

**Independent Auditor's Report to the members of
Gul Ahmed Holdings (Private) Limited
Report on the Audit of the financial statements**

Opinion

We have audited the annexed financial statements of **Gul Ahmed Holdings (Private) Limited**, ("the Company") which comprise the statement of financial position as at June 30, 2020 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2020 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in for Director's Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

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attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Fahad Ali Shaikh.


Chartered Accountants
Karachi
Dated: October 1, 2020


GUL AHMED HOLDINGS (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
<u>ASSETS</u>			
<i>NON - CURRENT ASSETS</i>			
Investments in subsidiary	4	6,432,508,081	6,432,508,081
Processing fee against acquisition of land	5	2,500,000	2,500,000
		6,435,008,081	6,435,008,081
<i>CURRENT ASSETS</i>			
Short Term Investment	6	51,633,879	7,043,583
Short Term deposit		200,000	200,000
Advance income tax		136,263	107,124
Cash and bank balances	7	100,123,238	207,471
		152,093,380	7,558,178
		<u>6,587,101,461</u>	<u>6,442,566,259</u>
<u>EQUITY & LIABILITIES</u>			
<i>SHARE CAPITAL AND RESERVES</i>			
Authorized Share Capital			
100,000 Ordinary Shares of Rs. 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital	8	806,400	806,400
Capital reserves	9	4,617,537,966	4,617,537,966
Unappropriated profit		1,968,403,143	1,369,314,741
		6,586,747,509	5,987,659,107
<i>LIABILITIES</i>			
<i>CURRENT LIABILITIES</i>			
Trade and other payable- Accrued expenses		353,952	307,152
Loans from Director	10	-	454,600,000
		353,952	454,907,152
<i>CONTINGENCIES AND COMMITMENTS</i>			
	11	-	-
		<u>6,587,101,461</u>	<u>6,442,566,259</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Chief Executive


Director

GUL AHMED HOLDINGS (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
Income	12	602,315,850	599,153,080
Administrative expenses	13	(2,684,783)	(1,608,640)
Profit before taxation		599,631,067	597,544,440
Taxation - Current		(542,665)	-
Profit for the year		599,088,402	597,544,440
Earning per share - basic and diluted		7,429.17	7,410.03

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Chief Executive


Director

GUL AHMED HOLDINGS (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

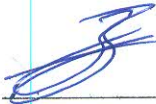
	2020 RUPEES	2019 RUPEES
Profit for the year	599,088,402	597,544,440
Other Comprehensive Income	-	-
Total Comprehensive Income	<u>599,088,402</u>	<u>597,544,440</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Chief Executive



Director

GUL AHMED HOLDINGS (PVT) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 RUPEES	2019 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation for the year	599,631,067	597,544,440
Less: Income from investments	(4,249,065)	(1,086,295)
	595,382,002	596,458,145
Changes in working capital:		
Increase in accrued expenses	46,800	27,000
Payments made against		
Income tax paid	(571,804)	(104,573)
<i>Net cash generated from operating activities</i>	594,856,998	596,380,572
CASH FLOW FROM INVESTING ACTIVITIES		
Short term investments made during the year - net	(43,622,902)	(1,500,000)
Dividend received from mutual funds	2,990,315	-
Profit received from short term investments	291,356	1,045,687
<i>Net cash used in investing activities</i>	(40,341,231)	(454,313)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loan from director	(454,600,000)	(596,000,000)
<i>Net cash used in financing activities</i>	(454,600,000)	(596,000,000)
Net increase / (decrease) in cash and cash equivalents	99,915,767	(73,741)
Cash and the cash equivalent at the beginning of the year	207,471	281,212
Cash and the cash equivalent at the end of the year	100,123,238	207,471

The annexed notes from 1 to 17 form an integral part of these financial statements.

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Chief Executive

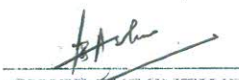
Director

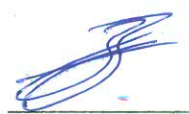
GUL AHMED HOLDING (PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Share Capital	Capital Reserve	Unappropriated Profit	TOTAL
	-----Rupees-----			
Balance as at June 30, 2018	806,400	4,617,537,966	771,770,301	5,390,114,667
Total Comprehensive Income for the year ended June 30, 2019	-	-	597,544,440	597,544,440
Balance as at June 30, 2019	806,400	4,617,537,966	1,369,314,741	5,987,659,107
Total Comprehensive Income for the year ended June 30, 2020	-	-	599,088,402	599,088,402
Balance as at June 30, 2020	806,400	4,617,537,966	1,968,403,143	6,586,747,509

The annexed notes from 1 to 17 form an integral part of these financial statements.

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 CHIEF EXECUTIVE


 DIRECTOR

GUL AHMED HOLDINGS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF THE BUSINESS

Gul Ahmed Holdings (Private) Ltd 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 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.

- 1.1 The World Health Organization has declared COVID-19 (the virus) a global pandemic, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business. However, the management based on its assessment considered that there would be no significant impact on the operations and financial condition of the Company in future period and there is no financial impact of carrying amount of assets and liabilities or items of income and expenses.

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 Statement of cash flow

2.2 Statement of Compliance

These financial statements have been prepared in accordance with accounting and reporting standard as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of: -

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.3 Functional and reporting currency

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

2.4 New and revised standards and interpretations

(a) New and amended Standards and Interpretations became effective during the year:

The following Standards, interpretations and amendments to published approved accounting standards became effective during the year. These are either irrelevant or do not have material impact on the Company's Financial Statements.

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		Effective from accounting period beginning on or after
IFRS - 3	Business Combinations: Previously held interest in a joint operation.	January 1, 2019
IFRS - 9	Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 1, 2019
IFRS - 11	Joint Arrangements: Previously held interest in a joint operation.	January 1, 2019
IFRS - 14	Regulatory Deferral Accounts	July 1, 2019
IFRS - 16	Leases.	January 1, 2019
IAS - 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity.	January 1, 2019
IAS - 19	Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 1, 2019
IAS - 23	Borrowing Costs - Borrowing costs eligible for capitalization.	January 1, 2019
IAS - 28	Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
IFRIC - 23	Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019

(b) Standards, Interpretations and Amendments 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 of them. These are either irrelevant or do not have material impact on the Company's Financial Statements.

		Effective for accounting periods beginning on or after
IFRS - 3	Business Combinations' - Amendments regarding the definition of business.	January 1, 2020
IFRS - 10	Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is
IFRS 9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020.	January 1, 2022
IFRS 16	Leases -Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	January 1, 2020
IAS 1 & IAS 8	'Presentation of Financial Statements' and 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 1, 2020

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IAS 1	Presentation of Financial Statements & Accounting Policies - Amendments regarding the classification of liabilities.	January 1, 2023
IAS 16	Property, Plant and Equipment- Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the cost of fulfilling a contract when assessing whether a contract is onerous.	January 1, 2022

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

In addition to above there were certain other amendments and interpretations that are also either not relevant or material to these financial statements.

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

		IASB Effective Date' Effective for the accounting period beginning on or after
IFRS 1	First Time Adoption of IFRS	January 1, 2004
IFRS 17	Insurance Contracts	January 1, 2021

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.

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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 Held to Maturity Investments

These represent investments with fixed or determinable payments and fixed maturity where the Company has positive intent and ability to hold such investments to maturity. These are carried at amortized cost.

3.4 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.

3.5 Dividend

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

3.6 Cash and Cash Equivalents

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

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				2020 RUPEES	2019 RUPEES
4 INVESTMENT IN SUBSIDIARY					
		<u>No of Shares</u>			
		2020	2019		
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 11.1	29,287,206	29,287,206	-	-
Right Shares (30%) - 2015-16		46,753,838	46,753,838	818,192,165	818,192,165
Right Shares (20%) - 2016-17		39,871,118	39,871,118	996,777,950	996,777,950
Bonus shares (20%) - 2020		47,845,342	-	-	-
		163,757,504	115,912,162	1,814,970,115	1,814,970,115
	Note 4.2	287,072,056	239,226,714	6,432,508,081	6,432,508,081

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 & 9.

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. 8,219 million (2019: Rs. 11,272 million).

5 PROCESSING FEE AGAINST ACQUISITION OF LAND

This represent payment made to Port Qasim Authority of Pakistan for allotment of land which has not yet been allotted.

		Note	2020 RUPEES	2019 RUPEES
6 SHORT TERM INVESTMENTS				
Term Deposits Receipts with Habib Metropolitan Bank Limited- At Cost		6.1	1,513,014	7,000,000
Accrued profit on term deposit receipt			7,772	43,583
			1,520,786	7,043,583
MCB Cash Optimizer- Money Market Fund- Fair Value (497,006,2747 units)		6.2	50,113,093	-
			51,633,879	7,043,583

6.1 This placements with a related party Habib Metropolitan Bank Limited which carries markup at 7.5% (2019: 10.5% p.a.)

6.2 Cost of investment as at year end is Rs. 49,927,779 (2019: Nil)

7 CASH AND BANK BALANCES

Cash in hand		5,635	13,600
Cash at banks			
Current accounts	5.1	100,117,603	193,871
		100,123,238	207,471

7.1 Bank Balances Include amounts held with related Party, Habib Metropolitan Bank Ltd. amounting to Rs. 114,153 (2019:Rs.190,421)

8 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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9 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.

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10 LOAN FROM DIRECTORS

Mohomed Bashir
Zain Bashir
Ziad Bashir
Mohammed Zaki Bashir

2020 RUPEES	2019 RUPEES
-	117,400,000
-	112,400,000
-	112,400,000
-	112,400,000
-	454,600,000

- 10.1 This represented interest free unsecured loan from Directors of the company obtained for meeting funding requirements of the Company. This was repayable on demand.

11 CONTINGENCIES AND COMMITMENT

- 11.1 In the year 2014 and 2019, the subsidiary company, Gul Ahmed Textile Mills Limited (GATML), announced 25% and 20% bonus shares for the year ended June 30, 2014 and 2019 respectively based on which the Company was entitled to receive 30,828,638, 47,845,342 shares respectively; however out of total these 1,849,718 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 uncertainty about the final outcome, the Company has neither accounted for these shares withheld as tax on bonus shares nor recognized provision in this respect which aggregates to Rs. 79,599,548 (1,541,432 @ Rs.51.64 per share) in these financial statements. Also the corresponding dividend in respect of these bonus shares declared during the pendency of the case aggregating to Rs. 16.185 million (2019: Rs. 12.331 million) has not been accrued.

12 INCOME

Income from Financial assets

Dividend Income- From Subsidiary Company

Dividend Income- Mutual Funds

Profit / markup on bank deposits/term deposits

Gain on redemption and remeasurement of investment in Mutual Funds

Unrealised Income on revaluation of short term investment- Mutual funds

2020
RUPEES2019
RUPEES

598,066,785

598,066,785

2,990,315

-

255,545

1,086,295

817,891

-

185,314

602,315,850

599,153,080

13 GENERAL & ADMINISTRATIVE EXPENSES

Fees and subscription

Legal & Professional charges

Audit fee

Audit fee for consolidation

Printing & stationery

Bank charges

260,415

355,340

2,132,238

1,010,300

225,000

178,200

64,800

64,800

1,200

-

1,130

-

2,684,783

1,608,640

14 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 / Name	Nature of Transactions	Amount	Amount
		2020	2019
<i>Subsidiary Company</i>			
Gul Ahmed Textile Mills Limited	Dividend	598,066,785	598,066,785
<i>Associated Company</i>			
Habib Metropolitan Bank Limited	Profit / markup on bank deposits	255,545	1,086,295
Directors	Loan repaid	454,600,000	596,000,000

There were no other related party transactions and no remunerations are paid to Chief Executive or any Director. The balances with related parties are disclosed at respective notes to the financial statements.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

15.1 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 June 30 are as follows:

	Note	2020	2019
Financial Assets			
Short Term Investment		51,633,879	7,043,583
Short Term Deposit		200,000	200,000
Cash and bank balances		100,123,238	207,471
		<u>151,957,117</u>	<u>7,451,054</u>
Financial Liabilities			
Trade and other payable- Accrued expenses		353,952	307,152
Loans from directors		-	454,600,000
		<u>353,952</u>	<u>454,907,152</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 reporting date. The Company limits its exposure in to credit risk by maintaining balances only with counter-parties that have stable credit rating and given the high credit ratings of the counter-parties, management does not expect that any counter party will fail to meet their obligations.

Name of Bank	Credit Rating		Rupees	Rupees
	Short Term	Long term	2020	2019
Habib Metropolitan Bank Limited	A1+	AA+	1,634,939	7,234,004
Habib Bank Limited	A-1+	AAA	3,450	3,450
Arif Habib Limited			200,000	200,000
Al Barka Bank Limited	A3	-	100,000,000	-
MCB Arif Habib			50,113,093	-
			<u>151,951,482</u>	<u>7,437,454</u>

(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 15.1). 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's investments in mutual fund and 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.

(v) 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 Company 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. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at balance sheet the fair value of all the financial assets and liabilities approximates to their carrying values mainly due to short term maturities except investment in direct subsidiary whose fair value based on quoted market price (level 1) is disclosed in note 4. investment in mutual funds in carried at fair value determined

16 GENERAL

16.1 No of employees of the Company as at the year end were nil and hence there are no retirement benefits.

16.2 Figures have been rounded off to the nearest rupee and reclassified where necessary for better presentation.

17 DATE OF AUTHORIZATION

These financial statements were authorized on October 01, 2020 by the Board of Directors of the Company.

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CHIEF EXECUTIVE

E. M. S.



DIRECTOR