

***GUL AHMED HOLDINGS (PVT) LTD***

***FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2015***

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of **M/s. GUL AHMED HOLDINGS (PRIVATE) LIMITED** (The Company) as at June 30, 2015 and related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a). in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b). in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii). the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2015 and of the loss, cash flows and changes inequity for the year then ended; and
- d). in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi:

23 SEP 2015

  
**KRESTON HYDER BHIMJI & CO.**  
CHARTERED ACCOUNTANTS  


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GUL AHMED HOLDINGS (PRIVATE) LIMITED  
BALANCE SHEET  
AS AT JUNE 30, 2015

	NOTE	2015 RUPEES	2014 RUPEES
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Investments in subsidiary	4	4,617,537,966	4,617,537,966
<b>CURRENT ASSETS</b>			
Cash and bank balances	5	281,250	525,550
		<u>4,617,819,216</u>	<u>4,618,063,516</u>
<b>EQUITY &amp; LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized Share Capital</b>			
100,000 Ordinary Shares of Rs. 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital	6	806,400	806,400
Capital Reserves	7	4,617,537,966	4,617,537,966
Accumulated loss		(1,630,150)	(380,850)
		<u>4,616,714,216</u>	<u>4,617,963,516</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued expenses		105,000	100,000
Advance from Director	8	1,000,000	-
		<u>1,105,000</u>	<u>100,000</u>
Contingencies and commitments	9	-	-
		<u>4,617,819,216</u>	<u>4,618,063,516</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

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*[Signature]*

Chief Executive

*[Signature]*

Director

**GUL AHMED HOLDINGS (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	NOTE	FOR THE YEAR ENDED JUNE 30, 2015 RUPEES	FOR THE PERIOD ENDED JUNE 30, 2014 RUPEES
Preliminary expenses written off		-	(25,950)
General & administrative expenses	10	(1,249,300)	(354,900)
Loss for the year / period		<u>(1,249,300)</u>	<u>(380,850)</u>
Loss per share - basic and diluted		<u>(15.49)</u>	<u>(4.72)</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

*10/12/15*

  
 Chief Executive

  
 Director



**GUL AHMED HOLDINGS (PVT) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	For the year ended June 30, 2015	For the period ended June 30, 2014
	RUPEES	RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss for the year	(1,249,300)	(380,850)
<b>Changes in working capital:</b>		
Increase in Trade and Other Payables	5,000	100,000
<i>Net cash used in operating activities</i>	<u>(1,244,300)</u>	<u>(280,850)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	-	806,400
Advance from director	1,000,000	-
<i>Net cash flows from financing activities</i>	<u>1,000,000</u>	<u>806,400</u>
<b>Net increase in cash and cash equivalents</b>	<u>(244,300)</u>	<u>525,550</u>
Cash and the cash equivalent at the beginning of the year	525,550	-
<b>Cash and the cash equivalent at the end of the year</b>	<u><u>281,250</u></u>	<u><u>525,550</u></u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

*Signature*

*Signature*

Chief Executive

*Signature*

Director

**GUL AHMED HOLDING (PVT) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Share Capital	Capital Reserve	Accumulated Loss	TOTAL
	-----Rupees-----			
Shares issued during the year	806,400	-	-	806,400
Capital reserve created in respect of investment	-	4,617,537,966	-	4,617,537,966
Loss for the period ended June 30, 2014	-	-	(380,850)	(380,850)
Balance as at June 30, 2014	806,400	4,617,537,966	(380,850)	4,617,963,516
Loss for the year ended June 30, 2015	-	-	(1,249,300)	(1,249,300)
	806,400	4,617,537,966	(1,630,150)	4,616,714,216

The annexed notes from 1 to 15 form an integral part of these financial statements.

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CHIEF EXECUTIVE

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DIRECTOR

**GUL AHMED HOLDINGS (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1 STATUS AND NATURE OF THE BUSINESS**

Gul Ahmed Holdings (Private) Ltd is a Private Limited Company incorporated on 14th April, 2014 under the 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 Holdings (Private) Limited (The Company) has been established and beneficially owned by the four major shareholders (Mr. Mohamed Bashir and his three sons Mr. Zain Bashir, Mr. Ziad Bashir and Mr. Mohammed Zaki Bashir as sponsors) of Gul Ahmed Textile Mills Limited (GATML) who had transferred their shares in one direction (as envisaged in Section 59B(7) of the Income Tax Ordinance 2001) after obtaining approval of the Securities and Exchange Commission of Pakistan (SECP) for group formation. Consequently the Company now owns 67.45% shares of GATML and has become the holding company of GATML.

**2 BASIS OF PREPARATION**

**2.1 Statement of Compliance**

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

**2.2 Basis of measurement / accounting**

These financial statements have been prepared under the historical cost convention using accrual basis of accounting.

**2.3 Functional and reporting currency**

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

**2.4 Changes in accounting standards, interpretations and pronouncements**

**a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year**

The following Standards, interpretations and amendments to published approved accounting standards became effective during the year.

