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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	:	200-201,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	:	6-A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi-75350. Phone No. :021-4397701-03 Fax No. :021-4382436, 4536229 E-mail Address: secretary@gadoonho.com
Share Registrar	:	Central Depository Company of Pakistan Ltd CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi Ph # 021-111-111-500 Fax # 021-4326027 Email Address: info@cdcpak.com
Bankers	:	Bank Alfalah Limited (Islamic Banking) Bank Al Habib Limited Barclays Bank PLC, Pakistan Citibank N.A. Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited National Bank of Pakistan Standard Chartered Bank (Pakistan) 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 22ND ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of the members of Gadoon Textile Mills Limited will be held on 19th October, 2009 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 21st Annual General Meeting held on 15th October, 2008.

2. To receive, consider and adopt the Audited Accounts for the period ended 30th June 2009 together with the Directors' and Auditors' report thereon.

3. To appoint Auditors for the year ending 30th June, 2010 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: 26th September 2009

NOTES:

1. The Share Transfer Book of the Company will remain closed from 12th October, 2009 to 19th October, 2009 (both days inclusive). Transfers received in order at our Share Registrar/Transfer Agent M/s Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi, upto close of business on 10th October 2009, 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 Computerized 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 addressess, if any, to our Share Registrar/Transfer Agent M/s Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi.

DIRECTORS' REPORT

The Directors of your Company have pleasure in presenting before you the 22nd Annual Report together with the Company's audited financial statements for the year ended June 30, 2009.

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

	Year Ended 30-06-2009	Year Ended 30-06-2008	Percentage Favorable (Unfavorable)
	Rs. in Thousand		
Sales - Export	4,172,215	5,052,416	(17.42)
Local	2,968,577	1,705,248	74.08
Sales (net)	7,140,792	6,757,664	5.67
Gross Profit	756,875	745,563	1.52
Finance costs	(620,007)	(331,412)	(87.08)
Loss before taxation	(297,072)	(132,606)	(124.03)
Loss for the year	(338,597)	(164,740)	(105.53)
Loss per share	(14.45)	(7.03)	

The results reflect the unprecedented turmoil triggered by the worst economic downturn since World War II. Inflation, severe liquidity crunch, energy crisis, erosion of value of Pak rupee vs. US dollar, withdrawal of exchange risk cover by State Bank of Pakistan, steep rise in interest rate, worsening law and order situation, ever increasing transportation cost, all added to the chaos.

Your Company's total net sales increased marginally by 5.67% from Rs.6,758 million last year to Rs.7,141 million in the year under review. Further, the Company being more dependent on export market it bore the brunt of worldwide recession in a big way---dragging down export sales to 58% of the total sales as compared to 75% in 2008.

Finance cost increased to Rs.620 million this year from Rs.331 million last year. The rise in finance cost was attributable to loss in cross currency transactions, higher borrowing cost due to higher mark-up rates raised by the State Bank of Pakistan and due to conversion of LIBOR based finance into costly KIBOR based finance.

Consequently, your Company suffered after tax loss of Rs.338 million as compared to Rs.165 million last year. The loss for the year would have been higher had the last quarter not turned out to be profitable and redeemed part of the loss.

The textile industry has probably never been in such a dire situation. According to All Pakistan Textile Mills Association, as many as 500,000 spindles had to shut down during the year, being no longer economically viable under the prevailing circumstances.

Appropriation of Profit:

In view of the net loss suffered by the Company, your Directors have decided not to recommend 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.14.53 as compared to Rs.7.03 for 2008.

Future Outlook:

Chances of the global recovery from recession appear to be bright. According to press reports, after contracting sharply over the past year, economic activity appears to be leveling out in the USA, Japan, Germany and France and the prospects for a return to growth in the near term appear good. Should the world economy improve, Pakistan's textile industry is well-positioned to reap some benefits.

The cotton crop, earlier targeted at 13.2 million bales, has been revised at 12 million bales. Given the short supply against the demand, the spinners will not have easy time finding lint at a reasonable price without compromising quality.

Major threat for the textile industry is power disruption due to shut down of gas during winter and intermitant/non-supply of electricity by WAPDA.

Code of Corporate Governance:

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance, incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from Security & 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 has been given separately.

   ii. Statement of shares held by associated undertaking and related persons has been given separately.

   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 has been given separately.

Auditors:

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

As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending 30th June, 2010.

Aknowledgements:

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. Sohail M. Yunus Tabba
Chief Executive/Director

Karachi: 9th September 2009

YEAR WISE STATISTICAL SUMMARY

								Rupees (000)
	2002	2003	2004	2005	2006	2007	2008	2009
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	2,760,662
Long Term Loans, Deposits & Deferred Costs	3,416	4,176	4,558	4,429	9,728	8,326	10,960	7,971
Investment						15,238	83,335	66,667
Current Assets	1,788,770	1,747,374	1,640,541	2,703,546	3,114,124	2,882,650	4,384,976	3,208,422
Total Assets Employed	**3,816,244**	**4,687,224**	**4,595,372**	**5,765,963**	**6,144,642**	**5,853,759**	**7,543,006**	**6,043,722**
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	1,974,019
Long Term Loans	200,000	860,000	680,000	750,000	375,000	50,581	102,666	897,974
Current portion of Long Term Loans	-	-	430,000	305,000	375,000	350,000	4,215	8,907
	200,000	860,000	1,110,000	1,055,000	750,000	400,581	106,881	906,881
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	215,658
Current Liabilities	1,703,634	1,792,486	1,633,094	2,693,985	3,215,652	3,058,496	4,918,468	2,956,070
Current portion of Loans & Lease	-	-	(430,000)	(305,000)	(375,000)	(350,000)	(4,215)	(8,907)
	1,703,634	1,792,486	1,203,094	2,388,985	2,840,652	2,708,496	4,914,253	2,947,163
Total Funds Invested	**3,816,244**	**4,687,224**	**4,595,372**	**5,765,963**	**6,144,642**	**5,853,759**	**7,543,006**	**6,043,722**
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	7,140,792
Gross Profit	460,128	441,347	519,614	541,805	799,889	749,861	745,563	756,875
Operating Profit	322,333	292,912	349,455	363,820	567,862	470,188	485,585	527,856
Profit/(loss) before taxation	250,317	250,285	262,067	279,429	363,022	320,389	(132,606)	(297,072)
Profit/(loss) after taxation	229,940	132,388	244,941	206,924	293,022	232,794	(164,740)	(338,597)
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	636,519
Earning/(loss) per share (Rupees)	9.81	5.65	10.45	8.83	12.50	9.93	(7.03)	(14.45)
Break up value per share (Rupees)	72.09	72.74	84.44	90.77	100.77	108.21	98.74	84.22

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. No casual vacancy occurred in the Board of Directors during the year.

