GUL AHMED HOLDINGS

(PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Independent Auditors' 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, 2019, 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, 2019 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.

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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 attention in our auditor's report to the related disclosures in the financial statements

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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.

Kreston Hyder Bhimji & Co
Chartered Accountants
Karachi:
Dated: 01 OCT 2019

GUL AHMED HOLDINGS (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	NOTE	2019 RUPEES	2018 RUPEES
ASSETS			
NON - CURRENT ASSETS			
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
CURRENT ASSETS			
Short Term Invesment	6	7,043,583	5,502,975
Short Term deposit		200,000	200,000
Income tax refundable		107,124	2,551
Cash and bank balances	7	207,471	281,212
		7,558,178	5,986,738
		6,442,566,259	6,440,994,819
EQUITY & LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
100,000 Ordinary Shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital	8	806,400	806,400
Capital reserves	9	4,617,537,966	4,617,537,966
Unappropriated profit		1,369,314,741	771,770,301
		5,987,659,107	5,390,114,667
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payable- Accrued expenses		307,152	280,152
Loans from Directors	10	454,600,000	1,050,600,000
		454,907,152	1,050,880,152
CONTINGENCIES AND COMMITMENTS	11	-	-
		6,442,566,259	6,440,994,819

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

GUL AHMED HOLDINGS (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	NOTE	2019 RUPEES	2018 RUPEES
Income	12	599,153,080	239,255,206
General and administrative expenses	13	(1,608,640)	(2,053,982)
Profit before taxation		597,544,440	237,201,224
Taxation		-	-
Profit for the year		597,544,440	237,201,224
Earning per share - basic and diluted		7,410.03	2,941.48

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

GUL AHMED HOLDINGS (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019 RUPEES	2018 RUPEES
Profit for the year	597,544,440	237,201,224
Other Comprehensive Income	-	-
Total Comprehensive Income	597,544,440	237,201,224

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

GUL AHMED HOLDINGS (PVT) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019 RUPEES		2018 RUPEES	
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation for the year	597,544,440		237,201,224	
Less profit on bank deposit:	(1,086,295)		(28,492)	
		596,458,145		237,172,732
Changes in working capital:				
Increase in accrued expenses		27,000		128,152
Payments made against				
Income tax paid		(104,573)		(2,551)
Net cash generated from operating activities		596,380,572		237,298,333
CASH FLOW FROM INVESTING ACTIVITIES				
Short Term Investment	(1,500,000)		(5,700,000)	
Profit received from short term investments	1,045,687		25,517	
Net cash used in investing activities		(454,313)		(5,674,483)
CASH FLOW FROM FINANCING ACTIVITIES				
Loan from directors obtained during the year	-		5,200,000	
Repayment of loan from director	(596,000,000)		(236,700,000)	
Net cash (outflow) from financing activities		(596,000,000)		(231,500,000)
Net (decrease) / increase in cash and cash equivalents		(73,741)		123,850
Cash and the cash equivalent at the beginning of the year		281,212		157,362
Cash and the cash equivalent at the end of the year		207,471		281,212

The annexed notes from 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

GUL AHMED HOLDING (PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Share Capital	Capital Reserve	Unappropriated Profit	TOTAL
	-----Rupees-----			
Balance as at June 30, 2017	806,400	4,617,537,966	534,569,077	5,152,913,443
Total Comprehensive Income for the year ended June 30, 2018	-	-	237,201,224	237,201,224
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**

The annexed notes from 1 to 19 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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. Mohomed 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 Statement of cash flow .

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 Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 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 New and revised standards and interpretations

(a) New and amended Standards and Interpretations became effective during the year:
Details of new and amended standards and interpretations mandatory for the first time for the financial year beginning on July 1, 2018 are as under:

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

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

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

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

IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment) (Effective for annual periods beginning on or after 1 January 2018)

The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4:
-an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach");
-an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach")
The amendment is not relevant to the Company's financial statements.

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IFRS 9 'Financial instruments' (Effective for annual periods beginning on or after 1 July 2018)

IFRS 9, 'Financial instruments', has replaced the guidance in IAS 39. This includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting for financial assets and financial liabilities. The impact of application of this new standard is disclosed below.

IFRS 9 replaces IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 01 July 2018 resulted in changes in titles of classification and presentation of the financial instruments and related accounting policies which are set out in note 3.7. The changes are summarized below.

(i) **Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The Company's management while making assessment related to classification of the financial instruments has considered business model within which a financial asset is held, management's intentions with respect to collection of cash flows and trading of the financial instruments and accordingly the management has classified its financial instruments into the appropriate IFRS 9 categories.

(ii) **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit loss model, rather than the current incurred loss model, when assessing the impairment of financial asset in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. This change has no material change on the company.

IFRS 15 'Revenue from contract with customers' (Effective for annual periods beginning on or after 1 January 2018)

The IASB has issued a new standard for the recognition of revenue. This new standard has replace IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards.

The requirements of this IFRS 15 are generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18 and the Company used to follow same recognition principles as mentioned in new IFRS 15. Therefore, adoption of IFRS 15 at July 01 2018, do not have an effect on the financial statements of the Company.

IFRIC 22 'Foreign currency transactions'. (Effective for annual periods beginning on or after 1 January 2018)

The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The related item is translated using the exchange rate on the date that the advance foreign currency was paid or received and the prepayment or deferred income recognised. The amendments do not have impact on the Company's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements in following approved accounting standards:

IFRS 12 Disclosure of Interests in Other Entities amendments resulting from Annual Improvements 2014-2016 Cycle clarifying certain fair value measurements (Effective for annual periods beginning on or after 1 January 2018)

The amendment clarifies that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment is not likely to have an impact on Company's financial statements.

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

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

Annual improvements to IFRS standards 2015-2017 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – (Effective for annual periods beginning on or after 1 January 2018)

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendment is not relevant to the Company's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

(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 & Accounting Policies, IAS 8 Changes in Accounting Estimates and Error - Amendments regarding the definition of material (Effective for annual periods beginning on or after 1 January 2020)

The IASB issued Definition of Material (Amendments to IAS 1 and IAS 8) in October 2018 to clarify and align the definition of material. The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions of primary users of general purpose financial statements. The amendments to the definition of material will not have a significant impact on an Company's financial statements.

IAS 19 'Employee Benefits' amendments in Plan Amendment, Curtailment or Settlement (Effective for annual periods beginning on or after 1 January 2019)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

-If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendments are unlikely to have any material impact on the Company's financial statements.

IAS 28 'Investments in Associates and Joint Ventures' (Effective for annual periods beginning on or after 1 January 2019)

The amendments in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) are:

-Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to 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.

-Paragraph 41 has been deleted because the IFRS Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests. The amendment is not likely to have a material impact on the Company's financial statements.

IFRS 3 Business Combinations Amendments to clarify the definition of a business (Effective for annual periods beginning on or after 1 January 2020)

The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The amendment is not likely to have a material impact on the Company's financial statements.

Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).

For a debt instrument to be eligible for measurement at amortised cost or fair value through other comprehensive income, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9 The amendments are unlikely to have any material impact on the Company's financial statements.

IFRS 16 'Leases' (Effective for annual periods beginning on or after 1 January 2019)

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the full impact of this standard on its financial statements.

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

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

Annual improvements to IFRS standards 2015-2017 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

IAS 12 - Income Taxes (Effective for annual periods beginning on or after 1 January 2019)

This amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits - i.e. in profit or loss, other comprehensive income or equity. The amendments are not likely to have material impact on the Company's financial statements.

IAS 23 - Borrowing Costs (Effective for annual periods beginning on or after 1 January 2019)

The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale or any non-qualifying assets are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.

Amendments to references to Conceptual Framework for Financial Reporting (Effective for annual periods beginning on or after 1 January 2020)

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

International Financial Reporting Standards (IFRSs)	IASB effective date annual periods beginning on or after
IFRS 1 - First Time Adoption of IFRS	January 1, 2004
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
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.

3.2 Investment in subsidiary

Investment in subsidiary company is stated at cost in these separate financial statements. 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 Short term investment

Investments in Term Deposits of Banks are carried at cost and profit is accrued on these deposits on time proportion based on applicable profit rates.

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 Income Recognition

Dividend is recognized in the financial statements in the period in which it is approved.
Profit on bank deposits is recorded in the financial statements in the period on accrual basis.

3.6 Cash and Cash Equivalents

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

3.7 Financial Instruments:

Financial instruments include short term investments, deposits and cash and bank balances. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument.

Initial Recognition

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 amortized 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, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The Company classifies its financial instruments in the following categories:

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

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.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest 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.

Offsetting of financial Assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position only if the company has a legally enforceable right to set-off the recognized amounts and the company intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously.

Impairment

Financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized cost at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- bank balances for whose credit risk (the risk of default occurring over the expected life of the financial instrument) has not increased since the inception.
- other short term receivables that have not demonstrated any increase in credit risk since inception.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets. The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4 INVESTMENT IN SUBSIDIARY

	Note	No of Shares 2019	No of Shares 2018	2019 RUPEES	2018 RUPEES
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
		115,912,162	115,912,162	1,814,970,115	1,814,970,115
	Note 4.2	239,226,714	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 year end date aggregated to Rs.11,272 million (2018: Rs. 10,270 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	2019 RUPEES	2018 RUPEES
6 SHORT TERM INVESTMENT			
Term Deposits Receipts with Habib Metropolitan Bank Limited		7,000,000	5,500,000
Accrued profit		43,583	2,975
		7,043,583	5,502,975

6.1 These placements with a related party Habib Metropolitan Bank Limited carry markup at the rates from 10.5% to 11.25% p.a

	Note	2019 RUPEES	2018 RUPEES
7 CASH AND BANK BALANCES			
Cash in hand		13,600	18,940
Cash at banks			
Current accounts	7.1	193,871	262,272
		207,471	281,212

7.1 Bank Balances Include amounts held with related Party, Habib Metropolitan Bank Ltd. amounting to Rs. 190,421 (2018:Rs.258,822)

	2019 RUPEES	2018 RUPEES
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 RESERVES

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 became 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, was treated and recorded as Capital Reserve and directly credited into equity.