IAS-19	Employee Benefits - Amendment
IAS-32	Financial Instrument: Presentation - Amendment
IAS-36	Impairment of Assets - Amendment
IAS-39	Financial Instrument: Recognition and Measurement - Amendment
IFRIC-21	Levies

These Standards, interpretations and amendments are not expected to have significant impact on company's financial statements. In addition to above, certain new cycle of improvements are applicable in current year, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been specified.

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

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

		Effective for the period beginning on or after
IAS-16	Property, Plant and Equipment - Amendment	January 01, 2016
IAS-27	Separate Financial Statements - Amendment	January 01, 2016
IAS-38	Intangible Assets - Amendment	January 01, 2016
IAS-41	Agriculture - Amendment	January 01, 2016
IFRS-9	Financial Instruments: Classification and Measurement	January 01, 2015
IFRS-10	Consolidated Financial Statements - Amendment	January 01, 2016
IFRS-11	Joint Agreements - Amendment	January 01, 2016
IFRS-12	Disclosure of Interests in Other Entities - Amendment	January 01, 2016

These standards, interpretations and the amendments are either not relevant to or are not expected to have significant impact on the company's financial statements other than certain disclosures, if applicable.

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, July 2015, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been specified.

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

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

IFRS-10	Consolidated Financial Statements
IFRS-11	Joint Arrangements
IFRS-12	Disclosure of Interest in Other Entities
IFRS-13	Fair Value Measurement

These new standards are either irrelevant or will not have any significant effect on the Company's financial statements except IFRS 10, which is briefly described below:

**IFRS-10 Consolidated Financial Statements-**

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

**2.4 Significant Accounting Estimates and Judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that have an effect on the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that, in the considered opinion of the management, are reasonable, under the circumstances, the results whereof provide the basis of making judgment in relation to carrying value of assets and liabilities that are not readily measurable, using other means. The definitive impact of ultimate outcome, may fluctuate from these estimates.

*10/10/2015*



The estimates and underlying assumptions are periodically appraised. Revision to accounting estimates is recognized and effect is given in the period in which estimates are revised, or in the period of the revision and future periods as appropriate.

Judgments made by the management that have significant effect on the financial statements and estimates with a significant probability of material adjustment in future are disclosed hereunder:

#### **Income tax**

In making the estimate for income tax liabilities, the management considers current income tax law and the decisions of appellate authorities.

#### **Impairment of investment in Subsidiary**

In making an estimate of recoverable amount of the Company's investment, the management considers breakup value of shares of respective period.

#### **Contingencies**

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

### **3 SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Taxation**

The Company takes into account relevant provisions of the prevailing income tax laws and applicable tax rates while providing for taxation. Further through designation letter dated February 12, 2015 of the Securities and Exchange Commission of Pakistan the Company and its subsidiary have been designated as a group for group relief, hence the Company is also entitled to benefits under section 59 of Income Tax Ordinance 2001.

#### **3.2 Investment in subsidiary**

Investment in subsidiary company is stated at cost as permitted in IAS 28. The cost on initial recognition has been determined and taken as the proportionate net assets of the shares owned by the Company of the subsidiary as on the date of becoming holding Company.

The Company periodically considers the carrying amount of the investment to assess whether there is any indication of impairment loss. If such indication exists, the carrying amount is reduced to recoverable amount and the difference is recognized as an expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount. The reversal of such impairment loss is recognized as an income.

#### **3.3 Provision**

Provision is recognized when the Company has present legal or constructive obligations as result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and reliable estimate of the amounts can be made.

#### **3.4 Dividend**

Dividend is recognized in the financial statements in the period in which it is approved.

#### **3.5 Cash and Cash Equivalents**

The cash and cash equivalents comprises cash and cheques in hand and balances with banks.

*10/10/20*

				2015 RUPEES	2014 RUPEES
4	<b>INVESTMENT IN SUBSIDIARY</b>				
		<b>No of Shares</b>			
		2015	2014		
	Gul Ahmed Textile Mills Limited	Note 9	154,143,190	123,314,552	4,617,537,966
					4,617,537,966

- 4.1 This represent the amount recognized in respect of shares of Gul Ahmed Textile Mills Limited (GATML) that were transferred to the Company as explained in note 1 & 7. The fair value of the investment based on the market share price of the Subsidiary as on the Balance Sheet date aggregated to Rs.7,561 (2014: Rs.7,892) million.

				2015 RUPEES	2014 RUPEES
5	<b>CASH AND BANK BALANCES</b>				
	Cash in hand			46,255	64,450
	Cash at Banks				
	Current accounts			234,995	461,100
				281,250	525,550
6	<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
	80,640 Ordinary shares of Rs. 10 each allotted for consideration fully paid in cash			806,400	806,400

#### 7 CAPITAL RESERVE

This represents the reserve created in respect of the recognition of the investment in 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 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 GTML to satisfy one-way transfer, is treated and recorded as Capital Reserve and directly credited into equity.

#### 8 ADVANCE FROM DIRECTOR

This represent unsecured and markup free finance provided by a director in order to meet the short term funding requirements of the Company.