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 related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.

9. 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.

10. 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.

11. The Board has approved the appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment, as determined by the Chief Executive Officer (CEO) and there is no new appointment of Company secretary, Chief Financial Officer (CFO) has been made during the year.

12. 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.

13. The CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. We confirm that all other material principles contained in the Code have been complied with.

M. SOHAIL M. YUNUS TABBA
Chief Executive

M. JAVED M. YUNUS TABBA
Director

Karachi: 9th September 2009

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 the internal control covers all controls and the effectiveness of such internal controls.

The Code of Corporate Governance requires board of directors to approve related party transactions bifurcating between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price. In this connection we are only required and have ensured compliance of requirement to the extent of board of directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

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, 2009.

M. Yousaf Adil Saleem & Co.
Chartered Accountants

Karachi
Date: 9th September 2009

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Gadoon Textile Mills Limited** as at June 30, 2009 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, 2009 and of the loss, 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 (XVIII of 1980).

M. Yousaf Adil Saleem & Co.
Chartered Accountants

Karachi
Date: 9th September 2009

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	4	**2,760,661,857**	3,063,734,826
Long-term loans	5	**704,608**	3,760,278
Long-term deposits		**7,266,614**	7,199,414
Long-term investment	6	**66,666,667**	83,335,467
		2,835,299,746	3,158,029,985
CURRENT ASSETS			
Stores, spares and loose tools	7	**154,690,825**	163,799,508
Stock-in-trade	8	**1,951,187,094**	2,527,576,411
Trade debts	9	**671,114,277**	1,024,204,003
Loans and advances	10	**106,304,816**	424,233,808
Trade deposits and short-term prepayments	11	**1,800,856**	1,074,691
Other receivables	12	**79,023,563**	49,353,215
Income tax refundable due from the government		**125,392,614**	23,122,488
Cash and bank balances	13	**118,907,931**	171,611,909
		3,208,421,976	4,384,976,033
		6,043,721,722	7,543,006,018
SHARE CAPITAL AND RESERVES			
Authorised			
50,000,000 ordinary shares of Rs.10/- each		**500,000,000**	500,000,000
Issued, subscribed and paid-up	14	**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
		103,125,000	104,793,800
Revenue reserves			
General reserve		**1,000,000,000**	1,000,000,000
Unappropriated profit		**636,519,294**	975,115,842
		1,636,519,294	1,975,115,842
		1,974,019,294	2,314,284,642
NON-CURRENT LIABILITIES			
Long-term financing	15	**897,974,249**	102,665,916
Deferred liabilities	16	**215,658,317**	207,587,526
		1,113,632,566	310,253,442
CURRENT LIABILITIES			
Trade and other payables	17	**975,903,482**	873,984,053
Accrued mark-up		**102,442,507**	62,557,651
Short-term borrowings	18	**1,809,758,487**	3,679,226,120
Current portion of long-term financing	15	**8,906,751**	4,215,084
Provision for taxation		**59,058,635**	298,485,026
		2,956,069,862	4,918,467,934
CONTINGENCIES AND COMMITMENTS	19		
		6,043,721,722	7,543,006,018

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

M. SOHAIL M. YUNUS TABBA
Chief Executive

M. JAVED M. YUNUS TABBA
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
Sales - net	20	**7,140,792,393**	6,757,663,938
Cost of sales	21	**(6,383,917,237)**	(6,012,101,372)
Gross profit		**756,875,156**	745,562,566
Distribution cost	22	**181,112,073**	213,915,289
Administrative expenses	23	**52,461,941**	49,451,061
		(233,574,014)	(263,366,350)
		523,301,142	482,196,216
Finance cost	24	**(620,007,264)**	(331,412,399)
		(96,706,122)	150,783,817
Other operating income	25	**4,554,619**	3,388,448
Others charges	26	**(204,920,266)**	(286,778,429)
Loss before taxation		**(297,071,769)**	(132,606,164)
Taxation			
Current	27	**39,250,738**	36,997,219
Deferred	16.2	**2,274,041**	(4,862,991)
		(41,524,779)	(32,134,228)
Loss for the year		**(338,596,548)**	(164,740,392)
Earnings / (Loss) per share - basic and diluted	28	**(14.45)**	(7.03)

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

M. SOHAIL M. YUNUS TABBA
Chief Executive

M. JAVED M. YUNUS TABBA
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(297,071,769)**	(132,606,164)
Adjustments for :			
Depreciation		**303,667,500**	307,195,096
(Gain) / loss on disposal of operating fixed assets		**(430,964)**	537,499
(Gain) on disposal of long term investment		**(2,742,798)**	-
Profit on deposits		**(387,942)**	(199,679)
Finance cost		**463,911,321**	168,568,030
Provision for gratuity		**26,270,208**	31,696,518
		790,287,325	507,797,464
Operating cash flows before working capital changes		**493,215,556**	375,191,300
(Increase) / decrease in current assets			
Stores, spares and loose tools		**9,108,683**	(25,475,983)
Stock-in-trade		**576,389,317**	(1,280,676,990)
Trade debts		**353,089,726**	(99,480,725)
Loans and advances		**(3,098,072)**	(24,080,822)
Trade deposits and short-term prepayments		**(726,165)**	2,565,243
Other receivables		**(29,670,348)**	7,353,627
		905,093,141	(1,419,795,650)
Increase in current liability			
Trade and other payables		**101,297,930**	405,278,757
Changes in working capital		**1,006,391,071**	(1,014,516,893)
Cash generated from / (used in) operations		**1,499,606,627**	(639,325,593)
Finance cost paid		**(424,026,465)**	(149,116,749)
Taxes paid		**(57,344,293)**	(55,497,291)
Gratuity paid		**(20,473,458)**	(27,738,882)
		(501,844,216)	(232,352,922)
Net cash generated from / (used in) operating activities		**997,762,411**	(871,678,515)