10 LOAN FROM DIRECTORS	2019 RUPEES	2018 RUPEES
Mohomed Bashir	117,400,000	266,400,000
Zain Bashir	112,400,000	261,400,000
Ziad Bashir	112,400,000	261,400,000
Mohammed Zaki Bashir	112,400,000	261,400,000
	454,400,000	1,050,600,000

10.1 This represent interest free unsecured loan from Directors of the company obtained for meeting funding requirements of the Company. This is repayable on demand. Due to short term maturity, the impact of amortization is insignficant.

11 CONTINGENCIES AND COMMITMENTS

11.1 In 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 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. 12.331 million (2018: Rs. 8.478 million) has not been accrued.

11.2 The Company had filed suit no 2306/2016 and 2316/2017 in the Honorable Sindh High Court against the amendment made in the Income Tax Ordinance 2001 (the Ordinance) through Finance Act 2016, whereby exemption of tax on inter corporate dividend under section 59B of the Ordinance was deleted. The Honorable High Court granted the stay order and restrained the Federal Board of Revenue from taking any Coercive action against the Company; however, during the year suit has been withdrawn and a constitutional petition no 8690/2019 filed in this matter before the Honorable Sindh High Court. The Company is expecting favorable outcome hence no provision amounting to Rs. 125.594 million (2018: Rs. 35.884 million) is made in these financial statements.

12 INCOME	2019 RUPEES	2018 RUPEES
Income from Financial assets		
Dividend Income- From Subsidiary Company	598,066,785	239,226,714
Profit / markup on bank deposits/term deposits	1,086,295	28,492
	599,153,080	239,255,206

13 GENERAL & ADMINISTRATIVE EXPENSES	2019	2018
Fees and subscription	355,340	307,480
Legal & Professional charges	1,010,300	1,528,772
Audit fee	178,200	162,000
Audit fee for consolidation	64,800	54,000
Printing & stationery	-	180
Bank charges	-	1,550
	1,608,640	2,053,982

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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 2019	Amount 2018
Subsidiary Company			
Gul Ahmed Textile Mills Limited			
	Dividend	598,066,785	239,226,714
Associated Company			
Habib Metropolitan Bank Limited	Profit / markup on bank deposits	1,086,298	28,492
Directors	Loan received	-	5,200,000
	Loan repaid	596,000,000	236,700,000

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	2019 RUPEES	2018 RUPEES
Financial Assets			
-At Amortized Cost			
Short Term Investment		7,043,583	5,502,975
Short Term deposit		200,000	200,000
Cash and bank balances		207,471	281,212
		7,451,054	5,984,187
Financial Liabilities			
-At Amortized Cost			
Trade and other payable- Accrued expenses		307,152	280,152
Loans from directors		454,600,000	1,050,400,000
		454,907,152	1,050,680,152

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 in respect of investments/deposits with banks and short term deposits with brokerage house which as at reporting date aggregated to Rs.7,243,583 (2018: Rs. 5,702,975). 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 Short Term	Credit Rating Long term	Rupees 2019	Rupees 2018
Habib Metropolitan Bank Limited	A1+	AA+	7,234,004	5,761,797
Habib Bank Limited	A-1+	AAA	3,450	3,450
Arif Habib Limited	A-	AA-	200,000	200,000
			7,437,454	5,965,247

(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's investment in time deposits of Rs. 7.043 million (2018: Rs. 5.502 million) are subject to interest rate risk, and impact of 10% change in interest rate is Rs. 0.4 million.

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. This is also not carried at fair value.

(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).

Leve 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 year end 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.

16 RECLASSIFICATION OF FIGURES

Description	Amount	From	To
Security deposit in Arif Habib Limited	200,000	Short Term Invesment	Short Term Deposit

17 EVENT AFTER BALANCE SHEET DATE

Subsequent to the year end the directors of the subsidiary in their meeting held on **October 1, 2019** have proposed to pay 25% final cash dividend, i.e., Rs. 2.5/- per share and 20% Bonus shares i.e 1 for every 5 shares held for the year ended June 30, 2019.

18 GENERAL

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

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

19 DATE OF AUTHORIZATION

These financial statements were authorized on 01 OCT 2019 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR