Gadoon Textile Mills Limited

7-A, Muhammad Ali Housing Society,
Abdul Aziz Haji Hashim Tabba Street,
Karachi-75350, Pakistan
TEL: (92-21) 35205479-80
FAX: (92-21) 34382436

A Part of YBG

GADOON TEXTILE MILLS LIMITED | ANNUAL REPORT 2015

ANNUAL REPORT 2015

Gadoon Textile Mills Limited

STRENGTH *to* STRENGTH

YBG

Gadoon Textile Mills Limited

FAZAL TEXTILE MILLS LIMITED

A Part of YBG

STRENGTH
to
STRENGTH

The
Yunus Brothers Group (YBG) acquired Fazal Textile Mills Limited (FTML) in 1987 and pledged to make it a thriving entity once again and in less than four years the Company registered a net profit. Drawing on the equity and the global footprint of the Company, it was merged with and into Gadoon Textile Mills Limited (GTML) in September 2014; further solidifying its position as a market leader and making it one of the biggest Textile-Spinning mills in Pakistan. But more than this, the union of GTML with FTML is a celebration of strength – the strength of collaboration and the power of diversity.
Welcoming FTML team into the fold of GTML, we recognize the distinguished legacy of the Company; its people and are confident that the heritage, know-how and expertise infused into the organization will carry us to new heights of success and excellence.

REGISTERED OFFICE
7-A, Muhammad Ali Housing Society,
Abdul Aziz Haji Hashim Tabba Street,
Karachi-75350
Phone: 021-35205479-80
Fax: 021-34382436
E-mail: secretary@gadoontextile.com
Website: www.gadoontextile.com

LIAISON OFFICE
Syed's Tower, Third Floor, Opposite Custom House,
Jamrud Road, Peshawar
Phone: 091-5701496
Fax: 091-5702029
E-mail: secretary@gadoontextile.com

FACTORY LOCATIONS
- 200-201, Gadoon Amazai Industrial Estate,
  Distt. Swabi, Khyber Pakhtunkhwa
- 57 KM on Super Highway, Karachi

We would like to thank
MR. ARSALAN MOTEN,
MR. YASIR YAMIN
MR. BURHAN ABBAS
for their tremendous support and contribution to our Annual Report.

Designed by Orientm McCann

COMPANY INFORMATION

BOARD OF DIRECTORS
Mr. Muhammad Yunus Tabba (Chairman)
Mr. Muhammad Sohail Tabba (Chief Executive)
Mr. Muhammad Ali Tabba
Mr. Jawed Yunus Tabba
Ms. Rahila Aleem
(Alternate: Ms. Zulekha Tabba Maskatiya)
Ms. Mariam Tabba Khan
Mr. Saleem Zamindar

AUDIT COMMITTEE
Mr. Saleem Zamindar (Chairman)
Mr. Muhammad Ali Tabba (Member)
Mr. Jawed Yunus Tabba (Member)
Ms. Rahila Aleem (Member)
(Alternate: Ms. Zulekha Tabba Maskatiya)

HUMAN RESOURCES AND REMUNERATION COMMITTEE
Mr. Jawed Yunus Tabba (Chairman)
Ms. Rahila Aleem (Member)
(Alternate: Ms. Zulekha Tabba Maskatiya)
Ms. Mariam Tabba Khan (Member)

EXECUTIVE DIRECTOR FINANCE/CFO & COMPANY SECRETARY
Mr. Abdul Sattar Abdullah

AUDITORS
Deloitte Yousuf Adil
Chartered Accountants
A Member of Deloitte Touche Tohmatsu

CHIEF INTERNAL AUDITOR
Mr. Haji Muhammad Mundia

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

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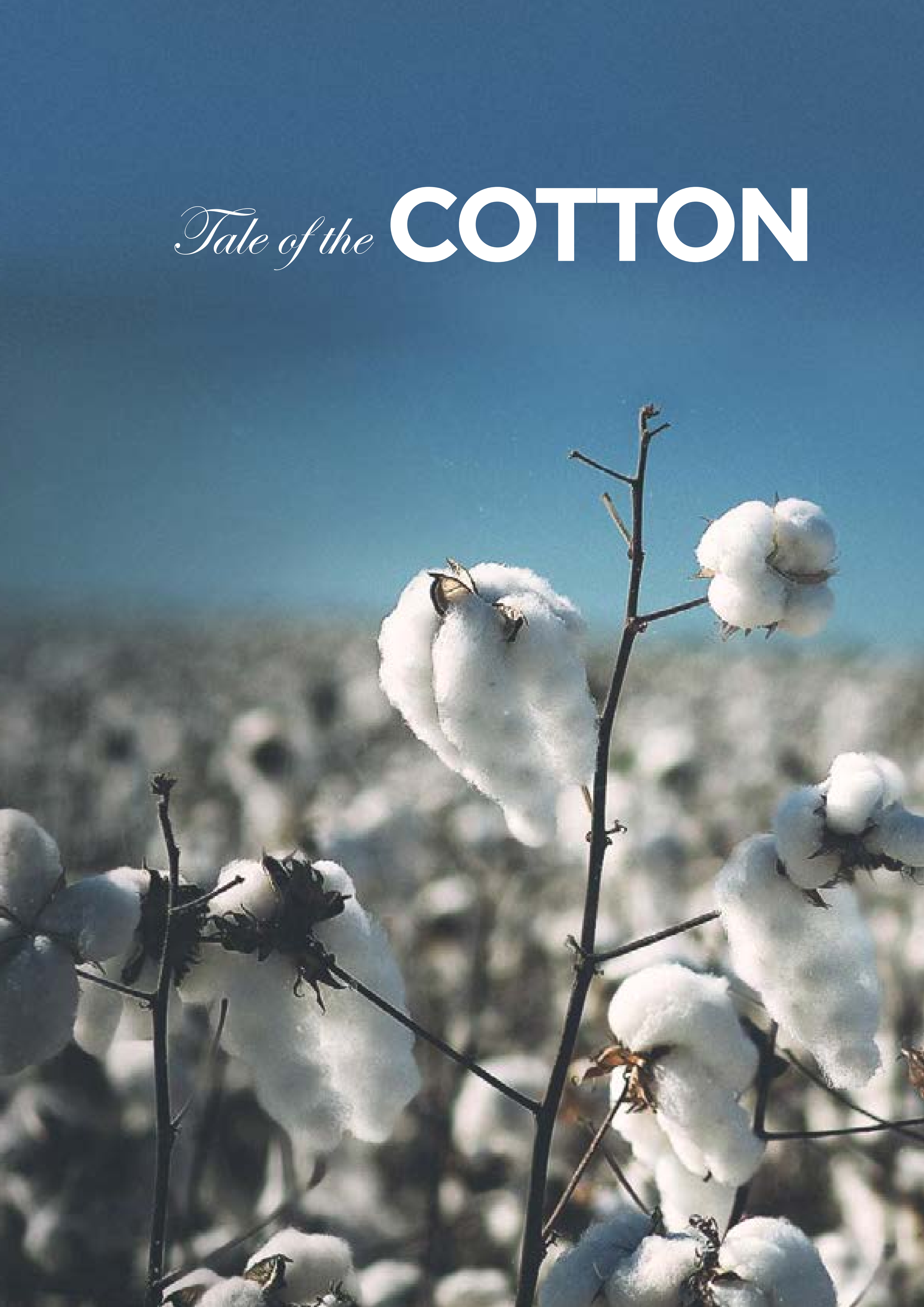
- 200-201, Gadoon Amazai Industrial Estate, Distt. Swabi, Khyber Pakhtunkhwa
- 57 K.M on Super Highway, near Karachi.

BANKERS
Allied Bank Limited
Bank Al-Falah Limited (Islamic Banking)
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank Pakistan Limited
The Bank of Punjab Limited
United Bank Limited

Tale of the COTTON



We don't really know how old cotton is. Pieces of cotton balls and cotton cloth were found by scientists searching caves in Mexico that proved to be at least 7,000 years old. They also found that the cotton itself was much like that what is grown today.

In the Indus River Valley in Pakistan, cotton was being grown, spun and woven into cloth 3,000 years BC. At about the same time, natives of Egypt's Nile valley were making and wearing cotton clothing.

Arab merchants brought cotton cloth to Europe in about 800 A.D. Columbus found cotton growing in the Bahamas in 1492 A.D. By 1500A.D. cotton was known throughout the world.

Our Annual Report this year threads through the actual journey of cotton. From the seeds, to the plant; to the flower, the bud, and finally the cotton fruit. It is this thread that has made Gadoon Textile Mills Limited, one of the strongest players in the industrial landscape of Pakistan.

GADOON AT A GLANCE

We operate primarily in the textile industry of Pakistan, the fiber spinning and knitting sector in particular. We manufacture and process all types of cotton and man-made fibers, as well as home textile products, 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 seven years.

To provide an alternative source of employment and to eradicate the poppy cultivation prevalent in the Gadoon Amazai area of District Swabi, Khyber Pakhtunkhwa; the Government, in the late 80's, invited the private sector to setup industrial units in the region.

The Yunus Brothers Group (YBG) considered this as its corporate social responsibility to join hands with the Government in this noble cause and setup Gadoon Textile Mills Limited (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.

YBG

ABOUT YBG

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

Recently, Fazal Textile Mills Limited (FTML) merged with and into GTML with effect from September 30, 2014. 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, **"One of the Largest Spinning Units 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
- Man Made / Blended Yarn
- Poly/Cotton Yarn
- Murata Vortex Spun Yarn
- Open-End Yarn
- Siro Yarn
- Lycra Yarn
- Slub Yarn
- Slub Core Spun Yarn
- Compact Core Spun Yarn
- Double Compact Spun Yarn on Ring Machine (Without Doubling)
- Ring Spun/Compact Spun Double Yarn on Doubling Machines

Knitted Fabric

- Grey and Dyed Fabric
- Knitted Fitted Sheet / Comforter

GROUP INFORMATION

YBG

1983

Lucky Textile Mills Limited (LTML)

LTML was established in 1983 and since its incorporation it has remained one of the leading textile manufacturers in the country. The Company is engaged in the activity of manufacturing and export of fabrics, home textile and garments.

1995

Aziz Tabba Kidney Centre (ATKC)

ATKC is a center of excellence providing treatment for all kidney related ailments under one roof. It is a 100-bed, specialist institution committed to providing complete care based on the highest international standards for prophylaxis and therapeutic management of nephro-urological diseases.

1987

Aziz Tabba Foundation (ATF)

ATF is a not for profit organization and was started in 1987. It is a platform for social activities which has engaged itself in serving humanity in some crucial areas of life. The Foundation has rendered its services to bring a transformative change in people's life by providing them shelter, education, marriage and health care facilities which in turn promotes positive behavior in the Society.

1998

Yunus Textile Mills Limited (YTML)

YTML is a vertically integrated brand new home textile unit established in 1998. Its operations consists of spinning, weaving, printing, dyeing, finishing and cut & sews. In a short span of 10 years it has become the #1 home textile exporter of Pakistan. The company has also established its international warehousing, distribution, design and development offices in USA, UK and France.

1988

Gadoon Textile Mills Limited (GTML)

GTML was established in 1988 and started production in the year 1990. Initially it started its operations with only 14,400 spindles, however, with the advent of installation of state-of-the-art automatic machinery it has gradually increased its installed spindles to 242,000. GTML has 02 manufacturing facilities located at Gadoon Amazai – KPK and Karachi – Sindh.

Recently by virtue of merger of FTML with and into GTML, it became one of the largest Textile Spinning units of Pakistan with around 316,000 installed spindles. The Company also has a captive power plant with a generation capacity of around 56 MW.

2005

Lucky Knits (Pvt.) Limited (LKL)

LKL was incorporated in 2005 and is primarily engaged in knitting, processing and stitching of fabric and ready-made garments. It is equipped with state-of-the-art machinery, meeting high international standards, with a production capacity of about 200,000 Kgs of knitting fabric, 350,000 Kgs of dyeing fabric, 150,000 dozen under garments and 80,000 T-shirts. The Company has so far established itself as one of the most prominent garment export houses in Pakistan.

Tabba Heart Institute (THI)

THI is a specialized cardiac care hospital with a vision to provide quality services and compassionate care at an affordable cost. The hospital is equipped with the state-of-the-art equipment and very highly qualified professionals with a proven track record.

1993

Lucky Cement Limited (LCL)

LCL is the flagship Company of the YBG. Having solid history of exceptional growth since its inception in 1993, the Company has established its footing as the largest Cement manufacturing Company in Pakistan.

Lucky Energy Private Limited (LEPL)

LEPL is a Government licensed Small Power Producer (SPP) under National Electric Power Regulatory Authority (NEPRA) incorporated in July 1993.

LEPL, is a gas-based thermal power generation unit, with total production capacity of 46.57 Megawatts (MW). It is equipped with one of the most sophisticated and highly-efficient generators from Caterpillar USA and supplies un-interruptible power to its group companies.

2007

Lucky-Paragon Readymix Limited (LPRL)

LPRL is the first professionally managed ready-mix concrete business in Pakistan. It is a joint venture established between YB Pakistan Ltd. & Paragon Constructors (Private) Limited in 2007. It offers full range of products from 1000 psi to 10,000 psi for both OP & SR cement types.

Yunus Brothers Pakistan Limited (YBPL)

Established in 1962 as a Partnership firm Yunus Brothers (YB) is the founding Company of the YBG. In 2011, it was converted into a Public Limited Company, YBPL. It is the trading arm of the YBG and trades in rice, wheat and other commodities both in the local and international market.

2010

LuckyOne (Pvt.) Ltd

Through this project, YBG aims to construct world class structures that would define the Real Estate sector of Pakistan.

It is going to be 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 makes this project the premiere lifestyle destination for shopping, leisure and entertainment. It will also have a hi-end residential complex that will revolutionize the luxury living experience in Pakistan.

2011

Yunus Energy Limited (YEL)

The YBG has recently initiated this project of national importance in Pakistan. The Company is a 50 MW wind power project and will generate electricity through wind turbine generators. It is to be established at a site measuring 696 acres in Gharo Keti Bandar wind corridor.

The wind turbine generators for the project are to be supplied by Nordex & Descon consortium "the EPCOM Contractors" who are backed by their parent company Nordex SE, Germany.

2012

ICI Pakistan Ltd (ICIP)

ICI Pakistan is a leading manufacturer and distributor of polyester staple fiber (PSF), soda ash and some chemical products used in major industrial and other sectors. The Company is also a distributor of a diversified range of life science products. In 2012, LHL acquired majority shareholding in the Company and by virtue of this ICI is now a part of YBG.

Lucky Air (Pvt.) Limited

Lucky Air (Private) Limited was incorporated in Pakistan on September 7, 2012 as a Private Limited Company. The objective of the Company is to operate passenger and cargo aircrafts for private as well as commercial use in Pakistan and internationally after obtaining the required permissions from government departments as applicable. The Company currently operates an aircraft for Lucky Cement Limited and provides services of aircraft crew, aircraft administration, management and technical and engineering services on inbound and outbound flights of the aircraft.

2013

Lucky Commodities (Pvt.) Limited (LCPL)

LCPL was formed in early 2013 as a trading arm of the YBG. It is the largest importer of coal in Pakistan. At present it is catering to nearly 40% of the country's coal market, ranging from Cement to Textile, Oil & Ghee, Paper, Chemical, Steel and other sectors. companies, but also sells electricity to the Government of Pakistan.

YB Holdings (Pvt.) Limited

Y.B. Holdings (Private) Limited was incorporated in Pakistan on August 16, 2013 as a Group Holding Company. The registered office of the Company is situated at 6-A, Muhammad Ali Society, A. Aziz Hashim Tabba Street, Karachi in the province of Sindh. The Company investments mainly in its Group Companies.

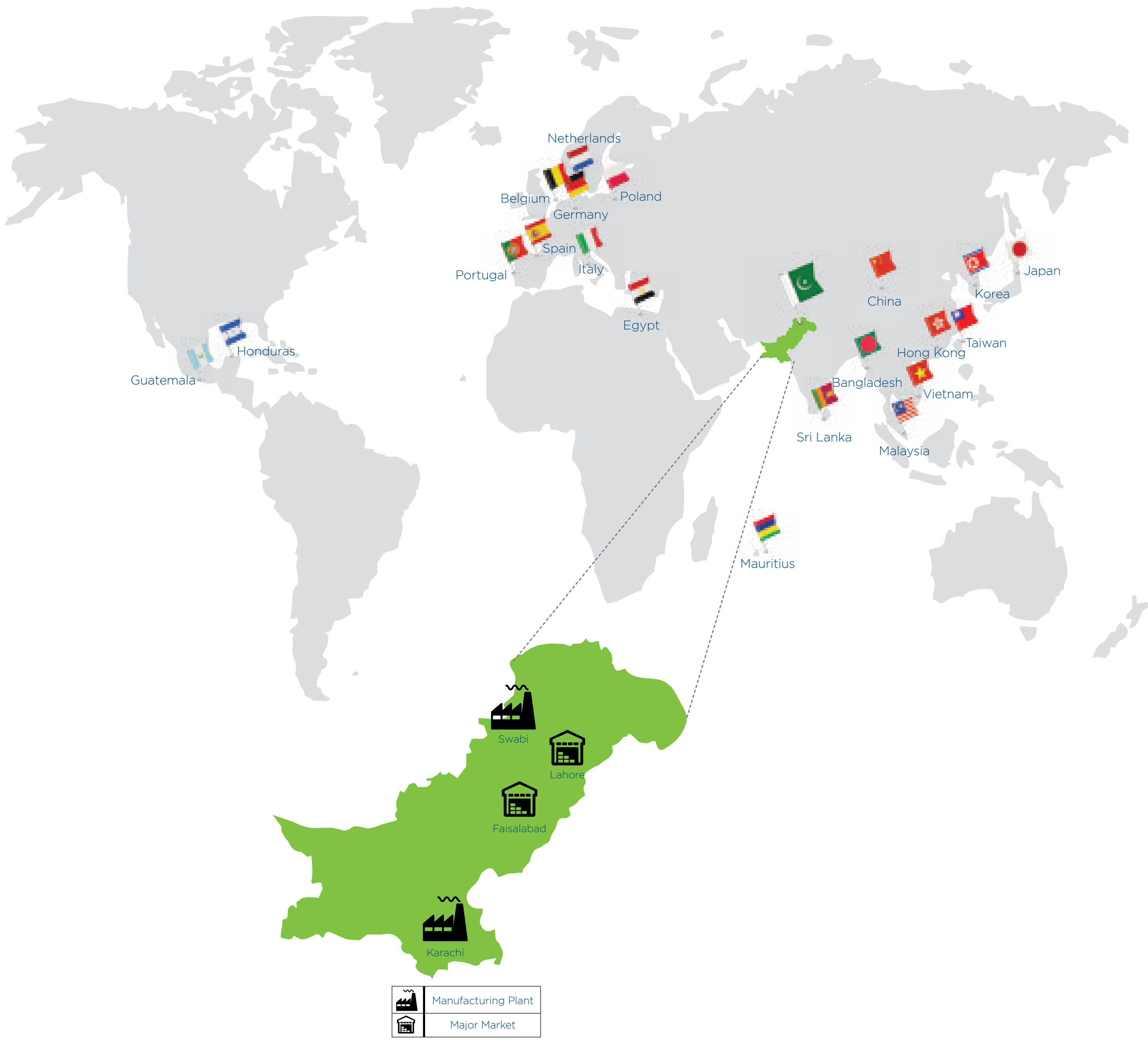
2014

Lucky Electric Power Company Limited (LEPCL)

LEPCL is a supercritical coal fired power plant with a capacity of 660 MW. The latest developments in the project includes issuance of Letter of Intent(LOI) by PPIB on February 11, 2015, generation license petition already admitted by NEPRA on February 20, 2015 and an approval of upfront tariff petition by NEPRA on April 6, 2015.

Other matters such as project bankable feasibility is under preparation by M/s FICHTNER Germany. LEPCL has also engaged the services of world renowned law firm M/s Clifford Chance of France and locally M/s RIAA Law for project documentation. A Load flow/grid interconnection study for the project is also being conducted by NTDC, and PPA and IA are under review by the project team and lawyers.

GEOGRAPHICAL SPREAD



KEY PERFORMANCE INDICATORS

STATEMENT OF INCOME

Operating Result (Rs. in Million)
2014: 1,510 | 2015: 533 | % Change: -65%

Profit before Tax (Rs. in Million)
2014: 739 | 2015: (90) | % Change: -112%

Profit after Tax (Rs. in Million)
2014: 581 | 2015: (392) | % Change: -168%

EBITDA (Rs. in Million)
2014: 2,038 | 2015: 1,479 | % Change: -27%

EBITDA Margin (in %)
2014: 10.15% | 2015: 6.43% | % Change: -37%

RATIOS

Equity (Rs. in Million)
2014: 6,500 | 2015: 6,818 | % Change: 5%

Price Earning (in Times)
2014: 10.09 | 2015: N/A | % Change: N/A

Return on Capital Employed (in %)
2014: 20.55% | 2015: 8.97% | % Change: -56%

Return on Fixed Assets (in Times)
2014: 2.72 | 2015: 2.29 | % Change: -16%

Dividend Yield (in %)
2014: 2.00% | 2015: Nil | % Change: -100%

DIVIDEND & EARNINGS PER SHARE

Earnings per share (Rupees)
2014: 24.78 | 2015: (14.59) | % Change: -159%

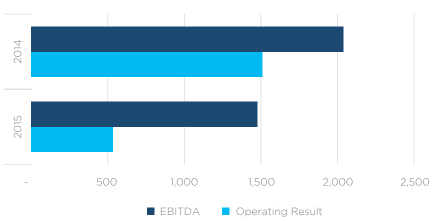
Dividend per Share (Rupees)
2014: 5.00 | 2015: Nil | % Change: -100%

CASH FLOWS

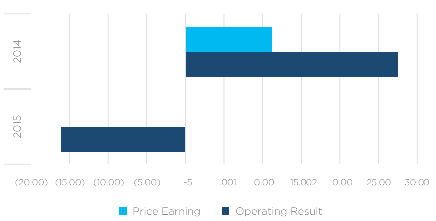
Net Cash from Operating Activties (Rs. in Million)
2014: (578) | 2015: 1,504 | % Change: 360%

Capital Expenditure (Rs. in Million)
2014: 1,048 | 2015: 439 | % Change: -58%

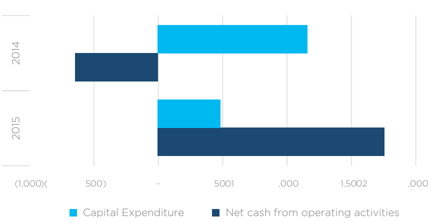
Operating Result and EBITDA Rs. in Million



Price to Earnings and Earnings per Share

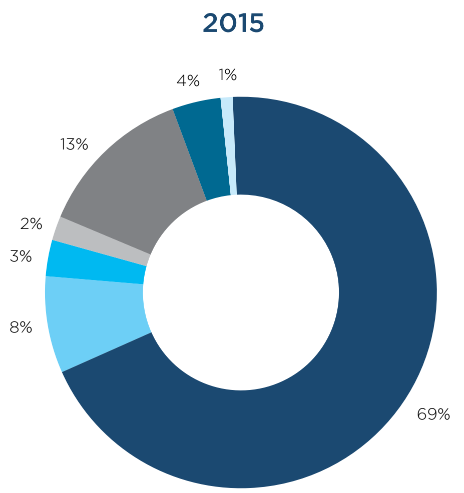


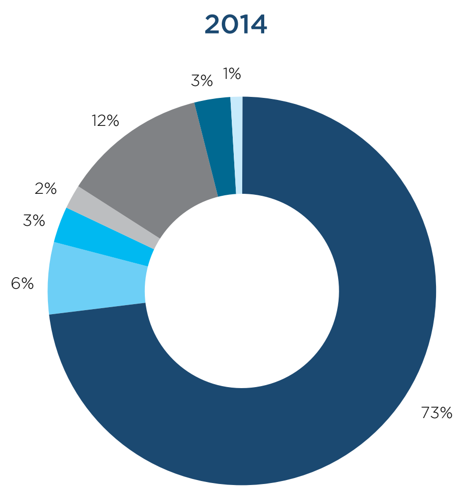
Operating Cashflows Rs. in Million



ANALYSIS OF COSTS

	2015		2014	
	Rs. in '000	**%**	Rs. in '000	%
Raw Material	**14,981,515**	**69%**	13,442,308	73%
Salaries & Wages	**1,788,155**	**8%**	1,170,585	6%
Store & Spares	**592,046**	**3%**	518,495	3%
Packing Material	**543,048**	**2%**	411,385	2%
Fuel & Power	**2,942,614**	**13%**	2,141,781	12%
Depreciation	**766,486**	**4%**	555,166	3%
Others	**260,503**	**1%**	127,489	1%
	21,874,367	**100.00%**	18,367,209	100.00%

