Gadoon Textile Mills Limited

A Part of YBG

SPINNING A LEGACY

ANNUAL REPORT 2013

25 YEARS OF EXCELLENCE

A grand idea; a team of brilliant minds; strong leadership; years of sheer dedication and hard work; and the desire and ability to be the best in the league; these are the perfect ingredients which, when blended, produce a magic like **Gadoon Textile Mills Limited. (GTML)**

Gadoon Textile Mills Limited is another success tale of the YB Group. Since its inception, it has been the largest spinning production unit in Pakistan, hence being the leader in the industry it operates; a trait that is possessed by most of its siblings. Throughout these years, we at Gadoon Textile have kept growing, learning and setting benchmarks as guiding lights for others to follow. We consider ourselves to be our biggest competitor and success for us is the motivating factor to strive harder. At the same time, we ensure that our success is in line with the high ethical standards that our Group has forever maintained.

We at GTML don't just spin fiber; we do what we have been doing for the past many decades; "Spinning A Legacy".

GADOON AT A GLANCE

We operate primarily in the textile industry of Pakistan, the fiber spinning sector in particular. We manufacture and process all types of cotton and man made fibers, thus operating in the B2B sector of the industry. Our clients include some of the biggest names in the textile industry of Pakistan and abroad, we enjoy relationships that have been forged, maintained and strengthened during the past twenty five years of our operations history.

The foundation of Gadoon Textile Mills was laid in 1988, by setting up a spinning unit in the Swabi district. In late 80's government invited the private sector to setup industrial units in Gadoon Amazai Industrial Estate to provide alternative source of employment in the region to eliminate and eradicate the poppy cultivation.

The YB group considered this as its corporate social responsibility to join hands with the government in this noble cause and setup GTML.

Despite the fact that the government unilaterally withdrew the incentive in 1991 that it offered for setting up of the industrial units, the management of GTML decided to continue its operations.

We bow our heads in gratitude in front of Allah Almighty, Who Bestowed His blessings on us throughout this journey, and rewarded the noble intentions of the group by making this unit, "the largest spinning unit of the country".

Following are some of the products that we manufacture:

- Compact Yarn
- Murata Jet Spun Yarn
- Core Spun Yarn
- 100% Grey Cotton Ring Spun Yarn
- Synthetic Yarn
- Poly/Cotton Yarn
- Murata Vortex Spun Yarn
- Open End Yarn
- Siro Yarn
- Lycra Yarn
- Slub Yarn
- Slub Core Spun Yarn
- Double Compact Spun Yarn on Ring Machine (Without Doubling)
- Ring Spun / Compact Spun Double Yarn on Doubling Machines

About YBG

YBG is a conglomerate with diversified interests in textiles, cement and power generation. The group was established in 1962 as a trading house and then grew rapidly over the years. Currently, YBG is the largest export house as well as the largest cement manufacturer in Pakistan. By virtue of the acquisition of ICI Pakistan limited, the YBG is now the largest manufacturer of Soda Ash and the second largest manufacturer of Polyester Staple Fiber in the country.

KEY PERFORMANCE INDICATORS

as on June 30, 2013

STATEMENT OF INCOME

Indicator	Year	Value	% Change
Operating Result (Rs In Million)	2013	1,837	125 % ▲
	2012	817	
Profit before Tax (Rs In Million)	2013	1,260	93% ▲
	2012	654	
Profit after tax (Rs In Million)	2013	1,135	75% ▲
	2012	649	
EBITDA (Rs In Million)	2013	2,216	80% ▲
	2012	1,230	
EBITDA Margin in%	2013	11.87%	31% ▲
	2012	9.06%	

RATIOS

Indicator	Year	Value	% Change
Equity (Rs In Million)	2013	6,168	18% ▲
	2012	5,208	
Price Earning In Times	2013	2.56	10% ▲
	2012	2.33	
Return on capital employed In %	2013	12.30%	92% ▲
	2012	6.40%	
Return on fixed assets In Times	2013	2.76	0% ▲
	2012	2.77	
Dividend Yield In %	2013	10.08%	-13% ▼
	2012	11.61%	

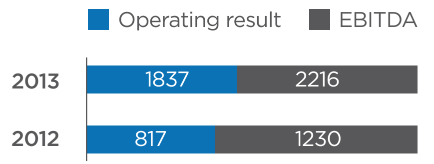
DIVIDEND & EARNING PER SHARE

Indicator	Year	Value	% Change
Earning per share In Rs	2013	48.42	75% ▲
	2012	27.68	
Dividend per share In Rs	2013	12.50	67% ▲
	2012	7.50	

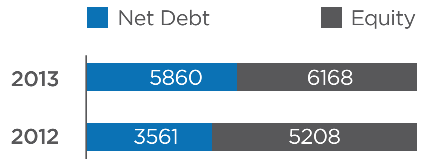
CASH FLOWS

Indicator	Year	Value	% Change
Net cash from operating activties (Rs In Million)	2013	447	-70% ▼
	2012	1,494	
Capital expenditure (Rs In Million)	2013	1,164	16% ▲
	2012	1,003	

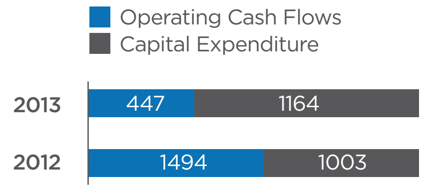
OPERATING RESULT AND EBITDA
Rs. Million



NET DEBT AND EQUITY
Rs. Million



OPERATING CASHFLOWS
Rs. Million



CONTENTS




weaving the future

Since 1988, Gadoon Textile Mills has grown from strength to strength, by investing in the latest technologies and machinery. While being rooted in our rich Pakistani legacy, we continue to look forward to an abundant future of endless possibilities.

LEADING LIGHT

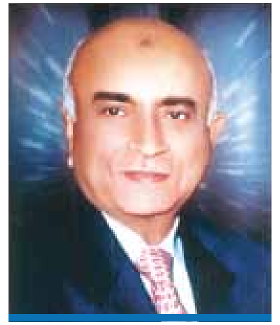
Under the visionary leadership of Late Chairman Mr. Abdul Razzak A. Aziz Tabba, the project started with a production facility of 14,400 spindles at Gadoon Amazai Industrial Estate, district Swabi. Within a very short span of time, the Company had grown as a market leader. The current management has continued to follow the vision and high ethical business values of its late chairman.

Currently, the Company has 10 production mills with more than 245,000 installed spindles. This rapid yet steady growth is due to our futuristic approach towards our work practices. From the day this Company was established, we resolved to become the largest spinning mill in Pakistan, and therefore settled for nothing less than the best.

We realise that in today's highly competitive environment, innovation is the key to the survival and success of any business. Change is a factor that we embrace with full heart, for we consider ourselves to be the change catalysts in the industry we operate in; and this can easily be seen through the ways in which we have revolutionised the spinning sector of our country.

It has been a regular practice of the Company to continuously invest in the latest technologies and replace old machinery in a phased manner. We have all types of established compact systems, such as RIETER K-44 (Swiss), SUESSEN ELITE (Germany) and TOYODA COMPACT (Japan) and PINTER (Spain). We also have an in-house power generation capacity of more than 50 MV.

The Company strives to achieve operating efficiencies at costs which help to grow our business by selectively increasing capacities and introducing new products that meet our clients' needs. It understands what customers need and delivers on its commitments; and demonstrates adaptability and agility in response to change.



(Late) Chairman
Mr. Abdul Razzak
A. Aziz Tabba

artisans of quality

We believe that in textiles, quality means “Best Raw Materials”, “State of the Art Machinery” & “Highly Trained and Skilled Human Resources”. The implementation of these three paragons allows us to proudly champion the banner of “Quality Assured Products” for our valued customers.

Today, GTML is one of Pakistan's most progressive, growth-oriented organizations in the textile sector. We understand that quality and commitment to continuous improvement are essential ingredients for the ongoing success of a competitive unit.

The Company constantly endeavours to maintain its position as a market leader to continuously improve efficiency and competitive strength. GTML lives up to its vision through providing its customers the highest value for their money. Everyone from top management to floor workers is driven by this vision and engaged in applying resources to continual product improvement.

Stringent quality standards are the raison d'etre of the Company. Only the best raw materials are used for production.
For this purpose, we import cotton from countries such as Australia, Brazil, USA, Egypt, India etc. Our yarn is very well received in foreign markets such as USA, Europe, Far East, Africa, China, Hong Kong, India, Bangladesh, etc.

Following are some of our internationally-renowned products:

- Compact Yarn
- Murata Jet Spun Yarn
- Core Spun Yarn
- 100% Grey Cotton Ring Spun Yarn
- Synthetic Yarn
- Poly/Cotton Yarn
- Murata Vortex Spun Yarn
- Open-End Yarn
- Siro Yarn
- Lycra Yarn
- Slub Yarn
- Slub Core Spun Yarn
- Double Compact Spun Yarn on Ring Machine (Without Doubling)
- Ring Spun / Compact Spun Double Yarn on Doubling Machines

We firmly believe that investment in human development is more productive than investment in physical assets. GTML strives to provide its employees a congenial environment, so that they can work to their full potential. Employees are motivated to avoid waste in all forms – the waste of manpower, the waste of raw materials, the waste of space, the waste of machine time. The underlying objective is to keep Company's costs lower than those of the competitors. At GTML, efforts are directed to achieve commitment, integrity, fairness and teamwork into every aspect of business.

innovation to keep the wheel moving

Success is not just the act of excelling, but also the prudence to guard against impediments. At Gadoon Textile Mills Limited, we believe in diversifying our investments across sectors to reduce risk, and ensure success for our stakeholders. This diversification helps us recognise the opportunities for innovation that drive us forward.

VISION

To be the textile manufacturer of first choice for customers at home and abroad, doggedly pursuing for sustained leadership in the markets where it competes and making its valuable contribution in the country's exports.

MISSION

Our mission is to manage a textile business entity aimed at producing quality yarns through innovative technology and effective resource management, maintaining high ethical and professional standards and coming up to the expectations of all our customers.

We persevere to achieve the highest possible operating efficiencies and lowest costs and expand the business through selective expansion so that we are able to deliver maximum value to stakeholders.

CORE VALUES

- Total Quality Management
- Ethical Practices
- Environmentally Conscious
- Innovation

BUSINESS STRATEGIES

- To be the premier textile manufacturer for customers home and abroad; by producing high quality yarn.
- To acquire and implement state-of-the-art technology and techniques in order to enhance operational efficiencies.
- To maintain high ethical and professional standards, and provide a healthy working environment for our employees.
- To expand our existing yarn operations through selective expansion. We are also investing in diversified businesses to reduce risk and deliver maximum value to our stakeholders.
- To actively assist in uplifting our country's exports and contribute effectively as a corporate entity.

COMPANY INFORMATION

Board of Directors:	Mr. Muhammad Yunus Tabba (Chairman) Mr. Muhammad Sohail Tabba (Chief Executive) Mr. Muhammad Ali Tabba Mr. Javed Yunus Tabba Mrs. Rahila Aleem Mrs. Marium Tabba Khan Mr. Moin M. Fudda (Joined on September 07, 2013)
Audit Committee:	Mr. Moin M. Fudda (Chairman) Mr. Muhammad Ali Tabba (Member) Mr. Javed Yunus Tabba (Member)
Human Resources and Remuneration Committee:	Mr. Javed Yunus Tabba (Chairman) Mrs. Rahila Aleem (Member) Mrs. Marium Tabba Khan (Member)
Executive Director Finance and Company Secretary:	Mr. Abdul Sattar Abdullah
Auditors:	M. Yousuf Adil Saleem & Co. Chartered Accountants, A Member of Deloitte Touche Tohmatsu
Registered Office:	200-201, Gadoon Amazai Industrial Estate Distt. Swabi, Khyber Pakhtunkhwa Phone No. 0938-270212-13 Fax No. 0938-270311 E-mail: secretary@gadoontextile.com
Liaison Office:	7-Park Avenue Road, University Town Peshawar. Phone No. 091-5701496 Fax No. 091-5702029 E-mail: secretary@gadoontextile.com
Karachi Office:	6-A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi-75350. Phone No. 021-35205479-80 Fax No. 021-34382436 E-mail: secretary@gadoontextile.com
Factory Locations:	• 200-201, Gadoon Amazai Industrial Estate Distt. Swabi, Khyber Pakhtunkhwa • 57 K.M on Super Highway, near Karachi.
Share Registrar/Transfer Agent:	Central Depository Company of Pakistan Limited CDC House, 99-B, Block B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi. (Toll Free): 0800 23275
Bankers:	Allied Bank Limited Bank Al-Falah Limited (Islamic Banking) Bank Al-Habib Limited Bank Islami Pakistan Limited Barclays Bank PLC, Pakistan Citibank N.A. Pakistan Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Bank Middle East Limited Meezan Bank Limited National Bank of Pakistan Standard Chartered Bank Pakistan Limited The Bank of Punjab United Bank Limited

our road to success

During the past **twenty-five years,** we have grown exponentially, yet it is true that every milestone that we have achieved has only made us dream bigger, aim higher, and challenge ourselves to set unprecedented standards in the industry.

1990-1995

- The Company started commercial production by producing yarn with 14,400 Spindles.
- Number of spindles increased to 64,800.

1995-2000

- Number of spindles increased to 128,160.
- Introduced “Compact Spinning” with 15,840 spindles for the first time in Pakistan.

2000-2005

- Pioneered and set up “Jet Spinners” in the country.
- Replaced diesel generators with those operating on gas.
- Acquired two gas generators.
- Number of spindles increased to 194,392.
- Acquired 14 acres of land for erecting additional sheds and underground water reservoir.

2005-2010

- Set up an additional production facility at Karachi.
- Performed marvelously despite the global financial meltdown.

2010-2013

- Planned investment in enviornmentally-friendly 50 MW Wind Power Project.
- Started commercial operations in Karachi Plant.
- Number of spindles increased to 245,000.
- Acquired assets of another textile mill in Gadoon Amazai Industrial Estate.
- Invested in shares of ICI Pakistan Limited.
- Acquired new electric generators based on natural gas to enhance generation capacity.
- Signed EPC contract to generate additional 2.66 MW based on Waste Heat Recovery.

group information

YUNUS BROTHERS - 1962

Yunus Brothers was established as a commercial entity exporting cotton yarn to Far Eastern countries. YB is internationally recognized for trading in various commodities, enjoying a strong reputation in respect of consistent quality, reliability and superb customer services.

LUCKY TEXTILE MILLS LIMITED - 1983

Founded in 1983, LTML started as a fabric manufacturing unit which expanded its operations and became a vertically integrated mill. With the annual production capacity of approximately 60 million meters, LTML is an exporter of home textiles to international market.

AZIZ TABBA FOUNDATION -1987

Social activism has always been a hallmark of YB Group. Aziz Tabba Foundation, started in 1987, serves as a testimony to the philanthropic spirit of the Company's founders. The foundation carries out various activities for social welfare of the community in areas of health, education and enhancing economic property.

FAZAL TEXTILE MILLS LIMITED -1987

Fazal Textile Mills Limited founded in 1987, is one of the top spinning mills in the country. It specializes in production of Cotton Ring Spun Yarn. FTML has the machinery from world's renowned textile machinery manufacturers and as a result produce around 150 M tons of yarn daily.

LUCKYONE (PVT.) LTD A REAL ESTATE PROJECT - 2010

LuckyOne Mall is a magnificent, multi-faceted, first-of-its-kind regional shopping mall that will revolutionize the shopping experience in Pakistan. The eclectic mix of high-end specialty stores, fine dining and leisure pursuits make LuckyOne Mall the premiere lifestyle destination for shopping, leisure and entertainment.

LUCKY-PARAGON READYMIX LTD - 2007

- LPRM is a joint venture between Lucky & Paragon Construction (Pvt.) Ltd which started operations in August 2006.
- LPRM is the first professionally managed ready-mix concrete business in Pakistan
- LPRM manufactures and markets ready-mix concrete for mega projects throughout the country with quality and reliable supply of concrete.
- LPRM offers a full range of products with strength ranging from 1000 psi to 10,000 psi for both OP & SR cement types.

SHARES ACQUISITION OF ICI PAKISTAN LTD -2012

- Portfolio of 4 segments, PSF, Soda Ash, Chemicals and Life Sciences businesses
- Largest local soda ash producer & Second largest local PSF producer
- Highly recognized corporate brand and logo
- Having installed capacity of 37 MW self-generating captive power plant

YUNUS ENERGY LIMITED - 2011

The YBG has recently initiated this project of its unique nature and national importance in Pakistan with the name of Yunus Energy Limited.

YEL will be a wind farm to generate 50 MWs of electricity through wind turbine generators to be supplied by Nordex Germany, technology inventor.

GADOON TEXTILE MILLS LIMITED -1988

Gadoon Textile Mills is Pakistan's largest spinning unit with approximately 245,000 spindles under one shade. GTML is the 2nd in the world and first in Pakistan to introduce Compact Core Spun Yarn. GTML was initially established to provide alternative source of income for the natives of Swabi District, who cultivated poppy and opium on their lands.

LUCKY CEMENT LIMITED - 1993

Lucky Cement Limited is by far the largest cement manufacturing Company in Pakistan with an annual production capacity of 7.75 million tons. LCL is Pakistan's first and largest exporter of loose cement. It is the only cement manufacturer who have a loading and storage terminal at Karachi Port. Another exclusive attribute that allow Lucky Cement to stand ahead of its competitors is its unique supply chain function with specialised loose cement carriers and ship loaders.

LUCKY ENERGY PRIVATE LIMITED - 1993

In 1993, YB Group diversified in the energy sector with establishment of Lucky Energy which is a gas-based thermal power generation unit. It is equipped with world's one of the most sophisticated and highly efficient generators from Caterpillar USA. LEPL not only fulfills energy requirements of the Group companies, but also sells electricity to the Government of Pakistan.

TABBA HEART INSTITUTE - 2005

Tabba Heart Institute, a state-of- the-art, yet not for profit cardiac hospital, established with the aim to provide quality services and compassionate care at an affordable cost. THI is a 120-bed cardiac unit equipped with modern and up to date equipment, with renowned cardiologists and cardiac surgeons.

AZIZ TABBA KIDNEY CENTRE - 1995

Aziz Tabba Kidney Centre is a centre of excellence that provides cost effective and state-of-the-art dialysis facilities to the underprivileged section of the society. ATKC is also the only centre in Karachi where HB positive patients are treated separately.

LUCKY KNITS (PVT.) LTD - 2005

- LKL was established in 2005.
- LKL is primarily engaged in knitting, processing and stitching setups.
- LKL is equipped with state of the art machinery meeting all international standards.
- LKL has 103 knitting machines with movements covering 16" to 46" dia.
- LKL produces 250,000 Kgs of knitted fabric per month
- LKL produces 1 million pieces of garments per month.

YUNUS TEXTILE MILLS LIMITED - 1998

Yunus Textile Mills Limited is the producer and exporter of home textiles and beddings accessories. It is a fully vertically-integrated textile manufacturing facility from spinning to stitching with the annual production capacity of 100 million meters. The manufacturing facility is based in Karachi, but the Company has international distribution units in USA, Canada, France, United Kingdom and Spain.

strings behind the strength

Gadoon Textile Mills biggest asset comes from the people who run it. They are the ones who have the imagination and inovation to take it to heights and make it the number one textile mill of Pakistan engineering nothing but quality.

Board of Directors & CEO

Chairman - MR. MUHAMMAD YUNUS TABBA

Mr. Muhammad Yunus Tabba started his 40-year long career with Yunus Brothers Group as one of its founding members and has seen it progress through manufacturing, sales management, marketing management and general management. With his expertise and diversified experience, he has taken Yunus Brothers Group to a level which is appreciated by local and international business communities. Muhammad Yunus Tabba has also been awarded "Businessman of the Year" by the Chamber of Commerce, several times during his career.

Under Mr. Yunus Tabba's leadership, the Group has achieved many breakthroughs and has received many awards from local and international institutions.

Directorships

Gadoon Textile Mills Limited
Fazal Textile Mills Limited
Lucky Cement Limited
ICI Pakistan Limited
Yunus Textile Mills Limited
Lucky Textile Mills Limited
Y.B. Pakistan Limited
Lucky Energy (Private) Limited
Y.B. Holdings (Private) Limited
Yunus Energy Limited
Lucky Air (Private) Limited
Fashion Textile Mills (Private) Limited
Security Electric Power Company Limited

CEO - MR. MUHAMMAD SOHAIL TABBA

Mr. Muhammad Sohail Tabba is one of the top business executives in Pakistan, with vast experience in the manufacturing, energy, real estate and cement sectors gained throughout his two decade long career. Being a business graduate, Muhammad Sohail Tabba's association with the Yunus Brother Group has successfully transformed the group's textile concerns into leading global players including names such as Gadoon Textile Mills Limited, Fazal Textile Mills Limited and Lucky Knits (Private) Limited, where he serves as the Chief Executive.

He also serves as the Chief Executive of Lucky Energy Private Limited and Yunus Energy Limited. In addition to LuckyOne Private Limited, he is also the Chairman of Lucky Paragon Readymix Concrete and a Director on the Boards of Yunus Textile Mills Limited, Lucky Textile Mills Limited and Lucky Cement Limited, the leading cement manufacturer and exporter of Pakistan.

Muhammad Sohail Tabba's business activities include general commodity trading, power generation and construction which have given him profound understanding of both domestic and international markets and thorough knowledge of the market and future trends.

His philanthropic and social engagements include being the founding member of the Child Life Foundation and Italian Development Council (IDC). He also serves as a Director for the Tabba Heart Institute and Aziz Tabba Foundation and as a member of the Board of Governors at Hamdard University Pakistan.

Directorships

Gadoon Textile Mills Limited
Fazal Textile Mills Limited
Lucky Cement Limited
ICI Pakistan Limited
Yunus Textile Mills Limited
Lucky Textile Mills Limited
Y.B. Pakistan Limited
Lucky Energy (Private) Limited
Y.B. Holdings (Private) Limited
Lucky Knits (Private) Limited
Lucky Holdings Limited
Lucky Paragon Readymix Limited
LuckyOne (Private) Limited
Yunus Energy Limited
Lucky Commodities (Private) Limited
Lucky Air (Private) Limited
Security Electric Power Company Limited

Director - MR. MUHAMMAD ALI TABBA

Mr. Muhammad Ali Tabba has been associated with the Yunus Brother's Group since 1990 when he started his career as a Director in the small family owned commodity trading business. Since then, he has successfully reformed and expanded the companies he heads in the Group, which also includes Yunus Textile Mills Limited, a leading name in the home textiles industry.

Mr. Muhammad Ali Tabba is a distinguished leader and has been actively involved in many welfare organizations as well. Mr. Tabba also serves as a Trustee of the Fellowship Fund for Pakistan, a Board formed to identify and sponsor 'Leaders' of the country to polish their leadership skills. Due to his extensive engagement in many community welfare projects, he has received numerous recognitions and awards for his social interventions. Mr. Tabba is also on the Board of Governors at various universities, institutions and foundations. He also manages the Group's own Aziz Tabba Foundation with welfare projects in the field of education, health, housing and other social needs.

Acknowledging the professional accomplishments, distinguished leadership and commitment to shaping a better future, World Economic Forum bestowed Mr. Muhammad Ali Tabba with the honour of Young Global Leader 2010.

Directorships

Gadoon Textile Mills Limited
Fazal Textile Mills Limited
Lucky Cement Limited
ICI Pakistan Limited
Yunus Textile Mills Limited
Lucky Textile Mills Limited
Y.B. Pakistan Limited
Lucky Energy (Private) Limited
Y.B. Holdings (Private) Limited
Lucky Knits (Private) Limited
Lucky Holdings Limited
Lucky Paragon Readymix Limited
LuckyOne (Private) Limited
Yunus Energy Limited
Lucky Commodities (Private) Limited
Yunus Textile (Private) Limited
Lucky Air (Private) Limited
Fashion Textile Mills (Pvt) Limited
Security Electric Power Company Ltd

Director - MR. JAVED YUNUS TABBA

Mr. Javed Tabba has a rich experience in the textile industry and is currently the Managing Partner and Chief Executive of a renowned textile mill. His untiring efforts helped him acquire deep insight and expertise of export and manufacturing activities. Mr. Javed Tabba is also the Chairman of Human Resource Committee of the Board.

Directorships

Gadoon Textile Mills Limited
Fazal Textile Mills Limited
Lucky Cement Limited
Feroze 1888 Mills Limited
Yunus Textile Mills Limited
Lucky Textile Mills Limited
Y.B. Pakistan Limited
Lucky Energy (Private) Limited
Y.B. Holdings (Private) Limited
LuckyOne (Private) Limited
Yunus Energy Limited
Yunus Textile (Private) Limited
Security Electric Power Company Ltd

Director - MRS. RAHILA ALEEM

With a rich experience in the export industry, Mrs. Rahila Aleem has been previously involved in the export driven textile industry with a background in management and export quality assurance. Mrs. Rahila is an active board member and is also serving as a member in other Board Committees.

Directorships

Gadoon Textile Mills Limited
Fazal Textile Mills Limited
Lucky Cement Limited
Yunus Textile Mills Limited
Lucky Textile Mills Limited
Y.B. Pakistan Limited
Yunus Energy Limited

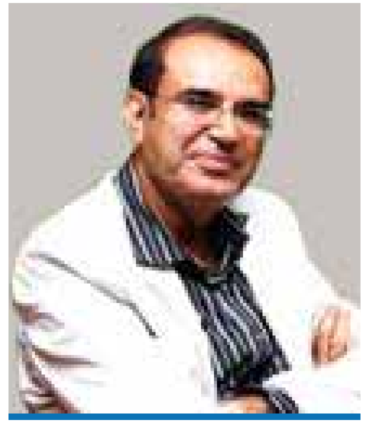
Director - MRS. MARIUM TABBA KHAN

With a Master's degree in Business Administration, Mrs. Marium Tabba Khan started her professional career in 2005 and is currently heading one of its kind not-for-profit cardiac hospital in Karachi as its Chief Executive. Since Mrs. Marium took over the hospital in 2005, the hospital has seen the best of its times and is now an icon in the cardiac health community.

Directorships

Gadoon Textile Mills Limited
Fazal Textile Mills Limited
Yunus Textile Mills Limited
Lucky Textile Mills Limited
Y.B. Pakistan Limited
Lucky Energy (Private) Limited
Y.B. Holdings (Private) Limited
Lucky Holdings (Private) Limited
Lucky Paragon Readymix Limited
Yunus Energy Limited
Lucky Air (Private) Limited
Fashion Textile Mills (Pvt) Limited
Security Electric Power Company Ltd

Director – MR. MOIN M. FUDDA (Joined on September 07, 2013)



Mr. Moin Mohammed Fudda is the Country Director of Center for International Private Enterprise Washington, since September 2005 and led CIPE Pakistan Office. Mr. Fudda was the Managing Director of the Karachi Stock Exchange (KSE) for 3 years from September 2002. He also served as Chairman, National Clearing & Settlement Company and as Director, National Commodity Exchange.

Before joining KSE he was the Country Chief of Commercial Union Insurance, (now AVIVA) and earlier he served as Executive Director Pakistan Insurance Corporation. The Government of New Zealand appointed him as its Honorary Consul for Pakistan in 1990 and in 1997 he was elevated as Honorary Consul-General, position that he continues to hold. With the assistance of Government of New Zealand, he worked with a number of NGO's. The Queen of New Zealand was pleased to confer upon him the dignity of an "Honorary Officer of the New Zealand Order of Merit (ONZM), for services to New Zealand's interest in Pakistan. He is the former President of the Management Association of Pakistan and the Overseas Investors Chamber of Commerce & Industry.

In recognition of his valuable services in the field of public service, in March 2006, he was conferred the Civil Award “Sitara-e-Imtiaz” by the President of Pakistan.

LEADING LIGHTS

Late Mr. Muhammad Azam Akbar, Executive Director (Technical), joined Gadoon Textile Mills Limited at the time when the Company was under formation. He was one of the pioneers who oversaw the construction of the GTML factory at Gadoon Amazai.

A man of substance and vision, a huge heart and boundless compassion, he helped built this organization into a formidable force. He was a man of substance and leading light who led by example. Blessed with a rare gift he had an ability to instantly make personal connections with all those he interacted with. Whether it was technical or administrative staff, he made everyone feel special.

He died on November 11, 2003 in a road accident while travelling in Saudi Arabia during the Holy Month of Ramadan.

Late Mr. Muhammad Saleem Ahmedani, Executive Director (Finance), was a Fellow Member of Institute of Chartered Accountants of Pakistan. He was one of the oldest employees of the Company who took great pains in organizing the Finance Department of GTML. He was meek and humble. He demonstrated exemplary in his dress. He will go an extra mile in helping his juniors.

He passed away on September 18, 2007 as a result of a heart failure during the Holy Month of Ramadan.

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Moin M. Fudda (Chairman)
Mr. Muhammad Ali Tabba (Member)
Mr. Javed Yunus Tabba (Member)

Terms of Reference

The terms of reference of Audit Committee were presented to the members as required under the Code of Corporate Governance and the same were approved by the Board accordingly, contents of which are as under:

Financial Reporting

a. the consistency of, and any changes to, accounting policies on a year by year basis.

b. the methods used to account for significant or unusual transactions where different approaches are possible.

c. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor.

d. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

Internal Controls and Risk Management Systems

a. keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control & risk management systems; and

b. review and approve the statements to be included in the director's annual report about internal controls and risk management.

Compliance

a. review the adequacy and security of the Company's arrangements for its employees and its contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

b. review the Company's procedures for detecting fraud.

c. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

Internal Audit

a. monitor and review the effectiveness of the Company's internal audit function in the context of its overall risk management system.

b. review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

External Audit

a. consider and make recommendations to the board in relation to the appointment, re-appointment and removal of the Company's external auditor. The committee shall oversee the selection process for a new auditor and, if an auditor resigns the committee shall investigate the issues leading to his and decide whether any action is required.

b. review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.

c. review the management letter and management's response to the auditor's findings and recommendations.

d. oversee the relationship with the external auditor.

e. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

f. review the findings of the audit with the external auditor.

Reporting Procedures

a. the committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

b. the committee shall produce a report on its activities for inclusion in the directors' annual report.

Other Matters

a. be responsible for co-ordination of the internal and external auditors.

b. oversee any investigation of activities which are within its terms of reference.

c. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

Review of Terms of Reference

The terms of reference of the Committee may be revised and modified with the approval of the Board.

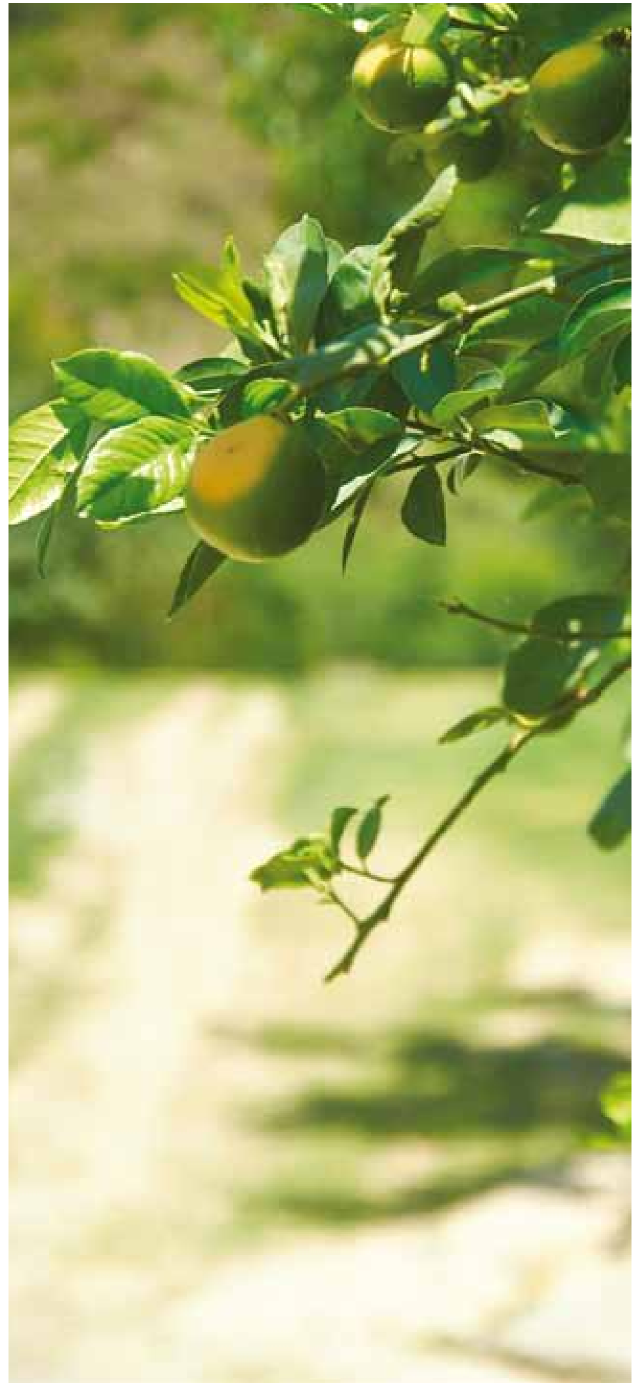
HUMAN RESOURCE COMMITTEE

Terms of Reference

1. To review and advise on the Human Resource policies of the Company and its revision from time to time as and when necessary.
2. To determine the remuneration and terms of service of the Chief Executive and other non-board Directors of the Company including their performance benefits and other benefits such as pensions, gratuity, cars/car allowances and other contractual terms.
3. To ensure that the best practices are adopted by the management of the Company with emphasis that:
   - The people of appropriately high ability and caliber are recruited, retained and motivated by offering market competitive packages;
   - Clear statement of job description and responsibilities for each individual position are defined for proper performance measurement;
   - Performance evaluation process / mechanism are in place and carried out annually;
   - Market competitive pay scales of comparable size and turnover companies are determined through independent sources and compared with Company's existing pay scale.
4. To review and advice on the training, development and succession planning for the senior management of the Company.
5. To devise a mechanism for the approval of HR related policies of the Company.
6. To recommend any matter of significance to the Board of Directors.

Review of Terms of Reference

The terms of reference of the Committee may be revised and modified with the approval of the Board.



BUSINESS CODE OF CONDUCT

Statement of Intent

GTM requires its executive staff to observe the highest ethical standards in conducting its business activities. The Business Principles and Ethics Policy (BPEP) is intended to assist the Company's staff in meeting the standards of professional and personal integrity expected and required of them. GTM's staff will act with integrity at all times to protect and safeguard the reputation of the Company. Contravention of the BPEP will be regarded as misconduct.

Code of Conduct

The management will ensure that through this BPEP and through other means of communication, its entire staff is aware of the required standards, rules and regulations. This Code of Conduct has been prepared for the use and guidance of all executives. It clearly sets out the standards of professional behavior that are expected and outlines the principles that should guide executives in maintaining the highest professional level of ethical conduct.

1. In all facets of employment individuals are required to exercise as sincerely as possible, impartiality in the performance of their job(s) for the Company. It is for this reason that the Company has developed this policy to direct individual behavior in situations where an individual's personal interest may conflict with the interests of the Company or its customers.

2 All executives must avoid situations where there is a conflict of interest, as failure to comply with these ethical policies may render an individual liable to disciplinary action, even subsequent dismissal in an instance where a severe breach of policy occurs.

Guidelines

It is not possible to cover every eventuality in this document; hence executives should use common sense and remain conscious of their personal behavior with respect to the Company and is operations. The following guidelines provide a business code of conduct within which all executives must operate:

(a) Confidentiality

During the course of employment executives may have access to confidential information pertaining to the Company or its customers. They are expected to maintain confidentiality and integrity of all such sensitive matters during and after their employment with the Company. Such information must be limited to those who are required to have access to it for operational reasons.

(b) Honesty and Integrity

Executives will not convert for their personal use any funds or property which is not their own. The management expects absolute honesty and integrity towards the management of the Company.

(c) Health, Safety and Environment

Each executive must take reasonable care to ensure the health and safety of both self and colleagues who might be affected by one's acts or omissions at the work place. In order to secure safety, health and welfare of colleagues and protection of environment, no executive should tamper with or misuse any item belonging to the Company. Executives should ensure the trust of their surrounding communities through prudent operation of Company facilities.

(d) Post Employment Obligations

Executives, during the course of their employment, come across confidential information with regard to the Company or its business interests which they are required to not only keep confidential during their service with the Company but also on severance from service. On separation from service executives should not use or disclose any confidential information concerning the Company's business.

COMPETITIVE EDGES

Following are the strategic advantages that give us an edge over our competitors:

MARKET LEADERSHIP

It has been the hallmark of Gadoon Textile Mills Limited to set trends in the industry it operates in. It is the largest spinning mill in Pakistan. It also enjoys the distinction of being the first ever spinner in the world to establish core spun compact yarn.

Moreover, GTML has the privilege of being the first ever compact spinner in Pakistan, and is known as one of the best compact spinners around the globe. It is the only mill in the country to offer each Count, as Compact Yarn, i.e.: NE 2/1 Compact to NE 200/1 Compact.

ECONOMIES OF SCALE

Being the market leader enables us to enjoy greater economies of scale over our competitors. We regularly monitor our production methods and operational costs in order to increase efficiency and further reduce costs.

Another important factor in this regard is the uninterrupted supply of electricity. GTML relies on its own power generation system, thus ensuring timely production and order delivery to its esteemed clients.

ENERGY EFFICIENCY

Energy efficiency is a powerful and cost-effective path towards achieving a sustainable future. We have taken numerous initiatives towards saving energy. We are acquiring state-of-the-art Waste Heat Recovery Plant at our production facilities, which will not only enable us to substantially reduce our costs, but will also contribute towards a sustainable future by reducing carbon dioxide emissions.

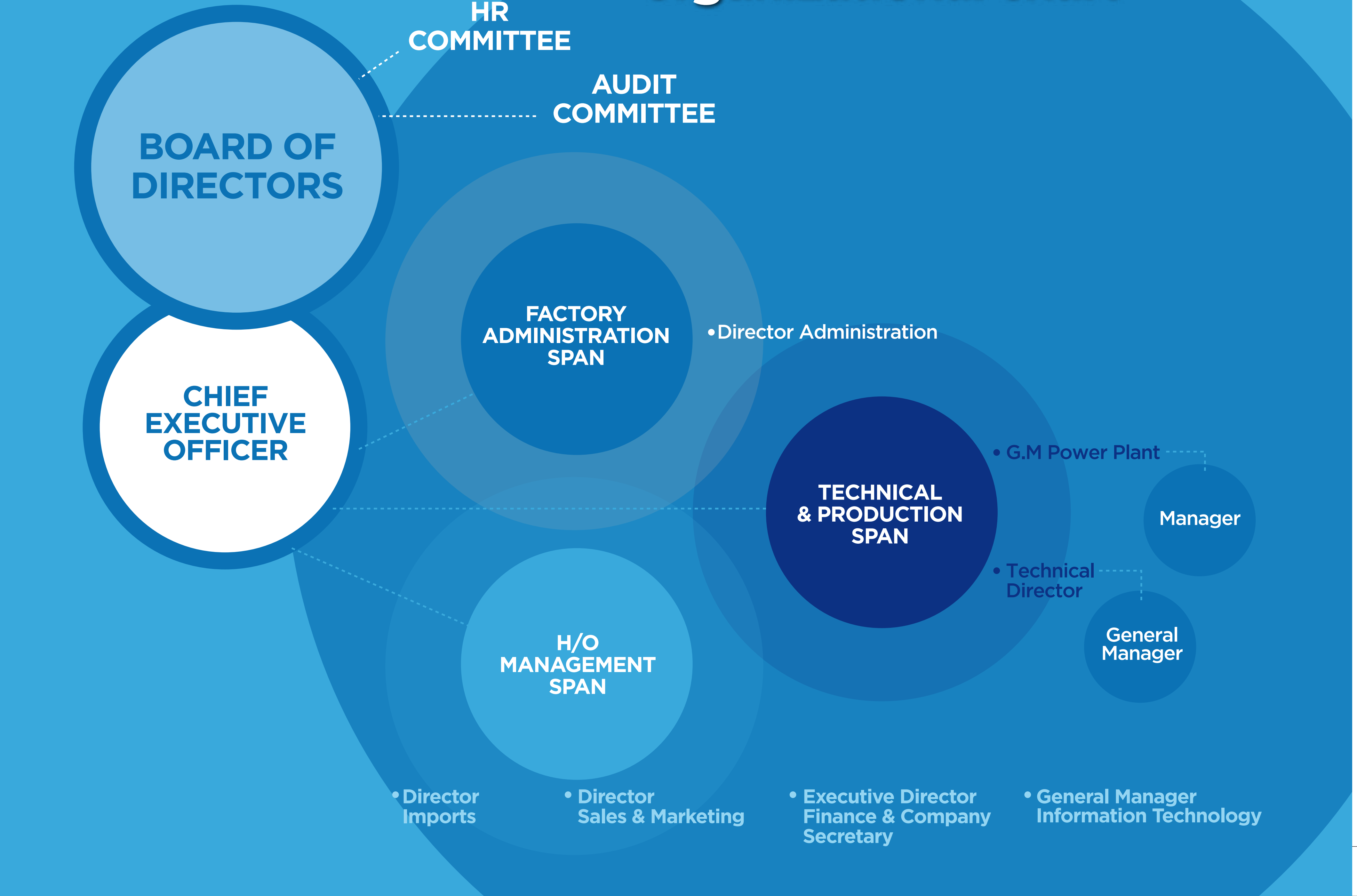
MODERNIZATION

At GTML, we lay great emphasis on manufacturing high quality products. To maintain the sound reputation which we have established throughout the years in terms of quality and customer service, we are continuously replacing old and outdated machinery in a phased manner from our own resources in order to improve our efficiency and better serve our customers.

LOYAL/ESTABLISHED CLIENTELE

Over the years, GTML has worked tirelessly in order to provide maximum customer satisfaction to its clients. We take pride in the fact that we have strong working relationships with all our clients, spanning over many years. Our clients have put their trust in us, and we value it by serving them in the most effective manner. Through our uncompromising commitment on quality, we have been able to retain maximum and remain the first preference of customers.

organizational chart



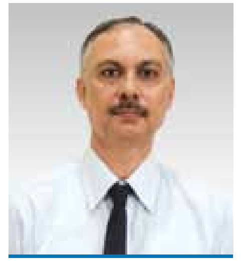
SENIOR MANAGEMENT

Head Office

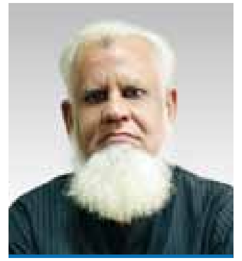
Mr. Muhammad Sohail Tabba
CEO

Mr. Abdul Sattar Abdullah
Executive Director Finance & C.S

Mr. Imroz Iqbal
Director Exports, Sales & Marketing



Mr. Salam Chottani
Director Local Sales & Marketing

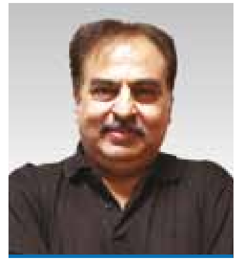


Mr. Tasneem Ahmed
Director Imports

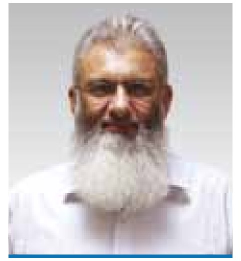
Haji Muhammad Mundia
Chief Internal Auditor

Gadoon Amazai Plant

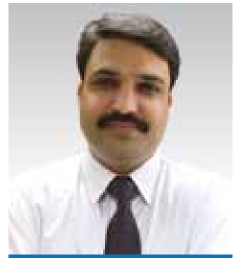
Mr. Viqar Ahmed Khan
Director Administration



Mr. Iftikhar Ahmed
Director (Technical)



Mr. Mohammad Nadeem Riaz
Director (Technical)

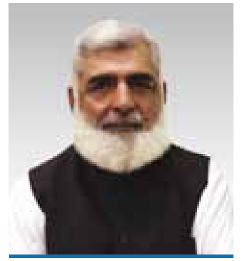


Mr. Shafqat Mumtaz Ahmed
Director (Technical)

Mr. Asad Ansari
GM Power Plant

Karachi Plant

Mr. Tahir Saleem
Executive Director (Technical)



Mr. Akhtar Kamdar
Resident Director

CEO's MESSAGE

It gives me immense pleasure to inform you that your Company completed another operationally successful year despite economic problems facing the country.

With no relief in the ongoing energy crisis, the year 2013 turned out to be another challenging year. Manufacturing sector remained victim of the energy crisis. Apart from energy problem, inflation also negatively impacted the economy as the rise in prices exerted significant pressure on the cost of living. Both these problems need immediate attention.

Despite dismal economic scenario, your Company attained highest sales revenue in the history of the Company. As a result, the operations resulted in highly encouraging financial results.

'Adaptability is the price of survival.' Following this dictum, it has been the policy of your Company to update its plants and facilities on a regular basis. This policy has paid handsomely.

As stated in the earlier reports, the additional capacity being executed at Karachi has been integrated during the year under review and generating additional revenue for the Company.

To augment generation capacity at reduced cost, the Company has acquired electric generators based on natural gas.

DIRECTORS' REPORT

It is indeed a pleasure for the Directors of the Company to present the 26th Annual Report together with the Company's audited financial statements for the year ended that on June 30, 2013.

With immense pleasure, I would like to acknowledge the achievement of your Company that has completed 25 years of operations, while reviewing the audited financial statements. We take this opportunity to congratulate you on the occasion of Silver Jubilee Anniversary. During the past twenty-five years, we have grown impressively, and with every milestone that we have achieved, our dreams and aspirations have become bigger, aims higher, and have geared us to challenge ourselves and set unprecedented standards in the industry. We bow our head before Almighty Allah for giving us strength in endeavouring to achieve these goals.

The year under review is another milestone in the history of the Company. By the Grace of Almighty Allah, your Company has achieved phenomenal results while not getting intimidated by difficult operating conditions.

Financial Performance

A comparison of the key financial results of the Company for the Financial Year ended on June 30, 2013 with last year is as under:

	Year Ended 30-06-2013	Year Ended 30-06-2012	Percentage Favorable (Unfavorable)
	(Rs.000)	(Rs.000)	%
Sales - Export	8,819,457	6,368,395	38.49
Local	9,854,296	7,201,922	36.83
Sales (net)	18,673,754	13,570,317	37.61
Gross Profit	2,267,266	1,151,732	96.86
Finance costs	434,062	295,604	(46.84)
Profit before taxation	1,260,024	654,466	92.53
Profit for the year	1,134,824	648,813	74.91
Earnings per share (Rs.)	48.42	27.68	

As it can be observed from the above figures, your Company, by the Grace of Almighty Allah, posted highly encouraging financial results despite lesser margins in fine counts during the period under review.

Sales amounted to Rs. 18,674 million for the year under review as compared to Rs. 13,570 million in the corresponding period last year. The amount of turnover is the highest ever in the history of the Company, mainly attributable to the commercial operation of the Karachi Project.

The Gross Profit of Rs. 2,267 million represents hefty growth of 96.86 per cent over the earlier year's GP of Rs. 1,152 million. The substantial rise in GP is attributable to sustainable demand of yarn, competitive position of your Company in the yarn market, both at home and abroad, and availability of lint cotton at reasonable prices.

The Finance Cost registered rise of 46.84% increase to Rs. 434 million over previous year of Rs. 296 million due to enhanced borrowings to meet working capital requirements for production, capital expenditure, extended period of credit to fetch export orders and higher borrowings in local currencies on KIBOR benchmark.

The Profit After Tax has surged up by 74.91 per cent to Rs. 1,135 million from Rs. 649 million in the preceding year, which translates into earnings per share of Rs. 48.42 outperforming last year's Rs. 27.68.

Expansion, Modernization and Investments

In order to maintain sustained growth in profitability, the Company has put up an additional production facility at Karachi which came into commercial production at the end of last year.

As stated in our earlier Reports, your Company pursues the policy of replacing old plant and machinery in a phased manner from own resources to promote efficiency and economy of operations.

In order to raise thermal efficiency your Company has signed the EPC Contract to acquire a Waste Heat Recovery System, to utilize the Exhaust Waste Heat from the Engines to convert into steam through boilers and to utilize that steam for Electricity Generation.

Company has invested Rs. 75 Million in the Associate Company M/s. Lucky Holdings Limited for the acquisition of controlling shares of ICI Pakistan Limited. In addition, Company has also invested an amount of Rs. 1,115 Million to acquire 6.48% shareholding of ICI Pakistan Limited through Stock Exchanges under tender offer scheme.

As regard to the progress of Associate Company Yunus Energy Limited, by the Grace of Almighty Allah, it is aiming to achieve Financial Close by December, 2013 and commercial operation date by June, 2015, subject to timely provision of grid connectivity by power purchaser.

Earnings Per Share

The earnings per share during the year under report worked out to Rs. 48.42 as compared to earnings of Rs. 27.68 for 2012.

Dividend

The Board of Directors have pleasure in recommending cash dividend at the rate of Rs. 12.50 per Share for the year under review (2012: Rs. 7.50 per share).

Foreshadowing and Direction for the Future

As stated in our earlier reports, we do remain vulnerable to energy price escalation, inflation and devaluation of Pak Rupee.

Besides, the lint cotton prices are fluctuating. However, your Company is in the process of replenishing its requirements of lint cotton for the current financial year at competitive prices.

Other factors such as electricity, gas, ocean and surface freight which are consistently ascending are likely to exert pressure on our margins. To combat the ever escalating energy prices Waste Heat Recovery Plant from China has been ordered and within fifteen months this would Insha Allah come into operation.

Despite the challenges that keep posing threats, your directors are determined to do everything to combat difficulties, so that the Company achieves satisfactory profits.

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) The system of internal control is sound in design and is being effectively implemented and reviewed by internal audit function.

e) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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 have 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 June 30, 2014.

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

Karachi:
September 23, 2013

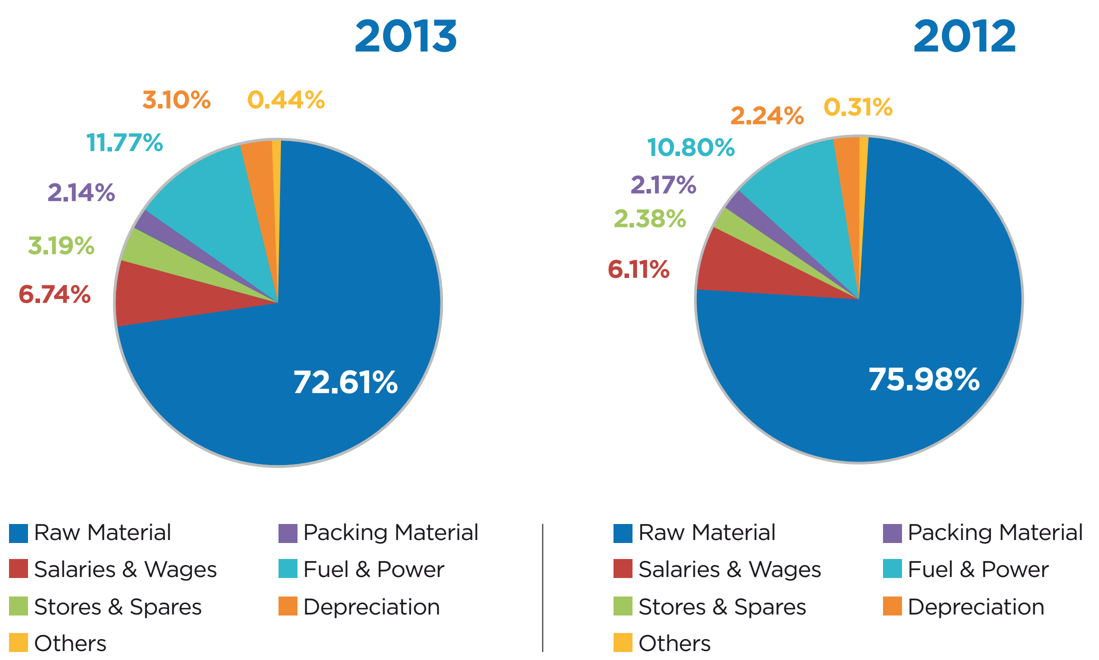
Muhammad Sohail Tabba
Chief Executive/Director

Analysis of Costs

	2013 Rs. in '000's	%	2012 Rs. in '000's	%
Raw material	12,094,406	72.61%	9,324,893	75.98%
Salaries & Wages	1,122,926	6.74%	750,239	6.11%
Stores & spares	531,213	3.19%	292,575	2.38%
Packing material	356,951	2.14%	266,058	2.17%
Fuel & Power	1,960,865	11.77%	1,325,501	10.80%
Depreciation	517,086	3.10%	275,155	2.24%
Others	73,813	0.44%	38,245	0.31%
	16,657,260	**100.00%**	**12,272,666**	**100.00%**

Cost of Production

The cost of sales of your Company was increased by 35.73% durning the financial year under review which was attributed mainly due to addition of Karachi Project's cost, increase in fuel and energy cost, salaries & wages and other manufacturing cost.

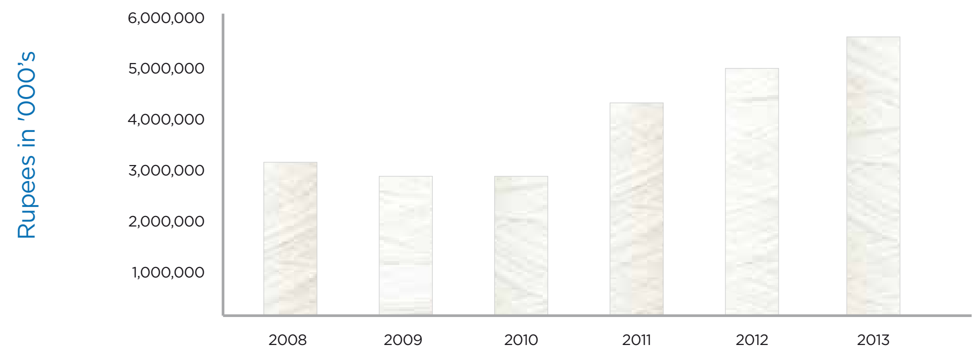


TOTAL SALES (Rs. in '000's)

18,673,753

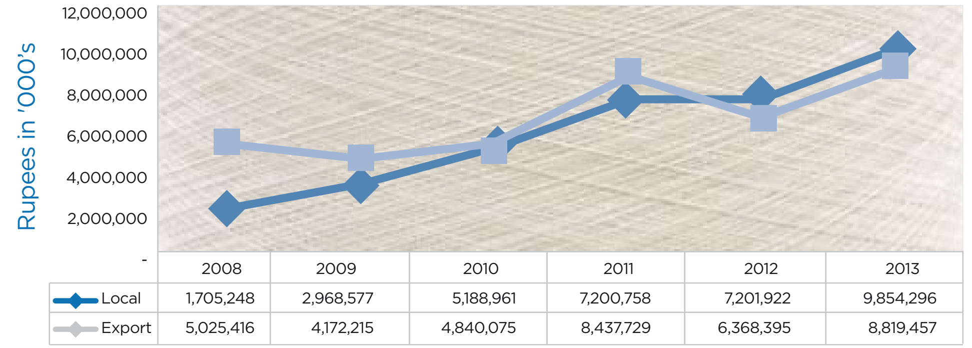
Fixed Capital Expenditure Growth

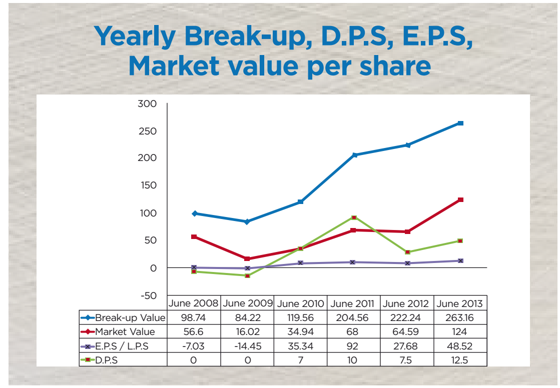
	2008	2009	2010	2011	2012	2013
Property Plant & Equipmnet	3,063,735	2,760,662	2,724,684	4,181,980	4,882,569	**5,502,528**



Turnover Analysis

	2008	2009	2010	2011	2012	2013
Local	1,705,248	2,968,577	5,188,691	7,200,758	7,201,922	9,854,296
Export	5,025,416	4,172,215	4,840,075	8,437,729	6,368,395	8,819,457





HUMAN RESOURCE EXCELLENCE

We consider our people to be our most important assets. It is they who have enabled the organization to achieve all the landmarks it has been able to achieve throughout these twenty-five years. Due to our well-defined HR policy, we have not only been able to attract and hire some of the best available talent in our country, but have also been able to retain them; an area where many other firms struggle even today.

We strive for excellence, and strongly believe that continuous improvement must be fostered as an integral part of our structure. We aim to promote efficiency and reward individuals on the basis of performance and provide executive staff every opportunity to reach the highest level of professional and personal growth.

The Company's recruitment decisions are based on a selection process that identifies the best qualified individual for the position to be filled. As an equal opportunity employer, GTM follows a merit based recruitment policy and its selection procedure is geared to attract and retain capable and qualified executives who can best contribute towards accomplishment of the objectives of the Company.

It is the Company's policy to promote from within the organization wherever possible; however, in the absence of availability of a suitable candidate from within the Company, the management resorts to recruit through head hunters, press advertisements or via Company's databank. The selection and placement process is based on the qualification and experience relevant to the position under focus.

Training programmes are held to increase the skill-level of employees, and compensation and reward programmes are regularly monitored and revised according to the prevailing market situations. Our talent acquisition and management systems are based strictly on merit.

Succession Planning

The main purpose of succession planning is to prepare and maintain an inventory of "ready now" managers that can be placed into top management positions in the event of a gap created in the chain of command due to attrition.

The Company maintains succession planning as part of its strategy to plan futuristically, to ensure that in the events such as one mentioned above, the Company is able to respond immediately and effectively thus saving both time and efforts.

Other Facilities for Plant Employees

- Subsidized Mess
- Dispensary
- Ambulance
- Shuttle Service
- Residential Facility

CORPORATE SOCIAL RESPONSIBILITY

It may sound strange to some, but it is a fact that Gadoon Textile Mills in itself is a great example of a corporate citizen of Pakistan. We feel extremely proud in sharing our story as to how this Company was established and what was the driving force behind setting up this Company.

Before the establishment of Gadoon Textile Mills in Swabi District, the local natives used to rely on cultivation of poppy and opium on their lands for achieving their livelihood. It took a visionary leader who was fully aware of his obligations towards his society to take the initiative and set up a Company with the objective of providing employment to the locals of the district and discourage the practices they were previously involved in. Thus, not limited to a profit-making venture, GTML has a socially motivated reason as its essence.

National Cause Donations

GTML has always strived to live up to the expectations of the society, and give back in whatever way possible. From the earthquake that shook the country in 2005, to the heavy flooding that devastated the northern areas in 2010; we have tirelessly worked on the rehabilitation of the Internally Displaced People (IDP's) who were affected by the ongoing war on terror. The Company ensured that the materialistic needs of the people were met; and for that, apart from mere financial aid, medications, food, tents, blankets, clothing etc. were distributed amongst them. Those were hard times for the entire nation, and GTML strives to fulfill its resolve of standing alongside its nation in such circumstances, and pledges to play its role to the maximum.

Mosque

A mosque has been built inside the mill premises for the facilitation of both employees and the local community.

Dispensary

A well-managed dispensary is maintained at the Gadoon Plant for the welfare of the employees and the residents to ensure proper health and safety.

Iftar Arrangements

Since the past several years, it has been a regular practice of the Company to arrange iftar during the Holy Month of Ramadan. The Iftar is open for all, and people from the entire locality benefit from it.

AWARDS AND ACHIEVEMENTS

During the past two decades, GTML has been a regular recipient of several awards in recognition of its outstanding performance, some of which are listed below:

- Top exporter (foreign exchange earner) of the province
- Top importer of the province
- Top income tax payer of the province
- Best consumer award
- Businessman of the year gold medal award
- Top 25 companies for the year

CORPORATE AFFILIATIONS

- Gadoon Textile Mills Limited is affiliated with Oeko-Tex 100 standards
- Member of Karachi Chamber of Commerce and Industry
- Member of Sarhad Chamber of Commerce and Industry
- Member of All Pakistan Textile Mills Association, Khyber Pakhtunkhwa
- Member of SUPIMA, USA

IT DEVELOPMENT

Vision Statement

'To facilitate decision making through IT solutions.'

Highlights of 2012 - 2013

Upgrading our Systems

Considering the expansion of organization at multiple locations, it was immensely felt to convert the existing applications to centralized, web-based technology.

The entire system was reviewed jointly by the IT and Finance Department in mid-2012 with minimum dislocation in the operations. Till june-2013, we had successfully migrated our core applications to targeted platform.

With the aforesaid upgradation, new avenues, operational, cost effectiveness and functional improvements have been brought about at the Gadoon Textile. Furthermore, the Company can now fully utilize facilities such as enhanced reporting through BI techniques; management of Internal Controls for Corporate Governance; efficient procurement planning and introduction of business intelligence dashboard as decision making tools.

Providing VPN Connectivity

Centralized communication system between various locations is vital to deliver maximum benefit of technology to our Company users.

Centralized connectivity is ensured through intranet convergence at the Head Office from multiple remote locations through cost-effective blend of available technologies, ranging from high-speed fiber optic links to the least variants of DSL communications.

In late 2012, we had established VPN connectivity between our Head Office and Super Highway Project through fiber optic. The project was completed in two months period and is working smoothly since January, 2013.

Initiation of Electronic Document Management System (EDMS)

The aim of EDMS project was to minimize physical movement of files, reduce storage cost, facilitate flexible retrieval of scanned documents, ensure organized document distribution and improved security and workflow.

A comprehensive project has been planned to implement the system considering its regulatory compliance and requirement of appropriate hardware/software. We initiated the project with our Finance Department in late-2012 in collaboration with a Malaysia-based Company and gradually extended its benefits to other departments. It is a valuable and important module of our overall computerized system.

IT Support

In addition to centralized hardware inventory and maintenance system, a web-based ticketing system is available to formally identify the issues into running modules including new requirements. The new system helps the management in monitoring the flow of matters, planning for new requirements and evaluates the ability of respective IT team member.

IT Policies

We follow standard IT policies for various areas of IT related activity like Ethics of System Usage, Data Security, Procurement and Backup and Disaster Recovery.

These policies and standards create an effective, professional, legal, ethical and equitable IT environment across our Company.

Manpower

Our IT department is manned by dynamic professionals. Most of our software development task has been developed by our in-house software team. The results so far reflects their professional approach and comparable with outside technology firms.

Future Outlook

GTML will continue to explore all possible technological areas to maximize benefits for our businesses. We look for expansion in our in-house developed ERP project, our team will explore the possibilities of giving platform where management can utilize IT for their strategic decision.

Safety of Company Records

The Company has implemented stringent controls to ensure that, the records maintained are not only in compliance with the standard procedures, but are also stored in a way so as to ensure their safety as well as their timely retrieval when required.

In this regard, we introduced the 'paper less environment' initiative the previous year; emphasis now is laid on scanning all the records and relevant documents so that they are available electronically. This initiative will not only reduce the amount of paper consumed by the Company, but will also address the safety and time-bound concerns of our records. Storing data electronically will greatly reduce the physical space taken up by such documents, and it is both cost-effective and efficient. We have also restricted the access to print these scanned documents, to ensure that paper consumption is minimal.

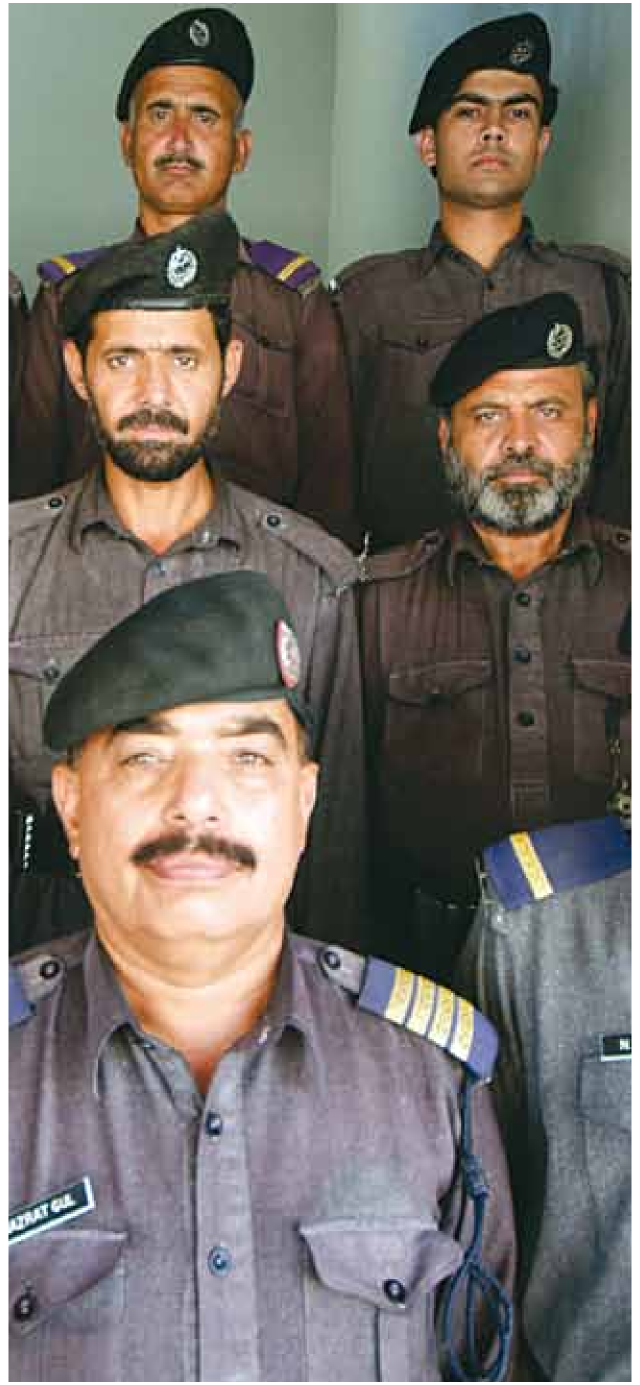
Moreover, precautionary measures such as fire-extinguishers, fire-resistant and electronically operated safes etc. are already in place to ensure maximum safety of sensitive documents of the Company. As a corporate citizen, the Company is also considering other ways of reducing manual paperwork to become more environment-friendly.

Safety and Security

At Gadoon Textile Mills Limited, we have a strong commitment towards ensuring that not only do our workers work in a healthy and safe environment, but also that God Forbid, in the event of an emergency, we have contingency action plans and the capacity to deal with such situations.

In this regard, we have installed security and surveillance cameras throughout our premises and offices which are regularly monitored by security personnel to address the security concerns. We also have a zero-tolerance policy against violence no matter how insignificant it may seem. Employees are well notified of such policies and the consequences of such actions.

Moreover, training programs are regularly carried out to train and educate employees for emergency situations.



Six Years at A Glance
(Rs. in '000's)

	2013	2012	2011	2010	2009	2008
ASSETS EMPLOYED						
Fixed Assets	5,502,528	4,882,569	4,181,980	2,724,684	2,760,662	3,063,735
Long Term Loans, Deposits & Deferred Costs	27,958	15,667	12,153	13,007	7,971	10,960
Investment	1,230,711	-	-	66,667	66,667	83,335
Current Assets	7,002,605	5,380,582	6,803,765	3,741,676	3,208,422	4,384,976
Total Assets Employed	**13,763,802**	**10,278,818**	**10,997,898**	**6,546,034**	**6,043,722**	**7,543,006**
FINANCED BY						
Shareholders' equity	6,167,884	5,208,840	4,794,402	2,802,210	1,974,019	2,314,285
Long Term Loans	26,719	44,533	62,347	630,161	897,974	102,666
Current portion of Long Term Loans	17,814	17,814	567,814	17,813	8,907	4,215
	44,533	62,347	630,161	647,974	906,881	106,881
Liability against purchase of Lease hold Land						
Obligation under Finance Lease						
Deferred Liabilities	519,650	352,253	312,472	285,860	215,658	207,588
Current Liabilities	7,049,549	4,673,192	5,828,677	2,827,803	2,956,070	4,918,468
Current portion of Loans & Lease	(17,814)	(17,814)	(567,814)	(17,813)	(8,907)	(4,215)
	7,031,735	4,655,378	5,260,863	2,809,990	2,947,163	4,914,253
Total Funds Invested	**13,763,802**	**10,278,818**	**10,997.898**	**6,546.034**	**6,043,722**	**7,543,006**

	2013	2012	2011	2010	2009	2008
TURNOVER AND PROFIT						
Turnover	18,673,753	13,570,317	15,638,487	10,028,765	7,140,792	6,757,664
Gross Profit	2,267,266	1,151,732	2,810,034	1,584,698	756,875	745,563
Operating Profit	1,909,863	1,083,299	2,553,671	1,257,170	527,856	485,585
Profit/(loss) before taxation	1,260,024	654,466	2,169,597	874,687	(297,072)	(132,606)
Profit/(loss) after taxation	1,134,825	648,813	2,156,255	858,191	(338,597)	(164,740)
Cash Dividend	292,969	175,781	234,375	164,063	-	-
Profit/(loss) carried forward	4,830,384	3,871,340	3,456,902	1,464,710	636,519	975,116
Earning per share (Rupees)	48.42	27.68	92.00	35.34	(14.45)	(7.03)
Break up value per share (Rupees)	263.16	222.24	204.56	119.56	84.22	98.74

Cash Flow Summary

	2013	2012	2011	2010	2009	2008
Net cash from Operating Activities	447,382	1,494,422	259,765	775,959	997,762	(871,679)
Net cash used in Investing Activities	(2,346,195)	(957,436)	(1,659,048)	(243,732)	19,068	(495,319)
Net Cash (Outflow)/Inflow from Fiancing Activities	(5,352,498)	(800,458)	(180,985)	(258,943)	799,934	(65,004)
(Decrease)/Increase in Cash & Cash Equivlants	(2,091,192)	(263,472)	(1,580,268)	273,284	1,816,764	(1,432,001)
Cash & Cash Equivalents at beginning of the Year	(3,261,306)	(2,997,834)	(1,417,566)	(1,690,851)	(3,507,614)	(14,980)
Cash & Cash Equivalents at end of the Year	(5,352,498)	(3,261,306)	(2,997,834)	(1,417,567)	(1,690,850)	(1,446,981)

transparent ties

At Gadoon we believe in declaring all our profits and losses to all stakeholders along with our very own customers as we belive that transparency is key for any business. We strive to give you exactly what you see.

Statement of Compliance
with the best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (The "Code") contained in Listing Regulations of Karachi and Islamabad for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Mr. Tariq Iqbal Khan
Executive Directors	Mr. Muhammad Sohail Tabba (CEO) Mrs. Marium Tabba Khan
Non-Executive Directors	Mr. Muhammad Yunus Tabba (Chairman) Mr. Muhammad Ali Tabba Mr. Javed Yunus Tabba Mrs. Rahila Aleem

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Three year term of the office of previous Board of Directors was completed during the year and an election of director for the next term was held wherein all seven directors were elected un-opposed. No casual vacancy occurred in the board during the year ended June 30, 2013.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
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 the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the board/shareholders. No remuneration was paid to the CEO 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Company have given a declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the Listing regulations of stock exchanges. All directors of the company, except two, comply with education and experience as per the latest requirements of Code of Corporate Governance.

10. The board has approved appointment of Executive Director Finance (EDF), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However no new appointment has been made in the financial year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and EDF 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 members. All of them are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed Human Resource and Remuneration Committee. It comprises three member, all are non-executive directors including the chairman of the committee.
18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures 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 program of the ICAP, 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 the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The related party transactions have been placed before the audit committee and approved by the Board of Directors along with pricing method.
24. We confirm that all other material principles enshrined in the Code have been complied with.

Karachi:
September 23, 2013

Muhammad Sohail Tabba
Chief Executive/Director

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS:

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

S. NO.	Name of Director	Meetings Attended
1.	Mr. Muhammad Yunus Tabba	4
2.	Mr. Muhammad Sohail Tabba	4
3.	Mr. Muhammad Ali Tabba	4
4.	Mr. Javed Yunus Tabba	3
5.	* Mrs. Rahila Aleem	1
6.	Mrs. Marium Tabba Khan	3
7.	** Mr. Ilyas Ismail	3
8.	Mr. Tariq Iqbal Khan	3

* Mrs. Rahila Aleem has been elected in place Mr. Ilyas Ismail
** Mr. Ilyas Ismail has resigned on 20-03-2013

Analysis of Financial Performance
As on June 30, 2013

Financial Ratios	UoM	2013	2012	2011	2010	2009	2008
Profitability Ratios							
Gross Profit to Sales	Percentage	12.14%	8.49%	17.97%	15.80%	10.60%	11.03%
Net profit after tax to sales	Percentage	6.08%	4.78%	13.79%	8.26%	(4.74%)	(2.44%)
EBITA to sales	Percentage	11.87%	9.06%	16.48%	14.29%	8.72%	(28.69%)
Return on Equity after tax	Percentage	18.40%	12.46%	44.97%	29.55%	(17.15%)	(7.12%)
Return on Capital Employed	Percentage	12.30%	6.40%	39.11%	15.71%	(29.70%)	(17.68%)
Liquidity Ratios							
Current Ratio	Times	0.99	1.15	1.17	1.32	1.09	0.89
Quick/Acid Test ratio	Times	0.35	0.36	0.76	0.48	0.37	0.34
Cash to Current Liabilities	Times	0.76	0.70	0.51	0.50	0.57	0.29
Cash flow from operations to Sales	Times	0.02	0.11	0.02	0.08	0.14	(0.13)
Activity/Turnover Ratios							
Inventory turnover	Times	4.00	4.09	5.38	3.76	2.66	2.95
No. of days in inventory	Days	91.20	89.29	67.84	97.02	137.14	123.75
Debtors turnover	Times	18.00	6.70	7.54	12.01	8.42	6.93
No. of days in Receivables	Days	20.28	54.47	48.38	30.38	43.33	52.63
Total assets turnover	Times	1.36	1.32	1.42	1.53	1.18	0.90
Fixed assets turnover	Times	2.76	2.77	3.73	3.58	2.52	2.14

Financial Ratios	UoM	2013	2012	2011	2010	2009	2008
Investment Valuation Ratios							
Earnings per share after tax	Rupees	48.42	27.68	92.00	35.34	(14.45)	(7.03)
Price/Earning Ratio after tax	Times	2.56	2.33	0.74	0.99	(1.11)	(8.05)
Dividend Yield	Percentage	10.08%	11.61%	14.71%	20.03%	-	-
Dividend payout ratio	Percentage	25.82%	27.10%	10.87%	19.81%	-	-
Dividend cover ratio	Times	3.87	3.69	9.20	5.05	-	-
Cash Dividend per share	Rupees	12.50	7.50	10.00	7.00	-	-
Break up value per share	Rupees	263.16	222.24	204.56	119.56	84.22	98.74
Market value Per share as June 30th	Rupees	124.00	64.59	68.00	34.94	16.02	56.60
Capital Structure Ratios							
Financial Leverage ratio	Times	0.29	0.30	0.50	0.79	1.14	0.67
Interest Coverage ratio	Times	1.90	1.21	13.68	2.01	(1.48)	(1.40)

Analysis-Profit & Loss Account
Vertical Analysis

	2013	2012	2011	2010	2009	2008
Turover	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	87.86%	91.51%	82.03%	84.20%	89.40%	88.97%
Gross Profit	12.14%	8.49%	17.97%	15.80%	10.60%	11.03%
Distribution Cost	1.76%	1.82%	1.87%	2.79%	2.54%	3.17%
Administrative Expense	0.55%	0.65%	0.43%	0.54%	0.73%	0.73%
Operating Profit	9.84%	6.02%	15.67%	12.47%	7.33%	7.14%
Finance Cost	2.32%	2.18%	0.95%	2.90%	8.68%	4.90%
Other operating charges	1.16%	0.98%	1.51%	0.92%	2.87%	4.24%
Other income	(0.39%)	(1.97%)	(0.66%)	(0.07%)	(0.06%)	(0.05%)
Profit before taxation	6.75 %	4.82%	13.87%	8.72%	(4.16%)	(1.96%)
Taxation	0.67 %	0.04%	0.09%	0.46%	0.58%	0.48%
Profit / (Loss) for the year	6.08 %	4.78%	13.79%	8.26%	(4.74%)	(2.44%)

Analysis-Profit & Loss Account
Horizontal Analysis

	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008
Turover	37.61%	(13.22%)	55.94%	40.44%	5.67%	100.00
Cost of sales	32.11%	3.19%	51.92%	32.27%	6.18%	100.00
Gross Profit	96.86%	(59.01%)	77.32%	109.37%	1.52%	100.00
Distribution Cost	32.88%	15.66%	4.59%	54.69%	(5.33%)	100.00
Administrative Expense	16.02%	(31.48%)	23.29%	3.57%	6.09%	100.00
Operating Profit	124.94%	(66.67%)	95.97%	(138.91%)	8.52%	100.00
Finance Cost	46.84%	99.99%	(49.13%)	(53.14%)	87.08%	100.00
Other operating charges	61.96%	(43.61%)	157.00%	(55.14%)	(28.54%)	100.00
Other income	(72.57%)	157.41%	1387.09%	53.03%	34.42%	100.00
Profit before taxation	92.53%	(69.83%)	148.04%	394.44%	124.03%	100.00
Taxation	2114.74%	57.63%	(71.31%)	11.97%	29.22%	100.00
Profit / (Loss) for the year	74.91%	(69.91%)	160.36%	344.59%	105.54%	100.00

Analysis-Balance Sheet
Vertical Analysis

	2013	2012	2011	2010	2009	2008
Assets						
Non current assets						
Property, Plant & Equipment	39.98%	47.50%	38.03%	41.62%	45.68%	40.62%
Long term investment	8.94%	-	0.00%	1.02%	1.10%	1.10%
Long term loans	0.05%	0.08%	0.04%	0.09%	0.01%	0.05%
Long term deposits	0.15%	0.07%	0.07%	0.11%	0.12%	0.10%
	49.12%	47.65%	38.14%	42.84%	46.91%	41.87%
Current Assets						
Store, Spares and loose tools	2.60%	3.83%	2.56%	3.41%	2.56%	2.17%
Stock in trade	30.15%	32.08%	19.13%	33.00%	32.28%	33.51%
Trade debts	8.52%	8.78%	28.62%	15.25%	11.10%	13.58%
Loans & advances	2.15%	2.36%	1.22%	2.29%	1.76%	5.62%
Short term investments	0.27%	0.25%	0.26%	0.00%	0.00%	0.00%
Trade deposit & other short term prepayments	0.06%	0.04%	0.05%	0.02%	0.03%	0.01%
Other receivables	1.57%	1.35%	1.98%	0.65%	1.31%	0.65%
Tax refund due from government	2.07%	1.18%	0.49%	0.62%	2.07%	0.31%
Cash & bank balances	3.49%	2.48%	7.56%	1.92%	1.97%	2.28%
	50.88%	52.35%	61.86%	57.16%	53.09%	58.13%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

	2013	2012	2011	2010	2009	2008
Equity & Liabilities						
Share Capital & Reserves						
Issued, Subscribed and Paid up Capital	1.70%	2.28%	2.13%	3.58%	3.88%	3.11%
Capital reserves						
Share Premium	0.75%	1.00%	0.94%	1.58%	1.71%	1.37%
Unrealized gain on sale of investment	-	-	0.00%	0.00%	0.00%	0.02%
Revenue Reserves						
General Reserves	7.27%	9.73%	9.09%	15.28%	16.55%	13.3%
Unapproiated Profits	35.09%	37.66%	31.43%	22.38%	10.53%	12.9%
	42.36%	47.39%	40.53%	37.65%	27.08%	26.18%
Total Equity	44.81%	50.68%	43.59%	42.81%	32.66%	30.68%
Non Current Liabilities						
Long term financing	0.19%	0.43%	0.57%	9.63%	14.86%	1.36%
Deferred Liabilities	3.78%	3.43%	2.84%	4.37%	3.57%	2.75%
	3.97%	3.86%	3.41%	13.99%	18.43%	4.11%
Current Liabilities						
Trade & other payables	8.22%	10.64%	11.85%	17.43%	16.15%	11.59%
Accured markup	0.50%	0.44%	1.06%	1.02%	1.70%	0.83%
Short term borrowings	42.38%	34.21%	34.82%	23.57%	29.94%	48.78%
Current Portion of long term financing	0.13%	0.17%	5.16%	0.27%	0.15%	0.06%
Provision for taxation	0.00%	0.00%	0.12%	0.90%	0.98%	3.96%
	51.22%	45.46%	53.00%	43.20%	48.91%	65.21%
Total Equity & liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Analysis-Balance Sheet
Horizontal Analysis

	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008
Assets						
Non current assets						
Property, Plant & Equipment	12.70%	16.75%	53.48%	(1.30%)	(9.89%)	100.00
Long term investment	0.00%	-	(100.00%)	0.00%	(20.00%)	100.00
Long term loans	(16.58%)	72.04%	(15.13%)	713.42%	(81.25%)	100.00
Long term deposits	187.54%	0.11%	0.18%	0.08%	0.94%	100.00
	38.03%	16.79%	49.56%	(1.09%)	(10.22%)	100.00
Current Assets						
Store, Spares and loose tools	(8.95%)	39.88%	25.99%	44.26%	(5.56%)	100.00
Stock in trade	25.86%	56.68%	(2.57%)	10.70%	(22.80%)	100.00
Trade debts	29.81%	(71.31%)	215.18%	48.79%	(34.47%)	100.00
Loans & advances	21.80%	80.44%	(10.21%)	40.76%	(74.94%)	100.00
Short term investments	47.91%	(12.12%)	0.00%	0.00%	0.00%	100.00
Trade deposit & other short term prepayments	136.28%	(32.59%)	236.16%	(11.72%)	67.53%	100.00
Other receivables	55.82%	(36.16%)	412.81%	(46.26%)	60.12%	100.00
Tax refund due from government	134.23%	127.51%	30.69%	(67.45%)	442.31%	100.00
Cash and bank balances	88.17%	(69.29%)	562.20%	5.55%	(30.71%)	100.00
	30.15%	(20.92%)	81.84%	16.62%	(26.83%)	100.00
Total Assets	33.90%	(6.54%)	68.01%	8.31%	(19.88%)	100.00

	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008
Equity & Liabilities						
Share Capital & Reserves						
Capital reserves						
Share Premium	0.00%	0.00%	0.00%	0.00%	0.00%	100.00
Unrealized gain on sale of investment	0.00%	0.00%	0.00%	0.00%	(100.00%)	100.00
Revenue Reserves						
General Reserves	0.00%	0.00%	0.00%	0.00%	0.00%	100.00
Unappropriated Profits	24.77%	11.99%	136.01%	130.11%	(34.72%)	100.00
	19.69%	9.30%	80.83%	50.61%	(17.14%)	100.00
Total Equity	18.41%	8.64%	71.09%	41.95%	(14.70%)	100.00
Non Current Liabilities						
Long term financing	(40.00%)	(28.57%)	(90.11%)	(29.82%)	774.66%	100.00
Deferred Liabilities	47.52%	12.73%	9.31%	32.55%	3.89%	100.00
	37.70%	5.86%	(59.08%)	(17.74%)	258.94%	100.00
Current Liabilities						
Trade & other payables	3.36%	(16.02%)	14.18%	16.92%	11.66%	100.00
Accured markup	52.28%	(61.48%)	73.85%	(34.75%)	63.76%	100.00
Short term borrowings	65.87%	(8.16%)	148.14%	(14.74%)	(50.81%)	100.00
Current Portion of long term financing	0.00%	(96.86%)	3087.64%	99.99%	111.32%	100.00
Provision for taxation	0.00%	(100.00%)	(78.12%)	0.00%	(80.21%)	100.00
	50.85%	(19.82%)	106.12%	(4.34%)	(39.90%)	100.00
Total Equity & liabilities	33.90%	(6.54%)	68.01%	8.31%	(19.88%)	100.00

Report to the members

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Gadoon Textile Mills Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of the 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of the Karachi and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing 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, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2013.

Chartered Accountants

Engagement Partner:
Asad Ali Shah

Date: September 23, 2013
Place: Karachi

Auditors' report to the member

We have audited the annexed balance sheet of Gadoon Textile Mills Limited ("the Company") as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, total comprehensive income, 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 the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

Engagement Partner:
Asad Ali Shah

Date: September 23, 2013
Place: Karachi

Balance Sheet
as at June 30, 2013

	Note	2013	2012
		(Rupees in '000's)	
ASSETS			
Non Current Assets			
Property, plant and equipment	4	5,502,528	4,882,569
Long-term advance	5	-	-
Long-term loans	6	6,985	8,373
Long-term deposits		20,973	7,294
Long term investment	7	1,230,711	-
		6,761,197	4,898,236
Current Assets			
Stores, spares and loose tools	8	358,092	393,291
Stock-in-trade	9	4,149,820	3,297,286
Trade debts	10	1,172,120	902,934
Loans and advances	11	295,264	242,412
Short-term investment	12	37,612	25,429
Trade deposits and short-term prepayments		8,513	3,603
Other receivables	13	216,657	139,044
Income tax refundable due from the government		284,287	121,372
Cash and bank balances	14	480,240	255,211
		7,002,605	5,380,582
Total Assets		**13,763,802**	10,278,818

Balance Sheet
as at June 30, 2013

	Note	2013	2012
		(Rupees in '000's)	
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised			
50,000,000 ordinary shares of Rs.10/- each		500,000	500,000
Issued, subscribed and paid-up capital	15	234,375	234,375
Capital reserves			
Share premium		103,125	103,125
Revenue reserves			
General reserve		1,000,000	1,000,000
Unappropriated profit		4,830,384	3,871,340
		5,830,384	4,871,340
Total Equity		6,167,884	5,208,840
Non-Current Liabilities			
Long-term financing	16	26,719	44,533
Deferred liabilities	17	519,650	352,253
		546,369	396,786
Current Liabilities			
Trade and other payables	18	1,130,831	1,094,098
Accrued mark-up		68,166	44,763
Short-term borrowings	19	5,832,738	3,516,517
Current portion of long-term financing	16	17,814	17,814
		7,049,549	4,673,192
Total Equity and Liabilities		**13,763,802**	10,278,818
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 37 form an integral part of these financial statements.

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

Profit and Loss Account
for the year ended June 30, 2013

	Note	2013	2012
		(Rupees in '000's)	
Sales - net	21	18,673,753	13,570,317
Cost of sales	22	(16,406,487)	(12,418,585)
Gross profit		2,267,266	1,151,732
Distribution cost	23	(328,392)	(247,125)
Administrative expenses	24	(102,182)	(88,074)
		(430,574)	(335,199)
		1,836,692	816,533
Finance cost	25	(434,061)	(295,604)
Other operating charges	26	(215,778)	(133,229)
		1,186,853	387,700
Other income	27	20,381	266,766
Share of profit from associates - net of tax	7.3 & 7.4	52,790	-
Profit before taxation		1,260,024	654,466
Taxation	28	(125,199)	(5,653)
Profit for the year		**1,134,825**	648,813
Earnings per share - basic and diluted (Rupees)	29	**48.42**	27.68

The annexed notes 1 to 37 form an integral part of these financial statements.

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

Statement of Comprehensive Income
for the year ended June 30, 2013

	2013	2012
	(Rupees in '000's)	
Profit for the year	1,134,825	648,813
Other comprehensive income	-	-
Total comprehensive income for the year	**1,134,825**	648,813

The annexed notes 1 to 37 form an integral part of these financial statements.

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

Cash Flow Statement
for the year ended June 30, 2013

	2013	2012
	(Rupees in '000's)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,260,024	654,466
Adjustments for:		
Depreciation	521,590	290,787
Gain on disposal of operating fixed assets	(1,835)	(2,979)
Profit on deposit account	(3,714)	(36,863)
Interest / mark-up expense	409,081	494,619
Unrealised (gain) / loss on short-term investment	(12,183)	3,508
Share of profit from associate - net of tax	(52,790)	-
Provision for gratuity	76,063	47,876
Provision for sales tax	52,439	-
Reversal of liability against a service provider	-	(220,000)
	988,651	576,948
Operating cash flows before working capital changes	2,248,675	1,231,414
(Increase) / Decrease in current assets		
Stores, spares and loose tools	35,199	(112,124)
Stock-in-trade	(852,534)	(1,192,852)
Trade debts	(269,186)	2,244,341
Loans and advances	(19,966)	(5,869)
Trade deposits and short-term prepayments	(4,910)	1,742
Other receivables	(130,646)	78,776
	(1,242,043)	1,014,014
Increase in current liabilities		
Trade and other payables	35,517	9,598
Changes in working capital	(1,206,526)	1,023,612
Cash generated from operations	1,042,149	2,255,026
Interest / mark-up paid	(385,678)	(566,070)
Income taxes paid	(175,224)	(167,837)
Gratuity paid	(33,865)	(26,697)
	(594,767)	(760,604)
Net cash generated from operating activities	447,382	1,494,422

Cash Flow Statement
for the year ended June 30, 2013

	Note	2013	2012
		(Rupees in '000's)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,163,568)	(1,002,951)
Sale proceeds from disposal of property, plant and equipment		23,854	14,554
Profit on deposit accounts received		4,308	36,830
Recovered / (disbursed) long-term loans - net		2,311	(5,861)
Long-term deposits paid		(13,679)	(8)
Investment in associates		(1,189,883)	-
Advance against shares		(21,500)	-
Dividend received from associate - ICI Pakistan Limited		11,962	-
Net cash used in investing activities		**(2,346,195)**	(957,436)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term financing		(17,814)	(567,814)
Dividend paid		(174,565)	(232,644)
Net cash used in financing activities		**(192,379)**	(800,458)
Net decrease in cash and cash equivalents (A+B+C)		(2,091,192)	(263,472)
Cash and cash equivalents at the beginning of the year		(3,261,306)	(2,997,834)
Cash and cash equivalents at the end of the year		**(5,352,498)**	(3,261,306)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	480,240	255,211
Short-term borrowings	19	(5,832,738)	(3,516,517)
		(5,352,498)	(3,261,306)

The annexed notes 1 to 37 form an integral part of these financial statements.

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

Statement of Changes in Equity
for the year ended June 30, 2013

	Capital Reserves			Revenue Reserves			
	Issued, subscribed and paid-up share capital	Share premium	Sub total	General reserve	Unappropriated profit	Sub total	Grand total
	Rupees in '000's						
Balance at June 30, 2011	234,375	103,125	103,125	1,000,000	3,456,902	4,456,902	4,794,402
Comprehensive income							
Profit for the year	-	-	-	-	648,813	648,813	648,813
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	648,813	648,813	648,813
Transactions with owners recorded directly in equity							
Final dividend for the year ended June 30, 2011 @ Rs. 10/- per share	-	-	-	-	(234,375)	(234,375)	(234,375)
Balance at June 30, 2012	234,375	103,125	103,125	1,000,000	3,871,340	4,871,340	5,208,840
Comprehensive income							
Profit for the year	-	-	-	-	1,134,825	1,134,825	1,134,825
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	1,134,825	1,134,825	1,134,825
Transactions with owners recorded directly in equity							
Final dividend for the year ended June 30, 2012 @ Rs. 7.5/- per share	-	-	-	-	(175,781)	(175,781)	(175,781)
Balance at June 30, 2013	**234,375**	**103,125**	**103,125**	**1,000,000**	**4,830,384**	**5,830,384**	**6,167,884**

The annexed notes 1 to 37 form an integral part of these financial statements.

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

Notes to the Financial Statements
for the year ended June 30, 2013

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 is listed on Karachi and Islamabad stock exchanges. The registered office of the Company is located at Gadoon Amazai Industrial Estate, Gadoon, District Swabi, Khyber Pakhtunkhwa. Its manufacturing facilities are located at Gadoon and Nooriabad near Karachi. The principal activity of the Company is manufacturing and sale of yarn.

2. BASIS OF PREPARATION

2.1 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except:

- obligations under the defined benefit plan that are stated at present value; and
- short-term investment which is stated at fair value.
- investment in associates under equity method.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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:

a) determining the residual values and useful lives of the property, plant and equipment (note 3.1 and 4.1);
b) valuation of stock-in-trade (note 3.3);
c) provision for taxation including deferred tax (note 3.9);
d) accounting for staff retirement benefits (note 3.10); and
e) provisions (note 3.17)

2.5 New / revised standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations are effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	**Effective date (accounting periods beginning on or after)**
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of requirements for comparative information	January 1, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 1, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 1, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 1, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

In addition to above standards, IASB has amended IAS 19 'Employee Benefits' (effective for periods beginning on or after January 1, 2013). The amendment eliminates the corridor approach and requires recognition of all actuarial gains and losses in 'Other comprehensive income' (OCI) as they occur and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The application of the amendment is likely to result in immediate recognition of all actuarial gains and losses in OCI and requires additional disclosures to present the characteristics of benefit plans, the amount recognised in the financial statements, and result in changes in benefit classification and presentation. The application of amendments to IAS 19 would result in the recognition of cumulative unrecognised actuarial gain amounting to Rs. 20.572 million in Other Comprehensive Income in the period of initial application.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements, due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures, due to non-adoption of IFRS 10 and IFRS 11"

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 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 losses, if any. Free-hold land and capital work-in-progress are stated at cost less impairment losses, if any.

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 intended use.

Depreciation is charged, from the month when the asset is available for use and cease from the month of disposal, to income statement applying the reducing balance method except for leasehold land, which is depreciated using the straight-line method. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date. Rates for deprecation 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 and losses on disposal of assets are taken to profit and loss account as and when incurred.

3.2 Stores, spares and loose tools

These are stated at lower of cost and net realisable value. Cost is determined using moving average method. Items in transit are stated at invoice value plus other charges incurred thereon until the balance sheet date.

For items that are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made, if necessary, for any excess carrying value over estimated realisable value and charged to profit and loss account.

3.3 Stock-in-trade

Basis of valuation are as under: -

Raw material in hand (imported)	Lower of cost and net realisable value (NRV) - specific identified basis
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	Lower of cost and NRV
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 realisable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to be incurred to effect such sale.

3.4 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.5 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

3.6 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks. Short-term borrowings availed by the Company which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of cash flow statement.

3.7 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognised using trade date accounting. Trade date is the date that the Company commits to purchase or sell the investment.

All investments are initially recognised at fair value, being the cost of consideration given including transaction cost associated with the investment, except in case of financial assets 'at fair value through profit or loss – at initial recognition' investments, in which case the transaction costs are charged off to the profit and loss account.

Management determines the appropriate classification of investment made by the Company in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of purchase.

Investment at Fair value through profit or loss

An investment is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decision based on their fair value.

After initial recognition, the above investments are remeasured at fair value determined with reference to the quoted rates. Gains or losses on investments due to remeasurement are recognised in profit and loss account.

Associates

Associates are entities over which the Company exercise significant influence and no control. Investment in associates is accounted for using equity basis of accounting, under which the investment in associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of profit or loss of the associate after the date of acquisition. The Company's share of profit or loss of the associate is recognised in the Company's profit or loss. Distributions received from associate reduces the carrying amount of the investment. Adjustments to the carrying amount are also made for changes in the Company's proportionate interest in the associate arising from changes in the associates' other comprehensive income that have not been recognised in the associate's profit or loss. The Company's share of those changes is recognised in other comprehensive income of the Company.

The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and the fair value less costs to sell) with its carrying amount and loss, if any is recognised in profit or loss.

Derecognition

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

3.8 Borrowings and their costs

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

3.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account.

Current

Provisions for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is recognized using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.10 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 by using "Project Unit Credit Method". The most recent valuation was carried out as at June 30, 2013 and results thereon have been disclosed in note 17.1

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

Net cumulative unrecognised actuarial gains and losses at the end of previous year which exceeds 10% of present value of defined benefit obligation are recognized as income or expense over the average expected remaining working lives of the employees.

3.11 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost using the effective interest method.

3.12 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into Pak Rupees at the rates prevailing on the balance sheet date.

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

3.13 Revenue recognition

Domestic sales are recognized as revenue upon transfer of significant risks and rewards of ownership, which coincides with dispatch.
Export sales are recognized as revenue upon transfer of significant risks and rewards of ownership, which coincides with date of shipping bill.
Revenue on supply of electricity is recognized on the basis of output delivered to the Power Purchaser.
Interest income is recognized on a time-apportioned basis using the effective rate of return.

3.14 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 assets. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.15 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.16 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.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except inventories and deferred tax asset 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. Reversal of impairment loss is recognised as income.

3.17 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event, 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.

3.18 Dividend and appropriation to / from reserves

Dividend distribution to the Company's shareholders and appropriation to / from reserves is recognized in the period in which these are approved.

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. As disclosed in note 1.1 to the financial statements, the Company has two manufacturing facilities at Gadoon and Nooriabad. Management has determined that the Company has a single reportable segment as Board of Directors views the Company's operations as one reportable segment because of the similarity in nature of the products and services, nature of the production processes, type or class of customers for the products and services and the methods used to distribute the products.

	Note	2013	2012
		(Rupees in '000's)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	5,356,683	4,678,100
Capital work-in-progress	4.2	145,845	204,469
		5,502,528	4,882,569

4.1 Operating fixed assets

2013

Particulars	Cost at July 01, 2012	Additions / (Deletions)	Cost at June 30, 2013	Accumulated depreciation at July 01, 2012	Depreciation for the year	Accumulated depreciation at June 30, 2013	Written down value at June 30, 2013	Rate of dep.
	Rupees in '000							
Land:								
Leasehold	52,770	-	52,770	5,799	533	6,332	46,438	1%
Freehold	880	-	880	-	-	-	880	-
Buildings on lease hold land:								
Mills	755,909	37,993	793,902	295,295	48,896	344,191	449,711	10%
Other	93,092	10,584	103,676	41,293	3,461	44,754	58,922	5%
Road	29,345	31	29,376	4,998	2,440	7,438	21,938	10%
Power plant	74,158	27,941	102,099	48,291	3,121	51,412	50,687	10%
Office	7,161	-	7,161	3,356	382	3,738	3,423	10%
Buildings on free hold land:								
Family colony	125,734	275	126,009	43,186	8,298	51,484	74,525	10%
Workers' colony	105,405	-	105,405	76,486	2,892	79,378	26,027	10%
Plant and machinery	5,845,459	891,373	6,715,892	2,533,927	373,562	2,903,989	3,811,903	10%
		(20,940)			(3,500)			
Power plant	853,722	206,760	1,057,482	460,513	40,946	501,189	556,293	10%
		(3,000)			(270)			
Electric installation	268,783	32,208	293,426	89,406	22,568	105,754	187,672	10%
		(7,565)			(6,220)			
Tools and equipment	12,314	1,400	13,714	8,412	565	8,977	4,737	10%
Furniture and fittings	8,601	-	8,601	4,625	398	5,023	3,578	10%
Computer equipment	9,102	1,198	10,300	6,449	1,088	7,537	2,763	30%
Office equipment and installations	7,562	312	7,834	3,174	458	3,626	4,208	10%
		(40)			(6)			
Fork lifters and tractors	27,439	550	27,989	8,606	3,904	12,510	15,479	20%
Vehicles	67,035	9,380	74,715	35,528	7,318	41,616	33,099	20%
		(1,700)			(1,230)			
Fire fighting equipment	4,796	2,187	6,983	1,823	760	2,583	4,400	10%
June 30, 2013	**8,349,267**	**1,222,192**	**9,538,214**	**3,671,167**	**521,590**	**4,181,531**	**5,356,683**	
		(33,245)			**(11,226)**			

2012

Particulars	Cost at July 01, 2011	Additions / (Deletions)	Cost at June 30, 2012	Accumulated depreciation at July 01, 2011	Depreciation for the year	Accumulated depreciation at June 30, 2012	Written down value at June 30, 2012	Rate of dep.
	Rupees in '000's							
Land:								
Leasehold	41,088	11,682	52,770	5,346	453	5,799	46,971	1%
Freehold	880	-	880	-	-	-	880	-
Buildings on lease hold land:								
Mills	392,397	363,512	755,909	279,673	15,622	295,295	460,614	10%
Other	91,694	1,398	93,092	38,634	2,659	41,293	51,799	5%
Road	7,129	22,216	29,345	4,555	443	4,998	24,347	10%
Power plant	74,158	-	74,158	45,417	2,874	48,291	25,867	10%
Office	7,161	-	7,161	2,933	423	3,356	3,805	10%
Buildings on free hold land:								
Family colony	66,121	59,613	125,734	40,086	3,100	43,186	82,548	10%
Workers' colony	105,405	-	105,405	73,273	3,213	76,486	28,919	10%
Plant and machinery	4,233,241	1,679,415	5,845,459	2,379,960	209,873	2,533,927	3,311,532	10%
		(67,197)			(55,906)			
Power plant	747,737	105,985	853,722	424,702	35,811	460,513	393,209	10%
Electric installation	141,364	127,419	268,783	82,276	7,130	89,406	179,377	10%
Tools and equipment	12,100	214	12,314	8,000	412	8,412	3,902	10%
Furniture and fittings	5,917	2,684	8,601	4,456	169	4,625	3,976	10%
Computer equipment	7,029	2,073	9,102	5,614	835	6,449	2,653	30%
Office equipment and installations	5,009	2,553	7,562	2,872	302	3,174	4,388	10%
Fork lifters and tractors	8,333	19,106	27,439	7,231	1,375	8,606	18,833	20%
Vehicles	57,227	11,321	67,035	30,788	5,969	35,528	31,507	20%
		(1,513)			(1,229)			
Fire fighting equipment	2,766	2,030	4,796	1,699	124	1,823	2,973	10%
June 30, 2012	**6,006,756**	**2,411,221**	**8,349,267**	**3,437,515**	**290,787**	**3,671,167**	**4,678,100**	
		(68,710)			**(57,135)**			

	Note	2013	2012
		(Rupees in '000's)	
4.1.1 Depreciation charged for the year has been - allocated as under:			
Cost of sales	22.1	517,086	275,155
Administrative expenses	24	4,504	4,425
Other operating charges	26.2	-	11,207
		521,590	290,787

4.1.2 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Purchaser
	Rupees in '000's					
Vehicles	46	7	39	35	Negotiation	Faisal Memon (employee)
	45	11	34	34	Negotiation	Nasir Niazi (employee)
	41	16	25	35	Insurance Claim	Jubilee General Insurance
	474	396	78	210	Negotiation	Sohail Qasim (employee)
	3	2	1	15	Negotiation	Faisal Memon (employee)
	66	20	46	53	Negotiation	Shah Khalid (employee)
	402	332	70	155	Negotiation	Mustafa Arif
	623	446	177	436	Negotiation	Maqsood Ahmed (employee)
	1,700	1,230	470	973		
Plant and machinery	9,000	225	8,775	9,000	Negotiation	Stallion Textiles (PVT) Limited
	4,000	100	3,900	4,000	Negotiation	Acro Spinning & Weaving Mills Limited
	1,636	1,479	157	151	Negotiation	Jumma Khan
	1,504	1,180	324	385	Negotiation	A.A.Cotton Linkers
	4,000	425	3,575	4,100	Negotiation	Lyallpur Textile Mills
	800	91	709	830	Negotiation	Lyallpur Textile Mills
	20,940	3,500	17,440	18,466		
Power plant	3,000	270	2,730	3,050	Negotiation	J.B.Links
Electric installation	7,565	6,220	1,345	1,325	Negotiation	J.B.Links
Office equipment and installations	40	6	34	40	Insurance Claim	Jubilee General Insurance
June 30, 2013	**33,245**	**11,226**	**22,019**	**23,854**		

4.2 Capital work-in-progress

	Cost			
	2012	Additions	(Transfers)	2013
	(Rupees in '000's)			
Civil works	51,599	56,686	(56,575)	51,710
Plant and machinery	79,837	1,016,436	(1,067,519)	28,754
Advances for vehicles	1,980	136	(1,980)	136
Electric installation	-	6,809	(6,809)	-
Karachi Project				
Plant and machinery	-	30,615	(30,615)	-
Civil works	49,771	32,324	(20,163)	61,932
Electric installation	21,282	5,849	(27,042)	89
Advance to supplier	-	6,334	(3,110)	3,224
	204,469	1,155,189	(1,213,813)	145,845

	Note	2013	2012
		(Rupees in '000's)	
5. LONG-TERM ADVANCE - Considered doubtful			
Investment in joint venture	5.1	66,667	66,667
Less: Provision against advance		(66,667)	(66,667)
		-	-

5.1 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. Currently, the future of this project is not certain and the recovery of this amount is considered doubtful. Accordingly, management has made full provision against such advance on prudent basis.

	Note	2013	2012
		(Rupees in '000's)	

6. LONG-TERM LOANS
- Considered good

	Note	2013	2012
Loans to employees	6.1	13,824	16,135
Less: current portion of long-term loans	11	(6,839)	(7,762)
		6,985	8,373

6.1 Loans to employees includes personal loan given to employees. These are interest free loans recoverable in monthly installments over a period of three years.

6.2 Maximum aggregate of loans outstanding at any time since June 30, 2012 is Rs. 17.86 million.

6.3 Loans to employees

	Note	2013	2012
Executives	6.4	5,760	5,336
Other employees		8,064	10,799
		13,824	16,135

6.4 Reconciliation of outstanding amount of loans to Executives:

	2013	2012
Opening balance	5,336	640
Disbursements	4,000	7,001
Repayments	(3,576)	(2,305)
	5,760	5,336

7. LONG-TERM INVESTMENTS

	Note	2013	2012
Investment in associate	7.1		
ICI Pakistan Limited	7.3	1,152,903	-
Lucky Holdings Limited	7.4	77,808	-
		1,230,711	-

7.1 On December 28, 2012, the Company along with other associated companies in Yunus Brothers Group (the Group) jointly signed a Share Purchase Agreement with ICI Omicron B.V., a wholly owned subsidiary of Akzo Nobel N. V., Netherlands, for the acquisition of 75.81% shareholding of ICI Pakistan Limited (ICIP). Subsequently, it was also decided that the Group will purchase 12.1% shareholding of ICIP, being 50% of the remaining shares of ICIP, through public offer, in accordance with the requirements of The Listed Companies (Substantial Acquisition of Voting Shares and Take Overs) Ordinance, 2002 and The Listed Companies (Substantial Acquisition of Voting Shares and Take Overs) Regulations, 2008. The Group decided to purchase 75.81% shares through a special purpose entity, Lucky Holdings Limited (LHL), an unlisted public limited company incorporated in Pakistan and the remainder 12.1% shares through Group entities including the Company. As a result of this:

- The Company purchased 1,500,000 (1%) shares of LHL. As at June 30, 2013, LHL held 75.93% shares of ICIP. The investment in LHL was approved by the shareholders through special resolution as per the requirements of Section 208 of the Companies Ordinance, 1984.

- The Company purchased 5,980,917 (6.48%) shares of ICIP directly through public offer. At the time of purchase of these shares, ICIP was not an associated company; however, subsequently ICIP became an associated company after the whole transaction of share purchase was completed.

7.2 The Company's investment in ICIP and LHL is less than 20% but they are considered to be associates as per the requirement of IAS 28 'Investment in Associates'. The Company has significant influence over the financial and operating policies of these companies through representation on the board of directors of these companies.

7.3 Investment in ICI Pakistan Limited (ICIP) - at equity method

	2013	2012
Number of shares held	5,980,917	-
Cost of investment (Rs in '000')	1,114,963	-
Fair value of investment (Rs in '000')	995,404	-
Ownership interest	6.48%	-
	(Rupees in '000's)	
Balance as of July 01	-	-
Investment made during the year	1,114,963	-
Share of post acquisition profit	49,902	-
Dividend received	(11,962)	-
Balance as of June 30	**1,152,903**	-

The financial year end of ICIP has changed from December to June, therefore, ICIP has prepared its financial statements for the six months period ended June 30, 2013. Summarised financial highlights of ICIP and the related share of the Company as at June 30, 2013 are as follows:

	2013	2012
	(Rupees in '000's)	
Total assets	20,933,293	-
Total liabilities	(10,312,023)	-
Net assets	10,621,270	-
Company's share of net assets of associate	687,804	-
Revenue	18,240,037	-
Profit for the year	758,867	-
Company's share of profit of associate	49,142	-

7.4 Investment in Lucky Holdings Limited (LHL) - at equity method

	2013	2012
Number of shares held	1,500,000	-
Cost of investment (Rs in '000')	74,920	-
Ownership interest	1%	-
Balance as of July 01	-	-
Investment made during the year	74,920	-
Share of post acquisition profit	2,888	-
Balance as of June 30	**77,808**	-

The financial year end of LHL is June 30, 2013. Summarised financial highlights of LHL as at June 30, 2013 and the related share of the Company are as follows:

	2013	2012
Total assets	29,657,926	-
Total liabilities	(18,454,206)	-
Net assets	11,203,720	-
Company's share of net assets of associate	112,037	-
Revenue	18,240,037	-
Profit for the year	288,776	-
Company's share of profit of associate	**2,888**	-

7.5 Investments in both ICIP and LHL have been made during the current year therefore, no comparative information has been provided.

	Note	2013	2012
		(Rupees in '000's)	
8. STORES, SPARES AND LOOSE TOOLS			
Stores		164,878	188,099
Spares in			
- hand		228,535	197,413
- transit		18,462	62,352
		246,997	259,765
Loose tools		1,217	427
Less: Provision for slow moving stores and spares		(55,000)	(55,000)
		358,092	393,291

9. STOCK-IN-TRADE

	Note	2013	2012
Raw material in			
- hand	22.1.1	3,227,885	2,821,892
- transit		266,915	71,147
		3,494,800	2,893,039
Work-in-process	22.1	130,569	118,533
Finished goods			
Yarn		427,843	232,189
Waste at net realisable value		96,608	53,525
	22	524,451	285,714
		4,149,820	3,297,286

10. TRADE DEBTS

- Considered good

	Note	2013	2012
Foreign		770,358	430,026
Local	10.1	401,762	472,908
	10.2 & 10.3	**1,172,120**	902,934

10.1 Trade receivables include Rs. 8.37 million (2012: Nil) receivable from an associated company.

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

10.3 Trade receivables are non-interest bearing and are generally on 30 day term.

11. LOANS AND ADVANCES

- Unsecured - Considered good

	Note	2013	2012
Current portion of long-term loans	6	6,839	7,762
Advance to employees	11.1	15,827	8,568
Advance to suppliers and contractors	11.2	66,912	54,240
Advance against shares	11.3	21,500	-
Letters of credit		290	255
Advance Income tax		183,896	171,587
		295,264	242,412

11.1 Advance to employees includes loans provided to executives amounting to Rs. 13.339 million (2012: Rs. 7.326 million).

11.2 This includes advance given to ICI Pakistan Limited (associated company) amounting to Rs. 2.9 million (2012: Rs. 0.2 million).

11.3 The shareholders had resolved in the Extraordinary General Meeting (EOGM) held on May 22, 2012 to invest in the shares of Yunus Energy Limited, a company incorporated to setup 50 MW Wind Farm. The total project cost is US$ 143 million out of which Rs. 690 million was resolved to be contributed by the Company. During the year, the Company has made advance payment of Rs. 21.5 million against its share of equity in the project.

	Note	2013 (Rupees in '000's)	2012
12. SHORT-TERM INVESTMENT			
At fair value through profit and loss account - Held for trading:			
Ordinary shares of listed company - International Steels Limited (related party)		37,612	25,429
13. OTHER RECEIVABLES			
Considered good			
Sales tax		196,765	116,418
Federal excise duty		17,936	19,694
Claim receivable		1,585	1,990
Interest accrued		-	594
Other		371	348
		216,657	139,044
Considered doubtful			
Claim receivable	20.1.2	20,000	20,000
Sales tax	13.1	52,439	-
Other	13.2	5,600	5,600
		78,039	25,600
Provision for doubtful other receivables	13.3	(78,039)	(25,600)
		-	-
		216,657	139,044

13.1 Pursuant to SRO 179 of 2013 dated March 7, 2013, the Company filed a special sales tax return and paid Rs. 52.4 million being 2% of the value of zero rated supplies made by the Company during the period from April, 2011 to February, 2013. The said amount has been paid by the Company under protest and has decided to file an appeal before the tax authority for refund of such amount. However, being prudent, the Company has fully provided the amount in the financial statements.

13.2 The Company received a demand cum show cause notice for the amount of Rs. 13.169 million from custom authorities deleting their Manufacturing Bond Entry for import of Polyester Staple Fiber (PSF). The Company has paid under protest Rs. 5.6 million against this demand and also made provision for the same amount. Since the goods were imported for re-export, the Federal Board of Revenue has rectified the anomaly through S.R.O. 688(I)/2010 dated July 27, 2010, management believes that no further provision is required and the amount so paid shall become refundable.

	Note	2013 (Rupees in '000's)	2012
13.3 Movement in provision for doubtful other receivables			
Opening balance		25,600	25,600
Provision made during the year	26	52,439	-
Closing balance		**78,039**	25,600
14. CASH AND BANK BALANCES			
Cash in hand		3,942	4,420
Cash with banks in:			
- current accounts	14.1	476,277	193,173
- time deposits	14.2	21	57,618
		476,298	250,791
		480,240	255,211

14.1 It includes foreign currency deposits amounting to US Dollars 362,200 equivalent to Rs. 35.64 million (2012: US Dollars 443,043 equivalent to Rs. 41.65 million) and Euro 74.61 equivalent to Rs. 0.010 million (2012: Euro 74.61 equivalent to Rs. 0.009 million).

14.2 It represents short term deposits with various banks at markup rate ranging from 1.15% (foreign currency) to 11.08% (local currency) (2012: 1.75% to 10.25%).

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013 (Number of shares)	2012		2013	2012
6,000,000	6,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	60,000	60,000
17,437,500	17,437,500	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	174,375	174,375
23,437,500	23,437,500		**234,375**	234,375

15.1 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.

	2013	2012
	(Rupees in '000's)	

16. LONG-TERM FINANCING
- Banking Companies - Secured

	2013	2012
Opening balance	62,347	630,161
Obtained during the year	-	-
	62,347	630,161
Repaid during the year	(17,814)	(567,814)
	44,533	62,347
Current portion shown under current liabilities	(17,814)	(17,814)
Closing balance	**26,719**	44,533

16.1 This loan is secured against first pari passu hypothecation charge on plant and machinery of the Company amounting to Rs. 167 million and carries markup at SBP LTF-EOP rate plus 2%. Further details of loan are as follows:

Tranche 01	
Date of loan obtained	May 04, 2007
Amount obtained	Rs. 24,423,000
Date of last installment	November 14, 2015
Amount of installment	Rs. 2,035,250 payable semi annually
Tranche 02	
Date of loan obtained	May 31, 2007
Amount obtained	Rs. 26,158,000
Date of last installment	December 07, 2015
Amount of installment	Rs. 2,179,834 payable semi annually
Tranche 03	
Date of loan obtained	October 11, 2007
Amount obtained	Rs. 56,300,000
Date of last installment	October 12, 2015
Amount of installment	Rs. 4,691,667 payable semi annually

	Note	2013	2012
		(Rupees in '000's)	

17. DEFERRED LIABILITIES

	Note	2013	2012
Staff gratuity	17.1	189,093	146,895
Deferred taxation	17.2	330,557	205,358
		519,650	352,253

17.1 Staff gratuity

The Projected Unit Credit actuarial cost method based on following significant assumptions was used for the valuation of scheme. The basis of recognition together with details as per actuarial valuation are as under:

	2013	2012
Discount rate	11.50%	12.50%
Expected rate of salary increase	11.50%	12.50%

17.1.1 The amount recognised in the balance sheet is as follows:

	Note	2013	2012
Present value of defined benefit obligation	17.1.3	168,521	122,797
Unrecognised actuarial gain	17.1.5	20,572	24,098
		189,093	146,895

17.1.2 The amount recognised in profit and loss is as follows:

	2013	2012
Current service cost	68,739	38,459
Interest cost	13,233	14,181
Actuarial gains recognised	(5,909)	(4,764)
	76,063	47,876

17.1.3 Changes in the present value of defined benefit obligation

	2013	2012
Opening defined benefit obligation	122,797	101,295
Current service cost	68,739	38,459
Interest cost	13,233	14,181
Actuarial gain	(2,383)	(4,441)
Benefits paid	(33,865)	(26,697)
Closing balance	**168,521**	122,797

		2013	2012
		(Rupees in '000's)	
17.1.4 Movement in the net liability is as follows:			
Opening balance		146,895	125,716
Charge for the year	17.1.2	76,063	47,876
Benefits paid		(33,865)	(26,697)
		189,093	146,895
Closing balance			

17.1.5 Movement of unrecognized actuarial gains

	2013	2012
Opening balance of unrecognized actuarial gains	24,098	24,421
Actuarial gains during the year	2,383	4,441
Actuarial gains recognized	(5,909)	(4,764)
Closing unrecognized actuarial gains	**20,572**	24,098

	2013	2012	2011	2010	2009
17.1.6 Historical information			(Rupees in '000's)		
As at June 30					
Present value of defined benefit obligation	168,521	122,797	101,295	83,800	66,927
Experience adjustment arising on plan liabilities	(2,383)	(4,441)	(2,017)	(329)	(144)

17.2 Deferred tax liability

Deferred tax liability comprises taxable / (deductible) temporary differences in respect of following:

Deferred credits / (debits) arising due to:	2013	2012
	(Rupees in '000's)	
- Accelerated tax depreciation on property, plant and equipment	534,201	435,879
- Provision for gratuity	(33,258)	(25,634)
- Provision for long-term advance	(11,725)	(9,598)
- Provision for stores and spares	(9,673)	(11,634)
- Provision for gain / (loss) in value of investments	-	(779)
- Provision for doubtful other receivables	(13,726)	-
- Investment in associate	2,171	-
- Tax credit for investment in plant and machinery	(137,433)	(182,876)
	330,557	205,358

17.2.1 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 Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue. In 2012, the matter was decided in favour of the Company but appeal effect order had not been given by the tax department. During the current year, income tax department has filed appeal in Peshawar High Court and the matter is pending adjudication. Deferred tax asset of Rs. 300 million approximately, on this has not been recorded.

	Note	2013	2012
		(Rupees in '000's)	
18. TRADE AND OTHER PAYABLES			
Creditors		225,601	247,180
Foreign bills payable		23,843	127,399
Advance from customers and employees		19,327	10,681
Accrued liabilities	18.1	707,759	587,283
Withholding income tax		649	246
Regulatory duty		5,600	5,600
Unclaimed dividend		9,734	8,518
Sales tax payable		8	-
Workers' Welfare Fund		71,864	71,864
Workers' Profit Participation Fund		66,446	35,327
		1,130,831	1,094,098

18.1 This includes Rs. 20.421 million (2012: Rs. 20.798) payable to an associated company.

19. SHORT-TERM BORROWINGS
- Banking companies secured

	Note	2013	2012
Running finances under mark-up arrangements	19.1	287,803	527,180
Short term finance	19.2	2,551,574	1,200,000
Foreign currency loan against			
Import finance	19.1	1,505,531	1,324,903
Export finance	19.1	1,487,830	464,434
		2,993,361	1,789,337
		5,832,738	3,516,517

19.1 Facilities for running finance, import finance and export refinance are available from various banks upto Rs. 14.48 billion (2012: Rs. 11.18 billion). For running finance facility, the rates of mark-up range between KIBOR + 0.15% to KIBOR + 1.5% per annum (2012: KIBOR + 0.15% to KIBOR + 0.5% per annum) and for import and export finance the rate of mark-up are based on LIBOR + bank's spread (which is decided at the time of disbursement). These are secured against hypothecation of stock, receivables and plant and machinery.

19.2 This represents short term finance facilities under sub-limit of the facilities mentioned in note 19.1, from various banks having mark-up ranging between KIBOR + 0.15% to KIBOR + 0.5% per annum (2012: KIBOR + 0.2% to KIBOR + 0.36% per annum). These are secured against hypothecation of stock, receivables and plant and machinery.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Outstanding guarantees given on behalf of the Company by banks in normal course of business amounting to Rs. 443.33 million (2012: Rs. 400.74 million).

20.1.2 During prior years, the Company was charged by Sui Northern Gas Pipeline Limited (SNGPL) with an amount of Rs. 168 million on account of under billing of gas. The Company lodged complaint with the Appellate Authority (the 'Authority') against SNGPL and on January 21, 2010, the Authority gave its decision and partly admitted the plea of the Company and allowed partial relief of Rs. 53.89 million. The Company has paid Rs. 113.63 million in prior years. Subsequent to the decision of the Authority, both the Company (to claim additional relief) and SNGPL (against the relief provided) have filed appeals with higher authorities against the decisions. Management is of the view that no further liability in this regard will arise as it is expected that the final outcome of this case will be in its favour.

20.1.3 The Company has been supplying electricity to Peshawar Electric Supply Company (PESCO) under an agreement that was initially entered into on December 5, 2007 for a period of three years and thereafter renewed for another year until December 4, 2011. The Company received a letter dated March 1, 2012 under Rule 4(2) of the National Electric Power Regulatory Authority (Fines) Rules, 2002 that the Company is operating a generation facility without obtaining a generation license from National Electric Power Regulatory Authority (NEPRA). The Company responded that the generation facility was established initially for own consumption, which did not require a license under NEPRA regime and the supply of electricity to PESCO was being made based on the understanding reached with Central Power Purchasing Agency. The Company also replied on the grounds that it has already applied for the license on November 23, 2011 which is pending before NEPRA, and by virtue of NEPRA Guidelines 2008, the Company is deemed to hold a generation license of NEPRA and is entitled to continue the sale of its idle and surplus power to willing buyers. The supply of electricity to PESCO was discontinued from March 2012, however, management is confident that the matter will be resolved amicably and the supply of electricity will resume.

20.1.4 As a result of the decision of Lahore High Court dated June 3, 2011 declaring the amendments of Finance Act 2006 and Finance Act 2008 unconstitutional and the decision of the Appellate Tribunal Inland Revenue (ATIR) dated December 13, 2011 in favour of the Company in respect of non-payment of WWF for the tax year 2009, the Company has not recorded provision for Workers Welfare Fund (WWF) in the current year and in previous financial year amounting to Rs. 23.9 million and Rs. 13 million respectively. The tax department has filed an appeal before Peshawar High Court against the said decision.

During previous years, the Company received orders under section 221 of Income Tax Ordinance, 2001 from taxation officer demanding payment of WWF for tax years 2010 and 2011. The Company filed appeal before the Commissioner Inland revenue (Appeals), Peshawar which was decided in favour of the Company and order under section 221 for tax years 2010 and 2011 were annulled. During current year, Income tax department has filed appeal in Appellate Tribunal Inland Revenue (ATIR), Peshawar against the said decision and the matter is pending adjudication.

Management, based on the aforementioned decisions, believes that the Company will not be subject to WWF and hence, has not recorded provision for WWF subsequent to financial year ended June 30, 2011

		Note	2013	2012
			(Rupees in '000's)	
20.1.5	Others			
	Export bills discounted with recourse		1,409,273	1,672,710
	Indemnity bond in favour of Collector of Customs against import		4,105	2,845
	Post dated cheques in favour of Collector of Customs against imports		187,925	111,255
20.2	Commitments			
	Letters of credit opened by banks for:			
	Plant and machinery		153,777	232,720
	Raw materials		220,691	43,487
	Stores and spares		31,514	20,584
	Foreign currency forward contracts		-	1,743,241

21. SALES - Net

	Note	2013	2012
Export			
Direct			
- Yarn		8,486,373	6,167,205
- Waste		489,520	314,956
		8,975,893	6,482,161
Commission on direct export sales		(156,436)	(113,766)
		8,819,457	6,368,395
Local			
- Yarn		9,777,323	7,144,557
- Waste		186,254	152,329
		9,963,577	7,296,886
Commission on local sales		(39,880)	(27,267)
Sales tax		(69,401)	(67,697)
		9,854,296	7,201,922
		18,673,753	13,570,317

22. COST OF SALES

	Note	2013	2012
Opening stock - finished goods		285,714	380,461
Cost of goods manufactured	22.1	16,645,224	12,323,838
Less: Closing stock - finished goods	9	(524,451)	(285,714)
		16,406,487	12,418,585

	Note	2013	2012
		(Rupees in '000's)	

22.1 Cost of good manufactured

	Note	2013	2012
Raw material consumed	22.1.1	12,094,406	9,324,893
Salaries, wages and benefits	22.1.2	1,122,926	750,239
Stores, spares and accessories		531,213	292,575
Packing material consumed		356,951	266,058
Fuel and power		1,960,865	1,325,501
Repairs and maintenance		20,617	11,495
Insurance		26,149	15,703
Travelling, conveyance and entertainment		13,188	8,342
Doubling charges		6,639	246
Communication		999	738
Depreciation	4.1.1	517,086	275,155
Other manufacturing expenses		6,221	1,721
		16,657,260	12,272,666
Work-in-process			
Opening stock		118,533	169,705
Closing stock	9	(130,569)	(118,533)
		(12,036)	51,172
Cost of goods manufactured		**16,645,224**	12,323,838

22.1.1 Raw material consumed

	Note	2013	2012
Opening stock		2,821,892	1,344,320
Purchases - net		12,500,399	10,802,465
Less: Closing stock	9	(3,227,885)	(2,821,892)
		12,094,406	9,324,893

22.1.2 Salaries, wages and benefits include Rs. 72.08 million (2012: Rs. 44.28 million) in respect of staff retirement benefits.

22.1.3 The average number of employees employed by the Company during the year were 3,282 whereas the total number of employees as at June 30, 2013 were 3,501.

	Note	2013	2012
		(Rupees in '000's)	

23. DISTRIBUTION COST

	Note	2013	2012
Freight, octroi and handling charges			
- Export		214,268	168,267
- Local		30,831	21,526
		245,099	189,793
Sales promotion expenses		3,039	167
Export promotion expenses		52,403	36,639
Bank charges on export		27,851	20,526
		328,392	247,125

24. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Staff salaries and benefits	24.1	36,574	34,158
Rent, rates and taxes		446	526
Communication		4,540	2,450
Printing and stationery		1,240	948
Repairs and maintenance		1,803	1,240
Legal and professional		7,448	8,438
Travelling and conveyance		13,810	13,054
Entertainment		5,080	3,727
Vehicles running and maintenance		5,148	3,938
Secretarial expenses		1,019	539
Fee and subscriptions		10,324	5,543
Electricity		4,097	3,169
Advertisement		375	750
Auditors' remuneration	24.2	1,070	1,070
Depreciation	4.1.1	4,504	4,425
Insurance		1,991	1,745
Books and periodicals		252	31
Others		2,461	2,323
		102,182	88,074

24.1 Salaries and benefits include Rs. 3.98 million (2012: Rs. 3.60 million) in respect of staff retirement benefits.

		Note	2013	2012
			(Rupees in '000's)	
24.2	Auditors' remuneration			
	Statutory audit fee		1,000	1,000
	Half yearly review and other certifications		70	70
			1,070	1,070

25. FINANCE COST

	Note	2013	2012
Mark-up / interest on			
Long-term financing		3,852	26,338
Short-term borrowings		399,690	451,526
Worker's Profit Participation Fund		5,539	16,755
		409,081	494,619
Bank and other financial charges		24,980	21,384
		434,061	516,003
Less: mark-up relief	25.1	-	(74,403)
Less: borrowing cost capitalised	25.2	-	(145,996)
		434,061	295,604

25.1 This represents mark-up relief received / claimed from the banks, which has been provided by the Government of Pakistan from January 01, 2010 to December 31, 2011 to rehabilitate the economic life in Khyber Pakhtunkhwa.

25.2 Borrowing cost is capitalised at weighted average borrowing capitalization rate of NIL (2012: 7.5% LIBOR based).

26. OTHER OPERATING CHARGES

	Note	2013	2012
Donations	26.1	1,363	900
Exchange loss on foreign currency transactions- net		93,764	45,263
Sales tax paid	13.3	53,305	47,525
Loss on supply of electricity to PESCO	26.2	900	706
Unrealised loss on short-term investments		-	3,508
Worker's Profit Participation Fund		66,446	35,327
		215,778	133,229

		Note	2013	2012
			(Rupees in '000's)	
26.1	No director or their spouse had any interest in the donees' fund.			
26.2	Loss on supply of electricity to PESCO			
	Cost and expenses of electricity generation			
	Oil and lubricants		-	863,502
	Depreciation	4.1.1	-	11,207
	Stores consumed		-	24,088
	Finance cost		-	14,200
	Salaries and wages		900	3,485
	Internal consumption of auxiliaries		-	14,971
	Top end / overhauling expenses		-	10,308
	Others		-	3,625
			900	945,386
	Less: Recovery of cost from PESCO		-	(944,680)
			900	706

27. OTHER INCOME

	Note	2013	2012
Income from financial asset			
Profit on deposit accounts		3,714	36,863
Unrealised gain on short-term investment		12,183	-
		15,897	36,863
Income from non-financial asset			
Scrap sales		2,649	6,924
Gain on disposal of operating fixed assets - net		1,835	2,979
Reversal of liability against the service provider		-	220,000
		4,484	229,903
		20,381	266,766

28. TAXATION

	Note	2013	2012
- Current			
For the year	28.1	-	-
Prior year		-	(12,949)
		-	(12,949)
- Deferred		125,199	18,602
		125,199	5,653

28.1 The Finance Act 2010 had introduced clause 126F in Part I of Second Schedule of Income Tax Ordinance, 2001 (the Ordinance) exempting the tax on profits and gains derived by a tax payer located in the 'war on terror' affected areas of Khyber Pakhtunkhwa. As a result of this change, the income of the Company including tax on export proceeds for tax years 2010 to 2012 was exempt. However, the said clause does not specifically address the exemption of turnover tax under section 113. In this regard, some companies located in the affected areas filed a petition in Peshawar High Court against the recovery of turnover tax seeking a declaration regarding section 113 and 159 as discriminatory and contrary to the constitution and the Court granted an interim relief restraining the recovery of turnover tax. The Company along with other companies in the affected areas also filed the petition on the same grounds. The Peshawar High Court in its order dated July 19, 2012, directed the Respondents to extend the benefit of the said clause to the Company. Subsequently, the Chief Commissioner Inland Revenue filed an appeal in the Supreme Court of Pakistan against the Company and other tax payers of the affected areas, which is pending adjudication.

