

GUL AHMED HOLDINGS (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2023

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, 2023, 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, 2023 and of the loss, total comprehensive loss, 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.

Emphasis of matter

We draw attention to note 12 of the annexed financial statements, which describes contingency related to income tax on inter corporate divided income, i.e., dividend income from the subsidiary company Gul Ahmed Textile Mills Limited involving aggregate income tax amount of Rs. 325 million for the tax years 2016, 2018, 2019, 2020 and 2021. Our opinion is not modified in this respect.

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 Directors' 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.

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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.

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 (XIX of 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.

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- 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 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 Shaikh Mohammad Tanvir.


Chartered Accountants
Karachi:
Dated: October 07, 2023
UDIN: AR202310225vODoqxs2K

GUL AHMED HOLDINGS (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	NOTE	Jun-23 RUPEES	Jun-22 RUPEES
<u>ASSETS</u>			
NON - CURRENT ASSETS			
Fixed assets	4	339,803,833	-
Investments in subsidiary	5	6,432,508,081	6,432,508,081
Advance against purchase of immovable properties	6	2,500,000	12,805,000
		<u>6,774,811,914</u>	<u>6,445,313,081</u>
CURRENT ASSETS			
Short term investment	7	82,003,078	374,717,944
Short term deposit		200,000	200,000
Income tax refundable - net		14,120,751	14,120,751
Advance income tax		6,400,000	-
Cash and bank balances	8	747,674	45,838,706
		<u>103,471,503</u>	<u>434,877,401</u>
		<u>6,878,283,417</u>	<u>6,880,190,482</u>
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
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	9	999,940	806,400
Capital reserves	10	4,617,537,966	4,617,537,966
Unappropriated profit		2,259,016,216	2,261,203,912
		<u>6,877,554,122</u>	<u>6,879,548,278</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred taxation - unrealized gain on short term investment		48,695	334,404
CURRENT LIABILITIES			
Trade and other payable- Accrued expenses		680,600	307,800
CONTINGENCIES AND COMMITMENTS			
	11	-	-
		<u>6,878,283,417</u>	<u>6,880,190,482</u>

The annexed notes from 1 to 17 forms 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, 2023

	NOTE	Jun-23 RUPEES	Jun-22 RUPEES
Income	12	23,177,780	15,570,337
Administrative expenses	13	(21,758,034)	(11,300,309)
Profit before taxation		<u>1,419,746</u>	<u>4,270,028</u>
<u>Taxation</u>			
Current		(3,699,611)	(2,169,703)
Deferred		285,709	(334,404)
(Loss) / Profit for the year		<u>(3,413,902)</u>	<u>(2,504,107)</u>
		<u>(1,994,156)</u>	<u>1,765,921</u>

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

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Chief Executive

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Director

GUL AHMED HOLDINGS (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	Jun-23 RUPEES	Jun-22 RUPEES
(Loss) / Profit for the year	(1,994,156)	1,765,921
Other comprehensive income	-	-
Total comprehensive income	<u>(1,994,156)</u>	<u>1,765,921</u>

The annexed notes from 1 to 17 forms 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, 2023

	Jun-23 RUPEES	Jun-22 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation for the year	1,419,746	4,270,028
Adjustment for income from investments	(23,177,780)	(15,524,185)
Liabilities written back	-	(46,152)
	(21,758,034)	(11,300,309)
Changes in working capital:		
Dividend receivable	-	287,072,056
Increase in trade and other payable - accrued expenses	372,800	-
	372,800	287,072,056
Payments made against		
Income tax paid	(10,099,611)	(16,161,963)
Net cash (used in) / generated from operating activities	(31,484,845)	259,609,784
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to fixed assets	(329,498,833)	(10,305,000)
Short term investments made during the year - net	(97,394,842)	(240,710,506)
Proceeds from short term investments	394,807,488	25,020,000
Dividend received from mutual funds	18,480,000	11,857,548
Gain realized from short term investments	-	13,769
Net cash used in investing activities	(13,606,187)	(214,124,189)
CASH FLOW FROM FINANCING ACTIVITIES		
Net (decrease) / increase in cash and cash equivalents	(45,091,032)	45,485,595
Cash and the cash equivalent at the beginning of the year	45,838,706	353,111
Cash and the cash equivalent at the end of the year	747,674	45,838,706

The annexed notes from 1 to 17 forms 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, 2023

	Share Capital	Capital Reserve	Unappropriated Profit	TOTAL
	Rupees			
Balance as at July 01, 2021	806,400	4,617,537,966	2,259,437,991	6,877,782,357
Total comprehensive income for the year ended June 30, 2022				
Profit for the year	-	-	1,765,921	1,765,921
Other comprehensive income	-	-	-	-
	-	-	1,765,921	1,765,921
Balance as at June 30, 2022	806,400	4,617,537,966	2,261,203,912	6,879,548,278
Transaction with owners				
Issuance of bonus shares @ 24%	193,540	-	(193,540)	-
Total comprehensive loss for the year ended June 30, 2023				
Loss for the year	-	-	(1,994,156)	(1,994,156)
Other comprehensive income	-	-	-	-
	-	-	(1,994,156)	(1,994,156)
Balance as at June 30, 2023	999,940	4,617,537,966	2,259,016,216	6,877,554,122

The annexed notes from 1 to 17 forms 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, 2023

1 STATUS AND NATURE OF THE BUSINESS

Gul Ahmed Holdings (Private) Limited ("the Company") is a Private Limited Company incorporated on 14th April, 2014 under the repealed Companies Ordinance, 1984. The Company has been incorporated to carry on business of Holding Company 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 55.86% (2022:55.86%) 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 accounting and reporting and 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.

2.2 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.

2.3 Functional and reporting currency

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

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2.4 Standards, Amendments To Published Approved Accounting Standard And Interpretations

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

The following Standards, amendments and interpretations are effective for the year ended June 30, 2023. These Standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendment or Improvement		Effective date (annual periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments regarding classification of liabilities)	January 1, 2023
IAS 8	Definition of Accounting Estimates (Amendments)	January 1, 2023
IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	January 1, 2023
IAS 7	Statements of cashflow (Amendments) (Amendment regarding supplier finance arrangements)	January 1, 2023
IFRS-4	Insurance contracts (Amendments)	January 1, 2023
IFRS-7	Financial instruments	January 1, 2023
IFRS 16	Leases (Amendments) (Amendment regarding lease liability in a sale and lease back)	January 1, 2024

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan and are not expected to have any material impact on the Company's financial statements in the period of initial application.

IFRS 1	First time adoption of International Financial Reporting
IFRS 17	Insurance Contracts
IFRIC-12	Service concession agreement

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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. However through Finance Act 2016, the relief has been withdrawn which has been challenged by the Company as detailed in note 11.2.

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 Financial instruments

Recognition

Financial assets and liabilities are recognised when the Company become party to the contractual provision of the instrument.

Initial measurement

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

Classification of financial assets

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. A financial asset is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition.

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The Company classifies its financial instruments in the following categories:

- at amortised cost.
- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or

Financial assets that meet the following conditions are classified as financial assets at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are classified as financial assets at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are classified as financial assets at FVTPL.

Classification of financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition.

Subsequent measurement

Financial assets and liabilities at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. In case of financial assets the amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial assets at fair value through other comprehensive income (FVTOCI)

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition of debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to statement profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to statement profit or loss, but is transferred to statement of changes in equity.

Financial assets and liabilities at fair value through profit or loss (FVTPL)

These are subsequently measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL and any interest / markup or dividend income are included in the statement profit or loss.

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Derecognition of Financial Instruments

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Any gain or loss on derecognition of financial asset or liability is also included to the statement profit or loss.

3.6 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

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

3.7 Impairment

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.8 Dividend

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

3.9 Cash and Cash Equivalents

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

	Jun-23 RUPEES	Jun-22 RUPEES
4 FIXED ASSETS		
Leasehold residential property	339,803,833	-

- 4.1 The Company has Purchased a leasehold residential constructed property bearing Plot No.71, Khe-e-Muhafiz, Phase-VI, Measuring 2000 Square Yards, Situated in Pakistan Defence Officers Housing Authority, Karachi. Since it is impracticable to distinguish the property into leasehold land and building thereon hence the same is presented on combined basis. The realisable value of the property is more than the carrying value therefore no depreciation is charged.

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				Jun-23 RUPEES	Jun-22 RUPEES
5	INVESTMENT IN SUBSIDIARY				
		No of Shares			
		2023	2022		
	Gul Ahmed Textile Mills Limited				
	Shares acquired on initial transfer	Note 5.1	123,314,552	123,314,552	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
	Right Shares (20%) - 2016-17		39,871,118	39,871,118	996,777,950
	Bonus shares (20%) - 2020	Note 11.1	47,845,342	47,845,342	-
	Bonus shares (20%) - 2021		57,414,411	57,414,411	-
	Bonus shares (20%) - 2023		68,897,293	-	-
			290,069,208	221,171,915	1,814,970,115
		Note 5.2	413,383,760	287,072,056	6,432,508,081

- 5.1 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 & 10.
- 5.2 The fair value of the investment based on the market share price of the Subsidiary as on the reporting date aggregated to Rs. 7,362 million (2022: Rs. 9,706 million).

	Note	Jun-23 RUPEES	Jun-22 RUPEES
6	ADVANCE AGAINST PURCHASE OF IMMOVABLE PROPERTY		
	Advance against purchase of residential property	6.1	-
	Processing fee against acquisition of land	6.2	10,305,000
		2,500,000	2,500,000
		2,500,000	12,805,000

- 6.1 This represent part payment made for acquisition of a residential property located at Defence Housing Authority (as referred in note 4.1)
- 6.2 This represent payment made to Port Qasim Authority of Pakistan for allotment of land which has not yet been allotted.

	Note	Jun-23 RUPEES	Jun-22 RUPEES
7	SHORT TERM INVESTMENTS		
	Investments at fair value through profit or loss	7.1	81,003,078
	Advance against investment		374,717,944
		1,000,000	-
		82,003,078	374,717,944

- 7.1 Investments at fair value through profit or loss

	Number of units				
	2023	2022			
	219,863	1,138,739	MCB Pakistan Cash Management Fund	11,077,484	57,469,645
	985,338	23,354,454	NBP Money Market Fund	9,833,379	231,935,419
	5,540,802	7,902,780	NBP Income Opportunity Fund	60,092,215	85,312,880
				81,003,078	374,717,944

8	CASH AND BANK BALANCES				
	Cash in hand			51,624	18,885
	Cash at banks - Current Accounts		8.1	696,050	45,819,821
				747,674	45,838,706

- 8.1 These include amounts held with related Party, Habib Metropolitan Bank Ltd. amounting to Rs. 689,634 (2022:Rs.45,814,905)

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		Jun-23 RUPEES	Jun-22 RUPEES
9	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
	99,994 (2022: 806,400) Ordinary shares of Rs. 10 each allotted for consideration fully paid in cash	999,850	806,400
9.1	Reconciliation of the number of shares outstanding		
	Number of shares outstanding at the beginning of the year	806,400	806,400
	Add: 24% Bonus shares issued during the year	193,540	-
		999,940	806,400

- 9.2 These fully paid ordinary shares carry equal rights in the event of distribution on dividend or distribution of proceed in case of winding up. However, the voting rights vary in accordance with the class of shares as specified in the Articles of Association of the Company.

10 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.

11 CONTINGENCIES AND COMMITMENT

- 11.1 In the year 2014, 2019, 2021 and 2023, the subsidiary company, Gul Ahmed Textile Mills Limited (GATML), announced 25%, 20%, 20% and 20% bonus shares for the year ended June 30, 2014, 2019, 2021 and 2023 respectively based on which the Company was entitled to receive 30,828,638, 47,845,342, 57,414,411 and 68,897,293 shares respectively; however out of total shares to be used for the Company 2,663,600 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. 47,438,716 (2,663,600 shares @ Rs.17.81 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 (2022: Rs. 16,185 million) has not been accrued.

- 11.2 As per provision of Section 103 A of Part I to the Second Schedule of Income Tax Ordinance, 200, intercorporate dividend issued by the subsidiary is liable to be exempted from income tax at the hand of the holding company. However Finance Act 2016 withdrew this exemption by amending clause 103A of Second Schedule of Income Tax Ordinance, 2001. The Company had challenged the amendments before the High Court of Sindh against Federation of Pakistan and others. Subsequently the Honorable Sindh High Court decided the matter in favour of the Government. The Company along with other petitioners filed an appeal in the Supreme Court of Pakistan against the above decision. The Honorable Supreme Court has restrained FBR from recovery against the Company. The matter is pending adjudication before the Supreme Court of Pakistan for final outcome.

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- 11.3 Income tax ammended order under section 162(1) of the income tax ordinance, 2001 for the tax year 2016 and 2019 has been issued for payment of super tax amounting to Rs. 16,023,184/- and 11,961,336/- respectively. The Company contested the matter before the Honorable Supreme Court and the Honorable Court has issued stay order against the impugned order whereby restrained the Income Tax Department from taking any coercive action against the Company for recovery subject to deposit of 50% of super tax liability. The Company has accordingly paid an amount of Rs.13,992,260/- for the said years, However, the Company has confident for favourable outcome hence no provision is recorded in this respect.

	Note	Jun-23 RUPEES	Jun-22 RUPEES
12 INCOME			
Dividend income- Short term investment		18,480,000	11,857,548
Profit / markup on bank deposits/term deposits		-	12,742
Realised income on revaluation of short term investment- Mutual funds		4,373,146	1,424,537
Unrealised income on revaluation of short term investment- Mutual funds		324,634	2,229,358
Liabilities written back		-	46,152
		<u>23,177,780</u>	<u>15,570,337</u>
13 ADMINISTRATIVE EXPENSES			
Fees and subscription		257,555	340,718
Printing and Stationery		4,550	-
Utility Charges		115,000	-
Legal and Professional charges		21,007,564	10,651,791
Auditor's remuneration	13.1	372,800	307,800
Bank charges		565	-
		<u>21,758,034</u>	<u>11,300,309</u>
13.1 Auditor's remuneration			
Audit fee for unconsolidated financial statements		275,000	225,000
Audit fee for consolidated financial statements		75,000	60,000
Sindh sales tax on services		22,800	22,800
		<u>372,800</u>	<u>307,800</u>

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.

<u>Relationship / Name</u>	<u>Nature of Transactions</u>	Jun-23 RUPEES	Jun-22 RUPEES
<i>Associated Company</i>			
Habib Metropoliton Bank Limited	Profit / markup on bank deposits	-	12,742

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:

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	Jun-23 RUPEES	Jun-22 RUPEES
Financial Assets		
Short term investment	82,003,078	374,717,944
Short term deposit	200,000	200,000
Cash and bank balances	747,674	45,838,706
	<u>82,950,752</u>	<u>420,756,650</u>
Financial Liabilities		
Trade and other payable- Accrued expenses	<u>680,600</u>	<u>307,800</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.

15.2 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	Jun-23	Jun-22
Habib Metropolitan Bank Limited	A1+	AA+	689,634	45,814,905
Habib Bank Limited	A-1+	AAA	3,415	3,415
Arif Habib Limited			200,000	200,000
Al Barka Bank Limited	A3	-	3,001	1,501
NBP Funds			69,925,594	317,248,299
MCB Arif Habib			11,077,484	57,469,645
			<u>81,899,128</u>	<u>420,737,765</u>

15.3 Liquidity risk

Liquidity risk represents the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The 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.

15.4 Market risk

i) 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.

ii) 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.

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iii) **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.

15.5 **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.

15.6 **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 5. investment in mutual funds in carried at fair value determined based on their net asset values.

16 **DATE OF AUTHORIZATION**

These financial statements were authorized on **October 07, 2023** by the Board of Directors of the Company.

17 **GENERAL**

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

17.2 Figures have been rounded off to the nearest rupee.

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CHIEF EXECUTIVE

[Signature]

DIRECTOR