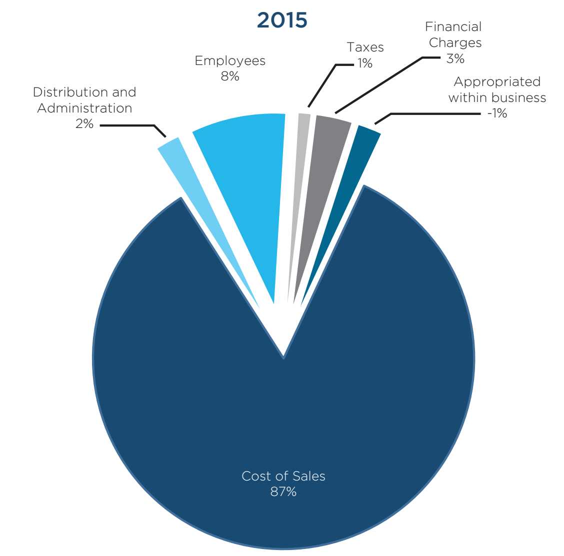


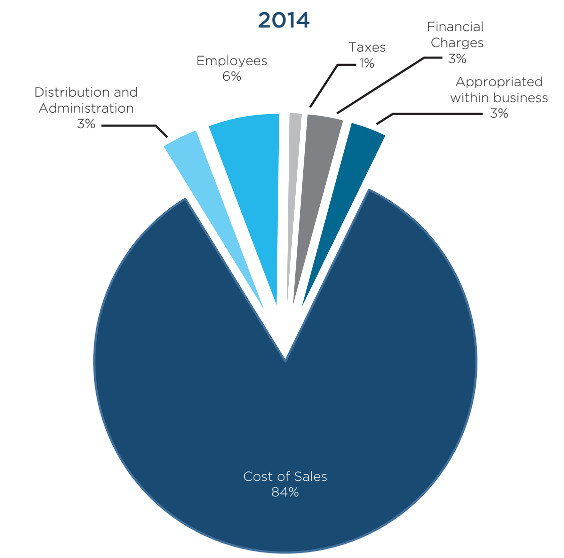


Raw Material | Salaries & Wages | Store & Spares | Packing Material | Fuel & Power | Depreciation | Others

STATEMENT OF VALUE ADDITIONS & ITS DISTRIBUTION

	2015		2014	
	Rs. in '000	%	Rs. in '000	%
Wealth Generated				
Net Sales	23,003,447	99%	20,066,084	99%
Other operating income	190,380	1%	154,155	1%
	23,193,827	100%	20,220,239	100%
Wealth Distribution				
Cost of sales	20,085,470	87%	16,963,333	84%
Distribution and Administration	515,518	2%	558,127	3%
Employees	1,891,639	8%	1,219,992	6%
Taxes	302,053	1%	158,350	1%
Financial Charges	791,481	3%	739,638	3%
Appropriated within business	(392,334)	(1%)	580,799	3%
	23,193,827	100%	20,220,239	100%





CONTENTS

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.

VALUES

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

SEEDS *of life*

Just like all things in nature, the natural cycle of the cotton plant originates from mere beginnings in the form of seedlings.

OVERALL STRATEGIC OBJECTIVES

- 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.

MANAGEMENT OBJECTIVES

OBJECTIVE 1: SUSTAIN INDUSTRY LEADERSHIP
Strategy: Planned and regular up-gradation of production facilities; timely deployment of the latest technological advancements and manufacturing techniques to maximize overall efficiencies.

Priority: High

Status: Ongoing Process – Targets for the year achieved

Opportunities / Threats: Enables GTML to stay ahead of its' competition, and helps achieve economies of scale in the long run. Planned up-gradation helps the Company in ensuring minimum production downtime. However, the process of up-gradation and maintenance does result in high monetary costs.

OBJECTIVE 2: EXPAND SALES AND GLOBAL FOOTPRINT
Strategy: Sales expansion by exploring and entering new markets, hence increasing the global footprint of the Company.

Priority: High

Status: Ongoing Process

Opportunities / Threats: Increased globalization, compared with the GSP+ status given to Pakistan pave way for exploring and entering in new global markets. The increased conversion costs and government supported regional competitors are a cause of concern and would impede progress in the long run if not addressed by the Government.

OBJECTIVE 3: DIVERSIFY RISKS AND PROVIDE MAXIMUM RETURN TO SHAREHOLDERS BY IDENTIFYING AND INVESTING IN DIVERSIFIED BUSINESSES
Strategy: Continuously seek avenues to expand within and outside the Spinning Sector

Priority: High

Status: An on-going process

Opportunities / Threats: Diversifying into new avenues of business is a strategic decision that comes with high costs both in terms of capital expenditure as well as human capital requirements. Given the strong financial standing and experienced management pool, GTML regularly looks for opportunities to invest and diversify its investments and risks, thus ensuring maximum value for its shareholders.

OBJECTIVE 4: CREATE AND ACHIEVE OVERALL BUSINESS SYNERGIES BY MAINTAINING OPERATIONAL EFFICIENCIES
Strategy: Constantly monitor the business processes and look for ways to make the overall process lean and efficient.

Priority: High

Status: Ongoing process – Targets for the year achieved.

Opportunities / Threats: The Company strongly believes in the notion of continuous improvement and focuses on ways to improve overall efficiencies. Sometimes this requires employment of unorthodox practices and therefore the Company invests substantially in the training and development of both staff and senior management.

Significant Changes in Objectives & Strategies

The business objectives and strategies of the Company are a result of extensive planning and benchmark practices. In order to measure the Company's performance against the stated objectives, our management regularly monitors certain Critical Performance Indicators, which are looked upon in detail on page no. 45.

No significant changes have occurred during the year to affect our course of action for achievement of these objectives.

OUR ROAD TO SUCCESS

During the past twenty-seven 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 Poly/Cotton 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

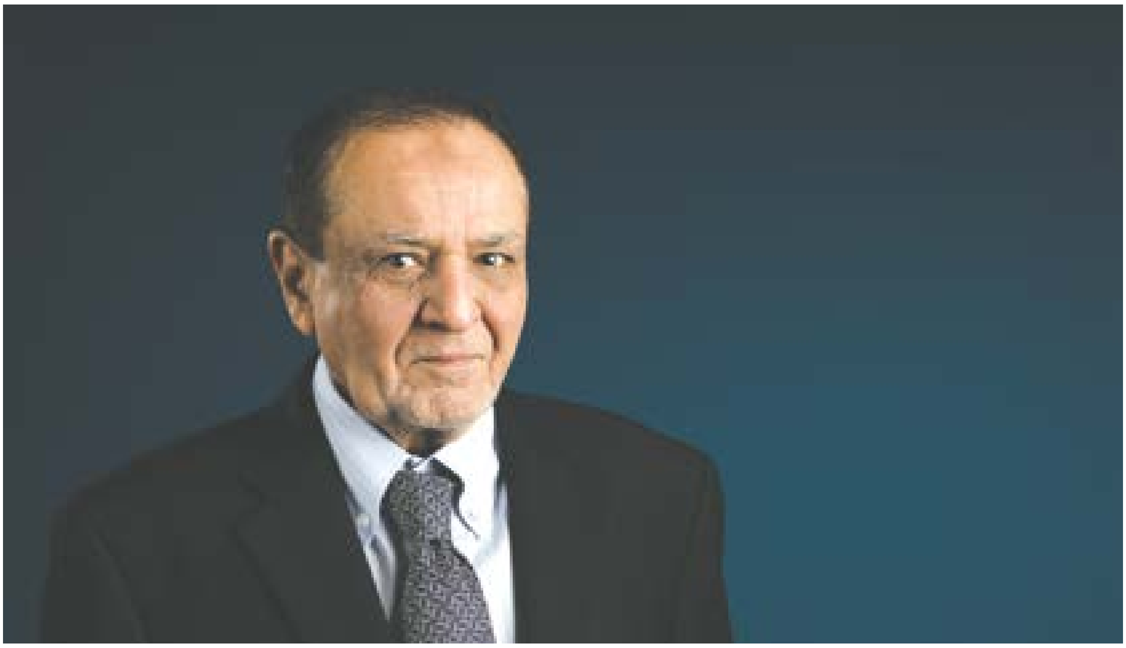
2010 - 2014

- Planned investment in environment-friendly 50 MW Wind Power Project
- Started commercial operations at Karachi Plant
- Number of spindles increased to around 245,000
- Acquired assets of another textile mill located 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

2015

- Fazal Textile Mills Limted (FTML) merged with and into GTML
- Number of spindles increased to around 316,000 by virtue of merger of FTML
- Installed additional 6,000 spindles at the Karachi Plant

BOARD OF DIRECTORS & CEO



MR. MUHAMMAD YUNUS TABBA

CHAIRMAN

Mr. Muhammad Yunus Tabba started his over forty-one 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 both local and international business communities.

Mr. Tabba has been awarded "Businessman of the Year" by various Chambers of Commerce several times during his career. Under his leadership, the Group has achieved considerable breakthroughs and has received many awards from local and international institutions.

DIRECTORSHIPS

Aziz Tabba Foundation (Trustee)
Fashion Textile Mills (Private) Limited
Gadoon Textile Mills Limited
LCL Holdings Limited
Lucky Air (Private) Limited
Lucky Cement Limited
Lucky Electric Power Company Limited
Lucky Energy (Private) Limited
Lucky Textile Mills Limited
Security Electric Power Company Ltd
Y.B. Holdings (Private) Limited
Y.B. Pakistan Limited
Yunus Energy Limited
Yunus Textile Mills Limited

MR. MUHAMMAD SOHAIL TABBA

CHIEF EXECUTIVE

Mr. Muhammad Sohail Tabba is a leading business magnate in Pakistan with a vast experience in the textile, energy, real estate and cement sectors gained during an illustrious career spanning over two decades.

His association with the Yunus Brothers Group (YBG), one of the largest export houses of Pakistan, has successfully transformed the group's textile concerns into leading global players including names such as Gadoon Textile Mills Limited and Lucky Knits (Private) Limited where he serves as the Chief Executive, and Yunus Textile Mills Limited and Lucky Textile Mills Limited where he serves as a Director on the Board.

Mr. Tabba is also the Chief Executive of Lucky Energy (Private) Limited, Yunus Energy Limited and LuckyOne (Private) Limited. He is the Chairman of Lucky Paragon Readymix Concrete Limited and a Director on the Board of Lucky Cement Limited, the leading cement manufacturer and exporter of Pakistan.

He was appointed as a Non-Executive Director on the Board of ICI Pakistan Limited on December 28, 2012, and appointed as the Chairman of the Board of Directors of ICI Pakistan Limited on April 29, 2014.

Mr. Sohail Tabba's philanthropic and social engagements include being the founding member of the Child Life Foundation (CLF) and the 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

Aziz Tabba Foundation (Trustee)
Childlife Foundation (Trustee)
Gadoon Textile Mills Limited
ICI Pakistan Limited
Lucky Air (Private) Limited
LCL Holdings Limited
Lucky Cement Limited
Lucky Commodities (Private) Limited
Lucky Electric Power Company Limited
Lucky Energy (Private) Limited
Lucky Exim (Private) Limited
Lucky Foods (Private) Limited
Lucky Holdings Limited
Lucky Knits (Private) Limited
Lucky Landmark (Private) Limited
LuckyOne (Private) Limited
Lucky Paragon Readymix Limited
Lucky Textile Mills Limited
Security Electric Power Company Limited
Y.B. Holdings (Private) Limited
Y.B. Pakistan Limited
Yunus Energy Limited
Yunus Textile Mills Limited

MR. MUHAMMAD ALI TABBA

DIRECTOR

Mr. Muhammad Ali Tabba is the Chief Executive Officer of Lucky Cement Limited who assumed this office in 2005. He also serves as the Chief Executive of Yunus Textile Mills Limited, a state-of-the-art home textile mills with subsidiaries in the US, UK & France. Simultaneously spearheading both these organizations, he also provides strategic vision as Vice Chairman of ICI Pakistan which is a market leader in the field of Soda Ash, Chemicals, Polyester and Life Sciences.

Mr. Muhammad Ali Tabba started his career with YBG - a family conglomerate, in 1991. YBG is one of the premier business houses in Pakistan with diversified interests in Textiles, Energy, Chemicals, Cement and Real Estate Development. Thanks to its stellar performance, the Group's annual turnover is around $1.5 billion and its annual export is close to $600 million, which contributes substantially to the overall exports of Pakistan.

Mr. Tabba also serves as a Board Member of the Trade Development Authority of Pakistan (TDAP), the premier trade organization of the country which works under the Federal Ministry of Commerce. He is also a Trustee of the Fellowship Fund for Pakistan (FFFP) which sponsors and sends a top Pakistani Scholar every year to the Woodrow Wilson International Center for Scholars, a Think Tank based in Washington D.C. In addition to these important roles, Mr. Tabba is also on the Board of the Pakistan Business Council (PBC), a business advocacy forum comprising of leading private-sector businesses. He has been nominated on the Board of Pakistan - India Joint Business Council (PIJBC), which promotes trade between the two countries. Mr. Tabba is also the Chairman of All Pakistan Cement Manufacturing Association (APCMA), a regulatory body of cement manufacturers in Pakistan.

A generous philanthropist with extensive engagements in many community welfare projects, Mr. Tabba serves on the Board of Governors at numerous renowned universities, institutions and foundations. He is the Vice Chairman of a Not-for-Profit Organization, Aziz Tabba Foundation that is working extensively in the field of education, health and housing. The Foundation runs state-of-the-art Cardiac hospital, Tabba Heart Institute and a kidney center; Tabba Kidney Institute. Aziz Tabba Foundation's mission is to provide humanitarian and welfare service to communities at large from all over Pakistan.

Recognizing his commitments in the social development sector of the country, World Economic Forum (WEF) in 2010 bestowed the title of Young Global Leader (YGL) to Mr. Tabba in recognition of his outstanding services and contributions.

DIRECTORSHIPS

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

MR. JAWED YUNUS TABBA

DIRECTOR

Mr. Jawed Yunus Tabba is the Chief Executive of Lucky Textile Mills Limited which is among the top five Home Textile Exporters from Pakistan. He has a rich experience in the Textile Industry and is also managing a real estate project - LuckyOne, which once completed will be the Largest Mall in Karachi. Jawed Tabba is also involved in the Aziz Tabba Foundation, which is a part of the Yunus Brothers Group's societal activity projects.

DIRECTORSHIPS

Aziz Tabba Foundation (Trustee)
Feroze 1888 Mills Limited
Gadoon Textile Mills Limited
ICI Pakistan Limited
Lucky Cement Limited
Lucky Energy (Private) Limited
Lucky Landmark (Private) Limited
LuckyOne (Private) Limited
Lucky Textile Mills Limited
Security Electric Power Company Limited
Y.B. Holdings (Private) Limited
Y.B. Pakistan Limited
Yunus Energy Limited
Yunus Textile (Private) Limited
Yunus Textile Mills Limited

Ms. RAHILA ALEEM | **DIRECTOR**

Having a rich experience in the export industry, Ms. Rahila Aleem has been previously involved in the export driven textile industry with a background in management and export quality assurance. Ms. Rahila is an active Board Member and is also serving as a member in other Board Committees. She is also a member of the Board's HR and Remuneration Committee.

DIRECTORSHIPS

Aziz Tabba Foundation (Trustee)
Gadoon Textile Mills Limited
Lucky Cement Limited
Lucky Landmark (Private) Limited
Lucky Textile Mills Limited
Y.B. Pakistan Limited
Yunus Energy Limited
Yunus Textile Mills Limited

Ms. MARIAM TABBA KHAN

DIRECTOR

Ms. Mariam Tabba Khan took over the not-for-profit Tabba Heart Institute (THI) as the Chief Executive Officer on 2nd of June, 2005, immediately after the sad and sudden demise of her philanthropist father Mr. Abdul Razzak Tabba. Although she had acquired a master's degree, MBA, she was not involved in her father's business ventures during his lifetime. But after his death she took the challenge of establishing and running the state-of-the-art Tabba Heart Institute.

The hospital is serving both affording and non-affording patients with dedication, attentiveness and commitment, maintaining a high standard of professionalism and humanistic care with respect, sincerity and transparently in her leadership.

DIRECTORSHIPS

Aziz Tabba Foundation
Fashion Textile Mills (Private) Limited
Gadoon Textile Mills Limited
LCL Holdings Limited
Lucky Air (Private) Limited
Lucky Energy (Private) Limited
Lucky Holdings (Private) Limited
Lucky Paragon Readymix Limited
Lucky Textile Mills Limited
Security Electric Power Company Limited
Y.B. Holdings (Private) Limited
Y.B. Pakistan Limited
Yunus Energy Limited
Yunus Textile Mills Limited

MR. SALEEM ZAMINDAR (Joined on Dec 08, 2014) **DIRECTOR**

Mr. Saleem Zamindar has a Bachelor of Arts (BA) degree in Economics from Boston University, USA and a Master of Business Administration (MBA) from Durham University Business School, UK. He has over 21 years of experience across four countries in investment management, board level general management & international banking. He is a Certified Company Director by the Pakistan Institute of Corporate Governance (PICG) and additionally also holds the globally prestigious Certificate in Company Direction from the Institute of Directors (IoD) UK. Presently, he serves on the Board of Directors of several publicly listed & private limited companies. He was the past President of the Rotary Club of Karachi, the largest and oldest Rotary Club in District 3271 and is a member of the Managing Committee of the Karachi Boat Club and a member of the Karachi Council on Foreign Relations.

DIRECTORSHIPS

Gadoon Textile Mills Limited
Pakistan Kuwait Investment Company (Private) Limited
Shahtaj Textile Limited
SSGC LPG (Private) Limited
State Petroleum Refining & Petrochemical Corporation (Private) Limited (PERAC)
Sui Southern Gas Company Limited
Thatta Cement Company Limited

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

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

NAME	ANNUAL	1ST QTR	BOD FOR MERGER	HALF YEARLY	3RD QTR
	08-SEP-14	28-OCT-14	15-DEC-14	23-FEB-15	22-APR-15
MR. MUHAMMAD YUNUS TABBA	✔	✔	✔	LOA	✔
MR. MUHAMMAD SOHAIL TABBA	✔	✔	LOA	✔	✔
MR. MUHAMMAD ALI TABBA	✔	✔	✔	✔	✔
MR. JAWED YUNUS TABBA	LOA	✔	✔	✔	✔
MS. RAHILA ALEEM	✔	LOA	✔	✔	✔
MS. MARIAM TABBA KHAN	LOA	✔	✔	✔	✔
MR. MOIN MOHAMMED FUDDA	✔	RESIGNED	-	-	-
MR. SALEEM ZAMINDAR	-	-	✔	✔	✔

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Saleem Zamindar (Chairman)
Mr. Muhammad Ali Tabba (Member)
Mr. Jawed Yunus Tabba (Member)
Ms. Rahila Aleem (Member)
(Alternate: Ms. Zulekha Tabba Maskatiya)

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

- The consistency of and any changes to, accounting policies on a year by year basis.
- The methods used to account for significant or unusual transactions where different approaches are possible.
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor.
- 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 (in so far as it relates to the audit and risk management).

Internal Controls and Risk Management Systems

- Keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control & risk management systems; and review and approve the statements to be included in the director's annual report about internal controls and risk management.

Compliance

- 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.
- Review the Company's procedures for detecting fraud.
- Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance

Internal Audit

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

- 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 resignation and decide whether any action is required.
- 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.
- Review the management letter and management's response to the auditor's findings and recommendations.
- Oversee the relationship with the external auditor.
- 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.
- Review the findings of the audit with the external auditor.

Reporting Procedures

- The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- The committee shall produce a report on its activities for inclusion in the directors' annual report.

Other Matters

- Be responsible for co-ordination of the internal and external auditors.
- Oversee any investigation of activities which are within its terms of reference.
- 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.

ATTENDANCE RECORD OF AUDIT COMMITTEE MEETINGS

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

NAME	ANNUAL	1ST QTR	HALF YEARLY	3RD QTR
	08-SEP-14	28-OCT-14	23-FEB-15	22-APR-15
MR. SALEEM ZAMINDAR	-	-	✔	✔
MR. MUHAMMAD ALI TABBA	✔	✔	LOA	✔
MR. JAWED YUNUS TABBA	LOA	✔	✔	✔
MS. RAHILA ALEEM	✔	LOA	✔	✔
MR. MOIN MOHAMMED FUDDA	✔	RESIGNED	-	-

HUMAN RESOURCE COMMITTEE

Terms of Reference

- To review and advise on the Human Resource policies of the Company and its revision from time to time as and when necessary.
- 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.
- 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 of companies are determined through independent sources and compared with Company's existing pay scale.
- To review and advice on the training, development and succession planning for the senior management of the Company.
- To devise a mechanism for the approval of HR related policies of the Company.
- 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.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee comprises of four non-executive directors, and the Chairman of the Committee is an independent director.

The Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended June 30, 2015 and reports that:

- Four meetings of the Audit Committee were held during the year 2014-15
- The Audit Committee reviewed quarterly, half yearly and annual financial statements of the Company and recommended the approval for Board of Directors
- The Chief Executive Officer (CEO) attended Audit Committee meetings by invitation whereas the Chief Financial Officer (CFO) and the Chief Internal Auditor (CIA) also attended the Audit Committee meetings
- The CIA has direct access to the Chairman of the Audit Committee and its members
- The CIA reports functionally to the Audit Committee and carries out the audits of different functions based on the Annual Audit Plan
- The Audit Committee reviewed the internal audit reports presented by CIA which encompasses Audit findings, process improvement avenues and control weaknesses. A rating system is used on the basis of likelihood and impact and as a result, high to low risk rating is assigned. The high risk findings along with action items were agreed with the management
- The Company's Code of Conduct has been disseminated across the organization. Appropriate accounting policies have been consistently applied. All core and other applicable International Financial Reporting Standards were followed in preparation of financial statements of the Company on a going concern basis for the financial year ended June 30, 2015, which represent fairly the state of affairs, results of operations, cash flows and changes in equity of the Company
- The CEO and the CFO have endorsed the financial statements of the Company. They acknowledge their responsibility for true and fair presentation of Company's financial statements in compliance with regulations and applicable accounting standards
- Accounting estimates are based on reasonable and prudent judgement. Proper and adequate accounting records have been maintained by the Company in accordance with Companies Ordinance, 1984 and the external reporting is consistent with management processes and adequate for shareholder needs
- The Audit Committee has reviewed the related party transactions and recommend for the approval of the BOD
- The Company's system of internal controls is designed to manage and minimize the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss

CALENDAR OF CORPORATE EVENTS

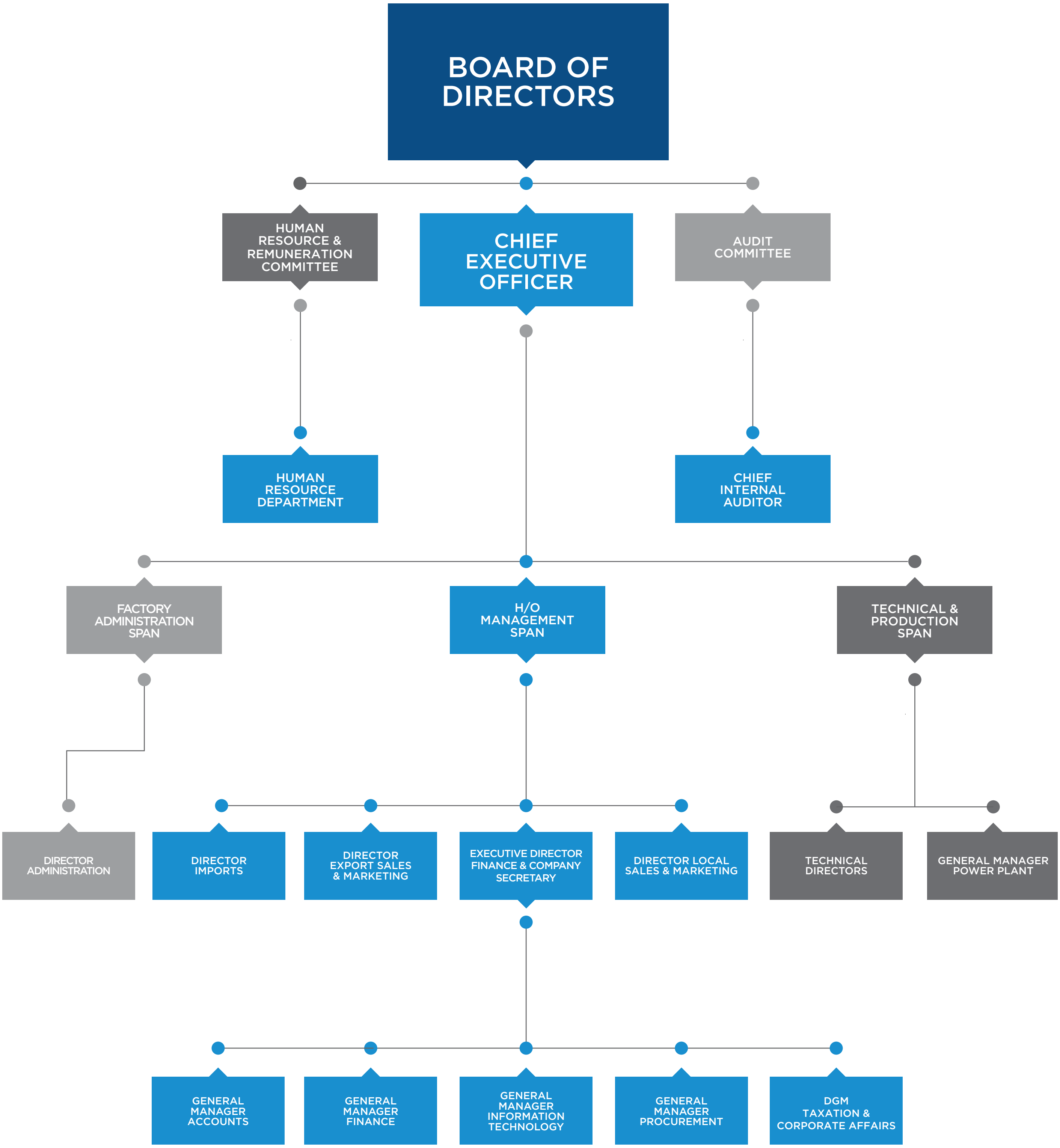
NOTABLE EVENTS FOR THE FINANCIAL YEAR

BOD Meeting for first quarter ended September 30, 2014	October 28, 2014
Annual General Meeting	October 29, 2014
BOD approved the Scheme of Arrangement for intended merger of FTML with and into the Company	December 15, 2014
The scheme of arrangement as approved by the Board duly approved by shareholders of the Company in EOGM	February 18, 2015
Meeting of secured creditors of the Company held for approval and adoption of Scheme of Arrangement for intended merger of textile business of FTML with and into the Company	February 20, 2015
BOD Meeting for second quarter ended December 31, 2014	February 23, 2015
BOD Meeting for third quarter ended March 31, 2015	April 22, 2015
Order by Honorable High Court of Sindh regarding approval of GTML and FTML Merger	June 04, 2015
ACCA Approved Employer Award Ceremony	June 05, 2015
BOD held for Issuance of Shares to FTML shareholders	August 19, 2015
BOD Meeting for fourth quarter and year ended June 30, 2015	September 30, 2015

TENTATIVE DATES FOR NEXT FINANCIAL YEAR

2015 Annual General Meeting	October 29, 2015
BOD Meeting for first quarter ending September 30, 2015	October 22, 2015
BOD Meeting for second quarter ending December 31, 2015	February 11, 2016
Election of Directors	March 17, 2016
BOD Meeting for third quarter ending March 31, 2016	April 14, 2016
BOD Meeting for fourth quarter and year ending June 30, 2016	September 23, 2016

ORGANIZATIONAL CHART



SENIOR MANAGEMENT

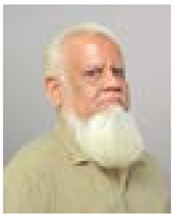
HEAD OFFICE

MR. MUHAMMAD SOHAIL TABBA
CEO

MR. ABDUL SATTAR ABDULLAH
EXECUTIVE DIRECTOR FINANCE & C.S.

MR. IMROZ IQBAL
DIRECTOR EXPORT SALES & MARKETING

MR. SALAM CHOTTANI
DIRECTOR LOCAL SALES & MARKETING



MR. TASNEEM AHMED
DIRECTOR IMPORTS

MR. HAJI MUHAMMAD MUNDIA
CHIEF INTERNAL AUDITOR

GADOON AMAZAI PLANT

MR. VIQAR AHMED KHAN
DIRECTOR ADMINISTRATION

MR. IFTIKHAR AHMED
DIRECTOR TECHNICAL

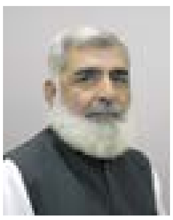
MR. SHAFQAT MUMTAZ AHMED
DIRECTOR TECHNICAL

MR. MOHAMMAD NADEEM RIAZ
DIRECTOR TECHNICAL

MR. ASAD ANSARI
GM POWER PLANT

KARACHI PLANT

MR. TAHIR SALEEM
EXECUTIVE DIRECTOR (TECHNICAL)



MR. AKHTAR KAMDAR
RESIDENT DIRECTOR

The playing FIELDS

Farmers formulate seedbeds by ploughing up rows of land. They place the seeds in the ground and cover them with well-packed soil. The cotton fields take an average of 120 to 140 days for the first blossoms to appear.

CEO'S MESSAGE

Alhamdulillah,

this year marks the twenty-seventh year of successful operations of GTML. The journey was by no means easy; owing to the constant changes in the business environment and the dynamics of the industry. Yet it was made possible by the unfailing commitment from our management who have enabled the Company to achieve milestones since the start of its operations; thus standing proud as one of the largest spinning mills in the country.

This year holds a significant milestone in our journey towards excellence. It is with immense pleasure and gratitude that I inform you that the Honorable High Court of Sindh has approved the proposed merger of Fazal Textile Mills Limited (FTML) with and into your Company and as I write this message, I take pride in informing you that by virtue of this merger, GTML has further solidified its position as one of the largest spinning mills in Pakistan. Moreover, the said merger also enabled your Company to post the highest revenues during the twenty-seven fruitful years of its operations. This was made possible due to the trust shown by valued customers in our brand, along with new markets that your Company is always exploring to capitalize.

The profitability of your Company did fall this year; mainly due to the increase in conversion costs and other uncontrollable external factors. Although the impacts of these changes are expected to stay at least until the end of this calendar year, your Company has already implemented counter measures to minimize its impact.

We are staying firm on our commitment of investing back in the society and community we operate in; this is evident from the CSR activities that we conducted this year too as a socially responsible entity. We are constantly exploring ways to minimize our waste and are taking all necessary steps to reduce its impact on the environment.

We strongly believe in continuous improvement and this is well reflected in the measures taken by the Company to align itself with the ever-changing dynamics of the industry.

In the end, I would like to thank all our stakeholders who have stayed alongside us throughout our journey till date, and hope that the bond we share continue to grow further for years to come.

Muhammad Sohail Tabba

DIRECTORS' REPORT

Dear Members

The Directors of your Company take great pleasure in presenting before you the performance review together with the audit report and the financial statements of the Company for the year ended June 30, 2015.

OVERVIEW

The year under review was of immense significance, as with effect from the close of business on September 30, 2014, Fazal Textile Mills Limited – Textile undertaking (FTML) has been merged with and into your Company. This strategic decision once again depicts the commitment of your Company to look for ways to provide maximum returns to its valued stakeholders. This merger has further strengthened your Company, and the management is humbled by the constant and unwavering support that it has received from all its stakeholders during the process.

At the beginning of the period under review, a number of external factors including weaker Chinese currency, availability of subsidized Indian yarn in the market, increase in conversion costs (mainly power and fuel) adversely affected the financial performance of your Company. Keeping in mind all such uncontrollable factors, efficient strategies were adopted and effectively implemented by the management in order to minimize negative impact of the current scenario.

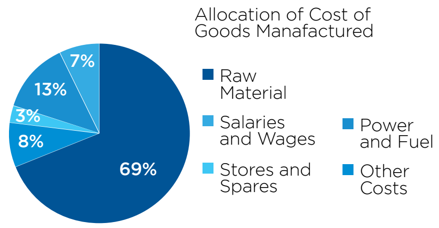
These financial results include financial position of your Company for the full year along with nine months post-merger performance of FTML.

FINANCIAL RESULTS

A comparison of the key financial results of the Company for the year ended June, 30, 2015 is as under:

	Year Ended June 30, 2015	Year Ended June 30, 2014	Favorable / (Unfavorable)
	(Rupees in '000)		%
Export	10,224,515	9,018,254	13.38
Local	12,778,932	11,047,830	15.67
Sales (net)	23,003,447	20,066,084	14.64
Gross Profit	1,129,822	1,932,166	(41.53)
Finance Cost	791,481	739,638	(7.01)
(Loss)/Profit before Tax	(90,281)	739,149	(112.21)
(Loss)/Profit after Tax	(392,334)	580,799	(167.55)
Earnings Per Share (Rupees)	(14.59)	24.78	(159)

The merger with FTML, combined with the strong business relationships that we maintain with our customers enabled us to achieve the highest ever combined sales turnover of Rs. 23 billion, which is in total 14.64% higher than the same period last year (2014: Rs. 20 billion). The management expects to reap maximum benefits from this merger in the long run in the form of economies of scale, utilization of management expertise and ultimately maximize the value of its shareholders.



Raw material cost which accounts for major portion of the cost of goods manufactured, has been the key player in scaling down profitability this year. Though the price of raw material has gone down during the period, in this respect GTML had to rationalize the higher cost of inventory in hand and therefore has written down its inventory to its net realizable value (NRV) and charged Rs. 317.58 million against profitability this year.

	Rupees in Million
Raw Material	14,982
Salaries and Wages	1,788
Stores and Spares	592
Power and Fuel	2,943
Other Cost	1,569

Inspite positive contribution by reduction in oil prices, the other uncontrollable factors as disclosed above, have turned the bottom line in negative.

CASH FLOW STRATEGY

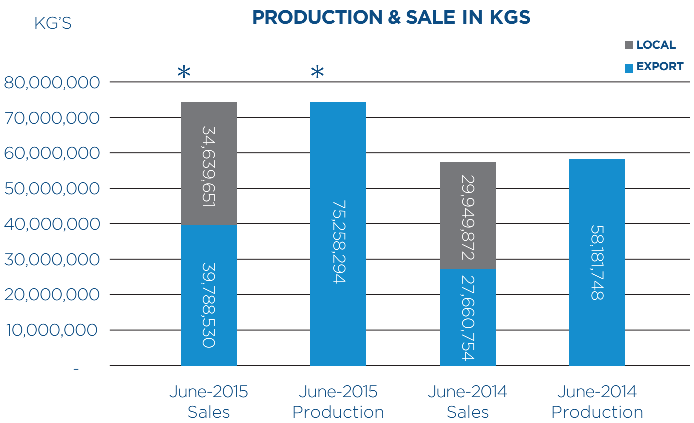
Your Company has an effective cash flow strategy in place. This comprehensive strategy has always enabled your Company in smooth settlement of its financial commitments and cater any and every challenge that has come its way. Moreover, there is no short-term or long-term financial stress on the business.

In compliance of the above, the management has put continuous efforts to rationalize borrowing cost and enjoy maximum benefits of declining local and foreign currency borrowing rates. This is done by managing a balanced portfolio of sources of funds and efficient financing arrangements.

As a result of the efforts made and the capital expenditure limited toward strategic avenues to augment economic efficiencies, borrowing cost has been restricted to Rs. 792 million for the merged entity against Rs. 740 million for GTML last year.

OPERATIONAL PERFORMANCE

The production and sales statistics for the year ended June 30, 2015 with its comparison of last year is presented below.



* These include post-merger production and sales quantity related to FTML of 21,633,920 KGs and 20,411,473 KGs respectively.

ROLE OF CHAIRMAN AND CEO

Primarily, Chairman is responsible for leadership of the Board and to ensure that the Board plays an effective role in fulfilling all its responsibilities. Whereas, Chief Executive is an executive director and is responsible to act as the head of the Company.

The Roles and Responsibilities of the Chairman Include:

- providing overall leadership to the Board
- liaising and coordinating with sub-committee chairs
- identifying and participating in selecting Board members and overseeing a formal succession plan for the Board, CEO, CFO and key senior management
- managing conflicts of interest
- ensuring that good relations are maintained with the Company's major shareholders and its strategic stakeholders and presiding over shareholders' meetings
- building and maintaining stakeholders' trust and confidence in the Company

The Roles and Responsibilities of the CEO Include:

- serving as Chief representative of the Company
- running the business and implementing the policies and strategies approved by the Board
- consistently striving to achieve the Company's financial and operating goals and objectives
- ensuring that comprehensive and appropriate internal control mechanisms are recommended to and adopted by the Board to mitigate key risks
- ensuring that the Company complies with all relevant laws and corporate governance principles
- setting the ethical tone in providing ethical leadership and creating an ethical environment

CEO PERFORMANCE EVALUATION

It has been the regular practice of the board members to evaluate the performance of the CE and their recommendations are put forward to the Chairman.

The performance of the CE is evaluated on the following attributes:

- Leadership
- Vision
- Goal Setting
- Team Building
- Community Investment
- Overall Compliance and Effective Governance

Expansion and modernization in technology, increased sales, stronger human capital base, efforts for sustaining financial performance and the merger have been the cornerstones of success of the CE this year.

DIRECTOR'S TRAINING

During this year one more Director has met the training requirement of the Code and participated in the Corporate Governance Leadership Skills Program directed by the Pakistan Institute of Corporate Governance (PICG). The other Directors are either exempted from the training in lieu of their experience or are in the subsequent round of training session.

PERFORMANCE EVALUATION OF DIRECTORS ON THE BOARD

The Board of Directors including an independent Director, comprises of highly professional people having comprehensive business understanding and strategic thinking. The performance of the Board is evaluated based on the best business practices in line with the Code of Corporate Governance.

The Board has implemented an organized process to assess its performance through circulation of series of assessment questions to each Board members. The response of all Board of Directors are then brought together for detailed discussion amongst the members for further credible, trustworthy and active participation of all member for better assessments of its performance, responsibilities, leadership, strategic directions, fulfilment of annual goals and guidance to the management for compliance of policies, ethics and standards of the organization.

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 the Security & Exchange Commission of Pakistan. We are taking all 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. The system of internal controls is sound in design and is being effectively implemented and reviewed by internal audit function.

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure thereof has been adequately disclosed.

e) There is no significant doubt about the Company's ability to continue as a going concern.

f) There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

g) We have an Audit Committee the members of which are from the Board of Directors.

h) We have prepared and circulated a Statement of Ethics and Business Strategy amongst directors and employees.

i) The Board has adopted a Mission Statement and a Statement of Overall Corporate Strategy.

j) 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. Deloitte Yousuf Adil, Chartered Accountants have completed the annual audit for the year ended June 30, 2015 and issued an audit report. The auditors will retire on conclusion of the Annual General Meeting of the Company and being eligible; have offered 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, 2016.

ACKNOWLEDGEMENTS

The Directors record their appreciation of the performance of the Company's workers, staff and executives.

For and on behalf of the Board

Karachi: September 30, 2015.

Chief Executive/Director

Muhammad Sohail Tabba
Chief Executive Officer

CE REVIEW

ECONOMIC OUTLOOK

Fiscal year 2014-15 witnessed some major events, such as reduced inflation and interest rates, political and economic stability, increase in employment along with a national consensus on eradicating the menace of terrorism once and for all from the country to name a few.

At the same time, our economy has suffered heavily due to natural calamities such as the recent floods in some parts of Pakistan, along with severe energy outages and cross border instability. The imposition of GIDC, innovative taxes, increased conversion costs and unstable US Dollar (USD) to Rupee rate among others are making it difficult for the local manufacturers to remain competitive in both local as well as international markets.

According to Asian Development Bank (ADB), the year under review witnessed higher volumes of nationwide activity in the form of construction, manufacturing and services and resulted in an increase in the GDP by almost 11 % to 4.1% (2014: 3.7%). At the same time, however, the country witnessed a decline in agricultural growth by 2.1%.

Standard & Poor's, in their recent research revised Pakistan's average real GDP growth projection for 2015-17 to 4.6%, as compared to their previous forecast of 3.8%. They attribute this change to the recent increase in foreign exchange reserves combined with lower oil prices and improved investor confidence.

Moreover, the recent signing of the Economic Corridor agreement between China and Pakistan can serve as a game changer for our nation for it would enable our country to become the new trade hub for Central Asian countries. Also, projects like Pakistan-Iran pipeline, development of Gwadar port etc. will augment the development of the national economy and would play a positive role in increasing the growth rate of the country in future.

MARKET REVIEW

It is true that the textile industry in general did not perform as per expectations including the spinning sector, however, certain sectors within the industry performed exceedingly well. Cotton Ginning, for example, has witnessed a significant growth of 7.38% against the declining growth of -1.33% last year, owing to an increased access to European Markets along with an increase in textile production for which cotton fibers serve as the main component.

On a global scale, Pakistan's share in textiles and clothing trade remained unchanged owing to the changes in the distribution chain, along with the creation of an uneven playing field by the importing countries by virtue of providing preferential trade agreements and special access to different competing countries.

On the domestic side, cotton production has remained stagnant at about 13 million bales per annum and the resistance to grading and standardization of cotton bales by ginners and spinners alike has consistently lowered the value of Pakistani cotton by around 10 cents per pound in the international market.

Although there have been concerns on the long-term applicability of Government policies, industry has welcomed 'Textile Policy 2014-2019' introduced by the newly setup ministry of textile industry. The proposed policy hopes to achieve substantial targets over the next five years, chiefly:

- Double the value addition to $ 2 billion per million bales;
- Double textile exports to $ 26 billion per annum;
- Facilitate additional investment of $5 billion in machinery and technology;
- Facilitate creation of 3 million new jobs.
- The Finance Division will provide Rs. 40.6 billion over the five years for duty drawback, technology up-gradation and brand development etc.,
- Rs. 23.5 billion will be provided for skill development, dedicated textile exhibitions, establishment of world textile centre, weaving city, incubators, apparel house, and mega textile awards.

In order to ensure that the above mentioned goals/targets are met, the Government has further developed a comprehensive budgetary support program which provides assistance in all major areas.

FINANCIAL AND OPERATIONAL PERFORMANCE

In the light of present market conditions, your Company has remained consistent with its financial and operating performance. As a strategic step towards rationalization, we are pleased to announce that after due approval, Fazal Textile Mills Limited (FTML) has been merged with and into Gadoon Textile Mills Limited (GTML) with effect from October 1, 2014.

Cost synergies in terms of economies of scale, increased purchasing power and reduced overheads followed by revenue synergies from increased product portfolio, customer base and sharing of distribution channels are expected from the merger in coming years.

COMPETITIVE EDGES

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

Market Leadership

GTML is well known as a trend setter in the industry it operates in. Besides one of the largest spinning mills in Pakistan, we are also amongst the first ever spinners in the world to establish Core Spun Compact Yarn.

GTML also enjoys the privilege of being the first ever compact spinner in Pakistan and is highly regarded 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 200/1Compact.

Economies of Scale

Being the market leader enables GTML to enjoy greater economies of scale over its competitors. The highly competent management regularly monitors and reviews the production processes and constantly looks for ways to increase efficiency and further reduce costs.

Another important factor that aids in this regard is the uninterrupted supply of electricity. GTML has its own captive power plant, which fulfills the energy requirements of the Company and helps to ensure timely production and order delivery to our valued clients.

Energy efficiency

Energy efficiency not only helps in lowering the production costs, but also paves way towards achieving a sustainable future. GTML has taken several different initiatives to play an active role in saving energy. We have successfully acquired state-of-the-art Waste Heat Recovery Plant and initial test run has begun at our production facilities. This would enable the Company to substantially reduce its costs and also ensure a greener environment by substantially reducing carbon dioxide emissions. The Company strives to ensure that maximum daylight is utilized where it is feasible and workable.

Modernization

In the rapidly evolving environment, GTML has been keen to stay updated in terms of modern technology and processes. The Company has established a phase wise strategy to replace old and outdated machinery to better serve to our customers in terms of quality and ancillary services.

Established Clientele

GTML is well known in the industry for its superb quality yarn and thus remains the first choice for customers at home as well as abroad. This reputation is a result of decades of quality manufacturing as well as the desire to provide maximum customer satisfaction to our valued clients. GTML has strong working relationships with all its customers and we show our respect to the trust they put in the Company by ensuring that they are served in the most effective manner.

INDICATIVE PROSPECTS OF THE ENTITY

Indicators are categorized into financial and non-financial measures. Financial indicators are set on Revenue and Profitability, PE Ratio, Gearing (Debt/Equity) and Liquidity; while non-financial indicators include Market Share, Productivity, Sustainable Growth, Human Capital, Consumer Preference, Innovation, Expansion and Diversification.

Targets	Measures
Cost Reduction	Procurement of modernized and efficient machineries as part of BMR to reduce labour cost and overheads.
Profitability	Procuring quality raw material in a timely and cost effective manner to achieve targeted profit.
Cash Flows	Efficient Management of Working Capital.
Expansion	Merger with FTML.
Employee Development	Regular training of employees.
Diversification	Investment in the shares of ICI Pakistan Investment in Wind Power Project of YEL.

We have achieved almost all the targets that we had set at the beginning of the financial year and achieving these targets was imperative in order to maintain our competitive edge in the market. Factors beyond managements control as stated earlier in the Directors report were the causes that erode the profitablity. However, we are confident that the recent merger of FTML with and into GTML would further enable the Company to successfully achieve the targets stated above.

Critical Performance Indicators	
Market Leader	Our diverse product range enables us to respond to every viable enquiry, and helps us in maintaining a strong position in the market.
Financial Performance	We strive to operate in the most efficient and effective manner in order to minimize our costs, achieve operational efficiencies, and to provide maximum return to our stakeholders.
Sustain Customer Satisfaction	To continue to maintain the strong business relationships the Company has been maintaining since the past many years.
Investment in New Projects	Investing in expansion and diversification that enable GTML to meet its target ROI's, and secure high returns for the company and ultimately our shareholders.

CAPITAL STRUCTURE

GTML continues to enjoy the great confidence that its valued stakeholders put in the entity, and one of the main reasons in this regard is the strong capital base that the Company has been able to maintain since the past decades. The capital structure of your Company is mainly supported by equity finance. We do not have any long term outstanding loan.

SIGNIFICANT CHANGES IN THE FINANCIAL POSITION

During the year under review, the financial position of GTML did bear the brunt of the uncontrollable external factors prevalent in the economy. Furthermore, current ratio declined by 16% to 0.82. At the same time, quick ratio of the Company improved to 0.41%. Besides, there were no significant changes in the liquidity position of the entity.

CONTRIBUTION TO THE NATIONAL EXCHEQUER AND ECONOMY

As always, GTML continued to actively contribute to economic prosperity in Pakistan by providing direct employment to 4,786 permanent and contractual employees, along with compensation and benefits of Rs. 1.9 billion.

The Company also contributed an amount of Rs. 436 million (2014: Rs. 420.5 million) into the Government Treasury on account of all kinds of taxes, excise duty and sales tax. Furthermore, significant foreign exchange through export sales realized to the tune of more than US $ 90 million was also brought to the reserves of the Central Bank of the country during the period.

During the year under review, GTML sold goods worth Rs. 21.9 billion (75.3 million Kgs) of cotton and man-made yarn by buying local and imported raw materials worth Rs. 13.3 Billion.

Your Company has also contributed in the economy through payments to providers of funds to the tune of 903 million, and Rs. 113 million in the shape of shareholders' returns through cash dividends.

WHISTLE BLOWING INCIDENTS REPORTED DURING THE YEAR

GTML is a quality conscious Company and therefore we employ best of our abilities in developing practices that are open, transparent and in the best interest of the Company. This includes and encourages all stakeholders; including employees, senior management, customers, suppliers, contractors etc. to put forward their concerns in the most discreet manner.

Procedure

Employees in particular, are required to report any wrongdoings to their immediate supervisor. However, where the matter is of strategic significance, the level may be raised to senior management. Other stakeholders may directly approach Company secretary and voice their concerns.

Incidents reported during the year

No material incidents regarding operations of the entity or otherwise were reported to the Audit committee during the year.

CODE OF CONDUCT

STATEMENT OF INTENT

GTML 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. GTML'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 its 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 operations 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.

BUSINESS ETHICS AND ANTI-CORRUPTION

The management of GTML has always laid great emphasis on ensuring that even the day to day operations of the Company are conducted in the most transparent manner. In this regard, the management maintains a zero-tolerance policy towards unethical business practices and highly discourages corruption in every form. The entire GTML staff is liable to comply to the Company's Code of Corporate Governance/Code of Conduct, and anyone found guilty will be liable to disciplinary action. The Audit committee of the Board met at regular intervals during the year to review the adequacy and effectiveness of the internal controls, including those relating to the strengthening of the Company's risk management policies and systems.

There have been no significant incidents of corruption during the year ended June 30, 2015.

POLICY AND PROCEDURE FOR STAKEHOLDER ENGAGEMENT

Activity	Activity Details	Frequency
Annual General Meeting	The AGM of the Company is convened in accordance with the Companies' Ordinance, 1984. AGM acts as a convenient platform for our stakeholders to voice their opinions and raise their concerns, which are duly satisfied by providing comprehensive justifications for clearing out any ambiguities.	Annual
Financial Reporting	GTML being a listed Company publishes its periodic financial statements (annually, half-yearly and quarterly) at the stock exchange and makes it available as well at the Company's website so as to communicate the Company's financial results to the stakeholders and potential investors.	Periodic (Annually, Half-yearly and Quarterly)
Stock Exchange Notifications	The management of the Company has a clear Policy of sharing any information which may affect the confidence of its stakeholders in any manner. The Company communicates all material information in a timely manner to the Stock Exchanges of Karachi and Islamabad. These include: • BOD Meeting • Financial Results • Material information. • Information.	As and when required

Regulators
Our Corporate Affairs department ensures that all compliance requirements, for example circulation of material information to the Stock Exchanges, submission of financial statements etc. are met in a timely manner.

Banks and other lenders
GTML strongly believes in maintaining strong business relationships with all its stakeholders. We consider our providers of funds to be our partners in success and ensure that they are frequently engaged with the Company and taken into confidence as and when required.

Company's Website
We have updated our website as per the regulatory requirements of the SECP during the year. The website layout is more interactive and has a user-friendly interface. The website allows access to our Company's corporate details, financial reports, certifications etc. The website may be accessed at www.gadoontextile.com

REVIEW OF BUSINESS CONTINUITY PLANNING (BCP)
Owing to the size and volume of our growth that we have achieved since the beginning of our operations, the importance of a comprehensive crisis management framework cannot be further emphasized. Your Company is well aware of the diversity and magnitude of risks that form as a result of our continuous business expansion.

To address these risks, the Company continues to engage in business continuity planning on a frequent basis. BCP refers to an action plan formulated in advance with the aim of preventing breakdown of important company operations or restoring and restarting them in as least time as possible if they are interrupted by the occurrence of an unexpected event such as a natural disaster or any untoward incident.

Your Company has formulated BCP's along with detailed standard operating procedures (SOPs) with regards to backing up of important assets of the company including virtual and physical data – for natural calamities and other possible external incidents.

In the wake of such uncalled-for events, the Company is fully equipped to initiate their BCP response protocols to ensure the continuity of important operations with minimum time lapse.

The Board regularly evaluates the BCP response protocols and is satisfied with the existing SOP's in place.

HUMAN RESOURCE EXCELLENCE
Every successful organization has some cornerstones responsible for its success. We consider our employees to be our most prized assets; for they are the key reason behind every milestone this Company has achieved so far. It is their passion for taking this Company to new heights, that helps us challenge ourselves to achieve the impossible and break our own benchmarks that we set in the industry. The excellent relation that we maintain with our employees is evident in our staff turnover ratio which is negligible.

The Company's recruitment decisions are based on a selection process that identifies the best qualified individual for the position to be filled. We follow a merit based recruitment policy and our 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 where ever possible; however, in the absence of availability of a suitable candidate from within the Company, the management will resort to recruitment through head hunters, press advertisements or via Company's databank. The selection and placement process will be based on the qualification and experience relevant to the position under focus.

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 effort.

RETIREMENT BENEFIT PLANS

The Company has laid its emphasis on retirement benefit plans in order to secure employee's life after retirement. The Company currently manages an unfunded gratuity scheme and a policy to compensate for leave absences.

Present value of defined benefit obligation as on June 30, 2015 stood at Rs. 348 million representing an increase of Rs. 153 million in terms of finance cost and current service cost.

Details of the gratuity scheme have been disclosed in note 17.1.1 of the financial statements.

IT GOVERNANCE

In today's highly competitive and dynamic environment, it is imperative that companies align themselves with the advancements of modern time. These advancements not only help in precise dissemination and presentation of information, but in particular saves time and cost for the business.

In this regard, we at GTML have consistently monitored and developed our IT framework and ensured that the systems we have implemented so far, effectively help in storing, safeguarding, retrieving and sharing of information. We have a team of talented individuals, who have been working tirelessly to make sure that the methods adopted and implemented by the Company are in line with the industry practices.

The Company maintains detailed, up-to-date inventory records for all computer hardware, software, and data.

Merger of Systems

This year, the merger with FTML was not only a challenge to combine two entities within the legal parameters, but also to enable the technological systems to compliment each other. Our team of IT experts dedicated their skills and efforts to consolidate receivables, payables and general ledger accounting systems in the most efficient manner.

Moreover, inventory and supply chain management systems of two entities were linked and organized as they were one, since ever. Further, a one-click solution is now available in which supply management system is directly linked to treasury operations, which reduces slack between operating procedures and allow treasury management in the most effective manner.

The IT department with the coordination of Power Plant management initiated a 'Plant Maintenance and Management System' project over the past years. The first phase of the project has been successfully completed.

As part of Disaster Recovery (DR) protocols, the Company has successfully completed the process of utilizing Karachi Project as a DR site. This has added another layer to our data protection, and has enabled the Company to retrieve data at the earliest in case of any unforeseen event.

Planned Projects

Working on the second phase of the Plant Maintenance and Management System project for the Power Plant has already begun. Upon successful implementation of this phase, the system would aid the management in better decision making as it would predict future trends and forecasts based on historical data.

The Company is also reviewing possibilities to adopt System Based Approvals Workflow to increase efficiency.

Training

We realize that it is important to both train and create awareness among employees regarding the use of technological advancements implemented by the management. In order to ensure smooth transition to new systems, we involve the respective department heads in the transition process and conduct in-house training sessions.

CORPORATE SOCIAL RESPONSIBILITY

The incorporation of GTML is in itself an example of contribution towards the betterment of the society. 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. A courageous step was taken by the Group when they took the initiative to setup a company with the objective of providing employment to the locals of the district and discouraging the practices they were previously involved in. Thus, not limited to a profit-making venture, GTML has a socially motivated reason as its essence.

Efforts to mitigate adverse risk of industrial effluents

The Company has formulated a 'clean environment; healthy life' organization wide strategy under which we design and implement operating procedures that ensure disposal of waste materials and chemicals in the most eco-friendly and efficient manner. For this, we provide training and conduct awareness sessions on a regular basis.

Tree-A-Thon 2014

This year, GTML in collaboration with WWF Pakistan, has initiated a "Tree-A-Thon" campaign; flowering and tree plantation is being done on an extensive scale at Jinnah International Airport, to both beautify our national asset as well as to create awareness regarding the importance of corporate entities' role in creating a sustainable environment.

Paper-Waste Disposal via 'GulBahao':

Over the past few years, GTML has been focusing on reducing unnecessary use of paper in the company. Emphasis is being laid on minimizing the use of paper by making use of technology wherever possible. As part of this initiative, this year the Company collected and donated tonnes of paper to GulBahao, a renowned non-profit organization that has been actively working since the past 15 years on industrial and municipal waste to create a sustainable environment. This paper was utilized for various projects such as mobile toilets, wastic blocks and Chandi Ghar for flood affected victims.

Iftar Arrangements

As like the previous many years, this year too, the Company arranged for iftar during the Holy Month of Ramazan. This iftar is open for all and people from the entire locality benefit from it.

Masjid

A Masjid has been built inside the mill premises at both the locations for facilitation of employees and the locals.

Residence

Considering the social and emotional needs of the staff, residence is provided to all employees. The residential blocks are properly managed and the Company takes great care that our workers live in a secure and healthy environment.

Dispensary

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

Other Facilities for Plant Employees

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

QUALITY ASSURANCE

The Company is committed to provide quality finished products to its customers; which is signified by the ever highest sales turnover this year and strong customer retention ratio. Not only this, but we believe that quality management should be in the roots of the Company, starting from the operational level processes and all the way to strategic level decision making. In order to ensure quality management, an internal function measures performance against quality benchmarks on a regular basis.

CORPORATE AFFILIATIONS

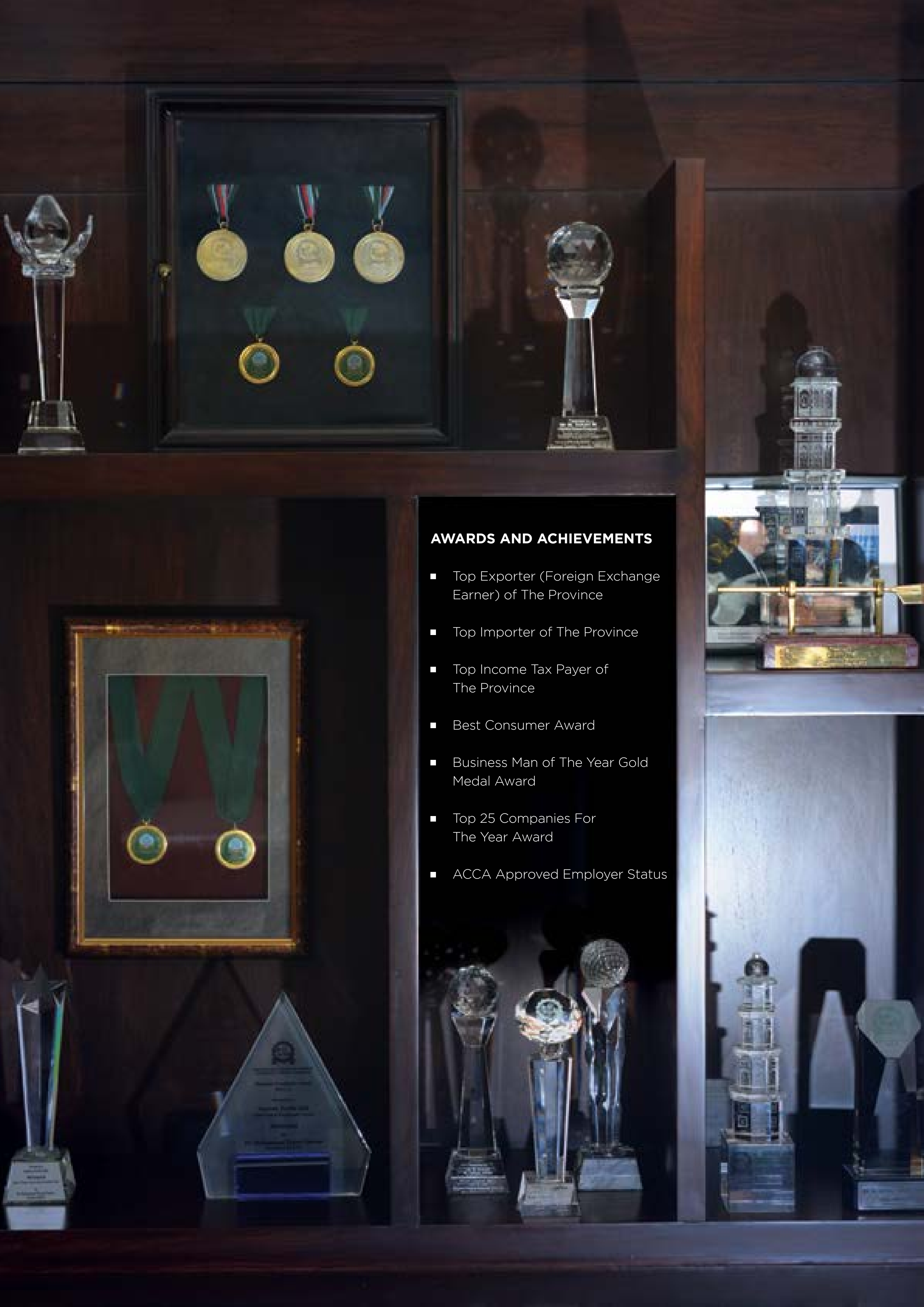
- Gadoon Textile Mills limited is affiliated with OEKO-TEX 100 Standards
- Member of Management Association of Pakistan
- Member of Karachi Chamber of Commerce and Industry
- Member of Sarhad Chamber of Commerce and Industry
- Member of All Pakistan Textile Mills Association Khyber Pakhtunkhwa
- Member of Better Cotton Initiative (BCI)

SAFETY AND SECURITY

At GTML, 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. 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.



AWARDS AND ACHIEVEMENTS

- Top Exporter (Foreign Exchange Earner) of The Province
- Top Importer of The Province
- Top Income Tax Payer of The Province
- Best Consumer Award
- Business Man of The Year Gold Medal Award
- Top 25 Companies For The Year Award
- ACCA Approved Employer Status

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; emphasis now is 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.

EXPANSION, MODERNIZATION AND INVESTMENTS

As part of Company policy, we are constantly investing and exploring options to strategically expand and diversify our operations. During the year, your Company has invested around Rs.439 million in acquiring and installing state of the art machineries as part of BMR and expansions.

In lieu of the ongoing energy crisis and for a sustainable energy mix, the Company has already invested in acquiring new natural gas based generators, the generators have started their operations however the Waste Heat Recovery (WHR) plant is expected to be installed & commence generations by the end of the current calendar year.

ISSUES RAISED IN LAST AGM

The last AGM was held on October 29, 2014 at the Karachi Plant of the Company. During the meeting no significant issues were raised.

SWOT ANALYSIS

- One of the largest spinning mills in Pakistan
- Sound Brand image and equity as a result of consistently maintaining and delivering quality products
- Pioneers in Compact Spinning & Core Spun Yarn
- Strong relationships with local and export customers
- Competent, highly experienced and loyal staff and workforce
- State-of-the-art plant and production facilities
- In-house power generation
- By virtue of merging FTML into the business, GTML has gained access to a wider customer base as well as an enhanced product portfolio

- Highly labor intensive industry
- Major reliance on the spinning sector

- Access to new markets due to GSP plus status from EU
- Addition of ginning and knitting processes by virtue of merger with FTML would lead to growth opportunities in the future
- The recent subsidies and incentives announced by the textile ministry may enable us to become more competitive in the regional markets

- Internal security situation of the country (image and market risk etc.) , along with cross-border instability leads to loss of prospective sales
- Deteriorating economic conditions in the country compounded by increasing debt burden and circular debt
- Imposing of Gas Infrastructure Development Cess along with the continuous increase in energy prices and gas shortages adversely impact the competitiveness of the Company in international markets
- Difficulty in obtaining quality raw material (cotton) due to natural disasters like heavy rain and floods etc.

RISK AND OPPORTUNITY REPORT

Category of Risk	Sub-category of Risk	Plans and Strategy to Mitigate Risk
Strategic Risk	Economic and Political stability of the country	The Company believes in an open and transparent relationship with the Government, regulator and other political stakeholders. As part of the larger industry, Company through its representatives, provide valuable suggestions to the regulator, particularly during the budgetary process. We regularly monitor economic and legal impacts of Government policies and political actions on the Company as well as the textile industry.
Commercial Risk	Increased competition between local and international suppliers of the product	The Company believes that its years of experience, quality, research and development, brand image and customer loyalty are success factors to sustain even in this global economic scenario.
Operational Risk	Safety and security of assets	The Company has formulated and implemented a 'safety and security policy' throughout its manufacturing and administrative facilities. Moreover, all assets are insured through reputable institutions in order to safeguard assets against any unforeseen event of damage, fire, theft etc.
Financial Risk	Adverse changes in interest rates	The Company mainly meets its working capital requirements through short-term financing facilities. In order to mitigate the risk of rising interest rates, management negotiates prevailing market rates and maintains an efficient portfolio of sources of funds. Further, it's held-for-trading investment may also be used to meet working capital requirements.

Potential opportunities

- Pakistan is one of those countries where upper middle class and middle class population forms majority. This factor opens up the opportunity to sell knitted wear and garments to the local mainstream population of the country.

- The ever so competitive local and international market has made it difficult for companies to sustain. This provides our Company the opportunity to acquire smaller players of the market and increase its market share and economic efficiencies.

Key sources of uncertainty

- Adverse impact of policies formed by the regulators

- Natural catastrophes such as heavy rains and floods that could destroy local cotton crop

- Expenses overruns

- Adverse interest rate movements

Materiality Approach

The Company considers matters to be material if, individually or in aggregate, they are considered to significantly affect the decision of users of the financial statements.

Determining materiality is a matter of judgment and may vary from organization to organization. These materiality levels are periodically reviewed and appropriately amended by the management.

SHARE PRICE SENSITIVITY ANALYSIS

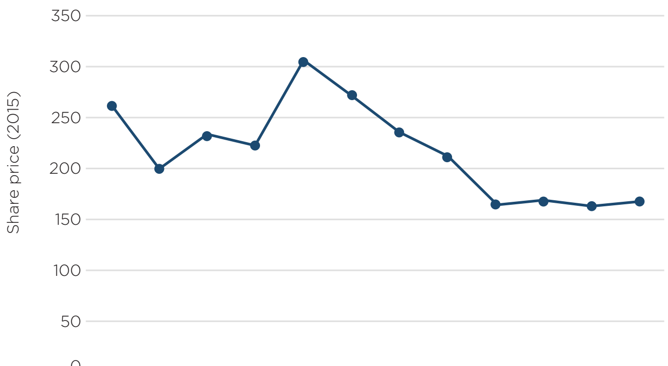
Share price is linked to the financial and operating performance of the business; which in turn is correlated to various other factors on which the management may have no or lesser control.

The Company's share price is sensitive to the following uncontrollable external factors:

Stock Market
GTML is listed on the Karachi Stock Exchange (KSE) which is regarded as one of the most liquid and top performing exchanges in the Country. Moreover, the Company's shares are also listed on the Islamabad Stock Exchange (ISE).

Share price of the Company is largely dependent on the respective stock market's performance, which in turn, is directly correlated with investor's confidence in the economy and in the sector. Negative market sentiment prevalent between investors may affect the market share price.

SHARE PRICE VARIATION



	J	A	S	O	N	D	J	F	M	A	M	J
Share Price	261.22	196.33	230.81	221.19	303.7	270.39	232.79	208.87	162	166.25	161.23	164.76

Taxation
Operating in a specialized segment, GTML is exposed to changing Government policies and the systematic risk prevalent in the economy. Innovative taxes and reversal of exemptions available to the Textile sector would have its effects on financial performance of the business and resultantly may affect the share price.

Law & Order Situation
Unstable law and order situation in the country hinder ordinary business activities and adversely affect financial performance. Events such as transport strikes, labor strikes, political demonstrations and terrorism may become a bottle neck for the business and some times it gets difficult for international buyers to do trade with the companies in a country where law and order situations is not perfect. This may cause reduction in exports sale. and resultantly can affect the share price.

Exchange Rate
GTML is a large sized textile-spinning exporter of the country and nearly generates half of its revenue through exports. Fluctuation in foreign currency exchange rates affect financial performance of the business and resultantly may affect the share price. The Company avails financing and hedging facilities offered by financial institutions in order to mitigate risk of any adverse movements in the prevalent exchange rates.

Interest Rate
The Company regularly utilizes short-term financing facilities in order to meet its working capital requirements. Any change in prevailing local and international borrowing rates may affect financial performance and resultantly share price may be affected.

Availability of Raw Material
The significant portion of textiles company(s) profitability is directly and indirectly linked with the price and availibilty of raw material. The size of the crop during the period and the price prevailing in the market may effect the financial performance of the company and consequently the share price.

FORWARD LOOKING STATEMENT

The current economic scenario and market conditions of the textile-spinning sector are expected to remain same at least till the end of the current calendar year. However, the Company has already taken measures to further reduce the cost where possible and is focusing more towards efficient sales and raw material procurement planning. We expect that the Textile Policy will also support the industry to regain its position in the local as well as international markets.

Muhammad Sohail Tabba

FLOWERS *in bloom*

Interestingly, when cotton flowers bloom, the color will go through an evolution of sorts, from white to yellow, to pink to finally be replaced with a rich red.

SIX YEARS AT A GLANCE

	2015	2014	2013	2012	2011	2010
			(Rupees in '000')			
ASSETS EMPLOYED						
Property, Plant and Equipment	**8,322,228**	5,997,051	5,502,528	4,882,569	4,181,980	2,724,684
Long Term Loans, Deposits & Deferred Costs	**46,788**	31,846	27,958	15,667	12,153	13,007
Long-Term Advances	**-**	-	-	-	-	66,667
Current Assets	**10,496,486**	8,717,727	7,002,605	5,380,582	6,803,765	3,741,676
Long Term Investment	**1,683,343**	1,358,798	1,230,711	-	-	-
Total Assets Employed	**20,548,845**	16,105,422	13,763,802	10,278,818	10,997,898	6,546,034
FINANCED BY						
Shareholders' equity	**6,817,519**	6,499,577	6,184,838	5,208,840	4,794,402	2,802,210
Long Term Loans	**-**	8,905	26,719	44,533	62,347	630,161
Current portion of Long Term Loans	**8,905**	17,814	17,814	17,814	567,814	17,813
	8,905	26,719	44,533	62,347	630,161	647,974
Deferred Liabilities	**996,912**	686,456	502,696	352,253	312,472	285,860
Current Liabilities	**12,734,414**	8,910,484	7,049,549	4,673,192	5,828,677	2,827,803
Current portion of loans & leases	**(8,905)**	(17,814)	(17,814)	(17,814)	(567,814)	(17,813)
	12,725,509	8,892,670	7,031,735	4,655,378	5,260,863	2,809,990
Total Funds Invested	**20,548,845**	16,105,422	13,763,802	10,278,818	10,997,898	6,546,034
TURNOVER AND PROFIT						
Turnover	**23,003,447**	20,066,084	18,673,753	13,570,317	15,638,487	10,028,765
Gross Profit	**1,129,822**	1,932,166	2,246,458	1,151,732	2,810,034	1,584,698
Operating Profit	**532,626**	1,510,041	1,830,783	1,083,299	2,553,671	1,257,170
Profit/(loss) before taxation	**(90,281)**	739,149	1,254,115	654,466	2,169,597	874,687
Profit/(loss) after taxation	**(392,334)**	580,799	1,129,922	648,813	2,156,255	858,191
Cash Dividend	**-**	117,188	292,969	175,781	234,375	164,063
Profit/(loss) carried forward	**4,672,349**	5,162,077	4,847,338	3,871,340	3,456,902	1,464,710
Earnings per share (Rupees)	**(14.59)**	24.78	48.21	27.68	92.00	35.34
Break up value per share (Rupees)	**290.88**	277.32	263.89	222.24	204.56	119.56
CASH FLOW SUMMARY						
Net cash flow from operating activities	**1,503,863**	(578,231)	447,382	1,494,422	259,765	775,959
Net cash flow from investing activities	**(579,273)**	(1,024,527)	(2,346,195)	(957,436)	(1,659,048)	(243,732)
Net cash flow from financing activities	**(130,846)**	(309,184)	(5,352,498)	(800,458)	(180,985)	(258,943)
Net increase / (decrease) in cashflow	**793,744**	(1,911,942)	(2,091,192)	(263,472)	(1,580,268)	273,284
Cash & cash equivalents at beginning of the Year	**(7,264,440)**	(5,352,498)	(3,261,306)	(2,997,834)	(1,417,566)	(1,690,851)
Cash & cash equivalents at the end of the Year	**(9,899,070)**	(7,264,440)	(5,352,498)	(3,261,306)	(2,997,834)	(1,417,567)

ANALYSIS OF FINANCIAL PERFORMANCE

FINANCIAL RATIOS	UoM	2015	2014	2013	2012	2011	2010
Profitabiliy Ratios							
Gross profit to sales	Percentage	**4.91%**	9.63%	12.03%	8.49%	17.97%	15.80%
Net profit after tax to sales	Percentage	**(1.71%)**	2.89%	6.05%	4.78%	13.79%	8.26%
EBITDA to sales	Percentage	**6.43%**	10.15%	11.83%	9.06%	16.48%	14.29%
Operating leverage	Times	**(3.59)**	(1.66)	2.07	4.46	1.77	6.45
Return on equity after tax	Percentage	**(5.75%)**	8.94%	18.27%	12.46%	44.97%	29.55%
Return on capital employed	Percentage	**8.97%**	20.55%	25.14%	16.95%	44.83%	31.34%
Liquidity Ratios							
Current ratio	Times	**0.82**	0.98	0.99	1.15	1.17	1.32
Quick/acid test ratio	Times	**0.40**	0.29	0.35	0.36	0.76	0.48
Cash to current liabilites	Times	**(0.78)**	(0.82)	(0.76)	(0.70)	(0.51)	(0.50)
Cash flow from operations to sales	Times	**0.07**	(0.03)	0.02	0.11	0.02	0.08
Activity/Turnover Ratios							
Inverntory turnover	Times	**4.54**	3.94	4.01	4.09	5.38	3.76
No. of days in inventory	Days	**95**	105	-	-	-	-
Debtors turnover	Times	**10.42**	13.01	18.00	6.70	7.54	12.01
No. of days in receivables	Days	**35**	28	20	54	48	30
Creditors turnover	Times	**14.07**	16.01	14.75	10.36	10.50	7.98
No. of days in payables	Days	**26**	23	25	35	35	46
Operating cycle	Days	**95**	105	87	109	81	82
Total assets turnover	Times	**1.12**	1.25	1.36	1.32	1.42	1.53
Fixed assets turnover	Times	**2.29**	2.72	2.76	2.77	3.73	3.58
Equity mulitiplier	Times	**3.01**	2.48	2.23	1.97	2.29	2.34
Investment Valuation Ratios							
Earnings per share after tax	Rupees	**(14.59)**	24.78	48.42	27.68	92.00	35.34
Price/earning ratio after tax	Times	**-**	10.09	2.56	2.33	0.74	0.99
Dividend yield	Percentage	**-**	2.00%	10.08%	11.61%	14.71%	20.03%
Dividend payout ratio	Percentage	**-**	20.18%	25.82%	27.10%	10.87%	19.81%
Dividend cover ratio	Times	**-**	4.96	3.87	3.69	9.20	5.05
Cash dividend per share	Rupees	**-**	5.00	12.50	7.50	10.00	7.00
Break-up value per share	Rupees	**290.88**	277.32	263.89	222.24	204.56	119.56
Market value per share as June 30th	Rupees	**164.76**	249.95	124.00	64.59	68.00	34.94
Highest during the year	Rupees	**332.18**	332.44	-	-	-	-
Lowest during the year	Rupees	**154.89**	125.00	-	-	-	-
Capital Structure Ratios							
Financial leverage ratio	Times	**0.49**	0.31	0.29	0.30	0.50	0.79
Weighted average cost of debt	Percentage	**8%**	10%	7%	8%	4%	13%
Debt to equity ratio	Percentage	**-**	0.14%	0.43%	0.85%	1.30%	22.49%
Interest coverage ratio	Times	**0.89**	2.00	3.89	3.21	15.68	4.01
Dupont Analysis	Percentage	**10.28%**	8.9%	18.3%	12.5%	45.0%	29.6%

ANALYSIS OF BALANCE SHEET

VERTICAL ANALYSIS	2015	2014	2013	2012	2011	2010
ASSETS						
Non-Current Assets						
Property, plant & equipment	**40.50%**	37.24%	39.98%	47.50%	38.03%	41.62%
Long term advances	**-**	-	-	-	-	1.02%
Long term loans	**0.11%**	0.07%	0.05%	0.08%	0.04%	0.09%
Long term deposits	**0.12%**	0.13%	0.15%	0.07%	0.07%	0.11%
Long term investment	**8.19%**	8.44%	8.94%	-	-	-
	48.92%	45.87%	49.12%	47.65%	38.14%	42.84%
Current Assets						
Store,Spares and losse tools	**2.57%**	2.61%	2.60%	3.83%	2.56%	3.41%
Stock in trade	**23.82%**	35.39%	30.15%	32.08%	19.13%	33.00%
Trade debts	**9.86%**	6.70%	8.52%	8.78%	28.62%	15.25%
Loans & advances	**2.01%**	2.85%	2.15%	2.36%	1.22%	2.29%
Receivable from an associate	**4.81%**	-	-	-	-	-
Short term investments	**0.29%**	0.30%	0.27%	0.25%	0.26%	-
Trade deposit & other short term prepayments	**0.04%**	0.03%	0.06%	0.04%	0.05%	0.02%
Other receivables	**1.82%**	1.35%	1.57%	1.35%	1.98%	0.65%
Tax refund due from government	**3.39%**	2.85%	2.07%	1.18%	0.49%	0.62%
Cash & bank balances	**2.47%**	2.06%	3.49%	2.48%	7.56%	1.92%
	51.08%	54.13%	50.88%	52.35%	61.86%	57.16%
Total assets	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%
EQUITY & LIABILITIES						
Share Capital & Reserves						
Issued, subscribed and paid-up capital	**1.14%**	1.46%	1.70%	2.28%	2.13%	3.58%
Capital reserves	**4.21%**	0.64%	0.75%	1.00%	0.94%	1.58%
Revenue reserves	**27.83%**	38.26%	42.48%	47.39%	40.53%	37.65%
Total equity	**33.18%**	40.36%	44.94%	50.68%	43.59%	42.81%
Non-current liabilites						
Long term financing	**-**	0.06%	0.19%	0.43%	0.57%	9.63%
Defered liabilites	**4.85%**	4.26%	3.65%	3.43%	2.84%	4.37%
	4.85%	4.32%	3.97%	3.86%	3.41%	13.99%
Current liabilites						
Trade & other payables	**9.62%**	7.04%	8.22%	10.64%	11.85%	17.43%
Accured markup	**0.65%**	0.88%	0.50%	0.44%	1.06%	1.02%
Short term borrowings	**50.64%**	47.17%	42.38%	34.21%	34.82%	23.57%
Current portion of long term finacning	**0.04%**	0.11%	0.13%	0.17%	5.16%	0.27%
Provision for taxation	**1.02%**	0.13%	0.00%	0.00%	0.12%	0.90%
	61.97%	55.33%	51.22%	45.46%	53.00%	43.20%
Total equity & liabilites	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%

ANALYSIS OF BALANCE SHEET

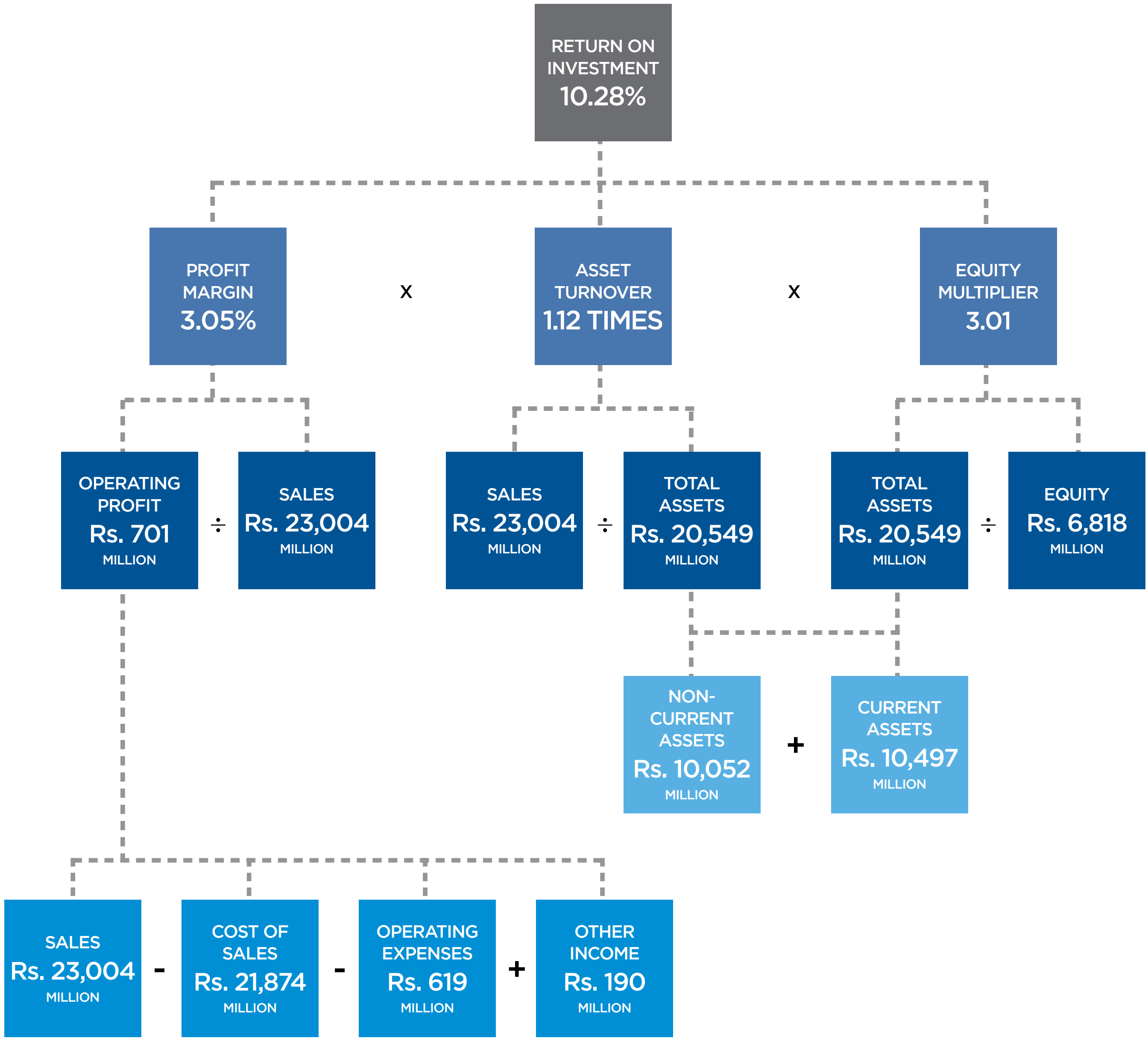
HORIZONTAL ANALYSIS	2015 vs 2014	2014 vs 2013	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009
ASSETS						
Non-Current Assets						
Property, plant & equipment	**38.77%**	8.99%	12.70%	16.75%	53.48%	(1.30%)
Long term advance	**-**	-	-	-	(100.00%)	-
Long term loans	**100.81%**	55.65%	(16.58%)	72.04%	(15.13%)	713.42%
Long term deposits	**18.99%**	-	187.54%	0.11%	0.18%	0.08%
Long term investment	**23.88%**	10.41%	-	-	-	-
	36.07%	9.27%	38.03%	16.79%	49.56%	(1.09%)
Current Assets						
Store,Spares and loose tools	**25.69%**	17.39%	(8.95%)	39.88%	25.99%	44.26%
Stock in trade	**(14.11%)**	37.35%	25.86%	56.68%	(2.57%)	10.70%
Trade debts	**87.84%**	(7.94%)	29.81%	(71.31%)	215.18%	48.79%
Loans & advances	**(9.88%)**	55.26%	21.80%	80.44%	(10.21%)	40.76%
Receivable from an associate	**100%**	-	-	-	-	-
Short term investments	**21.91%**	30.30%	47.91%	(12.12%)	-	-
Trade deposit & other short term prepayments	**96.12%**	(52.12%)	136.28%	(32.59%)	236.38%	(11.77%)
Other receivables	**72.68%**	0.04%	55.82%	(36.16%)	412.81%	(46.26%)
Tax refund due from government	**51.89%**	61.28%	134.23%	127.51%	30.69%	(67.45%)
Cash & bank balances	**52.63%**	(30.89%)	88.17%	(69.29%)	562.20%	5.55%
	20.40%	24.49%	30.15%	-20.92%	81.84%	16.62%
Total assets	**27.59%**	17.01%	33.90%	(6.54%)	68.01%	8.31%
EQUITY & LIABILITIES						
Share Capital & Reserves						
Capital reserves	**739%**	-	-	-	-	-
Revenue reserves	**(7.20%)**	5.38%	20.04%	9.30%	80.83%	50.61%
Total equity	**4.89%**	5.09%	18.74%	8.64%	71.09%	41.95%
Non-current liabilites						
Long term financing	**(100.00%)**	(66.67%)	(40.00%)	(28.57%)	(90.11%)	(29.82%)
Defered liabilites	**45.23%**	36.55%	42.71%	12.73%	9.31%	32.55%
	43.37%	31.35%	33.43%	5.86%	(59.08%)	(17.74%)
Current liabilites						
Trade & other payables	**74.26%**	0.27%	3.36%	(16.02%)	14.18%	16.92%
Accured markup	**(5.84%)**	108.71%	52.28%	(61.48%)	73.85%	(34.75%)
Short term borrowings	**36.98%**	30.24%	65.87%	(8.16%)	148.14%	(14.74%)
Current portion of long term finacning	**(50.01%)**	-	-	(96.86%)	3087.64%	99.99%
Provision for taxation	**938.16%**	-	-	(100.00%)	(78.12%)	-
	42.91%	26.40%	50.85%	(19.82%)	106.12%	(4.34%)
Total equity & liabilites	**27.59%**	17.01%	33.90%	(6.54%)	68.01%	8.31%

ANALYSIS OF PROFIT & LOSS ACCOUNT

VERTICAL ANALYSIS	2015	2014	2013	2012	2011	2010
Turnover	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	95.09%	90.37%	87.97%	91.51%	82.03%	84.20%
Gross profit	4.91%	9.63%	12.03%	8.49%	17.97%	15.80%
Distribution cost	1.61%	1.53%	1.76%	1.82%	1.87%	2.79%
Administrative expense	0.99%	0.57%	0.47%	0.65%	0.43%	0.54%
Operating profit	2.32%	7.53%	9.80%	6.02%	15.67%	12.47%
Finance cost	3.44%	3.69%	2.32%	2.18%	0.95%	2.90%
Other operating charges	0.09%	0.92%	1.16%	0.98%	1.51%	0.92%
Other operating income	(0.83)%	(0.77%)	(0.39%)	(1.97%)	(0.66%)	(0.07%)
Profit before taxation	(0.39)%	3.68%	6.72%	4.82%	13.87%	8.72%
Taxation	1.31%	0.79%	0.67%	0.04%	0.09%	0.46%
Profit for the year	(1.71)%	2.89%	6.05%	4.78%	13.79%	8.26%

HORIZONTAL ANALYSIS	2015 vs 2014	2014 vs 2013	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009
Turnover	14.64%	7.46%	37.61%	(13.22%)	55.94%	40.44%
Cost of sales	20.62%	10.39%	32.28%	3.19%	51.92%	32.27%
Gross profit	(41.53%)	(13.99%)	95.05%	(59.01%)	77.32%	109.37%
Distribution cost	20.63%	(6.52%)	32.88%	15.66%	4.59%	54.69%
Administrative expense	97.03%	31.91%	(0.90%)	(31.48%)	23.29%	3.57%
Operating profit	(64.73%)	(17.52%)	124.21%	(66.67%)	95.97%	(138.91%)
Finance cost	7.01%	70.40%	46.84%	99.99%	(49.13%)	(53.14%)
Other operating charges	(88.22%)	(14.07%)	61.96%	(43.61%)	157.00%	(55.14%)
Other operating income	23.50%	110.68%	(72.57%)	157.41%	1387.09%	53.03%
Profit/loss before taxation	(112.21%)	(41.06%)	91.62%	(69.83%)	148.04%	394.44%
Taxation	90.75%	27.50%	2096.94%	57.63%	(71.31%)	11.97%
Profit/loss for the year	(167.55%)	(48.60%)	74.15%	(69.91%)	160.36%	344.59%

DUPONT ANALYSIS



HISTORY OF DUPONT

DuPont was originally a gunpowder mill founded in July 1802 by Eleuthère Irénée du Pont and today is one of the largest chemical companies in the world. DuPont was a pioneer with respect to management accounting systems, including devising the accounting ratio Return on Investment (ROI).

COMMENTS ON FINANCIAL RESULTS

GTML operates primarily in the spinning sector of the textile industry. However, by virtue of merger with FTML, it has extended its operations to include other channels in the supply chain of the textile industry.

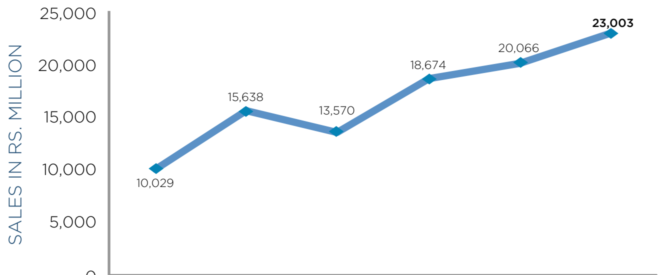
In Pakistan, textile industry is facing tough competition; it is mainly due to availability of subsidized yarn by competitors in the region, rising conversion costs and limited Government initiatives to support exports of the country. GTML being a key market player in the textile industry is also exposed to the said factors and that does reflect in the financial results for the period under review.

COMMENTS ON PROFIT AND LOSS

Sales

Over a pattern of six years, sales results show an inclining trend and by virtue of merger with FTML, the Company has recorded highest sales revenue amounting to nearly Rs. 23 billion this year (2014: Rs. 20 billion). The Company expects this trend to continue further in future years.

SALES GROWTH



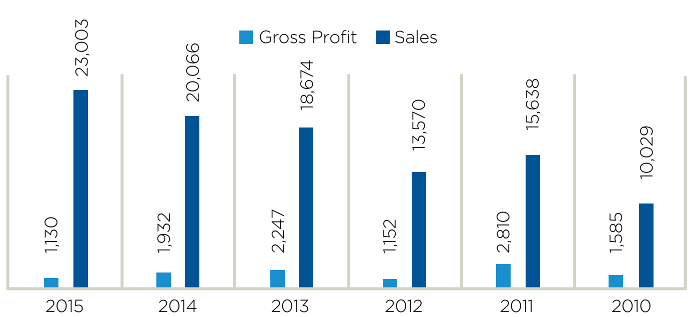
	2010	2011	2012	2013	2014	2015
Sales in (Rs. Million)	10,029	15,638	13,570	18,674	20,066	23,003

Moreover, as the Government recently announced its comprehensive five year plan to boost growth and value addition in the textile sector, the sales of the Company are expected to be in line with the increasing trend.

Gross Profit

Gross profit margin dipped down to 4.91% this year (2014: 9.63%), which is mainly due to lesser demand in both local and international markets. Furthermore, the falling raw material prices have further squeezed the margins and as a result, the Company finds it arduous to generate throughput in excess of its fixed overheads.

GROSS PROFIT TO SALES



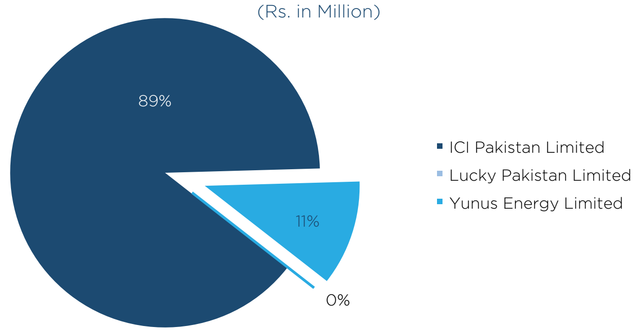
Income from Associates

GTML has always been keen to invest on financially viable strategic avenues in order to support bottom line of its core textile-spinning business. The Company has made strategic equity investments in ICI Pakistan Limited, Lucky Holdings Limited and Yunus Energy Limited. This year, share of profit from associated companies contributed Rs. 165.96 million towards the profitability of the business, compared to Rs. 132.25 million last year.

The above does not include any share from Yunus Energy Limited as the project is still in the construction phase and has not started operations.

INCOME FROM ASSOCIATES

(Rs. in Million)

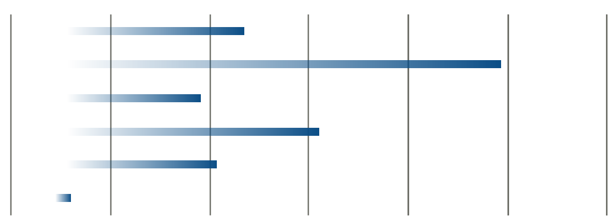


Profit before Taxation

Bottom line of the financial results this year translated into a loss, mainly due to falling sales revenue, rising conversion costs and various other uncontrollable external factors.

Moreover, after taking into consideration the current market scenario of the spinning sector, the management has restricted its capital investments to the extent of acquiring only most efficient plant and machinery at the lowest rates. As a result, the Company partly forgoes tax credits extended by the Government on BMR.

PROFIT BEFORE TAXATION

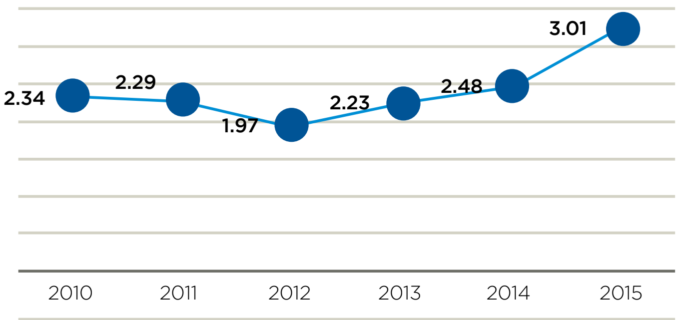


	2015	2014	2013	2012	2011	2010
PBT	(90)	739	1,254	654	2,170	875

COMMENTS ON BALANCE SHEET

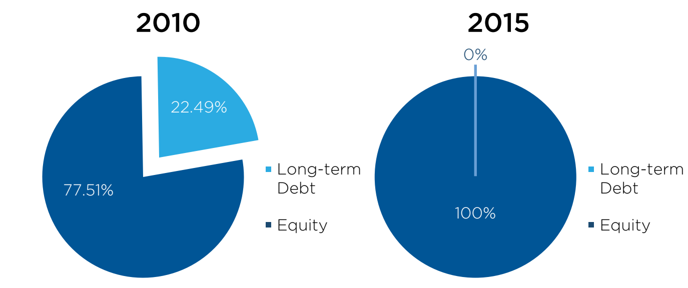
Equity Multiplier

Equity base of the Company has strengthened over the years which is evident by the equity multiplier ratio of 3.01 times in 2015 compared to 2.34 times in 2010. Strong asset base has helped the business to solidify its position and emerge as a market leader with highest operating capacity in the textile-spinning sector of around 316,000 spindles.



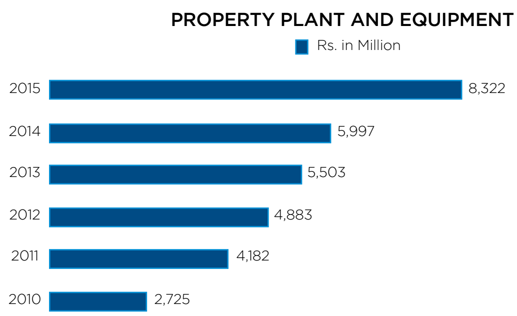
Borrowing

As evident, the capital structure of the Company has gradually but steadily revamped over the years. This signifies the management's continuing efforts to maintain an efficient portfolio of funds. The Company currently has zero % gearing levels which provides it with the opportunity to sustain under such challenging economic conditions and rationalize its borrowing costs.



Property, Plant and Equipment

Property, Plant and Equipment (PPE) have witnessed a rapid increase, moving to Rs. 8.32 billion in the current year from only Rs. 2.73 billion in 2010.



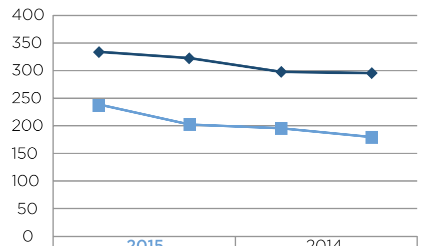
Asset base has increased by 38.77% this year alone, which is consequent to the merger with FTML in which PPE worth Rs. 3.99 billion has been added to the base.

QUARTERLY ANALYSIS

Gross Profit

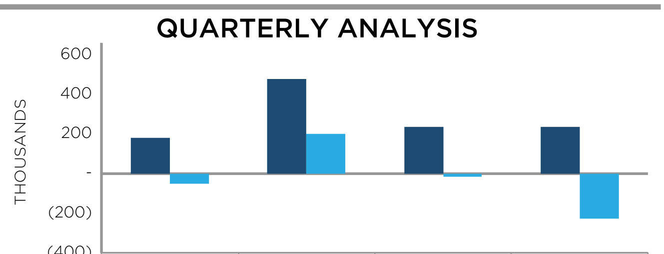
Among others, second quarter of 2015 showed highest performance with regards to gross profits; contributing 42.15% to the annual results. Analysis of the above indicate that due to efficient procurement of raw materials later in the second quarter; pushed down the average cost of inventory held. This is further established by the fact that raw material cost as a proportion of cost of goods manufactured for the first quarter was 71% compared to 74% for the second quarter of the same year. Moreover, higher pricing on existent sales contracts further supported profitability during the second quarter.

The following chart illustrates comparison between average per Kg cost of raw and packing materials consumed and the average selling price:



	2015		2014	
Average Selling Price	333.93	322.58	297.24	294.45
Average Raw and Packing Material Consumed	239.35	201.33	196.19	178.88

Profit before Tax



	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Gross Profit	181,560	476,232	236,610	235,420
Profit before Tax	(48,975)	199,258	(15,936)	(224,628)

Except for an increase in quarter two, the Profit before Tax (PBT) remained under pressure particularly due to declining gross profit over the period. The Company managed to rationalize its finance cost throughout the year by utilizing best mix of available sources of funds. However, these were not sufficient enough to support profitability for the year.

STATEMENT OF COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of Listing Regulations of Karachi and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Gadoon Textile Mills Limited (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 (the Board).

At present the board includes:

Category	Names
Independent Director	Mr. Saleem Zamindar
Executive Directors	Mr. Muhammad Sohail Tabba (CEO) Ms. Mariam Tabba Khan
Non-Executive Directors	Mr. Muhammad Yunus Tabba (Chairman) Mr. Muhammad Ali Tabba Mr. Jawed Yunus Tabba Ms. Rahila Aleem (Alternate: Ms. Zulekha Tabba Maskatiya)

The independent director meets the criteria of independence under clause i(b) of the Code.

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. A casual vacancy arises on the Board during the year was filled up by the directors within 90 days.

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, have been taken by the board / shareholders. No remuneration was paid to the Chief Executive Officer (CEO) during the year. There is no change in the remuneration of other executive director.

8. The meetings of the board were presided over by the Chairman who is a non-executive director 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 are adequately trained to perform their duties, and are aware of their powers and responsibilities under the Companies Ordinance, 1984 and the Listing Regulations of stock exchanges. During the year one director have acquired the certification under the director's training program as required by the Code.

10. The board has approved the appointment of Chief Financial Officer (CFO), 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 CFO before approval of the board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the Code.

15. The board has formed an Audit Committee. It comprises of four 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 (TORs) 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 members of whom one member is executive and another members including the Chairman of the committee are non-executive directors.

18. The board has set up an effective internal audit function and the member of internal audit function are considered suitably qualified and experienced for the purpose and 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 Institute of Chartered Accountants of Pakistan (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 along with pricing method.

24. We confirm that all other material principles enshrined in the Code have been complied including annual evaluation of the Boards' own performance.

Muhammad Sohail Tabba
Chief Executive

Karachi.
Date: September 30, 2015

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Gadoon Textile Mills Limited (the Company) for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and the Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of 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 as applicable to the Company for the year ended June 30, 2015.

Deloitte Yousuf Adil
Chartered Accountants

Place: Karachi
Date: September 30, 2015

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the annexed balance sheet of Gadoon Textile Mills Limited (the Company) as at June 30, 2015 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, 2015 and of the loss, 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.

We draw attention to note 1.2 and note 15.3 to the financial statements which describe effects of the merger of the textile operations of Fazal Textile Mills Limited (FTML) with and into the Company in the current year. As the merger is effective from September 30, 2014, the current year profit and loss includes results of operations of FTML from October 01, 2014 to June 30, 2015. The comparative figures are not restated as mentioned in the same note. Our opinion is not qualified on this matter.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Date: September 30, 2015
Place: Karachi

FRUITS *of labour*

During the 15-25-day ripening stage, the green pods evolve from green to brown. It's time to harvest when the dried cotton pops up!

BALANCE SHEET

As at June 30, 2015

	Note	2015	2014
		Rupees in '000	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	8,322,228	5,997,051
Long-term advance	5	-	-
Long-term loans	6	21,832	10,872
Long-term deposits		24,956	20,974
Long-term investments	7	1,683,343	1,358,798
		10,052,359	7,387,695
Current Assets			
Stores, spares and loose tools	8	528,328	420,354
Stock-in-trade	9	4,895,445	5,699,647
Trade debts	10	2,027,028	1,079,098
Loans and advances	11	413,108	458,417
Receivable from an associate	15.4	987,583	-
Short-term investment	12	59,745	49,008
Trade deposits and short-term prepayments		7,994	4,076
Other receivables	13	374,272	216,739
Income tax refundable		696,430	458,509
Cash and bank balances	14	506,553	331,879
		10,496,486	8,717,727
Total Assets		20,548,845	16,105,422
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised			
57,500,000 ordinary shares of Rs. 10/- each		575,000	500,000
Issued, subscribed and paid-up capital	15	234,375	234,375
Capital reserves		864,874	103,125
Revenue reserves		5,672,349	6,162,077
Capital to be issued pursuant to amalgamation	15.5	45,921	-
Total Equity		6,817, 519	6,499,577
Non-Current Liabilities			
Long-term finance	16	-	8,905
Deferred liabilities	17	996,912	686,456
		996,912	695,361
Current Liabilities			
Trade and other payables	18	1,975,850	1,133,845
Accrued markup		133,964	142,271
Short-term borrowings	19	10,405,623	7,596,319
Provision for taxation		210,072	20,235
Current portion of long-term finance	16	8,905	17,814
		12,734,414	8,910,484
Total Equity and Liabilities		20,548,845	16,105,422
CONTINGENCIES AND COMMITMENTS	20		

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

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE / DIRECTOR

JAWED YUNUS TABBA
DIRECTOR

PROFIT & LOSS ACCOUNT

For the year ended June 30, 2015

	Note	2015	2014
		Rupees in '000	
Sales - net	21	23,003,447	20,066,084
Cost of sales	22	(21,873,625)	(18,133,918)
Gross profit		1,129,822	1,932,166
Distribution cost	23	(370,304)	(306,987)
Administrative expenses	24	(226,862)	(115,138)
		(597,166)	(422,125)
		532,656	1,510,041
Finance cost	25	(791,481)	(739,638)
Other operating expenses	26	(21,836)	(185,409)
		(280,661)	584,994
Other income	27	24,421	21,902
Share of profit from associates	7.2 & 7.3	165,959	132,253
(Loss) / profit before taxation		(90,281)	739,149
Taxation	28	(302,053)	(158,350)
(Loss) / profit for the year		(392,334)	580,799
Earnings per share - basic and diluted (Rupees)	29	(14.59)	24.78

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

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE / DIRECTOR

JAWED YUNUS TABBA
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2015

	Note	2015	2014
		Rupees in '000	
(Loss) / profit for the year		(392,334)	580,799
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Share of other comprehensive income from associates	7.2 & 7.3	8,799	19,008
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of defined benefit obligation	17.1.2	13,303	9,716
- Impact of tax		(2,308)	(1,815)
		10,995	7,901
Total comprehensive (loss) / income for the year		(372,540)	607,708

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

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE / DIRECTOR

JAWED YUNUS TABBA
DIRECTOR

CASH FLOW STATEMENT

For the year ended June 30, 2015

	Note	2015	2014
		Rupees in '000	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(90,281)	739,149
Adjustments for:			
Depreciation		777,626	558,815
Gain on disposal of operating fixed assets		(3,664)	(7,162)
Profit on deposit accounts		(4,919)	-
Interest / markup expense		791,481	740,764
Unrealised gain on short-term investment		(10,737)	(11,396)
Share of profit from associates - net of tax		(165,959)	(132,253)
Provision for gratuity		153,146	111,703
		1,536,974	1,260,471
Operating cash flows before working capital changes		1,446,693	1,999,620
(Increase) / decrease in current assets			
Stores, spares and loose tools		(30,220)	(62,262)
Stock-in-trade		1,604,962	(1,549,827)
Trade debts		115,339	93,022
Loans and advances		128,670	(143,026)
Receivable from an associate		(722,414)	-
Trade deposits and short-term prepayments		(2,271)	4,437
Other receivables		24,227	(82)
		1,118,293	(1,657,738)
Increase in current liabilities			
Trade and other payables		109,843	1,415
Changes in working capital		1,228,136	(1,656,323)
Cash generated from operations		2,674,829	343,297
Interest / markup paid		(903,194)	(693,824)
Income tax paid		(170,369)	(175,529)
Gratuity paid		(97,403)	(52,175)
		(1,170,966)	(921,528)
Net cash generated / (used in) from operating activities		1,503,863	(578,231)

	Note	2015	2014
		Rupees in '000	
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(439,297)	(1,047,561)
Sale proceeds from disposal of property, plant and equipment		23,554	28,550
Long term loans disbursed		(10,960)	(6,088)
Long-term deposits paid		(2,783)	(1)
Investment in associates		(203,615)	(750)
Advance against shares		-	(22,601)
Dividend received from an associate		53,828	23,924
Net cash used in investing activities		(579,273)	(1,024,527)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance obtained / (repaid)		(17,814)	(17,814)
Dividend paid		(113,032)	(291,370)
Net cash generated from / (used in) financing activities		(130,846)	(309,184)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		793,744	(1,911,942)
Cash and cash equivalents at the beginning of the year		(7,264,440)	(5,352,498)
Transferred from FTML as on October 1, 2014		(3,428,374)	-
Cash and cash equivalents at the end of the year		(9,899,070)	(7,264,440)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	506,553	331,879
Short-term borrowings	19	(10,405,623)	(7,596,319)
		(9,899,070)	(7,264,440)

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

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE / DIRECTOR

JAWED YUNUS TABBA
DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2015

	Capital Reserves					Revenue Reserves			
	Issued, subscribed and paid-up share capital	Capital to be issued pursuant to amalgamation	Share premium	Amalgamation Reserve	Sub total	General reserve	Unappropriated profit	Sub total	Grand total
	Rupees in '000								
Balance as at July 1, 2013	234,375	-	103,125	-	103,125	1,000,000	4,847,338	5,847,338	6,184,838
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	580,799	580,799	580,799
Other comprehensive income	-	-	-	-	-	-	26,909	26,909	26,909
Total comprehensive income for the year	-	-	-	-	-	-	607,708	607,708	607,708
Transactions with owners recorded directly in equity									
Final dividend for the year ended June 30, 2013 @ Rs. 12.50/- per share	-		-		-	-	(292,969)	(292,969)	(292,969)
Total comprehensive income for the year									
Balance as at June 30, 2014	**234,375**	**-**	**103,125**	**-**	**103,125**	**1,000,000**	**5,162,077**	**6,162,077**	**6,499,577**
Reserve arising on amalgamation	-		-	761,749	761,749	-	-	-	761,749
Capital to be issued pursuant to amalgamation	-	45,921	-	-	-	-	-	-	45,921
Total comprehensive income for the year									
Loss for the year	-	-	-	-	-	-	(392,334)	(392,334)	(392,334)
Other comprehensive income	-	-	-	-	-	-	19,794	19,794	19,794
Total comprehensive income for the year	-	-	-	-	-		(372,540)	(372,540)	(372,540)
Transactions with owners recorded directly in equity									
Final dividend for the year ended June 30, 2014 @ Rs. 5/- per share	-	-	-	-	-	-	(117,188)	(117,188)	(117,188)
Balance as at June 30, 2015	**234,375**	**45,921**	**103,125**	**761,749**	**864,874**	**1,000,000**	**4,672,349**	**5,672,349**	**6,817,519**

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

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE / DIRECTOR

JAWED YUNUS TABBA
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2015

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 manufacturing facilities of the Company are located at Gadoon Amazai Industrial Estate and 57 km on Super Highway (near Karachi). The principal activity of the Company is manufacturing and sale of yarn and knitted fabrics. The registered office of the Company is at Karachi in the province of Sindh.

1.2 AMALGAMATION OF TEXTILE UNDERTAKING OF FAZAL TEXTILE MILLS LIMITED (FTML) WITH AND INTO GADOON TEXTILE MILLS LIMITED

On May 10, 2014, the Board of Directors of the Company had passed a resolution authorizing the Company to explore the viability of the potential merger between the textile business of Fazal Textile Mills Limited (FTML) with and into the Company. The Company had engaged the services of various consultants and decided on a swap ratio in exchange of shares for the textile business of FTML and a scheme of amalgamation (the scheme) was filed in High Court of Sindh after approval from the Board of Directors and shareholders of the Company and FTML on December 15, 2014 and December 29, 2014 respectively.

According to the scheme, FTML was divided into two segments. The textile business was to be merged with and into the Company while the real estate business was to vest in a newly incorporated entity Lucky Landmark (Private) Limited (LLPT).

During the current year, the High Court of Sindh through its order dated June 4, 2015 has sanctioned the scheme. Pursuant to this sanction, the entire textile business of FTML including Properties, Assets, Liabilities, and the Rights and Obligations of FTML have been amalgamated into and vest in the Company with effect from the effective date as mentioned in the scheme i.e., close of business on September 30, 2014. In consideration, 4,592,083 fully paid ordinary shares of Rs. 10 each are to be issued to the registered shareholders of FTML. For division of shares, the shareholders of FTML have been divided into YBG Shareholders and Other Shareholders and for every one share held in FTML, they are entitled to receive 0.3347 and 1.9555 shares of the Company respectively (as detailed in the scheme).

This amalgamation was accounted for in the books using predecessor's accounting method as it was a business combination of entities under common control and therefore scoped out of IFRS-3 'Business Combinations'. The net assets of FTML have been incorporated at their net carrying amount in the books as on September 30, 2014 and the difference in value of the net assets and shares as issued above has been carried in the equity under the head "Amalgamation reserve". Furthermore, the acquired entity's results and balance sheet are incorporated prospectively from the date on which the business combination occurred. Consequently, these financial statements do not reflect the results of the acquired entity for the period before the transaction occurred and the corresponding amounts for the previous year presented are also not restated.

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 that:

- obligations under the defined benefit plan are stated at present value;
- short-term investment is stated at fair value; and
- investment in associates are accounted for 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 - at lower of cost and NRV (note 3.3);
c) provision for taxation including deferred tax (note 3.9);
d) accounting for staff retirement benefits (notes 3.10 and 17.1);
e) provisions - for slow moving stores (note 3.17 and 8);
f) provisions - for doubtful debts (note 3.17);
g) provisions - doubtful advances (note 3.17 and 5).

2.5 New accounting standard / amendments and IFRS interpretation that are effective for the year ended June 30, 2015

2.5.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the 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 / Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

2.6 New accounting standards / amendments and IFRS interpretation that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the 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 / Interpretation	**Effective date (accounting periods beginning on or after)**
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 01, 2016
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

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 locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2014 and are enumerated as follows:

3.1 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold 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 ceased from the month of disposal, to profit and loss account 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 depreciation are stated in note 4.1 to the financial statements.

Maintenance and repairs are charged to profit and loss account 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 realizable 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 realizable value and charged to profit and loss account.

3.3 Stock-in-trade

Basis of valuation is as under:

- Raw material in hand (imported)	Lower of cost and net realizable value (NRV) - specific identification 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 (weighted average) 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 realizable 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 account. 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 investment classified as at fair value through profit or loss – at initial recognition' investments, where 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, such 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 exercises significant influence. 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 and loss account. Distributions received from associate reduce 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 recognized 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

Provision 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 amount 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 realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

The Company recognizes 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 asset is 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. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. The most recent valuation of the scheme was carried out as at June 30, 2015.

Remeasurement changes which comprise actuarial gains and losses and the return on plan assets, if any, (excluding interest) are recognized immediately in other comprehensive income.

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 transaction. 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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Interest income is recognized on a time proportionate 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 BOD has been identified as the chief operating decision maker responsible for strategic decisions like allocation of resources and assessing performance of operating segments. As disclosed in note 1.1 to the financial statements, the Company has manufacturing facilities at Gadoon Amazai Industrial Estate and 57 km on Super Highway (near Karachi). Management has determined that the Company has a single reportable segment and 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.

3.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

For the purpose of calculating current year EPS, shares to be issued in consideration for acquisition of FTML have been considered as part of equity, because the related profit / loss was included in current year's performance and the issue of shares is pending only due to completion of legal formalities.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		Rupees in '000	
Operating fixed assets	4.1	8,044,222	5,366,017
Capital work-in-progress	4.2	278,006	631,034
		8,322,228	5,997,051

4.1 Operating Fixed Assets

Particulars	Cost at July 01, 2014	Transferred from FTML as on October 1, 2014	Additions / (Deletions)	Cost at June 30, 2015	Accumulated depreciation at July 01, 2014	Transferred from FTML as on October 1, 2014	Depreciation for the year / (Adjustment)	Accumulated depreciation at June 30, 2015	Carrying value at June 30, 2015	Rate of depreciation
	2015									
	Rupees in '000									
Land:										
Leasehold	52,770	-	-	52,770	6,865	-	870	7,735	45,035	1%
Freehold	880	6,410	-	7,290	-	-	-	-	7,290	-
Buildings on leasehold land:										
Mills	801,590	1,108,657	112,095	2,022,342	389,458	141,212	114,285	644,955	1,377,387	10%
Road	30,869	-	11,459	42,328	9,669	-	2,215	11,884	30,444	10%
Power plant	111,243	41,938	1,422	154,603	56,633	5,029	8,265	69,927	84,676	10%
Office	39,543	-	20,970	60,513	4,890	-	4,689	9,579	50,934	10%
Workers' colony	-	198,018	-	198,018	-	15,955	13,655	29,610	168,408	10%
Other	105,099	261,700	32,517	399,316	47,729	53,180	11,241	112,150	287,166	5%
Buildings on freehold land:										
Family colony	126,009	-	46,350	172,359	58,936	-	8,338	67,274	105,085	10%
Workers' colony	105,405	-	18,322	123,727	81,981	-	4,175	86,156	37,571	10%
Plant and machinery	7,116,619	2,206,928	388,693	9,692,675	3,235,859	1,003,546	509,051	4,731,413	4,961,262	10%
			(19,565)				(17,043)			
Power plant	1,057,482	-	68,658	1,126,140	556,818	-	55,713	612,531	513,609	10%
Electric installations	306,034	88,442	56,415	450,891	124,884	53,235	24,825	202,944	247,947	10%
Tools and equipment	13,714	-	60	13,774	9,451	-	432	9,883	3,891	10%
Furniture and fittings	19,106	2,158	3,631	24,895	5,643	1,980	1,565	9,188	15,707	10%
Computer equipment	11,390	6,923	1,647	19,960	8,373	4,219	1,775	14,367	5,593	30%
Office equipment and installations	10,016	9,168	985	20,003	4,072	5,002	952	10,005	9,998	10%
			(166)				(21)			
Fork lifters and tractors	27,989	-	-	27,989	15,606	-	2,477	18,083	9,906	20%
Vehicles	90,585	50,972	36,496	157,049	47,419	25,700	12,426	81,764	75,285	20%
			(21,004)				(3,781)			
Fire fighting equipment	6,983	4,864	-	11,847	3,023	1,119	677	4,819	7,028	10%
June 30, 2015	**10,033,326**	**3,986,178**	**799,720**	**14,778,489**	**4,667,309**	**1,310,177**	**777,626**	**6,734,268**	**8,044,222**	
			(40,735)				**(20,845)**			

* Additions to operating fixed assets include transfers from capital work-in-progress amounting to Rs. 755.32 million.

Particulars	Cost at July 01, 2013	Additions / (Deletions)	Cost at June 30, 2014	Accumulated depreciation at July 01, 2013	Depreciation for the year	Accumulated depreciation at June 30, 2014	Carrying value at June 30, 2014	Rate of depreciation
	2014							
	Rupees in '000							
Land:								
Leasehold	52,770	-	52,770	6,332	533	6,865	45,905	1%
Freehold	880	-	880	-	-	-	880	-
Buildings on leasehold land:								
Mills	793,902	7,688	801,590	344,191	45,267	389,458	412,132	10%
Road	29,376	1,493	30,869	7,438	2,231	9,669	21,200	10%
Power plant	102,099	9,144	111,243	51,412	5,221	56,633	54,610	10%
Office	7,161	32,382	39,543	3,738	1,152	4,890	34,653	10%
Other	103,676	1,423	105,099	44,754	2,975	47,729	57,370	5%
Buildings on freehold land:								
Family colony	126,009		126,009	51,484	7,452	58,936	67,073	10%
Workers' colony	105,405	-	105,405	79,378	2,603	81,981	23,424	10%
Plant and machinery	6,715,892	489,401	7,116,619	2,903,989	401,117	3,235,859	3,880,760	10%
		(88,674)			(69,247)			
Power plant	1,057,482	-	1,057,482	501,189	55,629	556,818	500,664	10%
Electric installations	293,426	12,608	306,034	105,754	19,130	124,884	181,150	10%
Tools and equipment	13,714	-	13,714	8,977	474	9,451	4,263	10%
Furniture and fittings	8,601	10,505	19,106	5,023	620	5,643	13,463	10%
Computer equipment	10,300	1,258	11,390	7,537	957	8,373	3,017	30%
		(168)			(121)			
Office equipment and installations	7,834	2,223	10,016	3,626	457	4,072	5,944	10%
		(41)			(11)			
Fork lifters and tractors	27,989	-	27,989	12,510	3,096	15,606	12,383	20%
Vehicles	74,715	21,412	90,585	41,616	9,461	47,419	43,166	20%
		(5,542)			(3,658)			
Fire fighting equipment	6,983	-	6,983	2,583	440	3,023	3,960	10%
June 30, 2014	**9,538,214**	**589,537**	**10,033,326**	**4,181,531**	**558,815**	**4,667,309**	**5,366,017**	
		(94,425)			**(73,037)**			

* Additions to operating fixed assets include transfers from capital work-in-progress amounting to Rs. 567.020 million.

	Note	2015	2014
		Rupees in '000	
4.1.1 Depreciation charged for the year has been allocated as under:			
Cost of sales	22.1	766,486	555,166
Administrative expenses	24	11,140	3,649
		777,626	558,815

4.1.2 Disposal of operating fixed assets

Description	Cost	Accumulated depreciation	Carrying Value	Sale Proceeds	Mode of disposal	Purchaser
	(Rupees in '000)					
Vehicles	707	112	595	650	Insurance claim	Alfalah Insurance
	620	558	62	150	Negotiation	Muhammad Irfan
	74	6	68	67	Insurance claim	Alfalah Insurance
	641	510	131	465	Negotiation	Israr Ahmed
	1,017	479	538	936	Negotiation	Lucky Knits (Pvt) Ltd
	66	33	33	53	Negotiation	Muhammad Asghar
	71	29	42	45	Negotiation	Altaf Anjum
	46	7	39	42	Insurance claim	Alfalah Insurance
	46	8	38	37	Negotiation	Hafiz Memon
	1,168	1,110	58	400	Negotiation	M Shahzad Arif
	46	22	24	37	Negotiation	Aqib Kesodia
	47	22	24	37	Negotiation	Kamran Yaqoob
	64	43	22	40	Negotiation	Tajjamul Khan
	47	24	22	37	Negotiation	Akhtar Ibrahim
	16,344	817	15,527	15,527	Negotiation	Yunus Energy Limited
	21,004	3,781	17,222	18,523		
Plant and machinery	8,496	7,125	1,371	1,925	Negotiation	A.J. Textile
	5,918	5,359	559	1,500	Negotiation	A.J. Textile
	1,268	1,161	107	500	Negotiation	Agha Traders
	1,408	1,276	132	500	Negotiation	Agha Traders
	2,476	2,122	354	500	Negotiation	Agha Traders
	19,565	17,043	2,523	4,925		
Office equipment and installations	34	2	32	30	Insurance claim	Alfalah Insurance
	17	0	16	16	Insurance claim	Alfalah Insurance
	15	2	13	2	Negotiation	Blackberry Zone
	15	3	12	2	Negotiation	Blackberry Zone
	29	1	28	23	Insurance claim	Alfalah Insurance
	41	9	32	30	Insurance claim	Alfalah Insurance
	16	4	12	5	Insurance claim	Alfalah Insurance
	166	21	145	106		
June 30, 2015	**40,735**	**20,845**	**19,890**	**23,554**		
June 30, 2014	94,425	73,037	21,388	28,550		

4.2 Capital work-in-progress

	Gadoon Amazai					Karachi Project					
	Rupees in '000										
	Civil works	Plant and machinery	Advances to supplier	Markup capitalized	Others	Civil works	Plant and machinery	Advances to supplier	Markup capitalized	Others	Total
Year ended June 30, 2015											
Balance as at July 1, 2014	39,839	3,392	112,000	7,980	1,337	170,060	244,794	-	15,905	35,727	631,034
Transferred from FTML as on - October 1, 2014	-	-	-	-	-	7,395	-	-	-	-	7,395
Additions during the year	7,188	144,681	98,000	17,660	31,485	46,173	26,908	-	9,324	13,481	394,900
Transfers within CWIP	(6,314)	212,007	(210,000)	(2,007)	6,313	9,726	12,156	-	(25,229)	3,348	-
Transfers to operating assets	(40,713)	(136,684)	-	-	(39,091)	(202,421)	(283,858)	-	-	(52,556)	(755,323)
Balance as at June 30, 2015	**-**	**223,396**	**-**	**23,633**	**44**	**30,933**	**-**	**-**	**-**	**-**	**278,006**
Year ended June 30, 2014											
Balance as at July 1, 2013	51,710	28,754	-	-	136	61,932	-	3,224	-	89	145,845
Additions during the year	38,623	425,335	112,000	11,261	22,408	109,760	280,219	(3,224)	15,905	39,922	1,052,209
Transfers to operating assets	(50,494)	(450,697)	-	(3,281)	(21,207)	(1,632)	(35,425)	-	-	(4,284)	(567,020)
Balance as at June 30, 2014	39,839	3,392	112,000	7,980	1,337	170,060	244,794	-	15,905	35,727	631,034

	Note	2015	2014
		Rupees in '000	
5. LONG-TERM ADVANCE - Considered doubtful			
Investment in a joint venture - Advances	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 of 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.

6. LONG-TERM LOANS - Considered good

	Note	2015	2014
Loan to employees		**38,043**	19,912
Less: current portion	11	**(16,211)**	(9,040)
		21,832	10,872

6.1 These are interest free loans recoverable in monthly installments over a period of three years.

6.2 Loans to employees

	Note	2015	2014
Executives	6.3	**5,995**	2,119
Other employees		**32,048**	17,793
		38,043	19,912

	Note	2015	2014
		Rupees in '000	

6.3 Reconciliation of outstanding amount of loan to Executives

Opening balance		2,119	2,394
Transferred from FTML as on October 1, 2014		10,600	-
Disbursements during the year		500	2,350
Repayments		(7,224)	(2,625)
		5,995	2,119

7 LONG-TERM INVESTMENTS

Investment in associates

ICI Pakistan Limited (ICIP)	7.2	1,365,660	1,264,360
Lucky Holdings Limited (LHL)	7.3	113,318	93,688
Yunus Energy Limited (YEL)	7.4	204,365	750
		1,683,343	1,358,798

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

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

Number of shares held	5,980,917	5,980,917
Cost of investment (Rupees in '000)	1,114,963	1,114,963
Fair value of investment (Rupees in '000)	2,565,036	2,334,591
Ownership interest	6.48%	6.48%
Balance as of July 01	1,264,360	1,152,903
Share of profit / post acquisition profit	147,505	118,916
Share of other comprehensive income	7,623	16,465
Dividend received	(53,828)	(23,924)
Balance as of June 30	1,365,660	1,264,360

The financial year end of ICIP is June 30, 2015. Summarised financial highlights of ICIP and the related share of the Company as at year end are as follows:

	Note	2015	2014
		Rupees in '000	
Total assets		26,531,057	22,793,916
Total liabilities		(12,820,267)	(10,650,471)
Net assets		13,710,790	12,143,445
Company's share of net assets		888,459	786,895
Revenue		42,593,948	42,698,659
Profit for the year		2,276,314	1,835,117
Company's share of profit		147,505	118,916
Other comprehensive income for the year		117,633	35,452
Company's share of other comprehensive income		7,623	2,297

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

Number of shares held	1,500,000	1,500,000
Cost of investment (Rupees in '000)	74,920	74,920
Ownership interest	1%	1%
Balance as of July 01	93,688	77,808
Share of profit / post acquisition profit	18,454	13,337
Share of post other comprehensive income	1,176	2,543
Balance as of June 30	113,318	93,688

The financial year end of LHL is June 30, 2015. Summarised financial highlights of LHL as at year end and the related share of the Company are as follows:

Total assets	34,526,300	31,177,876
Total liabilities	(19,946,055)	(18,598,887)
Net assets	14,580,245	12,578,989
Company's share of net assets	145,802	125,790
Revenue	37,394,831	38,078,277
Profit for the year	1,845,366	1,333,709
Company's share of profit	18,454	13,337
Other comprehensive income for the year	117,633	35,452
Company's share of other comprehensive income	1,176	354

7.4 Investment in Yunus Energy Limited (YEL) - at equity method

Number of shares held	20,436,500	75,000
Cost of investment (Rupees in '000)	204,365	750
Ownership interest	19.98%	15.6%
Balance as of July 01	750	-
Investment made during the year	203,615	750
Share of loss / post acquisition profit	-	-
Balance as of June 30	204,365	750

7.4.1 As at June 30, 2015, YEL has not started its operations and the impact of its profit or loss is not material to the Company's financial statements.

	Note	2015	2014
		Rupees in '000	

8. STORES, SPARES AND LOOSE TOOLS

	Note	2015	2014
Stores		185,446	165,211
Spares in			
- hand		388,413	273,860
- transit		12,624	35,096
Loose tools		1,087	1,187
		587,570	475,354
Less: Provision for slow moving stores and spares		(59,242)	(55,000)
		528,328	420,354

9. STOCK-IN-TRADE

	Note	2015	2014
Raw material in			
- hand	9.1 & 22.1.1	3,497,588	4,741,678
- transit		179,399	69,658
		3,676,987	4,811,336
Work-in-process	22.1	197,618	163,724
Finished goods			
- Yarn	9.1	868,893	632,816
- Knitted fabric		57,050	-
- Waste at net realisable value		94,897	91,771
	22	1,020,840	724,587
		4,895,445	5,699,647

9.1 The stock of raw material in hand and yarn has been written down to net realisable value by Rs. 284 million (2014: Rs. nil) and Rs. 33.58 million (2014: Rs. 26.7 million) respectively.

10. TRADE DEBTS - Considered good

	Note	2015	2014
Foreign - Secured		1,345,773	616,331
Local - Unsecured	10.1	681,255	462,767
	10.2 & 10.3	2,027,028	1,079,098

10.1 Trade receivables include Rs. 7.19 million (2014: Rs. 6.5 million) 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 90-120 days term.

	Note	2015	2014
		Rupees in '000	

11. LOANS AND ADVANCES

- Unsecured - Considered good

	Note	2015	2014
Current portion of long-term loans	6	16,211	9,040
Advance to employees	11.1	27,990	32,359
Advance to suppliers and contractors	11.2	188,567	193,404
Advance against shares		-	44,101
Letters of credit, fee and expenses		247	292
Advance tax		180,093	179,221
		413,108	458,417

11.1 This includes advances provided to executives amounting to Rs. 23.76 million (2014: Rs. 29.737 million).

11.2 This includes advance given to ICI Pakistan Limited (an associate company) amounting to Rs. 1.3 million (2014: Rs. 30.24 million) and pilot project of dairy farm business amounting to Rs. 107 million (2014: Rs. 102.6 million).

12. SHORT-TERM INVESTMENT

At fair value through profit or loss - held for trading

	Note	2015	2014
Ordinary shares of listed company - International Steels Limited	12.1	59,745	49,008
Number of shares held		2,126,150	2,126,150

		2015	2014
12.1 Value of investment - beginning of the period		49,008	37,612
Unrealised gain on investment at fair value through profit and loss		10,737	11,396
		59,745	49,008

13. OTHER RECEIVABLES

Considered good

	Note	2015	2014
Sales tax		336,363	188,205
Federal excise duty		26,245	25,767
Claims receivable		11,274	2,396
Other		390	371
		374,272	216,739

Considered doubtful

	Note	2015	2014
Claims receivable	20.1.2	20,000	20,000
Sales tax	13.1	52,439	52,439
Other	13.2	5,600	5,600
		78,039	78,039
Provision for doubtful other receivables		(78,039)	(78,039)
		-	-
		374,272	216,739

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(1)/2010 dated July 27, 2010, management believes that no further provision is required for the remaining amount and the amount so paid shall become refundable.

14. CASH AND BANK BALANCES

	Note	2015	2014
		Rupees in '000	
Cash in hand		8,180	9,816
Cash with banks in:			
- current accounts	14.1	346,978	322,063
- time deposits		151,395	-
		498,373	322,063
		506,553	331,879

14.1 It includes foreign currency deposits amounting to US Dollars 340,723 equivalent to Rs. 34.58 million (2014: US Dollars 359,657 equivalent to Rs. 35.53 million) and Euro 8,214 equivalent to Rs. 0.93 million (2014: Euro 74.61 equivalent to Rs. 0.010 million).

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
Number of shares			Rupees in'000	
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 Y.B Holdings (Private) Limited is the holding company of the Company.

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

15.3 RESERVE ARISING ON AMALGAMATION

As detailed in Note 1.2, following are the carrying amounts of assets and liabilities transferred from FTML pursuant to the scheme of merger. The difference between the net assets acquired and share capital to be issued against those net assets as at September 30, 2014 has been recorded as 'Amalgamation Reserve'. Subsequent to merger, adjustments have been made to the carrying amount of assets for changes in estimates and significant judgment areas and this has been accounted for in the amalgamation reserve.

	Note	Rupees in '000
ASSETS		
Property, plant and equipment		2,683,396
Long term loans and advances		11,396
Long term security deposits		1,199
Stores, spare parts and loose tools		77,754
Stock in trade		857,814
Trade debts		1,063,269
Loans and advances		71,965
Trade deposits and short term prepayments		1,647
Sales Tax refunds due from government		181,677
Income tax refundable - net of provision		74,262
Cash and bank balances		66,555
Receivable from LLPT against payment of accrued markup		63,945
Receivable from LLPT against short term borrowing		201,224
		265,169
Total assets - A		5,356,103
LIABILITIES		
Staff retirement benefits		87,431
Deferred taxation		77,607
Trade and other payables		728,006
Accrued markup		103,406
Short term financing		3,494,929
Total liabilities - B		4,491,379
Net assets acquired (A - B)		864,724
less: Shares to be issued pursuant to amalgamation	15.5	(45,921)
Effect of adjustment in estimates and significant judgement in opening stock	22	(57,054)
Amalgamation reserve		761,749

This transaction is considered non cash for the purpose of preparation of Cash flow Statement.

15.4 RECEIVABLE FROM ASSOCIATE

As mentioned in note 1.2 to the financial statements the court order approving the merger was passed on June 04, 2015 and the operation of FTML comprising both textile and real estate undertakings till that date and all the assets and liabilities were in the name of the consolidated entity. Since the merger was effective from close of business on September 30, 2014, the Company has recognised all the expenses incurred for FTML-Real Estate operation (now Lucky Landmark Private Limited - LLPT) as receivable from LLPT (an associate) as disclosed in balance sheet. There is no revenue from real estate business in the corresponding period. The breakup of such balance is as follows:

	Note	Rupees in '000
Receivable from LLPT		
- in respect of amalgamation	15.3	265,169
- in respect of transactions occuring between October 01, 2014 and June 30, 2015		722,414
		987,583

15.5 This represent the amount of share capital to be issued as a consideration for net assets acquired due to the merger. The Company is presently in process of completing certain legal requirements with respect to issuance and allotment of shares.

15.6 The Company's plant and machinery carry a hypothecation charge against loan transferred to LLPT as a result of merger.

16. LONG-TERM FINANCE - Banking companies - secured

	Note	2015	2014
		Rupees in '000	
Opening balance	16.1	8,905	44,533
		8,905	44,533
Repaid during the year		-	(17,814)
	`	8,905	26,719
Current portion shown under current liabilities		(8,905)	(17,814)
Closing balance		-	8,905

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 is subject to markup at SBP LTF-EOP rate plus 2%. Further details of loan are as follows:

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

17. DEFERRED LIABILITIES

	Note	2015	2014
Staff gratuity	17.1	348,205	218,333
Deferred taxation	17.2	648,707	468,123
		996,912	686,456

17.1 Staff gratuity

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

	2015	2014
Discount rate	9.75%	13.25%
Salary increase rate	9.75%	13.25%
Mortality rate	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05

	Note	2015	2014
		Rupees in '000	
17.1.1 Liability recognised in the balance sheet			
Present value of defined benefit obligation		348,205	218,333
17.1.2 Movement in liability during the year			
Balance at the beginning of the year		218,333	168,521
Transferred from FTML as on October 01, 2014		87,432	-
Expense recognised in profit and loss	17.1.3	153,146	111,703
Total remeasurements recognised in other comprehensive income	17.1.4	(13,303)	(9,716)
Benefits paid		(97,403)	(52,175)
		348,205	218,333
17.1.3 Expense recognised in profit and loss account			
Current service cost		154,910	95,323
Interest cost		32,234	16,380
Curtailment gain		(33,998)	-
		153,146	111,703
17.1.4 Total remeasurements recognised in other comprehensive income			
Actuarial gain on liability arising on			
- financial assumptions		(13,303)	-
- experience adjustments		-	(9,716)
		(13,303)	(9,716)

17.1.5 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption	Increase / (decrease) in defined benefit obligation: Increase in assumption	Decrease in assumption
	%	Rupees in '000	
Discount rate	1	(5,627)	4,163
Salary growth rate	1	5,577	(4,070)

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

17.1.6 The gratuity scheme exposes the Company to the following risks:

Longevity risk: The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

17.1.7 The weighted average duration of defined benefit obligation as at June 30, 2015 is 2.15 years (2014: 1.18 years).

17.2 Deferred taxation

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

	2015	2014
	Rupees in '000	
Deferred credits / (debits) arising due to:		
- Accelerated tax depreciation on property, plant and equipment	712,188	528,340
- Provision against gratuity	(57,007)	(38,642)
- Provision against long-term advance	(11,566)	(11,799)
- Provision against stores and spares	(10,278)	(9,734)
- Provision against doubtful other receivables	(13,540)	(13,812)
- Share of profit from associates	28,910	13,770
	648,707	468,123

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. The income tax department 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 recognized. Also, deferred tax asset of Rs. 373 million on tax depreciation related to tax exempt period from 2010 to 2012 has not been recorded due to the aforementioned reason.

	Note	2015	2014
		Rupees in '000	
18. TRADE AND OTHER PAYABLES			
Creditors		269,232	227,940
Foreign bills payable		2,265	-
Advance from customers		572,759	13,561
Accrued liabilities	18.1	1,026,160	763,506
Withholding income tax		2,117	1,359
Regulatory duty		5,600	5,600
Unclaimed dividend		15,489	11,333
Sales tax payable		5,416	4,420
Workers' welfare fund		71,864	71,864
Workers' profit participation fund	18.2	4,948	34,262
		1,975,850	1,133,845

18.1 This includes Rs. 526.48 million (2014: Rs. 32.201 million) payable to an associated company.

		Note	2015	2014
18.2	**Workers' profits participation fund**		Rupees in '000	
	Opening balance		34,262	66,446
	Provision made during the year	26	-	34,262
	Interest on funds utilised in business		1,371	-
	Payments made during the year		(30,685)	(66,446)
	Closing balance		4,948	34,262

19. SHORT-TERM BORROWINGS

Banking companies - secured

	Note	2015	2014
Running finances under markup arrangements	19.1	573,259	3,978,270
Short-term finances	19.2	6,872,498	1,786,319
Foreign currency loan against:			
- Import finance	19.1	2,056,877	1,782,355
- Export finance	19.1	902,989	49,375
		2,959,866	1,831,730
		10,405,623	7,596,319

19.1 Facilities for running finance, import finance and export refinance are available from various banks upto Rs. 21.22 billion (2014: Rs. 15.04 billion). For running finance facility, the rates of markup range between KIBOR + 0.08% to KIBOR + 0.30% per annum (2014: KIBOR + 0.15% to KIBOR + 1.5% per annum) and for import and export finance the rate of markup 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 markup ranging between KIBOR + 0.1% to KIBOR + 0.5% per annum (2014: KIBOR + 0.15% to KIBOR + 0.5% 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. 725.36 million (2014: Rs. 579.5 million).

20.1.2 In prior years, the Sui Northern Gas Pipeline Limited (SNGPL) charged the Company 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 Under the Gas Infrastructure Development Cess Act, 2011, Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. In the month of June 2012, the Federal Government revised GID Cess rate from Rs. 13 per MMBTU to Rs. 100 per MMBTU.

The Company filed a suit before the High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act 2011. The Sindh High Court has restrained the Federation and gas companies from recovering GID Cess over and above Rs. 13 per MMBTU. On August 22, 2014, the Supreme Court of Pakistan declared that the levy of GID cess as a tax was not levied in accordance with the Constitution and hence not valid.

In September 2014, the Federal Government promulgated Gas Infrastructure ess (GIDC) Ordinance No. VI of 2014 to circumvent earlier decision of the Supreme Court on the ground that GIDC was a ‘Fee’ and not a ‘Tax’. In May 2015, the said Ordinance was approved in the parliament and became an Act.

The Company has challenged GIDC Act, 2015 and filed writ petition in the Peshawar High Court (PHC) challenging the vires and legality of the levy and demand of GIDC including its retrospective effect. The Court has granted stay against charging of the GIDC under the said Act. Since this issue is being faced by industry at large, therefore management is of the view that there is no need to maintain any provision against this liability. The management is confident that decision of the case will be in its favour. Further, it is also difficult to determine the best monetary estimate as the date of applicability of the said Act is in litigation.

20.1.4 Tax assessment of FTML in respect of tax year 2002-03, the Commissioner Inland Revenue (CIR) has subsequently amended deemed assessment order on account of disallowance of loss on disposal of fixed assets amounting to Rs. 1.46 million. The Company has filed an appeal against the deemed assessment order before the Appellate Tribunal Inland Revenue (ATIR) who has maintained said addition against which the Company has filed an appeal in the High Court of Sindh which is pending adjudication.

20.1.5 FTML has filed an appeal in the Supreme Court of Pakistan against an order of Court of Sindh in respect of levy of WWF for the tax years 2008 - 2013 amounting to Rs. 41.61 million, which is pending adjudication.

20.1.6 As a result of the decision of Lahore High Court dated June 3, 2011 and subsequent decision of Peshawar High Court dated May 29, 2014 declaring the amendments of Finance Act 2006, 2008 and 2009 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 year 2012 and onwards amounting to Rs. 52 million. The tax department has filed an appeal before Peshawar High Court against the said decision which is pending adjudication.

20.1.7 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 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 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.

In recent amendment made through finance act 2015, a sub clause (XX) of clause 11(A) of the second schedule to the Ordinance has been added which gives relief to the Company that the section 113(turnover tax) does not apply to the tax payers falling under clause 126F. However, the matter of tax charged on other than local sales i.e. tax on export, is still pending for adjudication.

Based on the judgement of the Peshawar High Court, the Company will not be subject tax on export sales and hence, has not made aggregate provision on account of tax on export sales for the years ended June 30, 2010, 2011 and 2012.

20.1.8 The income tax return of FTML for the tax year 2013 was subsequently amended uder section 122(5A) by Additional Commissioner Income Revenue (ACIR) vide it order dated March 4, 2014 on account of certain disallowance primarily against Workers Welfare Fund (WWF). The Company filed an appeal against the amended order against which Commissioner Inland Revenue Appeals (CIRA) allowed some relief to the Company. Both the Company and tax department being dissatisfied had filed an appeal in the Appellate Tribunal which is pending adjudication. On the other hand Federal Board of Revenue (FBR) has selected said return for the audit under sections 177 and 214C. In Pursuant to the aforementioned audit the amended assessment order was further amended by the Deputy Commissioner Inland Revenue (DCIR) making additions of Rs 1.625 million on account of certain disallowed expenses, levied WWF of Rs. 9.158 million and also restricted tax refundable to the amount of advance tax thereby reducing it by Rs. 48.885 million. The Company had filed an appeal before CIRA against the said audit on the grounds that the assessment was prejudicially re-amended without evaluating current status. The appeal is still pending adjudication.

Based on the opinion of tax advisors of the Company, the management believes that the aforementioned matters will ultimately be decided in the favour of the Company. Accordingly, no provision is required to be made against the said amounts in these financial statements.

	2015	2014
	Rupees in '000	
20.1.9 Others		
Export bills discounted with recourse	1,331,520	1,343,141
Indemnity bond in favour of Collector of Customs against imports	4,105	4,105
Post-dated cheques in favour of Collector of Customs against imports	133,656	133,696

20.2 Commitments

	2015	2014
Letters of credit opened by banks for:		
Plant and machinery	99,666	6,063
Raw materials	197,739	103,489
Stores and spares	26,990	32,811
Foreign currency forward contracts	-	621,612

The Company has signed sponsors support agreement amounting to Rs. 940 million and contractual commitment for debt servicing of two loan installments amount up to the cap of Rs 338 million, on behalf of Yunus Energy Limited.