Management, based on the judgement of the Peshawar High Court, believes that the Company will not be subject to turnover tax under section 113 of the Ordinance and hence, has not made aggregate provision of Rs. 134.464 million on account of turnover tax on local sales for the years ended June 30, 2010, 2011 and 2012.

28.2 Relationship between tax expense and accounting profit

	2013 (Rupees in '000's)
Accounting profit before tax	1,260,024
Tax on accounting profit @ 35%	441,008
Tax effect of :	
- Income chargeable to tax at reduced rat	(43,295)
- Effect of tax credit	(90,384)
- Adjustment of unabsorbed depreciation previously unrecognised	(161,312)
- others	(20,856)
	125,162

As the Company's income was exempt from tax for tax years 2010 to 2012 as per clause 126F in Part 1 of Second Schedule of Income Tax Ordinance, 2001 (the Ordinance), relationship between tax expense and accounting profit is not presented for prior year.

29. EARNINGS PER SHARE - Basic and diluted

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

		2013	2012
Profit for the year	Rupees in '000	1,134,825	648,813
Number of ordinary shares		23,437,500	23,437,500
Earnings per share	Rupees	**48.42**	27.68

30. 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:

	2013			2012	
	Director	Executives	Rupees in '000's	Director	Executives
Remuneration	1,937	6,666		1,937	3,005
House rent	270	2,558		270	1,163
Utilities	193	667		193	300
Bonus	-	300		-	126
Medical	-	294		-	299
Leave encashment	-	333		-	225
	2,400	**10,818**		2,400	5,118
Number of persons	**1**	**11**		1	5

30.1 The Chief Executive and executives are also provided with Company maintained car.

30.2 The Chief Executive is not drawing any remuneration.

30.3 Meeting fee of Rs. 0.050 million (2012: Rs. 0.048 million) has been paid to seven Directors.

31. PRODUCTION CAPACITY

Spinning Mill	2013	2012
Total number of spindles installed	242,528	232,648
Number of shifts worked per day	3	3
Number of days worked	365	366
Number of shifts worked	1,093	1,098
Average number of spindles shift worked	260,249,216	228,695,832
Installed capacity after conversion into 20's (Kgs)	98,581,165	86,628,894
Actual capacity after conversion into 20's (Kgs)	92,511,513	57,120,784
Actual production (Kgs)	54,563,952	43,431,428

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

32. RELATED PARTY TRANSACTIONS

Related parties comprises of associated companies, other associated undertakings, directors and key management personnel. Transactions between the Company and the related parties are carried out as per agreed terms. Transactions with related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 30, are as follows: -

Name of Related Parties	Nature of Transaction	2013 (Rupees in '000's)	2012
Associated companies			
Lucky Cement Limited (Common Directorship)	Purchase of cement	8,618	21,979
Fazal Textile Mills Limited (Common Directorship)	Yarn sold	266,788	222,748
	Doubling charges	1,540	-
	Waste sales	21,402	29,611
	Purchase of machinery	2,850	-
Lucky Knits (Private) Limited (Common Directorship)	Yarn sold	257,569	123,719
	Purchase of machinery	350	-
Yunus Textile Mills Limited (Common Directorship)	Yarn sold	188,958	153,856
Feroze 1888 Industries Limited (Common Directorship)	Yarn sold	193,486	60,784
Lucky Textile Mills Limited (Common Directorship)	Grey cotton cloth purchased	2,269	4,180
	Yarn sold	1,284,598	999,530
Lucky Energy (Pvt) Limited (Common Directorship)	Purchase of electricity	264,927	89,482
Yunus Energy Limited (Common Directorship)	Expenses charged	7,382	6,695
	Advance against shares	21,500	-
ICI Pakistan Limited (Common Directorship and Shareholding)	Purchase of fibre	545,056	-
	Investment in shares	1,114,963	-
	Share of profit	49,902	-
	Dividend received	11,962	-
Lucky Holdings Limited (Common Directorship)	Investment in shares	74,920	-
	Share of profit	2,888	-

33. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

33.1 Financial instruments by category

	2013 (Rupees in '000's)	2012
Financial assets		
Loans and receivables		
Long-term loans	13,824	16,135
Long-term deposits	20,973	7,294
Trade debts	1,172,120	902,934
Loans and advances	104,529	63,063
Trade deposits	5,490	3,370
Other receivables	1,956	2,932
Cash and bank balances	480,240	255,211
	1,799,132	1,250,939
Investment at fair value through profit or loss		
Short-term investment	37,612	25,429
	1,836,744	1,276,368
Financial liabilities		
At amortised cost		
Long-term financing	44,533	62,347
Trade and other payables	966,937	970,380
Accrued mark-up	68,166	44,763
Short-term borrowings	5,832,738	3,516,517
Staff gratuity	189,093	146,895
	7,101,467	4,740,902

33.2 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarised as follows:

33.2.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to customers from any single country or single customer.

Credit risk of the Company arises principally from the trade debts, loans and advances, and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2013	2012
	(Rupees in '000's)	
Long-term loans	13,824	16,135
Long-term deposits	20,973	7,294
Trade debts	1,172,120	902,934
Advances	104,529	63,063
Trade deposits	5,490	3,370
Other receivables	1,956	2,932
Bank balances	476,298	250,791
	1,795,190	1,246,519

The trade debts are due from foreign and local customers for export and local sales respectively. Trade debts from foreign customers are secured against letters of credit. Management assesses the credit quality of local and foreign customers, taking into account their financial position, past experience and other factors. As at the balance sheet date, there are no past due trade debt balances. For bank balances, financial institutions with strong credit ratings are accepted. Credit risk on bank balances is limited as these are placed with banks having good credit ratings.

33.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining sufficient cash and bank balances and availability of financing through banking arrangements, which includes short-term borrowings and discounting of foreign receivables. The following are the contractual maturities of financial liabilities, including interest payments excluding the impact of netting agreements:

June 30, 2013	**Within 1 year**	**2 - 5 years**	**More than 5 years**	**Total**
	Rupees in '000's			
Financial liabilities				
Long-term financing	20,619	28,591	-	49,210
Trade and other payables	966,937	-	-	966,937
Accrued mark-up	68,166	-	-	68,166
Short-term borrowings	5,832,738	-	-	5,832,738
Staff gratuity	-	-	189,093	189,093
	6,888,460	**28,591**	**189,093**	**7,106,144**

June 30, 2012	**Within 1 year**	**2 - 5 years**	**More than 5 years**	**Total**
	Rupees in '000's			
Financial liabilities				
Long-term financing	21,867	49,209	-	71,076
Trade and other payables	970,380	-	-	970,380
Accrued mark-up	44,763	-	-	44,763
Short-term borrowings	3,516,517	-	-	3,516,517
Staff gratuity	-	-	146,895	146,895
	4,553,527	49,209	146,895	4,749,631

32.2.3 Market risk

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.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at June 30, 2013, fair value of equity securities exposed to price risk were as follow

	2013	2012
	(Rupees in '000's)	
Investment at fair value through profit or loss account - held for trading	**37,612**	25,429

In case of 10% increase / decrease in fair value of equity securities on June 30, 2013, income / (loss) for the year would be affected by Rs. 3.761 million (2012: Rs. 2.543 million) as a result of gain / loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate risk arises from long and short term borrowings from financial institutions. At the balance sheet date the interest rate risk profile of the Company's interest-bearing financial instruments is:

	Carrying Amount 2013	2012
	(Rupees in '000's)	
Fixed rate instruments		
Financial assets	21	57,618
Variable rate instruments		
Financial liabilities		
- KIBOR based	(2,839,377)	(1,727,180)
- LIBOR based	(2,993,361)	(1,789,337)
- SBP LTF-EOP	(44,533)	(62,347)
	(5,877,271)	(3,578,864)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in KIBOR based financial liabilities, 100 basis points change in SBP LTF-EOP and 25 basis points change in LIBOR based financial liabilities at the reporting date would have increased / (decreased) equity and profit or loss by Rs. 36.32 million (2012: Rs. 22.37 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as in 2012.

33.2.4 Currency risk

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. Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and borrowings, which, are entered in a currency other than Pak Rupees. The Company does not enter into forward foreign exchange contracts for foreign purchases and payables, as it is not allowed by the State Bank of Pakistan. However, the Company enters into forward foreign exchange contracts to cover its exposure to foreign currency sales and receivables. As at June 30, 2013, the financial assets and liabilities exposed to currency risk are as follows:

	2013	2012	**2013**	2012
	USD		**PKR in '000**	
Trade debts	7,839,531	4,602,929	770,358	430,026
Foreign currency bank account	362,200	443,043	35,640	41,646
Import loan (LC's)	(14,799,091)	(14,064,786)	(1,462,150)	(1,324,903)
Export finance	(15,059,009)	(4,932,920)	(1,487,830)	(464,434)
Foreign bills payable	-	(116,064)	-	(10,678)
Accrued mark-up	(43,083)	(433,030)	(4,257)	(40,791)
	2013	2012	**2013**	2012
	JPY		**PKR in '000**	
Foreign bills payable	(23,857,800)	(98,341,000)	(23,843)	(116,721)
	Euro		**PKR in '000**	
Foreign currency bank account	75	75	10	9
Import loan (LC's)	(336,000)	-	(43,381)	-

The following significant exchange rates applied during the year:

	Average rates		**Balance sheet date rate**	
	2013	2012	**2013**	2012
US Dollars to PKR	96.86	89.26	98.8 / 98.6	94.20 / 94.00
Yen to PKR	1.1103	1.1356	0.9994 / 0.9974	1.1870 / 1.1810
Euro to PKR	125.39	119.53	129.11 / 128.85	118.50 / 118.25

At June 30, 2013, if the Pakistani Rupee weakened / strengthen by 10% against the US Dollars, Japanese Yen and Euros with all variables held constant, pre-tax loss / profit for the year would have been lower / higher by Rs. 221.55 million (2012: Rs. 148.59 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in 2012.

34. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's 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.

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2013, short term investment was categorised in level 1.

There were no transfers between Level 1 and 2 in the year.

35. CAPITAL RISK MANAGEMENT

"The objective of the Company when managing capital, i.e., its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

36. OPERATING SEGMENT

36.1 These financial statements have been prepared on the basis of single reportable segment.
36.2 Revenue from sales of yarn represents 96% (2012: 97%) of total revenue whereas, remaining represents revenue from sales of waste material.
36.3 All non current assets of the Company as at June 30, 2013 are located in Pakistan.
36.4 53.5% of sales of yarn are local sales whereas 46.5% of sales are export / foreign sales. All sales were made to external customers. Sales to individual foreign country represents 28% (2012: 25%) of total sales of Company.
36.5 Revenue from single major customer of the Company represent 16% (2012: 13%) of total revenue of the Company.

36 GENERAL

a) The Board of Directors proposed a final dividend for the year ended June 30, 2013 of Rs. 12.50 per share amounting to Rs. 292.969 million at their meeting held on September 23, 2013, for approval of members at the Annual General Meeting. These financial statements do not reflect this dividend payable which will be accounted for in the period in which is approved.

b) These financial statements were authorized for issue on September 23, 2013 by the Board of Directors of the Company.

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

Notice of 26th Annual General Meeting

Notice is hereby given that the 26th Annual General Meeting of the members of **Gadoon Textile Mills Limited** will be held on Thursday, October 31, 2013 at 2:00 p.m. at the registered office of the Company, 200-201, Gadoon Amazai Industrial Estate, District Swabi, Khyber Patkhtunkhwa to transact the following business:

- To confirm the minutes of Extraordinary General Meeting held on March 20, 2013.
- To receive, consider and adopt the Audited Accounts for the year ended June 30, 2013 together with the Directors' and Auditors' report thereon.
- To approve cash dividend @ Rs.12.50 per share for the year ended June 30, 2013 as recommended by the Directors.
- To appoint Auditors for the year ending June 30, 2014 and fix their remuneration.
- To transact any other business with the permission of the Chair.

By order of the Board

Karachi: October 08, 2013

Abdul Sattar Abdullah
Company Secretary

NOTES:

1. The Share Transfer Book of the Company will remain closed from Thursday, October 24, 2013 to Thursday, October 31, 2013 (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-74400, at the close of business on Wednesday, October 23, 2013, will be considered in time for the purpose of above entitlement to the transferees.

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 of holding the meeting.

3. An individual beneficial owner of shares from CDC must bring 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. The members are requested to notify change in their addresses, 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-74400.

Pattern of shareholding
As at June 30, 2013

No. of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
546	1	100	20,485
508	101	500	135,780
336	501	1000	271,394
216	1001	5000	541,053
47	5001	10000	378,893
19	10001	15000	249,101
13	15001	20000	234,737
7	20001	25000	161,480
5	25001	30000	137,881
3	35001	40000	110,500
1	45001	50000	50,000
1	60001	65000	63,000
1	105001	110000	108,597
1	115001	120000	117,187
1	135001	140000	135,500
3	140001	145000	421,875
1	200001	205000	201,500
4	220001	225000	888,290
1	240001	245000	244,367
1	270001	275000	273,750
1	285001	290000	287,000
1	295001	300000	296,875
4	405001	410000	1,628,454
2	445001	450000	897,088
1	535001	540000	537,670
2	965001	970000	1,934,298
1	1055001	1060000	1,056,600
1	1060001	1065000	1,063,932
1	1085001	1090000	1,089,143
1	1090001	1095000	1,093,016
1	1245001	1250000	1,247,606
1	1775001	1780000	1,779,948
1	5780001	5785000	5,780,500
1,733			**23,437,500**

SHAREHOLDERS' CATEGORY	Number of Shareholders	Number Shares Held	Percentage %
Directors, Chief Executive Officer, and their spous and minor children	13	8,393,771	35.81
Associated Companies, undertakings and related parties	0	-	-
NIT and ICP	3	32,550	0.14
Banks Development Financial Institutions, Non Banking Financial Institutions	4	147,003	0.63
Insurance Companies	3	1,094,600	4.67
Modarabas and Mutual Funds	8	348,590	1.49
General Public			
a. Local	1672	7,220,595	30.81
b. Foreign	6	158,462	0.68
Others (to be specified)	24	6,041,929	25.78
Share holders holding 10%	1733	23,437,500	100.00
Saif Holdings Limted	1	5,780,500	24.66

Additional Information

SHAREHOLDERS' CATEGORY	Number of Shareholders	Number Shares Held	Percentage %
Associated Companies, Undertakings and related parties (Name wise details)			
NONE			
Mutual Funds (Name wise details)			
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	1	19,500	0.08
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	225,000	0.96
CDC - TRUSTEE MCB DYNAMIC STOCK FUND	1	16,000	0.07
CDC - TRUSTEE ABL STOCK FUND	1	38,000	0.16
MCBFSL-TRUSTEE URSF-EQUITY SUB FUND	1	28,000	0.12
CDC-TRUSTEE PAKISTAN PREMIER FUND	1	13,000	0.06
FIRST CAPITAL MUTUAL FUND LIMITED	1	4,590	0.02
Directors and their spouse(s) and minor children (Name wise details)			
MR. MUHAMMAD YUNUS TABBA	2	2,229,884	9.51
MR. MUHAMMAD SOHAIL TABBA	2	1,785,276	7.62
MR. MUHAMMAD ALI TABBA	2	2,153,075	9.19
MR. JAVED YUNUS TABBA	2	968,500	4.13
MRS. RAHILA ALEEM	2	627,068	2.68
MRS. MARIUM TABBA KHAN	2	629,468	2.69
MR. TARIQ IQBAL KHAN	1	500	0.00
Executives	0	-	-
Public Sector Companies and Corporations	6	1,090,653	4.65
Banks, Development Finance Institutions, Non Banking Financial Institutions, Insurance companies, modarabas and Mutual Funds	6	296,597	1.27
Shareholders holding five (5%) or more voting in the Company (Name wise details)			
M/s. Saif Holdings Limted	1	5,780,500	24.66
Mr. Muhammad Yunus Tabba	2	2,229,884	9.51
Mr. Muhammad Ali Tabba	2	2,153,075	9.19
Mr. Muhammad Sohail Tabba	2	1,785,276	7.62
Mr. Imran Yunus Tabba	1	2,060,115	8.79

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.

Proxy Form

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

I/We ____

__________ of ______________________ in the district of ____________________

be a Member/Members of GADOON TEXTILE MILLS LIMITED 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 26th Annual General Meeting of the Company to be held

on the 31st day of October, 2013 and at any adjournment thereof.

Signed this ____________ day of __________ 2013.

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, Khyber Pakhtunkhwa.

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Karachi Office:

6-A, Muhammad Ali Housing Society,
Abdul Aziz Haji Hashim Tabba Street,
Karachi-75350.
Phone No. 021-35205479-80
Fax No. 021-34382436
E-mail: secretary@gadoontextile.com

Factory Locations:

- 200-201, Gadoon Amazai Industrial Estate
  Distt. Swabi, Khyber Pakhtunkhwa
- 57 K.M on Super Highway, near Karachi.

Liaison Office:

7-Park Avenue Road, University Town Peshawar.
Phone No. 091-5701496
Fax No. 091-5702029
E-mail: secretary@gadoontextile.com

Registered Office:

200-201, Gadoon Amazai Industrial Estate
Distt. Swabi, Khyber Pakhtunkhwa
Phone No. 0938-270212-13
Fax No. 0938-270311
E-mail: secretary@gadoontextile.com

We would like to thank **MR. AGHA ALI JAN** *and* **MR. ARSALAN MOTEN** *for their tremendous support and contribution to our Annual Report.*

Gadoon Textile Mills Limited
6-A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi-75350, Pakistan
TEL: (92-21) 35205479-80 | **FAX:** (92-21) 34382436