	Note	2009 Rupees	2008 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Operating fixed assets acquired		**(47,140,950)**	(440,708,000)
Sale proceeds from disposal of operating fixed assets		**46,977,383**	16,785,000
Sale proceeds from disposal of long term investments		**17,742,798**	-
Long term investment		**-**	(66,666,667)
Profit on deposit accounts		**375,982**	239,081
Long term loans recovered/(disbursed)		**1,179,728**	(4,961,155)
Long term deposits paid		**(67,200)**	(6,899)
Net cash generated from / (used in) investing activities		**19,067,741**	(495,318,640)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		**-**	(350,000,000)
Long-term financing obtained		**800,000,000**	56,300,000
Short term finances (repaid)/obtained- net		**(1,017,722,847)**	287,289,617
Dividend		**(66,497)**	(58,593,750)
Net cash used in financing activities		**(217,789,344)**	(65,004,133)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		**799,040,808**	(1,432,001,288)
Cash and cash equivalents at beginning of the year		**(1,446,981,731)**	(14,980,443)
Cash and cash equivalents at end of the year		**(647,940,923)**	(1,446,981,731)
Cash and bank balances		**118,907,931**	171,611,909
Running finance	18.1	**(766,848,854)**	(1,618,593,640)
		(647,940,923)	(1,446,981,731)

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

M. SOHAIL M. YUNUS TABBA
Chief Executive

M. JAVED M. YUNUS TABBA
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	<---------- Capital reserves	---------->			<---------- Revenue reserves	---------->		
	Issued, subscribed and paid-up share capital	Share premium	Unrealised gain on available for sale investments	Sub Total	General reserve	Unappropriated profit	Sub Total	Grand total
Balance 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 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
Realisation of gain on revaluation of investment	-	-	(1,668,800)	(1,668,800)	-	-	-	(1,668,800)
Loss for the year	-	-	-	-	-	(338,596,548)	(338,596,548)	(338,596,548)
Balance at June 30, 2009	**234,375,000**	**103,125,000**	**-**	**103,125,000**	**1,000,000,000**	**636,519,294**	**1,636,519,294**	**1,974,019,294**

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

M. SOHAIL M. YUNUS TABBA
Chief Executive

M. JAVED M. YUNUS TABBA
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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. Principal activity of the Company is manufacturing and sale of yarn.

1.2 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the requirements of Companies Ordinace, 1984 (the ordinance), directives issued by the Securities and Exchange Commision of Pakistan (SECP) and 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 provisions of 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.

2.2 Adoption of new International Financial Reporting Standards

The following standards and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2009 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
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 July 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

2.3 New accounting standards and IFRS interpretatons that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are not yet effective: -

IFRS 8 - Operating Segments	Effective from accounting period beginning on or after January 1, 2009

IFRIC 15 - Agreements for the Construction of Real Estate	Effective from accounting period beginning on or after January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	Effective from accounting period beginning on or after October 1, 2008
IFRIC 17 - Distributions of Non-cash Assets to Owners	Effective from accounting period beginning on or after July 1, 2009
IFRIC 18 - Transfer of Assets from Customers	Effective from accounting period beginning on or after July 1, 2009

2.4 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 carried by using "Project Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations 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 16.1 to these financial statements.

3.2 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.

3.3 Provisions and Contingent assets and liabilities.

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.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised unless the probability of an outflow of resources embodying economic benefits is not remote.

3.4 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. Rates for depreciation are stated in note 4.1 to the financial statements.

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.

3.5 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.

Fair value through profit and loss (held for trading)

These are investments designated at fair value through profit or loss at inception. These are aquired for the purpose of selling in near term. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

The Company has not designated any investments at fair value through 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 cost plus transaction cost and are subsequently carried at amortised cost using effective interest rate method, less any impairment loss.

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 or are not classified in any of above two preceding categories. 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.

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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non Financial Assets

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 the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset is prior years. 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.

3.11 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Particular recognition methods are adopted for significant financial assets and liabilities are dislcosed in individual policy statements associated with them.

3.12 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.

3.13 Derivative Financial instruments

Derivative financial 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 taken to profit and loss account.

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.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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. Post employment benefits

Obligations under the defined benefit plan that has been stated at present value; and

ii. Deferred tax

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.

	Note	2009 Rupees	2008 Rupees
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**2,753,743,357**	3,045,103,617
Capital work-in-progress	4.2	**6,918,500**	18,631,209
		2,760,661,857	3,063,734,826

4.1 Operating fixed assets

Particulars	Cost as at July 01, 2008	Additions / (Deletion)	Cost as at June 30, 2009	Accumulated depreciation as at July 01, 2008	Depreciation for the year	Accumulated depreciation as at June 30, 2009	Written down value as at June 30, 2009	Rate of depreciation
	< -	2009	- >					
Land:								
Lease hold	41,088,314	-	41,088,314	4,060,226	370,281	4,430,507	36,657,807	1%
Free hold	879,915	-	879,915	-	-	-	879,915	-
Buildings on lease hold land:								
Mills	392,396,805	-	392,396,805	237,768,435	15,462,837	253,231,272	139,165,533	10%
Other	91,693,853	-	91,693,853	29,806,761	3,094,355	32,901,116	58,792,737	5%
Road	7,128,590	-	7,128,590	3,598,811	352,978	3,951,789	3,176,801	10%
Power plant	66,262,560	7,895,574	74,158,134	35,024,246	3,650,203	38,674,449	35,483,685	10%
Office	7,160,865	-	7,160,865	1,360,564	580,030	1,940,594	5,220,271	10%
Buildings on free hold land:								
Family colony	66,120,617	-	66,120,617	30,407,179	3,571,344	33,978,523	32,142,094	10%
Workers' colony	105,405,103	-	105,405,103	61,328,705	4,407,640	65,736,345	39,668,758	10%
Plant and machinery	3,892,876,069	34,893,004	3,927,769,073	1,806,655,064	210,439,087	2,017,094,151	1,910,674,922	10%
Power plant	841,641,537	-	747,737,080	347,229,822	49,441,172	348,928,365	398,808,715	10%
		(93,904,457)			(47,742,629)			
Electric installation	115,224,507	11,979,411	127,203,918	63,766,078	5,477,412	69,243,490	57,960,428	10%
Tools and equipment	11,958,372	-	11,958,372	6,512,303	544,607	7,056,910	4,901,462	10%
Furnitures and fittings	5,850,879	66,397	5,917,276	3,919,155	194,832	4,113,987	1,803,289	10%
Computer equipment	5,870,761	278,353	6,149,114	4,196,309	539,470	4,735,779	1,413,335	30%
Office equipment and installations	4,322,418	23,000	4,345,418	2,303,743	203,784	2,507,527	1,837,891	10%
Fork lifters and tractors	8,332,970	-	8,332,970	6,179,875	430,619	6,610,494	1,722,476	20%
Vehicles	46,243,557	3,717,920	48,749,627	22,700,748	4,760,454	26,633,943	22,115,684	20%
		(1,211,850)			(827,259)			
Fire fighting equipment	2,765,902	-	2,765,902	1,301,953	146,395	1,448,348	1,317,554	10%
	5,713,223,594	58,853,659	5,676,960,946	2,668,119,977	303,667,500	2,923,217,589	2,753,743,357	
June 30, 2009 Rupees		(95,116,307)			(48,569,888)			

Operating fixed assets

Particulars	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
	< -	2008	- >					
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	3,892,876,069	1,656,076,874	205,760,797	1,806,655,064	2,086,221,005	10%
		(71,487,586)			(55,182,607)			
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	46,243,557	18,920,436	5,722,208	22,700,748	23,542,809	20%
		(2,959,417)			(1,941,896)			
Fire fighting equipment	2,765,902	-	2,765,902	1,139,292	162,661	1,301,953	1,463,949	10%
	5,338,083,968	449,586,629	5,713,223,594	2,418,049,384	307,195,096	2,668,119,977	3,045,103,617	
June 30, 2008 Rupees		(74,447,003)			(57,124,503)			

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

	Note	2009 Rupees	2008 Rupees
Cost of sales	21.1	**295,956,970**	297,170,913
Administrative expenses	23	**3,863,711**	4,325,193
Supply of electricity	26.2	**3,846,819**	5,698,990
		303,667,500	307,195,096

4.1.2 Disposal of operating fixed assets

Description	Cost	Accmumulated Depreciation	Book Value	Sale Proceeds / claim receivable	Mode of Disposal	Purchaser
	-------------Rupees-----------					
Vehicle	481,540	416,303	65,237	262,500	Negotiation	Shahbaz Ahmed Chak 195, Jandawala, Faisalabad.
	79,960	29,319	50,641	79,960	Negotiation	Hazrat Gul S/o Fakir Muhammad Mohallah Gali Inayatkhel Village Swabi, Post Office Swabi, Tehsil Disst. Swabi.
	590,850	355,140	235,710	413,595	Negotiation	Shafqat Mumtaz Ahmed S/o Ch. Mumtaz Ahmed Muhallaa Sayan Wala Kilasky Road, Gul Wala Tehsel Wazirabad, Distt. Gujranwala
	59,500	26,497	33,003	59,500	Negotiation	Muhammad Wakeel S/o Abdul Hameed Gurrah Jattan, Tehsil Serai Alamgir, Distt. Gujrat
Power plant	93,904,457	47,742,629	46,161,828	46,161,828	* Insurance claim	New Jubilee Insurance Company Limited
June 30, 2009	95,116,307	48,569,888	46,546,419	46,977,383		
June 30, 2008	74,447,003	57,124,503	17,322,500	16,785,000		

* During the year, one of the generator was damaged at factory. Company has lodged claim with the insurance company which is under process.

	Note	2009 Rupees	2008 Rupees
4.2 Capital work-in-progress			
Civil works		**-**	8,358,322
Plant and machinery		**6,918,500**	10,272,887
		6,918,500	18,631,209

5. LONG-TERM LOANS

- Considered good - Secured

	Note	2009	2008
Loan to employees		**9,153,702**	10,333,430
Less: Current portion	10	**(8,449,094)**	(6,573,152)
		704,608	3,760,278

5.1 These are interest free loans recoverable in monthly installments. No part of these loans are outstanding for period exceeding three years.

		2009 Rupees	2008 Rupees

6. LONG-TERM INVESTMENT

Available for sale investment	6.1	**-**	16,668,800
Advance for Joint Venture Project	6.2	**66,666,667**	66,666,667
		66,666,667	83,335,467

6.1 This represents 162,893 units of First Habib Income Fund at cost of Rs.15 million. These units are diposed off during the year.

6.2 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. The project is currently on hold due to prevailing adverse conditions in the country and managment is committed to restart the project in near future.

7. STORES, SPARES AND LOOSE TOOLS

Stores	**39,034,607**	51,473,757
Spares in		
- hand	**112,995,708**	110,159,002
- transit	**2,343,577**	1,790,688
	115,339,285	111,949,690
Loose tools	**316,933**	376,061
	154,690,825	163,799,508

8. STOCK-IN-TRADE

Raw material in		
- hand	**1,325,387,187**	1,997,989,287
- transit	**250,384,751**	255,139,186
	1,575,771,938	2,253,128,473
Work-in-process	**56,917,990**	67,234,605
Finished goods		
Yarn	**297,777,106**	189,789,855
Waste at net realizable value	**20,720,060**	17,423,478
	318,497,166	207,213,333
	1,951,187,094	2,527,576,411

9. TRADE DEBTS

Foreign - secured		**480,342,985**	919,763,599
Local - unsecured - considered good	9.1	**190,771,292**	104,440,404
		671,114,277	1,024,204,003

9.1 Trade receivables are non-interest bearing and are generally on 30 days terms.

9.2 None of the debtors in trade debts balance are past due or impaired.

	Note	2009 Rupees	2008 Rupees
10. LOANS AND ADVANCES			
- Unsecured - Considered good			
Current portion of long-term loans	5	**8,449,094**	6,573,152
Advance to employees		**281,100**	174,446
Advance to suppliers and contractors		**36,339,204**	32,718,754
Letters of credit		**169,390**	798,421
Advance Income tax		**61,036,018**	383,950,985
Others		**30,010**	18,050
		106,304,816	424,233,808

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits	**1,640,000**	450,000
Prepayments	**160,856**	624,691
	1,800,856	1,074,691

12. OTHER RECEIVABLES
- Unsecured - Considered good

Sales tax	**55,164,541**	42,615,040
Federal excise duty	**8,684,450**	6,078,051
Claim receivable	**14,837,500**	348,604
Other	**337,072**	311,520
	79,023,563	49,353,215

13. CASH AND BANK BALANCES

Cash in hand		**1,517,592**	1,394,044
Cash with banks in:			
current accounts	13.1	**117,390,339**	170,217,865
		118,907,931	171,611,909

13.1 It includes foreign currency deposit amounting to US Dollars 450,870 equivalent to Rs.36.12 million (2008 : US Dollars 444,618 equivalent to Rs.30.234 million).

14. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009 Number of shares	2008 Number of shares		2009 Rupees	2008 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
23,437,500	23,437,500		**234,375,000**	234,375,000

14.1 Ordinary shares of the Company held by the related parties as at year end are as follows:

	2009	2008	Number of Shares	
	%			
Lucky Energy (Private) Limited	8%	7%	1,773,150	1,747,500
Yunus Textile Mills Limited	0.11%	-	26,300	-

14.2 The company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

15. LONG TERM FINANCING - Banking Companies - Secured

	Term Finance		2009	2008
	<- - - - - - - - - Rupees		- - - - - - - - ->	
Opening balance	106,881,000	-	106,881,000	400,581,000
Obtained during the year	-	800,000,000	800,000,000	56,300,000
	106,881,000	800,000,000	906,881,000	456,881,000
Repaid during the year	-	-	-	(350,000,000)
	106,881,000	800,000,000	906,881,000	106,881,000
Current portion shown under current liabilities	(8,906,751)	-	(8,906,751)	(4,215,084)
Closing balance	97,974,249	800,000,000	897,974,249	102,665,916
No. of installments	12	Lump sum payments on or before the maturity with an early repayment option.		
Period	Half yearly			
Markup Rate	SBP LTF-EOP rate + 2%	6 months average KIBOR + 1%		
Tranche 01				
Date of loan obtained	May 04, 2007	June 30,2009		
Amount obtained	Rs 24,423,000	Rs 800,000,000		
Date last of installment	November 03, 2015	December 30,2010		
Amount of installment	Rs 2,035,250	Lumpsum payment		
Tranche 02				
Date of loan obtained	May 31, 2007	-		
Amount obtained	Rs 2,615,8000	-		
Date last of installment	November 30, 2015			
Amount of installment	Rs 2,179,834	-		
Tranche 03				
Date of loan obtained	October 11, 2007			
Amount obtained	Rs 56,300,000	-		
Date last of installment	March 30, 2015			
Amount of installment	Rs 4,691,667	-		
Sub note number	15.1	15.2		

15.1 This facility is secured against charge on present and future plant and machinery of the Company amounting to Rs.167 million.

15.2 This facility is secured against charge over fixed assets of the company to be upgrated into first pari passu hypothecation charge over fixed assets.

	Note	2009 Rupees	2008 Rupees
16. DEFERRED LIABILITIES			
Gratuity	16.1	**76,541,439**	70,744,689
Deferred taxation	16.2	**139,116,878**	136,842,837
		215,658,317	207,587,526

16.1 Gratuity

	2009	2008
Staff gratuity	**76,541,439**	70,744,689

The amount recognised in the balance sheet are as follows:

	2009	2008
Present value of defined benefit obligation	**66,927,168**	57,865,966
Unrecognised actuarial gain	**8,336,972**	8,136,881
Unpaid balances	**1,277,300**	4,741,842
	76,541,440	70,744,689

The amounts recognised in profit and loss are follows:

	2009	2008
Current service cost	**18,901,586**	27,419,121
Interest cost	**7,512,937**	4,883,420
Actuarial gain recognised	**(144,315)**	(606,024)
	26,270,208	31,696,517

Movements in the net liability is as follows :

	2009	2008
Opening balance	**70,744,689**	66,787,053
Charge for the year	**26,270,208**	31,696,518
Payments made during the year	**(20,473,458)**	(27,738,882)
Closing balance	**76,541,439**	70,744,689

The principal assumptions used in the valuation of gratuity are as follows:

	2009	2008
Discount rate	**14%**	12%
Expected rate of salary increase	**14%**	12%

Comparisons for five years:

	2009	2008	2007	2006	2005
	< - - - - - - - - - -	- - - - - - - - - -	Rupees	- - - - - - - - - -	- - - - - - - - - - >
As at June 30					
Present value of defined benefit obligation	66,927,168	57,865,966	48,834,203	40,686,854	44,527,839

	Note	2009 Rupees	2008 Rupees
16.2 Deferred tax liability			
Balance at beginning		**136,842,837**	141,705,828
Charge / (reversal) for the year		**2,274,041**	(4,862,991)
Balance at end		**139,116,878**	136,842,837
Deferred credits arising due to			
Accrelerated accounting depreciation on property, plant and equipment		**147,257,584**	148,120,566
Deferred debits arising in respect of			
Provision for gratuity		**(8,140,706)**	(6,893,687)
		139,116,878	136,842,837

16.2.1 The income tax department had not allowed the credit of unabsorbed tax depreciation worked out for the tax holiday period from 1990 to 2000, against the profits of post tax holiday period. The Company filed appeal before the Commissioner of Income Tax (Appeals). During the year the matter has been decided in favor of the Company but appeal effect order has not been given by the tax department. Deferred tax assets of Rs 300 million approximately, on this will be accounted for after receiving final appeal effect order.

17. TRADE AND OTHER PAYABLES

	Note	2009 Rupees	2008 Rupees
Creditors		**122,994,772**	132,293,274
Foreign bills payable		**13,560,001**	269,580,268
Advance from customers and employees	17.1	**505,730,737**	6,275,273
Accrued liabilities		**282,133,836**	237,054,824
Derivative financial instruments	17.2	**-**	177,848,737
Withholding income tax		**56,863**	72,027
Sales tax payable		**3,094,676**	2,460,556
Regulatory duty		**31,337,545**	31,337,545
Unclaimed dividend		**5,932,744**	5,999,241
Workers' Welfare Fund		**11,062,308**	11,062,308
		975,903,482	873,984,053

17.1 This includes Rs. 500 million (2008: Rs. Nil) advance received from an associated undertaking during the year against sale of special quality product.

17.2 During 2007, Company entered into cross currency interest rate swap arrangements with banking companies. Under the arrangement the principal amount is swapped with US $ component. The Company paid six month US $ LIBOR and received six month KIBOR minus spread as per the respective arrangement. Settlements made on semi-annual basis. During current year company terminated all such contracts.

18. SHORT TERM BORROWINGS - Secured

	Note	2009 Rupees	2008 Rupees
From banking companies			
Running finances under markup arrangements	18.1	**766,848,854**	1,618,593,640
Short term finance	18.2	**500,000,000**	-
Foreign currency loan against			
Export finance		**-**	1,128,982,627
Import finance	18.3	**542,909,633**	931,649,853
		542,909,633	2,060,632,480
		1,809,758,487	3,679,226,120

18.1 Facilities for running finance are available from various banks upto Rs.10.348 billion (2008 : Rs.10.866 billion). The rates of mark-up on these facilities range between 10.38% to 17.75% per annnum (2008 : 9.77% to 14.88% per annum). These are secured against hypothecation of stocks and receivables. These facilities also includes non fund based limits of Rs.3.123 billion (2008 : Rs.3.511 billion) for letters of credit and letters of guarantee.

18.2 This represents short term finance from a banking company having markup rate 13.96% per annum. This is secured against 1st pari pasu hypothecation charge over stocks and receivables.

18.3 Import financing facilities are available from various banks at the markup rates ranging between 2.62% to 7.01% per annum (2008 : 3.87% to 6.23% per annum). These are secured against hypothecation of stocks and receivables.

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

a. Outstanding guarantees given on behalf of the Company by banks in normal course of business amounting to Rs.215.969 million (2008 : Rs.183.455 million).

b. The Commissioner of Income Tax (Appeals) decided the appeal for the assessment year 2001-2002 in favor of Company and demand of Rs. 87.78 million has been deleted. However, income tax department has filed second appeal against such decision under section 12(9A) of the Income Tax Ordinance, 1979 (Repealed) which is pending. Management is confident for favourable decision and as such no provision has been made.

	Note	2009 Rupees	2008 Rupees
c. Others			
Export bills discounted with recourse		**558,203,611**	119,264,444
Indemnity bond in favour of Collector of Customs against import		**1,890,000**	1,100,000
Post dated cheques in favour of Collector of Customs against imports		**13,097,315**	12,015,315

19.2 Commitments

Letters of credit opened by banks for:			
Plant and machinery		**87,199,256**	5,491,200
Raw materials		**150,880,487**	120,442,418
Stores and spares		**13,530,460**	9,375,989
Foreign currency forward contracts		**28,281,382**	511,500,000
Investment in a Joint Venture Project (refer note 6.2)		**358,333,333**	358,333,333

	Note	2009 Rupees	2008 Rupees
20. SALES - Net			
Export			
Direct			
- Yarn		**3,016,489,672**	3,162,931,131
- Waste		**160,361,472**	146,294,655
		3,176,851,144	3,309,225,786
Commission on direct export sales		**(81,152,002)**	(88,406,029)
		3,095,699,142	3,220,819,757
Indirect - Yarn		**1,076,516,027**	1,831,596,184
		4,172,215,169	5,052,415,941
Local			
- Yarn		**2,884,984,361**	1,588,400,995
- Waste		**99,282,899**	128,649,862
		2,984,267,260	1,717,050,857
Commission on local sales		**(15,690,036)**	(11,802,860)
		2,968,577,224	1,705,247,997
		7,140,792,393	6,757,663,938

21. COST OF SALES

	Note	2009 Rupees	2008 Rupees
Opening stock - finished goods		**207,213,333**	112,835,730
Purchases		**-**	12,855,500
		207,213,333	125,691,230
Cost of goods manufactured	21.1	**6,495,201,070**	6,093,623,475
Less: Closing stock - finished goods	8	**(318,497,166)**	(207,213,333)
		6,383,917,237	6,012,101,372

21.1 Cost of goods manufactured

	Note	2009 Rupees	2008 Rupees
Raw material consumed	21.1.1	**4,462,964,677**	4,236,358,023
Salaries, wages and benefits	21.1.2	**468,119,761**	457,039,222
Stores, spares and accessories		**164,451,627**	217,020,032
Packing material consumed		**168,924,099**	134,256,441
Fuel and power		**896,074,785**	723,543,013
Repairs and maintenance		**5,477,652**	13,988,123
Insurance		**15,616,435**	15,305,211
Traveling, conveyance and entertainment		**4,304,495**	4,374,864
Doubling charges		**1,166,465**	3,603,284
Communication		**780,909**	675,103
Depreciation	4.1.1	**295,956,970**	297,170,913
Other manufacturing expenses		**1,046,580**	1,142,167
		6,484,884,455	6,104,476,396
Work-in-process			
Opening stock		**67,234,605**	56,381,684
Closing stock	8	**(56,917,990)**	(67,234,605)
		10,316,615	(10,852,921)
Cost of goods manufactured		**6,495,201,070**	6,093,623,475

	Note	2009 Rupees	2008 Rupees
21.1.1 Raw material consumed			
Opening stock		**1,997,989,287**	983,496,734
Purchases - net	21.1.1.1	**3,790,362,577**	5,250,850,576
Less: Closing stock	8	**(1,325,387,187)**	(1,997,989,287)
		4,462,964,677	4,236,358,023

21.1.1.1 Net of duty draw back amounting to Rs.0.668 million (2008 : Rs.3.109 million).

21.1.2 Salaries, wages and benefits includes Rs.24.761 million (2008 : Rs.29.937 million) in respect of staff retirement benefits.

22. DISTRIBUTION COST

		2009 Rupees	2008 Rupees
Freight, octroi and handling charges			
- Export		**140,253,926**	161,547,824
- Local		**9,137,790**	7,641,412
		149,391,716	169,189,236
Export development surcharge		**16,406,118**	27,992,745
Bank charges on export		**15,314,239**	16,733,308
		181,112,073	213,915,289

23. ADMINISTRATIVE EXPENSES

	Note	2009 Rupees	2008 Rupees
Staff salaries and benefits	23.1	20,883,391	19,671,998
Rent, rates and taxes		827,901	843,996
Communication		3,372,136	3,244,435
Printing and stationery		978,143	1,247,473
Repairs and maintenance		619,531	162,186
Legal and professional		2,384,761	2,389,858
Traveling and conveyance		6,386,825	5,240,499
Entertainment		2,241,011	2,311,252
Vehicles running and maintenance		2,327,895	1,403,723
Secretarial expenses		212,303	278,266
Fee and subscriptions		3,651,143	4,407,466
Electricity		1,135,191	1,106,904
Advertisement		293,520	76,000
Auditors' remuneration	23.2	950,000	450,000
Depreciation	4.1.1	3,863,713	4,325,193
Insurance		1,621,413	1,612,936
Books and periodicals		24,874	36,148
Others		688,190	642,728
		52,461,941	49,451,061

23.1 Salaries and benefits includes Rs.1.393 million (2008 : Rs.1.759 million) in respect of staff retirement benefits.

23.2 Auditors remuneration

	2009 Rupees	2008 Rupees
Statutory audit fee	750,000	325,000
Certification and other statutory reporting services	200,000	125,000
	950,000	450,000

	Note	2009 Rupees	2008 Rupees

24. FINANCE COST

	Note	2009 Rupees	2008 Rupees
Mark-up/interest on			
Long-term financing		**7,783,259**	8,125,666
Short-term borrowings		**456,128,062**	159,591,236
Workers' Profit Participation Fund		**-**	851,128
		463,911,321	168,568,030
Bank and other financial charges		**2,345,910**	1,895,886
		466,257,231	170,463,916
Loss on cross currency interest rate swap	24.1	**153,750,033**	160,948,483
		620,007,264	331,412,399

24.1 Cross currency interest rate swap

		2009 Rupees	2008 Rupees
Unrealised loss		**-**	155,228,738
Realised loss during the year		**153,750,033**	5,719,745
		153,750,033	160,948,483

25. OTHER OPERATING INCOME

	Note	2009 Rupees	2008 Rupees
Profit on deposit accounts		**387,942**	199,679
Scrap sales		**992,915**	3,188,769
Gain on sale of investment		**2,742,798**	-
Gain on disposal of operating fixed assets - net		**430,964**	-
		4,554,619	3,388,448

26. OTHER CHARGES

	Note	2009 Rupees	2008 Rupees
Donations	26.1	**731,429**	1,188,706
Exchange loss on foreign currency transactions- net		**201,379,380**	283,545,804
Loss on disposal of operating fixed assets - net		**-**	537,499
Loss on supply of electricity to PESCO	26.2	**2,809,457**	1,506,420
		204,920,266	286,778,429

26.1 Donation include Rs.0.563 million (2008 : Rs.0.638 million) to Aziz Tabba Foundation, F.B. Area, Karachi, a trust, where five of the directors are interested as trustee.

26.2 Loss on supply of electricity to PESCO

	Note	2009 Rupees	2008 Rupees
Cost and expenses of electricity generation			
Oil & lubricants		**87,634,131**	126,180,990
Freight on oil & lubricant		**5,737,715**	7,434,963
Depreciation	4.1.1	**3,846,819**	5,698,990
Stores consumed		**1,187,824**	3,234,974
Finance cost		**5,885,546**	1,899,322
Salaries and wages		**779,473**	1,042,302
Others		**804,808**	688,474
		105,876,316	146,180,015
Less: Recovery of cost from PESCO		**103,066,859**	144,673,595
		(2,809,457)	(1,506,420)

	2009 Rupees	2008 Rupees

27. TAXATION
- Current

For the year	**47,290,215**	51,339,060
Prior year	**(8,039,477)**	(14,341,841)
	39,250,738	36,997,219

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

28. EARNINGS PER SHARE
- Basic and diluted

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

Loss for the year	**(338,596,548)**	(164,740,392)
Number of ordinary shares	**23,437,500**	23,437,500
Earnings / (Loss) per share	**(14.45)**	(7.03)

29. REMUNERATION OF DIRECTORS 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	Executives	Directors	Executive
	------------------- 2009	-------------------	------------- 2008	---------------
		Rupees		
Remuneration	1,936,800	1,285,161	1,936,800	1,788,387
House rent	270,000	578,323	270,000	804,774
Utilities	193,200	128,516	193,200	178,839
Bonus	-	166,000	-	216,375
Leave encashment	-	166,000	-	231,000
	2,400,000	2,324,000	2,400,000	3,219,375
Number of persons	1	2	1	3

29.1 Executives are also provided with Company maintained car.

29.2 Chief Executive Officer is not drawing any remuneration.

29.3 Meeting fee of Rs.0.05 million (2008 : Rs.0.042 million) has been paid to seven Directors.

	2009 Rupees	2008 Rupees
30. PRODUCTION CAPACITY		
Spinning Mill		
Total number of spindles installed	**181,288**	180,288
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	**205,315,258**	206,302,176
Installed capacity after conversion into 20's (Kgs)	**77,773,484**	78,147,696
Actual capacity after conversion into 20's (Kgs)	**76,025,969**	78,616,657
Actual production (Kgs)	**38,006,575**	38,140,266

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.

31. 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 personnels under the term of their employment as disclosed in note 29, are as follows:

Name of Related Parties	Nature of Transaction	2009 Rupees	2008 Rupees
a. Associated companies			
Lucky Cement Limited (Common Directorship)	Cement purchased	**533,700**	1,719,600
Fazal Textile Mills Limited (Common Directorship)	Yarn purchased	**-**	12,855,500
	Raw material purchased	**122,000**	-
	Doubling charges	**-**	2,325,822
	Yarn sold	**134,254,890**	82,773,457
	Raw material sold	**447,864**	564,375
Lucky Energy (Private) Limited (Common Directorship)	Generator purchased	**-**	5,000,000
	Store and spares purchased	**-**	2,395,588
Lucky Knits (Private) Limited. (Common Directorship)	Yarn sold	**201,715,192**	123,332,890
Yunus Textile Mills Limited (Common Directorship)	Yarn sold	**674,786,646**	785,583,185
	Advance received	**500,000,000**	-
b. Other associated undertakings			
Lucky Textile Mills	Store purchased	**-**	17,250
	Yarn sold	**486,428,809**	438,456,918
Aziz Tabba Foundation	Cash donated	**563,529**	638,706

32. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at June 30, 2009 and 2008 were as follows:

	2009 Rupees	2008 Rupees
Total borrowings (Note 15 & 18)	**2,716,639,487**	3,786,107,120
Less: cash and cash equivalents (Note 13)	**118,907,931**	117,611,909
Net debt	**2,597,731,556**	3,668,495,211
Total equity	**1,974,019,294**	2,314,284,642
Total capital	**4,571,750,850**	5,982,779,853
Gearing ratio	**57%**	61%

33. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has loans, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

33.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter party to the financial instrument fails to perform as contracted. Out of the total financial assets of Rs.1,001.441 million (2008 : Rs.1,331.054) million, the financial assets which are subject to credit risk amounted to Rs.729.577 million (2008: Rs.1,068.907 million).

The Company is exposed to credit risk from its operating activities (primarily for trade receivables and loans and advances).

Credit risk related to receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

At June 30, 2009, the Company had approximately 207 customers (2008 : 342 customers) that owed Rs.671.108 million (2008 : Rs.1,024.204 million). There were 162 customers (2008 : 319 customers) with balances greater than Rs.2 million (2008 : Rs.2 million) accounting for over 96% (2008 : 97%) of trade debts.

The Company does not hold collateral as security against its local debtors.

Credit risk related to financial instruments

The Company is not significantly exposed to credit risk arising through investment in liquid securities.

33.2 Fair value of financial instrument

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

33.3 Liquidity risk Management

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

33.3.1 Liquidity and Interest Risk Table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2009				
	1- 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
	Rupees				
FINANCIAL LIABILITIES					
On balance sheet					
Long-term financing	-	8,906,751	884,375,831	13,598,418	906,881,000
Short-term borrowings	500,000,000	1,309,758,487	-	-	1,809,758,487
	500,000,000	1,318,665,238	884,375,831	13,598,418	2,716,639,487

	2008				
FINANCIAL LIABILITIES					
On balance sheet					
Long-term financing	-	4,215,084	71,256,996	31,408,920	106,881,000
Short-term borrowings	-	3,679,226,120	-	-	3,679,226,120
	-	3,683,441,204	71,256,996	31,408,920	3,786,107,120

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

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns

33.4 Interest rate risk management

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended June 30, 2009 would increase/decrease by Rs 21.480 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

33.4.1 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

At June 30, 2009, Company had hedged 5% (2008 : 55.61%) of its foreign currency trade debts for which firm commitments existed at the balance sheet date.

At June 30, 2009, if the Rupee had weakened / strengthened by 5% against the US dollar, EURO and JPY with all other variables held constant, loss for the year would have been higher / lower by Rs.4.993 million (2008 : Rs.86.550 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts and short term borrowings and import loans. Profit is more sensitive to movement in Rupee / foreign currency exchange rates in 2008 than 2009 because of the increased amount of foreign currency borrowings.

33.5 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 9th September 2009 by the Board of Director of the Company.

35. GENERAL

Figures have been rounded off to the nearest Rupee.

M. SOHAIL M. YUNUS TABBA	**M. JAVED M. YUNUS TABBA**
Chief Executive	Director

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2009

S . NO	CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCE-NTAGE
1	Individuals	1,725	10,722,978	45.75
2	Investment Companies	2	8,374	0.04
3	Insurance Companies	2	1,105,500	4.72
4	Joint Stock Companies	27	8,066,431	34.42
5	Modarabas	1	4,500	0.02
6	Financial Institutions	10	3,377,930	14.41
7	Mutual Fund	1	151,700	0.65
8	Others	1	87	0.00
	Totals :	**1,769**	**23,437,500**	**100.00**

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

Lucky Energy (Private) Limited	1,773,150
Yunus Textile Mills Limited	26,300

NIT & ICP (name wise detail):

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

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

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

Executive	NIL
Public Sector Companies and Corporations	NIL
Banks, Development Finance Institutions, Non-Banking Financial Institutions:	3,377,930
Modarabas Company	4,500
Mutual	151,700

Shareholders holding ten persent 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 Tabba	2
2.	Mr. M. Sohail Tabba	4
3.	Mr. Muhammad Ali Tabba	4
4.	Mr. M. Javed Tabba	4
5.	Ms. Mariam Razzak	4
6.	Mr. Ilyas Ismail Moten	4
7.	Mr. Muhammad Raziq	2

FORM OF PROXY

The Company Secretary,
GADOON TEXTILE MILLS LIMITED,
200 - 201,Gadoon Amazai 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 22nd Annual General Meeting of the Company to be held on the 19th

day of October 2009 and at any adjournment there of.

Signed this ______________ day of ____________ 2009.

Members Signature

Affix
Revenue
Stamp
of Rs. 5/=

Folio No./CDC No. ______________________________

No. of shares held ______________________________

CNIC. # ______________________________

AFFIX
CORRECT
POSTAGE

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

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