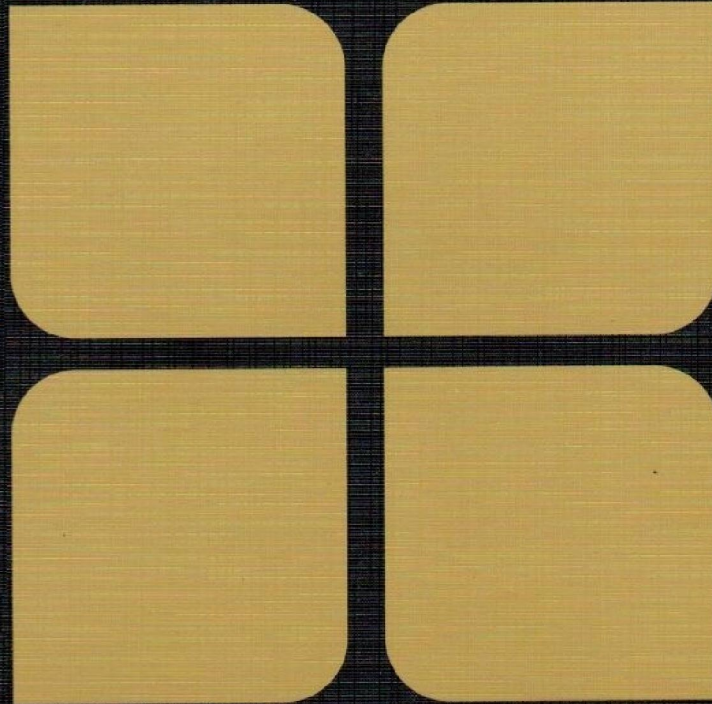


# The Gul Ahmed Way



Condensed Interim Financial Information  
For The Half Yearly Ended December 31, 2016



## Company Information

<b>BOARD OF DIRECTORS</b>	Mohomed Bashir Zain Bashir Mohammed Zaki Bashir Ziad Bashir S.M. Nadim Shafiqullah Dr. Amjad Waheed Ehsan A. Malik	- Chairman - Vice Chairman/ Executive Director - Chief Executive Officer - Non-Executive Director - Independent Director - Independent Director - Independent Director
<b>CHIEF FINANCIAL OFFICER</b>	Mohammed Saleem Sattar	
<b>COMPANY SECRETARY</b>	Mohammed Salim Ghaffar	
<b>AUDIT COMMITTEE</b>	S.M. Nadim Shafiqullah Mohomed Bashir Dr. Amjad Waheed Mohammed Salim Ghaffar	- Chairman & Member - Member - Member - Secretary
<b>HUMAN RESOURCE AND REMUNERATION COMMITTEE</b>	Mohomed Bashir Zain Bashir S.M. Nadim Shafiqullah Mohammed Salim Ghaffar	- Chairman & Member - Member - Member - Secretary
<b>BANKERS</b>	Allied Bank Limited Bank Al Habib Limited Askari Bank Limited Al Baraka Bank (Pakistan) Limited Bank Alfalah Limited Bankislami Pakistan Limited Burj Bank Limited The Bank Of Punjab Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Meezan Bank Limited National Bank Of Pakistan NIB Bank Limited Samba Bank Limited Silkbank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Citibank Summit Bank United Bank Limited	
<b>AUDITORS</b>	Kreston Hyder Bhimji & Co. Chartered Accountants	
<b>INTERNAL AUDITORS</b>	Grant Thornton Anjum Rahman Chartered Accountants	
<b>LEGAL ADVISORS</b>	A.K. Brohi & Co Advocates	
<b>REGISTERED OFFICE</b>	Plot No.82, Main National Highway, Landhi, Karachi-75120	
<b>SHARE REGISTRAR</b>	FAMCO Associates (Private) Limited 8-F, next to Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-E-Faisal, Karachi. Phone No. (+92-021) 34380101-5 Fax No. (+92-021) 34380106	
<b>MILLS</b>	Landhi Industrial Area, Karachi-75120	
<b>E-MAIL</b>	finance@gulahmed.com	
<b>URL</b>	www.gulahmed.com	

## DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

The Directors of our Company are pleased to present the review of the affairs of the Company for the half yearly ended December 2016.

### **ECONOMIC AND INDUSTRIAL OVERVIEW**

Overall our economic position remained stable with significant increase in revenue. However, we have also faced an increase in raw materials costs, disallowing of sales tax input on packaging material, increase in gas tariff and minimum wage during the period under review, due to which Pakistan's textile exports suffered a decline of 5.96% over the corresponding period. Lower cotton production led to hike in cotton prices. Disallowing of sales tax input on packaging material which is one of the major cost for value added textile goods is indeed surprising for zero rated textile goods. These increases along with the continuing unfavorable PKR/USD parity has resulted in widening the competitiveness with other textile exporters in the region.

The textile package has been announced by the Government of Pakistan (GOP) for the export sector. The package envisages abolition of import duty on raw cotton, man-made fiber and textile machinery. Under the package, a new duty drawback mechanism has been laid down under which drawback will be granted on the entire export value for the second half of the ongoing fiscal year. The package is expected to partially offset the adverse impact of further increases in the cost of doing business in Pakistan. However, without the correction of the PKR/USD parity and other critical input costs, the benefit of the textile package will not be optimized.

An additional positive impact is that of China Pakistan Economic Corridor (CPEC). The CPEC, once implemented, has the potential of transforming Pakistan's economy from a low growth mode (34%) to a higher and sustainable growth economy with low inflation, removing of key infrastructural bottlenecks, promoting balanced regional growth and development. Despite the positive outlook of CPEC, we need to be aware of the potential negative long term impact it may have on Pakistan's economy. The likelihood of Chinese goods flooding our markets, this in turn will result in excessive price competition amongst Chinese and locally produced goods. We need to be vigilant and prepared for the expected future market competition. Under CPEC the country faces a higher risk of increase in the trade deficit with China and there is a need for new initiatives and investments in the manufacturing sector to increase domestic production.

### **FINANCIAL OVERVIEW**

Our management has been able to increase sales by affectively adopting the principle of lean management in every sphere of business of the Company, in order to control production, operational and financial costs, along with increasing its market share despite the highly challenging business environment.

The Company registered half yearly net sales of Rs 18,525 million against Rs 13,757 million in the corresponding year showing an increase of 35%. Gross profit of the Company is Rs 3,305 million in the current period as compared to Rs 3,198 million in the corresponding period which depicts slightly better operational performance. However, due to increase in the input costs discussed earlier profit before tax declined. Finance cost has also reduced due to efficient utilization of financial facilities.

The summary of the key numbers is presented below:

Description	Units	Jul-16 to Dec-16	Jul-15 to Dec-15
Export Sales	Rs. in millions	12,822	8,685
Local Sales	Rs. in millions	5,703	5,071
Total Sales	Rs. in millions	18,525	13,757
Gross Profit	Rs. in millions	3,305	3,198
Profit before tax (PBT)	Rs. in millions	194	448
EPS (Restated)	Rupees	0.22	1.42
Debt to equity	Time	0.42	0.45
Current ratio	Time	1.0	1.1
Break-up-value per share	Rupees	29.24	31.72

Company is focused on achieving efficiency in manufacturing leading towards effective cost management. Other areas of focus is the induction of efficient machinery with intelligent technology enabling the Company to attain its goal of maximum efficiency with minimum costs. Efforts are continuing to increase the local retail footprint in Pakistan. In the past six months we have opened several retail stores and fabric shops. These new outlets will allow us to reach out to the untapped customers and expand our brand loyalty within Pakistan.

#### **FUTURE OUTLOOK**

Despite a challenging operating environment and increasing competitive intensity, we remain optimistic about the future outlook of the business. The Company will continue to drive the agenda of meeting consumer needs through relevant innovations and stronger brand equity. The performance of the textile sector is heavily dependent on the cotton crop as well as the cost of inputs including energy, wages and salaries and various government taxes, etc. In order to counteract those increased forecasted costs, the Company has invested heavily in value additions and hopes these efforts will yield long term positive results. The Company is striving to achieve cost rationalization targets and hopeful that gross profit margins will improve. We also look forward that the Government will restore sales input adjustment facility for textile exports.

We are confident that the performance in terms of profitability will be better in the remaining two quarters of the current FY2016-2017 mainly on account of growth in exports and local sales, resulting from penetrating new areas and products, along with measures taken for improving the margins through rationalization and process improvements.

