

**GUL AHMED HOLDINGS (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE, 2016**

**GUL AHMED HOLDINGS (PRIVATE) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

The directors of your Company are pleased to present the Annual Report and the audited financial statements for the year ended June 30, 2016 together with auditors' report thereon.

**OPERATING RESULTS:**

Financial Highlights of the Company are as below:-

Description	2016	2015
	Amount in Rupees	
Profit / (Loss) after tax	536,914,350	(1,249,300)
Capital reserves	4,617,537,966	4,617,537,966
Accumulated profit / (Loss)	535,284,200	(1,630,150)
Earning / (Loss) per share	6,658.16	(15.49)

**CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Financial Statements for the year ended June 30, 2016 of the Company and its direct subsidiary Gul Ahmed Textile Mills Limited, and indirect subsidiaries Gul Ahmed International Limited (FZC) UAE, GTM (Europe) Limited UK and GTM USA Corporation USA are attached.

**FORWARD LOOKING STATEMENT**

The Company is the Holding Company of Gul Ahmed Textile Mills Ltd. Also, the Company invests and divest in the securities of any Company. During the year, no investment other than investment in Subsidiary has been made.

We are optimistic that the Company's performance will improve in the next Financial Year, both in terms of income and fund management.

**AUDITORS**

The present auditors of the Company M/s Kreston Hyder Bhimji & Co., Chartered Accountants have completed the annual audit for the year ended June 30, 2016 and have issued an unqualified audit report. The auditors will retire, and being eligible, have offered themselves for reappointment for the year ending June 30, 2017.

Karachi  
October 1, 2016

For and on behalf of the Board

  
**MOHOMED BASHIR**  
Chief Executive

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **GUL AHMED HOLDINGS (PRIVATE) LIMITED** ("the Company") as at June 30, 2016 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, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and
- d). in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi:

01 OCT 2016

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

Engagement Partner: Shaikh Mohammad Tanvir



GUL AHMED HOLDINGS (PRIVATE) LIMITED  
BALANCE SHEET  
AS AT JUNE 30, 2016

		2016	2015
	NOTE	RUPEES	
<u>ASSETS</u>			
<i>NON - CURRENT ASSETS</i>			
Investments in subsidiary	4	5,435,730,131	4,617,537,966
<i>CURRENT ASSETS</i>			
Cash and bank balances	5	309,651	281,250
		<u>5,436,039,782</u>	<u>4,617,819,216</u>
<u>EQUITY &amp; LIABILITIES</u>			
<i>SHARE CAPITAL AND RESERVES</i>			
<i>Authorized Share Capital</i>			
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
Unappropriated profit / (Accumulated loss)		535,284,200	(1,630,150)
		5,153,628,566	4,616,714,216
<i>LIABILITIES</i>			
<i>CURRENT LIABILITIES</i>			
Trade and other payables - Accrued expenses		140,400	105,000
Loans from Director	8	281,000,000	1,000,000
Provision for taxation - net of payments		1,270,816	-
		282,411,216	1,105,000
<i>CONTINGENCIES AND COMMITMENTS</i>			
	9	-	-
		<u>5,436,039,782</u>	<u>4,617,819,216</u>

The annexed notes from 1 to 16 form an integral part of these financial statements.

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Chief Executive

  
Director



GUL AHMED HOLDINGS (PRIVATE) LIMITED  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED JUNE 30, 2016

	NOTE	2016 RUPEES	2015
Income	10	539,882,598	-
Administrative expenses	11	(1,119,786)	(1,249,300)
Profit/ (loss) before taxation		<u>538,762,812</u>	<u>(1,249,300)</u>
Taxation- Current		(1,848,462)	-
Profit/ (loss) for the year		<u><u>536,914,350</u></u>	<u><u>(1,249,300)</u></u>
Earning /(loss) per share - basic and diluted		<u><u>6,658.16</u></u>	<u><u>(15.49)</u></u>

The annexed notes from 1 to 16 form an integral part of these financial statements.

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 Chief Executive

  
 Director

GUL AHMED HOLDINGS (PVT) LIMITED  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	RUPEES	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation for the year	538,762,812	(1,249,300)
<b>Adjustment for:</b>		
Dividend income	(534,106,153)	-
<b>Changes in working capital:</b>		
Increase in trade and other payables - Accrued expenses	35,400	5,000
	4,692,059	(1,244,300)
Income tax paid	(577,646)	-
<i>Net cash generated from / (used in) operating activities</i>	4,114,413	(1,244,300)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Subscription to right shares of subsidiary company	(818,192,165)	-
Dividend received during the year	534,106,153	-
<i>Net cash used in investing activities</i>	(284,086,012)	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan from directors obtained during the year	281,000,000	-
Repayment of loan from director	(1,000,000)	1,000,000
<i>Net cash flows from financing activities</i>	280,000,000	1,000,000
<b>Net increase / (decrease) in cash and cash equivalents</b>	28,401	(244,300)
Cash and the cash equivalent at the beginning of the year	281,250	525,550
<b>Cash and the cash equivalent at the end of the year</b>	309,651	281,250

The annexed notes from 1 to 16 form an integral part of these financial statements.

6/12/2016

  
Chief Executive

  
Director

**GUL AHMED HOLDING (PVT) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Share Capital	Capital Reserve	Accumulated (loss) / Profit	TOTAL
	-----Rupees-----			
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)
Balance as at June 30, 2015	806,400	4,617,537,966	(1,630,150)	4,616,714,216
Profit for the year ended June 30, 2016	-	-	536,914,350	536,914,350
Balance as at June 30, 2016	806,400	4,617,537,966	535,284,200	5,153,628,566

The annexed notes from 1 to 16 form an integral part of these financial statements.

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 CHIEF EXECUTIVE

*Handwritten signature*  
 DIRECTOR

**GUL AHMED HOLDINGS (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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 for that purpose to invest and divest the securities of any 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 67.10% shares of GATML and has become the holding company of GATML.

**2 BASIS OF PREPARATION**

**2.1 Basis of measurement**

These financial statements have been prepared under the 'historical cost convention' except as has been specifically stated below in respective notes.

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

**2.2 Statement of Compliance**

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

**2.3 Functional and 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) New and amended standards and interpretations became 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 have become effective for annual periods beginning on or after January 01, 2015.

**IFRS 10 'Consolidated Financial Statements'**

This standard replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. The standard only affects the disclosure in the Company's financial statements. There is no significant effect of this on the Company's financial statements and is only relevant for the Company's Consolidated financial statements.

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

This standard deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities. This is not relevant for the Company's financial statements.

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

This is a comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company does not have any investment in other entities except investment in a 100% wholly owned subsidiary which is carried at cost in these separate financial statements in accordance with IAS 27, hence this standard does not have any significant effect on the financial statements.

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

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. It unifies the framework for measurement of fair values as required by other IFRS and requires disclosure regarding fair value measurement, i.e., disclosure of valuation techniques and inputs used to measure the fair value and in case of recurring fair value measurements using unobservable inputs the effect of fair value measurement on profit and loss account or other comprehensive income. The Company has adopted the standard prospectively and disclosure in this respect has been given in note 41.

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

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

This standard has been amended to clarify;

- Unrealised 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. This Standard is unlikely to have any material impact on the Company's financial statements.

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

This standard has been amended to clarify entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This Standard is unlikely to have any material impact on the Company's financial statements.

*10/12/2016*

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

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

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

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

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

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

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. This standard is not relevant to the Company's financial statements.

**IFRS 2 'Share-based Payment' (Effective from accounting period beginning on or after January 01, 2016)**

IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also separately clarifies how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition. The amendment has no impact on the Company's financial statements.

*10/2/2016*



**IFRS 9 'Financial Instruments' (Effective from accounting period beginning on or after February 01, 2015)**

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

**IFRS 14 'Regulatory Deferral Accounts' (Effective from accounting period beginning on or after January 01, 2016)**

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

**IFRS 15 'Revenue from Contracts with Customer' (Effective from accounting period beginning on or after January 01, 2018)**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters.

**IFRS 16 'Leases' (Effective from accounting period beginning on or after January 01, 2019)**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

Amendments to the following standards as a result of annual improvements to the International Financial Reporting Standards issued by IASB that are not yet effective.

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

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

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

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

*10/2020*

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

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

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

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

**(d) 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, 2017
IFRS 16 - Leases	January 1, 2019

**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.

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:

**a) Income tax**

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

**b) 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.

**c) 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).

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### 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 in these separate financial statements 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. Subsequent acquisitions are recorded at the cost incurred to acquire the shares, i.e., at fair value.

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.

*CHBXC*

				2016 RUPEES	2015 RUPEES
4	INVESTMENT IN SUBSIDIARY				
		No of Shares			
		2016	2015		
Gul Ahmed Textile Mills Limited					
Shares acquired on initial transfer	Note 4.1	123,314,552	123,314,552	4,617,537,966	4,617,537,966
Further acquisition through					
Bonus shares (25%) - 2015	Note 9	29,287,206	29,287,206	-	-
Right Shares (30%) - 2015-16		46,753,838	-	818,192,165	-
		76,041,044	29,287,206	818,192,165	-
	Note 4.2	199,355,596	152,601,758	5,435,730,131	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.

4.2 The fair value of the investment based on the market share price of the Subsidiary as on the Balance Sheet date aggregated to Rs.7,215 (2015: Rs.7,485) million.

		Note	2016 RUPEES	2015 RUPEES
<b>5 CASH AND BANK BALANCES</b>				
Cash in hand			33,850	46,255
Cash at Banks				
Current accounts	5.1		275,801	234,995
			309,651	281,250

5.1 This represents the balance with the Related Party- Associated Company

#### 6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

80,640 Ordinary shares of Rs. 10 each allotted for consideration fully paid in cash	806,400	806,400
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#### 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 GATML to satisfy one-way transfer, is treated and recorded as Capital Reserve and directly credited into equity.

#### 8 LOAN FROM RELATED PARTY- DIRECTORS

This represent unsecured and markup free loan provided by directors in order to meet the funding requirements of the Company and is repayable on demand.

#### 9 CONTINGENCIES AND COMMITMENT

During the year 2014, the subsidiary company, Gul Ahmed Textile Mills Limited (GATML), announced 25% bonus shares for the year ended June 30, 2014 based on which the Company was entitled to receive 30,828,638 shares; however out of these 1,541,432 bonus shares were retained by GATML 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 which was decided in 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 till final decision.

The Company is confident that the matter will be decided in its favor; however in view of uncertainties, the Company has not taken accounted for these 1,541,432 shares 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. 5.935 million has not been accrued.

*WAPC*

	Note	2016	2015
		RUPEES	
<b>10 INCOME</b>			
<i>Income from Financial assets</i>			
Dividend Income- From Subsidiary Company		534,106,153	-
Profit / markup on bank deposits		5,776,445	-
		<u>539,882,598</u>	<u>-</u>
<b>11 GENERAL &amp; ADMINISTRATIVE EXPENSES</b>			
Fees and subscription		407,065	815,920
Legal & Professional charges		560,300	310,300
Computer expenses		-	13,000
Audit fee		108,000	85,000
Audit fee for consolidation		44,000	25,000
Printing & stationery		341	80
Bank charges		80	-
		<u>1,119,786</u>	<u>1,249,300</u>

## 12 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiary, associated companies, companies where directors also hold directorship, directors of the Company and key management personnel. Transactions with related parties during the year are as follows.

Relationship	Nature of Transactions	Amount	Amount
		2016	2015
Subsidiary Company	Subscription of right shares	818,192,165	-
	Dividend	534,106,153	-
Directors	Loan received	281,000,000	1,000,000
	Loan repaid	1,000,000	-
Associated Company	Profit / markup on bank deposits	5,776,445	-

## 13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 13.1 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	2016	2015
		RUPEES	
<b>Financial Assets</b>			
Cash and bank balances		309,651	281,250
<b>Financial Liabilities</b>			
Trade and other payables - Accrued expenses		(140,400)	(105,000)
Loans from directors		(281,000,000)	(1,000,000)
		<u>(281,140,400)</u>	<u>(1,105,000)</u>
		<u>(280,830,749)</u>	<u>(823,750)</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. 275,801 (2015: Rs. 234,995). 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	2016	2015
Habib Metropolitan Bank Limited	A1+	AA+	275,801	234,995



(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 loan from directors, hence it is believed that the Company is not exposed to significant liquidity risk.

(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 is not exposed to any such risk in respect of any financial instruments. 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.

14 **EVENT AFTER BALANCE SHEET DATE**

Subsequent to the year end the directors of the subsidiary in their meeting held on September 29, 2016 have proposed to pay 10% final cash dividend, i.e., Re. 1 per share for the year ended June 30, 2016. The Company has relinquished its portion of final cash dividend.

15 **GENERAL**

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

15.2 Figures have been rounded off to the nearest rupee.

16 **DATE OF AUTHORIZATION**

These financial statements were authorized on 01 October, 2016 by the Board of Directors of the Company.

*CHIEF*



CHIEF EXECUTIVE



DIRECTOR