

*Gul Ahmed Textile Mills Ltd.*

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Form of Proxy

BOARD OF DIRECTORS	<p>BASHIR ALI MOHOMMAD - Chairman &amp; Chief Executive  A. RAZAK HAJI SATTAR - Non Executive Director  SIRAJ KASSAM TELI - Non Executive Director  MUHAMMAD JUNAID - Non Executive Director  ZAIN BASHIR - Executive Director  ZIAD BASHIR - Executive Director  MOHAMMAD ZAKI BASHIR - Non Executive Director  ABDUL AZIZ YOUSUF - Executive Director  S.M. NADIM SHAFIQULLAH - Independent Non Executive Director</p>
CHIEF FINANCIAL OFFICER	MOHAMMED SALEEM SATTAR
COMPANY SECRETARY	MOHAMMED SALIM GHAFAR
AUDIT COMMITTEE	<p>S.M. NADIM SHAFIQULLAH - Chairman &amp; Member  A. RAZAK HAJI SATTAR - Member  MOHAMMAD ZAKI BASHIR - Member  ABDUL AZIZ YOUSUF - Secretary</p>
BANKERS	<p>ALLIED BANK LIMITED  BANK AL HABIB LIMITED  CITIBANK, N.A.  HABIB BANK LIMITED  HABIB METROPOLITAN BANK LIMITED  HSBC BANK MIDDLE EAST LIMITED  MEEZAN BANK LIMITED  NATIONAL BANK OF PAKISTAN  NIB BANK LIMITED  STANDARD CHARTERED BANK (PAKISTAN) LTD.  THE ROYAL BANK OF SCOTLAND LIMITED  UNITED BANK LIMITED</p>
AUDITORS	<p>HYDER BHIMJI &amp; CO.  Chartered Accountants</p>
INTERNAL AUDITORS	<p>A.F. FERGUSON &amp; CO.  Chartered Accountants</p>
REGISTERED OFFICE	<p>PLOT NO. 82  MAIN NATIONAL HIGHWAY  LANDHI, KARACHI-75120</p>
SHARES DEPARTMENT	<p>PLOT NO. HT/3A  LANDHI INDUSTRIAL AREA  KARACHI-75120</p>
MILLS	<p>LANDHI INDUSTRIAL AREA  KARACHI-75120</p>
E-MAIL	finance@gulahmed.com
URL	www.gulahmed.com

## Our Vision

Setting trends globally in the textile industry,  
responsibly delivering products and services to its partners.

## Our Mission

To deliver value to its partners through innovation  
technology and teamwork. Fulfilling its social and  
environmental responsibilities.

## Shareholders' Information

### Annual General Meeting

The annual shareholders' meeting will be held on October 31, 2008 at 10:00 a.m at the Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi. Shareholders as of October 23, 2008 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting time. CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card along with the Participant's ID Number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

### Ownership

On June 30, 2008 the Company has 1993 shareholders.

### Dividend Payment

The proposal of the Board of Directors for dividend payment will be considered at the Annual General Meeting. Provided the proposal is approved, the dividend warrants will be distributed in accordance with the Profit Appropriation Policy of the Company which seeks to maximize value for shareholders. The dividend warrants will be sent to the shareholders listed in the register of members at the close of business on October 22, 2008. Income tax and zakat will be deducted in accordance with the current regulations.

### Web Reference

Annual/Quarterly reports are regularly posted at the Company's website: [www.gulahmed.com](http://www.gulahmed.com)

Karachi Stock Exchange Share Prices 2007-08		
Period	Price in Rupees	
	High	Low
1st Quarter	46.90	39.00
2nd Quarter	40.20	36.25
3rd Quarter	45.90	37.25
4th Quarter	43.00	39.00

### Announcement of Financial Results

The tentative dates of the announcement of financial results and payment of cash dividend (if any) for the year 2008-09 are as follows:

Period	Financial Results	Dividend Payment (if any)
1st Quarter	October 29, 2008	—
2nd Quarter	February 27, 2009	—
3rd Quarter	April 29, 2009	—
Annual Accounts	September 29, 2009	December 15, 2009

The Company reserves the right to change any of the above dates.

### Shares Department

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to the Shares Department, Plot No. HT/3A, Landhi Industrial Area, Karachi.

### Investor Relation Contact

Mr. Mohammad Salim Ghaffar, Company Secretary  
Email: [salim.ghaffar@gulahmed.com](mailto:salim.ghaffar@gulahmed.com) UAN: (+92-21) 111-485-485 & 111-486-486 Fax: (+92-21) 5018838

## Notice Of Meeting

Notice is hereby given that the 56th Annual General Meeting of Gul Ahmed Textile Mills Limited will be held at the Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi, on Friday, October 31, 2008 at 10:00 a.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Accounts for the year ended June 30, 2008 and Auditors' Report thereon.
2. To approve the payment of cash dividend @ 10% as recommended by the Board.
3. To appoint Auditors and fix their remuneration.

By Order of the Board

Karachi  
September 29, 2008

**MOHAMMED SALIM GHAFAR**  
Company Secretary

### NOTES:

1. Share Transfer Books of the Company will remain closed from October 23, 2008 to October 31, 2008 (both days inclusive) for determining entitlement to the cash dividend.
2. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
3. Shareholders who have deposited their shares into Central Depository Company of Pakistan Limited, must bring their original Computerized National Identity Card (CNIC) or Original Passport at the time of attending the meeting. If proxies are granted by such shareholders the same must be accompanied with attested copies of the CNIC or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
4. A proxy must be a member of the Company.
5. Shareholders are requested to immediately notify the change of address, if any.

## Directors' Report

Your Directors take pleasure in presenting 56<sup>th</sup> Annual Report and the audited financial statements for the year ended June 30, 2008.

### OPERATING RESULTS

Rs.000s

Operating results of the Company are noted below:

Profit after providing depreciation/amortization of Rs. 529 million	201,838
Less: Provision for taxation	(99,000)
Profit after taxation	102,838
Add: Unappropriated profit brought forward	5,152
Amount available for appropriation	107,990
Appropriations	
Proposed dividend	55,199
General reserve	50,000
Amount carried forward	2,791
	107,990

Sales have increased from Rs. 9,798 million to Rs. 11,650 million giving a growth of 19%. Bottom line shows after tax profit of Rs. 103 million. Main reason for the lower profit is a one time loss of Rs. 105 million on account of unwinding of cross currency swap. Due to a steep decline in value of Pak Rupee in May 2008, the Company decided to unwind the cross currency swap and book a one time loss instead of continuing with the arrangement and risk further loss.

### DIVIDEND

Your Directors are pleased to recommend cash dividend @ 10% that is Re. 1 per share.

### FUTURE PROSPECTS

The current fiscal year 2008-2009 is expected to be difficult due to uncertainties and discouraging economic scenario.

- Domestic economic slowdown
- All time high inflation
- Phenomenal increase in borrowing cost
- Unprecedented increase in gas tariff
- Increase in the minimum wage by 30%
- Continuous decline in the value of Pak Rupee
- R&D support has not been extended by the Government beyond June 30, 2008
- Adverse economic conditions, looming recession and banking meltdown in the developed world and worldwide economic gloom

Our regular and aggressive modernization and upgrading of production facilities and the strong local presence with the newly developed retail base will help in riding through this rough period. In this difficult environment we will intensify our efforts to optimize costs without compromising quality. We will be doing aggressive, focused and innovative marketing including retail outlet expansion to extend customer reach.

Your Company has also taken measures to reduce large exposure in a single area. We feel by enlargement of the sales mix we will be less exposed to risk and a more diverse sales mix will lead to less dependence on a single area. Thus these measures would also give us more flexibility and have ample opportunities to maneuver to generate profits both through a combination of economies of scale and flexibility.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance as incorporated in the Listing Rules of the Stock Exchanges.

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years, in a summarized form, is annexed.
- During the year four board meetings were held and the attendance by each Director is included in the annual report.
- The value of investment of provident fund based on its un-audited accounts as on June 30, 2008 (audit in progress) is Rs. 98 million.

## BOARD CHANGES

During the year under review a new Board of Directors with an increased strength of nine directors was constituted consequent to the election of Directors held in the Extra Ordinary General Meeting of the Company held on March 31, 2008. The Board of Directors will continue to endeavour to deliver maximum value to its shareholders. The composition of the new Board is as follows:

1. Mr. Bashir Ali Mohommad – Chairman & Chief Executive
2. Mr. A. Razak Haji Sattar
3. Mr. Siraj Kassam Teli (New Board Member)
4. Mr. Muhammad Junaid (New Board Member)
5. Mr. Zain Bashir
6. Mr. Ziad Bashir
7. Mr. Mohammad Zaki Bashir (New Board Member)
8. Mr. Abdul Aziz Yousuf
9. Mr. S.M. Nadim Shafiqullah (New Board Member)

The following directors in the previous Board have retired.

1. Mr. Yasin Haji Kassam
2. Mr. Younus Haji Latif

Mr. Bashir Ali Mohommad has been reappointed Chairman and Chief Executive of the Company.

We welcome the new incoming directors and at the same time thank the retiring directors for the valuable contribution during their term on the Board.

#### PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Company as at June 30, 2008 is included in the annual report.

#### AUDITORS

The present auditors Hyder Bhimji & Co., Chartered Accountants, retire and offer themselves for reappointment.

#### CONSOLIDATED ACCOUNTS

Consolidated accounts for the year ended June 30, 2008 of the Company and its subsidiaries Gul Ahmed International Limited (FZC) and GTM (Europe) Limited are attached.

#### ACKNOWLEDGMENT

Your Directors are pleased to record their appreciation for the continued dedication, commitment and loyalty of the employees of the Company. We also appreciate the assistance and continued support of the various Government Departments and Bankers.

For and on behalf of the Board

Karachi  
September 29, 2008

**BASHIR ALI MOHOMMAD**  
Chairman & Chief Executive



# Six Years At A Glance

	<u>Rs. in Million</u>					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005*</u>	<u>2004</u>	<u>2003</u>
<u>Operating Results</u>						
Sales	11,650	9,798	8,102	5,774	6,538	5,448
Gross profit	1,699	1,426	1,165	861	917	1,059
Operating profit	918	732	541	352	349	557
Profit before tax	202	262	12	122	251	382
Profit/(loss) after tax	103	164	(35)	76	203	302
<u>Balance Sheet</u>						
Property, plant and equipment	5,828	4,703	4,410	4,012	3,450	2,915
Intangible	28	30	39	16	20	11
Long term investment, loans, advances and deposits	78	74	71	69	70	69
Net current assets	(687)	(278)	16	276	151	176
Total assets employed	5,246	4,528	4,536	4,373	3,691	3,171
Represented by:						
Share capital	552	552	460	383	341	341
Reserves	2,210	2,107	1,851	1,885	1,852	1,751
Shareholders' equity	2,762	2,659	2,311	2,269	2,193	2,092
Long term loans	2,354	1,772	2,151	2,036	1,387	948
Deferred liabilities	130	98	74	68	111	131
Total capital employed	5,246	4,528	4,536	4,373	3,691	3,171
<u>Financial Ratios</u>						
Gross profit as % of sales	14.58	14.55	14.38	14.91	14.03	19.44
Profit before tax as % of sales	1.73	2.68	0.15	2.11	3.84	7.01
Earning/(loss) per share (Rs.)	1.86	3.11	(0.68)	1.53	4.08	6.07
Dividend per share (Rs.)	1.00	-	-	-	-	3.00
Bonus (%)	-	-	-	10.00	12.50	-
Debt/Equity ratio						
Debt	0.46	0.40	0.48	0.47	0.39	0.31
Equity	0.54	0.60	0.52	0.53	0.61	0.69
Current ratio	0.90	0.95	1.00	1.05	1.03	1.06
Break up value (Rs./share)	50.04	48.17	50.24	59.19	64.36	61.41

\* Results for nine months ended June, 2005.

## Statement Of Compliance With The Code Of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing the minority interest on its Board of Directors. At present the Board includes one independent non-executive director and four non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member of a stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by the directors and other managerial and secretarial staff of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Company has also distributed to the Board Members copies of "Guidelines for Directors on Strengthening Corporate Governance" received from International Finance Corporation (IFC).
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, all members of the Committee are non-executive directors, Chairman is an independent non-executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

Karachi  
September 29, 2008

## **Review Report To The Members On Statement Of Compliance With Best Practices Of The Code Of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2008 prepared by the Board of Directors of Gul Ahmed Textile Mills Limited to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2008.

Karachi  
September 29, 2008

**HYDER BHIMJI & CO.**  
Chartered Accountants

## Auditors' Report To The Members

We have audited the annexed Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED as at June 30, 2008 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi  
September 29, 2008

**HYDER BHIMJI & CO.**  
Chartered Accountants

# Balance Sheet As At June 30, 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		Rs. 000s	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 75,000,000 ordinary shares of Rs.10 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital	4	551,987	551,987
Reserves	5	2,102,052	1,942,052
Unappropriated profit		<u>107,990</u>	<u>165,152</u>
		<u>2,762,029</u>	<u>2,659,191</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	6	2,354,317	1,772,007
Deferred tax liability	7	124,773	91,773
Deferred liability for staff gratuity	8	5,471	6,052
<b>CURRENT LIABILITIES</b>			
Short term borrowings	9	5,214,385	4,010,209
Current maturity of long term loans		593,671	495,900
Trade and other payables	10	1,132,738	879,529
Accrued interest	11	144,318	95,288
Provision for taxation		<u>66,000</u>	<u>74,291</u>
		7,151,112	5,555,217
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	<u>12,397,702</u>	<u>10,084,240</u>

ASSETS	<u>Note</u>	<u>2008</u>	<u>2007</u>
		Rs. 000s	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	5,827,621	4,702,826
Intangible assets	14	28,215	30,435
Long term investment	15	58,450	58,450
Long term loans and advances	16	3,505	4,943
Long term deposits		15,599	10,579
		<u>5,933,390</u>	<u>4,807,233</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	485,957	387,278
Stock-in-trade	18	2,915,550	2,254,144
Trade debts	19	2,490,258	2,164,671
Loans and advances	20	217,115	171,747
Deposits and prepayments	21	40,633	19,050
Other receivables	22	69,269	63,999
Tax refunds due from government	23	176,496	188,273
Cash and bank balances	24	69,034	27,845
		<u>6,464,312</u>	<u>5,277,007</u>
		<u><u>12,397,702</u></u>	<u><u>10,084,240</u></u>

The annexed notes form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Profit And Loss Account

For The Year Ended June 30, 2008

		<u>2008</u>	<u>2007</u>
	<u>Note</u>	Rs. 000s	
Sales	25	11,650,143	9,798,338
Cost of sales	26	<u>9,951,072</u>	<u>8,372,437</u>
Gross profit		1,699,071	1,425,901
Administrative expenses	27	563,336	473,867
Distribution cost	28	203,258	200,443
Other operating expenses	29	14,959	19,432
		<u>781,553</u>	<u>693,742</u>
Operating profit		<u>917,518</u>	<u>732,159</u>
Other operating income	30	16,797	6,277
		<u>934,315</u>	<u>738,436</u>
Finance cost	31	<u>732,477</u>	<u>476,245</u>
Profit for the year before taxation		201,838	262,191
Provision for taxation	32	99,000	97,791
Profit for the year after taxation		<u>102,838</u>	<u>164,400</u>
Earnings per share (Rs.)	33	1.86	3.11

The annexed notes form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director



# Cash Flow Statement

For The Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation	201,838	262,191
Adjustments for:		
Depreciation/amortization	529,132	425,712
Gratuity	2,724	4,519
Finance cost	570,345	514,837
Provision for slow moving/obsolete items	450	409
Provision for doubtful debts	831	489
Profit on sale of operating assets	(7,382)	(2,100)
Interest income/exchange differences	162,132	(38,592)
	<u>1,460,070</u>	<u>1,167,465</u>
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(99,129)	(17,805)
Stock-in-trade	(661,406)	263,141
Trade debts	(326,418)	(325,615)
Loans and advances	(32,115)	(26,484)
Deposits and prepayments	(21,583)	(5,079)
Other receivables	(5,364)	(8,318)
Tax refunds due from government	11,777	(90,709)
	<u>(1,134,238)</u>	<u>(210,869)</u>
Increase in current liabilities		
Trade and other payables	253,209	225,389
	<u>(881,029)</u>	<u>14,520</u>
Cash generated from operations	579,041	1,181,985
Payments for/receipts from:		
Gratuity	(3,305)	(4,626)
Finance cost	(521,315)	(539,516)
Income tax paid	(87,543)	(73,673)
Long term loans and advances	1,438	2,777
Net cash used in/generated from operating activities	<u>(31,684)</u>	<u>566,947</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(1,679,716)	(714,200)
Proceeds from sale of operating assets	35,390	6,522
Interest income/exchange differences	(162,038)	57,454
Long term deposits	(5,020)	(5,490)
Net cash used in investing activities	<u>(1,811,384)</u>	<u>(655,714)</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loans	1,405,645	178,875
Repayments of long term loans	(725,564)	(356,882)
Right shares subscription	-	183,996
Net cash generated from financing activities	<u>680,081</u>	<u>5,989</u>
Net decrease in cash and cash equivalents	(1,162,987)	(82,778)
Cash and cash equivalents - at the beginning of the year	(3,982,364)	(3,899,586)
Cash and cash equivalents - at the end of the year	<u><u>(5,145,351)</u></u>	<u><u>(3,982,364)</u></u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents include:		
Cash and bank balances	69,034	27,845
Short term borrowings	(5,214,385)	(4,010,209)
	<u><u>(5,145,351)</u></u>	<u><u>(3,982,364)</u></u>

The annexed notes form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Statement Of Changes In Equity

For The Year Ended June 30, 2008

Rs. 000s

	Share capital	Revenue reserve	Capital reserve	Unappropriated profit	Total
Balance as at June 30, 2006	459,989	1,740,000	110,054	752	2,310,795
Issue of right shares	91,998	-	91,998	-	183,996
Profit for the year	-	-	-	164,400	164,400
Balance as at June 30, 2007	551,987	1,740,000	202,052	165,152	2,659,191
Transfer to general reserve	-	160,000	-	(160,000)	-
Profit for the year	-	-	-	102,838	102,838
Balance as at June 30, 2008	551,987	1,900,000	202,052	107,990	2,762,029

The annexed notes form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Notes To The Accounts

## For The Year Ended June 30, 2008

### 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Gul Ahmed Textile Mills Limited is a public limited company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of textile products.

### 2. BASIS OF PREPARATION

#### 2.1 Accounting convention

Accounts of the Company have been prepared on historical cost convention except as has been stated below in respective policy notes.

#### 2.2 Statement of compliance

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

#### 2.3 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS - 1 (Revised) Presentation of Financial Statements	effective from accounting period beginning on or after January 1, 2009
IAS - 23 (Amendment) Borrowing Costs	effective from accounting period beginning on or after January 1, 2009
IAS-29 (Amendment) Financial Reporting in Hyperinflationary Economies	effective from accounting period beginning on or after July 1, 2008
IAS-32 (Amendment) Financial instruments: Presentation and consequential amendments	effective from accounting period beginning on or after January 1, 2009
IFRS -2 (Amendment) Share based Payment	effective from accounting period beginning on or after July 1, 2009
IFRS - 3 (Amendment) Business Combinations	effective for business combinations for which agreement date is on or after July 1, 2009
IFRS - 7 Financial instruments: Disclosures	effective from accounting period beginning on or after July 1, 2008
IFRS - 8 Operating Segments	effective from accounting period beginning on or after January 1, 2009

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Company expects that the adoption of the above standards, amendments and interpretations will have no significant impact on the Company's financial statements other than increase disclosures in certain cases.

#### 2.4 Functional and presentation currency

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

## 2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- 1) Provision for slow moving/obsolete items (note 17)
- 2) Provision for doubtful trade debts (note 19)
- 3) Provision for taxation (note 32)

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates ruling on the balance sheet date.

Foreign currency transactions are translated into Pak Rupees at the rates ruling on the transaction date.

Exchange differences on foreign currency loans are capitalized upto the date of commissioning of the respective qualifying assets, acquired out of the proceeds of such loans. Other exchange differences are included in current year's income.

### 3.2 Borrowing cost

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying asset, acquired out of the proceeds of such loans. All other mark-up, interest, profit and other charges are charged to income.

### 3.3 Retirement benefits

The Company operates an approved funded contributory provident fund for its eligible employees to which equal monthly contribution is made both by the Company and the employees. The Company also operates an unfunded gratuity scheme for eligible employees who are not part of the provident fund scheme. Gratuity is payable to the employees under the law. Consequent to the adoption of IAS 19, the Company now accounts for gratuity provision on the basis of actuarial valuation on projected unit credit method.

### 3.4 Employee compensated absences

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Company.

### 3.5 Provisions

Provisions are recognized in the balance sheet when the Company has legal or constructive obligation as a result of past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

### 3.6 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any.

## Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statement and their tax base. This is recognised on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable the future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

### 3.7 Property, plant and equipment Operating assets

These are stated at cost less accumulated depreciation except leasehold land which is stated at cost. No amortization is provided on leasehold land since the lease is renewable at the option of the lessee. Depreciation is charged on reducing balance method at rates specified in the respective note. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. Gains and losses on disposal of fixed assets are included in current year's income.

#### Capital work-in-progress

Capital work-in-progress is stated at cost.

### 3.8 Intangible assets

Intangible assets are stated at cost less accumulated amortization. Amortization is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in the respective note.

### 3.9 Investments Investments in related parties

Investments are initially measured at cost. At subsequent reporting dates, the Company reconsiders the carrying amount of the investments 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 not exceeding the amount of original cost.

#### Investments held for trading

These are stated at fair value and changes in carrying values are included in profit and loss account.

#### Investments available for sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time accumulated gain or loss previously recognized in equity is included in profit and loss account for the year.

#### Investments held to maturity

These are stated at amortized cost, less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

### 3.10 Stores, spares and loose tools

These are valued at average cost and goods-in-transit are stated at actual cost.

### 3.11 Stock-in-trade

Raw materials are valued at average cost. Finished goods are valued at lower of average manufacturing cost and net realisable value. Work-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at net realisable value. Goods-in-transit are stated at actual cost.

### 3.12 Trade debts

Trade debts are carried at original invoice amount. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

### 3.13 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### 3.14 Financial assets and liabilities

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

### 3.15 Derivative financial instruments

The Company uses derivative financial instruments to hedge its risks associated with interest and exchange rate fluctuations. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

### 3.16 Offsetting of financial assets and liabilities

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

### 3.17 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

### 3.18 Revenue recognition

Sales are recorded on dispatch of goods to buyers.  
Return on investment is recognised on accrual basis.

### 3.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises short term investment, cash on hand, with banks on current, savings and deposit accounts, running finance under mark-up arrangements and short-term finance.

### 3.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

			<u>2008</u>	<u>2007</u>
			Rs. 000s	
<u>2008</u>	<u>2007</u>			
<b>4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
30,517,756	30,517,756	Ordinary shares of Rs.10 each fully paid in cash	305,177	305,177
5,447,326	5,447,326	Ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation	54,473	54,473
19,233,656	19,233,656	Ordinary shares of Rs.10 each issued as fully paid bonus shares	192,337	192,337
			<u>551,987</u>	<u>551,987</u>
<b>5. RESERVES</b>				
Revenue reserve				
		General reserve	1,740,000	1,740,000
		Add: Transfer from profit and loss account	160,000	-
			<u>1,900,000</u>	<u>1,740,000</u>
Capital reserve				
		Share premium	180,493	88,495
		Add: Premium on right shares issued during the year	-	91,998
			<u>180,493</u>	<u>180,493</u>
		Book difference of share capital under scheme of arrangement for amalgamation	21,559	21,559
			<u>202,052</u>	<u>202,052</u>
			<u>2,102,052</u>	<u>1,942,052</u>

**6. LONG TERM LOANS - SECURED**

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	<u>2008</u>	<u>2007</u>
					Rs. 000s	
Habib Bank Limited Loan 3 Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)	6.1	5 half yearly April-2007	116,666	6.00% p.a. payable quarterly	233,332	466,664
Habib Bank Limited Loan 4 a) Under LTF-EOP scheme	6.1	12 half yearly June-2009	5,416	7.00% p.a. payable quarterly	64,995	64,995
b) Under LTF-EOP scheme		11 half yearly November-2009	4,855	7.00% p.a. payable quarterly	53,405	53,405
Habib Bank Limited Loan 5 Under LTF-EOP scheme	6.1	11 half yearly December-2009	2,805	7.00% p.a. payable quarterly	30,851	-
Habib Bank Limited Loan 6 Under LTF-EOP scheme	6.1	11 half yearly February-2010	10,375	7.00% p.a. payable quarterly	114,122	-
Habib Bank Limited Loan 7 Under LTF-EOP scheme	6.1	11 half yearly July-2009	848	7.00% p.a. payable quarterly	9,332	-
Habib Bank Limited Loan 8 Under LTF-EOP scheme	6.1	11 half yearly January-2010	2,004	7.00% p.a. payable quarterly	22,039	-



	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2008 Rs. 000s	2007
Habib Bank Limited Loan 9	6.1	Repayment terms under finalization		Presently bank is charging 14.16% p.a. payable quarterly	4,192	-
United Bank Limited Loan 1	6.3	6 half yearly March-2006	25,000	Six month T-Bill+1.00% payable half yearly	25,000	75,000
United Bank Limited Loan 2 Original Loan due in September 2008 roll over for the period of five years.	6.3	10 half yearly March-2009	50,000	8.30% fixed rate +0.85% upto September-2008 and three months KIBOR+1.00% after roll over date payable half yearly	500,000	500,000
United Bank Limited Loan 3	6.3	12 half yearly October-2009	931	7.00% p.a. payable quarterly	11,172	-
United Bank Limited Loan 4	6.3	6 half yearly August-2010	48,199	Average six months KIBOR Ask rate+1.00% payable half yearly	289,192	-
United Bank Limited Loan 5 Under State Bank of Pakistan (SBP) scheme of Long Term Financing Facility (LTF)	6.3	16 half yearly November-2010	363	10.00% p.a. payable quarterly	5,806	-
National Bank of Pakistan Loan 1	6.1	6 half yearly December-2007	43,988	Average six months KIBOR Ask rate+1.25% payable half yearly	175,952	263,929
National Bank of Pakistan Loan 1-A Under LTF-EOP scheme	6.1	7 half yearly June-2007	62,296	7.00% p.a. payable quarterly	249,184	373,775
National Bank of Pakistan Loan 2	6.1	6 half yearly September-2008	24,295	Average six months KIBOR Ask rate+1.50% payable half yearly	145,767	145,767
National Bank of Pakistan Loan 2-A Under LTF-EOP scheme	6.1	6 half yearly September-2008	5,706	7.00% p.a. payable quarterly	34,233	34,233
National Bank of Pakistan Loan 3	6.1	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate+1.00% payable quarterly	100,000	-
Suppliers Credit Repaid during the year			229,664	NIL	-	229,664
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	6.2	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	27,775	27,775
Habib Metropolitan Bank Loan 1 a) Under LTF-EOP scheme	6.2	12 half yearly March-2009	683	7.00% p.a. payable quarterly	8,200	8,200
b) Under LTF-EOP scheme		12 half yearly April-2009	2,042	7.00% p.a. payable quarterly	24,500	24,500

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2008	2007
					Rs. 000s	
Habib Metropolitan Bank Loan 2 Under LTF-EOP scheme	6.2	12 half yearly November-2009	19,417	7.00% p.a. payable quarterly	233,000	-
HSBC Bank Middle East Ltd Loan 1 Under LTF-EOP scheme	6.2	12 half yearly November-2009	3,921	7.00% p.a. payable quarterly	47,050	-
HSBC Bank Middle East Ltd Loan 2 Under LTF-EOP scheme	6.2	12 half yearly December-2009	1,838	7.00% p.a. payable quarterly	22,061	-
HSBC Bank Middle East Ltd Loan 3 Under LTF-EOP scheme	6.2	12 half yearly January-2010	875	7.00% p.a. payable quarterly	10,497	-
HSBC Bank Middle East Ltd Loan 4 Under LTF-EOP scheme	6.2	12 half yearly March-2010	844	7.00% p.a. payable quarterly	10,129	-
Allied Bank Limited Loan 1	6.3	12 quarterly March-2010	16,667	Average three months KIBOR Ask rate+1.00% payable quarterly	200,000	-
Allied Bank Limited Loan 2 Under LTF scheme	6.3	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	296,201	-
Current portion shown under current liabilities					<u>2,947,988</u>	<u>2,267,907</u>
					<u>(593,671)</u>	<u>(495,900)</u>
					<u>2,354,317</u>	<u>1,772,007</u>

- 6.1 These loans are secured by first pari passu charge over present and future fixed assets of the Company and equitable mortgage over land and building.
- 6.2 These loans are secured by hypothecation charge over specified machinery.
- 6.3 These loans are secured by way of pari passu charge over the fixed assets of the Company.

7. DEFERRED TAX LIABILITY	<u>2008</u>	<u>2007</u>
	Rs. 000s	
Credit/(debit) balances arising in respect of timing differences relating to:		
Accelerated tax depreciation allowance	130,510	97,436
Provision for gratuity	(574)	(635)
Provision for doubtful debts	(2,499)	(2,412)
Provision for slow moving items	(2,664)	(2,616)
	<u>124,773</u>	<u>91,773</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
8. DEFERRED LIABILITY FOR STAFF GRATUITY		
Opening balance as at July 1	6,052	6,159
Provision during the year	2,724	4,519
	<u>8,776</u>	<u>10,678</u>
Paid during the year	(3,305)	(4,626)
Closing balance as at June 30	<u>5,471</u>	<u>6,052</u>

Following significant assumptions have been made for the purpose of actuarial valuation.

- Expected rate of increase in salary	9% p.a.
- Discount rate	10% p.a.
- Mortality rate	EFU 61-66 mortality table
- Withdrawal rate	Age dependant

#### 9. SHORT TERM BORROWINGS - SECURED

Short term bank borrowings	4,894,555	3,340,449
Short term running finance	315,230	519,760
Murabaha	4,600	150,000
	<u>5,214,385</u>	<u>4,010,209</u>

Short term borrowing is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables. Unavailed facility at the year end was Rs. 3,806 million (2007: Rs. 2,500 million). The facility for short term finance mature within twelve months.

Mark-up rates range from 3.28% to 15.44% (2007: 5.74% to 13.15%) per annum.

#### 10. TRADE AND OTHER PAYABLES

Creditors	787,544	603,888
Due to associated undertakings	10,359	2,262
Accrued expenses	272,229	243,201
Workers' profit participation fund (note 10.1)	12,107	14,172
Unclaimed dividend	351	352
Others	50,148	15,654
	<u>1,132,738</u>	<u>879,529</u>

##### 10.1 Workers' profit participation fund

Opening balance as at July 1	14,172	1,578
Provision for the year	10,840	14,081
Interest for the year	1,267	92
	<u>26,279</u>	<u>15,751</u>
Less: Payments made during the year	14,172	1,578
Closing balance as at June 30	<u>12,107</u>	<u>14,172</u>

#### 11. ACCRUED INTEREST

Interest/mark-up accrued on loans (secured)	49,931	32,439
Mark-up on short term borrowings (secured)	94,387	62,849
	<u>144,318</u>	<u>95,288</u>

## 12. CONTINGENCIES AND COMMITMENTS

12.1 The Company is contingently liable for:

- (a) Rs. 107 million (2007: Rs. 107 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.
- (b) Post dated cheques Rs. 13 million (2007: Rs. 4 million) issued to various Government Agencies.
- (c) Bills discounted Rs. 584 million (2007: Rs. 47 million).
- (d) Corporate guarantee of Rs. 53.829 million (2007: Rs. 24.554 million) has been issued to a bank in favour of a subsidiary company.

12.2 The Company owns and possesses a plot of land measuring 44 acres in Deh Khanto, which is appearing in the books at a cost of Rs. 64 million. Company holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Sind High Court by some claimants who claim to be the owners, as this land was previously sold to them and subsequently resold to the Company. The claim of the alleged owners is fictitious. The Company is confident that its title to the land is secure and accordingly no provision has been made in these financial statements.

12.3 The Company has filed a suit for recovery of Rs. 33.409 million (2007: Rs. 33.409 million) included in other receivable. Company's management and its legal counsel are of the opinion that the case will be decided in the Company's favour and as such no provision has been made there against.

12.4 The Company has filed a petition in the Sindh High Court against order passed by the Board of Trustees, Employees Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-2001 and 2001-2002 amounting to Rs. 50,827,119. This demand has been raised after lapse of more than two years although the records and books of the Company were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The honorable Sind High Court has already restrained EOBI from taking any action or proceedings against the Company. No provision has been made there against in these financial statements as the Company is confident of the favourable outcome of the petition.

12.5 The Company is committed for capital expenditure as at June 30, 2008 of Rs. 182 million (2007: Rs. 283 million).

12.6 The Company is committed for non capital expenditure items under letters of credit as at June 30, 2008 of Rs. 27 million (2007: Rs. 215 million).

## 13. PROPERTY, PLANT AND EQUIPMENT

	<u>2008</u>	Rs. 000s	<u>2007</u>
Operating assets - 13.1	5,340,201		4,485,121
Capital work in progress - 13.2	<u>487,420</u>		<u>217,705</u>
	<u>5,827,621</u>		<u>4,702,826</u>

### 13.1 OPERATING ASSETS

	Leasehold land	Buildings on leasehold land	Plant and machinery	Office equipment	Furniture and fixtures	Transport equipment	Total
	← Rupees in thousand →						
Net carrying value basis year ended June 30, 2008							
Opening net book value (NBV)	234,107	971,124	3,067,080	79,007	45,084	88,718	4,485,121
Addition/transfer (at Cost)	-	156,126	1,164,683	28,747	4,987	43,162	1,397,705
Disposal/transfer at NBV	-	-	(20,444)	(274)	(93)	(7,197)	(28,008)
Depreciation charge	-	(110,200)	(352,477)	(21,846)	(5,156)	(24,938)	(514,617)
Closing net book value	234,107	1,017,050	3,858,842	85,634	44,822	99,745	5,340,201
Gross carrying value basis as at June 30, 2008							
Cost	234,107	1,533,821	6,877,156	246,357	74,949	234,088	9,200,478
Accumulated depreciation	-	(516,771)	(3,018,314)	(160,723)	(30,127)	(134,343)	(3,860,277)
Net book value	234,107	1,017,050	3,858,842	85,634	44,822	99,745	5,340,201
Net carrying value basis year ended June 30, 2007							
Opening net book value (NBV)	233,755	466,566	2,639,998	83,827	31,557	92,108	3,547,811
Addition/transfer (at Cost)	352	574,811	721,382	16,047	18,868	22,548	1,354,008
Disposal/transfer at NBV	-	-	(199)	(334)	(131)	(3,758)	(4,422)
Depreciation charge	-	(70,253)	(294,101)	(20,533)	(5,210)	(22,180)	(412,276)
Closing net book value	234,107	971,124	3,067,080	79,007	45,084	88,718	4,485,121
Gross carrying value basis as at June 30, 2007							
Cost	234,107	1,377,695	5,814,999	221,721	70,310	209,027	7,927,859
Accumulated depreciation	-	(406,571)	(2,747,919)	(142,714)	(25,226)	(120,309)	(3,442,738)
Net book value	234,107	971,124	3,067,080	79,007	45,084	88,718	4,485,121
Depreciation rate % per annum	-	10	10	15 to 30	10 to 12	20	

13.1.1 Additions to plant and machinery include borrowing cost amounting to Rs. 14 million (2007: Rs. NIL).

Mark-up rates range from 7% to 11.29%.

13.1.2 Depreciation charge for the year has been allocated as follows:

		<u>2008</u>	<u>2007</u>
Cost of goods manufactured	(note 26.1)	464,005	365,571
Administrative expenses	(note 27)	50,612	46,705
		<u>514,617</u>	<u>412,276</u>

## 13.1.3 Details of operating assets sold (by negotiation except where stated)

Rs. 000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Plant and machinery	91,775	19,166	22,816	Faisal Enterprises R-75, Block A, Bagh-e-Malir, Malir Karachi
	5,383	151	236	Moosa Scrape Dealer Shershah, Karachi
	4,634	970	1,553	Abdul Habib Machinery Dealer S.I.T.E., Karachi
	218	147	150	Yousuf Engineering Shershah, Karachi
Office equipment, furniture and fixtures	278	57	58	Jamal Electronics Shop No.7, Electronics Market Saddar, Karachi
	292	77	78	Jameel Furniture & Mart Aram Bagh, Karachi
	1,155	54	65	Computer Net Uni Plaza, I.I. Chundrigar Road Karachi
	1,993	116	117	Aamir Computer & Printers Uni Plaza, I.I. Chundrigar Road Karachi
Transport equipment	555	124	222	Mr. Muhammad Salman House No. 202-M, Mill Area Korangi No. 4, Karachi
	705	245	300	Mrs. Farida Yasin Flat No. A-209, 2nd Floor Saima Heaven, Block 4 Gulshan-e-Iqbal, Karachi
	396	138	228	Mr. Muhammad Saeed House No. 4-266, Liaqatabad Karachi
	434	62	155	Mr. Yasir Nishan Malik House No. 10/D-2, Haji Commercial Phase No. VIII DHA, Karachi
	525	171	250	Mr. Mohammad Shahzad House No. 1784, Sector 11/E Muslim Town, North Karachi
	751	86	210	Mr. Raheel House No. 145-C Gulshan-e-Iqbal, Karachi
	555	155	325	Mr. Muhammad Noor Samad Allah Jevaya Lar Post Office Khan Bila Tehsil Liaqat Pur District Rahim Yar Khan

Particulars	Written down		Sale proceeds	Particulars of purchasers
	Cost	value		
Transport equipment (continued)	590	205	236	Mr. Raziuddin House No. M-238, Malir City, Muslimabad Karachi
	825	287	330	Mr. Salman Sattar Baloch (Employee) C/o Gul Ahmed Textile Mills Ltd. Plot No. HT-4, Landhi Industrial Area Karachi
	1,392	441	716	Mr. Afaq Ahmed Sawana Apartment, Flat No. 212 C-5 Area, 13-D-1 Gulshan-e-Iqbal Karachi
	540	120	280	Mr. Fareed Ahmed House No. L-739, Sector 5-C-3 North Karachi
	699	195	302	Mr. Adeel Rehman House No. B-21, Block-8 Gulshan-e-Iqbal Karachi
	775	138	266	Mr. Muhammad Amir House No. B-514, Sector 11/F New Fatima Jinnah Colony North Karachi
	496	216	231	Mr. Abdul Karim Khan (Ex-employee) House No. 1, Block 72, Area 4-D Landhi Colony No.6 Karachi
	496	173	198	Mr. Muhammad Khalil Khan (Ex-employee) House No. A-15, Block 10-A Evacue Society, Gulshan-e-Iqbal Karachi
	939	409	470	Mr. Mir Ghazi (Ex-employee) Flat No. 404, Al-Aman Apartment Block 14, Gulshan-e-Iqbal Karachi
Written down value below Rs. 50,000 each	5,223	3,584	4,763	Insurance Claim
	3,462	521	835	Various
2008	125,086	28,008	35,390	
2007	16,791	4,422	6,522	

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>13.2 CAPITAL WORK-IN-PROGRESS</b>		
Machinery under installation	403,224	192,122
Building construction	80,131	22,227
Store items held for capitalization	4,065	3,356
	<u>487,420</u>	<u>217,705</u>

13.2.1 Additions to capital work-in-progress include borrowing cost amounting to Rs. 2 million (2007: Rs. NIL).  
Mark-up rates range from 7% to 11.29%.

#### 14. INTANGIBLE - COMPUTER SOFTWARE

Net carrying value basis - year ended June 30		
Opening net book value (NBV)	30,435	38,965
Additions (at cost)	12,295	4,906
Amortization charge - note 14.1	(14,515)	(13,436)
Closing net book value	<u>28,215</u>	<u>30,435</u>
Gross carrying value basis- as at June 30		
Cost	90,853	78,558
Accumulated amortisation	(62,638)	(48,123)
Net book value	<u>28,215</u>	<u>30,435</u>

14.1 The cost is being amortized over a period of five years. Remaining useful life ranges from one to four years.

#### 15. LONG TERM INVESTMENT

Subsidiary-unquoted		
Gul Ahmed International Limited - FZC		
10,000 (2007: 10,000) Ordinary shares of USD 100 each		
Equity held 100 % (2007: 100%)		
Value of investment based on the net assets shown in the audited accounts as at June 30, 2008		
Rs. 129 million (2007: Rs. 105 million)	<u>58,450</u>	<u>58,450</u>

#### 16. LONG TERM LOANS AND ADVANCES

Considered good, due from		
Executives		
Opening balance as at July 1	6,395	8,458
Add: Disbursement	3,200	1,279
	<u>9,595</u>	<u>9,737</u>
Less: Repayment	(3,809)	(3,342)
Closing balance as at June 30	5,786	6,395
Less: Receivable within one year	(3,285)	(2,350)
	<u>2,501</u>	<u>4,045</u>
Other employees	2,880	2,160
Less: Receivable within one year	(1,876)	(1,262)
	<u>1,004</u>	<u>898</u>
	<u>3,505</u>	<u>4,943</u>

16.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against retirement benefits and other dues of the employees. Maximum balance due from executives at the end of any month during the year was Rs. 8 million (2007: Rs. 8 million)



	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>17. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	227,517	227,386
including in transit Rs. 10 million (2007: Rs. 1 million)		
Spares	280,901	181,995
including in transit Rs. 8 million (2007: Rs. 7 million)		
Loose tools	<u>2,907</u>	<u>2,815</u>
	511,325	412,196
Less: Provision for slow moving/obsolete items	<u>25,368</u>	<u>24,918</u>
	<u>485,957</u>	<u>387,278</u>
<b>18. STOCK-IN-TRADE</b>		
Raw materials	1,060,814	467,213
Work-in-process	120,005	89,888
Finished goods	<u>1,734,731</u>	<u>1,697,043</u>
	<u>2,915,550</u>	<u>2,254,144</u>
<b>19. TRADE DEBTS - UNSECURED</b>		
Considered good	2,490,258	2,164,671
Considered doubtful	<u>23,801</u>	<u>22,970</u>
	2,514,059	2,187,641
Less: Provision for doubtful trade debts	<u>23,801</u>	<u>22,970</u>
	<u>2,490,258</u>	<u>2,164,671</u>
19.1	Includes Rs. 130 million (2007: Rs. 88 million) due from related parties.	
19.2	The maximum aggregate month end balance due from related parties during the year is Rs. 230 million (2007: Rs. 272 million).	
<b>20. LOANS AND ADVANCES</b>		
Considered good		
Current portion of loans and advance to employees (note 16)	5,161	3,612
Suppliers	101,161	69,759
Advance income tax	110,682	97,429
Letter of credit	<u>111</u>	<u>947</u>
	<u>217,115</u>	<u>171,747</u>
<b>21. DEPOSITS AND PREPAYMENTS</b>		
Prepayments	<u>40,633</u>	<u>19,050</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>22. OTHER RECEIVABLES</b>		
Accrued interest	5	99
Derivative financial instrument (note 22.1)	-	9,105
Mark-up claim receivable	17,970	2,327
Rebate receivable	9,152	7,581
Others	42,142	44,887
	<u>69,269</u>	<u>63,999</u>
22.1 Derivative financial instrument representing cross currency swap has been unwinded during the year.		
<b>23. TAX REFUNDS DUE FROM GOVERNMENT</b>		
Sales tax refundable	38,825	40,759
Research and development claim	119,490	115,124
Duty drawback receivable	18,181	32,390
	<u>176,496</u>	<u>188,273</u>
<b>24. CASH AND BANK BALANCES</b>		
Cash and cheques in hand	31,777	1,859
With banks in - current accounts	36,877	9,172
- short term deposits	380	16,814
	<u>69,034</u>	<u>27,845</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
25. SALES		
Local	4,852,168	4,091,601
Export	6,899,787	5,780,395
	<u>11,751,955</u>	<u>9,871,996</u>
Less: Brokerage and commission	26,104	24,242
Freight and insurance	75,708	49,416
	<u>11,650,143</u>	<u>9,798,338</u>

25.1 Sales are exclusive of sales tax amounting Rs. 4.255 million (2007: Rs. 6.259 million).

26. COST OF SALES		
Opening stock of finished goods	1,697,043	1,644,340
Add: Cost of goods manufactured (note 26.1)	7,627,006	6,387,763
Purchases and processing charges	2,361,754	2,037,377
	<u>11,685,803</u>	<u>10,069,480</u>
Less: Closing stock of finished goods	1,734,731	1,697,043
	<u>9,951,072</u>	<u>8,372,437</u>

26.1 Cost of goods manufactured

Raw materials consumed (note 26.2)	3,508,821	2,931,455
Stores consumed	1,309,915	1,059,525
Salaries, wages and benefits	1,273,903	1,001,209
Fuel, power and water	751,654	827,170
Insurance	38,578	34,495
Repairs and maintenance	303,253	179,006
Depreciation	464,005	365,571
Other expenses	39,179	32,508
Cost of samples shown under distribution cost	(32,185)	(33,904)
	<u>7,657,123</u>	<u>6,397,035</u>
Work-in-process		
Opening	89,888	80,616
Closing	(120,005)	(89,888)
	<u>(30,117)</u>	<u>(9,272)</u>
	<u>7,627,006</u>	<u>6,387,763</u>

Salaries, wages and benefits include Rs. 15 million (2007: Rs. 15 million) and Rs. 15 million (2007: Rs. 18 million) in respect of retirement benefits and staff compensated absences respectively.

26.2 Raw materials consumed

Opening stock	467,213	792,329
Purchases during the year	4,102,422	2,606,339
Closing stock	(1,060,814)	(467,213)
	<u>3,508,821</u>	<u>2,931,455</u>

	<u>2008</u>	<u>2007</u>
27. ADMINISTRATIVE EXPENSES		Rs. 000s
Salaries and benefits	259,448	220,377
Rent, rates and taxes	28,337	25,377
Repairs and maintenance	21,538	14,462
Vehicle up keep	42,413	36,083
Conveyance and traveling	48,233	39,208
Printing and stationery	30,263	24,119
Postage and telecommunication	27,651	23,432
Legal and consultancy fees	18,577	11,818
Depreciation/amortization	65,127	60,141
Auditors' remuneration (note 27.1)	202	190
Donations (note 27.2)	1,635	3,099
Insurance	5,279	4,571
Bad/doubtful debts	831	489
Provision for slow moving/obsolete items	450	409
Other expenses	13,352	10,092
	<u>563,336</u>	<u>473,867</u>

Salaries and benefits include Rs. 10 million (2007: Rs. 9 million) and Rs. 1 million (2007: Rs. 6 million) in respect of retirement benefit and staff compensated absences respectively.

#### 27.1 Auditors' remuneration

Audit fee	125	125
Half yearly review	30	30
Audit of workers' profit participation fund and other services	12	2
Out of pocket expenses	35	33
	<u>202</u>	<u>190</u>

27.2 None of the Directors or their spouses have any interest in the donees.

#### 28. DISTRIBUTION COST

Shipment expenses	54,575	53,461
Advertisement and publicity	47,687	70,264
Cost of samples transferred from cost of goods manufactured	32,185	33,904
Rent, rates and taxes	45,038	22,793
Other expenses	23,773	20,021
	<u>203,258</u>	<u>200,443</u>

#### 29. OTHER OPERATING EXPENSES

Workers' profit participation fund	10,840	14,081
Workers' welfare fund	4,119	5,351
	<u>14,959</u>	<u>19,432</u>

	<u>2008</u>	<u>2007</u>
		Rs. 000s
<b>30. OTHER OPERATING INCOME</b>		
Income from financial assets		
Gain on redemption of money market fund	4,336	-
Others		
Profit on sale of operating assets	7,382	2,100
Scrap sales	5,079	4,122
Others	-	55
	<u>16,797</u>	<u>6,277</u>
<b>31. FINANCE COST</b>		
Interest/mark-up on long term loans	181,215	180,716
Mark-up on short term borrowings	365,210	316,101
Interest on workers' profit participation fund	1,267	92
Bank charges	22,653	17,928
	<u>570,345</u>	<u>514,837</u>
Interest income/exchange differences (note 31.1)	162,132	(38,592)
	<u>732,477</u>	<u>476,245</u>
31.1 Includes swap loss of Rs. 105 million (2007: swap gain Rs. 31 million).		
<b>32. PROVISION FOR TAXATION</b>		
Current	66,000	67,352
Prior	-	6,939
Deferred	33,000	23,500
	<u>99,000</u>	<u>97,791</u>
32.1 Reconciliation between accounting profit and tax expense		
Net profit for the year before taxation	<u>201,838</u>	<u>262,191</u>
Tax at the applicable tax rate of 35%	70,643	91,767
Effect of income assessed under presumptive tax regime	24,405	1,764
Effect of expenses deductible for tax purposes less inadmissible expenses	(29,048)	(26,179)
	<u>66,000</u>	<u>67,352</u>
<b>33. EARNINGS PER SHARE</b>		
Profit for the year	<u>102,838</u>	<u>164,400</u>
Number of shares	<u>55,198,738</u>	<u>52,887,995</u>
Earnings per share (Rs.)	1.86	3.11

There is no dilutive effect on the earnings per share of the Company.

### 34. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2008				2007			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	2,400	5,200	76,238	83,838	2,400	5,200	55,573	63,173
House rent allowance	960	2,080	30,495	33,535	960	2,080	22,229	25,269
Other allowances	240	687	15,828	16,755	240	937	13,226	14,403
Contribution to provident fund	200	433	5,850	6,483	200	433	4,424	5,057
	<b>3,800</b>	<b>8,400</b>	<b>128,411</b>	<b>140,611</b>	<b>3,800</b>	<b>8,650</b>	<b>95,452</b>	<b>107,902</b>
Number of persons	1	3	78	82	1	3	54	58

34.1 The Chief Executive, Directors and certain Executives are provided with free use of Company cars and are covered under Company's Health Insurance Plan alongwith their dependents.

34.2 The Chief Executive and some Directors are also provided with free residential telephones.

34.3 Aggregate amount charged in the accounts for the year for meeting fee to five Directors was Rs. 4 (000) (2007: two Directors Rs. 3 (000))

### 35. RESEARCH AND DEVELOPMENT SUPPORT

	2008	2007
Support on account of research and development	282,090	246,964
Less : Utilization		
Product development	82,730	82,776
Skill development and training	13,000	13,550
Upgradation of information technology	29,405	25,584
Professional consultancy	6,800	3,600
Market research	100,981	67,884
Environment improvement	35,555	26,996
Resource conservation	63,425	20,530
Production efficiencies	2,800	7,462
Participation in exhibition	17,031	11,223
	<b>351,727</b>	<b>259,605</b>
Net expenses	<b>(69,637)</b>	<b>(12,641)</b>

Research and development support is allowed by the Government of Pakistan in term of SRO 803(I)/2006 dated August 4, 2006 issued by Ministry of Textile Industries in order to encourage research and development in textile value added sector.

### 36. TRANSACTIONS 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 transactions with various related parties.

Relationship with the Company	Nature of Transactions	2008	2007
Subsidiaries	Purchase of goods	29,833	-
	Sale of goods	500,870	567,894
Associated Companies and other related parties	Purchase of goods	28,428	29,749
	Sale of goods	15,628	22,732
	Rent paid	3,900	3,900
	Fees paid	563	1,500
	Deposit with bank (at year end)	21,450	21,824
	Borrowing from bank (at year end)	749,967	420,675
	Bank Guarantees (at year end)	53,779	53,779
	Bills discounted	145,989	66,067
	Commission/Bank charges paid	12,141	2,303
	Mark-up/interest charged	41,521	18,579
Mark-up/interest earned	248	444	

There are no transactions with directors of the Company and key management personnel other than under the terms of employment. Remuneration of the key management personnel is disclosed in Note 34.

The related parties status of outstanding receivables and payable as at June 30, 2008 are included in respective notes to the financial statements.

### 37. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 29, 2008 have proposed cash dividend of Re. 1 per share (2007: Nil) and transfer to general reserve from un-appropriated profit of Rs. 50 million (2007: Rs. 160 million) subject to the approval of members at the Annual General Meeting to be held on October 31, 2008.

38. CAPACITY AND PRODUCTION		2008			2007	
Unit		Capacity	Production	Working	Capacity	Production
Cloth	Sq. meters (50 Picks converted)	118,870	78,536	3 shifts	79,238	74,741
Yarn	Kgs. (20 Counts converted)	38,877	32,241	3 shifts	36,186	31,711

Production is lower due to variation in production mix and various technical factors. Moreover capacity shown above is for the full year whereas machinery added during the year was put into commercial operation gradually.

### 39. FINANCIAL ASSETS AND LIABILITIES

Rs. 000s

Interest/mark-up bearing			Non Interest/mark-up bearing			2008 Total	2007 Total
Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		

#### Financial assets

Long term loans	-	-	-	-	3,505	3,505	3,505	4,943
Long term deposits	-	-	-	-	15,599	15,599	15,599	10,579
Trade debts	-	-	-	2,490,258	-	2,490,258	2,490,258	2,164,671
Loans and advances	-	-	-	5,161	-	5,161	5,161	3,612
Deposits and prepayments	-	-	-	36	-	36	36	36
Other receivables	-	-	-	69,269	-	69,269	69,269	63,999
Cash and bank balances	380	-	380	68,654	-	68,654	69,034	27,845
	380	-	380	2,633,378	19,104	2,652,482	2,652,862	2,275,685

#### Financial liabilities

Long term loans	593,671	2,354,317	2,947,988	-	-	-	2,947,988	2,267,907
Short term borrowings	5,214,385	-	5,214,385	-	-	-	5,214,385	4,010,209
Trade and other payables	12,106	-	12,106	1,054,845	-	1,054,845	1,066,951	849,174
Accrued interest	-	-	-	144,318	-	144,318	144,318	95,288
	5,820,162	2,354,317	8,174,479	1,199,163	-	1,199,163	9,373,642	7,222,578

#### Off balance sheet items

##### Financial commitments

Guarantees	-	-	-	106,670	-	106,670	106,670	106,670
Bills discounted	-	-	-	583,788	-	583,788	583,788	46,818
Commitments	-	-	-	208,748	-	208,748	208,748	498,356
	-	-	-	899,206	-	899,206	899,206	651,844
	5,820,162	2,354,317	8,174,479	2,098,369	-	2,098,369	10,272,848	7,874,422

The effective interest/mark-up rates for the monetary financial assets/liabilities are mentioned in the respective notes to the financial statements.

#### 39.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk. Out of the total financial assets of Rs. 2,653 million (2007: Rs. 2,276 million), the financial assets which are subject to credit risk amounted to Rs. 2,575 million (2007: Rs. 2,239 million).

#### 39.2 Foreign exchange risk management

Foreign currency risk arises when receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are covered partially through forward foreign exchange contracts.

#### 39.3 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company usually borrows funds at fixed and market based rates and as such the risk is minimized.

#### 39.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

#### 39.5 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year.

#### 39.6 Fair value of financial assets and liabilities

The carrying amounts of the financial assets and liabilities approximate their fair values.

### 40. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 29, 2008 by the Board of Directors of the Company.

### 41. GENERAL

Figures have been rounded off to the nearest thousand rupees.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director



## ATTENDANCE AT BOARD MEETINGS

For The Year Ended June 30, 2008

Name of Director	Total number of meetings *	Number of meeting attended
Bashir Ali Mohommad	4	4
A. Razak Haji Sattar	4	2
Yasin Haji Kassam	3	1
Younus Haji Latif	3	0
Siraj Kassam Teli	1	1
Muhammad Junaid	1	1
Zain Bashir	4	4
Ziad Bashir	4	4
Mohammad Zaki Bashir	1	1
Abdul Aziz Yousuf	4	4
S.M. Nadim Shafiqullah	1	1

\* held during the period the concerned Director was on the Board.

# Pattern Of Shareholding

As At June 30, 2008

No. of Shareholders	Shareholding		Shares held
909	From	1	100
718	From	101	500
152	From	501	1,000
111	From	1,001	5,000
23	From	5,001	10,000
8	From	10,001	15,000
4	From	15,001	20,000
2	From	20,001	25,000
3	From	25,001	30,000
1	From	30,001	35,000
1	From	35,001	40,000
2	From	40,001	45,000
1	From	50,001	55,000
1	From	55,001	60,000
2	From	60,001	65,000
1	From	70,001	75,000
2	From	75,001	80,000
1	From	85,001	90,000
1	From	100,001	105,000
1	From	125,001	130,000
1	From	130,001	135,000
1	From	135,001	140,000
1	From	140,001	145,000
1	From	180,001	185,000
1	From	190,001	195,000
1	From	195,001	200,000
1	From	210,001	215,000
1	From	220,001	225,000
1	From	225,001	230,000
1	From	230,001	235,000
1	From	240,001	245,000
1	From	245,001	250,000
2	From	255,001	260,000
1	From	260,001	265,000
2	From	265,001	270,000
1	From	275,001	280,000
1	From	290,001	295,000
1	From	305,001	310,000
1	From	310,001	315,000
1	From	325,001	330,000
1	From	370,001	375,000
1	From	385,001	390,000
1	From	410,001	415,000
1	From	455,001	460,000
1	From	475,001	480,000
1	From	510,001	515,000
1	From	555,001	560,000
1	From	560,001	565,000
1	From	580,001	585,000
1	From	590,001	595,000
4	From	605,001	610,000
1	From	740,001	745,000
1	From	780,001	785,000
1	From	915,001	920,000
1	From	1,200,001	1,205,000
1	From	1,210,001	1,215,000
1	From	2,035,001	2,040,000
1	From	2,580,001	2,585,000
1	From	3,415,001	3,420,000
1	From	4,810,001	4,815,000
1	From	5,380,001	5,385,000
1	From	5,390,001	5,395,000
1	From	6,025,001	6,030,000
1	From	6,200,001	6,205,000
<hr/>			<hr/>
1,993			55,198,738

Categories of Shareholders	Number	Shares held	Percentage
Individuals	1,949	40,051,269	72.56
Investment Companies	20	1,702,845	3.09
Insurance Companies	5	2,462,487	4.46
Joint Stock Companies	6	19,366	0.04
Modaraba Companies	5	144,838	0.26
Financial Institutions	1	123	-
Foreign Investors	2	10,776,982	19.52
Charitable Institutions	3	35,333	0.06
Government Departments	2	5,495	0.01
<hr/>		<hr/>	<hr/>
	1,993	55,198,738	100.00

# Pattern Of Shareholding As At June 30, 2008

## Additional Information

<u>Categories of Shareholders</u>	<u>Number</u>	<u>Shares held</u>
<u>NIT and ICP</u>		
IDBP (ICP Unit)	1	1,794
National Bank of Pakistan - Trustee Department	1	1,201,274
NBP Trustee - NI(U) T(LOC) Fund	1	305,902
<u>Investment Companies and Mutual Funds</u>		
Insurance Companies	5	2,462,487
Joint Stock Companies	6	19,366
Modaraba Companies	5	144,838
Financial Institutions	1	123
Foreign Investors	2	10,776,982
Charitable Institutions	3	35,333
Government Departments	2	5,495
<u>DIRECTORS</u>		
Bashir Ali Mohommad (Chief Executive)	1	3,411,546
A. Razak Haji Sattar	1	784,760
Siraj Kassam Teli	1	556,030
Muhammad Junaid	1	387,908
Zain Bashir	1	4,814,260
Ziad Bashir	1	6,025,748
Mohammad Zaki Bashir	1	6,202,296
Abdul Aziz Yousuf	1	4,048
S.M. Nadim Shafiqullah	1	2,500
<u>DIRECTORS'/CEO'S SPOUSES</u>		
Parveen Bashir	1	2,582,461
Jamila Bai A. Razak	1	455,694
Naseema Siraj	1	563,088
Fozia Junaid	1	477,526
Tania Zain	1	1,211,487
<u>Shareholders holding 10% or more voting interest</u>		
Ziad Bashir (Director)	1	6,025,748
Mohammad Zaki Bashir (Director)	1	6,202,296

## Detail of trading in the shares by:

### Directors, CEO, CFO, Company Secretary, their spouses and minor children

No trading was carried out by Directors, CEO, CFO, Company Secretary, their Spouses and minor children during the year under review.

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## Auditors' Report On Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of GUL AHMED TEXTILE MILLS LIMITED (the Holding Company) and Gul Ahmed International Limited (FZC) and GTM (Europe) Limited (the Subsidiaries) as at June 30, 2008 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 year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. Subsidiaries have been audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Subsidiaries, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its Subsidiaries as at June 30, 2008 and the results of their operations for the year then ended.

Karachi  
September 29, 2008

**HYDER BHIMJI & CO.**  
Chartered Accountants

# Consolidated Balance Sheet

As At June 30, 2008

	Note	2008	2007
		Rs. 000s	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 75,000,000 ordinary shares of Rs. 10 each		750,000	750,000
Issued, subscribed and paid-up capital	4	551,987	551,987
Reserves	5	2,131,839	1,949,950
Unappropriated profit		156,202	187,766
		2,840,028	2,689,703
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	6	2,354,317	1,772,007
Deferred tax liability	7	124,773	91,773
Deferred liability for staff gratuity	8	5,547	6,105
<b>CURRENT LIABILITIES</b>			
Short term borrowings	9	5,260,760	4,024,523
Current maturity of long term loans		593,671	495,900
Trade and other payables	10	1,176,023	917,271
Accrued Interest	11	144,318	95,288
Provision for taxation		67,334	74,871
		7,242,106	5,607,853
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	12		
		12,566,771	10,167,441

ASSETS	<u>Note</u>	<u>2008</u>	<u>2007</u>
		Rs. 000s	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	5,832,838	4,705,758
Intangible assets	14	33,818	31,167
Long term loans and advances	15	3,505	7,425
Long term deposits		15,599	10,579
		<u>5,885,760</u>	<u>4,754,929</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	16	485,957	387,278
Stock-in-trade	17	2,963,105	2,353,835
Trade debts	18	2,644,895	2,164,943
Loans and advances	19	218,685	172,473
Deposits and prepayments	20	46,201	26,460
Other receivables	21	60,908	54,468
Tax refunds due from government	22	179,563	191,760
Cash and bank balances	23	81,697	61,295
		<u>6,681,011</u>	<u>5,412,512</u>
		<u><u>12,566,771</u></u>	<u><u>10,167,441</u></u>

The annexed notes form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Consolidated Profit And Loss Account

For The Year Ended June 30, 2008

		<u>2008</u>	<u>2007</u>
	<u>Note</u>	Rs. 000s	
Sales	24	12,025,843	10,012,101
Cost of sales	25	10,179,576	8,480,875
Gross profit		1,846,267	1,531,226
Administrative expenses	26	619,952	508,812
Distribution cost	27	252,504	242,496
Other operating expenses	28	14,959	19,432
		887,415	770,740
Operating profit		958,852	760,486
Other operating income	29	16,853	6,364
		975,705	766,850
Finance cost	30	746,516	500,151
Profit for the year before taxation		229,189	266,699
Provision for taxation	31	100,235	98,371
Profit for the year after taxation		128,954	168,328
Earnings per share (Rs.)	32	2.34	3.18

The annexed notes form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director



# Consolidated Cash Flow Statement

For The Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	229,189	266,699
Adjustments for:		
Depreciation/amortization	532,115	426,694
Gratuity	2,747	4,572
Finance cost	572,523	518,864
Provision for slow moving/obsolete stores and spares	450	409
Provision for doubtful debts	987	489
Profit on sale of operating assets	(7,421)	(2,100)
Interest income/exchange differences	173,993	(18,713)
	<u>1,504,583</u>	<u>1,196,914</u>
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(99,129)	(17,805)
Stock-in-trade	(609,270)	292,637
Trade debts	(480,783)	(310,892)
Loans and advances	(32,959)	(27,210)
Deposits and prepayments	(19,741)	(10,145)
Other receivables	(6,416)	(19,865)
Tax refunds due from government	12,197	(94,196)
	<u>(1,236,101)</u>	<u>(187,476)</u>
Increase in current liabilities		
Trade and other payables	258,752	189,259
	<u>(977,349)</u>	<u>1,783</u>
Cash generated from operations	527,234	1,198,697
Payments for/receipts from:		
Gratuity	(3,305)	(4,744)
Finance cost	(523,493)	(543,543)
Income tax paid	(88,180)	(74,098)
Long term loans and advances	3,920	295
Net cash used in/generated from operating activities	<u>(83,824)</u>	<u>576,607</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(1,690,982)	(716,452)
Proceeds from sale of operating assets	36,556	6,522
Interest income/exchange differences	(174,017)	37,575
Long term deposits	(5,020)	(5,490)
Net cash used in investing activities	<u>(1,833,463)</u>	<u>(677,845)</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loans	1,405,645	178,875
Repayments of long term loans	(725,564)	(356,882)
Right shares subscription	-	183,996
Net cash generated from financing activities	680,081	5,989
Exchange difference on translation of foreign subsidiaries	21,371	6,922
Net decrease in cash and cash equivalents	(1,215,835)	(88,327)
Cash and cash equivalents - at the beginning of the year	(3,963,228)	(3,874,901)
Cash and cash equivalents - at the end of the year	(5,179,063)	(3,963,228)
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents include:		
Cash and bank balances	81,697	61,295
Short term running finance	(5,260,760)	(4,024,523)
	(5,179,063)	(3,963,228)

The annexed notes form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Consolidated Statement of Changes in Equity

For The Year Ended June 30, 2008

Rs. 000s

	Shares capital	Revenue reserve	Exchange difference on translation of foreign subsidiaries	Capital reserve	Statutory reserve	Unappropriated profit	Total
Balance as at June 30, 2006	459,989	1,740,000	(2,917)	110,054	2,977	20,354	2,330,457
Issue of right shares	91,998	-	-	91,998	-	-	183,996
Transfer to general reserve	-	-	-	-	916	(916)	-
Profit for the year	-	-	-	-	-	168,328	168,328
Exchange adjustments	-	-	6,922	-	-	-	6,922
Balance as at June 30, 2007	551,987	1,740,000	4,005	202,052	3,893	187,766	2,689,703
Transferred to general reserve	-	160,000	-	-	518	(160,518)	-
Profit for the year	-	-	-	-	-	128,954	128,954
Exchange adjustments	-	-	21,371	-	-	-	21,371
Balance as at June 30, 2008	551,987	1,900,000	25,376	202,052	4,411	156,202	2,840,028

The annexed notes form an integral part of these financial statements.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director

# Consolidated Notes To The Accounts

## For The Year Ended June 30, 2008

### 1. THE GROUP AND ITS OPERATIONS

- 1.1 Gul Ahmed Group comprises the following:  
 -Gul Ahmed Textile Mills Limited  
 -Gul Ahmed International Limited ( FZC) -UAE  
 -GTM (Europe) Limited -UK

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

Gul Ahmed Textile Mills Limited is a public limited company incorporated in Pakistan and is listed on the Karachi and Lahore Stock Exchanges. It is engaged in the manufacture and sale of textile products.

Both subsidiaries are engaged in trading of textile related products.

#### 1.2 Basis of presentation

The consolidated financial statements include the accounts of Gul Ahmed Textile Mills Limited, Gul Ahmed International Limited (FZC) - UAE and GTM (Europe) Limited - UK. The financial statements of the subsidiary companies have been consolidated on a line by line basis.

All inter group balances and transaction have been eliminated.

### 2. BASIS OF PREPARATION

#### 2.1 Accounting convention

Accounts of the Group have been prepared on historical cost convention except as has been stated below in respective policy notes.

#### 2.2 Statement of compliance

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

#### 2.3 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS - 1 (Revised) Presentation of Financial Statements	effective from accounting period beginning on or after January 1, 2009
IAS - 23 (Amendment) Borrowing Costs	effective from accounting period beginning on or after January 1, 2009
IAS-29 (Amendment) Financial Reporting in Hyperinflationary Economies	effective from accounting period beginning on or after July 1, 2008
IAS-32 (Amendment) Financial instruments: Presentation and consequential amendments	effective from accounting period beginning on or after January 1, 2009
IFRS -2 (Amendment) Share based Payment	effective from accounting period beginning on or after July 1, 2009
IFRS - 3 (Amendment) Business Combinations	effective for business combinations for which agreement date is on or after July 1, 2009
IFRS - 7 Financial instruments: Disclosures	effective from accounting period beginning on or after July 1, 2008
IFRS - 8 Operating Segments	effective from accounting period beginning on or after January 1, 2009

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Group expects that the adoption of the above standards, amendments and interpretations will have no significant impact on the Group's financial statements other than increase disclosures in certain cases.

#### 2.4 Functional and presentation currency

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

#### 2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

- 1) Provision for slow moving/obsolete items (note 16)
- 2) Provision for doubtful trade debts (note 18)
- 3) Provision for taxation (note 31)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates ruling on the balance sheet date.

For the purposes of consolidation, income and expense items of the foreign subsidiaries are translated at annual average exchange rate. All monetary and non monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date except for share capital which is translated at historical rate. Exchange differences arising on the translation of foreign subsidiaries are classified as equity reserve until the disposal of interest in such subsidiaries.

Foreign currency transactions are translated into Pak Rupees at the rates ruling on the transaction date.

Exchange differences on foreign currency loans are capitalized upto the date of commissioning of the respective qualifying asset, acquired out of the proceeds of such loans. Other exchange differences are included in current year's income.

#### 3.2 Borrowing cost

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying asset, acquired out of the proceeds of such loans. All other mark-up, interest, profit and other charges are charged to income.

#### 3.3 Retirement gratuity

The Group operates an approved funded contributory provident fund for its eligible employees to which equal monthly contribution is made both by the Group and the employees. The Group also operates an unfunded gratuity scheme for eligible employees who are not part of the provident fund scheme. Gratuity is payable to the employees under the law. Consequent to the adoption of IAS 19, the Group now accounts for gratuity provision on the basis of actuarial valuation on projected unit credit method.

#### 3.4 Employee compensated absences

The Group provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Group.

#### 3.5 Provisions

Provisions are recognized in the balance sheet when the Group has legal or constructive obligation as a result of past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### 3.6 Taxation

##### Current

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any.

##### Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statement and their tax base. This is recognised on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable the future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

#### 3.7 Property, plant and equipment Operating assets

These are stated at cost less accumulated depreciation except leasehold land which is stated at cost. No amortization is provided on leasehold land since the lease is renewable at the option of the lessee. Depreciation is charged on reducing balance method at rates specified in the respective note. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year and no depreciation is charged on assets in the year of their disposal. Gains and losses on disposal of fixed assets are included in current year's income.

##### Capital work-in-progress

Capital work-in-progress is stated at cost.

#### 3.8 Intangible assets

Intangible assets are stated at cost less accumulated amortization. Amortization is charged over the useful life of the assets on a systematic basis to income applying the straight line method at the rate specified in the respective note.

#### 3.9 Investments

##### Investments held for trading

These are stated at fair value and changes in carrying values are included in profit and loss account.

##### Investments available for sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time accumulated gain or loss previously recognized in equity is included in profit and loss account for the year.

#### Investments held to maturity

These are stated at amortized cost, less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

#### 3.10 Stores, spares and loose tools

These are valued at average cost and goods-in-transit are stated at actual cost.

#### 3.11 Stock-in-trade

Raw materials are valued at average cost. Finished goods are valued at lower of average manufacturing cost and net realisable value. Work-in-process is valued at average cost of raw materials plus a proportion of the production overheads. Waste products are valued at net realisable value. Goods-in-transit are stated at actual cost.

#### 3.12 Trade debts

Trade debts are carried at original invoice amount. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

#### 3.13 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### 3.14 Financial assets and liabilities

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

#### 3.15 Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest and exchange rate fluctuations. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

#### 3.16 Offsetting of financial assets and liabilities

All financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Group has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

#### 3.17 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

#### 3.18 Revenue recognition

Sales are recorded on despatch of goods to buyers.  
Return on investment is recognised on accrual basis.

#### 3.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises short term investment, cash on hand, with banks on current, savings and deposit accounts, running finance under mark-up arrangements and short-term finance.

#### 3.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

			<u>2008</u>	<u>2007</u>
			Rs. 000s	
4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	<u>2008</u>	<u>2007</u>		
	30,517,756	30,517,756	305,177	305,177
Ordinary shares of Rs.10 each fully paid in cash				
	5,447,326	5,447,326	54,473	54,473
Ordinary shares of Rs.10 each fully paid under scheme of arrangement for amalgamation				
	19,233,656	19,233,656	192,337	192,337
Ordinary shares of Rs.10 each issued as fully paid bonus shares				
			<u>551,987</u>	<u>551,987</u>
<b>5. RESERVES</b>				
Revenue reserve				
General reserve			1,740,000	1,740,000
Add: Transfer from profit and loss account			160,000	-
			<u>1,900,000</u>	<u>1,740,000</u>
Exchange difference on translation of foreign subsidiaries			25,376	4,005
Capital reserve				
Share premium			180,493	88,495
Add: Premium on right shares issued during the year			-	91,998
			180,493	180,493
Book difference of share capital under scheme of arrangement for amalgamation			21,559	21,559
			<u>202,052</u>	<u>202,052</u>
Statutory reserve			4,411	3,893
			<u>2,131,839</u>	<u>1,949,950</u>

#### 6. LONG TERM LOANS - SECURED

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2008	2007
					Rs. 000s	
Habib Bank Limited Loan 3 Under State Bank of Pakistan (SBP) scheme of Long Term Finance - Export Oriented Projects (LTF-EOP)	6.1	5 half yearly April-2007	116,666	6.00% p.a. payable quarterly	233,332	466,664
Habib Bank Limited Loan 4 a) Under LTF-EOP scheme	6.1	12 half yearly June-2009	5,416	7.00% p.a. payable quarterly	64,995	64,995
b) Under LTF-EOP scheme		11 half yearly November-2009	4,855	7.00% p.a. payable quarterly	53,405	53,405
Habib Bank Limited Loan 5 Under LTF-EOP scheme	6.1	11 half yearly December-2009	2,805	7.00% p.a. payable quarterly	30,851	-
Habib Bank Limited Loan 6 Under LTF-EOP scheme	6.1	11 half yearly February-2010	10,375	7.00% p.a. payable quarterly	114,122	-
Habib Bank Limited Loan 7 Under LTF-EOP scheme	6.1	11 half yearly July-2009	848	7.00% p.a. payable quarterly	9,332	-



	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2008 Rs. 000s	2007
Habib Bank Limited Loan 8 Under LTF-EOP scheme	6.1	11 half yearly January-2010	2,004	7.00% p.a. payable quarterly	22,039	-
Habib Bank Limited Loan 9	6.1	Repayment terms under finalization		Presently bank is charging 14.16% p.a. payable quarterly	4,192	-
United Bank Limited Loan 1	6.3	6 half yearly March-2006	25,000	Six month T-Bill+1.00% payable half yearly	25,000	75,000
United Bank Limited Loan 2 Original Loan due in September 2008 roll over for the period of five years.	6.3	10 half yearly March-2009	50,000	8.30% fixed rate +0.85% upto September-2008 and three months KIBOR+1.00% after roll over date payable half yearly	500,000	500,000
United Bank Limited Loan 3	6.3	12 half yearly October-2009	931	7.00% p.a. payable quarterly	11,172	-
United Bank Limited Loan 4	6.3	6 half yearly August-2010	48,199	Average six months KIBOR Ask rate+1.00% payable half yearly	289,192	-
United Bank Limited Loan 5 Under State Bank of Pakistan (SBP) scheme of Long Term Financing Facility (LTFF)	6.3	16 half yearly November-2010	363	10.00% p.a. payable quarterly	5,806	-
National Bank of Pakistan Loan 1	6.1	6 half yearly December-2007	43,988	Average six months KIBOR Ask rate+1.25% payable half yearly	175,952	263,929
National Bank of Pakistan Loan 1-A Under LTF-EOP scheme	6.1	7 half yearly June-2007	62,296	7.00% p.a. payable quarterly	249,184	373,775
National Bank of Pakistan Loan 2	6.1	6 half yearly September-2008	24,295	Average six months KIBOR Ask rate+1.50% payable half yearly	145,767	145,767
National Bank of Pakistan Loan 2-A Under LTF-EOP scheme	6.1	6 half yearly September-2008	5,706	7.00% p.a. payable quarterly	34,233	34,233
National Bank of Pakistan Loan 3	6.1	25 quarterly September-2009	4,000	Average three months KIBOR Ask rate+1.00% payable quarterly	100,000	-
Suppliers Credit Repaid during the year			229,664	NIL	-	229,664
Bank Al-Habib Limited Loan 1 Under LTF-EOP scheme	6.2	12 half yearly December-2008	2,315	7.00% p.a. payable quarterly	27,775	27,775
Habib Metropolitan Bank Loan 1 a) Under LTF-EOP scheme	6.2	12 half yearly March-2009	683	7.00% p.a. payable quarterly	8,200	8,200
b) Under LTF-EOP scheme		12 half yearly April-2009	2,042	7.00% p.a. payable quarterly	24,500	24,500

	Note	Number of Installments and commencement Month	Installment amount (Rs. 000s)	Mark-up rate per annum	2008	2007
					Rs. 000s	
Habib Metropolitan Bank Loan 2 Under LTF-EOP scheme	6.2	12 half yearly November-2009	19,417	7.00% p.a. payable quarterly	233,000	-
HSBC Bank Middle East Ltd Loan 1 Under LTF-EOP scheme	6.2	12 half yearly November-2009	3,921	7.00% p.a. payable quarterly	47,050	-
HSBC Bank Middle East Ltd Loan 2 Under LTF-EOP scheme	6.2	12 half yearly December-2009	1,838	7.00% p.a. payable quarterly	22,061	-
HSBC Bank Middle East Ltd Loan 3 Under LTF-EOP scheme	6.2	12 half yearly January-2010	875	7.00% p.a. payable quarterly	10,497	-
HSBC Bank Middle East Ltd Loan 4 Under LTF-EOP scheme	6.2	12 half yearly March-2010	844	7.00% p.a. payable quarterly	10,129	-
Allied Bank Limited Loan 1	6.3	12 quarterly March-2010	16,667	Average three months KIBOR Ask rate+1.00% payable quarterly	200,000	-
Allied Bank Limited Loan 2 Under LTFF scheme	6.3	32 quarterly July-2010	9,256	10.00% p.a. payable quarterly	296,201	-
Current portion shown under current liabilities					<u>2,947,988</u>	<u>2,267,907</u>
					<u>(593,671)</u>	<u>(495,900)</u>
					<u>2,354,317</u>	<u>1,772,007</u>

- 6.1 These loans are secured by first pari passu charge over present and future fixed assets of the Parent Company and equitable mortgage over land and building.
- 6.2 These loans are secured by hypothecation charge over specified machinery.
- 6.3 These loans are secured by way of pari passu charge over the fixed assets of the Parent Company.

7. DEFERRED TAX LIABILITY	<u>2008</u>	<u>2007</u>
	Rs. 000s	
Credit/(debit) balances arising in respect of timing differences relating to:		
Accelerated tax depreciation allowance	130,510	97,436
Provision for gratuity	(574)	(635)
Provision for doubtful debts	(2,499)	(2,412)
Provision for slow moving items	(2,664)	(2,616)
	<u>124,773</u>	<u>91,773</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
8. DEFERRED LIABILITY FOR STAFF GRATUITY		
Opening balance as at July 1	6,105	6,277
Provision during the year	2,747	4,572
	<u>8,852</u>	<u>10,849</u>
Paid during the year	(3,305)	(4,744)
Closing balance as at June 30	<u>5,547</u>	<u>6,105</u>

Following significant assumptions have been made for the purpose of actuarial valuation.

- Expected rate of increase in salary	9% p.a.
- Discount rate	10% p.a.
- Mortality rate	EFU 61-66 mortality table
- Withdrawal rate	Age dependant

#### 9. SHORT TERM BORROWINGS - SECURED

Short term bank borrowings	4,940,930	3,354,763
Short term running finance	315,230	519,760
Murabaha	4,600	150,000
	<u>5,260,760</u>	<u>4,024,523</u>

Short term borrowing is secured by pari passu hypothecation charge over stores and spares, stock-in-trade, trade debts and other receivables, and Rs. 46.375 million (2007: Rs. 14.314 million) which is secured against counter guarantee of the Parent Company. Unavailed facility at the year end was Rs. 3,813 million (2007: Rs. 2,510 million). The facility for short term finance mature within twelve months.

Mark-up rates range from 3.28% to 15.44% (2007: 5.74% to 13.15%) per annum.

#### 10. TRADE AND OTHER PAYABLES

Creditors	822,734	632,421
Due to associated undertakings	10,359	2,262
Accrued expenses	278,933	252,410
Workers' profit participation fund (note 10.1)	12,107	14,172
Unclaimed dividend	351	352
Others	51,540	15,654
	<u>1,176,024</u>	<u>917,271</u>

##### 10.1 Workers' profit participation fund

Opening balance as at July 1	14,172	1,578
Provision for the year	10,840	14,081
Interest for the year	1,267	92
	<u>26,279</u>	<u>15,751</u>
Less: Payments made during the year	14,172	1,578
Closing balance as at June 30	<u>12,107</u>	<u>14,172</u>

#### 11. ACCRUED INTEREST

Interest/mark-up accrued on loans (secured)	49,931	32,439
Mark-up on short term borrowings (secured)	94,387	62,849
	<u>144,318</u>	<u>95,288</u>

## 12. CONTINGENCIES AND COMMITMENTS

12.1 The Group is contingently liable for:

- (a) Rs. 107 million (2007: Rs. 107 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.
- (b) Post dated cheques Rs. 13 million (2007: Rs. 4 million) issued to various Government Agencies.
- (c) Bills discounted Rs. 584 million (2007: Rs. 47 million).
- (d) Corporate guarantee of Rs. 53.829 million (2007: Rs. 24.554 million) has been issued to a bank in favour of a subsidiary company.

12.2 Group owns and possesses a plot of land measuring 44 acres in Deh Khanto, which is appearing in the books at a cost of Rs. 64 million. Group holds title deeds of the land which are duly registered in its name. Ownership of the land has been challenged in the Sind High Court by some claimants who claim to be the owners, as this land was previously sold to them and subsequently resold to the Group. The claim of the alleged owners is fictitious. The Group is confident that its title to the land is secure and accordingly no provision has been made in these financial statements.

12.3 The Group has filed a suit for recovery of Rs. 33.409 million (2007: Rs. 33.409 million) included in other receivable. Group's management and its legal counsel are of the opinion that the case will be decided in the Group's favour and as such no provision has been made there against.

12.4 The Group has filed a petition in the Sindh High Court against order passed by the Board of Trustees, Employees Old-Age Benefits Institution (EOBI) for upholding the unjustified additional demand of payment raised by EOBI for accounting years 2000-2001 and 2001-2002 amounting to Rs. 50,827,119. This demand has been raised after lapse of more than two years although the records and books of the Group were verified by the EOBI to their entire satisfaction and finalization of all matters by EOBI. The honorable Sind High Court has already restrained EOBI from taking any action or proceedings against the Group. No provision has been made there against in these financial statements as the Company is confident of the favourable outcome of the petition.

12.5 The Group is committed for capital expenditure as at June 30, 2008 of Rs. 182 million (2007: Rs. 283 million).

12.6 The Group is committed for non capital expenditure items under letters of credit as at June 30, 2008 of Rs. 27 million (2007: Rs. 215 million).

	<u>2008</u>	Rs. 000s	<u>2007</u>
13. PROPERTY, PLANT AND EQUIPMENT			
Operating assets - 13.1	5,345,418		4,488,053
Capital work in progress - 13.2	<u>487,420</u>		<u>217,705</u>
	<u>5,832,838</u>		<u>4,705,758</u>

### 13.1 OPERATING ASSETS

	Leasehold land	Buildings on leasehold land	Plant and machinery	Office equipment	Furniture and fixtures	Transport equipment	Total
	← Rupees in thousand →						
Net carrying value basis year ended June 30, 2008							
Opening net book value (NBV)	234,107	971,124	3,067,077	81,942	45,084	88,718	4,488,053
Addition/transfer (at Cost)	-	156,126	1,164,683	28,835	5,050	48,430	1,403,124
Disposal/transfer at NBV	-	-	(20,444)	(274)	(93)	(8,324)	(29,135)
Depreciation charge	-	(110,200)	(352,477)	(21,927)	(5,487)	(26,533)	(516,624)
Closing net book value	234,107	1,017,050	3,858,839	88,576	44,554	102,291	5,345,418
Gross carrying value basis as at June 30, 2008							
Cost	234,107	1,533,821	6,877,156	251,495	75,012	237,488	9,209,079
Accumulated depreciation	-	(516,771)	(3,018,317)	(162,919)	(30,458)	(135,197)	(3,863,661)
Net book value	234,107	1,017,050	3,858,839	88,576	44,554	102,291	5,345,418
Net carrying value basis year ended June 30, 2007							
Opening net book value (NBV)	233,755	466,566	2,639,995	86,227	31,557	92,108	3,550,208
Addition/transfer (at Cost)	352	574,811	721,382	17,548	18,868	22,548	1,355,509
Disposal/transfer at NBV	-	-	(199)	(334)	(131)	(3,758)	(4,422)
Depreciation charge	-	(70,253)	(294,101)	(21,499)	(5,210)	(22,180)	(413,242)
Closing net book value	234,107	971,124	3,067,077	81,942	45,084	88,718	4,488,053
Gross carrying value basis as at June 30, 2007							
Cost	234,107	1,377,695	5,814,999	226,771	70,310	209,027	7,932,909
Accumulated depreciation	-	(406,571)	(2,747,922)	(144,829)	(25,226)	(120,309)	(3,444,856)
Net book value	234,107	971,124	3,067,077	81,942	45,084	88,718	4,488,053
Depreciation rate % per annum	-	10	10	15 to 30	10 to 12	20 to 25	

13.1.1 Additions to plant and machinery include borrowing cost amounting to Rs. 14 million (2007: Rs. NIL).  
Mark-up rate range from 7% to 11.29%.

13.1.2 Depreciation charge for the year has been allocated as follows:

		<u>2008</u>	<u>2007</u>
Cost of goods manufactured	(note 25.1)	464,005	365,571
Administrative expenses	(note 26)	52,619	47,671
		<u>516,624</u>	<u>413,242</u>

## 13.1.3 Details of operating assets sold (by negotiation except where stated)

Rs. 000s

Particulars	Cost	Written down value	Sale proceeds	Particulars of purchasers
Plant and machinery	91,775	19,166	22,816	Faisal Enterprises R-75, Block A, Bagh-e-Malir, Malir Karachi
	5,383	151	236	Moosa Scrape Dealer Shershah, Karachi
	4,634	970	1,553	Abdul Habib Machinery Dealer S.I.T.E., Karachi
	218	147	150	Yousuf Engineering Shershah, Karachi
Office equipment, furniture and fixtures	278	57	58	Jamal Electronics Shop No.7, Electronics Market Saddar, Karachi
	292	77	78	Jameel Furniture & Mart Aram Bagh, Karachi
	1,155	54	65	Computer Net Uni Plaza, I.I. Chundrigar Road Karachi
	1,993	116	117	Aamir Computer & Printers Uni Plaza, I.I. Chundrigar Road Karachi
Transport equipment	555	124	222	Mr. Muhammad Salman House No. 202-M, Mill Area Korangi No. 4, Karachi
	705	245	300	Mrs. Farida Yasin Flat No. A-209, 2nd Floor Saima Heaven, Block 4 Gulshan-e-Iqbal, Karachi
	396	138	228	Mr. Muhammad Saeed House No. 4-266, Liaqatabad Karachi
	434	62	155	Mr. Yasir Nishan Malik House No. 10/D-2, Haji Commercial Phase No. VIII DHA, Karachi
	525	171	250	Mr. Mohammad Shahzad House No. 1784, Sector 11/E Muslim Town, North Karachi
	751	86	210	Mr. Raheel House No. 145-C Gulshan-e-Iqbal, Karachi
	555	155	325	Mr. Muhammad Noor Samad Allah Jevaya Lar Post Office Khan Bila Tehsil Liaqat Pur District Rahim Yar Khan

Particulars	Written down		Sale proceeds	Particulars of purchasers
	Cost	value		
Transport equipment (continued)	590	205	236	Mr. Raziuddin House No. M-238, Malir City, Muslimabad Karachi
	825	287	330	Mr. Salman Sattar Baloch (Employee) C/o Gul Ahmed Textile Mills Ltd. Plot No. HT-4, Landhi Industrial Area Karachi
	1,392	441	716	Mr. Afaq Ahmed Sawana Apartment, Flat No. 212 C-5 Area, 13-D-1 Gulshan-e-Iqbal Karachi
	540	120	280	Mr. Fareed Ahmed House No. L-739, Sector 5-C-3 North Karachi
	699	195	302	Mr. Adeel Rehman House No. B-21, Block-8 Gulshan-e-Iqbal Karachi
	775	138	266	Mr. Muhammad Amir House No. B-514, Sector 11/F New Fatima Jinnah Colony North Karachi
	496	216	231	Mr. Abdul Karim Khan (Ex-employee) House No. 1, Block 72, Area 4-D Landhi Colony No.6 Karachi
	496	173	198	Mr. Muhammad Khalil Khan (Ex-employee) House No. A-15, Block 10-A Evacue Society, Gulshan-e-Iqbal Karachi
	939	409	470	Mr. Mir Ghazi (Ex-employee) Flat No. 404, Al-Aman Apartment Block 14, Gulshan-e-Iqbal Karachi
	1,219	762	762	Mr. Abdul Rasheed (Ex-employee) 2 Applewood House, Orchard Court 348, Manchester Road United Kingdom
Written down value below Rs. 50,000 each	5,871	3,948	5,166	Insurance Claim
	3,462	522	836	Various
2008	126,953	29,135	36,556	
2007	16,791	4,422	6,522	

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>13.2 CAPITAL WORK-IN-PROGRESS</b>		
Machinery under installation	403,224	192,122
Building construction	80,131	22,227
Store items held for capitalization	4,065	3,356
	<u>487,420</u>	<u>217,705</u>

13.2.1 Additions to capital work-in-progress include borrowing cost amounting to Rs. 2 million. (2007: Rs. NIL). Mark-up rates range from 7% to 11.29%.

	Computer Software	Trade Marks	Total	
<b>14. INTANGIBLE</b>				
Net carrying value basis - year ended June 30				
Opening net book value (NBV)	30,435	732	31,167	38,965
Additions (at cost)	12,295	5,848	18,143	5,655
Amortization charge	(14,515)	(977)	(15,492)	(13,453)
Closing net book value	<u>28,215</u>	<u>5,603</u>	<u>33,818</u>	<u>31,167</u>
Gross carrying value basis - as at June 30				
Cost	90,853	6,597	97,450	79,307
Accumulated amortization	(62,638)	(994)	(63,632)	(48,140)
Net book value	<u>28,215</u>	<u>5,603</u>	<u>33,818</u>	<u>31,167</u>
Amortization rate % per annum	20	10		

14.1 The cost is being amortized over a period of ten years. Remaining useful life ranges from one to nine years.

#### 15. LONG TERM LOANS AND ADVANCES

Considered good, due from

Executives

Opening balance as at July 1

Add: Disbursement

Less: Repayment

Closing Balance as at June 30

Less: Receivable within one year

Other employees

Less: Receivable within one year

6,395	8,458
<u>3,200</u>	<u>4,547</u>
9,595	13,005
<u>(3,809)</u>	<u>(3,402)</u>
5,786	9,603
<u>(3,285)</u>	<u>(3,076)</u>
2,501	6,527
2,880	2,160
<u>(1,876)</u>	<u>(1,262)</u>
1,004	898
<u>3,505</u>	<u>7,425</u>

15.1 Loans and advances have been given for the purchase of cars, scooters and household equipment and housing assistance in accordance with the terms of employment and are repayable in monthly installments. These loans are secured against retirement benefits and other dues of the employees. Maximum balance due from executives at the end of any month during the year was Rs. 8 million (2007: Rs. 11 million)



	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>16. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	227,517	227,386
including in transit Rs. 10 million (2007: Rs. 1 million)		
Spares	280,901	181,995
including in transit Rs. 8 million (2007: Rs. 7 million)		
Loose tools	2,907	2,815
	<u>511,325</u>	<u>412,196</u>
Less: Provision for slow moving/obsolete items	<u>25,368</u>	<u>24,918</u>
	<u>485,957</u>	<u>387,278</u>
<b>17. STOCK-IN-TRADE</b>		
Raw materials	1,060,814	467,213
Work-in-process	120,005	89,888
Finished goods	1,782,286	1,796,734
	<u>2,963,105</u>	<u>2,353,835</u>
<b>18. TRADE DEBTS - UNSECURED</b>		
Considered good	2,644,895	2,164,943
Considered doubtful	23,801	22,970
	<u>2,668,696</u>	<u>2,187,913</u>
Less: Provision for doubtful trade debts	<u>23,801</u>	<u>22,970</u>
	<u>2,644,895</u>	<u>2,164,943</u>
18.1 Includes Rs. NIL (2007: Rs. 0.065 million) due from related parties.		
18.2 The maximum aggregate month end balance due from related parties during the year is Rs. 2 million (2007: Rs. 13 million).		
<b>19. LOANS AND ADVANCES</b>		
Considered good		
Current portion of loans and advance to employees (note 15)	5,161	4,338
Suppliers	102,731	69,759
Advance income tax	110,682	97,429
Letter of credit	111	947
	<u>218,685</u>	<u>172,473</u>
<b>20. DEPOSITS AND PREPAYMENTS</b>		
Prepayments	46,201	26,460

	<u>2008</u>	Rs. 000s	<u>2007</u>
<b>21. OTHER RECEIVABLES</b>			
Accrued interest	123		99
Derivative financial instrument (Note 21.1)	-		9,105
Mark-up claim receivable	17,970		2,327
Rebate receivable	9,152		7,581
Others	<u>33,663</u>		<u>35,356</u>
	<u>60,908</u>		<u>54,468</u>
21.1 Derivative financial instrument representing cross currency swap has been unwinded during the year.			
<b>22. TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax refundable	41,892		44,246
Research and development claim	119,490		115,124
Duty drawback receivable	<u>18,181</u>		<u>32,390</u>
	<u>179,563</u>		<u>191,760</u>
<b>23. CASH AND BANK BALANCES</b>			
Cash and cheques in hand	31,914		1,899
With banks in - current accounts	48,793		9,575
- short term deposits	990		49,821
	<u>81,697</u>		<u>61,295</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
24. SALES		
Local	5,227,868	4,091,601
Export	6,899,787	5,994,158
	<u>12,127,655</u>	<u>10,085,759</u>
Less: Brokerage and commission	26,104	24,242
Freight and insurance	75,708	49,416
	<u>12,025,843</u>	<u>10,012,101</u>

24.1 Sales are exclusive of sales tax amounting Rs. 4.255 million (2007: Rs. 6.259 million).

#### 25. COST OF SALES

Opening stock of finished goods	1,796,734	1,726,900
Add: Cost of goods manufactured (note 25.1)	7,627,006	6,387,763
Purchases and processing charges	2,538,122	2,162,946
	<u>11,961,862</u>	<u>10,277,609</u>
Less: Closing stock of finished goods	1,782,286	1,796,734
	<u>10,179,576</u>	<u>8,480,875</u>

#### 25.1 Cost of goods manufactured

Raw materials consumed (note 25.2)	3,508,821	2,931,455
Stores consumed	1,309,915	1,059,525
Salaries, wages and benefits	1,273,903	1,001,209
Fuel, power and water	751,654	827,170
Insurance	38,578	34,495
Repairs and maintenance	303,253	179,006
Depreciation	464,005	365,571
Other expenses	39,179	32,508
Cost of samples shown under distribution cost	(32,185)	(33,904)
	<u>7,657,123</u>	<u>6,397,035</u>
Work-in-process		
Opening	89,888	80,616
Closing	(120,005)	(89,888)
	<u>(30,117)</u>	<u>(9,272)</u>
	<u>7,627,006</u>	<u>6,387,763</u>

Salaries, wages and benefits include Rs. 15 million (2007: Rs. 15 million) and Rs. 15 million (2007: Rs. 18 million) in respect of retirement benefit and staff compensated absences respectively.

#### 25.2 Raw materials consumed

Opening stock	467,213	792,329
Purchases during the year	4,102,422	2,606,339
Closing stock	(1,060,814)	(467,213)
	<u>3,508,821</u>	<u>2,931,455</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>26. ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	283,364	234,759
Rent, rates and taxes	34,676	29,610
Repairs and maintenance	22,074	14,790
Vehicle up keep	42,717	36,647
Conveyance and traveling	50,393	39,708
Printing and stationery	30,716	24,291
Postage and telecommunication	29,756	24,627
Legal and consultancy fees	32,990	21,021
Depreciation/amortization	68,110	61,123
Auditors' remuneration (note 26.1)	1,360	721
Donations (note 26.2)	1,635	3,099
Insurance	6,964	6,046
Bad/doubtful debts	987	489
Provision for slow moving/obsolete items	450	409
Other expenses	13,760	11,472
	<u>619,952</u>	<u>508,812</u>

Salaries and benefits include Rs. 10 million (2007: Rs. 9 million) and Rs. 1 million (2007: Rs. 6 million) in respect of retirement benefit and staff compensated absences respectively.

#### 26.1 Auditors' remuneration

Audit fee	1,283	656
Half yearly review	30	30
Audit of workers' profit participation fund and other services	12	2
Out of pocket expenses	35	33
	<u>1,360</u>	<u>721</u>

26.2 None of the Directors or their spouses have any interest in the donees.

#### 27. DISTRIBUTION COST

Shipment expenses	54,575	53,461
Advertisement and publicity	84,891	92,725
Cost of samples transferred from cost of goods manufactured	32,185	33,904
Rent, rates and taxes	45,038	22,793
Other expenses	35,815	39,613
	<u>252,504</u>	<u>242,496</u>

#### 28. OTHER OPERATING EXPENSES

Workers' profit participation fund	10,840	14,081
Workers' welfare fund	4,119	5,351
	<u>14,959</u>	<u>19,432</u>

	<u>2008</u>	<u>2007</u>
	Rs. 000s	
<b>29. OTHER OPERATING INCOME</b>		
Income for financial assets		
Gain on redemption of money market fund	4,336	-
Other		
Profit on sale of operating assets	7,421	2,100
Scrap sales	5,079	4,122
Others	17	142
	<u>16,853</u>	<u>6,364</u>
<b>30. FINANCE COST</b>		
Interest/mark-up on long term loans	181,215	180,716
Mark-up on short term borrowings	365,932	316,134
Interest on workers' profit participation fund	1,267	92
Bank charges	24,109	21,922
	<u>572,523</u>	<u>518,864</u>
Interest income/exchange differences (note 30.1)	173,993	(18,713)
	<u>746,516</u>	<u>500,151</u>
30.1 Includes swap loss of Rs. 105 million (2007: swap gain Rs. 31 million).		
<b>31. PROVISION FOR TAXATION</b>		
Current	67,235	67,932
Prior	-	6,939
Deferred	33,000	23,500
	<u>100,235</u>	<u>98,371</u>
<b>31.1 Reconciliation between accounting profit and tax expense</b>		
Net profit for the year before taxation	229,189	266,699
Tax at the applicable tax rate of 35%	80,216	93,345
Income not chargeable to tax	(8,338)	(998)
Effect of income assessed under presumptive tax regime	24,405	1,764
Effect of expenses deductible for tax purposes less inadmissible expenses	(29,048)	(26,179)
	<u>67,235</u>	<u>67,932</u>
<b>32. EARNINGS PER SHARE</b>		
Profit for the year	128,954	168,328
Number of shares	55,198,738	52,887,995
Earnings per share (Rs.)	2.34	3.18

There is no dilutive effect on the earnings per share of the Parent Company.

### 33. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2008				2007			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	2,400	5,200	76,238	83,838	2,400	5,200	55,573	63,173
House rent allowance	960	2,080	30,495	33,535	960	2,080	22,229	25,269
Other allowances	240	687	15,828	16,755	240	937	13,226	14,403
Contribution to provident fund	200	433	5,850	6,483	200	433	4,424	5,057
	<b>3,800</b>	<b>8,400</b>	<b>128,411</b>	<b>140,611</b>	<b>3,800</b>	<b>8,650</b>	<b>95,452</b>	<b>107,902</b>
Number of persons	1	3	78	82	1	3	54	58

33.1 The Chief Executive, Directors and certain Executives are provided with free use of Company cars and are covered under Company's Health Insurance Plan alongwith their dependents.

33.2 The Chief Executive and some Directors are also provided with free residential telephones.

33.3 Aggregate amount charged in the accounts for the year for meeting fee to five Directors was Rs. 4(000) (2007: two Directors Rs. 3(000))

	2008	2007
34. RESEARCH AND DEVELOPMENT SUPPORT		
Support on account of research and development	282,090	246,964
Less : Utilization		
Product development	82,730	82,776
Skill development and training	13,000	13,550
Upgradation of information technology	29,405	25,584
Professional consultancy	6,800	3,600
Market research	100,981	67,884
Environment improvement	35,555	26,996
Resource conservation	63,425	20,530
Production efficiencies	2,800	7,462
Participation in exhibition	17,031	11,223
	<b>351,727</b>	<b>259,605</b>
Net expenses	<b>(69,637)</b>	<b>(12,641)</b>

Research and development support is allowed by the Government of Pakistan in term of SRO 803(I)/2006 dated August 4, 2006 issued by Ministry of Textile Industries in order to encourage research and development in textile value added sector.

### 35. TRANSACTIONS 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 transactions with various related parties.

Relationship with the Company	Nature of Transactions		
Associated Companies and other related parties	Purchase of goods	28,428	29,749
	Sale of goods	15,628	22,732
	Rent paid	3,900	3,900
	Fees paid	563	1,500
	Deposit with bank (at year end)	21,450	21,824
	Borrowing from bank (at year end)	749,967	420,675
	Bank Guarantees (at year end)	53,779	53,779
	Bills discounted	145,989	66,067
	Commission/Bank charges paid	12,141	2,303
	Mark-up/interest charged	41,521	18,579
	Mark-up/interest earned	248	444

There are no transactions with directors of the Group and key management personnel other than under the terms of employment. Remuneration of the key management personnel is disclosed in Note 33.

The related parties status of outstanding receivables and payable as at June 30, 2008 are included in respective notes to the financial statements.

### 36. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of Parent Company in their meeting held on September 29, 2008 have proposed cash dividend of Re. 1 per share (2007: Nil) and transfer to general reserve from un-appropriated profit of Rs. 50 million (2007: Rs. 160 million) subject to the approval of members at the Annual General Meeting to be held on October 31, 2008.

37. CAPACITY AND PRODUCTION		2008			2007	
Unit		Capacity	Production	Working	Capacity	Production
		(000s)				
Cloth	Sq. meters (50 Picks converted)	118,870	78,536	3 shifts	79,238	74,741
Yarn	Kgs. (20 Counts converted)	38,877	32,241	3 shifts	36,186	31,711

Production is lower due to variation in production mix and various technical factors. Moreover capacity shown above is for the full year whereas machinery added during the year was put into commercial operation gradually.

### 38. FINANCIAL ASSETS AND LIABILITIES

Rs. 000s

Interest/mark-up bearing			Non Interest/mark-up bearing			2008 Total	2007 Total
Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		

#### Financial assets

Long term loans	-	-	-	-	3,505	3,505	3,505	4,943
Long term deposits	-	-	-	-	15,599	15,599	15,599	10,579
Trade debts	-	-	-	2,644,895	-	2,644,895	2,644,895	2,164,943
Loans and advances	-	-	-	6,731	-	6,731	6,731	6,820
Deposits and prepayments	-	-	-	36	-	36	36	36
Other receivables	-	-	-	60,908	-	60,908	60,908	57,955
Cash and bank balances	990	-	990	80,707	-	80,707	81,697	61,295
	990	-	990	2,793,277	19,104	2,812,381	2,813,371	2,306,571

#### Financial liabilities

Long term loans	593,671	2,354,317	2,947,988	-	-	-	2,947,988	2,267,907
Short term borrowings	5,260,760	-	5,260,760	-	-	-	5,260,760	4,024,523
Trade and other payables	12,106	-	12,106	1,096,757	-	1,096,757	1,108,863	886,915
Accrued interest	-	-	-	144,318	-	144,318	144,318	95,288
	5,866,537	2,354,317	8,220,854	1,241,075	-	1,241,075	9,461,929	7,274,633

#### Off balance sheet items

##### Financial commitments

Guarantees	-	-	-	106,670	-	106,670	106,670	106,670
Bills discounted	-	-	-	583,788	-	583,788	583,788	46,818
Commitments	-	-	-	208,748	-	208,748	208,748	498,356
	-	-	-	899,206	-	899,206	899,206	651,844
	5,866,537	2,354,317	8,220,854	2,140,281	-	2,140,281	10,361,135	7,926,477

The effective interest/mark-up rates for the monetary financial assets/liabilities are mentioned in the respective notes to the financial statements.

### 38.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Group believes that it is not exposed to major concentration of credit risk. Out of the total financial assets of Rs. 2,813 million (2007: Rs. 2,307 million), the financial assets which are subject to credit risk amounted to Rs. 2,721 million (2007: Rs. 2,234 million).

### 38.2 Foreign exchange risk management

Foreign currency risk arises when receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are covered partially through forward foreign exchange contracts.

### 38.3 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group usually borrows funds at fixed and market based rates and as such the risk is minimized.

### 38.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

### 38.5 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year.

### 38.6 Fair value of financial assets and liabilities

The carrying amounts of the financial assets and liabilities approximate their fair values.

## 39. DETAIL OF SUBSIDIARIES

	Accounting Year end	Percentage of holding	Country of incorporation
Gul Ahmed International Limited (FZC)	June 30, 2008	100%	U.A.E.
GTM (Europe) Limited	June 30, 2008	100%	U.K.

## 40. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 29, 2008 by the Board of Directors of the Parent Company.

## 41. GENERAL

Figures have been rounded off to the nearest thousand rupees.

**BASHIR ALI MOHOMMAD**  
Chairman and Chief Executive

**ZAIN BASHIR**  
Director



I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of GUL AHMED TEXTILE MILLS LIMITED and holder of \_\_\_\_\_  
Ordinary Shares hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her \_\_\_\_\_  
of \_\_\_\_\_ another member of the Company,  
as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 56th ANNUAL  
GENERAL MEETING of the Company to be held on October 31, 2008 or at any adjournment thereof.

1) Witness \_\_\_\_\_  
Name \_\_\_\_\_ Signed by me this \_\_\_\_\_ day of \_\_\_\_\_ 2008  
Address \_\_\_\_\_  
NIC No. \_\_\_\_\_ Signed \_\_\_\_\_

2) Witness \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
NIC No. \_\_\_\_\_  
Folio No./CDC Account No. \_\_\_\_\_

Affix Revenue  
Stamp Rs. 5.00

Notes:

1. A member entitled to vote at the meeting may appoint a proxy. Proxies in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.
2. Proxies granted by shareholders who have deposited their shares into Central Depository Company of Pakistan Limited must be accompanied with attested copies of the Computerized National Identity Card (CNIC) or the Passport of the beneficial owners. Representatives of corporate members should bring the usual documents required for such purpose.
3. A proxy must be a member of the Company.
4. If the member is a corporation its common seal should be affixed to the proxy.
5. In case of CDC Account Holders, attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.