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COMPANY PROFILE

Board of Directors	:	M. Yunus A. Aziz Tabba (Chairman) M. Sohail M. Yunus Tabba (Chief Executive) Muhammad Ali A. Razzak Tabba M. Javed M. Yunus Tabba Miss Marium Razzak Ilyas Ismail Moten Muhammad Raziq (NIT Nominee)
Chief Financial Officer & Company Secretary	:	Abdul Sattar Abdullah
Audit Committee	:	Muhammad Ali A. Razzak Tabba M. Javed M. Yunus Tabba Ilyas Ismail Moten
Auditors	:	M. Yousuf Adil Saleem & Co. Chartered Accountants
Registered Office/Factory	:	Gadoon Amazai Industrial Estate, Distt. Swabi, NWFP. Phone No. :0938-270212-13 Fax No. :0938-270311 E-mail Address :secretary@gtmlfactory.com
Liaison Office	:	APTMA House, Tehkal Payan, Jamrud Road, Peshawar. Phone No. :091-5701496 Fax No. :091-840273 E-mail Address: secretary@gadoontextile.com
Karachi Office & Shares Deptt.	:	6-A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi-75350. Phone No. :021-4397701-03 Fax No. :021-4382436, 4536229,4397706 E-mail Address :secretary@gadoonho.com
Bankers	:	Bank Alfalah Limited (Islamic Banking) Bank Al Habib Limited Citibank N.A. Dubai Islamic Bank Pakistan Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited National Bank of Pakistan Pak Oman Investment Company. Limited Standard Chartered Bank (Pakistan) Limited The Royal Bank of Scotland Limited United Bank Limited



MISSION STATEMENT

Gadoon Textile Mills Limited is Pakistan's largest spinning unit, delivering quality products through innovative technology and effective resource management, maintaining high ethical and professional standards.

Pursuing its objectives, Gadoon has, over the years, persevered to attain the present enviable position, with its products competing at home and abroad. At Gadoon, we work to achieve commitment, integrity, fairness and teamwork into every aspect of our business.

What sets Gadoon apart from most other spinning units in the country is its mission to remain on the cutting-edge of technological improvements.

Our mission is to keep ahead of our competitors. We cannot be complacent about our achievements. Everyone from top management to workers is driven by this mission and engaged in applying resources to continual product improvement.

Given its vision and its focused strategy, Gadoon can look forward to as bright a future as its past.



NOTICE OF 21ST ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the members of Gadoon Textile Mills Limited will be held on 15th October, 2008 at 10:00 a.m. at the registered office of the Company, 200-201, Gadoon Amazai Industrial Estate, District Swabi, N.W.F.P., to transact the following business:

1. To confirm the minutes of 20th Annual General Meeting held on 22nd October, 2007.
2. To receive, consider and adopt the Audited Accounts for the period ended 30th June 2008 together with the Directors' and Auditors' report thereon.
3. To appoint Auditors for the year ending 30th June, 2009 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By order of the Board

Abdul Sattar Abdullah
Company Secretary

Karachi: September 22, 2008

NOTES:

1. The Share Transfer Book of the Company will remain closed from 8th October, 2008 to 15th October, 2008 (both days inclusive). Transfers received in order at the share department at 6-A, Muhammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi, upto close of business on 7th October 2008, will be considered in time.
2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time for holding the meeting.
3. Individual CDC account holders shall produce his/her Original National Identity Card or Passport, Account and Participant's I.D. numbers to prove his/her identity. A representative of corporate members from CDC, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.
4. Members are requested to notify change in their addresses, if any, to the Company's shares department at 6-A, Muhammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi.



DIRECTORS' REPORT

The Directors of your Company have pleasure in presenting before you the 21st Annual Report together with the Company's audited financial statements for the year ended June 30, 2008.

Operating Results:

The operating results for the year under review are as follows:

	Year Ended 30-06-2008	Year Ended 30-06-2007	Percentage Favorable (Unfavorable)
Rs. in Thousand			
Sales - Export	5,052,416	4,765,151	6.03%
Local	1,705,248	1,599,240	6.63%
	6,757,664	6,364,392	6.18%
Gross Profit	745,563	749,861	(0.57%)
Finance costs	331,412	185,615	(121.24)%
(Loss)/Profit before taxation	(132,606)	320,389	(141.39%)
Net (Loss)/Profit for the year	(164,740)	232,794	(170.77%)
(Loss)/Earnings per share	(7.03)	9.93	

As the above figures show, your Company's sales recorded growth of 6.18% from Rs.6,364 million last year to Rs.6,758 million in the year under review. It, however, suffered a net loss for the year of Rs.165 million as compared to net profit of Rs.233 million last year.

Never before has your Company been in the red. This situation is attributable to a number of factors beyond its control. Oil prices went sky high, utilities cost increased and production cost witnessed a quantum jump, leaving the entire textile sector high and dry. Worse still, the depreciation of Pak rupee vs. US dollar and runaway inflation dealt double negative impact to the textile sector along with other businesses.

As a result of deteriorating political and economic situation in the second half of the year under review, Pak rupee lost a hefty 12% of its value upto June 2008. Due to this, your Company sustained a loss of Rs.286.546 million on foreign currency transactions. Further the finance costs increased by Rs.147.697 million due to higher KIBOR rate and devaluation impact on foreign currency loans

The textile industry has probably never faced such a depressing operating environment. The industry hoped, in vain, for Government support which is still awaited. Political events overtook business issues, putting on the back burner the life and death issues for the sinking textile industry.

Appropriation of Profit:

In view of the net loss suffered by the Company, your Directors have decided not to pay any dividend this year.

**Expansion and Modernization Projects:**

Your Company is pursuing the policy of replacing old plant and machinery in a phased manner from own resources to promote efficiency and economy of operations.

Loss Per Share:

The loss per share during the year under report worked out to Rs.7.03 as compared to earning of Rs. 9.93 for 2007.

Code of Corporate Governance:

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance, incorporated in the Listing Regulations of the Stock Exchanges in the country under instructions from Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your company as required by the Code.

As a part of the compliance of the Code, we confirm the following:

- a) 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.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and is being effectively implemented and monitored.
- f) The Company has a very sound balance sheet with excellent debt:equity ratio and therefore there is no doubt at all about the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- h) We have an Audit Committee the members of which are from the Board of Directors.
- i) We have prepared and circulated a Statement of Ethics and Business Strategy among directors and employees.

- j) The Board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- k) As required by the Code of Corporate Governance, we have included the following information in this Report:
 - i) Statement of pattern of shareholding.
 - ii) Statement of shares held by associated undertaking and related persons.
 - iii) Statement of the Board meetings held during the year and attendance by each director.
 - iv) Key operating and financial statistics for the last six years.

Future Outlook:

The prospects of rising inflation, higher Interest rates, rupee/foreign currency rates and increasing energy charges are increasing cost of production. Under these circumstances, keeping the bottomline in black would be a challenge. Your directors are, however, determined to do everything possible to strike a fair balance.

Directors:

The casual vacancy in the Board caused by the resignation of Mr. Shamshad Ahmed was filled by co-opting Mr. Muhammad Raziq as a nominee director of NIT.

Auditors:

The present Auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending 30th June, 2009.

Acknowledgements:

Your directors record their appreciation of the efforts of the Company's officers, technicians, staff and workers and the support and cooperation extended by its customers, bankers, and the Government agencies during the year.