#### 9 CONTINGENCIES AND COMMITMENT

During the year, the subsidiary company, Gul Ahmed Textile Mills Limited, announced 25% bonus shares for the year ended June 30, 2014 based on which the Company has been entitled to receive 30,828,638 shares but out of these 1,541,432 bonus shares have been retained by the Company in view of 5% income tax on bonus shares imposed through Finance Act 2014. The Company along with several other shareholders had filed a suit in the Honorable Sindh High Court, challenging the legality of tax on bonus shares. The Honorable Sindh High Court, after giving stay on recovery of the tax, subsequently given the decision in the favor of the Government. The Company has then filed an appeal in the Division Bench of Honorable Sindh High Court against the above decision and the Division Bench has issued stay against the recovery of the above tax.

The Company is confident that the case will be decided in the favor of the Appellants hence and no provision in respect of tax on bonus shares has been made in these financial statements which amounts to Rs. 79,599,548 (5% of Bonus shares: 1,541,432 @ Rs.51.64 per share) and the shares retained by the subsidiary will be received upon final settlement by the honorable court so the holding percentage of the Company in the subsidiary is assumed to remain unchanged.

*10/10/2015*

	Note	YEAR ENDED 2015 RUPEES	PERIOD ENDED 2014 RUPEES
10	<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>		
	Fees and subscription	515,920	254,600
	CDC charges	300,000	-
	Legal fees	300,000	-
	Professional charges	10,300	-
	Computer expenses	13,000	-
	Audit fee	85,000	100,000
	Audit fee for consolidation	25,000	-
	Printing & stationery	80	-
	Bank charges	-	300
		<u>1,249,300</u>	<u>354,900</u>

## 11 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiary, associated companies, companies where directors also hold directorship, directors of the Company and key management personnel. There has been no transaction with related parties other than advances received from director received and as disclosed in note 8.

## 12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 12.1 Financial risk and assets and liabilities

The Company's activities expose it to variety of financial risks: credit risk, market risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as manage financial risk to minimize earnings volatility and provide maximum return to shareholders. Financial assets and liabilities as at the balance sheet date are as follows:

	Note	2015 RUPEES	2014 RUPEES
<b>Financial Assets</b>			
Investment in subsidiary		4,617,537,966	4,617,537,966
Cash and bank balances		<u>281,250</u>	<u>525,550</u>
		<u>4,617,819,216</u>	<u>4,618,063,516</u>
<b>Financial Liabilities</b>			
Accrued expenses		105,000	100,000
Advance from director		<u>1,000,000</u>	<u>-</u>
		<u>1,105,000</u>	<u>100,000</u>

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for investment in subsidiary which is stated at cost.

### (i) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company is exposed to credit risk only in respect of deposits with banks which as at balance sheet date amounted to Rs. 234,995 (2014: Rs. 461,100).

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

Name of Bank	Credit Rating		Rupees	
	Short Term	Long term	2015	2014
Habib Metropolitan Bank Limited	A1+	AA+	234,995	461,100

### (ii) Liquidity risk

Liquidity risk represents the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. The exposure to liquidity risk in respect of financial liabilities along with maturities is disclosed in above table of financial assets and liabilities (note 12.1). Currently the liquidity requirements have been met through advances from director. However subsequent to year end the subsidiary has declared dividend of Rs.1.50 per share, in which respect the Company would be entitled to receive Rs. 231,214,785 as dividend so the Company would have sufficient funds to meet its obligations, hence it is believed that the Company is not exposed to significant liquidity risk.

*10/11/2015*



(iii) **Market risk**

a) **Interest rate risk**

Interest rate risk arises due to changes in market interest rates that results in fluctuation in fair value or future cash flows of a financial instrument. The Company do not have any such financial instruments hence it is not such risk.

b) **Foreign exchange risk**

Foreign exchange risk is the risk that the fair value of future cash flows of financial statements will fluctuate because of changes in foreign exchange rates. Currently the Company is not exposed to any foreign exchange risk.

c) **Other price risk**

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 rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company's investments in subsidiary is subject to other price risk and considering its market share prices (fair values) and strong credit worthiness the Company does not believe that it exposed to significant price risk.

(iv) **Capital Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Currently the Company finances its operations mainly through equity and short term funds from sponsors of the company.

**13 EVENT AFTER BALANCE SHEET DATE**

Subsequent to the year end the directors of the subsidiary in their meeting held on 22nd September, 2015 have proposed to pay 15% cash dividend, i.e., Rs. 1.5 per share for the year ended June 30, 2015. Accordingly the Company will be entitled to receive Rs. 231 million, subject to approval of shareholders and will be accounted for in the books when right to receive this will be established, i.e., when it will be approved by the shareholders.

**14 GENERAL**

14.1 No of employees of the Company as at the balance sheet date were nil and hence there are no retirement benefits.

14.2 Figures have been rounded off to the nearest rupee.

**15 DATE OF AUTHORIZATION**

These financial statements were authorized on 23 September, 2015 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR