets

##### Recognition & Measurement

The cost of an item is recognised as an asset if and only if the future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

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

##### Subsequent Cost

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

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

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

##### Depreciation

Depreciation is charged on all depreciable assets using reducing balance method except for structure on lease hold land / rented property and specific office equipment (i.e. I.T. equipment 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 capitalized till the month prior to the month of its derecognition. Depreciation is charged on the assets even if the assets are idle. No amortization 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.

##### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount of the relevant assets. These are included in profit and loss account.

#### 3.9.2 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 starts 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. 14.1

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

##### 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.

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**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, except goods in transit, 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.

**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. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

**3.16 Revenue recognition**

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

- Sale is recognised when the goods are dispatched to the customer and in case of export when the goods are shipped. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.
- Profit on deposits with banks is recognised on time proportion basis taking into account the amount outstanding and rates applicable thereon.
- 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.
- Dividend income is recognised when the Group's right to receive the payment is established.
- Interest on loans and advances to employees is recognized on the effective interest method.

**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, if any, is charged / credited to the profit and loss account.

**3.18 Derecognition of Financial Instruments**

Financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial asset. The Group loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Group surrenders those rights. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on derecognition of financial asset or liability is also included to the profit and loss account.

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### 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 recognised as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, 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 amortization, 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 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 Group has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Group or the counter parties.

### 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 recognised 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.

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## 4 SHARE CAPITAL

## 4.1 Authorised capital

2017	2016			
Number of Shares				
100,000	100,000	Ordinary shares of Rs.10 each	1,000	1,000

## 4.2 Issued, subscribed and paid - up capital

2017	2016			
Number of Shares				
80,640	80,640	Ordinary shares of Rs.10 each allotted for consideration fully paid in cash	806	806
80,640	80,640		806	806

## 5 RESERVES

			Rs. 000s	
Capital Reserve	5.1	4,617,538	4,617,538	
Revenue Reserve				
- General Reserve	5.2	493,521	167,763	
- Unappropriated Profit		1,100,215	942,841	
		1,593,736	1,110,604	
Exchange difference on translation of foreign subsidiaries		16,457	12,272	
Statutory reserve	5.3	4,729	3,396	
		6,232,460	5,743,810	

5.1 This represents the reserve created in respect of the recognition of the investment in direct subsidiary equal to the share of net assets of Gul Ahmed Textile Mills Limited as on June 27, 2014 i.e the date on which 123,314,552 shares were transferred by four major shareholders as described in note no 1 & 4. Since the Company has become Holding Company by virtue of the transfer of the shares to Company by four major shareholders of the Gul Ahmed Textile Mills Limited (GATML), who are also beneficial owners of the Company so the transaction between the owners of the Company and Company in their capacity as owners of the entity, without issuance of shares by the Company to its shareholders for transferring their investment in GATML to satisfy one-way transfer, is treated and recorded as Capital Reserve and directly credited into equity.

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

5.3 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.

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# 6 LONG TERM FINANCING

Note

2017

2016

-----Rs. 000s-----

From Banking Companies - Secured  
From Non-Banking Financial Institutions - Secured

6.1  
6.2

5,017,703	3,639,931
2,807,211	1,478,073
7,824,914	5,118,004
(678,511)	(487,400)
7,146,403	4,630,604

Current portion shown under current liabilities

Particulars	Note	Number of installments and commencement month	Installment amount Rs. in 000s	Mark-up rate per annum	2017	2016
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-----Rs 000s-----

## 6.1 Banking Companies

Allied Bank Limited Loan	6.5, 6.7	32 quarterly July-2010	9,256	Three months KIBOR Ask rate + 0.50% payable quarterly	37,034	74,058
Askari Bank Limited Loan 1 Under LTFF scheme	6.4, 6.7	20 quarterly October-2016	8,346	8.50 % p.a. payable quarterly	141,882	166,920
Askari Bank Limited Loan 2 Under LTFF scheme	6.4, 6.7	20 quarterly December-2016	2,930	8.50 % p.a. payable quarterly	49,788	58,578
Askari Bank Limited Loan 3 Under LTFF scheme	6.4, 6.7	20 quarterly March-2017	1,066	8.50 % p.a. payable quarterly	19,192	21,325
Askari Bank Limited Loan 4 Under LTFF scheme	6.3, 6.7	20 quarterly May-2018	63	3 % p.a. payable quarterly	1,259	1,259
Askari Bank Limited Loan 5 Under LTFF scheme	6.3, 6.7	28 quarterly December-2018	1,703	3 % p.a. payable quarterly	47,675	47,675
Askari Bank Limited Loan 6 Under LTFF scheme	6.3, 6.7	28 quarterly January-2019	1,069	3 % p.a. payable quarterly	29,935	29,935
Askari Bank Limited Loan 7 Under LTFF scheme	6.3, 6.7	28 quarterly February-2019	929	3 % p.a. payable quarterly	26,005	26,005
Askari Bank Limited Loan 8 Under LTFF scheme	6.3, 6.7	28 quarterly March-2019	1,816	3 % p.a. payable quarterly	50,842	50,842
Askari Bank Limited Loan 9 Under LTFF scheme	6.3, 6.7	28 quarterly April-2019	1,210	3 % p.a. payable quarterly	33,871	33,871
Askari Bank Limited Loan 10 Under LTFF scheme	6.3, 6.7	28 quarterly May-2019	96	3 % p.a. payable quarterly	2,680	2,680
Askari Bank Limited Loan 11 Under LTFF scheme	6.3, 6.7	28 quarterly June-2019	180	3 % p.a. payable quarterly	5,030	5,030
AlBaraka Bank (Pakistan) Limited Loan Islamic Banking	6.4, 6.8	20 quarterly March-2016	7,780	Three months KIBOR Ask rate + 1.10% payable quarterly	108,920	147,820
Bank Al-Habib Limited Under LTFF scheme	6.6	16 half yearly October-2019	13,519	2.75 % p.a. payable quarterly	216,296	-
Bank Al-Falah Limited Loan 1 Islamic Banking	6.4, 6.8	9 half yearly July-2014	1,147	Six months KIBOR Ask rate + 1.25% payable half yearly	3,442	5,736
Bank Al-Falah Limited Loan 2 Islamic Banking	6.4, 6.8	9 half yearly August-2014	1,472	Six months KIBOR Ask rate + 1.25% payable half yearly	4,417	7,361
Bank Al-Falah Limited Loan 3 Islamic Banking	6.4, 6.8	9 half yearly September-2014	8,172	Six months KIBOR Ask rate + 1.25% payable half yearly	24,516	40,859
Bank Al-Falah Limited Loan 4 Islamic Banking	6.4, 6.8	9 half yearly October-2014	10,285	Six months KIBOR Ask rate + 1.25% payable half yearly	30,856	51,425

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Particulars	Note	Number of installments and commencement month	Installment amount Rs. in 000s	Mark-up rate per annum	2017	2016
-----Rs 000s-----						
Bank Al-Falah Limited - Loan 5 Islamic Banking	6.4, 6.8	09 half yearly March-2014	9,439	Six months KIBOR Ask rate + 1.25% payable half yearly	18,878	37,755
Bank Al-Falah Limited - Loan 6 Islamic Banking	6.4, 6.8	09 half yearly April-2014	6,457	Six months KIBOR Ask rate + 1.25% payable half yearly	12,915	25,830
Bank of Punjab - Loan 1 Under LTFF scheme	6.3, 6.7	28 quarterly September-2018	84	3 % p.a. payable quarterly	2,358	2,358
Bank of Punjab - Loan 2 Under LTFF scheme	6.3, 6.7	28 quarterly September-2018	1,143	3 % p.a. payable quarterly	31,998	32,075
Bank of Punjab - Loan 3 Under LTFF scheme	6.3, 6.7	28 quarterly October-2018	2,144	3 % p.a. payable quarterly	60,040	-
Bank of Punjab - Loan 4 Under LTFF scheme	6.3, 6.7	28 quarterly November-2018	3,085	3 % p.a. payable quarterly	86,380	-
Bank of Punjab - Loan 5 Under LTFF scheme	6.3, 6.7	28 quarterly December-2018	6,904	3 % p.a. payable quarterly	193,323	-
Bank of Punjab - Loan 6 Under LTFF scheme	6.3, 6.7	28 quarterly January-2019	1,644	3 % p.a. payable quarterly	46,035	-
Bank of Punjab - Loan 7 Under LTFF scheme	6.3, 6.7	28 quarterly February-2019	7,692	3 % p.a. payable quarterly	215,382	-
Bank of Punjab - Loan 8 Under LTFF scheme	6.3, 6.7	28 quarterly March-2019	6,128	3 % p.a. payable quarterly	171,579	-
Bank of Punjab - Loan 9 Under LTFF scheme	6.3, 6.7	28 quarterly April-2019	3,212	3 % p.a. payable quarterly	89,924	-
Bank of Punjab - Loan 10 Under LTFF scheme	6.3, 6.7	28 quarterly June-2019	195	3 % p.a. payable quarterly	5,469	-
Habib Bank Limited Loan 1 Under LTFF scheme	6.5, 6.7	16 half yearly July-2011	11,054	10.00% p.a. payable quarterly	-	66,326
Habib Bank Limited Loan 2 Under LTFF scheme	6.5, 6.7	16 half yearly August-2011	562	10.00% p.a. payable quarterly	-	3,375
Habib Bank Limited Loan 3 Under LTFF scheme	6.5, 6.7	16 half yearly October-2011	709	10.00% p.a. payable quarterly	-	4,260
Habib Bank Limited Loan 4 Under LTFF scheme	6.5, 6.7	16 half yearly March-2012	277	10.00% p.a. payable quarterly	-	1,937
Habib Bank Limited Loan 5 Under LTFF scheme	6.5, 6.7	16 half yearly August-2012	3,536	10.25% p.a. payable quarterly	-	28,326
Habib Bank Limited Loan 6 Under LTFF scheme	6.5, 6.7	20 quarterly September-2016	5,804	9.00% p.a. payable quarterly	-	116,050
Habib Bank Limited Loan 7 Under LTFF scheme	6.5, 6.7	20 quarterly November-2016	1,698	9.00% p.a. payable quarterly	-	33,950
Habib Bank Limited Loan 8	6.5, 6.8	04 half yearly October-2017	15,586	Three months KIBOR Ask rate + 0.5% payable half yearly	62,345	-
Habib Bank Limited Loan 9	6.5, 6.8	05 half yearly October-2017	332	Three months KIBOR Ask rate + 0.5% payable half yearly	1,660	-
Habib Bank Limited Loan 10	6.5, 6.8	06 half yearly October-2017	4,132	Three months KIBOR Ask rate + 0.5% payable half yearly	24,789	-
Habib Bank Limited Loan 11	6.5, 6.8	09 half yearly October-2017	16,666	Three months KIBOR Ask rate + 0.5% payable half yearly	150,000	-
Habib Bank Limited Loan 12 Under LTFF scheme	6.4, 6.5, 6.7	32 quarterly October-2018	14,747	3 % p.a. payable quarterly	471,900	-
Habib Bank Limited Loan 13 Under LTFF scheme	6.4, 6.5, 6.7	32 quarterly November-2018	82	3 % p.a. payable quarterly	2,613	-
Habib Bank Limited Loan 14	6.4, 6.5, 6.7	32 quarterly	221	3 % p.a.	7,072	-

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Particulars	Note	Number of installments and commencement month	Installment amount Rs. in 000s	Mark-up rate per annum	2017	2016
					-----Rs 000s-----	
Under LTFF scheme		February-2019		payable quarterly		
Habib Bank Limited Loan 15 Under LTFF scheme	6.4, 6.5, 6.7	32 quarterly February-2019	95	3 % p.a. payable quarterly	3,036	-
Habib Bank Limited Loan 16 Under LTFF scheme	6.4, 6.5, 6.7	32 quarterly March-2019	174	3 % p.a. payable quarterly	5,564	-
MCB Bank Limited Loan 1	6.5	10 half yearly February-2017	1,486	Three months KIBOR Ask rate + 2.25% payable half yearly	13,374	14,860
MCB Bank Limited Loan 2 Under LTFF scheme	6.5, 6.7	10 half yearly March-2017	15,864	8.25% p.a. payable quarterly	142,776	158,640
MCB Bank Limited Loan 3 Under LTFF scheme	6.5, 6.7	10 half yearly March-2017	1,541	6.75% p.a. payable quarterly	13,869	15,410
MCB Bank Limited Loan 4 Under LTFF scheme	6.5, 6.7	10 half yearly April-2017	2,425	8.25% p.a. payable quarterly	21,825	24,251
MCB Bank Limited Loan 5 Under LTFF scheme	6.5, 6.7	10 half yearly June-2017	5,773	8.25% p.a. payable quarterly	51,957	57,730
MEEZAN Bank Limited Islamic Banking	6.5, 6.8	10 quarterly March-2017	74,455	Three months KIBOR Ask rate +1% payable quarterly	647,460	744,555
National Bank of Pakistan Loan 1	6.3	10 half yearly February-2016	49,598	Six months KIBOR Ask rate + 0.75% payable half yearly	396,784	495,981
National Bank Of Pakistan Loan 2 Under LTFF scheme	6.4, 6.5, 6.7	20 quarterly May-2018	5,835	2.80% p.a. payable quarterly	116,700	116,700
National Bank Of Pakistan Loan 3 Under LTFF scheme	6.4, 6.5, 6.7	20 quarterly July-2018	5,451	2.80% p.a. payable quarterly	109,012	109,012
National Bank Of Pakistan Loan 4 Under LTFF scheme	6.4, 6.5, 6.7	20 quarterly August-2018	179	2.80% p.a. payable quarterly	3,570	3,570
National Bank Of Pakistan Loan 5 Under LTFF scheme	6.4, 6.5, 6.7	20 quarterly September-2018	7,131	2.80% p.a. payable quarterly	142,618	142,618
National Bank Of Pakistan Loan 6 Under LTFF scheme	6.4, 6.5, 6.7	20 quarterly October-2018	5,699	2.80% p.a. payable quarterly	113,970	-
National Bank Of Pakistan Loan 7 Under LTFF scheme	6.4, 6.5, 6.7	20 quarterly November-2018	708	2.80% p.a. payable quarterly	14,156	-
NIB Bank Limited Loan 1	6.3	16 quarterly March-2014	829	Three months KIBOR Ask rate + 1.50% payable quarterly	1,659	4,975
NIB Bank Limited Loan 2	6.3	16 quarterly June-2014	2,827	Three months KIBOR Ask rate + 1.50% payable quarterly	8,484	22,619
NIB Bank Limited Loan 3	6.3	16 quarterly June-2015	168	Three months KIBOR Ask rate + 1.50% payable quarterly	1,183	2,023
SONERI Bank Loan 1 Under LTFF scheme	6.3, 6.7	16 quarterly March-2018	14,457	5% p.a. payable quarterly	231,310	231,310
United Bank Limited Loan 1	6.3	12 half yearly September-2013	269	Six months KIBOR Ask rate + 1.00% payable half yearly	1,075	1,612
United Bank Limited Loan 2	6.3	12 half yearly October-2013	1,235	Six months KIBOR Ask rate + 1.00% payable half yearly	4,941	7,411

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Particulars	Note	Number of installments and commencement month	Installment amount Rs. In 000s	Mark-up rate per annum	2017	2016
-----Rs 000s-----						
United Bank Limited Loan 3	6.3	12 half yearly December-2013	5,892	Six months KIBOR Ask rate + 1.00% payable half yearly	23,565	35,792
United Bank Limited Loan 4	6.3	12 half yearly January-2014	11,913	Six months KIBOR Ask rate + 1.00% payable half yearly	59,562	83,387
United Bank Limited Loan 5 Under LTFF scheme	6.4, 6.7	10 half yearly July-2017	1,802	8.00% p.a. payable quarterly	18,020	18,020
United Bank Limited Loan 6 Under LTFF scheme	6.4, 6.7	10 half yearly August-2017	398	6.50% p.a. payable quarterly	3,985	3,985
United Bank Limited Loan 7 Under LTFF scheme	6.4, 6.7	10 half yearly September-2017	215	6.50% p.a. payable quarterly	2,150	2,150
United Bank Limited Loan 8 Under LTFF scheme	6.4, 6.7	10 half yearly October-2017	102	6.50% p.a. payable quarterly	1,020	1,020
United Bank Limited Loan 9	6.4	10 half yearly November-2017	2,385	5% p.a. payable quarterly	23,850	23,850
United Bank Limited Loan 10 Under LTFF scheme	6.4, 6.7	10 half yearly December-2017	89	6.50% p.a. payable quarterly	890	890
United Bank Limited Loan 11 Under LTFF scheme	6.4, 6.7	10 half yearly February-2018	318	5% p.a. payable quarterly	3,187	3,187
United Bank Limited Loan 12 Under LTFF scheme	6.4, 6.7	10 half yearly March-2018	4,182	5% p.a. payable quarterly	41,822	41,822
United Bank Limited Loan 13 Under LTFF scheme	6.4, 6.7	10 half yearly April-2018	1,827	5% p.a. payable quarterly	18,270	18,270
United Bank Limited Loan 14 Under LTFF scheme	6.4, 6.7	10 half yearly May-2018	954	4% p.a. payable quarterly	9,546	9,546
United Bank Limited Loan 15 Under LTFF scheme	6.4, 6.7	10 half yearly March-2018	12,111	5% p.a. payable quarterly	121,114	121,114
Samba Bank Limited Loan 1 Under LTFF scheme	6.3, 6.7	10 half yearly September-2019	15,710	3% p.a. payable quarterly	157,099	-
<b>Total from Other Banks</b>					<b>5,017,703</b>	<b>3,639,931</b>

#### 6.2 Non-Banking Financial Institutions - Secured

Pair Investment Company 1 Under LTFF scheme	6.5, 6.7	12 half yearly May-2018	11,417	3.5% p.a. payable half yearly	137,000	137,000
Pair Investment Company 2 Under LTFF scheme	6.5, 6.7	12 half yearly June-2018	11,346	3.5% p.a. payable half yearly	136,150	136,150
Pair Investment Company 2 Under LTFF scheme	6.5, 6.7	12 half yearly October-2019	17,798	3% p.a. payable half yearly	213,579	-
Pair Investment Company 2 Under LTFF scheme	6.5, 6.7	12 half yearly December-2019	236	3% p.a. payable half yearly	2,831	-
Pak Kuwait Investment Pvt. Ltd Loan 1 Under LTFF scheme	6.3, 6.4, 6.7	32 quarterly February-2018	10,093	3% p.a. payable quarterly	322,990	322,990
Pak Kuwait Investment Pvt. Ltd Loan 2 Under LTFF scheme	6.3, 6.4, 6.7	32 quarterly February-2018	816	3% p.a. payable quarterly	26,120	26,120
Pak Kuwait Investment Pvt. Ltd Loan 3 Under LTFF scheme	6.3, 6.4, 6.7	32 quarterly March-2018	2,479	3% p.a. payable quarterly	79,340	79,340
Pak Kuwait Investment Pvt. Ltd Loan 4 Under LTFF scheme	6.3, 6.4, 6.7	32 quarterly March-2018	8,312	3% p.a. payable quarterly	265,986	265,986
Pak Kuwait Investment Pvt. Ltd Loan 5 Under LTFF scheme	6.3, 6.4, 6.7	32 quarterly March-2018	417	3% p.a. payable quarterly	13,330	13,330
Pak Kuwait Investment Pvt. Ltd Loan 6 Under LTFF scheme	6.3, 6.4, 6.7	32 quarterly April-2018	31	3% p.a. payable quarterly	985	-
Pak Kuwait Investment Pvt. Ltd Loan 7 Under LTFF scheme	6.3, 6.4, 6.7	32 quarterly May-2018	1,218	3% p.a. payable quarterly	38,970	38,970
Pak Kuwait Investment Pvt. Ltd Loan 8	6.3, 6.4, 6.7	32 quarterly	71	3% p.a.	2,279	-

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Particulars	Note	Number of installments and commencement month	Installment amount Rs. in 000s	Mark-up rate per annum	2017	2016
					-----Rs 000s-----	
Under LTFF scheme		May-2018		payable quarterly		
<b>Pak Brunei Investment Company Loan 1</b>	6.3, 6.4, 6.7	16 quarterly	28,637	2.5% p.a	<b>458,187</b>	<b>458,187</b>
Under LTFF scheme		December-2018		payable quarterly		
<b>Pak Brunei Investment Company Loan 2</b>	6.3, 6.4, 6.7	16 quarterly	2,419	2.5% p.a	<b>38,710</b>	-
Under LTFF scheme		May-2019		payable quarterly		
<b>Pak Brunei Investment Company Loan 3</b>	6.3, 6.4, 6.7	16 quarterly	5,468	2.5% p.a	<b>87,496</b>	-
Under LTFF scheme		July-2019		payable quarterly		
<b>Pak Oman Investment Company Loan 1</b>	6.4, 6.7, 6.9	32 quarterly	8,596	2.75% p.a	<b>275,083</b>	-
Under LTFF scheme		January-2019		payable quarterly		
<b>Pak Oman Investment Company Loan 2</b>	6.4, 6.7, 6.9	32 quarterly	7,410	2.75% p.a	<b>237,121</b>	-
Under LTFF scheme		February-2019		payable quarterly		
<b>Pak Oman Investment Company Loan 3</b>	6.4, 6.7, 6.9	32 quarterly	6,927	2.75% p.a	<b>221,667</b>	-
Under LTFF scheme		March-2019		payable quarterly		
<b>Pak Oman Investment Company Loan 4</b>	6.4, 6.7, 6.9	32 quarterly	238	2.75% p.a	<b>7,627</b>	-
Under LTFF scheme		May-2019		payable quarterly		
<b>Pak Oman Investment Company Loan 5</b>	6.4, 6.7, 6.9	32 quarterly	60	2.75% p.a	<b>1,908</b>	-
Under LTFF scheme		May-2019		payable quarterly		
<b>Pak Oman Investment Company Loan 6</b>	6.4, 6.7, 6.9	32 quarterly	7,144	2.75% p.a	<b>228,624</b>	-
Under LTFF scheme		June-2019		payable quarterly		
<b>Pak Oman Investment Company Loan 7</b>	6.4, 6.7, 6.9	32 quarterly	351	2.75% p.a	<b>11,228</b>	-
Under LTFF scheme		June-2019		payable quarterly		
<b>Total from Non-Banking Financial Institutions</b>					<b><u>2,807,211</u></b>	<b><u>1,478,073</u></b>

- 6.3 These loans are secured by first pari passu charge over present and future property, plant and equipment of the direct subsidiary Company.
- 6.4 These loans are secured by charge over specified machinery.
- 6.5 These loans are secured by first pari passu charge over present and future property, plant and equipment of the direct subsidiary Company and equitable mortgage over land and building.
- 6.6 These loans are secured by charge over specified machinery of the direct subsidiary Company and equitable mortgage over land and building.
- 6.7 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 up to five years maximum grace period shall not exceed one year as per State Bank of Pakistan MFD Circular No. 07 dated December 31, 2007.
- 6.8 These loans are obtained under Shariah Compliant Arrangements.
- 6.9 These loans are secured by ranking charge over present and future property plant and equipment of the direct subsidiary company.

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7 DEFERRED TAXATION	Note	2017	2016
		-----Rs. 000s-----	
Deferred tax liability	7.1	316,420	323,908
Deferred tax asset of an indirect subsidiary	7.2	(98)	(996)
		<u>316,322</u>	<u>322,912</u>
<b>7.1 Deferred tax arises due to:</b>			
Taxable temporary differences in respect of			
Accelerated tax depreciation allowance		348,865	352,990
Provision for income of subsidiaries		18,062	14,600
		<u>366,927</u>	<u>367,590</u>
Deductible temporary differences in respect of			
Provision for gratuity		(2,631)	(4,062)
Impairment allowance for doubtful trade debts		(29,915)	(26,477)
Provision for slow moving items/obsolete of stores, spare parts and loose tools		(14,479)	(13,143)
		<u>(47,025)</u>	<u>(43,682)</u>
Tax credit	7.1.2	(3,482)	-
		<u>316,420</u>	<u>323,908</u>

7.1.1 This represent net deferred taxation in respect of temporary differences of the Subsidiary Companies. 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.

7.1.2 The Direct Subsidiary Company has available tax credit of Rs. 246.939 million (2016: 228.897 million) under section 65 of the Income Tax Ordinance as well as minimum tax credit of Rs. 22.342 that can be utilized against future tax liability; however as a matter of prudence tax credits only to the extent of Rs. 3.482 million (2016: Nil) has been recognized as deferred tax assets.

7.2 Deferred tax asset of an indirect subsidiary	2017	2016
	-----Rs. 000s-----	
Deductible temporary differences in respect of		
Accelerated tax depreciation allowance	(98)	(312)
Unused tax losses	-	(684)
	<u>(98)</u>	<u>(996)</u>

7.3 Movement in deferred taxation	Liability	Asset	2017	2016
			-----Rs. 000s-----	
Opening	323,908	(996)	322,912	356,354
Charged to profit and loss account	(6,198)	898	(5,300)	(34,394)
Charged to other comprehensive income	(1,290)	-	(1,290)	952
	<u>316,420</u>	<u>(98)</u>	<u>316,322</u>	<u>322,912</u>

## 8 STAFF RETIREMENT BENEFITS

8.1 Reconciliation of the present value of defined benefit obligation and movement in net defined benefit liability	Note	2017	2016
		-----Rs. 000s-----	
Opening balance		41,346	48,833
Charge for the year	8.2	33,280	36,585
Remeasurement loss / (gain) charged in other comprehensive income		11,705	(8,376)
Benefits paid during the year		(55,298)	(35,696)
Closing balance		<u>31,033</u>	<u>41,346</u>

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**8.2 Charge for the recognized in profit and loss account**

Current service cost		30,417	31,722
Interest cost		612	2,620
		31,029	34,342
Charge in respect of obligation of the subsidiary company	8.5 28.1	2,251	2,243
		<u>33,280</u>	<u>36,585</u>

**8.3 Significant actuarial assumptions used**

Following significant actuarial assumptions were used for the valuation of the Direct Subsidiary Company's obligations:

Discount rate used	7.25% p.a	7.25% p.a
Expected increase in salary for year end obligation	NA	6.25 % p.a
Average expected remaining working life time of employees	5 years	5 years
Mortality rates	SLIC 2001-2005 Set back 1 Year	SLIC 2001-2005 Set back 1 Year

**8.4 Associated Risks****a) Final Salary Risk (Linked to inflation risk)**

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on final salary (which will closely reflect inflation and other macro economics factors), the benefit amount increases as salary increases with time.

**b) Demographic Risk**

**Mortality Rate** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**Withdrawal Rate** - The risk of actual of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

**8.5** Provision in respect of the obligation of indirect subsidiary company is made in accordance with applicable labour laws in UAE. Since the obligation is insignificant so no actuarial valuation is carried out by the subsidiary and provision is made using actual liability method.

**8.6 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, 2016. The disclosure is based on information included in that actuarial report.

**8.7 Sensitivity Analysis**

Year end sensitivity analysis ( ± 100 bps ) on Defined Benefit Obligation as presented by actuary in its report.

Note	2017	2016
	---Rs. 000s---	
Discount Rate + 100 bps	22,739	34,171
Discount Rate - 100 bps	25,143	37,543
Salary increase + 100 bps	25,143	37,543
Salary increase - 100 bps	22,719	34,142

**9 TRADE AND OTHER PAYABLES**

Creditors	- Due to related parties	2,870	10,746
	- Others	2,164,014	2,866,479
		<u>2,166,884</u>	<u>2,877,225</u>
Provisions and Accrued expenses	9.1.1, 9.1.2, 9.1.3 & 12.7	2,970,167	1,947,389
Advance from customers		485,361	329,173
Workers' profit participation fund	9.3	42,981	75,029
Workers' welfare fund	9.4	35,108	27,235
Unclaimed dividend		5,169	2,140
Dividend Payable	9.2	9,042	9,473
Taxes withheld		30,509	71,378
Payable to employees' provident fund		14,989	14,270
Others		13,545	24,464
		<u>5,773,755.00</u>	<u>5,377,776</u>

**9.1.1** Accrued expenses include Infrastructure cess amounting to Rs. 190 million (2016: Rs. 133 million). The Direct Subsidiary Company alongwith 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 consolidated financial statements.

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- 9.1.2 The Direct Subsidiary Company along with several other companies has filed a suit in the Honorable Sindh High Court challenging the Notification via SRO No. (I) / 2015 dated 31 August, 2015 regarding increase in the Gas rate tariff. The Honorable Sindh High Court has already passed interim orders to suspend the operation of the notification and payments of bills on regular basis at the tariff prevailing prior to the issuance of the impugned notification and restrained from taking any coercive action against the Direct Subsidiary Company; thereafter Honorable Sindh High Court has given the decision in favor of the Direct Subsidiary Company. The Government filed an appeal in the Divisional Bench of the Honorable Sindh High Court against the decision which has also been decided in favour of the Direct Subsidiary Company. During the year the Oil and Gas Regulatory Authority (OGRA) has issued another notification dated 30-12-2016 and SSGC billed @ Rs.600 per MMBTU instead of Rs.488.23 per MMBTU. The Direct Subsidiary Company along with others have filed petition in the Honorable Sindh High Court against the notification and the Honorable Court has granted interim relief and instructed SSGC to revise bills at previous rate against security for the differential amount. Accordingly, the Direct Subsidiary Company has provided banker's verified cheques of Rs. 186.443 million as security to Nazir of High Court Sindh and also, as a matter of prudence, full provision of Rs. 237.857 million (June 30, 2016: 98.689 million) in the consolidated financial statements.
- 9.1.3 The Direct Subsidiary Company along with several other companies has filed a suit in the Honorable Sindh High Court challenging the charging of captive power tariff instead of Industry tariff rate to the Direct Subsidiary Company, since the Direct Subsidiary Company is producing electricity for its own consumption only, not for sale. The Honorable Sindh High Court has passed the interim orders for not charging the Captive power tariff rates and consequently restrained from taking any coercive action against the Direct Subsidiary Company. However, in view of the uncertainties in such matter, full provision of Rs. 346.173 million (2016: Rs. 139.585 million) has been made in the consolidated financial statements.
- 9.2 Dividend payable includes the dividend amount Rs. 9.042 million (2016: Rs.7.033 million) held by the Holding Company, as referred in Note no. 4.2.3 pertaining to the Petitioners of the suit filed in the Honourable High Court of Sindh against the tax on bonus shares imposed through Finance Act 2014. The amount includes Rs. 6.936 million and Rs. 0.31 million (2016: Rs. 5.395 million and Rs. 0.24) million of Gul Ahmed Holdings (Private) Limited and an Associate Company respectively. In view of uncertainties the recognition of this dividend income of Rs. 6.936 million (2016: Rs. 5.395 million) has been deferred by the Holding Company till final outcome (refer note 12.8).

	Note	2017	2016
		-----Rs. 000s-----	
9.3 Workers' profit participation fund			
Opening balance		75,029	49,498
Allocation for the year	29	42,981	71,671
Interest for the year	9.3.1	6,495	3,358
		<u>124,505</u>	<u>124,527</u>
Payments made during the year		(81,524)	(49,498)
Closing balance		<u>42,981</u>	<u>75,029</u>

- 9.3.1 The Direct Subsidiary Company retains Workers' Profit Participation Fund for its business operations till the date of allocation to the workers. Interest is payable at prescribed rate under Companies Profit (Workers Participation) Act, 1968 on funds utilized by the Direct Subsidiary Company till the date of allocation / payment to workers.
- 9.4 The Direct Subsidiary Company along with other petitioners challenged the constitutionality of the amendments brought into Workers' Welfare Fund Ordinance, 1971 through Finance Acts of 2006 and 2008. The Honorable Sindh High Court decided the matter in favor of the Government. The Direct Subsidiary Company along with the petitioner filed an appeal in the Supreme Court of Pakistan against the above decision. During the year the Honorable Supreme Court has passed a judgment on 10th November 2016 declaring the insertion of amendments introduced in the Finance Acts 2006 and 2008 pertaining to Workers Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. During the year, a review petition has been filed in the Honorable Supreme Court against the judgment. Therefore the Direct Subsidiary Company as a matter of prudence has maintained the provisions made in the consolidated financial statements.

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	Note	2017	2016
		Rs. 000s	
<b>10 ACCRUED MARK-UP/PROFIT</b>			
Mark-up/ Profit on long term financing		53,365	46,852
Mark-up/profit on short term borrowings		85,533	67,516
		<u>138,898</u>	<u>114,368</u>

10.1 This includes Rs. 2.48 million and Rs. 9.12 million (2016:Rs. 6.83 million and Rs. 13.93 million) in long term financing and short term borrowings respectively under Shariah Compliant arrangements.

10.2 Accrued markup includes markup due to Habib Metropolitan Bank Limited, an associated company, amounting to Rs. 3.566 million (2016: Rs.2.528 million)

	Note	2017	2016
		Rs. 000s	
<b>11 SHORT TERM BORROWINGS - SECURED</b>			
Short Term Bank Borrowings			
Foreign currency		3,725,267	894,500
Local currency		2,909,300	7,525,100
Short term running finance	11.1	6,634,567	8,419,600
		<u>5,300,776</u>	<u>4,446,893</u>
		<u>11,935,343</u>	<u>12,866,493</u>

11.1 Short term bank borrowing includes Istisna (Shariah Compliant) amounting to Rs. 1,094 million (2016: Rs. 2,702 million) in local currency and Rs. 581 (2016: Rs.114) in foreign currency. Istisna is an Islamic mode of finance.

11.2 Short term borrowings are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed facility at the year end was Rs. 7,716 million (2016: Rs. 2,975 million). The facility for short term finance matures within twelve months. Short term borrowings include amount due to Habib Metropolitan Bank Limited, an associated company, amounting to Rs. 457 million (2016: Rs.623 million).

11.3 Foreign currency mark-up/profit rates range from 1.15% to 2.00% (2016: 1.15% to 2.00%) per annum. Local currency mark-up/profit rates range from 6.00% to 8.00% (2016: 3.00% to 9.96%) per annum.

## 12 CONTINGENCIES AND COMMITMENTS

12.1 The Direct Subsidiary 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. 84 million (2016:Rs. 84 million). The Direct Subsidiary Company holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Honorable 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 Direct Subsidiary Company. The claim of the alleged owners is fictitious. The Direct Subsidiary Company is confident that its title to the land is secure and accordingly no provision in this behalf has been made in these consolidated financial statements.

12.2 The Direct subsidiary Company has filed a suit in the Honorable Sindh High Court for recovery of Rs. 33,409 million (2016: Rs. 33,409 million) against sale of property included in other receivables note no.22. The Direct Subsidiary Company's management and its legal counsel are of the opinion that the case will be decided in the Holding Company's favor and as such no provision has been made there against.

12.3 The Direct Subsidiary Company has filed a Petition in the Honorable Sindh High Court against order passed by the Board of Trustees, Employees' Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-01 and 2001-02 amounting to Rs.50.827 million (2016: Rs.50.827 million). This demand had been raised after lapse of more than two years although the records and books of the Subsidiary Company were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The Honorable Sindh High Court has already restrained EOBI from taking any action or proceedings against the Subsidiary Company. No provision has been made there against in these consolidated financial statements as the management is confident of the favorable outcome of the Petition.

12.4 The Direct Subsidiary Company has filed a Constitution Petition in the Honorable Sindh High Court against the City District Government of Karachi for striking down the unjustified demand of payment of Ground Rent of Rs.10 million (2016: Rs. 10 million) and against which part payment of Rs. 2.57 million has been made. The Honorable Sindh High Court has already restrained the City District Government of Karachi from taking any coercive action against the Direct Subsidiary Company. No provision has been made there against in these consolidated financial statements as the management is confident of the favorable outcome of the Petition. Also refer note no. 20.2.

12.5 The Direct Subsidiary Company has filed a suit in the Honorable Sindh High Court for recovery of Rs. 17,851 million (2016: 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 consolidated financial statements.

12.6 The Direct Subsidiary Company along with several other companies has filed a Constitution Petition in the Honorable Sindh High Court against a notice issued by the Employment Old Age Benefit Institution (EOBI) to the Direct Subsidiary Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Direct Subsidiary Company. No provision of the amount involved i.e., Rs. 145.389 million (2016: 98.778 million) has been made in these consolidated financial statements as the management is confident of the favorable outcome of the Petition.

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- 12.7 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 Direct Subsidiary Company along with several other companies has filed a suit in the Honorable Sindh High Court challenging the increase in GIDC through the GIDC Act, 2011, the GIDC Ordinance, 2014 and the GIDC Act, 2015. The Honorable 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 Direct Subsidiary Company has not paid GIDC under the above referred laws. Further as the management is confident that the case will be decided in favor 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 (2016: Rs. 868.221 million).