For and on behalf of the Board

M. Suhail M. Yunus Tabba
Chief Executive/Director

Karachi: September 08, 2008



YEAR WISE STATISTICAL SUMMARY

	Rupees (000)						
	2002	2003	2004	2005	2006	2007	2008
ASSETS EMPLOYED							
Fixed Assets	2,024,058	2,935,674	2,950,274	3,057,989	3,020,789	2,947,545	3,063,735
Long Term Loans, Deposits & Deferred Costs	3,416	4,176	4,558	4,429	9,728	8,326	10,960
Investment						15,238	83,335
Current Assets	1,788,770	1,747,374	1,640,541	2,703,546	3,114,124	2,882,650	4,384,976
Total Assets Employed	<u>3,816,244</u>	<u>4,687,224</u>	<u>4,595,372</u>	<u>5,765,963</u>	<u>6,144,642</u>	<u>5,853,759</u>	<u>7,543,006</u>
FINANCED BY							
Shareholders' equity	1,689,553	1,704,754	1,978,992	2,127,333	2,361,750	2,536,189	2,314,285
Long Term Loans	200,000	860,000	680,000	750,000	375,000	50,581	102,666
Current portion of Long Term Loans	-	-	430,000	305,000	375,000	350,000	4,215
	200,000	860,000	1,110,000	1,055,000	750,000	400,581	106,881
Liability against purchase of Lease hold Land	-	-	-	1,750	875		
Obligation under Finance Lease	-	-	-	-			
Deferred Liabilities	223,057	329,984	303,286	192,895	191,365	208,493	207,588
Current Liabilities	1,703,634	1,792,486	1,633,094	2,693,985	3,215,652	3,058,496	4,918,468
Current portion of Loans & Lease	-	-	(430,000)	(305,000)	(375,000)	(350,000)	(4,215)
	1,703,634	1,792,486	1,203,094	2,388,985	2,840,652	2,708,496	4,914,253
Total Funds Invested	<u>3,816,244</u>	<u>4,687,224</u>	<u>4,595,372</u>	<u>5,765,963</u>	<u>6,144,642</u>	<u>5,853,759</u>	<u>7,543,006</u>
TURNOVER AND PROFIT							
Turnover	4,021,480	4,510,525	5,954,839	4,072,070	5,637,136	6,364,392	6,757,664
Gross Profit	460,128	441,347	519,614	541,805	799,889	749,861	745,563
Operating Profit	322,333	292,912	349,455	363,820	567,862	470,188	485,585
Profit/(loss) before taxation	250,317	250,285	262,067	279,429	363,022	320,389	(132,606)
Profit/(loss) after taxation	229,940	132,388	244,941	206,924	293,022	232,794	(164,740)
Cash Dividend	58,594	29,297	58,594	58,594	58,594	58,594	58,594
Profit/(loss) carried forward	1,293,460	1,396,551	582,899	789,822	1,024,250	1,198,450	975,116
Earning / (Loss) per share (Rupees)	9.81	5.65	10.45	8.83	12.50	9.93	(7.03)
Break up value per share (Rupees)	72.09	72.74	84.44	90.77	100.77	108.21	98.74



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Islamabad 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 Board of Directors comprises of seven directors including the Chief Executive Officer (CEO). The number of executive directors on the Board is two (2).
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 Development Financial Institution or a Non-banking Financial Institution. None of the directors of the Company are members of any Stock Exchange.
4. A casual vacancy occurring in the Board on June 24, 2008 was filled up by the directors within two (2) days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and key employees 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 along with 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 executive directors, have been taken by the Board. The CEO did not charge any remuneration during the year.
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. The Board met at-least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant with the relevant laws applicable to the Company including the Companies Ordinance, 1984, Listing Regulations, Code of Corporate Governance, Company Memorandum and Articles of Association and other relevant rules and regulations and are aware of their duties and responsibilities.
10. The Board has approved the appointment of Company Secretary, Chief Financial Officer (CFO) and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer (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 CEO and CFO duly endorsed the financial statements of the Company 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 of three (3) members, all of them are non-executive directors including the chairman of the committee.
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 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 manned by suitably qualified and experienced personnel who are conversant with the policies and procedure of the Company.
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 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.

M. YUNUS A. AZIZ TABBA
Chairman / Director

M. SOHAIL M. YUNUS TABBA
Chief Executive

Karachi: September 08, 2008



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the code of Corporate Governance prepared by the Board of Directors of **Gadoon Textile Mills Limited** to comply with the Listing Regulations of the Karachi and Islamabad 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's 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 08, 2008

M.Yousuf Adil Saleem & Co.
Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Gadoon 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 conducted 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 account 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 these respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the loss, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Karachi: September 08, 2008

M. Yousuf Adil Saleem & Co.
Chartered Accountants



BALANCE SHEET

AS AT JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	3	3,063,734,826	2,947,544,421
Long-term loans	4	3,760,278	1,133,516
Long-term deposits		7,199,414	7,192,515
Long-term investment	5	83,335,467	15,238,500
		<u>3,158,029,985</u>	<u>2,971,108,952</u>
CURRENT ASSETS			
Stores, spares and loose tools	6	163,799,508	138,323,525
Stock-in-trade	7	2,527,576,411	1,246,899,421
Trade debts	8	1,024,204,003	924,723,278
Loans and advances	9	424,233,808	393,660,362
Trade deposits and short-term prepayments	10	1,074,691	3,639,934
Other receivables	11	49,353,215	56,746,244
Income tax refundable due from the government		23,122,488	23,122,488
Cash and bank balances	12	171,611,909	95,534,938
		<u>4,384,976,033</u>	<u>2,882,650,190</u>
		<u>7,543,006,018</u>	<u>5,853,759,142</u>
SHARE CAPITAL AND RESERVES			
Authorised 50,000,000 ordinary shares of Rs.10/- each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up	13	234,375,000	234,375,000
Capital reserves			
Share premium		103,125,000	103,125,000
Unrealized gain on available for sale investments		1,668,800	238,500
		<u>104,793,800</u>	<u>103,363,500</u>
Revenue reserves			
General reserve		1,000,000,000	1,000,000,000
Unappropriated profit		975,115,842	1,198,449,984
		<u>1,975,115,842</u>	<u>2,198,449,984</u>
		<u>2,314,284,642</u>	<u>2,536,188,484</u>
NON-CURRENT LIABILITIES			
Long-term financing	14	102,665,916	50,581,000
Deferred liabilities	15	207,587,526	208,492,881
		<u>310,253,442</u>	<u>259,073,881</u>
CURRENT LIABILITIES			
Trade and other payables	16	873,984,053	468,705,296
Accrued mark-up		62,557,651	43,106,370
Short-term borrowings	17	3,679,226,120	1,883,858,244
Current portion of long-term financing	14	4,215,084	350,000,000
Provision for taxation		298,485,026	312,826,867
		<u>4,918,467,934</u>	<u>3,058,496,777</u>
CONTINGENCIES AND COMMITMENTS			
	18	<u>7,543,006,018</u>	<u>5,853,759,142</u>

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

M. YUNUS A. AZIZ TABBA
Chairman / Director

M. SOHAIL M. YUNUS TABBA
Chief Executive



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
Sales - net	19	6,757,663,938	6,364,391,804
Cost of sales	20	(6,012,101,372)	(5,614,530,927)
Gross profit		745,562,566	749,860,877
Distribution cost	21	213,915,289	221,081,603
Administrative expenses	22	49,451,061	46,553,579
		(263,366,350)	(267,635,182)
		482,196,216	482,225,695
Finance cost	23	(331,412,399)	(149,798,935)
		150,783,817	332,426,760
Other operating income	24	3,388,448	3,937,266
Others charges	25	(286,778,429)	(15,975,356)
(Loss)/profit before taxation		(132,606,164)	320,388,670
Taxation			
Current	26	36,997,219	81,989,130
Deferred	15.2	(4,862,991)	5,605,828
		(32,134,228)	(87,594,958)
profit / (Loss) for the year		(164,740,392)	232,793,712
Earnings / (Loss) per share - basic and diluted	27	(7.03)	9.93

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

M. YUNUS A. AZIZ TABBA
Chairman / Director

M. SOHAIL M. YUNUS TABBA
Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(132,606,164)	320,388,670
Adjustments for :			
Depreciation		307,195,096	307,157,322
Loss/(gain) on disposal of operating fixed assets		537,499	(1,743,051)
Fixed asset donated		-	152,341
Profit on deposits		(199,679)	(136,539)
Finance cost		168,568,030	183,719,550
Provision for gratuity		31,696,518	27,704,150
		507,797,464	516,853,773
Operating cash flows before working capital changes		375,191,300	837,242,443
(Increase) / decrease in current assets			
Stores, spares and loose tools		(25,475,983)	20,634,219
Stock-in-trade		(1,280,676,990)	631,152,892
Trade debts		(99,480,725)	(302,268,678)
Loans and advances		(24,080,822)	(229,089)
Trade deposits and short-term prepayments		2,565,243	146,247
Other receivables		7,353,627	(31,378,947)
		(1,419,795,650)	318,056,644
(Decrease)/ increase in current liabilities			
Trade and other payables		405,278,757	(30,238,529)
Changes in working capital		(1,014,516,893)	287,818,115
Cash (used in)/generated from operations		(639,325,593)	1,125,060,558
Finance cost paid		(149,116,749)	(203,665,520)
Taxes paid		(55,497,291)	(67,209,675)
Gratuity paid		(27,738,882)	(16,182,067)
		(232,352,922)	(287,057,262)
Net cash (used in)/from operating activities		(871,678,515)	838,003,296



	Note	2008 Rupees	2007 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Operating fixed assets acquired		(440,708,000)	(236,445,363)
Sale proceeds from disposal of operating fixed assets		16,785,000	4,123,521
Long term investment		(66,666,667)	(15,000,000)
Profit on deposit accounts		239,081	152,473
Long term loans (disbursed)/recovered		(4,961,155)	2,159,357
Long term deposits paid		(6,899)	(191,000)
Net cash used in investing activities		<u>(495,318,640)</u>	<u>(245,201,012)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		(350,000,000)	(400,000,000)
Proceeds from long-term financing		56,300,000	50,581,000
Short term finances obtained/repaid- net		287,289,617	(216,844,228)
Liability against purchase of lease hold land		-	(875,000)
Dividend		(58,593,750)	(58,593,750)
Net cash used in financing activities		<u>(65,004,133)</u>	<u>(625,731,978)</u>
Net decrease in cash and cash equivalents (A+B+C)		<u>(1,432,001,288)</u>	<u>(32,929,694)</u>
Cash and cash equivalents at beginning of the year		<u>(14,980,443)</u>	<u>17,949,251</u>
Cash and cash equivalents at end of the year		<u>(1,446,981,731)</u>	<u>(14,980,443)</u>
Cash and bank balances		171,611,909	95,534,938
Running finance	17.1	(1,618,593,640)	(110,515,381)
		<u>(1,446,981,731)</u>	<u>(14,980,443)</u>

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

M. YUNUS A. AZIZ TABBA
Chairman / Director

M. SOHAIL M. YUNUS TABBA
Chief Executive



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2008

	<----- Capital reserves ----->				<----- Revenue reserves ----->			Grand total
	Issued, subscribed and paid-up share capital	Share premium	Unrealised gain on available for sale investments	Sub Total	General reserve	Unappropriated profit	Sub Total	
Balance as at June 30, 2006	234,375,000	103,125,000	-	103,125,000	1,000,000,000	1,024,250,022	2,024,250,022	2,361,750,022
Dividend for the year ended June 30, 2006 @ Rs.2.50 per share	-	-	-	-	-	(58,593,750)	(58,593,750)	(58,593,750)
Profit for the year	-	-	-	-	-	232,793,712	232,793,712	232,793,712
Unrealised gain on revaluation of investment	-	-	238,500	238,500	-	-	-	238,500
Balance as at June 30, 2007	234,375,000	103,125,000	238,500	103,363,500	1,000,000,000	1,198,449,984	2,198,449,984	2,536,188,484
Dividend for the year ended June 30, 2007 @ Rs.2.50 per share	-	-	-	-	-	(58,593,750)	(58,593,750)	(58,593,750)
Loss for the year	-	-	-	-	-	(164,740,392)	(164,740,392)	(164,740,392)
Unrealised gain on revaluation of investment	-	-	1,430,300	1,430,300	-	-	-	1,430,300
Balance as at June 30, 2008	234,375,000	103,125,000	1,668,800	104,793,800	1,000,000,000	975,115,842	1,975,115,842	2,314,284,642

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

M. YUNUS A. AZIZ TABBA
Chairman / Director

M. SOHAIL M. YUNUS TABBA
Chief Executive



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Gadoon Textile Mills Limited (the Company) was incorporated in Pakistan on February 23, 1988 as a Public Limited Company under the Companies Ordinance, 1984 and listed on Karachi and Islamabad stock exchanges. The registered office of the Company and its manufacturing facilities are located at Gadoon Amazai Industrial Estate, Gadoon, District Swabi, NWFP. The principal activity of the Company is manufacturing and sale of yarn.
- 1.2 During the year, the Company has entered into an agreement with Peshawar Electric Supply Corporation (PESCO) for supply of electricity from its idle generator based on furnace oil. The Company has commenced commercial supply of electricity from March 11, 2008.
- 1.3 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared under the historical cost convention modified by :-

- i. Obligations under the defined benefit plan that has been stated at present value; and
- ii. Available for sale long-term investments and derivative financial instruments that have been taken at their respective fair values.

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 directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.3 Standards and interpretations to published approved accounting standards that are not yet effective

The following standards and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2008 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:-

IFRS 7 - Financial Instruments: Disclosures	Effective from accounting period beginning on or after April 28, 2008
IFRS 8 - Operating Segments	Effective from accounting period beginning on or after April 28, 2008

IFRIC 12 - Services Concession Arrangements	Effective for accounting period beginning on or after January 1, 2008
IFRIC 13 - Customer Loyalty Programs	Effective for accounting period beginning on or after January 1, 2008
IFRIC 14 - The limit on Defined Benefit Assets, Minimum Funding Requirements and their interaction	Effective from accounting period beginning on or after January 1, 2008

2.4 Key accounting judgment and estimate

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 expectation 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:

i. Taxation

Deferred tax calculation has been made based on estimate of ratio of export/local sales and income tax rate for the period in which the deferred tax liability is expected to be settled.

ii. Post employment benefits

Assumptions used for calculation of gratuity are disclosed in note 15.1.

2.5 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the scheme. Charge is made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. At year end, valuation of the defined gratuity scheme is conducted by using "Project Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceeds 10% of the greater of the present value of the Company's gratuity is amortized over the average expected remaining working lives of the employees.

Details of the scheme are given in note 15.1 to these financial statements.

2.6 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.



2.7 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.8 Property, plant and equipment

Property, plant and equipment except free-hold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Free-hold land and capital work in progress are stated at cost.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

Depreciation is charged, from the month when the asset is available for use and cease from the month of disposal, to income applying the reducing balance method except for leasehold land, which is depreciated by using the straight-line method.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of assets are recognized to income as and when incurred.

2.9 Investments

All purchases and sales of investment that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

Available for sale investments

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised directly in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

Investment at fair value through profit and loss (held for trading)

These are investments designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognised at fair value plus transaction cost and are subsequently carried at amortised cost using effective interest rate method.

Derecognition

All investments are de-recognised when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

2.10 Stores, spares and loose tools

These are valued at the cost, determined on moving average basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

2.11 Stock-in-trade

Basis of valuation are as under: -

Raw material in hand (imported)	Lower of cost (first in first out) and Net realisable value (NRV)
Raw material in hand (local)	Lower of cost (weighted average) and NRV
Raw material in-transit	Cost accumulated to balance sheet date
Work-in-process	Cost
Finished goods	Lower of cost and NRV
Waste	NRV

Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale. Goods in transit are valued at cost accumulated to the balance sheet date.

2.12 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and short-term running finance under markup arrangement.

2.14 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.



2.15 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

2.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.17 Derivative Financial instruments

Derivative instruments held by the Company generally comprise of cross currency interest rate swap and foreign currency forward contracts. Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. Derivatives with positive impact at balance sheet date are included in 'other receivable' and with negative impacts in 'trade and other payable' in the balance sheet. The resultant gains and losses are included in the income.

Derivatives financial instruments entered into by the Company do not meet the hedging criteria as defined by IAS 39, 'Recognition and Measurement of Financial Instruments', consequently hedge accounting is not used by the Company.

2.18 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales of goods are recognized when goods are delivered to the customers and title has passed.

Revenue on supply of electricity is recorded based upon the output delivered at rates specified under the Power Purchase Agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

Dividend income from investments is recognized when the right to receive dividend has been established.

2.19 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax liability is generally recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credit can be utilised.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.21 Foreign currency translation

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in profit or loss for the period.

	Note	2008 Rupees	2007 Rupees
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	3,045,103,617	2,920,034,584
Capital work-in-progress	3.2	18,631,209	27,509,837
		<u>3,063,734,826</u>	<u>2,947,544,421</u>



3.1 Operating fixed assets

Particulars	----- 2008 -----							
	Cost as at July 01, 2007	Additions / (Deletion)	Cost as at June 30, 2008	Accumulated depreciation as at July 01, 2007	Depreciation for the year	Accumulated depreciation as at June 30, 2008	Written down value as at June 30, 2008	Rate of depreciation
Land:								
Lease hold	39,487,064	1,601,250	41,088,314	3,686,042	374,184	4,060,226	37,028,088	1%
Free hold	879,915	-	879,915	-	-	-	879,915	-
Buildings on lease hold land:								
Mills	387,384,715	5,012,090	392,396,805	221,051,588	16,716,847	237,768,435	154,628,370	10%
Other	86,955,882	4,737,971	91,693,853	26,653,449	3,153,312	29,806,761	61,887,092	5%
Road	7,128,590	-	7,128,590	3,206,613	392,198	3,598,811	3,529,779	10%
Power plant	66,262,560	-	66,262,560	31,553,322	3,470,924	35,024,246	31,238,314	10%
Office	7,160,865	-	7,160,865	716,086	644,478	1,360,564	5,800,301	10%
Buildings on free hold land:								
Family colony	66,120,617	-	66,120,617	26,439,019	3,968,160	30,407,179	35,713,438	10%
Workers' colony	105,405,103	-	105,405,103	56,431,327	4,897,378	61,328,705	44,076,398	10%
Plant and machinery	3,556,628,734	407,734,921 (71,487,586)	3,892,876,069	1,656,076,874	205,760,797 (55,182,607)	1,806,655,064	2,086,221,005	10%
Power plant	827,426,515	14,215,022	841,641,537	292,806,523	54,423,299	347,229,822	494,411,715	10%
Electric installation	110,855,290	4,369,217	115,224,507	58,291,209	5,474,869	63,766,078	51,458,429	10%
Tools and equipment	11,958,372	-	11,958,372	5,907,184	605,119	6,512,303	5,446,069	10%
Furnitures and fittings	5,850,879	-	5,850,879	3,704,519	214,636	3,919,155	1,931,724	10%
Computer equipment	4,857,780	1,012,981	5,870,761	3,710,625	485,684	4,196,309	1,674,452	30%
Office equipment and installations	3,843,952	478,466	4,322,418	2,113,675	190,068	2,303,743	2,018,675	10%
Fork lifters and tractors	8,332,970	-	8,332,970	5,641,601	538,274	6,179,875	2,153,095	20%
Vehicles	38,778,263	10,424,711 (2,959,417)	46,243,557	18,920,436	5,722,208 (1,941,896)	22,700,748	23,542,809	20%
Fire fighting equipment	2,765,902	-	2,765,902	1,139,292	162,661	1,301,953	1,463,949	10%
June 30, 2008 Rupees	5,338,083,968	449,586,629 (74,447,003)	5,713,223,594	2,418,049,384	307,195,096 (57,124,503)	2,668,119,977	3,045,103,617	

Operating fixed assets

Particulars	----- 2007 -----							
	Cost as at July 01, 2006	Additions / (Deletion)	Cost as at June 30, 2007	Accumulated depreciation as at July 01, 2006	Depreciation for the year	Accumulated depreciation as at June 30, 2007	Written down value as at June 30, 2007	Rate of depreciation
Land:								
Lease hold	39,487,064		39,487,064	3,287,183	398,859	3,686,042	35,801,022	1%
Free hold	879,915		879,915	-	-	-	879,915	-
Building on lease hold land:								
Mills	385,968,964	1,415,751	387,384,715	202,635,675	18,415,914	221,051,588	166,333,127	10%
Other	86,955,882		86,955,882	23,479,637	3,173,812	26,653,449	60,302,433	5%
Road	7,128,590		7,128,590	2,770,838	435,775	3,206,613	3,921,977	10%
Power plant	64,532,430	1,730,130	66,262,560	27,776,839	3,776,483	31,553,322	34,709,239	10%
Office		7,160,865	7,160,865		716,086	716,086	6,444,779	10%
Building on free hold land:								
Family colony	66,120,617		66,120,617	22,029,952	4,409,067	26,439,019	39,681,598	10%
Workers' colony	105,405,103		105,405,103	50,989,796	5,441,531	56,431,327	48,973,776	10%
Plant and machinery	3,344,763,862	218,916,900 (7,052,028)	3,556,628,734	1,462,190,547	199,634,318 (5,747,991)	1,656,076,874	1,900,551,860	10%
Power plant	739,834,309	87,592,206	827,426,515	235,157,934	57,648,590	292,806,523	534,619,992	10%
Electric installations	109,605,132	1,775,158 (525,000)	110,855,290	52,823,362	5,840,453 (372,606)	58,291,209	52,564,081	10%
Tools and equipment	11,958,372		11,958,372	5,234,830	672,354	5,907,184	6,051,188	10%
Furniture and fittings	5,554,757	296,122	5,850,879	3,471,518	233,001	3,704,519	2,146,360	10%
Computer equipment	4,487,731	370,049	4,857,780	3,296,271	414,354	3,710,625	1,147,155	30%
Office equipment and installations	3,203,252	640,700	3,843,952	1,930,301	183,374	2,113,675	1,730,276	10%
Fork lifters and tractors	8,332,970		8,332,970	4,968,759	672,842	5,641,601	2,691,369	20%
Vehicles	36,965,518	5,293,660 (3,480,915)	38,778,263	16,415,142	4,909,775 (2,404,481)	18,920,436	19,857,827	20%
Fire fighting equipment	2,765,902		2,765,902	958,558	180,734	1,139,292	1,626,610	10%
June 30, 2007 Rupees	5,023,950,370	325,191,541 (11,057,943)	5,338,083,968	2,119,417,140	307,157,322 (8,525,078)	2,418,049,384	2,920,034,584	

3.1.1 Depreciation charged for the year has been allocated as under: -

	Note	2008 Rupees	2007 Rupees
Cost of sales	20.1	297,170,913	303,908,397
Administrative expenses	22	4,325,193	3,248,925
Supply of electricity	25.3	5,698,990	-
		307,195,096	307,157,322

3.1.2 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Purchaser
Plant and Machinery	3,360,801	2,789,545	571,256	750,000	Negotiation	Agha Pervaiz, Faisalabad
	2,233,435	1,853,804	379,631	500,000	"	"
	1,800,000	1,160,320	639,680	125,000	"	"
	981,277	690,005	291,272	300,000	"	"
	2,750,968	1,781,550	969,418	390,000	"	"
	2,750,968	1,781,550	969,418	390,000	"	"
	1,375,484	894,883	480,601	195,000	"	"
	1,850,664	963,652	887,012	195,000	"	"
	2,535,253	2,115,185	420,068	500,000	"	"
	798,232	667,120	131,112	195,000	"	"
	2,736,792	2,237,289	499,503	585,000	"	"
	3,649,056	2,983,053	666,003	780,000	"	Khalid, Faisalabad
	912,264	747,210	165,054	195,000	"	"
	1,824,528	1,494,422	330,106	390,000	"	"
	2,736,792	2,241,633	495,159	585,000	"	"
	1,824,528	1,494,422	330,106	390,000	"	"
	1,824,528	1,494,422	330,106	390,000	"	"
	1,824,528	1,494,422	330,106	390,000	"	"
	1,824,528	1,494,422	330,106	390,000	"	"
	1,824,528	1,494,422	330,106	390,000	"	"
	912,264	747,210	165,054	195,000	"	"
	2,736,792	2,245,976	490,816	630,000	"	Muhammad Azeem, Faisalabad
	1,633,427	1,307,940	325,487	420,000	"	"
	1,633,427	1,307,940	325,487	420,000	"	"
	2,450,140	1,961,910	488,230	630,000	"	"
	1,633,427	1,310,820	322,607	230,000	"	Hussain Industries Limited, Plot # HT-8, Landi Industrial Area, Landi, Karachi
	1,633,427	1,310,820	322,607	230,000	"	"
	3,266,853	2,621,640	645,213	460,000	"	"
	1,633,427	1,313,700	319,727	230,000	"	"
	1,633,427	1,313,700	319,727	230,000	"	"
	2,450,140	1,970,550	479,590	345,000	"	"
	3,094,548	2,154,690	939,858	750,000	"	Shoaib Salman Textile Mills Limited, Grain Market, Sahiwal
	1,551,103	1,059,167	491,936	575,000	"	Abdul Majeed Sons, 27A, New Cloth market, M.A Jinnah Road, Karachi
	2,172,603	1,372,393	800,210	600,000	"	Lucky Cotton Mills (Pvt) Limited, 713,714, 7th Floor, Business Centre, Karachi
Vehicle	689,000	594,019	94,981	540,000	Negotiation	Fazal Ali, Village Kalabad, Tehsil & District Swabi
	408,142	394,343	13,799	360,000	"	Hassan Ali, Village P.O Burhan, Tehsil Hassanabdal, District Attock
	210,000	93,520	116,480	225,000	"	Zahoor Ahmed, Village Fialah, District & Tehsil Abbotabad
	606,750	289,622	317,128	550,000	"	Nasir Ali Khan, House # 225, Street # 52, Sector G-10/3, Islamabad
	450,000	214,800	235,200	445,000	"	Adnan Khan, Danachona Grinawa, Sheer, Tehsil & District Abbotabad
	595,525	355,592	239,933	465,000	Insurance claim	New Jubilee Insurance Co., Jubilee Insurance House, I.I Chundrigar, Karachi
June 30, 2008	74,447,003	57,124,503	17,322,500	16,785,000		
June 30, 2007	11,057,943	8,525,078	2,532,865	4,123,521		



		2008 Rupees	2007 Rupees
3.2 Capital work-in-progress			
Civil works		8,358,322	13,634,229
Plant and machinery		10,272,887	11,275,608
Advance against purchase of land		-	1,400,000
Advance against purchase of vehicle		-	1,200,000
		18,631,209	27,509,837
4. LONG-TERM LOANS			
 Considered good - secured			
Loan to employees		10,333,430	5,372,275
Less: Current portion		(6,573,152)	(4,238,759)
		3,760,278	1,133,516
4.1	These are interest free loans recoverable in monthly installments. No part of these loans are outstanding for period exceeding three years.		
5. LONG-TERM INVESTMENT			
Available for sale investment	5.1	16,668,800	15,238,500
Advance for Joint Venture Project	5.2	66,666,667	-
		83,335,467	15,238,500
5.1	This represents 162,893 units (2007: 150,000 units) of First Habib Income Fund at cost of Rs.15 million. The increase in units is due to bonus issue of 12,893 units.		
5.2	This represents first and second tranche of advance for a Joint Venture project amounting to Rs.4,250 million. The principal activity of the Joint Venture Project is acquisition and development of certain land in Karachi through a Joint Venture Company. The Company's share in this Joint Venture project is ten percent. After complete payment of Rs.425 million and formation of the Joint Venture Company, the Company will receive 10.625 million shares of Rs.10 each and subordinated debts instruments amounting to Rs.318.750 million. This advance is non-refundable if Joint Venture agreement terminates.		
6. STORES, SPARES AND LOOSE TOOLS			
Stores		51,473,757	31,380,901
Spares in			
- hand		110,159,002	101,444,607
- transit		1,790,688	5,109,993
		111,949,690	106,554,600
Loose tools		376,061	388,024
		163,799,508	138,323,525
7. STOCK-IN-TRADE			
Raw material in			
- hand	7.1	1,997,989,287	983,496,734
- transit		255,139,186	94,185,273
		2,253,128,473	1,077,682,007
Work-in-process		67,234,605	56,381,684
Finished goods			
Yarn		189,789,855	107,195,734
Waste at net realizable value		17,423,478	5,639,996
		207,213,333	112,835,730
		2,527,576,411	1,246,899,421

7.1 It includes damaged raw material valued at net realizable value of Rs.0.512 million (2007: Rs.3.077 million).

	Note	2008 Rupees	2007 Rupees
8. TRADE DEBTS			
Considered good			
Foreign - secured		919,763,599	836,273,539
Local - unsecured		104,440,404	88,449,739
		1,024,204,003	924,723,278
9. LOANS AND ADVANCES			
Unsecured - considered good			
Current portion of long-term loans	4	6,573,152	4,238,759
Advance to employees		174,446	168,815
Advance to suppliers and contractors		32,718,754	8,712,964
Letters of credit		798,421	739,510
Advance Income tax		383,950,985	379,792,754
Others		18,050	7,560
		424,233,808	393,660,362
10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits		450,000	945,000
Prepayments		624,691	2,694,934
		1,074,691	3,639,934
11. OTHER RECEIVABLES			
Unsecured - considered good			
Sales tax refundable		42,615,040	16,327,689
Federal excise duty		6,078,051	-
Claim receivable		348,604	6,852,829
Derivative financial instruments	16.1.1	-	33,214,804
Other		311,520	350,922
		49,353,215	56,746,244
12. CASH AND BANK BALANCES			
Cash in hand		1,394,044	1,659,394
Cash with banks in:			
current accounts	12.1	170,217,865	93,873,683
deposit accounts	12.2	-	1,861
		171,611,909	95,534,938

12.1 Current accounts include balances in foreign currency accounts of US Dollars 444,618 equivalent to Rs.30.234 million (2007 : US Dollars 46,774 equivalent to Rs.2.790 million).

12.2 Deposit accounts carry mark up of 1.5% to 5% per annum (2007 : 1.5% per annum).



13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008 Number of shares	2007 Number of shares		2008 Rupees	2007 Rupees
6,000,000	6,000,000	Ordinary shares of Rs.10/- each fully paid in cash	60,000,000	60,000,000
17,437,500	17,437,500	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	174,375,000	174,375,000
<u>23,437,500</u>	<u>23,437,500</u>		<u>234,375,000</u>	<u>234,375,000</u>

13.1 1,747,500 (2007 : 1,747,500) ordinary shares of Rs.10/- each are held by the Lucky Energy (Private) Limited, an associated company.

14. LONG TERM FINANCING

Banking Companies - Secured

	Term Finance			2008	2007
	----- Rupees -----				
Opening balance	50,581,000	100,000,000	250,000,000	400,581,000	750,000,000
Obtained during the year	56,300,000	-	-	56,300,000	50,581,000
	106,881,000	100,000,000	250,000,000	456,881,000	800,581,000
Repaid during the year	-	(100,000,000)	(250,000,000)	(350,000,000)	(400,000,000)
	106,881,000	-	-	106,881,000	400,581,000
Current portion shown under current liabilities	(4,215,084)	-	-	(4,215,084)	(350,000,000)
Closing balance	<u>102,665,916</u>	-	-	<u>102,665,916</u>	<u>50,581,000</u>
No. of installments	12	-	-		
Period	Half yearly	-	-		
Markup Rate	Base rate + 2%	Base rate + 1.50%	Kibor +0.5		
Tranche 01					
Date of loan obtained	May 04, 2007	-	-		
Amount obtained	24,423,000	-	-		
Date last of installment	November 03, 2014	-	-		
Amount of installment	2,035,250	-	-		
Tranche 02					
Date of loan obtained	May 31, 2007	-	-		
Amount obtained	26,158,000	-	-		
Date last of installment	November 30, 2014	-	-		
Amount of installment	2,179,834	-	-		
Tranche 03					
Date of loan obtained	October 11, 2007	-	-		
Amount obtained	56,300,000	-	-		
Date last of installment	March 30, 2015	-	-		
Amount of installment	4,961,667	-	-		
Sub note number	14.1	14.2	14.3		

- 14.1 This facility is secured against hypothecation charge on present and future plant and machinery of the Company amounting to Rs.167 million.
- 14.2 This facility was secured against first charge by way of hypothecation on fixed assets of the Company amounting to Rs 266 million which has been released on repayment.
- 14.3 This facility was secured against first pari passu hypothecation charge amounting to Rs.333.3 million over plant and machinery of the Company which has been released on repayment.

		2008 Rupees	2007 Rupees
15. DEFERRED LIABILITIES			
Gratuity	15.1	70,744,689	66,787,053
Deferred taxation	15.2	136,842,837	141,705,828
		207,587,526	208,492,881
15.1 Gratuity			
Staff gratuity		70,744,689	66,787,053
The amount recognised in the balance sheet are as follows:			
Present value of defined benefit obligation		57,865,966	48,834,203
Unrecognised actuarial gain		8,136,881	13,367,753
Unpaid balances		4,741,842	4,585,097
		70,744,689	66,787,053
The amounts recognised in profit and loss are follows:			
Current service cost		27,419,121	23,590,475
Interest cost		4,883,420	4,646,439
Actuarial gain recognised		(606,024)	(532,764)
		31,696,517	27,704,150
Movements in the net liability is as follows:			
Opening balance		66,787,053	55,264,970
Charge for the year		31,696,518	27,704,150
Payments made during the year		(27,738,882)	(16,182,067)
Closing balance		70,744,689	66,787,053
		2008	2007
The principal assumptions used in the valuation of gratuity are as follows:			
Discount rate		12%	10%
Expected rate of salary increase		12%	10%

Comparisons for five years:

	2008	2007	2006	2005	2004
	<----- Rupees ----->				
As at June 30					
Present value of defined benefit obligation	57,865,966	48,834,203	40,686,854	44,527,839	35,592,950



	Note	2008 Rupees	2007 Rupees
15.2 Deferred taxation			
Balance at beginning		141,705,828	136,100,000
(Reversal)/Charge for the year		(4,862,991)	5,605,828
Balance at end		<u>136,842,837</u>	<u>141,705,828</u>
This comprised of the deferred tax liability / (asset) arising in respect of:			
Tax depreciation allowance		148,120,566	149,146,240
Provision for gratuity		(6,893,687)	(7,440,412)
		<u>136,842,837</u>	<u>141,705,828</u>
16. TRADE AND OTHER PAYABLES			
Creditors		132,293,274	81,050,386
Foreign bills payable		269,580,268	95,097,245
Advance from customers and employees		6,275,273	8,832,141
Accrued liabilities		237,054,824	215,755,924
Derivative financial instruments	16.1	177,848,737	-
Withholding income tax		72,027	703,237
Sales tax payable		2,460,556	1,662,752
Regulatory duty payable		31,337,545	31,337,545
Unclaimed dividend		5,999,241	5,944,786
Workers' Profit Participation Fund	16.2	-	17,258,972
Workers' Welfare Fund		11,062,308	11,062,308
		<u>873,984,053</u>	<u>468,705,296</u>
16.1 Derivative financial instruments			
Foreign currency			
Interest rate swap	16.1.1	155,228,737	-
Forward contracts		22,620,000	-
		<u>177,848,737</u>	<u>-</u>
16.1.1 The Company has entered into cross currency interest rate swap arrangements with banking companies. Under the arrangement the principal amount is swapped with US \$ component. The Company pay six month US \$ LIBOR and receive six month KIBOR minus spread as per the respective arrangements. Settlements are made on semi-annual basis. The Company has terminated the contracts after the balance sheet date.			
16.2 Workers' Profit Participation Fund			
Opening balance		17,258,972	19,242,735
Interest on funds utilised in the Company's business		851,128	993,245
		<u>18,110,100</u>	<u>20,235,980</u>
Allocation for the year		-	17,258,972
		<u>18,110,100</u>	<u>37,494,952</u>
Paid to the Fund		(18,110,100)	(20,235,980)
Closing balance		<u>-</u>	<u>17,258,972</u>

	Note	2008 Rupees	2007 Rupees
17. SHORT TERM BORROWINGS			
Secured			
From banking companies			
Running finance under markup arrangement	17.1	1,618,593,640	110,515,381
Foreign currency loan against	17.2		
Export finance		1,128,982,627	1,024,529,669
Import finance		931,649,853	748,813,194
		2,060,632,480	1,773,342,863
		3,679,226,120	1,883,858,244

17.1 Facilities for running finance available from various banks amount to Rs.3,300 million (2007 : Rs.1,100 million). The rates of mark-up range between 9.77% to 14.88% per annum (2007 : 9.36% to 11.22% per annum). These are secured against hypothecation of stocks and receivables. The facilities include non-fund based limits of Rs. 1,213 million (2007 : Rs.2,336 million) for letters of credit and letters of guarantee.

17.2 Export and import financing facilities available from various banks amount to Rs.5,360 (2007 : Rs.3,710 million). The rates of mark-up range between 3.87% to 6.23% per annum (2007: 5.50% to 6.02% per annum). These are secured against hypothecation of stocks and receivables.

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

- a. Outstanding guarantees given on behalf of the Company by banks in normal course of business amounting to Rs.183.455 million (2007 : Rs.159.905 million).
- b. The Honorable Commissioner of Income Tax (Appeals) has finalised the cases for the Assessment year 1999-2000 and 2001-2002 in favor of the Company. The favour demands have also been deleted , levied on both the cases. However for the Assessment year 2001-2002 department has filed second appeal against such decision on the issue of u/s 12(9A) of the Income Tax Ordinance, 1979 (Repealed) impacting Rs.87.78 million.

In addition, in appeal effect order the department has not allowed the credit of unabsorbed tax depreciation. On that issue the Company has preferred appeals before the Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal (ITAT) simultaneously. The matters are pending for adjudication. The management is confident that the matters would be settled in favour of the Company.

- d. Others

Export bills discounted	119,264,444	59,759,275
Indemnity bond in favour of Collector of Customs against imported plant and machinery	1,100,000	23,447,297
Post dated cheques in favour of Collector of Customs against imported plant and machinery	12,015,315	26,422,318



	Note	2008 Rupees	2007 Rupees
18.2 Commitments			
Letters of credit opened by banks for:			
Plant and machinery		5,491,200	57,015,914
Raw materials		120,442,418	293,694,470
Stores and spares		9,375,989	13,988,903
Foreign currency forward contract		511,500,000	-
Investment in a Joint Venture Project (refer note 5.2)		358,333,333	-
19. SALES - NET			
Export			
Direct			
- Yarn		3,162,931,131	3,466,107,474
- Waste		146,294,655	128,002,128
		3,309,225,786	3,594,109,602
Commission on direct export sales		(88,406,029)	(97,783,180)
		3,220,819,757	3,496,326,422
Indirect Export - Yarn		1,831,596,184	1,268,824,911
		5,052,415,941	4,765,151,333
Local			
- Yarn		1,588,400,995	1,510,927,469
- Waste		128,649,862	100,789,070
		1,717,050,857	1,611,716,539
Commission on local sales		(11,802,860)	(12,476,068)
		1,705,247,997	1,599,240,471
		6,757,663,938	6,364,391,804
20. COST OF SALES			
Opening stock - finished goods		112,835,730	109,231,379
Purchases		12,855,500	29,965,476
		125,691,230	139,196,855
Cost of goods manufactured	20.1	6,093,623,475	5,588,169,802
Less: Closing stock - finished goods		(207,213,333)	(112,835,730)
		6,012,101,372	5,614,530,927
20.1 Cost of goods manufactured			
Raw material consumed	20.1.1	4,236,358,023	3,917,364,594
Salaries, wages and benefits	20.1.2	457,039,222	412,047,340
Stores, spares and accessories		217,020,032	178,725,602
Packing material consumed		134,256,441	123,159,981
Fuel and power		723,543,013	613,660,130
Repairs and maintenance		13,988,123	15,791,533
Insurance		15,305,211	15,722,340
Traveling, conveyance and entertainment		4,374,864	5,103,435
Doubling charges		3,603,284	1,535,822
Communication		675,103	1,008,946
Depreciation	3.1.1	297,170,913	303,908,397
Other manufacturing expenses		1,142,167	978,412
		6,104,476,396	5,589,006,532
Work-in-process			
Opening stock		56,381,684	55,544,954
Closing stock		(67,234,605)	(56,381,684)
		(10,852,921)	(836,730)
Cost of goods manufactured		6,093,623,475	5,588,169,802

	Note	2008 Rupees	2007 Rupees
20.1.1 Raw material consumed			
Opening stock		983,496,734	1,642,667,370
Purchases - net	20.1.1.1	5,250,850,576	3,236,707,765
Direct purchase expenses		-	21,486,193
		5,250,850,576	3,258,193,958
Less: Closing stock		(1,997,989,287)	(983,496,734)
		<u>4,236,358,023</u>	<u>3,917,364,594</u>

20.1.1.1 Net of duty draw back amounting to Rs.3.109 million (2007 : Rs.1.890 million).

20.1.2 Salaries, wages and benefits includes Rs.29.937 million (2007 : Rs.26.399 million) in respect of staff retirement benefits.

21. DISTRIBUTION COST

Freight, octroi and handling charges			
- Export		161,547,824	180,392,557
- Local		7,641,412	9,581,402
		<u>169,189,236</u>	<u>189,973,959</u>
Export development surcharge		27,992,745	14,813,739
Bank charges on export		16,733,308	16,293,905
		<u>213,915,289</u>	<u>221,081,603</u>

22. ADMINISTRATIVE EXPENSES

Staff salaries and benefits	22.1	19,671,998	18,153,717
Rent, rates and taxes		843,996	847,171
Communication		3,244,435	2,344,006
Printing and stationery		1,247,473	1,066,209
Repairs and maintenance		162,186	238,797
Legal and professional		2,389,858	2,232,427
Traveling and conveyance		5,240,499	7,139,382
Entertainment		2,311,252	2,969,715
Vehicles running and maintenance		1,403,723	1,542,135
Secretarial expenses		278,266	269,130
Fee and subscriptions		4,407,466	3,041,482
Electricity		1,106,904	714,221
Advertisement		76,000	81,000
Auditors' remuneration	22.2	450,000	375,000
Depreciation	3.1.1	4,325,193	3,248,925
Insurance		1,612,936	1,615,101
Books and periodicals		36,148	30,523
Others		642,728	644,638
		<u>49,451,061</u>	<u>46,553,579</u>

22.1 Salaries and benefits includes Rs.1.759 million (2007 : Rs.1.305 million) in respect of staff retirement benefits.

22.2 Auditors remuneration

Statutory audit fee	325,000	270,000
Certification and other statutory reporting services	125,000	105,000
	<u>450,000</u>	<u>375,000</u>



	Note	2008 Rupees	2007 Rupees
23. FINANCE COST			
Mark-up/interest on			
Long-term financing		8,125,666	53,678,001
Short-term borrowings		159,591,236	129,048,304
Workers' Profit Participation Fund		851,128	993,245
		168,568,030	183,719,550
Bank and other financial charges		1,895,886	1,895,079
		170,463,916	185,614,629
Loss/(Gain) on cross currency interest rate swap	23.1	160,948,483	(35,815,694)
		331,412,399	149,798,935
23.1 Cross currency interest rate swap			
Unrealised loss/(gain)	16.1.1	155,228,738	(33,214,804)
Realised loss/ (gain) during the year		5,719,745	(2,600,890)
		160,948,483	(35,815,694)
24. OTHER OPERATING INCOME			
Profit on deposit accounts		199,679	136,539
Scrap sales		3,188,769	2,057,676
Gain on disposal of operating fixed assets - net		-	1,743,051
		3,388,448	3,937,266
25. OTHER CHARGES			
Donations	25.1	1,188,706	267,394
Exchange loss / (Gain) on foreign currency transactions- net		283,545,804	(8,089,554)
Loss on disposal of operating fixed assets - net		537,499	-
Loss on supply of electricity to PESCO	25.2	1,506,420	-
Workers' Profit Participation Fund		-	17,258,972
Workers' Welfare Fund		-	6,538,544
		286,778,429	15,975,356

25.1 Donation includes the following in whom the Directors are interested:

Name of Director	Interest in Donee	Name and address of Donee	2008 Rupees	2007 Rupees
Miss Marium Razzak	Trustee	Aziz Tabba Foundation	638,706	152,394*
M. Yunus A. Aziz Tabba		CS-52, Block-7,		
M. Sohail M. Yunus Tabba		F.B.Area, Karachi.		
Muhammad Ali A. Razzak Tabba				
Ilyas Ismail Moten				

* Book value of generator donated.

	2008 Rupees	2007 Rupees
25.2 Loss on supply of electricity to PESCO		
Net sales		
Sales of electricity to PESCO	144,673,595	-
Less: Cost and expenses of electricity generation		
Oil & lubricants	126,180,990	-
Freight on oil & lubricant	7,434,963	-
Depreciation	5,698,990	-
Stores consumed	3,234,974	-
Interest expense	1,899,322	-
Salaries and wages	1,042,302	-
Others	688,474	-
	<u>146,180,015</u>	-
Loss on supply of electricity to PESCO	<u>(1,506,420)</u>	-
26. TAXATION		
- Current		
For the year	51,339,060	93,757,550
Prior year	<u>(14,341,841)</u>	<u>(11,768,420)</u>
	<u>36,997,219</u>	<u>81,989,130</u>

The relationship between tax expense and accounting profit has not been presented as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 or falls under final tax regime and hence tax has been calculated under section 154 and 169 of the Income Tax Ordinance, 2001.

27. EARNINGS PER SHARE
- Basic and diluted

There is no dilutive effect on the basic earnings per share of the Company which is based on :

		2008	2007
Profit / (Loss) for the year	Rs.	(164,740,392)	232,793,712
Number of ordinary shares		23,437,500	23,437,500
Earnings / (Loss) per share	Rs.	(7.03)	9.93



28. REMUNERATION OF DIRECTOR AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including benefits, to the director and executives of the Company were as follows: -

	Director ----- 2008 -----	Executives ----- 2008 -----	Directors ----- 2007 -----	Executive ----- 2007 -----
	Rupees			
Remuneration	1,936,800	1,788,387	1,936,800	1,637,419
House rent	270,000	804,774	270,000	736,838
Utilities	193,200	178,839	193,200	163,743
Bonus	-	216,375	-	206,625
Leave encashment	-	231,000	-	211,500
	2,400,000	3,219,375	2,400,000	2,956,125
Number of persons	1	3	1	3

28.1 Executives are also provided with Company maintained car.

28.2 Chief Executive Officer is not drawing any remuneration.

28.3 Meeting fee of Rs.0.042 million (2007 : Rs.0.042 million) has been paid to seven Directors.

29. PRODUCTION CAPACITY

Spinning Mill

	2008	2007
Total number of spindles installed	180,288	192,768
Number of shifts worked per day	3	3
Number of days worked	365	365
Number of shifts worked	1,093	1,093
Average number of spindles shift worked	206,302,176	210,271,902
Installed capacity after conversion into 20's (Kgs)	78,147,696	78,036,979
Actual capacity after conversion into 20's (Kgs)	78,616,657	76,530,990
Actual production (Kgs)	38,140,266	38,735,407

It is difficult to describe precisely the production capacity in the textile industry since it fluctuate widely depending on various factors such as count of yarn spun, spindles speed, twist per inch, raw material used, etc.

	2008 Units	2007 Units
Power plant (Only for supply to PESCO)		
Theoretical maximum capacity	112,492,800	-
Attainable capacity (85%)	95,618,880	-
Actual production	15,390,390	-

The Company has supplied electricity for only four months. Output produced by the plant is dependent on the load demand by PESCO.

30. RELATED PARTY TRANSACTIONS

Related parties comprised of associated companies, other associated undertakings, directors and key personnels. Transactions with related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 28, are as follows: -

Name of Related Parties	Nature of Transaction	2008 Rupees	2007 Rupees
a. Associated companies			
Lucky Cement Limited (Common Directorship)	Cement purchased	1,719,600	2,109,130
Fazal Textile Mills Limited (Common Directorship)	Yarn purchased	12,855,500	27,959,476
	Raw material purchased	-	5,288,583
	Doubling charges	2,325,822	-
	Yarn sold	82,773,457	58,869,408
	Raw material sold	564,375	8,920,226
Lucky Energy (Private) Limited (Common Directorship)	Generator purchased	5,000,000	25,000,000
	Store and spares purchased	2,395,588	1,617,098
b. Other associated undertakings			
Lucky Textile Mills	Store purchased	17,250	-
	Yarn sold	438,456,918	274,356,265
Yunus Textile Mills	Yarn sold	785,583,185	646,726,914
Lucky Knits (Pvt) Ltd	Yarn sold	123,332,890	55,882,075
Aziz Tabba Foundation	Generator donated	-	152,395
	Cash donated	638,706	-



31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company exposure to interest rate risk as at year-end are summarized as under: -