#### **ACKNOWLEDGEMENT**

Directors acknowledge and appreciate the efforts and support of all our stakeholders.

For and on behalf of the Board

Karachi  
February 28, 2017

Mohammed Zaki Bashir  
Chief Executive Officer

**AUDITORS' REPORT TO THE MEMBERS**  
**ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim unconsolidated balance sheet of **GUL AHMED TEXTILE MILLS LIMITED** ("the Company") as of December 31, 2016, and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement and condensed interim unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

The figures for the quarters ended December 31, 2016 and December 31, 2015 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed, as we are required to review only cumulative figures for the half year ended December 31, 2016.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

**KRESTON HYDER BHIMJI & CO.**  
CHARTERED ACCOUNTANTS  
Engagement Partner: Shaikh Mohammad Tanvir

Karachi : 28 FEB 2017



**Condensed Interim Un-consolidated  
Balance Sheet  
As at December 31, 2016**

	Note	Un-Audited December 2016	Audited June 2016
Rupees in '000			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 400,000,000 ordinary shares of Rs.10 each		<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid-up capital 297,079,604 ordinary shares of Rs. 10 each		<u>2,970,796</u>	2,970,796
Reserves		<u>5,732,701</u>	5,747,443
		<u>8,703,497</u>	8,718,239
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - Secured	6	6,321,814	4,630,604
Defered liabilities			
Deferred taxation - net		<u>291,969</u>	309,308
Staff retirement benefits		<u>7,678</u>	35,749
		<u>299,647</u>	345,057
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<u>5,622,650</u>	5,007,102
Accrued mark-up/profit		131,557	114,368
Short term borrowings		13,475,104	12,866,493
Current maturity of long term financing	6	<u>780,930</u>	487,400
		<u>20,010,241</u>	18,475,363
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	<u>35,335,199</u>	<u>32,169,263</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<u>14,793,509</u>	12,050,465
Intangible assets	9	12,353	13,474
Long term investment		58,450	58,450
Long term loans and advances		44,898	21,820
Long term deposits		<u>186,649</u>	155,518
		<u>15,095,859</u>	12,299,727
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		<u>1,037,023</u>	903,447
Stock-in-trade		<u>14,411,390</u>	13,854,292
Trade debts		<u>2,309,961</u>	2,364,302
Loans and advances		<u>552,477</u>	715,875
Short term prepayments		<u>279,098</u>	218,928
Other receivables		<u>465,734</u>	475,709
Tax refunds due from Government		<u>671,457</u>	911,957
Income tax refundable-payments less provision		<u>316,473</u>	117,249
Cash and bank balances		<u>195,727</u>	307,777
		<u>20,239,340</u>	19,869,536
		<u>35,335,199</u>	<u>32,169,263</u>

The annexed notes form an integral part of this condensed interim un-consolidated financial information.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

**Condensed Interim Un-Consolidated  
Profit And Loss Account  
For the Half Year ended December 31, 2016**

Note	Un-Audited			
	Half Year Ended		Quarter Ended	
	July to December 2016	July to December 2015	October to December 2016	October to December 2015
	-----Rupees in '000-----			
Sales	<b>18,525,104</b>	13,756,912	<b>10,333,834</b>	7,815,479
Cost of sales				
Opening stock of finished goods	<b>11,285,914</b>	8,970,687	<b>12,601,697</b>	9,582,009
Cost of goods manufactured	<b>15,806,177</b>	12,162,416	<b>7,750,641</b>	6,861,772
Closing stock of finished goods	<b>(11,871,883)</b>	(10,574,636)	<b>(11,871,883)</b>	(10,574,636)
	<b>15,220,208</b>	10,558,467	<b>8,480,455</b>	5,869,145
Gross profit	<b>3,304,896</b>	3,198,445	<b>1,853,379</b>	1,946,334
Distribution cost	<b>1,660,566</b>	1,402,794	<b>867,351</b>	756,034
Administrative expenses	<b>1,111,668</b>	851,087	<b>593,669</b>	432,336
Other operating expenses	<b>15,032</b>	64,845	<b>15,032</b>	38,830
	<b>2,787,266</b>	2,318,726	<b>1,476,052</b>	1,227,200
	<b>517,630</b>	879,719	<b>377,327</b>	719,134
Other income	<b>100,522</b>	47,398	<b>44,622</b>	(16,807)
Operating profit	<b>618,152</b>	927,117	<b>421,949</b>	702,327
Finance cost	<b>424,645</b>	478,641	<b>191,989</b>	200,884
Profit before taxation	<b>193,507</b>	448,476	<b>229,960</b>	501,443
Taxation				
- Current	<b>127,864</b>	86,293	<b>68,070</b>	48,253
- Deferred	<b>(17,339)</b>	(60,418)	<b>(17,339)</b>	(60,418)
	<b>110,525</b>	25,875	<b>50,731</b>	(12,165)
Profit after taxation	<b>82,982</b>	422,601	<b>179,229</b>	513,608
Earning per share - basic and diluted (Rs.)	<b>0.28</b>	Re-stated 1.61	<b>0.60</b>	Re-stated 1.95

The annexed notes form an integral part of this condensed interim un-consolidated financial information.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

**Condensed Interim Un-Consolidated  
Statement of Comprehensive Income  
For the Half Year ended December 31, 2016**

Note	Un-Audited			
	Half Year Ended		Quarter Ended	
	July to	July to	October to	October to
	December	December	December	December
	2016	2015	2016	2015
-----Rupees in '000-----				
Profit after taxation	<b>82,982</b>	422,601	<b>179,229</b>	513,608
Other comprehensive income	-	-	-	-
Total comprehensive income	<b>82,982</b>	422,601	<b>179,229</b>	513,608

The annexed notes form an integral part of this condensed interim un-consolidated financial information.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

**Condensed Interim Un-Consolidated  
Cash Flow Statement  
For the Half Year ended December 31, 2016**

Note	Un-Audited	
	Half Year Ended	
	July to December 2016	July to December 2015
	-----Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	193,507	448,476
Adjustments for:		
Depreciation	648,422	508,998
Amortisation	2,666	2,524
Provision for staff retirement benefits - gratuity	14,196	19,078
Finance cost	424,645	478,641
Provision for slow moving/obsolete stores, spares and loose tools	7,322	5,322
Impairment allowance against doubtful trade debts	19,153	8,842
Loss on disposal of property, plant and equipment	691	31,606
Unclaimed liabilities written back	937	-
Gain on disposal of property, plant and equipment	(11,394)	(4,859)
	<b>1,106,638</b>	<b>1,050,152</b>
Cash flows from operating activities before adjustments of working capital	<b>1,300,145</b>	<b>1,498,628</b>
Changes in working capital:		
(Increase)/Decrease in current assets		
Stores, spare parts and loose tools	(140,898)	(121,032)
Stock-in-trade	(557,098)	(1,264,703)
Trade debts	35,188	(286,057)
Loans and advances	163,398	(506,656)
Short term prepayments	(60,170)	(17,130)
Other receivables	9,975	(23,050)
Tax refunds due from Government	340,410	421,596
	<b>(209,195)</b>	<b>(1,797,032)</b>
Increase / (Decrease) in current liabilities		
Trade and other payables	613,120	(650,536)
	<b>403,925</b>	<b>(2,447,568)</b>
	<b>1,704,070</b>	<b>(948,940)</b>
Adjustments for:		
Gratuity paid	(42,267)	(23,976)
Finance cost paid	(407,456)	(519,917)
Income tax paid	(426,998)	(330,133)
Net increase in long term loans and advances	(23,078)	(2,152)
Net increase in long term deposits	(31,131)	(12,094)
	<b>(930,930)</b>	<b>(888,272)</b>
Net cash generated from/(used in) operating activities	<b>773,140</b>	<b>(1,837,212)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(3,399,506)	(1,520,976)
Addition to intangible assets	(1,545)	(6,011)
Proceeds from sale of property, plant and equipment	18,743	29,113
Net cash used in investing activities	<b>(3,382,308)</b>	<b>(1,497,874)</b>
<b>Balance carried forward</b>	<b>(2,609,168)</b>	<b>(3,335,086)</b>

**Condensed Interim Un-Consolidated  
Cash Flow Statement  
For the Half Year ended December 31, 2016**

		<u>Un-Audited</u>	
		<u>Half Year Ended</u>	
	Note	July to December 2016	July to December 2015
		-----Rupees in '000-----	
<b>Balance brought forward</b>		<b>(2,609,168)</b>	<b>(3,335,086)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		<b>2,405,619</b>	1,722,298
Repayments of long term financing		<b>(420,879)</b>	(1,102,167)
Dividend paid		<b>(96,233)</b>	(338,405)
Net cash generated from financing activities		<b>1,888,507</b>	281,726
<b>Net decrease in cash and cash equivalents</b>		<b>(720,661)</b>	(3,053,360)
Cash and cash equivalents - at the beginning of the period		<b>(12,558,716)</b>	(8,720,873)
<b>Cash and cash equivalents - at the end of the period</b>	<b>10</b>	<b><u>(13,279,377)</u></b>	<b><u>(11,774,233)</u></b>

The annexed notes form an integral part of this condensed interim un-consolidated financial information.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

**Condensed Interim Un-Consolidated  
Statement of Changes in Equity  
For the Half Year ended December 31, 2016**

	Share Capital	Reserves			Subtotal Reserves	Total
		Capital reserve - Share Premium	Revenue Reserve			
			General Reserve	Unappropriated Profit		
----- Rupees '000 -----						
Balance as at June 30, 2015 (Audited)	2,285,228	-	4,230,000	654,244	4,884,244	7,169,472
<b>Transfer to general reserve</b>	-	-	250,000	(250,000)	-	-
<b>Transactions with owners</b>						
Final dividend for the year ended June 30, 2015	-	-	-	(342,785)	(342,785)	(342,785)
<b>Total Comprehensive income for the Half year ended December 2015 (un-audited)</b>						
Profit after taxation	-	-	-	422,601	422,601	422,601
Other comprehensive income	-	-	-	-	-	-
	-	-	-	422,601	422,601	422,601
<b>Balance as at 31 December, 2015 (Un-audited)</b>	<b>2,285,228</b>	<b>-</b>	<b>4,480,000</b>	<b>484,060</b>	<b>4,964,060</b>	<b>7,249,288</b>
<b>Transactions with owners</b>						
Interim dividend for the half year ended December 31, 2015	-	-	-	(228,523)	(228,523)	(228,523)
Issuance of right shares	685,568	514,176	-	-	514,176	1,199,744
Interim dividend for the nine months ended March 31, 2016	-	-	-	(228,523)	(228,523)	(228,523)
	685,568	514,176	-	(457,046)	57,130	742,698
<b>Total comprehensive income for the year ended June 30, 2016</b>						
Profit after taxation	-	-	-	718,829	718,829	718,829
Other comprehensive income	-	-	-	7,424	7,424	7,424
	-	-	-	726,253	726,253	726,253
<b>Balance as at June 30, 2016</b>	<b>2,970,796</b>	<b>514,176</b>	<b>4,480,000</b>	<b>753,267</b>	<b>5,747,443</b>	<b>8,718,239</b>
<b>Transfer to general reserve</b>	-	-	500,000	(500,000)	-	-
<b>Transactions with owners</b>						
Final dividend for the year ended June 30, 2016	-	-	-	(97,724)	(97,724)	(97,724)
<b>Total Comprehensive income for the Half Year ended December 2016 (un-audited)</b>						
Profit after taxation	-	-	-	82,982	82,982	82,982
Other comprehensive income	-	-	-	-	-	-
	-	-	-	82,982	82,982	82,982
<b>Balance as at 31 December, 2016 (Un-audited)</b>	<b>2,970,796</b>	<b>514,176</b>	<b>4,980,000</b>	<b>238,525</b>	<b>5,732,701</b>	<b>8,703,497</b>

The annexed notes form an integral part of this condensed interim un-consolidated financial information.

**Notes to the Condensed Interim Un-consolidated  
Financial Information (Un-audited)  
For the Half Year ended December 31, 2016**

**1 LEGAL STATUS AND ITS OPERATIONS**

Gul Ahmed Textile Mills Limited (The Company) was incorporated on April 01, 1953 in Pakistan as a private limited company, subsequently converted into public limited company on January 07, 1955 and is listed in Pakistan Stock Exchange Limited. The Company is a composite textile mill and is engaged in the manufacture and sale of textile

The Company's registered office is situated at Plot No. 82, Main National Highway, Landhi, Karachi.

The Company is a subsidiary of Gul Ahmed Holdings (Private) Limited.

**Details of Subsidiaries of the Company are as under:**

	<u>Date of Incorporation</u>	<u>% Holding</u>	<u>Country of Incorporation</u>
Gul Ahmed International Limited	November 27, 2002	100%	U.A.E
GTM (Europe) Limited - Indirect subsidiary	April 17, 2003	100%	U.K
GTM USA Corp.- Indirect Subsidiary	March 19, 2012	100%	U.S.A

**2 BASIS OF PREPERATION**

This condensed interim un-consolidated financial information of the Company for the half year ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

This condensed interim un-consolidated financial information comprise of the condensed interim un-consolidated balance sheet as at December 31, 2016 and the condensed interim un-consolidated profit and loss account, condensed interim un-consolidated statement of comprehensive income, condensed interim un-consolidated cash flow statement and condensed interim un-consolidated statement of changes in equity for the half year ended December 31, 2016.

This condensed interim un-consolidated financial information is un-audited. However, a limited scope review of this condensed interim financial information has been performed by the external auditors of the company in accordance with the requirements of clause (xix) of the Code of Corporate Governance. This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance 1984.

The comparatives balance sheet, presented in this condensed interim un-consolidated financial Information, as at June 30, 2016 has been extracted from the audited un-consolidated financial statements of the Company for the year ended June 30, 2016, whereas the comparative condensed interim un-consolidated profit and loss account, condensed interim un-consolidated statement of comprehensive income, condensed interim un-consolidated cash flow statement and condensed interim un-consolidated statement of changes in equity for the half year ended December 31, 2016 have been extracted from the condensed interim un-consolidated financial information of the Company for the half year ended December 31, 2015.

This condensed interim unconsolidated financial information do not include all the information required in annual financial statements prepared in accordance with approved accounting standards as applicable in Pakistan, and should be read in conjunction with the un-consolidated financial statements for the year ended June 30, 2016.

**3 ACCOUNTING POLICIES**

Same accounting policies and methods of computation are adopted for the preparation of these condensed interim un-consolidated financial information as those applied in the preparation of un-consolidated financial statements for the year ended June 30, 2016.

Certain new IFRSs and amendments to existing IFRSs, effective for periods beginning on or after July 1, 2016, do not have any impact on this condensed interim financial information, and are therefore not presented.

## ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim un-consolidated financial information requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2016.

The Company's financial risk objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended June 30, 2016.

### TRADE AND OTHER PAYABLES

Trade and other payables include provision in respect of;

- a) Increase in gas tariff rates notified vide SRO No. (I) / 2015 dated 31 August, 2015, as was disclosed in note no 9.1.2 of the financial statements for the year ended June 30, 2016. During the period under review the Oil and Gas Regulatory Authority (OGRA) has issued another notification dated 30-12-2016 and SSGC billed @ Rs.600 per MMBTU instead of Rs.488.23 per MMBTU. The Company along with others have filed petition in the Honorable Sindh High Court against the notification and the Honorable Court has granted interim relief and instructed SSGC to revise bills at previous rate against security for the differential amount. Accordingly, the Company has provided banker's verified cheques of Rs. 45.804 million as security to Nazir of High Court Sindh and also, as a matter of prudence, full provision of Rs. 166.700 (June 30, 2016: 98.689 million).
- b) The matter of charging of captive power tariff instead of Industry tariff rate to the Company, wherein there is no change in its status as disclosed in note 9.1.3 of the financial statements for the year ended June 30, 2016 except that the amount of provision has increased to Rs. 247.408 million (June 30, 2016: 139.585 million).
- c) In the matter of workers welfare fund as disclosed in note 9.4 of the financial statements for the year ended June 30, 2016 the Honorable Supreme Court has passed a judgment on 10th November 2016 declaring the insertion of amendments introduced in the Finance Acts 2006 and 2008 pertaining to Workers Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. Subsequent to the period end a review petition has been filed in the Honorable Supreme Court against the judgement. Therefore the Company as a matter of prudence has maintained the provisions made.

	<u>Un-Audited</u> <u>December</u> <u>2016</u>	<u>Audited</u> <u>June</u> <u>2016</u>
<b>LONG TERM FINANCING - SECURED</b>		
<b>Rupees in '000</b>		
Opening balance	5,118,004	3,121,740
Add: Obtained during the period / year	2,405,619	2,681,678
Less: Repaid during the period / year	<u>(420,879)</u>	<u>(685,414)</u>
	<u>7,102,744</u>	5,118,004
Less: Current portion shown under current liabilities	<u>(780,930)</u>	<u>(487,400)</u>
	<u><u>6,321,814</u></u>	<u><u>4,630,604</u></u>

### CONTINGENCIES AND COMMITMENTS

#### Contingencies

The status of contingencies, as reported in the annual financial statements for the year ended June 30, 2016 remained unchanged during the current period except following;

- In the matter of Gas Infrastructure Development Cess (GIDC), as disclosed in note 12.7 of the financial statements for the year ended June 30, 2016, the Honorable High Court of Sindh vide its judgment dated 26 October 2016 have held GIDC Act 2015 ultra vires the Constitution. However the management on prudent basis has recognized the provision of Rs. 869.027 million (June 30, 2016: Rs.584.934 million) under GIDC Act 2015.

**Guarantees**

As of the balance sheet date;

- (a) Rs. 737 million (June 2016: Rs. 706 million) against guarantees issued by banks which are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. These guarantees includes guarantees issued by related party amounting to Rs. 668 million (June 2016: Rs. 638 million).
- (b) Post dated cheques Rs. 1,194 million (June-2016: Rs. 1,000 million) are issued to Custom Authorities in respect of duties on imported items availed on the basis of consumption and export plans.
- (c) Bills discounted Rs. 3,237 million (June-2016: Rs. 2,267 million).
- (d) Corporate guarantee of Rs. 87.357 million (June-2016: Rs. 93.365 million) has been issued to a bank in favor of indirect subsidiary company - GTM (Europe) Limited - UK.

**Commitments**

- (a) Company is committed for certain expenditures which are stated as follows:

	<u>Un-Audited</u> December 2016	<u>Audited</u> June 2016
	Rupees in '000	
- Capital expenditure	436,380	2,103,004
- Non capital expenditure items under letters of credits	2,279,939	818,639
	<u>2,716,319</u>	<u>2,921,643</u>

- (b) The Company is committed to minimum rental payments for each of the following period as follows:

Not more than one year	428,490	497,517
More than one year but not more than five years	1,607,190	1,670,611
More than five years	935,440	994,367
	<u>2,971,120</u>	<u>3,162,495</u>

**PROPERTY, PLANT AND EQUIPMENT**

		<u>Un-Audited</u> December 2016	<u>Audited</u> June 2016
		Rupees in '000	
Operating assets - net book value	8.1&8.2	11,152,528	10,505,376
Capital work in progress - at cost	8.4	3,640,981	1,545,089
		<u>14,793,509</u>	<u>12,050,465</u>

	<u>Un-Audited</u> For the Half Year December 2016	<u>For the Half Year</u> December 2015
	Rupees in '000	

**8.1 Additions during the period**

Buildings and structures on leasehold land	519,850	238,076
Plant and machinery	582,436	631,006
Furniture and fixtures	1,730	656
Office equipment	78,135	49,454
Vehicles	121,463	119,681
	<u>1,303,614</u>	<u>1,038,873</u>

- 8.1.1** Additions to building and structure on leasehold land, plant and machinery and others include transfers from capital work-in-progress amounting to Rs. 506 million, Rs. 520 million and Rs. 4.5 million (December-2015: Rs. 191.732 million, Rs. 564.262 million and Rs. 13.854).

		<b>Un-Audited</b>	
		<b>For the Half Year December 2016</b>	<b>For the Half Year December 2015</b>
		<b>Rupees in '000</b>	
<b>8.2 Disposals - operating fixed assets (at net book value)</b>			
Plant and machinery		974	52,186
Furniture and fixtures		-	1
Office equipment		-	332
Vehicles		<u>7,066</u>	<u>3,341</u>
		<u><b>8,040</b></u>	<u><b>55,860</b></u>
<b>8.3 Depreciation charge during the period</b>		<u><b>648,422</b></u>	<u><b>508,998</b></u>
<b>8.4 Additions - capital work in progress (at cost)</b>			
Machinery		2,470,228	887,572
Building		651,383	353,100
Others		<u>4,421</u>	<u>11,279</u>
		<u><b>3,126,032</b></u>	<u><b>1,251,951</b></u>
<b>9 INTANGIBLE ASSETS</b>	<b>Note</b>	<b>Un-Audited</b>	
		<b>December 2016</b>	<b>June 2016</b>
Intangible - net book value	9.1&9.2	<u><b>12,353</b></u>	<u><b>13,474</b></u>
		<b>Un-Audited</b>	
		<b>For the Half Year December 2016</b>	<b>For the Half Year December 2015</b>
		<b>Rupees in '000</b>	
<b>9.1 Additions - intangibles (at cost)</b>			
Computer Software		<u><b>1,545</b></u>	<u><b>6,011</b></u>
<b>9.2 Amortization charge during the period</b>		<u><b>2,666</b></u>	<u><b>2,524</b></u>
<b>10 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents comprises of:			
Cash and bank balances		195,727	120,185
Short term borrowings		<u>(13,475,104)</u>	<u>(11,894,418)</u>
		<u><b>(13,279,377)</b></u>	<u><b>(11,774,233)</b></u>
<b>11 TAXATION</b>			
Provision for current taxation has been made on the basis of final taxation in respect of exports and minimum / turnover tax net of available tax credits under the Income Tax Ordinance, 2001.			

## 12 SEGMENT INFORMATION

The Company's Operations have been divided in three segments based on the nature of process and internal reporting. Following are the three reportable business segments:

- a) **Spinning :** Production of different qualities of yarn using both natural and artificial fibers.
- b) **Weaving:** Weaving is a method of fabric production in which two distinct sets of yarns or threads are interlaced at right angles to form a fabric.
- c) **Processing, Home Textile and Apparel** Processing of greige fabrics into various types of finished fabrics for sale as well as to manufacture and sale of madeups and home textile products.

Transactions among the business segments are recorded at cost.

### 12.1 Segment Profitability

	Spinning		Weaving		Processing, Home Textile and Apparel		Elimination Of Inter Segment Transactions		Total	
	Dec - 2016	Dec - 2015	Dec - 2016	Dec - 2015	Dec - 2016	Dec - 2015	Dec - 2016	Dec - 2015	Dec - 2016	Dec - 2015
-----Rs. in 000s-----										
Sales	3,233,103	3,197,762	7,210,035	6,256,891	17,857,188	12,904,088	(9,775,222)	(8,601,829)	18,525,104	13,756,912
Cost of sales	3,151,638	3,040,964	7,093,897	6,080,947	14,749,895	10,038,385	(9,775,222)	(8,601,829)	15,220,208	10,558,467
Gross profit	81,465	156,798	116,138	175,944	3,107,293	2,865,703	-	-	3,304,896	3,198,445
Distribution cost and Administrative expenses	104,537	101,375	17,595	27,697	2,650,102	2,124,809	-	-	2,772,234	2,253,881
Profit/(Loss) before tax and before charging following	(23,072)	55,423	98,543	148,247	457,191	740,894	-	-	532,662	944,564
Finance Cost									424,645	478,641
Other operating expenses									15,032	64,845
Other income									(100,522)	(47,398)
									339,155	496,088
Profit before taxation									193,507	448,476
Taxation									110,525	25,875
Profit after taxation									82,982	422,601

### 12.2 Segment assets and liabilities

	Spinning		Weaving		Processing, Home Textile and Apparel		Unallocated		Total	
	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited
	Dec - 2016	June - 2016	Dec - 2016	June - 2016	Dec - 2016	June - 2016	Dec - 2016	June - 2016	Dec - 2016	June - 2016
-----Rs. in 000s-----										
<b>Assets</b>	6,643,167	6,217,673	2,458,690	1,323,364	24,522,238	23,997,451	1,711,104	630,775	35,335,199	32,169,263
<b>Liabilities</b>	2,681,853	2,314,802	914,524	694,563	6,408,230	6,775,396	16,627,095	13,666,263	26,631,702	23,451,024

12.3 Unallocated items represent those assets and liabilities which are common to all segments and these include investment in subsidiary, long term deposits, other receivables, deferred liabilities, certain common borrowing and other corporate assets and liabilities

12.4 Based on judgement made by management, Processing, Home Textile and Apparel segments have been aggregated into single operating segment as the segments have similar economic characteristics in respect of nature of the products, nature of production process, type of customers, method of distribution and nature of regularity environment.

### 12.5 Information about major customer

Revenue from major customer whose revenue exceeds 10% of gross sales is Rs.4,795 million (Dec-2015: Rs. 3,500 million).

## 12.6 Information by geographical area

	Revenue		Non-current assets	
	For the Half year ended		Un-Audited	Audited
	December 31, 2016 (Un-			
	Dec-16	Dec-15	Dec-16	Jun-16
	-----Rupees in '000-----			
Pakistan	5,734,736	5,423,128	15,037,409	12,241,277
Germany	2,540,350	2,229,757	-	-
United States	1,607,584	1,266,984	-	-
United Kingdom	1,240,854	956,559	-	-
France	640,148	699,708	-	-
Netherlands	1,857,019	625,081	-	-
Spain	957,298	539,209	-	-
Italy	1,216,932	431,542	-	-
Sweden	582,444	379,920	-	-
China	387,469	272,184	-	-
United Arab Emirates	199,869	55,705	58,450	58,450
Other Countries	1,560,401	877,135	-	-
	<b>18,525,104</b>	<b>13,756,912</b>	<b>15,095,859</b>	<b>12,299,727</b>

## 13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, directors of the company and key management personnel. The Company in the normal course of business carried out transaction with various related parties.

Relationship with the Company	Nature of transactions	Un-Audited	
		Dec-16	Dec-15
		Rupees in '000	
Subsidiaries	Sale of goods	1,115,834	368,544
	Commission paid	68,317	79,536
Associated Companies and other related parties	Purchase of goods	4,668	26,059
	Sale of goods	3,476	911
	Rent paid	33,872	8,100
	Fees paid	-	1,500
	Commission / Rebate	-	847
	Bills discounted	3,734,345	1,749,203
	Commission / Bank charges paid	23,440	14,499
	Mark up / Interest charged	8,493	39,372
	Provident fund contribution	67,710	50,751
	Dividend paid	7,965	10,452
Relationship with the Company	Nature of outstanding balances	Un-Audited	Audited
		Dec-16	Jun-16
		Rupees in '000	
Subsidiaries and indirect subsidiaries	Trade and other payables	31,391	35,933
	Long term investment	58,450	58,450
	Trade debts	672,488	460,432
	Advances to suppliers	7,737	2,856
	Corporate guarantee issued in favour of subsidiary company	87,357	93,365
Associated companies and others related parties	Borrowings from Banks	551,031	622,639
	Trade and other payables - Creditors	5,616	10,746
	Payable to employee's provident fund	-	14,270
	Receivable from employee's provident fund	7,344	-
	Bank guarantee	668,635	637,583
	Accrued mark-up	3,540	2,528
	Loans to key management personnel & executive	63,079	35,618
	Trade debts	2,454	2,587
	Advances to suppliers	2,209	65,153
	Deposit with banks	11,732	35,197
Prepaid rent	1,501	-	

There are no transactions with directors of the Company and key management personnel other than those under the terms of employment for the period ended December, 2016 amounting to Rs.731 million (December-2015: Rs. 495 million) on account of remuneration.

#### **14 FAIR VALUES**

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).

Financial assets and liabilities of the Company are either short term in nature or are repriced periodically therefore; their carrying amounts approximate their fair values.

#### **15 DATE OF AUTHORISATION**

These financial statements were authorised for issue on February 28, 2017 by the Board of Directors of the Company.

#### **16 GENERAL**

- 16.1** Allocations for the workers' profit participation fund, workers' welfare fund and taxation are provisional and final liability including liability for deferred taxation will be determined on the basis of annual results.
- 16.2** Figures have been rounded off to the nearest thousand rupees.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer



# ***Consolidated Accounts***

***Consolidated Condensed Interim Financial Information  
For The Half Year Ended December 31, 2016***

**Condensed Interim Consolidated  
Balance Sheet  
As at December 31, 2016**

	Un-Audited December 2016	Audited June 2016
Note	-----Rs in '000-----	
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorised share capital 400,000,000 ordinary shares of Rs.10 each	<u>4,000,000</u>	<u>4,000,000</u>
Share Capital 297,079,604 ordinary shares of Rs. 10 each	<u>2,970,796</u>	<u>2,970,796</u>
Reserves	<u>6,005,571</u> 8,976,367	<u>6,010,215</u> 8,981,011
<b>NON-CURRENT LIABILITIES</b>		
Long term financing - Secured Deferred liabilities	6 6,321,814	4,630,604
Deferred taxation - net Staff retirement benefits	<u>308,257</u> <u>13,908</u> 322,165	<u>323,908</u> <u>41,346</u> 365,254
<b>CURRENT LIABILITIES</b>		
Trade and other payables Accrued mark-up/profit Short term borrowings Current maturity of long term financing	6 <u>5,825,698</u> <u>131,557</u> <u>13,475,104</u> <u>780,930</u> 20,213,289	<u>5,377,637</u> 114,368 12,866,493 487,400 18,845,898
<b>CONTINGENCIES AND COMMITMENTS</b>		
	7 <u>35,833,635</u>	<u>32,822,767</u>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	8 <u>14,810,679</u>	<u>12,069,608</u>
Intangible assets	9 <u>18,888</u>	<u>20,492</u>
Long term loans and advances	<u>44,898</u>	<u>21,820</u>
Long term deposits	<u>186,649</u>	<u>158,136</u>
Deferred taxation	<u>-</u>	<u>996</u>
	<u>15,061,114</u>	<u>12,271,052</u>
<b>CURRENT ASSETS</b>		
Stores, spare parts and loose tools	<u>1,037,023</u>	<u>903,447</u>
Stock-in-trade	<u>14,671,099</u>	<u>14,057,202</u>
Trade debts	<u>2,505,392</u>	<u>2,786,782</u>
Loans and advances	<u>547,969</u>	<u>729,911</u>
Short term prepayments	<u>297,276</u>	<u>227,788</u>
Other receivables	<u>465,734</u>	<u>475,709</u>
Tax refunds due from Government	<u>671,457</u>	<u>913,960</u>
Taxation - net	<u>313,934</u>	<u>117,249</u>
Cash and bank balances	<u>262,637</u>	<u>339,666</u>
	<u>20,772,521</u>	<u>20,551,715</u>
	<u>35,833,635</u>	<u>32,822,767</u>

The annexed notes form an integral part of these condensed interim consolidated financial information.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

**Condensed Interim Consolidated  
Profit And Loss Account  
For the half year ended December 31, 2016**

Note	Un-Audited			
	Half year ended		Quarter ended	
	July December 2016	July December 2015	October December 2016	October December 2015
	-----Rs. In '000-----			
Sales	18,902,129	14,217,036	10,499,052	8,052,079
Cost of sales				
Opening stock of finished goods	11,488,824	9,148,067	12,819,873	9,765,812
Cost of goods manufactured	16,094,458	12,448,714	7,887,549	7,002,580
Closing stock of finished goods	(12,129,069)	(10,760,115)	(12,129,069)	(10,760,115)
	15,454,213	10,836,666	8,578,353	6,008,277
Gross profit	3,447,916	3,380,370	1,920,699	2,043,802
Distribution cost	1,661,717	1,411,702	868,017	758,545
Administrative expenses	1,237,024	976,570	653,649	497,440
Other operating expenses	15,032	64,845	15,032	38,830
	2,913,773	2,453,117	1,536,698	1,294,815
	534,143	927,253	384,001	748,987
Other income	100,522	47,398	44,622	(16,807)
Operating profit	634,665	974,651	428,623	732,180
Finance cost	425,292	487,843	192,122	209,117
Profit before taxation	209,373	486,808	236,501	523,063
Taxation				
-Current	131,432	86,748	71,638	48,258
-Deferred	(17,339)	(60,418)	(17,339)	(60,418)
	114,093	26,330	54,299	(12,160)
Profit after taxation	95,280	460,478	182,202	535,223
Earning per share - basic and diluted (Rs.)	0.32	Re-stated 1.75	0.61	Re-stated 2.03

The annexed notes form an integral part of these condensed interim consolidated financial information.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

**Condensed Interim Consolidated  
Statement of Comprehensive Income  
For the half year ended December 31, 2016**

	Un-Audited			
	Half year ended		Quarter ended	
	July December 2016	July December 2015	October December 2016	October December 2015
	-----Rs. In '000-----			
<b>Profit after taxation</b>	<b>95,280</b>	460,478	<b>182,202</b>	535,223
<b>Other comprehensive income for the period</b>				
Foreign currency translation differences - Foreign operations	<b>(2,201)</b>	11,309	<b>(1,799)</b>	371
<b>Total comprehensive income</b>	<b>93,079</b>	471,787	<b>180,403</b>	535,594

The annexed notes form an integral part of these condensed interim consolidated financial information.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

**Condensed Interim Consolidated  
Cash Flow Statement  
For the half year ended December 31, 2016**

	Un-Audited	
	December 2016	December 2015
	Rs. In '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	209,373	486,808
Adjustments for:		
Depreciation	650,511	510,999
Amortisation	3,589	3,183
Provision for gratuity	14,829	19,601
Finance cost	425,292	487,843
Provision for slow moving/obsolete stores, spares and loose tools	7,322	5,322
Impairment allowance against doubtful trade debts	19,153	8,842
Unclaimed Liabilities written back	937	-
Net gain/(loss) on disposal of property plant and equipment	(10,703)	26,747
	<u>1,110,930</u>	<u>1,062,537</u>
Cash flows from operating activities before adjustments of working capital	1,320,303	1,549,345
Changes in working capital:		
(Increase)/Decrease in current assets		
Stores, spare parts and loose tools	(140,898)	(121,032)
Stock-in-trade	(613,897)	(1,275,561)
Trade debts	262,237	(278,797)
Loans and advances	181,942	(516,999)
Short term prepayments	(69,488)	(20,908)
Other receivables	9,975	(14,244)
Tax refunds due from Government -net	359,752	420,135
	<u>(10,377)</u>	<u>(1,807,406)</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	443,771	(679,027)
	<u>433,394</u>	<u>(2,486,433)</u>
	1,753,697	(937,088)
Adjustments for:		
Gratuity paid	(42,267)	(23,976)
Finance cost paid	(408,103)	(529,119)
Income tax paid	(442,682)	(330,512)
Net increase in long term loans and advances	(23,078)	(2,152)
Net increase in long term deposits	(28,513)	(12,094)
	<u>(944,643)</u>	<u>(897,853)</u>
Net cash generated from/used in operating activities	809,054	(1,834,941)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(3,399,622)	(1,524,232)
Addition to intangible assets	(1,985)	(9,783)
Proceeds from sale of property, plant and equipment	18,743	29,113
Net cash used in investing activities	<u>(3,382,864)</u>	<u>(1,504,902)</u>
<b>Balance carried forward</b>	<u>(2,573,810)</u>	<u>(3,339,843)</u>

**Condensed Interim Consolidated  
Cash Flow Statement  
For the half year ended December 31, 2016**

	Un-Audited	
	December 2016	December 2015
	Rs. In '000	
<b>Balance brought forward</b>	<b>(2,573,810)</b>	<b>(3,339,843)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	<b>2,405,619</b>	1,722,298
Repayments of long term financing	<b>(420,879)</b>	(1,102,167)
Dividend paid	<b>(94,369)</b>	(338,405)
Net cash generated from financing activities	<b>1,890,371</b>	281,726
Exchange difference on translation of foreign activities	<b>(2,201)</b>	11,309
<b>Net decrease in cash and cash equivalents</b>	<b>(685,640)</b>	(3,046,808)
Cash and cash equivalents - at the beginning of the period	<b>(12,526,827)</b>	(8,702,222)
<b>Cash and cash equivalents - at the end of the period</b>	<b>10 (13,212,467)</b>	<b>(11,749,030)</b>

The annexed notes form an integral part of these condensed interim consolidated financial information.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer

**Condensed Interim Consolidated  
Statement of Changes in Equity  
For the half year ended December 31, 2016**

	Reserves						Subtotal Reserves	Total	
	Share capital	Capital reserve - Share Premium	General Reserve	Exchange difference on translation of foreign subsidiaries	Statutory reserve created by foreign subsidiary	Unappropriated profit			
	(Rs. 000s)								
<b>Balance as at June 30, 2015</b>	2,285,228	-	4,230,000	107,172	13,680	746,279	5,097,131	7,382,359	
<b>Transfer to</b>									
General reserve	-	-	250,000	-	-	(250,000)	-	-	
Statutory reserve	-	-	-	-	2,099	(2,099)	-	-	
	-	-	250,000	-	2,099	(252,099)	-	-	
<b>Transactions with owners</b>									
Final dividend for the year ended June 30, 2015	-	-	-	-	-	(342,785)	(342,785)	(342,785)	
<b>Total comprehensive income for the half year ended December-2015 (un-audited)</b>									
Profit after taxation	-	-	-	-	-	460,478	460,478	460,478	
Other comprehensive income	-	-	-	11,309	-	-	11,309	11,309	
	-	-	-	11,309	-	460,478	471,787	471,787	
<b>Balance as at December 31, 2015 (Un-audited)</b>	2,285,228	-	4,480,000	118,481	15,779	611,873	5,226,133	7,511,361	
<b>Transactions with owners</b>									
Interim dividend for the half year ended December 31, 2015	-	-	-	-	-	(228,523)	(228,523)	(228,523)	
Issuance of right shares	685,568	514,176	-	-	-	-	514,176	1,199,744	
Interim dividend for the nine months ended March 31, 2016	-	-	-	-	-	(228,523)	(228,523)	(228,523)	
	685,568	514,176	-	-	-	(457,046)	57,130	742,698	
<b>Total comprehensive income for the period January 01, 2016 to June 30, 2016</b>									
Profit after taxation	-	-	-	-	-	721,761	721,761	721,761	
Other comprehensive income	-	-	-	(2,233)	-	7,424	5,191	5,191	
	-	-	-	(2,233)	-	729,185	726,952	726,952	
<b>Balance as at June 30, 2016</b>	2,970,796	514,176	4,480,000	116,248	15,779	884,012	6,010,215	8,981,011	
<b>Transfer to general reserve</b>	-	-	500,000	-	-	(500,000)	-	-	
<b>Transactions with owners</b>									
Final dividend for the year ended June 30, 2016	-	-	-	-	-	(97,724)	(97,724)	(97,724)	
<b>Total comprehensive income for the first half year ended December-2016 (un-audited)</b>									
Profit after taxation	-	-	-	-	-	95,280	95,280	95,281	
Other comprehensive income	-	-	-	(2,201)	-	-	(2,201)	(2,201)	
	-	-	-	(2,201)	-	95,280	93,079	93,080	
<b>Balance as at December 31, 2016 (Un-audited)</b>	2,970,796	514,176	4,980,000	114,047	15,779	381,568	6,005,570	8,976,367	

The annexed notes 1 - 44 form an integral part of these consolidated financial statements.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive

**Notes to the Condensed Interim Consolidated  
Financial Information (Un-audited)  
For the half year ended December 31, 2016**

**1 LEGAL STATUS AND ITS OPERATIONS**

1.1 Gul Ahmed Group ("the Group") comprises the following:

- Gul Ahmed Textile Mills Limited
- Gul Ahmed International Limited (FZC) - UAE
- GTM (Europe) Limited - UK
- GTM USA Corp. - USA

Gul Ahmed Textile Mills Limited (The Holding Company) was incorporated on 1st April 1953 in Pakistan as a private limited company, converted into public limited company on 7th January 1955 and was listed on Karachi and Lahore Stock Exchanges in 1970 and 1971 respectively. The Holding Company is a composite textile mill and is engaged in the manufacture and sale

The Holding Company's registered office is situated at Plot No. 82, Main National Highway,

Gul Ahmed International Limited (FZC) -UAE is a wholly owned subsidiary of Gul Ahmed Textile Mills Limited, GTM (Europe) Limited is a wholly owned subsidiary of Gul Ahmed International Limited (FZC) - UAE and GTM USA Corp. is a wholly owned subsidiary of GTM

All three subsidiaries are engaged in trading of textile related products.

The Company is a subsidiary of Gul Ahmed Holdings (Private) Limited and owns 66.78%

**1.2 Basis of consolidation**

The financial information include the financial information of the Group.

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the Holding Company or power to govern the financial and operating policies over the subsidiary and is excluded from consolidation from the date of disposal or cessation

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies.

The assets and liabilities of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of investment held by the Company is eliminated against the subsidiary's share capital. All intra-group balances and transactions are eliminated.

**2 BASIS OF PREPARATION**

The condensed interim consolidated financial information comprise the consolidated balance sheet of Gul Ahmed Textile Mills Limited, its wholly owned subsidiary company Gul Ahmed International Limited (FZC), GTM (Europe) Limited which is the wholly owned subsidiary of Gul Ahmed International Limited (FZC) and GTM USA Corporation which is the wholly owned subsidiary of GTM (Europe) Limited, as at December 31, 2016 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof for the period then ended. The financial statements of the subsidiary companies have been consolidated on a line by line basis

These condensed interim consolidated financial information of the Group for the half year ended December 31, 2016 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

These condensed interim consolidated financial information comprise of the condensed interim consolidated balance sheet as at December 31, 2016 and the condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated cash flow statement and condensed interim consolidated statement of changes in equity for the half year ended December 31, 2016.

This condensed interim financial information is un-audited. However, a limited scope review of this condensed interim financial information has been performed by the external auditors of the company in accordance with the requirements of clause (xix) of the Code of Corporate Governance. This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance 1984.

The comparatives balance sheet, presented in these condensed interim consolidated financial information, as at June 30, 2016 has been extracted from the audited financial statements of the Group for the year ended June 30, 2016 whereas the comparative condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated cash flow statement and condensed interim consolidated statement of changes in equity for the half year ended December 31, 2016 have been extracted from the condensed interim consolidated financial information of the Group for the half year ended December 31, 2016.

These condensed interim consolidated financial information do not include all the information required in annual financial statements prepared in accordance with approved accounting standards as applicable in Pakistan, and should be read in conjunction with the consolidated financial statements for the year ended June 30, 2016.

### 3 ACCOUNTING POLICIES

Accounting policies and method of computations adopted for the preparation of these condensed interim consolidated financial information are the same as those applied in the preparation of the consolidated financial statements for the year ended June 30, 2016.

Certain new IFRSs and amendments to existing IFRSs, effective for periods beginning on or after July 1, 2016, do not have any impact on this condensed interim financial information, and

### 4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2016.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2016.

### 5 TRADE AND OTHER PAYABLES

Trade and other payables include provision in respect of;

- a) Increase in gas tariff rates notified vide SRO No. (I) / 2015 dated 31 August, 2015, as was disclosed in note no 9.1.2 of the financial statements for the year ended June 30, 2016. During the period under review the Oil and Gas Regulatory Authority (OGRA) has issued another notification dated 30-12-2016 and SSGC billed @ Rs.600 per MMBTU instead of Rs.488.23 per MMBTU. The Company along with others have filed petition in the Honorable Sindh High Court against the notification and the Honorable Court has granted interim relief and instructed SSGC to revise bills at previous rate against security for the differential amount. Accordingly, the Company has provided banker's verified cheques of Rs. 45.804 million as security to Nazir of High Court Sindh and also, as a matter of prudence, full provision of Rs. 166.700 (June 30, 2016: 98.689 million).
- b) The matter of charging of captive power tariff instead of Industry tariff rate to the Company, wherein there is no change in its status as disclosed in note 9.1.3 of the financial statements for the year ended June 30, 2016 except that the amount of provision has increased to Rs. 247.408 million (June 30, 2016: 139.585 million).
- c) In the matter of workers welfare fund as disclosed in note 9.4 of the financial statements for the year ended June 30, 2016 the Honorable Supreme Court has passed a judgment on 10th November 2016 declaring the insertion of amendments introduced in the Finance Acts 2006 and 2008 pertaining to Workers Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. Subsequent to the period end a review petition has been filed in the Honorable Supreme Court against the judgement. Therefore the Company as a matter of prudence has maintained the provisions made.

	Un-Audited December 2016	Audited June 2016
<b>6 Long term financing - Secured</b>	<b>Rupees in '000</b>	
Opening balance	5,118,004	3,121,740
Add: Obtained during the period / year	2,405,619	2,681,678
Less: Repaid during the period / year	<u>(420,879)</u>	<u>(685,414)</u>
	7,102,744	5,118,004
Less: Current portion shown under current liabilities	<u>(780,930)</u>	<u>(487,400)</u>
	<u><b>6,321,814</b></u>	<u><b>4,630,604</b></u>

## 7 CONTINGENCIES AND COMMITMENTS

### Contingencies

The status of contingencies, as reported in the annual financial statements for the year ended June 30, 2016, except as stated below, remained unchanged during the current period.

- In the matter of Gas Infrastructure Development Cess (GIDC), as disclosed in note 12.7 of the financial statements for the year ended June 30, 2016, the Honorable High Court of Sindh vide its judgment dated 26 October 2016 have held GIDC Act 2015 ultra vires the Constitution. However the management on prudent basis has recognized the provision of Rs. 869.027 million (June 30, 2016: Rs.584.934 million) under GIDC Act 2015.

### Gurantees

As of the balance sheet date;

- (a) Rs. 737 million (June 2016: Rs. 706 million) against guarantees issued by banks which are secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. These guarantees includes guarantees issued by related party amounting to Rs. 668 million (June 2016: Rs. 638 million).
- (b) Post dated cheques Rs. 1,194 million (2016 : Rs. 1,000 million) are issued to Custom Authorities in respect of duties on imported items availed on the basis of consumption and export plans.
- (c) Bills discounted Rs. 3,237 million (June-2016: Rs. 2,267 million).
- (d) Corporate guarantee of Rs. 87.357 million (2016: Rs. 93.365 million) has been issued to a bank by the Holding Company in favor of an indirect subsidiary Company - GTM (Europe) Limited - UK. .

### Commitments

- (a) Group is committed for certain expenditures which are stated as follows:

	Un-Audited December 2016	Audited June 2016
	<b>Rs. In '000</b>	
- Capital expenditure	436,380	2,103,004
- Non capital expenditure items under letters of credits	<u>2,279,939</u>	<u>818,639</u>
	<u><b>2,716,319</b></u>	<u><b>2,921,643</b></u>

- (b) The Group is committed for minimum rental payments for each of following period as follows:

Not more than one year	428,490	497,517
More than one year but not more than five years	1,607,190	1,670,611
More than five years	<u>935,440</u>	<u>994,367</u>
	<u><b>2,971,120</b></u>	<u><b>3,162,495</b></u>

## 8 PROPERTY, PLANT AND EQUIPMENT

Operating assets - net book value	8.1 & 8.2	11,169,698	10,524,519
Capital work in progress - at cost	8.4	<u>3,640,981</u>	<u>1,545,089</u>
		<u><b>14,810,679</b></u>	<u><b>12,069,608</b></u>

	<b>Un-Audited</b>	
	for the half year December 2016	for the half year December 2015
	Rs. In '000	
<b>8.1 Additions during the period</b>		
Buildings and structures on leasehold land	519,850	238,076
Plant and machinery	582,436	631,006
Furniture and fixtures	1,730	2,202
Office equipment	78,135	50,030
Vehicles	121,579	120,814
	<b>1,303,730</b>	<b>1,042,128</b>

8.1.1 Additions to building and structure on leasehold land, plant and machinery and others include transfers from capital work-in-progress amounting to Rs. 506 million, Rs. 520 million and Rs. 4.5 million (2015: Rs. 192 million, Rs.564 million and Rs. 14 million).

	<b>Un-Audited</b>	
	for the half year December 2016	for the half year December 2015
	Rs. In '000	
<b>8.2 Disposals - operating fixed assets (at net book value)</b>		
Plant and machinery	974	52,186
Furniture and fixtures	-	1
Office equipment	-	332
Vehicles	7,066	3,341
	<b>8,040</b>	<b>55,860</b>
<b>8.3 Depreciation charge during the period</b>	<b>650,511</b>	<b>510,999</b>

**8.4 Additions - capital work in progress (at cost)**

Machinery	2,470,228	887,572
Building	651,383	353,100
Others	4,421	11,279
	<b>3,126,032</b>	<b>1,251,951</b>

Note	<b>Un-Audited</b>	Audited
	for the half year December 2016	June 2016
	Rs. In '000	
	<b>18,888</b>	<b>20,492</b>

**9 INTANGIBLE ASSETS**

Intangible - net book value	9.1 & 9.2	<b>18,888</b>	<b>20,492</b>
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	<b>Un-Audited</b>	
	for the half year December 2016	for the half year December 2015
	Rs. In '000	
<b>9.1 Additions - intangibles (at cost)</b>		
Computer Software	1,985	9,783
<b>9.2 Amortisation charge during the period</b>	<b>3,589</b>	<b>3,183</b>

	<b>Un-Audited</b>	
	December 2016	December 2015
	Rs. In '000	
<b>10 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents comprises of:		
Cash and bank balances	262,637	145,388
Short term borrowings	(13,475,104)	(11,894,418)
	<b>(13,212,467)</b>	<b>(11,749,030)</b>

**11 TAXATION**

Provision for current taxation has been made on the basis of final taxation in respect of exports and minimum / turnover tax net of available tax credits under the Income Tax Ordinance, 2001.

**12 SEGMENT INFORMATION**

The Group's Operations have been divided in three segments based on the nature of process and internal reporting. Following are the three reportable

- a) **Spinning :** Production of different qualities of yarn using both natural and artificial fibers.  
 b) **Weaving:** Weaving is a method of fabric production in which two distinct sets of yarns or threads are interlaced at right angles to form a fabric.  
 c) **Processing, Home Textile and Apparel** Production of greig fabric, its processing into various types of fabrics for sale as well as manufacture and sale of made-ups and home textile products. These subsidiaries are also in the textile business reselling products to the ultimate customers, imported from Parent Group.

Transactions among the business segments are recorded at cost.

**12.1 Segment profitability**

	Spinning		Weaving		Processing, Home Textile and Apparel		Gul Ahmed International Limited (FZC)-UAE		GTM (Europe) Limited - UK		GTM USA Corp.		Elimination Of Inter Segment Transactions		Total	
	Dec-2016	Dec-2015	Dec-2016	Dec-2015	Dec-2016	Dec-2015	Dec-2016	Dec-2015	Dec-2016	Dec-2015	Dec-2016	Dec-2015	Dec-2016	Dec-2015	Dec-2016	Dec-2015
Rs. in 000s																
Sales	3,233,103	3,197,762	7,210,035	6,256,891	17,857,188	12,904,088	364,341	413,166	931,274	189,579	197,246	225,994	(10,891,058)	(8,970,444)	18,902,129	14,217,036
Cost of sales	3,151,638	3,040,964	7,093,897	6,080,947	14,749,896	10,038,385	303,551	322,840	879,339	143,203	158,041	176,944	(10,882,149)	(8,966,616)	15,454,213	10,836,666
Gross profit	81,465	156,798	116,138	175,944	3,107,292	2,865,703	60,790	90,326	51,935	46,376	39,205	49,050	(8,909)	(3,828)	3,447,916	3,380,370
Distribution cost and administrative expenses	104,537	101,375	17,595	27,697	2,650,101	2,124,809	50,977	63,056	35,054	36,279	40,477	35,056	-	-	2,898,741	2,388,272
Profit/loss before tax and before charging the following	(23,072)	55,423	98,543	148,247	457,191	740,894	9,813	27,270	16,881	10,097	(1,272)	13,994	(8,909)	(3,828)	549,175	992,098
Finance cost															425,292	487,843
Other operating expenses															15,032	64,845
Other income															(100,522)	(47,398)
Profit before taxation															339,802	505,290
Taxation															209,373	486,808
Profit after taxation															131,432	26,330
															77,941	460,478

**12.2 Segment assets and liabilities**

	Spinning		Weaving		Processing, Home Textile and Apparel		Gul Ahmed International Limited (FZC)-UAE		GTM (Europe) Limited - UK		GTM USA Corp.		Unallocated		Total Group	
	Dec-2016	June-2016	Dec-2016	June-2016	Dec-2016	June-2016	Dec-2016	June-2016	Dec-2016	June-2016	Dec-2016	June-2016	Dec-2016	June-2016	Dec-2016	June-2016
Rs. in 000s																
Assets	6,643,167	6,217,673	2,458,690	1,323,364	24,522,238	23,997,451	608,120	742,049	593,637	405,694	85,999	72,301	1,711,104	630,775	36,622,955	33,389,307
Elimination of intragroup balances															(789,320)	(566,540)
															35,833,635	32,822,767
Liabilities	2,681,853	2,314,802	914,524	694,563	6,408,230	6,775,396	306,661	446,388	563,560	387,175	70,252	56,357	16,627,095	13,666,263	27,572,175	24,340,944
Elimination of intragroup balances															(714,907)	(499,188)
															26,857,268	23,841,756

12.3 Unallocated items represent those assets and liabilities which are common to all segments and these include long term deposits, other receivables, deferred liabilities, certain common borrowing and other corporate assets and liabilities.

12.4 Based on judgement made by management, Processing, Home Textile and Apparel segments have been aggregated into single operating segment as the segments have similar economic characteristics in respect of nature of the products, nature of production process, type of customers, method of distribution and nature of regularity environment.

**12.5 Information about major customers**

Revenue from major customer whose revenue exceeds 10% of gross sales is Rs.4,795 million (Dec-2015: Rs. 3,500 million).

**13 Information by geographical area**

	Revenue		Non-current assets	
	For the half year ended (Un-audited)		Un-Audited	Audited
	Dec - 2016	Dec - 2015	Dec - 2016	Jun - 2016
	<b>Rupees in thousand</b>			
Pakistan	5,734,736	5,423,128	15,023,483	12,241,277
Germany	2,540,350	2,229,757	-	-
United States	1,651,445	1,316,281	2,549	4,247
United Kingdom	1,293,015	1,002,927	7,484	7,756
France	640,148	699,708	-	-
Netherland	1,857,019	625,081	-	-
Spain	957,298	539,209	-	-
Italy	1,216,932	431,542	-	-
Sweden	582,444	379,920	-	-
China	387,469	272,184	-	-
United Arab Emirates	480,872	420,164	27,598	17,772
Other Countries	1,560,401	877,135	-	-
<b>Total</b>	<b>18,902,129</b>	<b>14,217,036</b>	<b>15,061,114</b>	<b>12,271,052</b>

**14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, directors of the Group and key management personnel. The Group in the normal course of business carried out transaction with various related parties.

Relationship with the Company	Nature of transactions	Un-Audited	
		Dec - 2016	Dec - 2015
		<b>Rs. In '000</b>	
Associated Companies and other related parties	Purchase of goods	4,668	26,059
	Sale of goods	3,476	911
	Rent paid	33,872	8,100
	Fees paid	-	1,500
	Commission / Rebate	-	847
	Bills discounted	3,734,345	1,749,203
	Commission / Bank charges paid	23,440	14,499
	Mark up / Interest charged	8,493	39,372
	Provident fund contribution	67,710	50,751
	Dividend paid	7,965	10,452
Relationship with the Company	Nature of outstanding balances	Un-Audited	Audited
		Dec - 2016	Jun - 2016
		<b>Rs. In '000</b>	
Associated companies and others related parties	Borrowings from Banks	551,031	622,639
	Trade and other payables - Creditors	5,616	10,746
	Payable to employee's provident fund	-	14,270
	Receivable from employees' provident fund	7,344	-
	Bank guarantee	668,635	637,583
	Accrued mark-up	3,540	2,528
	Loans to key management personnel & executive	63,079	35,618
	Trade debts	2,454	2,587
	Advances to suppliers	1,501	-
	Deposit with banks	2,209	65,153
	Prepaid rent	11,732	35,197

There are no transactions with directors of the Group and key management personnel other than those under the terms of employment for the period ending Dec-2016 amounting to Rs. 731 million (Dec-2015: Rs. 545 million) on account of remuneration.

**15 FAIR VALUES**

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).

**16 DATE OF AUTHORISATION**

These financial statements were authorised for issue on February 28, 2017 by the Board of Directors of the Group.

**17 GENERAL**

- 17.1 Allocations for the workers' profit participation fund, workers' welfare fund and taxation are provisional and final liability including liability for deferred taxation will be determined on the basis of annual results.
- 17.2 Figures have been rounded off to the nearest thousand rupees.

**MOHOMED BASHIR**  
Chairman

**MOHAMMED ZAKI BASHIR**  
Chief Executive Officer