The Honorable High Court of Sindh vide its judgment dated 26 October, 2016 have held GIDC Act 2015 ultra vires the Constitution. However the management on prudent basis has recognized the provision under the GIDC Act, 2015 commencing from May 22, 2015 to the balance sheet date amounting to Rs. 1,137 million (2016: Rs. 584.934 million) in these consolidated financial statements.

- 12.8 During the year 2015, the direct subsidiary issued 25% bonus shares for the year ended June 30, 2014 accordingly 30,828,638 shares were receivable by GAHPL from GTML. The Government, through Finance Act 2014, imposed 5% income tax on bonus shares which resulted in tax amounting to Rs.79,599,548 on the bonus entitlement against which the subsidiary Company withheld 1,541,432.

The Holding Company along with several other shareholders filed a suit in the Honorable Sindh High Court, challenging the legality of tax on bonus shares which was decision in favor of the Government. The Holding Company thereafter has then filed an appeal in the Division Bench of Honorable Sind High Court against the above decision. The Division Bench has issued stay against the recovery of the above tax.

The Holding Company is confident that the case will be decided in the favor of the Appellants; however in view of uncertainties, the Holding Company has not taken these 1,541,432 shares for consolidation purposes consequently no provision is required against the tax amount. Also the corresponding dividend in respect of these bonus shares declared during the pendency of the case aggregating to Rs. 6.936 million (2016: Rs. 5.935 million) has not been accrued.

#### 12.8 Guarantees

- (a) Rs. 767 million (2016: Rs. 706 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 include guarantees issued by related party amounting to Rs. 698 million (2016: Rs. 638million)
- (b) Post dated cheques Rs. 1,406 million (2016 : Rs. 1,000 million) are issued to Custom Authorities in respect of duties on imported items availed on the basis of consumption and export plans.
- (c) Bills discounted Rs. 2,073 million (2016: Rs. 2,267million).
- (d) Corporate guarantee of Rs. 94.222 million (2016: Rs. 93.365 million) has been issued to a bank by the Direct Subsidiary Company in favor of an indirect subsidiary Company - GTM (Europe) Limited - UK .

#### 12.9 Commitments

- (a) The Group is committed for capital expenditure as at June 30, 2017 of Rs. 181.4 million (2016: Rs. 2,103 million)
- (b) The Group is committed for non capital expenditure items under letters of credits as at June 30, 2017 of Rs. 1,442.6 million (2016: Rs. 819 million).
- (c) The Group is committed to minimum rental payments for each of following period as follows:

	Note	2017	2016
		-----Rs. 000s-----	
Not more than one year		484,547	497,517
More than one year but not more than five years		1,593,683	1,670,611
More than five years		477,159	994,367
		<u>2,555,389</u>	<u>3,162,495</u>

#### 13 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	13.1	13,680,577	10,524,519
Capital work in progress (CWIP)	13.2	2,311,485	1,545,089
		<u>15,992,062</u>	<u>12,069,608</u>

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### 13.1 Operating fixed assets

Note	Leasehold land	Buildings and structures on leasehold land	Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
-----Rs. 000s-----							
<b>Movement in net book value during the year ended June 30, 2017</b>							
	227,564	1,983,013	7,542,245	53,754	237,567	480,376	10,524,519
Opening net book value (NBV)							
Direct additions (at Cost)	-	-	84,481	6,907	133,147	206,972	431,507
Transfer from CWIP 13.2	-	1,473,196	2,915,128	93	-	-	4,388,417
Disposal at NBV 13.1.2	(4,923)	-	(53,148)	(2,174)	(712)	(27,478)	(88,436)
Scraped at NBV	-	-	-	(425)	-	-	(425)
Depreciation charge 13.1.1	-	(375,376)	(1,009,926)	(6,360)	(66,087)	(121,103)	(1,578,851)
Foreign currency retranslation	-	1,164	-	508	818	1,356	3,846
Closing net book value	<b>222,641</b>	<b>3,081,997</b>	<b>9,478,780</b>	<b>52,303</b>	<b>304,733</b>	<b>540,123</b>	<b>13,680,577</b>
<b>Net book value as at June 30, 2017</b>							
Cost	222,641	5,096,275	17,918,517	123,899	720,805	1,076,246	25,158,383
Accumulated depreciation	-	(2,016,605)	(8,386,589)	(72,608)	(417,705)	(538,826)	(11,432,333)
Foreign currency retranslation	-	2,327	-	1,012	1,633	2,703	7,675
Net book value	<b>222,641</b>	<b>3,081,997</b>	<b>9,531,928</b>	<b>52,303</b>	<b>304,733</b>	<b>540,123</b>	<b>13,733,725</b>

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Note	Leasehold land	Buildings and structures on leasehold land	Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
-----Rs. 000s-----							
<b>Movement in net book value during the year ended June 30, 2016</b>							
Opening net book value (NBV)	227,564	1,519,714	6,404,850	50,210	170,686	338,906	8,711,930
Direct additions (at Cost)	-	28,861	128,617	12,598	101,824	249,445	521,345
Transfer from CWIP	-	662,167	1,818,692	-	11,100	-	2,491,959
Reclassification made by subsidiary	-	3,202	-	(3,202)	-	-	-
Disposal at NBV	-	-	(61,895)	-	(690)	(15,587)	(78,172)
Scraped at NBV	-	-	-	(531)	(483)	-	(1,014)
Depreciation charge <b>13.1.1</b>	-	(232,094)	(748,019)	(5,825)	(45,685)	(93,735)	(1,125,358)
Foreign currency retranslation	-	1,163	-	504	815	1,347	3,829
Closing net book value	<b>227,564</b>	<b>1,983,013</b>	<b>7,542,245</b>	<b>53,754</b>	<b>237,567</b>	<b>480,376</b>	<b>10,524,519</b>
<b>Net book value as at June 30, 2016</b>							
Cost	227,564	3,623,079	14,918,908	121,418	591,846	969,658	20,452,473
Accumulated depreciation	-	(1,641,229)	(7,376,663)	(68,168)	(355,094)	(490,629)	(9,931,783)
Foreign currency retranslation	-	1,163	-	504	815	1,347	3,829
Net book value	<b>227,564</b>	<b>1,983,013</b>	<b>7,542,245</b>	<b>53,754</b>	<b>237,567</b>	<b>480,376</b>	<b>10,524,519</b>
Depreciation rate % per annum	-	10 to 20	10 to 20	10 to 12	15 to 33	20 to 25	

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

	Note	2017	2016
-----Rs. 000s-----			
Cost of goods manufactured	26.1	1,196,737	854,834
Distribution cost	27	208,502	154,214
Administrative expenses	28	173,612	116,310
		<b>1,578,851</b>	<b>1,125,358</b>

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

Particulars of assets	Cost	Written down value	Sale proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
		Rs. 000s				
Land	4,923	4,923	210,756	205,833	Negotiation	Naseem Exports (Pvt) Ltd Suite # 613, 6Th Floor, Progressive Plaza, Beaumont Road, Civil Lines Karachi
	4,923	4,923	210,756	205,833		
<b>Plant and machinery</b>						
Ring Spinning Frames	134,375	6,849	5,700	(1,149)	Negotiation	A. J Textile Mills Ltd. Plot # 90-B, Industrial Jampud Road Peshawar
Ring Spinning Frames	9,610	355	400	45	Negotiation	Acro Spinning & Weaving Mills Limited 36 KM Bhawalpur Road Adda Sadiq Wala Basti Malook Multan Cant. Mumtazabad Town, Multan
Murata Autocoro Machine	33,667	6,617	3,000	(3,617)	Negotiation	Ahmed Raza Dyeing (Fixed Asset) Plot # 176 & 177, Love lane Bridge Off Nishtar Road Garden West Near Pakistan Quarterst Jamshed Town Karachi
Simplex Frame	68,907	17,291	16,800	(491)	Negotiation	Gadoon Textile Mills Limited Plot# 200-201 Industrial Estate Gadoon Amazai, District Swabi
Autocoro Machines	83,018	8,528	21,000	12,472	Negotiation	Gadoon Textile Mills Limited Plot# 200-201 Industrial Estate Gadoon Amazai, District Swabi
Card Crosrol	17,569	2,700	1,000	(1,700)	Negotiation	Mashaallah Traders (Fixed Asset) Shop # 41-42, Data Market Dar-ul-Ahsan Town, Sammundari Road Faisalabad
Air Compressor	6,293	2,051	1,976	(75)	Negotiation	MATCO Pvt. Ltd. 1-B, 1st Floor, Aman Chamber, C/7, Block 7/B, K.C.H.S.U, Shaheed-e-Millat Roa Karachi
Air Dryer	964	324	312	(12)	Negotiation	MATCO Pvt. Ltd. 1-B, 1st Floor, Aman Chamber, C/7, Block 7/B, K.C.H.S.U, Shaheed-e-Millat Roa Karachi
Drawing & Finishing Breaker	10,108	629	735	106	Negotiation	Rahman Cotton Mills Limited Melakand Road Takht-i Bhal Peshawar
Ring Spinning Frames	83,230	4,822	4,800	(22)	Negotiation	National Spinning Mills Plot # A-9, S.I.T.E, Kotri Hyderabad
Finishing	12,243	1,018	1,254	236	Negotiation	Sultan Machinery Shop # 15, Madina Mosque, Noor Square Shop # 15, Hyderabad
Ring Spinning Frames	11,326	440	600	160	Negotiation	Nagina Cotton Mills Ltd. 2nd Floor Shaikh Sultan Trust Bldg. No. 2, 26 Civil Land Beaumont Road Karachi
Autoconer	18,738	1,280	3,138	1,858	Negotiation	Gulf Tex Machine FZCO Indonesia
Written down value below Rs. 50,000	3,394	244	212	(32)	Negotiation	Various
	493,442	53,148	60,927	7,779		

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Particulars of assets	Cost	Written down value	Sale proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
-----Rs. 000s-----						
<b>Office equipment</b>						
Split A-C	1,677	285	319	34	Negotiation	Zeeshan Refridgeration Services Shop # 5, Maryam Centre Block-6, Federal B Area Karachi
Smart UPS	504	86	96	10	Negotiation	Siddiq Electronics Shop # 8/91, Commerical Area , Main Road, Liguatabad, Karachi
Security System	310	53	59	6	Negotiation	Siddiq Electronics Shop # 8/91, Commerical Area , Main Road, Liguatabad, Karachi
Written down value below Rs. 50,000	1,697	288	321	33	Negotiation	Various
	4,188	712	795	83		
<b>Vehicles</b>						
Honda Atlas - BAL-376	1,530	707	1,000	293	Company Policy	Abdul Sattar Patni-Employee House No 22/2, 10th Commercial Street Phase No 4, D.H.A, Karachi
Honda Atlas - AZQ-472	1,364	572	1,137	565	Negotiation	Adeel Shahid House # A-905, Block-12, Gulberg, F.B Area, Karachi
Suzuki Swift ATY-761	1,092	234	495	261	Negotiation	Adeel Vilani House No A-303, Al Aman Apartment, Block-14, Gulshan-E- Iqbal Karachi
Suzuki Cultus AWE-408	958	298	480	182	Company Policy	Anis Ahmed-Employee House No-A-79, Sector x-6, Gulshan-e- Maymar, Karachi
Suzuki Alto - AWA-362	746	228	376	148	Company Policy	Asad Ullah Aali-Employee House No. R-179, Model Town, Karachi
Suzuki Cultus - BBA-984	1,098	517	779	262	Negotiation	Asif Raza Malik House No R-80, Sector Sc-2, North Karachi
Suzuki Cultus - AUD 934	890	226	580	354	Negotiation	Atiq us zaman House No. R-586, Sector 7-D/3, Shadman Town, North Karachi Karachi
Honda City - AYE-530	1,657	672	1,450	778	Insurance Claim	EFU General Insurance Ltd Tower Branch No-10, 5Th Floor K.D.L.B.Buiding W.W Road Karachi
Suzuki Alto ATJ-519, ATJ-867	1,359	276	544	268	Company Policy	Faisal Imran Azad-Employee House No. B-105, Blocx-6, Rashid Minhas Road, Gulshane-e Iqbal Karachi
Toyota Corolla XLI - AVL-575	1,434	363	718	355	Company Policy	Farida Yasin-Employee Flat No A-209, Block# 4, Saima Heaven, Gulshane-E-Iqbal Karachi
Corolla Saloon AGH-228	1,219	69	666	597	Negotiation	Gul Dad House No. HK-579, KPT Building, New Qadri, Karachi
Honda City ATY-549	1,303	330	966	636	Negotiation	Gul Dad House No. HK-579, KPT Building, New Qadri, Karachi
Suzuki Cultus VXRi - ATT-903	864	175	566	391	Negotiation	Gul Dad House No. HK-579, KPT Building, New Qadri, Karachi
Suzuki Cultus VXRi - ATT-902	864	151	591	440	Negotiation	Ilyas Khokhar House No. A-32, Block 10-A, Gulshan-E-Iqbal Karachi

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Particulars of assets	Cost	Written down value	Sale proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
-----Rs. 000s-----						
Suzuki Mehran VXR - AWJ-628	595	163	338	175	Negotiation	Imran Khan House No 95, Sector 6E Mujahidabad, Orangi Town Karachi
Suzuki Alto VXR ARG-045, AUL-407	1,314	239	857	618	Negotiation	Javed Hashim Meghani House # A-4 Rainbow Apartment, Block, M, North Nazimabad Karachi
Suzuki Alto VXR AWA-361	746	200	376	176	Company Policy	Iqbal Ahmed-Employee House # 7, Block # 18/7, Area 37/A, Landhi # 2 Karachi
Honda Civic VTI - ASJ-574	1,865	339	372	33	Company Policy	Mehmood Hussain-Employee Landhi No 3, Malir Karachi
Toyota Corolla XLI - AUN-959	1,388	315	346	31	Company Policy	Mehmood Hussain-Employee Landhi No 3, Malir Karachi
Hiroof Pickup CT-0396	552	112	415	303	Negotiation	Memona Bano House No. 427, Block No. 10, Samanabad F.B Area KARACHI
Suzuki Cultus VXRi - AWH-046	948	259	613	354	Negotiation	Mohammad Saleem Hashim Meghani Flat No 108, Saylani Apartment Ghulam Hussain Qasim Road Karachi
Suzuki Mehran VXR - AWK-201	595	163	334	171	Negotiation	Mohammad Saleem Hashim Meghani Flat No 108, Saylani Apartment Ghulam Hussain Qasim Road Karachi
Suzuki Cultus VXLI - AST-415	877	178	439	261	Company Policy	Muhammad Fayyaz Lodhi-Employee House No P-234, Peoples Colony, North Nazimabad, Karachi
Suzuki Alto VXR ASU-145	664	135	266	131	Company Policy	Muhammad Saleem-Employee House No B/189 Sector 35-A Zaman Town, Korangi Town
ALTO VXR AUE-639, AQH-643	1,219	244	885	641	Negotiation	Mushtaq Ahmed Aowais R-78 Sector 16-A, Gulshane-e-Waseem Bufferzone Karachi
Suzuki Bolan CU-0334	688	273	400	127	Negotiation	Mushtaq Ahmed Aowais R-78 Sector 16-A, Gulshane-e-Waseem Bufferzone Karachi
HONDA CITY I-Vtec - AUW-472	1,395	354	679	325	Company Policy	Shakil Marfani-Employee Flat No A-30/11-12, Johar Complex, University Road
Suzuki Alto VXR ATK 231	679	119	449	330	Negotiation	Mrs. Imran Ali Near Kothi Nind Singh Street No 3 Johar Town Main Channo District Khanewal
Toyota Corolla Saloon AMU-918	1,313	136	836	700	Negotiation	Mrs. Imran Ali Near Kothi Nind Singh Street No 3 Johar Town Main Channo District Khanewal
Suzuki Cultus VXR ARH-325	720	117	290	173	Negotiation	Muhammad Aamir House No. B-514, Sector - 11-E Karachi
Suzuki Mehran VXR AWK-203	595	163	352	189	Negotiation	Muhammad Adeel Akhter House No B-270, Block -6, Gulshan-E- Iqbal Karachi
Toyota Corolla Altis AWP-091	1,988	543	1,206	663	Negotiation	Muhammad Adeel Akhter House No B-270, Block -6, Gulshan-E- Iqbal Karachi
Suzuki Cultus VXR BAU-675	1,049	485	706	221	Negotiation	Muhammad Ali Akbar Khan House # A-171, F.B Area, Block-12 Karachi
Honda Citi MT ATV-469	1,289	221	1,059	838	Negotiation	Muhammad Akram Khan House No. 3/518, Liaqatabad, Karachi

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Particulars of assets	Cost	Written down value	Sale proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
		Rs. 000s				
Suzuki Cultus VXRi AWF-126	948	254	629	375	Negotiation	Muhammad Akram Khan House No. 3/518, Liaqatabad, Karachi
Hiroof Pickup CT-0397	552	112	479	367	Negotiation	Muhammad Anwar House # R-121, Sector 5/C-2 Hilal Town Dakhana New Karachi.
Suzuki Cultus VXR AMW-360	609	63	447	384	Negotiation	Muhammad Anwar House # R-121, Sector 5/C-2 Hilal Town Dakhana New Karachi.
Honda City BAR-586	1,542	725	1,069	344	Negotiation	Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi
Suzuki Mehran VXR Euro BAR-835	2,889	1,243	1,639	396	Negotiation	Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi
Suzuki Swift DLX BCC-105	1,313	730	954	224	Negotiation	Muhammad Arif House No. B-30, 11-C/1, North Karachi, Karachi
Suzuki Mehran BAT-839	741	343	405	62	Negotiation	Muhammad Arshad House # 358, Sector 9/E, Jinnah Colony, Orangi Town Karachi
Suzuki Mehran VXR AUM-134	553	126	223	97	Company Policy	Muhammad Ashraf-Employee House No. 20/F, Gujrat Line, Malir Cantt. Karachi
Toyota Corolla Altis ATM-215	1,939	393	1,185	792	Negotiation	Muhammad Bilal Khan House # B-34, Area Sir Syed Town North Karachi
Suzuki Cultus VXRi AWL-189	975	266	630	364	Negotiation	Muhammad Fahad Plot No SC-13, Flat No 803, Block F, North Nazimabad Karachi
ALTO VXR AUC-351	698	152	481	329	Negotiation	Muhammad Jaffar House No. A-32, Block 10-A, Gulshan-E-Iqbal Karachi
Suzuki Cultus VXR AVC-435	925	198	463	265	Negotiation	Muhammad Mughees Ahmed Siddiqui House No R-124, Samanabd, F.B. Area, Block No-17 Karachi
Toyota Corolla GLI - BAM-270	1,709	744	1,100	356	Negotiation	Muhammad Shareef Khan Jadoon Mumtaz Genral Store, Muslimabad Colony, Landhi Karachi
Suzuki Cultus VXLI AST-195	809	164	515	351	Negotiation	Nadeem International Plot No 164 Jogji Mor Main National Highway Karachi
SUZUKI MEHRAN VXR AST-497	517	105	341	236	Negotiation	Nadeem International Plot No 164 Jogji Mor Main National Highway Karachi
Suzuki Cultus VXR ASG-651	817	166	513	347	Negotiation	Nadeem-Ur-Rehman House # E-14, KDA Center, View Apartment Sector 15-A/1, Buffer Zone
Suzuki Alto AUL-651	708	161	284	123	Company Policy	Obaid Ansari-Employee House No. H-6/5, Iqbal Center M.A. Jinnah Road Karachi
Suzuki Cultus AUC-233	883	193	578	385	Negotiation	Qari Nasir Khan House No. 8/210, Future Colony Landhi Karachi
Suzuki Cultus VXRMC ARC-017	714	104	478	374	Negotiation	Rana Abdul Samad 2Nd Floor, House No L-7, Metrovil No.3, Scheme No.33 Karachi
Suzuki Alto VXR ASK-823	663	114	364	250	Company Policy	Razi Ur Rehman-Employee House No A-69, Block-D,

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Particulars of assets	Cost	Written down value	Sale proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
-----Rs. 000s-----						
Suzuki Liana RXI ASU-372	1,097	215	440	225	Company Policy	North Nazimabad Karachi Rizwan Khan-Employee Garnet Center Flat No. 506, Block No.8 Khayaban-E-Jami, Clifton Karachi
Suzuki Mehran VXR AUN-402	553	126	223	97	Company Policy	Sabir Ali-Employee House No. 1/373, Street No 16 Karachi
Alto VXR AUE-637	697	177	349	172	Negotiation	Samuel House No. 132, Street No. 3, Sector-D, Akhter Colony, Clifton Cantt. Karachi
Honda City MT AST-793	1,304	228	906	678	Negotiation	Sarib Wasim Baig House No. A-32, Block 10-A Gulshan-E-Iqbal Karachi
Suzuki Cultus AWN-587	978	267	694	427	Negotiation	Shahid Zaman House # D-15, Block-A, North Nazimabad Karachi
Toyota Corolla Altis AUH-541	1,966	481	952	471	Company Policy	Shahnaz Basit-Employee House No. 64/1, Street # 21, Khayaban-E-Badban Karachi
Honda City MT ATN-615	1,364	248	879	631	Negotiation	Sheraz Khan House No B-98, Block-3, Metrovil, Site Area Karachi
Toyota Corolla XLI AUD-761	1,334	303	987	684	Negotiation	Sheraz Khan House No B-98, Block-3, Metrovil, Site Area Karachi
Suzuki Cultus VXRI AVP-901	937	205	577	372	Negotiation	Sultan Hassan Khan House No. A-908/12, F.B. Karachi
Honda City BAU-187, AZC-704	3,515	1,519	2,525	1,006	Negotiation	Suzuki North Motors F-94, Block-B, North Nazimabad Karachi
Suzuki Swift DX BBG-734, AYZ-483 BAS-981	3,812	1,724	2,684	960	Negotiation	Suzuki North Motors F-94, Block-B, North Nazimabad Karachi
Toyota Corolla XLI - BAM-262	1,572	685	1,227	542	Negotiation	Syed Ali Ahmed House No. E-131, Block-7, Gulshan-E-Iqbal, Karachi
Suzuki Cultus VXLI ASS-426	885	179	487	308	Company Policy	Syed Junaid Aziz Bukhari-Employee House # C1-16/1, Second Floor Ropali Residency Block 19, Karachi
Toyota Corolla Gli BAL-169	1,819	792	1,296	504	Negotiation	Syed Muhammad Siddique Shah House No R-253, Green Park City, Quaidabad Bin Qasim Malir Karachi
Suzuki Alto ASN-361	655	133	483	350	Negotiation	Syed Raees Ahmed House No. 53, New Joharabad Malir City Karachi
Suzuki Mehran AUP-422	553	121	330	209	Negotiation	Tahir Ur Rehman House No. 2099, Bilal Colony, Landhi Malir Karachi
Suzuki Alto ARG-046	606	97	305	208	Company Policy	Tariq Hamid-Employee House No. 2099, Bilal Colony Landhi Malir Karachi
Suzuki Alto VXR AWM-267	780	213	437	224	Negotiation	Waqar Javed Meghani House # A-4 Rainbow Apartment, Block, M, North Nazimabad Karachi
Suzuki Cultus VXR AQA-458	617	69	507	438	Negotiation	Waqar Javed Meghani House # A-4 Rainbow Apartment, Block, M, North Nazimabad Karachi

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Particulars of assets	Cost	Written down value	Sale proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
-----Rs. 000s-----						
Suzuki Mehran AWJ-573	595	182	302	120	Company Policy	Waqas Zahoor-Employee Flat No. H-139/9, F.C.Area, Liaquatabad No. 4 Karachi
Suzuki Alto VXR AWM-418	757	215	423	208	Company Policy	Zahid Khan-Employee New Sindh Muslim Colony Pechs, House B-54, Steet No. 3, Block 6 Karachi
Suzuki Cultus VXR AZG-383, BBM-507 BBP-775	3,190	1,516	2,299	783	Negotiation	Zulfiqar Ahmed Khan House # B-160, Allama Iqbal Town Block-W, North Nazimabadkarachi
Suzuki Mehran BBA-894	729	343	680	337	Insurance Claim	EFU General Insurance Ltd Tower Branch No-10, 5Th Floor K.D.L.B.Building W.W Road Karachi
Suzuki Mehran BAL-418	731	318	620	302	Insurance Claim	EFU General Insurance Ltd Tower Branch No-10, 5Th Floor K.D.L.B.Building W.W Road Karachi
Suzuki Mehran AWG-128	595	159	372	213	Negotiation	Muhammad Saleem Khan House No. 8/510, Sector 7-A Bilal Colony, Karachi
Suzuki Cultus VXR BCG-749	1,105	614	772	158	Negotiation	Asif Raza Malik House No R-80, Sector Sc-2, North Karachi, Karachi
Audi A3 LB59 NZU	3,192	-	532	532		Kirkfield Trading Limited United Kingdom.
Written down value below Rs. 50,000	3,893	417	2,514	2,097	Negotiation	Various
	97,192	27,478	59,145	31,667		
Furniture	3,177	2,175	2,123	(52)		Aber Al-Samou Medical Company - Riyadh -KSA
2017	602,922	88,436	333,746	245,310		
2016	243,140	78,172	59,553	(18,619)		

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

	Note	2017	2016
-----Rs. 000s-----			
Other income - gain on disposal of property plant and equipment	31	252,460	19,015
Other operating expenses - loss on disposal of property plant and equipment	30	(7,150)	(37,634)
		245,310	(18,619)

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## 13.2 CAPITAL WORK-IN-PROGRESS

	2017				2016			
	Machinery and store items held for capitalisation	Civil Work	Other assets	Total	Machinery and store items held for capitalisation	Civil Work	Other assets	Total
	Rs. 000s							
Cost as at start	970,535	574,484	70	1,545,089	254,586	80,051	2,575	337,212
Capital expenditure incurred during the year	2,362,462	2,792,288	63	5,154,813	2,534,641	1,156,600	8,595	3,699,836
Transferred to property, plant and equipment	(2,915,128)	(1,473,196)	(93)	(4,388,417)	(1,818,692)	(662,167)	(11,100)	(2,491,959)
Cost as at end	417,869	1,893,576	40	2,311,485	970,535	574,484	70	1,545,089

## 14 INTANGIBLE ASSETS

	Note	Computer Software	Trade Marks	2017	2016
		Rs. 000s			
Net carrying value basis as at June 30					
Opening net book value		13,474	7,018	20,492	15,834
Additions (at cost)		26,861	1,177	28,038	9,312
Amortisation charge	14.1	(6,588)	(2,537)	(9,125)	(7,130)
Foreign currency retranslation difference		-	2,482	2,482	2,476
Closing net book value		33,747	8,140	41,887	20,492
Capital Work in progress - computer software under implementation phase		43,989	-	43,989	-
		77,736	8,140	85,876	20,492
Gross carrying value basis as at June 30					
Cost	14.3	201,981	20,140	222,121	194,083
Accumulated amortisation		(168,234)	(16,958)	(185,192)	(176,067)
Foreign currency retranslation difference		-	2,476	2,476	2,476
Net book value		33,747	5,658	39,405	20,492

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:

Distribution Cost	27	1,322	507
Administrative Expenses	28	7,803	6,623
		9,125	7,130

14.2 Remaining useful life range from one to ten years

14.3 This includes cost of Rs. 154.17 million (2016: Rs. 152.98 million) in respect of assets which are fully amortized but are still in use of the Group.

## 15 LONG TERM LOANS AND ADVANCES

Considered good			
- Due from executives (other than CEO and Directors)	15.2	60,566	35,618
- Due from non-executive employees		1,529	2,185
		62,095	37,803
Current portion being receivable within twelve months			
- Due from executives		(20,879)	(15,122)
- Due from non-executive employees		(1,124)	(861)
	20	(22,003)	(15,983)
		40,092	21,820
Processing fee against acquisition of land		2,500	-
		42,592	21,820

15.1 Loans and advances have been given for the purchase of cars, motorcycles, household equipments and housing assistance in accordance with the terms of employment and are repayable in monthly installments.

Included in these are loans of Rs. 5.7 million (2016 : Rs. 10.574 million) to executives and Rs. 0.905 million (2016 : Rs. 0.465 million) to non-executive which carry no interest. The balance amount carries mark-up ranging from 6.5% to 14% (2016: 6.5% to 14%). Interest free long term loan have been carried at cost as the effect of carrying these balances at amortised cost would not be material.

	2017	2016
	Rs. 000s	
15.2 Reconciliation of carrying amount of loans to executives		
Opening balance	35,618	20,725
Disbursement during the year	49,373	28,344
Transfer from non-executive to executive employees	229	-
Recovered during the year	(24,654)	(13,451)
Closing balance	60,566	35,618

15.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 64.2 million (2016: Rs. 35.168 million).

*Also*

16 Long term deposits	2017		2016	
	-----Rs. 000s-----			
Considered good				
Security Deposit - Rent	188,934		149,964	
Security Deposit - Utilities	2,336		5,335	
Others	3,979		2,837	
	<u>195,249</u>		<u>158,136</u>	

16.1 These are interest free deposit kept with various parties under normal business terms.

#### 17 STORES, SPARE PARTS AND LOOSE TOOLS

Stores	641,439	564,426
Spare parts	470,153	450,956
Loose tools	7,953	3,749
	<u>1,119,545</u>	<u>1,019,131</u>

Provision for slow moving/obsolete items

17.1	(131,329)	(115,684)
	<u>988,216</u>	<u>903,447</u>

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

Opening balance	115,684	101,039
Charge for the year	15,645	14,645
Closing balance	<u>131,329</u>	<u>115,684</u>

#### 18 STOCK-IN-TRADE

Note	2017		2016	
	-----Rs. 000s-----			
Raw materials	2,483,494		2,337,553	
Work-in-process	252,645		230,825	
Finished goods	9,924,948		11,488,824	

18.1	<u>12,661,087</u>	<u>14,057,202</u>
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18.1 Finished goods include stock of waste valuing Rs.82 million (2016: Rs. 59 million) determined at net realizable value.

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	Note	2017	2016
		Rs. 000s	
<b>19 TRADE DEBTS</b>			
<b>Export debtors - secured</b>			
- Considered good	19.1	2,608,539	1,939,039
<b>Local debtors - unsecured</b>			
- Considered good	19.1	1,032,069	847,743
- Considered doubtful		271,342	233,035
		1,303,411	1,080,778
		3,911,950	3,019,817
<b>Allowance for impairment of doubtful trade debts</b>	19.3	(271,342)	(233,035)
		3,640,608	2,786,782

19.1 Includes amount due from related parties as under:

Swisstex Chemicals (Private) Limited- Associated Company	2,564	2,587
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19.2 The maximum aggregate month end balance due from related parties during the year was Rs.3.9 million (2016: Rs. 2.6 million).

19.2.1 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 2017
	Rs. 000s			
Swisstex Chemicals (Private) Limited	-	1,906	658	2,564
	Upto 1 month	1-6 months	More than 6 months	As at June 2016
Swisstex Chemicals (Private) Limited	1,160	-	1,427	2,587

	Note	2017	2016
		Rs. 000s	
<b>19.3 Movement in allowance for impairment of doubtful trade debts</b>			
Opening balance		233,035	198,210
Charge for the year	28	38,307	34,825
Closing Balance		271,342	233,035

## 20 LOANS AND ADVANCES

### Considered good

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

- Executives
- Other employees

Advances to suppliers

Others

	20,879	15,122
	1,124	861
15	22,003	15,983
20.1	669,307	711,358
	2,570	2,570
	693,880	729,911

20.1 Advances to suppliers includes following to related

Arwen Tech. (Private) Limited	11,343	-
LITE Development and Management Company	500	-
Win Star (Private) Limited	-	924
	11,843	924

20.2 This represent amount of Rs. 2.57 million (2016: Rs. 2.57million) 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.

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	2017	2016
	-----Rs. 000s-----	
<b>21 SHORT TERM PREPAYMENTS</b>		
Prepaid rent	128,913	162,135
Other prepayments	39,897	65,653
	<u>168,810</u>	<u>227,788</u>
<b>22 OTHER RECEIVABLES</b>		
Duty drawback and local taxes and levies	983,868	354,615
Mark-up rate subsidy receivable	6,918	6,918
Receivable against sale of property	33,409	33,409
Receivables against Bank Guarantee Margin	48,867	36,142
Others	70,037	44,625
	<u>1,143,099</u>	<u>475,709</u>
<b>23 TAX REFUNDS DUE FROM GOVERNMENT</b>		
Sales tax	623,773	798,468
Income tax	25,187	115,492
	<u>648,960</u>	<u>913,960</u>
<b>24 CASH AND BANK BALANCES</b>		
Cash in hand	24,740	159,032
Balances with banks in current accounts		
- Local currency	228,940	87,121
- Foreign currency	33,652	93,823
	<u>262,592</u>	<u>180,944</u>
	<u>287,332</u>	<u>339,976</u>

**24.1** Bank balances include amounts held with related party, Habib Metropolitan Bank Limited, an associated company, amounting to Rs. 30 million (2016: Rs.65 million)

**24.2** This includes an amount of Rs. 187.7 million (2016:Rs.53.5 million) placed under Shariah compliant financial institutions

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	Note	2017	2016
		-----Rs. 000s -----	
<b>25 SALES</b>			
Local	25.1	13,938,812	12,397,822
Export			
Direct export		25,787,935	20,212,199
Indirect export		301,610	443,211
		26,089,545	20,655,410
Duty drawback		936,906	272,628
		40,965,263	33,325,860
Brokerage and commission		(146,485)	(138,184)
		40,818,778	33,187,676

**25.1** Sales are exclusive of sales tax amounting to Rs. 583.822 million (2016: Rs. 475.857 million).

**25.2** Sales include revenue from processing services of Rs. 325.470 million (2016: Rs.456.081 million).

	Note	2017	2016
		-----Rs. 000s -----	
<b>26 COST OF SALES</b>			
Opening stock of finished goods		11,488,823	9,148,067
Cost of goods manufactured	26.1	31,306,392	27,283,518
Purchase of finished goods		530,485	578,907
		43,325,700	37,010,492
Closing stock of finished goods	18	(9,924,948)	(11,488,824)
		33,400,752	25,521,668

#### 26.1 Cost of goods manufactured

Raw materials consumed	26.2	9,673,988	7,671,158
Stores, spare parts and loose tools consumed		4,569,426	4,057,004
Staff cost	28.1	5,994,437	5,155,417
Fuel, power and water		2,638,195	2,529,862
Insurance		123,106	133,709
Repair and maintenance		671,357	782,227
Depreciation	13.1.1	1,196,737	854,834
Other manufacturing expenses		183,404	182,600
Purchases and processing charges		6,470,687	6,114,128
Cost of samples shown under distribution cost		(193,125)	(203,630)
		31,328,212	27,277,309
Work-in-process			
Opening		230,825	237,034
Closing	18	(252,645)	(230,825)
		(21,820)	6,209
		31,306,392	27,283,518

#### 26.2 Raw materials consumed

Opening stock		2,337,553	2,076,097
Purchases during the year		9,819,929	7,932,614
Closing stock	18	(2,483,494)	(2,337,553)
		9,673,988	7,671,158

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	Note	2017	2016
		-----Rs. 000s-----	
<b>27 DISTRIBUTION COST</b>			
Staff Cost	28.1	1,043,638	922,308
Freight and shipment expenses		452,688	257,699
Insurance		19,245	26,415
Advertisement and publicity		745,566	954,054
Cost of samples transferred from cost of goods manufactured		193,859	203,630
Rent, rates and taxes		699,048	602,839
Depreciation	13.1.1	208,502	154,214
Amortisation	14.1	1,322	507
Export development surcharge		64,520	49,327
Other expenses		102,238	114,637
		<u>3,530,626</u>	<u>3,285,630</u>

<b>28 ADMINISTRATIVE EXPENSES</b>			
Staff Cost	28.1	922,300	681,905
Rent, rates and taxes		276,343	205,088
Repairs and maintenance		55,257	71,714
Vehicle up keep and maintenance		136,341	119,688
Utilities		151,594	143,453
Conveyance and traveling		226,268	206,165
Printing and stationery		48,859	54,558
I.T. expenses		57,663	51,857
Postage and telecommunication		156,010	122,359
Legal and consultancy fees		99,558	63,132
Depreciation	13.1.1	173,612	116,310
Amortisation	14.1	7,803	6,623
Auditors' remuneration	28.2	4,747	4,446
Donations	28.3	10,687	12,753
Insurance		23,403	25,786
Provision for doubtful trade debts	19.3	38,307	34,825
Provision for slow moving/obsolete items	17.1	15,645	14,645
Other expenses		198,377	162,109
		<u>2,602,774</u>	<u>2,097,416</u>

#### 28.1 Staff cost

	Cost of sales		Distribution cost		Administrative expenses		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	-----Rs. 000s-----							
- Salaries, wages & benefits	5,855,192	5,012,297	1,019,430	900,881	892,153	655,986	7,766,775	6,569,164
<b>Retirement benefits</b>								
- Gratuity	31,029	34,342	-	-	-	2,243	31,029	36,585
- Contribution to provident fund	83,218	69,848	23,575	20,561	28,352	21,410	135,145	111,819
	114,247	104,190	23,575	20,561	28,352	23,653	166,174	148,404
- Staff compensated absences	24,998	38,930	633	866	1,795	2,265	27,426	42,062
	<u>5,994,437</u>	<u>5,155,417</u>	<u>1,043,638</u>	<u>922,308</u>	<u>922,300</u>	<u>681,905</u>	<u>7,960,375</u>	<u>6,759,630</u>

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## 28.2 Auditor's Remuneration

Audit fee - Statutory audit of the Subsidiary Company
Review fee of half yearly accounts
Fee for consolidation of holding and subsidiaries
Review fee of statement of compliance with code of corporate governance
Other certification fee
Sindh sales tax on services
Audit fee - Foreign Subsidiaries
Out of pocket expenses

Note	2017	2016
	Rs. 000s	
	119	1,652
	160	110
	264	200
	-	-
	65	55
	-	39
	172	112
	3,710	2,044
	257	234
	4,747	4,446

## 28.3 Donation includes donation to the following organizations in which a director is / was a trustee:

Name of Director	Interest in Donee	Name of Donee
Zain Bashir and Ziad Bashir	Directors	LITE Development and Management Group

-	175
-	175

## 29 OTHER OPERATING EXPENSES

Workers' profit participation fund
Workers' welfare fund
Loss on sale of property, plant and equipment
Property, plant and equipment scrapped

9.3	42,981	71,671
	7,873	27,235
	7,150	37,834
	425	1,014
	58,429	137,554

## 30 OTHER INCOME

### Income from financial assets

Mark-up on loan and advances
Profit/Markup on bank deposits
Exchange gain on realization of export receivables

3,448	1,371
161,283	5,776
164,731	102,974
	110,121

### Income from non-financial assets

Gain on sale of Property, plant and equipment
Scrap sales
Unclaimed liabilities written back
Others

252,460	19,015
19,368	18,428
49,685	10,917
1,626	1,968
323,139	50,328
487,870	160,449

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	Note	2017	2016
		-----Rs. 000s -----	
<b>31 FINANCE COST</b>			
Mark-up/ profit on long term financing	31.1 & 31.2	286,782	288,156
Mark-up/ profit on short term borrowings	31.2, 31.3 & 31.4	435,602	512,458
Interest on workers' profit participation fund		6,497	3,358
Bank charges		150,406	106,076
Commission		-	5,795
		<u>879,287</u>	<u>915,843</u>

31.1 Includes mark-up on long term financing obtained from related party, Habib Metropolitan Bank Limited, an associated company, amounting to Rs. Nil (2016: Rs.26.2 million)

31.2 Includes mark-up on short term borrowings charged by related parties as under:

Habib Metropolitan Bank Limited - Associated Company	15,961	19,725
Silk Bank Limited - Associated Company	-	3,162
	<u>15,961</u>	<u>22,887</u>

31.3 It includes net exchange gain of Rs. 0.108 million (2016: Rs. 23 million) on short term borrowing in foreign currency.

31.4 This includes Rs.70.23 million and Rs. 91.86 million (2016:Rs. 57.68 million and Rs. 90.66 million) in long term financing and short term borrowing respectively under Shariah Compliant mode of financing.

	Note	2017	2016
		-----Rs. 000s -----	
<b>32 TAXATION</b>			
Current			
- for the year		441,532	236,204
- prior		(358)	3,157
		441,174	239,361
Less: Tax credit		(430,468)	-
Deferred		(5,300)	(34,394)
	32.1	<u>5,406</u>	<u>204,967</u>

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

Net Profit for the year before taxation	834,781	1,385,358
Tax rate (%)	31%	32%
Tax on accounting profit	258,782	443,315
Tax effect of		
Tax credits/ Rebates	(433,950)	(149,658)
Minimum tax	21,181	
Prior year	(358)	3,157
Final Tax Regime	129,355	(82,516)
Super tax	36,329	33,453
Inadmissible	1,161	1,566
Tax rate	(10,061)	(10,608)
Subsidiaries - exemption and utilization of tax losses	3,564	(12,766)
Provision in respect of unappropriated profits of subsidiary	3,462	5,391
Others	(4,391)	(26,367)
	<u>(253,708)</u>	<u>(238,348)</u>
Tax Expense	<u>5,074</u>	<u>204,967</u>

	Note	2017	2016
		Rs. 000s	
<b>33 EARNINGS PER SHARE - basic and diluted</b>			
Profit for the year- attributable to the Parent Entity		<u>556,318</u>	<u>796,151</u>
Weighted average number of shares		<u>80,640</u>	<u>80,640</u>
Earnings per share (Rs.)	33.1	<u>6,898.78</u>	<u>9,872.90</u>

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

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### 34 SEGMENT INFORMATION

The Group's Operations have been divided in three segments based on the nature of products and internal reporting. Following are the three reportable business segments.

- a) Gail Ahmed Holdings (Pvt) Ltd
- b) Spinning
- c) Weaving
- d) Processing, Home Textile and Apparel
- e) Subsidiary Companies

To acquire shares of subsidiary company and to act as holding company.  
Production of different qualities of jam using both natural and artificial flavors.  
Weaving is a method of fabric production in which two distinct sets of yarns or threads are interlaced at right angles to form a fabric.  
Processing, Home Textile and Apparel includes the production of different qualities of garments and home textile products.  
These subsidiaries are also in the textile business resulting products to the ultimate customers, reported from Parent Group.

Transactions among the business segments are recorded at cost.

#### 34.1 Segment profitability

	Gail Ahmed Holdings (Private) Limited		Spinning		Weaving		Processing, Home Textile and Apparel		Gail Ahmed International Limited (PZC)-UK		GTM (Europe) Limited - UK		GTM USA Corp.		SKY Home Corporation		Elimination Of Inter Segment Transactions		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rs. 000s																				
Sales	-	-	5,891,316	5,715,250	14,616,447	11,250,028	37,872,348	30,890,662	884,638	813,141	1,465,548	761,347	929,240	529,514	-	-	(26,424,235)	(17,846,207)	48,818,778	33,187,878
Cost of sales	-	-	5,721,899	5,556,207	14,607,428	11,248,018	31,205,158	24,076,251	829,223	832,055	1,384,798	676,133	431,764	493,030	-	-	(26,420,987)	(17,844,803)	33,603,732	25,521,888
Gross Profit	-	-	169,416	219,043	209,019	202,010	6,667,190	6,814,411	154,415	181,086	84,750	84,914	497,476	36,484	-	-	(1,440)	(13,354)	7,415,046	7,665,990
Distribution cost and administrative expenses	1,079	1,119	194,489	226,791	80,824	16,839	5,514,148	4,833,632	152,628	149,250	66,038	70,744	93,413	79,660	17,666	-	-	-	6,125,400	5,262,045
Profit before tax and before charging the following	(1,079)	(1,119)	(23,073)	(7,480)	(128,173)	(286,092)	(1,153,048)	(1,951,426)	(34,177)	(31,669)	(18,892)	(8,153)	(4,892)	(17,824)	(17,826)	-	(1,440)	-	1,394,634	2,382,960
Other operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation Expense	-	-	445,817	254,847	138,250	138,597	1,667,035	782,162	4,238	3,475	1,208	1,477	5,457	1,212	-	-	-	-	1,587,878	1,132,889

#### 34.2 Segment assets and liabilities

	Gail Ahmed Holdings (Private) Limited		Spinning		Weaving		Processing, Home Textile and Apparel		Gail Ahmed International Limited (PZC)-UK		GTM (Europe) Limited - UK		GTM USA Corp.		SKY Home Corporation		Elimination Of Inter Segment Transactions		Total Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rs. 000s																				
Assets	-	-	7,814,941	6,747,673	2,812,667	1,321,394	23,385,826	20,307,451	622,832	752,042	287,254	452,694	60,873	72,221	1,022	-	2,384,716	830,175	44,137,859	38,824,079
Elimination of intergroup balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,814,366)	(6,814,366)
Liabilities	-	-	3,079,543	2,214,852	1,693,482	854,503	5,888,120	5,275,228	296,033	446,318	238,620	317,175	64,753	50,157	130	-	16,143,866	13,998,293	27,718,962	24,422,063
Elimination of intergroup balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(414,466)	(499,180)
Segment Capital Expenditure	-	-	2,415,188	1,079,672	25,375	45,596	1,531,069	1,722,403	5,387	4,495	3,172	5,977	-	-	-	-	345,658	159,102	4,819,804	3,013,204

34.3 Unallocated items represent those assets and liabilities which are common to all segments and these include long term deposits, other receivables, deferred liabilities, certain employee borrowing and other corporate assets and liabilities.

34.4 Based on judgement made by management, Processing, Home Textile and Apparel segments have been aggregated into single operating segment as the segments have similar economic characteristics in respect of nature of the products, nature of production process, type of customers, method of distribution and nature of regulatory environment.

#### 34.5 Information about major customers

Revenue from major customer whose revenue exceeds 10% of gross sales is Rs. 9,254 million (2016: Rs. 7,158 million).

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#### 34.6 Information by geographical area

	Revenue		Non-current assets	
	2017	2016	2017	2016
	-----Rs.000-----			
Pakistan	14,093,937	12,702,849	16,279,713	12,241,277
Germany	5,446,767	4,384,073	-	-
United States	3,809,433	3,002,934	4,076	4,247
Netherlands	3,159,645	1,790,750	-	-
Italy	2,607,073	1,433,697	-	-
United Kingdom	2,637,209	2,240,373	7,248	7,756
Spain	1,746,675	1,517,638	-	-
France	1,353,330	1,638,947	-	-
Sweden	982,564	740,890	-	-
China	804,055	552,880	-	-
United Arab Emirates	1,146,075	871,096	16,012	17,772
Other Countries	3,032,015	2,311,549	-	-
<b>Total</b>	<b>40,818,778</b>	<b>33,187,676</b>	<b>16,307,049</b>	<b>12,271,052</b>

#### Note

2017

2016

-----Rs. 000s-----

#### 35 CASH AND CASH EQUIVALENTS

Cash and bank balances	24	287,332	339,976
Short term borrowings	11	(11,935,343)	(12,866,493)
		<u>(11,648,011)</u>	<u>(12,526,517)</u>

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

2017

2016

	Chief Executive	Executive Directors	Executives	Total	Chief Executive	Executive Directors	Executives	Total
	Rs. 000s							
Managerial remuneration	9,680	7,260	887,878	904,818	9,020	6,765	689,816	705,601
House rent allowance	3,872	2,904	310,474	317,250	3,608	2,706	275,194	281,508
Other allowances	1,651	1,238	199,323	202,212	1,085	739	151,923	153,747
Contribution to provident fund	806	605	57,066	58,477	751	564	45,216	46,531
	<u>16,009</u>	<u>12,007</u>	<u>1,454,741</u>	<u>1,482,757</u>	<u>14,464</u>	<u>10,774</u>	<u>1,162,149</u>	<u>1,187,387</u>
Number of persons	1	1	678	680	1	1	548	550

- 36.1 The Chief Executive, Directors and certain Executives are provided with free use of Company's maintained cars and are also covered under Group's Health Insurance Plan along with their dependents.
- 36.2 The Chief Executive is also provided with free residential telephones.
- 36.3 Aggregate amount charged in the accounts for the year for meeting fee to four Non Executive Directors and the Chairman of the Direct Subsidiary Company was Rs. 2.7 million (2016: Four Non Executive Directors and Chairman Rs. 1.9 million).
- 36.4 Executive means an employee other than the Chief Executive and Executive Directors, including Chief Financial Officer, Company Secretary and Head of Internal Audit and any other employee whose monthly salary exceeds five hundred thousand rupees in a financial year for the Direct Subsidiary Company and Senior Executive Staff of the Subsidiaries.

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### 37 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	2017	2016
		----- Rs. 000s -----	-----
Associated companies and other related parties	Purchase of goods	9,638	37,173
	Sale of goods	6,829	1,160
	Rent paid	69,237	71,558
	Fees paid	-	1,500
	Commission/Discount	-	847
	Donation paid	-	175
	Bills discounted	7,572,544	4,590,010
	Commission/Bank charges paid	47,999	31,693
	Mark-up/interest charged	15,961	49,097
	Direct Subsidiary Company's contribution to provident fund	136,706	113,463
	Dividend paid	9,080	24,388
	Right shares subscribed	45,422	36,961
Relationship with the Group	Nature of Outstanding Balances		
Associated companies and others related parties	Deposit with banks	30,019	65,153
	Borrowings from Banks	457,000	622,639
	Bank guarantee	767,125	637,583
	Trade and other payables	2,870	10,746
	Trade debts	2,564	2,587
	Accrued mark-up	3,566	2,528
	Advances to suppliers	11,843	-
	Loans to key management personnel & executive	60,566	35,618
	Payable to employee's provident fund	14,989	14,270
	Prepaid Rent	38,716	35,197

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 36 respectively.

Related parties status of outstanding receivables and payable as at June 30, 2017 are also included in respective notes to the consolidated financial statements.

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### 38 CAPACITY AND PRODUCTION

Unit	2017			2016		
	Capacity	Production (000s)	Working	Capacity	Production (000s)	Working
Spinning Kgs. (20 Counts converted)	44,128	38,476	3 shifts	48,237	32,440	3 shifts
Weaving Sq. meters (50 Picks converted)	159,205	108,781	3 shifts	159,205	111,940	3 shifts

In view of prevailing market conditions, management has preferred to buy certain qualities rather than producing materials which has resulted in reduction in active production.

The production capacity and its comparison with actual production of Processing, Home Textile and Apparel segments is impracticable to determine due to varying manufacturing processes, run length of order lots and various other factors.

*[Signature]*

### 39 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities of the Group as at June 30, 2017 are as follows:

	2017						Total
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			
	Maturity upto one Year	Maturity after one Year	Sub total	Maturity upto one Year	Maturity after one Year	Sub total	
-----Rs. 000s-----							
<b>Financial assets</b>							
<b>Loans and receivables</b>							
Loans and advances	18,618	36,873	55,491	3,385	3,219	6,604	62,095
Long term deposits	-	-	-	-	195,249	195,249	195,249
Trade debts	-	-	-	3,640,608	-	3,640,608	3,640,608
Other receivables	-	-	-	152,313	-	152,313	152,313
Cash and bank balances	-	-	-	287,332	-	287,332	287,332
	18,618	36,873	55,491	4,083,638	198,468	4,282,106	4,337,597
<b>Financial liabilities</b>							
Long term financing	678,511	7,146,403	7,824,914	-	-	-	7,824,914
Staff retirement benefits	-	-	-	-	31,033	31,033	31,033
Short term borrowings	11,935,343	-	11,935,343	-	-	-	11,935,343
Trade and other payables	42,981	-	42,981	5,179,796	-	5,179,796	5,222,777
Loan from Directors	-	-	-	1,282,100	-	1,282,100	1,282,100
Accrued mark-up / profit	-	-	-	138,898	-	138,898	138,898
	12,656,835	7,146,403	19,803,238	6,600,794	31,033	6,631,827	26,435,065
<b>Off balance sheet items</b>							
Guarantees	-	-	-	861,347	-	861,347	861,347
Bills discounted	-	-	-	2,072,650	-	2,072,650	2,072,650
Commitments	-	-	-	2,108,547	2,070,842	4,179,389	4,179,389
	-	-	-	5,042,544	2,070,842	7,113,386	7,113,386

Financial assets and liabilities of the Group as at June 30, 2016 were as follows

	2016						Total
	Interest/mark-up/profit bearing			Non interest/mark-up/profit bearing			
	Maturity upto one Year	Maturity after one Year	Sub total	Maturity upto one Year	Maturity after one Year	Sub total	
-----Rs. 000s-----							
<b>Financial assets</b>							
<b>Loans and receivables</b>							
Loans and advances	10,878	15,886	26,764	5,105	5,934	11,039	37,803
Long term deposits	-	-	-	-	158,136	158,136	158,136
Trade debts	-	-	-	2,786,782	-	2,786,782	2,786,782
Other receivables	-	-	-	114,176	-	114,176	114,176
Cash and bank balances	-	-	-	339,976	-	339,976	339,976
	10,878	15,886	26,764	3,246,039	164,070	3,410,109	3,436,873
<b>Financial liabilities</b>							
Long term financing	487,400	4,630,604	5,118,004	-	-	-	5,118,004
Staff retirement benefits	-	-	-	-	41,346	41,346	41,346
Short term borrowings	12,866,493	-	12,866,493	-	-	-	12,866,493
Trade and other payables	75,029	-	75,029	4,874,822	-	4,874,822	4,949,851
Loan from Directors	-	-	-	281,000	-	281,000	281,000
Accrued mark-up/profit	-	-	-	114,368	-	114,368	114,368
	13,428,922	4,630,604	18,059,526	5,270,190	41,346	5,311,536	23,371,062
<b>Off balance sheet items</b>							
Guarantees	-	-	-	799,437	-	799,437	799,437
Bills discounted	-	-	-	2,266,673	-	2,266,673	2,266,673
Commitments	-	-	-	3,419,160	2,664,978	6,084,138	6,084,138
	-	-	-	6,485,270	2,664,978	9,150,248	9,150,248

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## 40 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:

#### 40.1 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:

	2017	2016
	-- Equivalent USD 000s --	
Trade debts	24,891	18,520
Cash and bank balances	321	896
Borrowings from financial institutions	(35,479)	(8,527)
Trade and other payables	(1,500)	(1,589)
<b>Net exposure</b>	<b>(11,767)</b>	<b>9,300</b>

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



	2017	2016
	----- 000s -----	
Foreign currency commitments outstanding at year end are as follows:		
USD	13,557	7,420
EURO	1,064	7,191
JPY	-	912,410
CHF	32	1,993

The following significant exchange rates were applied during the year:

**Rupee per USD**

Average rate	104.9	104.8
Reporting date rate (Buying/Selling)	105 / 104.80	104.90 / 104.70

**Foreign currency sensitivity analysis**

A five percent strengthening/weakening of the PKR against the USD at June 30, 2017 would have increased/decreased the profit before tax by Rs. 48.9 million (2016: Rs.48.7 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, 2016.

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

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

Interest/mark-up 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. During the year the Group has in order to avoid adverse effect of high interest/mark-up rate exercised the prepayment option.

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/mark-up rates.

Financial assets include balances of Rs. 55.49 million (2016: Rs. 26.76 million) which are subject to interest / mark-up rate risk. Financial liabilities include balances of Rs.19,803 million (2016: Rs. 18,060 million) which are subject to interest/mark-up rate risk. Applicable interest/mark-up rates for financial assets and liabilities are given in respective notes.

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

At June 30, 2017, if interest/mark-up 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 29.90 million (2016: Rs 10.75 million) lower / higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At June 30, 2017, 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. 81.13 million (2016: Rs. 128.67 million) lower / higher, mainly as a result of higher/lower interest/mark-up expense on floating rate borrowings.

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#### **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 and 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 any such other price risk.

#### **40.2 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:

	Note	2017	2016
		-----	-----
		Rs. 000s	
Loans and advances	15	62,095	37,803
Long term deposits		195,249	158,136
Trade debts	19	3,640,608	2,786,782
Other receivables		152,313	114,176
Bank balances	24	262,592	180,668
		<u>4,312,857</u>	<u>3,277,565</u>

The Group manages credit risk as follows:

##### **Loans and advances**

These loans are due from employees and are recovered in monthly installments deductible from their salaries. Retirement balances are also available for these employees against which balance can be adjusted in case of default. The Group actively pursues for the recovery of these loans and the Group does not expect that these employees will fail to meet their obligations, hence no impairment allowance is provided for in accounts.

##### **Long Term Deposits**

These are receivable mainly against rental property and utilities against which chances of default are remote, hence no impairment allowance is required there against.

##### **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.

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.

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The Group has established an allowance for impairment of 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.19.3

Aging of trade debts is as follows:

	Note	2017	2016
		Rs. 000s	
1 to 6 months		3,551,727	2,621,915
6 months to 1 year		60,769	158,242
1 year to 3 years		28,112	6,625
	19	<u>3,640,608</u>	<u>2,786,782</u>

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

#### Other receivables

The Group believes that no impairment allowance is necessary in respect of receivables that are past due. The Group actively monitors and pursues for the recovery and the Group expect that the recovery will be made soon and can be assessed by reference to note no. 21.

#### 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

	Note	2017	2016
		Rs. 000s	
AAA		28,965	44,724
AA+		40,268	70,251
AA		6,220	18,693
A+		184,575	554
A		1,544	45,830
A-		890	205
AA-		-	411
	24	<u>262,462</u>	<u>180,668</u>

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

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

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

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

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#### 40.3 Liquidity risk

Liquidity risk represent 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 is disclosed in respective notes and in Note no. 37.

The Group manages liquidity risk by maintaining sufficient cash in hand and at banks and ensuring the fund availability through adequate credit facilities. At June 30, 2017, the Group has Rs. 19,647 million (2016: Rs. 15,842 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 7,716 million (2016: Rs. 2,975 million) and also has Rs. 287 million (2016: Rs. 340 million) being cash in hand and balances at banks. Based on the above, management believes the liquidity risk is insignificant.

#### 40.4 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, 2017 and 2016 were as follows:

	2017	2016
	Rs. 000s	
Total borrowings	19,760,257	17,984,497
Cash and bank	(287,332)	(339,976)
Net debt	19,472,925	17,644,521
Total equity	6,233,266	5,744,616
Total equity and debt	25,706,191	23,389,137
Gearing ratio (%)	76	75

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.

#### 41 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Group while assessing fair values uses valuation techniques that are appropriate in the circumstances using relevant observable data as far as possible and minimizing the use of unobservable inputs. Fair values are categorized into following three levels based on the input used in the valuation techniques;

- Level 1 Quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs are unobservable Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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If inputs used to measure the fair values of an asset or a liability fall into different levels then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Transfers, if any, between levels of the fair value hierarchy is recognized at the end of the reporting period during which the transfer has occurred. The Group's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of changes in market and trading activity and changes in inputs used in valuation techniques.

As at balance sheet the fair value of all the financial assets and liabilities approximates to their carrying values. The property, plant and equipment is carried at cost less accumulated depreciation and impairment, if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. The Group does not expect that unobservable inputs may have significant effect on fair values. The fair values of forward exchange contracts is determined based on the forward exchange rates at the reporting date included in the level 2, if any, of the fair value hierarchy.

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## 42 PROVIDENT FUND RELATED DISCLOSURES

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

	Note	2017 Un-audited	2016 Audited
Size of the fund - Total assets (Rs. 000s)		1,003,332	852,842
Cost of investments made (Rs. 000s)		893,485	724,333
Percentage of investments made		89.05%	84.93%
Fair value of investments (Rs. 000s)	42.1	922,163	778,184

	2017 Un-audited		2016 Audited	
42.1 The break-up of fair value of investment is:	Rs. 000s	---%---	Rs. 000s	---%---
Shares in listed companies	63,041	6.84%	78,479	10.08%
Government securities	134,908	14.63%	437,017	56.16%
Debt securities	28,939	3.14%	130,651	16.79%
Mutual funds	363,739	39.44%	63,679	8.18%
Balance in saving accounts	331,536	35.95%	68,358	8.78%
	922,163	100.00%	778,184	100.00%

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

## 43 NUMBER OF PERSONS EMPLOYED

Number of persons employed as on year end were 12,937 (2016: 15,313) and average number of employees during the year were 14,692 (2016: 12,724).

## 44 EVENT AFTER BALANCE SHEET DATE

### 44.1 Subsequent Appropriations

The Board of Directors of the Direct Subsidiary Company in its meeting held on September 23, 2017 has proposed the

#### a) Dividend

Pay cash dividend @ Rs. 1.00 per share i.e. 10% for the year ended June 30, 2017.

#### b) Transfer from Unappropriated Profit

An amount of Rs. 400 million to be transferred to general reserve from unappropriated profit.

44.2 Through the Finance Act, 2017 Income Tax has been levied at the rate of 7.5% of accounting profit before tax on every public company that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the said tax year. Since the Board of Directors of the Direct Subsidiary Company has recommended 10% cash dividend (Rs. 356.496 million) for the year ended June 30, 2017 (refer note 44.1) which exceeds the above stated limits, hence there will be no such tax liability.

## 45 DATE OF AUTHORIZATION

These Consolidated Financial Statements were authorized for issue on 25 SEP 2017 by the Board of Directors of the Holding Company.

## 46 GENERAL

Figures have been rounded off to the nearest thousand rupees.

**MOHOMED BASHIR**  
Chief Executive Officer

**MOHAMMED ZAKI BASHIR**  
Director