<----- 2008 ----->					
Interest bearing					
Maturity upto one year	Maturity after one year	Sub Total	Non-interest Bearing	June 30, 2008	
<----- Rupees ----->					
FINANCIAL ASSETS					
On balance sheet					
Long-term loan	-	-	-	3,760,278	3,760,278
Long-term deposits	-	-	-	7,199,414	7,199,414
Long-term investment	-	-	-	83,335,467	83,335,467
Trade debts	-	-	-	1,024,204,003	1,024,204,003
Loans and advances	-	-	-	40,282,823	40,282,823
Trade deposits	-	-	-	450,000	450,000
Other receivables	-	-	-	660,124	660,124
Cash and bank balances	-	-	-	171,611,909	171,611,909
	-	-	-	1,331,504,018	1,331,504,018
FINANCIAL LIABILITIES					
On balance sheet					
Long-term financing	4,215,084	102,665,916	106,881,000	-	106,881,000
Trade and other payables	-	-	-	831,584,200	831,584,200
Mark up payable	-	-	-	62,557,651	62,557,651
Short-term borrowings	3,679,226,120	-	3,679,226,120	-	3,679,226,120
	3,683,441,204	102,665,916	3,786,107,120	894,141,851	4,680,248,971
Off balance sheet					
Letters of credit opened by bank					135,309,607

Effective rates of interest are mentioned in respective notes to the financial statements.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company exposure to interest rate risk as at year-end are summarized as under: -

<----- 2007 ----->				
Interest bearing				
Maturity upto one year	Maturity after one year	Sub Total	Non-interest Bearing	June 30, 2007
<----- Rupees ----->				
FINANCIAL ASSETS				
On balance sheet				
Long-term loans	-	-	1,133,516	1,133,516
Long-term deposits	-	-	7,192,515	7,192,515
Long-term investment	-	-	15,238,500	15,238,500
Trade debts	-	-	924,723,278	924,723,278
Loans and advances	-	-	4,238,759	4,238,759
Trade deposits	-	-	945,000	945,000
Other receivables	-	-	56,746,244	56,746,244
Cash and bank balances	1,861	-	1,861	95,533,077
	1,861	-	1,861	1,105,750,889
				1,105,752,750

FINANCIAL LIABILITIES

On balance sheet

Long-term financing	350,000,000	50,581,000	400,581,000	-	400,581,000
Trade and other payables	17,258,972	-	17,258,972	451,446,324	468,705,296
Mark up payable	-	-	-	43,106,370	43,106,370
Short-term borrowings	1,883,858,244	-	1,883,858,244	-	1,883,858,244
	2,251,117,216	50,581,000	2,301,698,216	494,552,694	2,796,250,910

Off balance sheet

Letters of credit opened by bank	364,699,287
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Effective rates of interest have been given in respective notes to the financial statements.

31.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. To manage exposure to credit risk, the Company review the credit worthiness and applies credit limits to their customers. The Company believes that it is not exposed to major concentration of credit risk.

31.3 Fair value of financial instrument

The carrying values of all the financial instruments reported in the financial statements approximates their respective fair values.



31.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

31.5 Foreign exchange risk

Foreign exchange is the risk of loss through changes in foreign currency exchange rates. The Company is exposed to foreign exchange risk due to transactions denominated in foreign currencies. The Company uses forward contracts to hedge its exposure to foreign currency risk. The Company's exposure in short-term foreign currency borrowings is countered by receivable from foreign debtors against export sales. Further, the Company also counter this risk through foreign currency forward contracts.

32. CAPITAL MANAGEMENT

The company'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. Further, the Company is not subject to any externally imposed capital requirements.

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on **September 08, 2008** by the Board of Directors of the Company.

34. GENERAL

Figures have been rounded off to the nearest Rupee.

M. YUNUS A. AZIZ TABBA
Chairman / Director

M. SOHAIL M. YUNUS TABBA
Chief Executive



PATTERN OF SHAREHOLDING

FORM "34"
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2008

NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING	TO	TOTAL SHARES HELD
599	1		100	26,622
555	101		500	143,030
372	501		1,000	292,592
191	1,001		5,000	436,409
31	5,001		10,000	228,552
15	10,001		15,000	184,112
4	15,001		20,000	74,125
4	20,001		25,000	91,956
3	25,001		30,000	83,500
1	30,001		35,000	31,300
2	35,001		40,000	75,000
1	40,001		45,000	43,700
5	45,001		50,000	248,900
2	50,001		55,000	107,400
1	75,001		80,000	80,000
2	105,001		110,000	219,816
2	110,001		115,000	223,718
1	115,001		120,000	117,187
3	140,001		145,000	421,875
1	150,001		155,000	154,000
1	165,001		170,000	166,800
1	190,001		195,000	191,500
1	215,001		220,000	219,816
3	220,001		225,000	663,290
1	240,001		245,000	244,367
1	270,001		275,000	273,750
1	290,001		295,000	294,800
2	295,001		300,000	594,175
2	315,001		320,000	638,900
1	440,001		445,000	442,961
1	1,055,001		1,060,000	1,056,600
1	1,220,001		1,225,000	1,223,570
1	1,245,001		1,250,000	1,247,606
1	1,735,001		1,740,000	1,738,868
1	1,745,001		1,750,000	1,747,500
1	1,775,001		1,780,000	1,779,948
1	1,845,001		1,850,000	1,848,755
1	5,780,001		5,785,000	5,780,500
1,817				23,437,500

S . NO	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	PERCE- NTAGE
1	Individuals	1,772	10,682,079	45.58
2	Investment Companies	3	39,674	0.17
3	Insurance Companies	2	1,105,500	4.72
4	Joint Stock Companies	28	7,998,348	34.13
5	Financial Institutions	8	3,410,512	14.55
6	Modaraba Companies	1	4,500	0.02
7	Mutual Fund	1	166,800	0.71
8	Others	2	30,087	0.13
		1,817	23,437,500	100.00

**Associated Companies, undertakings and related parties (name wise detail):**

Lucky Energy (Private) Limited	1,747,500
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NIT & ICP (name wise detail):

National Bank of Pakistan, Trustee Department (NIT)	3,104,075
Investment Corporation of Pakistan (ICP)	800

Directors, CEO and their spouse and minor children (name wise detail)

Mr. M. Yunus A. Aziz Tabba (Chairman / Director)	1,779,948
Mr. M. Sohail M. Yunus Tabba (Director)	1,272,056
Mr. Muhammad Ali A. Razzak Tabba (Director)	662,777
Mr. Imran M. Yunus Tabba (Director)	319,900
Mr. Javed M. Yunus Tabba (Director)	320,801
Miss Marium Razzak (Director)	333,238
Mr. Ilyas Ismail Moten (Director)	296,875
Mr. Muhammad Raziq (Director)	N.I.T. Nominee

Executive	NIL
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Public Sector Companies and Corporations	NIL
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Banks, Development Finance Institutions, Non-Banking Financial Institutions:	3,410,512
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Insurance Companies	1,105,500
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Modarabas Company	4,500
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Mutual	166,800
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Shareholders holding ten percent or more voting interest (name wise details):

Saif Holdings Limited	5,780,500
National Bank of Pakistan (N.I.T.)	3,104,075

Details of trading in the shares by the Directors, CEO, CFO, Company Secretary and their spouses and minor children:

None of the Directors, CEO, CFO, Company Secretary and their spouses and minor Children has traded in the shares of the Company during the year.

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS:

During the year under view, four board meetings were held and attendance of each director is as under:

S/No.	Name of Director	Meetings Attended
1.	Mr. M. Yunus A. Aziz Tabba	4
2.	Mr. M. Sohail M. Yunus Tabba	4
3.	Mr. Muhammad Ali A. Razzak Tabba	3
4.	Mr. M. Javed M. Yunus Tabba	3
5.	Miss. Marium Razzak	3
6.	Mr. Ilyas Ismail Moten	4
7.	Mr. Shamshad Ahmad *	2

* Resigned during the tenure



FORM OF PROXY

The Company Secretary,
GADOON TEXTILE MILLS LIMITED,
200 - 201, Gadoon Amzai Industrial Estate,
Distt, Swabi, NWFP.

I/We _____
_____ of _____ in the district of _____
be a Member/Members of GADOON TEXTILE MILLS LTD. hereby appoint
_____ of _____
being a Member of the company as my/our proxy to vote for
me/us
and on my/our behalf at the 21st Annual General Meeting of the Company to be held on the 15th
day of October 2008 and at any adjournment there of.

Signed this _____ day of _____ 2008.

Members Signature

Affix
Revenue
Stamp
of Rs. 5/=

Folio No./CDC No. _____

No. of shares held _____

NIC. # _____



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