21. SALES - Net

	2015	2014
	Rupees in '000	
Export		
- Yarn	9,401,715	8,676,268
- Knitted fabric	480,442	-
- Waste	429,532	445,880
	10,311,689	9,122,148
Commission on direct export sales	(87,174)	(103,894)
	10,224,515	9,018,254
Local		
- Yarn	12,756,915	11,206,848
- Knitted fabric	24,251	-
- Waste	318,762	127,789
	13,099,928	11,334,637
Commission on local sales	(54,500)	(41,746)
Sales tax	(266,496)	(245,061)
	12,778,932	11,047,830
	23,003,447	20,066,084

	Note	2015	2014
		Rupees in '000	

22. COST OF SALES

	Note	2015	2014
Opening stock - finished goods		724,587	524,451
Transferred from FTML as on October 1, 2014		348,452	-
Effect of adjustment in estimates and judgement in opening stock	15.3	(57,054)	-
		1,015,985	524,451
Cost of goods manufactured	22.1	21,878,480	18,334,054
Less: Closing stock - finished goods	9	(1,020,840)	(724,587)
		21,873,625	18,133,918

22.1 Cost of goods manufactured

	Note	2015	2014
Raw material	22.1.1	14,981,515	13,442,308
Salaries, wages and benefits	22.1.2	1,788,155	1,170,585
Stores, spares and loose tools		592,046	518,495
Packing material		543,048	411,385
Rent, rates and taxes		218	361
Fuel and power		2,942,614	2,141,781
Repairs and maintenance		35,444	25,403
Printing and stationery		3,754	150
Legal and professional		3,704	2,269
Entertainment		6,084	4,283
Fee and subscriptions		18,906	9,613
Insurance		43,094	39,078
Travelling, conveyance and entertainment		18,326	14,776
Doubling charges		60,000	20,208
Mixing charges		24,672	-
Communication		4,073	1,433
Depreciation	4.1.1	766,486	555,166
Other manufacturing expenses		42,228	9,915
		21,874,367	18,367,209
Work-in-process			
Opening stock		163,724	130,569
Transferred from FTML as on October 1, 2014		38,007	-
		201,731	130,569
Closing stock	9	(197,618)	(163,724)
		4,113	(33,155)
Cost of goods manufactured		21,878,480	18,334,054

22.1.1 Raw material consumed

	Note	2015	2014
Opening stock		4,741,678	3,227,885
Transferred from FTML as on October 1, 2014		471,356	-
Purchases - net		13,266,069	14,956,101
Less: Closing stock	9	(3,497,588)	(4,741,678)
		14,981,515	13,442,308

22.1.2 Salaries, wages and benefits include Rs. 147 million (2014: Rs. 102.45 million) in respect of staff retirement benefits.

22.1.3 The average number of employees employed by the Company during the year were 4,693 (2014: 3,618), whereas the total number of employees as at June 30, 2015 were 4,786 (2014: 3,735).

23. DISTRIBUTION COST

	Note	2015	2014
		Rupees in '000	
Freight, octroi and handling charges			
- Export		265,475	210,736
- Local		53,889	34,706
		319,364	245,442
Sales promotion expenses		14,095	3,986
Export promotion expenses		10,982	36,396
Bank charges on exports		25,863	21,163
		370,304	306,987

24. ADMINISTRATIVE EXPENSES

	Note	2015	2014
Staff salaries and benefits	24.1	103,484	49,407
Rent, rates and taxes		752	322
Communication		6,233	5,464
Printing and stationery		3,634	1,611
Repairs and maintenance		4,311	1,995
Legal and professional		10,590	4,768
Travelling and conveyance		33,718	21,438
Entertainment		5,652	1,353
Vehicles running and maintenance		11,759	5,514
Secretarial expenses		7,594	1,609
Fee and subscriptions		3,954	3,838
Electricity		9,594	6,395
Advertisement		1,111	129
Auditors' remuneration	24.2	1,363	1,113
Depreciation	4.1.1	11,140	3,649
Insurance		10,237	2,717
Books and periodicals		73	299
Others		1,662	3,517
		226,862	115,138

24.1 Salaries and benefits include Rs. 6.15 million (2014: Rs. 5.85 million) in respect of staff retirement benefits.

24.2 Auditors' remuneration

	2015	2014
Statutory audit fee	1,000	1,000
Half yearly review and other certifications	363	113
	1,363	1,113

	Note	2015	2014
		Rupees in '000	

25. FINANCE COST

	Note	2015	2014
Markup / interest on:			
Long-term finance		1,384	2,612
Short-term borrowings		777,931	720,497
Worker's profit participation fund		3,851	17,655
		783,166	740,764
Bank and other financial charges		35,299	26,039
		818,465	766,803
Less: borrowing cost capitalised	25.1	(26,984)	(27,165)
		791,481	739,638

25.1 Borrowing cost is capitalised at weighted average borrowing capitalization rate of 8.17% (2014: 8.81%).

26. OTHER OPERATING CHARGES

	Note	2015	2014
Donations	26.1	722	595
Exchange loss on foreign currency transactions - net		21,114	150,552
Workers' profit participation fund	18.2	-	34,262
		21,836	185,409

26.1 No director or their spouse had any interest in the donees fund.

27. OTHER INCOME

	2015	2014
Income from financial assets		
Profit on deposit accounts	4,919	-
Dividend income	2,126	-
Unrealised gain on short-term investment	10,737	11,396
	17,782	11,396
Income from non-financial assets		
Scrap sales	2,975	3,344
Gain on disposal of operating fixed assets - net	3,664	7,162
	6,639	10,506
	24,421	21,902

28. TAXATION

	2015	2014
Current		
- For the year	202,375	20,235
- Prior year	107	5,982
	202,482	26,217
Deferred	99,571	132,133
	302,053	158,350

28.1 Relationship between tax expense and accounting profit

The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the total income of the Company attracts minimum tax under section 113 of the Income tax Ordinance, 2001 and its export sales fall under final tax regime.

28.2 A new provision has been introduced by the Finance Act, 2015, requiring every public Company other than scheduled bank or modaraba that derives profit for the tax year, to pay the tax at the rate of 10% on its undistrubuted reserve carried in excess of 100% of the paid up capital of the Company. As the Company has incurred a loss for the current year, no provision is required to be recognised in these financial statement.

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:

		2015	2014
Profit for the year	Rupees in '000	(392,334)	580,799
Number of ordinary shares	A	23,437,500	23,437,500
Number of ordinary shares to be issued pursuant to amalgamation	B	4,592,023	-
Weighted average number of shares outstanding as at year end	A+(B*9/12)	26,881,518	23,437,500
Earnings per share	Rupees	(14.59)	24.78

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:

	2015		2014	
	Director	Executives	Director	Executives
	Rupees in '000			
Remuneration	1,880	16,194	1,937	8,101
House rent	458	6,039	270	3,108
Utilities	149	1,246	193	854
Bonus	-	1,367	-	375
Conveyance	38	373	-	-
Medical	-	584	-	490
Leave encashment	-	1,058	-	351
	2,525	26,861	2,400	13,279
Number of persons	1	21	1	13

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

30.2 Meeting fee of Rs. 0.082 million (2014: Rs. 0.048 million) has been paid to seven Directors.

	Note	2015	2014
		Rupees in '000	

31. PRODUCTION CAPACITY

Spinning Mill

	2015	2014
Total number of spindles installed	316,780	246,224
Number of shifts worked per day	3	3
Number of days worked	365	365
Number of shifts worked	1,093	1,093
Average number of spindles shift worked	315,733,832	261,691,233
Installed capacity after conversion into 20's (Kgs)	119,597,217	99,126,655
Actual capacity after conversion into 20's (Kgs)	111,709,341	93,864,989
Actual production (Kgs)	75,258,294	58,181,748

Knitting

	2015	2014
Total number of knitting machines installed	12	-
Installed capacity (kgs)	1,485,000	-

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 comprise 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 and mentioned else where in the financial statements, are as follows:

Name of Related Party	Nature of Transaction	2015	2014
		Rupees in '000	
Associated companies - Common Directorship			
Fazal Textile Mills Limited	Purchases	50,488	62,544
(before amalgamation)	Services sold	743	688
Lucky Cement Limited	Purchase of cement	5,208	18,933
Lucky Knits (Private) Limited	Yarn sold	568,285	396,898
	Vehicle sold	600	-
	Knitting and dyeing charges	28,027	-
Yunus Textile Mills Limited	Yarn sold	81,027	294,219
Feroze 1888 Industries Limited	Yarn sold	31,106	259,200
Lucky Textile Mills Limited	Purchase of Grey cotton cloth	-	214
	Sale of fabric	3,925	-
	Yarn sold	1,435,176	1,124,496
Lucky Energy (Private) Limited	Purchase of electricity	1,038,627	341,596
Yunus Energy Limited	Advance against shares	159,515	23,351
	Mark up credited	6,936	-
	Vehicle sold	15,527	-
	Investment in shares	203,615	750
Lucky Holdings Limited	Share of profit on investment	19,630	15,880
ICI Pakistan Limited	Purchase of fibre	1,227,310	1,264,092
(Common Directorship and Shareholding)	Sale of polyester sample	397	-
	Share of profit on investment	155,128	135,381
	Dividend received	53,828	23,924
YB Holdings (Private) Limited	Dividend paid	65,927	-
YB (Pakistan) Limited	Dividend paid	23,903	72,256

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Financial instruments by category

	2015	2014
	Rupees in '000	
Financial assets		
Loans and receivables		
Long-term loans	38,043	19,912
Trade debts	2,027,028	1,079,098
Loans and advances	28,237	32,651
Other receivables	11,664	2,767
Cash and bank balances	506,553	331,879
	2,611,525	1,466,307
Investment at fair value through profit or loss		
Short-term investment	59,745	49,008
	2,671,270	1,515,315
Financial liabilities		
At amortised cost		
Long-term financing	8,905	26,719
Trade and other payables	1,313,146	1,002,779
Accrued markup	133,964	142,271
Short-term borrowings	10,405,623	7,596,319
	11,861,638	8,768,088

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 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:

	2015	2014
	Rupees in '000	
Long-term loans	38,043	19,912
Trade debts	2,027,028	1,079,098
Advances	28,237	32,651
Other receivables	11,664	2,767
Bank balances	498,373	322,063
	2,603,345	1,456,491

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. Loans to employees are secured against their gratuity balances.

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 following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting agreements:

June 30, 2015	Within 1 year	2 - 5 years	More than 5 years	Total
	Rupees in '000			
Financial liabilities				
Long-term financing	8,905	-	-	8,905
Trade and other payables	1,313,146	-	-	1,313,146
Accrued markup	133,964	-	-	133,964
Short-term borrowings	10,405,623	-	-	10,405,623
	11,861,638	-	-	11,861,638

June 30, 2014	Within 1 year	2 - 5 years	More than 5 years	Total
	Rupees in '000			
Financial liabilities				
Long-term financing	26,719	9,218	-	35,937
Trade and other payables	1,002,779	-	-	1,002,779
Accrued markup	142,271	-	-	142,271
Short-term borrowings	7,596,319	-	-	7,596,319
	8,768,088	9,218	-	8,777,306

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.

33.2.3 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 optimizing 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 year end, fair value of equity securities exposed to price risk were as follows:

	2015	2014
	Rupees in '000	
Investment at fair value through profit or loss		
- held for trading	59,745	49,008

In case of 10% increase / decrease in fair value of equity securities on June 30, 2015, profit or loss for the year would have been affected by Rs. 5.8 million (2014: Rs. 4.9 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:

	2015	2014
	Rupees in '000	
Fixed rate instruments		
Financial assets	151,395	-
Financial liabilities - SBP LTF-EOP	8,905	26,719
Variable rate instruments		
Financial liabilities		
- KIBOR based	7,445,757	5,764,589
- LIBOR based	2,959,866	1,831,730
	10,405,623	7,596,319

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 or 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 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. 81.86 million (2014: Rs. 62.22 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 previous year.

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 in 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 enters into forward foreign exchange contracts to cover its exposure to foreign currency risk. As at year end, the financial assets and liabilities exposed to currency risk are as follows:

	2015	2014	2015	2014
	USD		Rupees in '000	
Trade debts	13,258,843	6,276,128	1,374,942	616,331
Foreign currency bank balances	340,723	359,657	35,333	35,530
Import loan (LC's)	(12,459,589)	(16,509,978)	(1,292,059)	(1,630,360)
Export finance	(3,982,552)	(500,000)	(412,991)	(49,375)
Accrued markup	(136,651)	(94,133)	(14,171)	(9,296)
	JPY		Rupees in '000	
Import loan (LC's)	-	(48,000,000)	-	(46,651)
Accrued markup	-	(336,000)	-	(327)
Foreign bills payable	-	-	-	-
	Euro		Rupees in '000	
Foreign currency bank balances	8,214	75	945	10
Import loan (LC's)	(573,960)	(779,857)	(66,046)	(105,236)
Accrued markup	(1,612)	(2,130)	(185)	(287)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rates	
	2015	2014	2015	2014
US Dollars to PKR	100.54	102.89	103.70 / 101.57	98.75/ 98.55
Yen to PKR	0.87	1.0181	0.8450 / 0.8275	0.9748 / 0.9726
Euro to PKR	120.69	139.64	115.07 / 112.67	134.73 / 134.46

As at June 30, 2015, if the Pakistani Rupee had weakened / strengthened by 10% against the US Dollars, Japanese Yen and Euros with all variables held constant, profit or loss for the year would have been lower / higher by Rs. 104.52 million (2014: Rs. 119.97 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in previous year.

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, 2015, short term investment was categorised in level 1 (2014: 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% (2014: 97%) of total revenue whereas, remaining represents revenue from sales of knitted fabric and waste material.

36.3 All non current assets of the Company as at June 30, 2015 are located in Pakistan.

36.4 58% (2014: 56%) of sales of yarn are local sales whereas 42% (2014: 44%) of sales are export / foreign sales.

36.5 Revenue from single major customer of the Company represent 17.5% (2014: 24%) of total revenue of the Company.

37. GENERAL

37.1 The Board of Directors proposed a final dividend for the year ended June 30, 2015 of Rs. nil per share (2014: Rs. 5 per share) amounting to Rs. nil (2014: Rs. 117.188 million).

37.2 These financial statements were authorized for issue on **September 30, 2015** by the Board of Directors of the Company.

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE / DIRECTOR

JAWED YUNUS TABBA
DIRECTOR

NOTICE OF 28TH ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the members of Gadoon Textile Mills Limited ("Company") scheduled to be held on Thursday, October 29, 2015 at 11:30 a.m. at Karachi Project, 57 k.m. Super Highway, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of Extraordinary General Meeting held on February 18, 2015.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' report thereon.

3. To appoint Auditors for the year ending June 30, 2016 and fix their remuneration.

4. To transact any other business with the permission of the Chair.

SPECIAL BUSINESS:

1. To ratify the transactions carried out by the Company with related parties disclosed in Note No. 32 to the Financial Statements for the year ended June 30, 2015 by passing the following resolution:

   "RESOLVED THAT the related parties transactions carried out by the Company with Lucky Cement Limited, Fazal Textile Mills Limited, Yunus Textile Mills Limited, Lucky Textile Mills Limited, Lucky Knits (Private) Limited, Feroze1888 Mills Limited, Lucky Energy (Private) Limited, ICI Pakistan Limited, Yunus Energy Limited, Lucky Holdings Limited, Y.B. Holdings (Private) Limited and Y.B. Pakistan Limited during the year ended June 30, 2015 be and are hereby approved."

2. To approve transactions with related parties and to authorize the board of directors of the Company to carry out such related party transactions at its discretion from time to time, irrespective of the composition of the board of directors.

   The resolutions to be passed are as under:

   "RESOLVED THAT the Company may carry out transactions including, but not limited to, the sale of yarn, machinery and other necessary goods, as well as the purchase of cement, cloth, garments, textiles, machinery, and other commodities including receipt and payment of dividends, with related parties from time to time including, but not limited to, Lucky Cement Limited, Yunus Textile Mills Limited, Lucky Textile Mills Limited, Lucky Knits (Private) Limited, Feroze1888 Mills Limited, Lucky Energy (Private) Limited, ICI Pakistan Limited, Lucky Landmark (Private) Limited , Yunus Energy Limited, Lucky Holdings Limited, Y.B. Holdings (Private) Limited, Y.B. Pakistan Limited and other such related parties to the extent of Rs. 6,823,500,000/- (Rupees Six Billion Eight Hundred Twenty Three Million Five Hundred Thousand Only) for the fiscal year 2015-16.

   FURTHER RESOLVED THAT within the parameters approved above by the shareholders of the Company, the board of directors of the Company may approve specific related party transactions from time to time, irrespective of the composition of the board, and in compliance with the Company's policy pertaining to related party transactions and notwithstanding any interest of the directors of the Company in any related party transaction which has been noted by the shareholders."

3. To consider and, if thought fit, pass with or without modification, the following special resolutions subject to the approval of shareholders:

   "RESOLVED THAT the existing Clause II of the Memorandum of Association of the Company be and is hereby amended / altered to read as follows:

   "II. The Registered Office of the Company shall be situated in the Province of Khyber Pakhtunkhwa."

   FURTHER RESOLVED THAT the registered office of the company shall be changed from 7-A, Muhammad Ali Society, Abdul Aziz Haji Hashim Tabba Street, Karachi, Province of Sindh, Pakistan to 200-201, Gadoon Amazai Industrial Estate, District Swabi, Province of Khyber Pakhtunkhwa, Pakistan.

FURTHER RESOLVED THAT the Chief Executive and Company Secretary of the Company, be and are hereby severally authorized to complete all formalities and to take all further and incidental steps for implementing and giving effect to the above mentioned resolutions on behalf of the Company including but not limited to preparing, executing and filing all necessary forms, applications, notices, statutory filings and documents and to undertake and make all necessary arrangements to give effect to the above mentioned resolutions."

By order of the Board

Abdul Sattar Abdullah
Company Secretary

Karachi: October 8, 2015

Notes:

1. The Share Transfer Books of the Company will remain closed from Thursday, October 22, 2015 to Thursday, October 29, 2015 (both days inclusive). Transfer received in order at our Share Registrar/Transfer Agent M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi 74400, at the close of business on October 21, 2015, 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 changes 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.S., Main Shahrah-e-Faisal, Karachi-74400.

5. CDC account holders are advised to follow the following guidelines as laid down in Circular 1 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group account and their registration details are uploaded as per the Regulations, shall authorize his/her identity by showing original Computerize National Identity Card (CNIC) at the time of attending the meeting.

   The shareholders registered on CDC are also requested to bring their particulars, I.D. numbers and account numbers in CDS.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

i) In case of Proxy for an individual beneficial owner of shares from CDC, attested copies of beneficial owner's Computerized National Identity Card or Passport, Account and Participant's I.D. numbers must be deposited along with the form of proxy. In case of proxy for representative of corporate members from CDC, Board of Directors' Resolution and Power of Attorney and the specimen signature of the nominee must be deposited along with the form of proxy. The proxy shall produce his/her original Computerized National Identity Card or Passport at the time of meeting..

ii) In order to be effective, this form of proxy duly completed, stamped, signed and witnessed along with Power of Attorney, or other instruments (if any), must be deposited at the Registered Office of the Company at 7-A, Muhammad Ali Society, Abdul Aziz Haji Hashim Tabba Street, Karachi, Province of Sindh at least 48 hours before the time of the meeting.

iii) If a member appoints more than one proxy and more than one form of proxy are deposited by a member with the Company, all such forms of proxy shall be rendered invalid.

Submission of copies of CNIC and NTN Certificate (Mandatory)

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), Dividend Warrants shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of shareholders. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their CNIC or NTN in case of corporate entities (if not already provided) to the Company's Share Registrar.

In case of non-availability of a valid copy of the Shareholders' CNIC in the records of the Company, the company shall be constrained to withhold the Dividend Warrants in terms of Section 251(2)(a) of the Companies Ordinance 1984, which will be released by the Share Registrar only upon submission of a valid copy of the CNIC in compliance with the aforesaid SECP directives.

Withholding Tax on Dividend

Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a) For Filers of Income Tax Returns	12.5%
(b) For Non-Filer of Income Tax Return	17.5%

Shareholders who are filers, are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 17.5% instead of 12.5%.

Payment of Cash Dividend Electronically (Optional)

The SECP has initiated e-dividend mechanism through its Notification 8(4) SMICDCI2008 dated April 05, 2013. In order to avail benefits of e-dividend shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address to Company's Share Registrar Shareholders who hold shares with Participants/ Central Depository Company of Pakistan (CDC) are advised to provide the mandate to the concerned Broker/CDC.

The Form for providing relevant information for receiving payment of Cash Dividend Electronically has been available at Company's website www.gadoontextile.com. Filled forms may please forward to the Company's share registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.

Distribution of Audited Financial Statements / Notices through Email

As notified by the SECP vide SRO No. 787(I)/2014 dated September 8, 2014, all listed Companies are allowed to circulate Audited Financial Statements along with Notice of Annual General Meetings to shareholders through their e-mail addresses subject to written consent of the shareholders.

Shareholders of the Company who wish to receive Audited Financial Statements, notice of General meetings and other financial reports through e-mail are requested to fill the required information on the Form earlier dispatched to the Shareholders of the Company. The Form is also available at Company's website www.gadoontextile.com. Filled forms may please forward to the Company's share registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.

THE STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 PERTAINING TO THE "SPECIAL BUSINESS" AND REGULATION 3 OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2012 IS ANNEXED WITH THE NOTICE BEING SENT TO THE MEMBERS.

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 CONCERNING THE SPECIAL BUSINESS

As per the instructions of the Securities and Exchange Commission of Pakistan (the "SECP"), the Company has been directed to obtain a broad approval from the shareholders of the Company, regarding related party transactions carried out by the Company from time to time.

On a strict reading of the laws, the SECP is of the opinion that due to the composition of the board of directors of the Company, the board of directors would be unable to approve the transactions carried out by the Company with other companies having common directors.

Although transactions carried out by the Company with related parties constitute a small fraction of the Company's entire business, this would adversely affect the business of the Company. The Company carries out transactions with its associated companies and related parties in the normal course of business.

The Company carries out such transactions in a fair and transparent manner and on an arm's length basis. All transactions entered into with associated companies and related parties require the approval of the Audit Committee of the Company, which is chaired by the independent director of the Company. The Audit Committee reviews the transactions and ensures that the pricing method is transparent and at par with running market practice and that the terms are as per the Company's practices. Only upon the recommendation of the Audit Committee, are such transactions placed before the board of directors for approvals.

The transactions with related parties to be ratified have been disclosed in Note No.32 to the Financial Statements for the year ended June 30, 2015. All such transactions were approved by the Audit Committee and were carried out at arm length basis.

Furthermore, since such transactions are an ongoing process and are approved by the board of directors on a quarterly basis, the shareholders are being approached to grant the broad approval for such transactions to be entered into by the Company, from time to time, at the discretion of the board (and irrespective of its composition). The Company shall comply with its policy pertaining to transactions with related parties as stated above to ensure that the same continue to be carried out in a fair and transparent manner and on an arm's length basis.

Transactions intended to be carried out by the Company include, but are not limited to, sale of yarn, machinery and other necessary goods, as well as the purchase of cement, cloth, garments, textiles, machinery, and other commodities including receipt and payment of dividends with the following related parties but are not limited to:

1. Lucky Cement Limited
2. Yunus Textile Mills Limited
3. Lucky Textile Mills Limited
4. Lucky Knits (Private) Limited
5. Feroze1888 Mills Limited
6. Lucky Energy (Private) Limited
7. ICI Pakistan Limited
8. Yunus Energy Limited
9. Lucky Landmark (Private) Limited
10. Lucky Holdings Limited
11. Y.B. Holdings (Private) Limited
12. Y.B. Pakistan Limited

The shareholders would note that it is not possible for the Company or the directors to accurately predict the nature of the related party transaction or the specific related party(ies) with which the transaction(s) shall be carried out. In view of the same, the Company seeks the broad approval of the shareholders that the Board may cause the Company to enter into related party transactions in its wisdom and in accordance with the policy of the Company to the extent of Rs. 6,823,500,000/- (Rupees Six Billion Eight Hundred and Twenty Three Million Five Hundred Thousand Only).

All such transactions are clearly stipulated at the end of the year in the Company's annual report.

Furthermore, the Company and the board continuously serve to protect the interests of the shareholders of the Company and the said transactions are entered into in order to benefit the Company and its stakeholders.

The interest of the relevant directors of the Company in the associated companies / related parties are known to the shareholders and are disclosed by the Company as per the Applicable laws, including in the Financial Statements of the Company.

PATTERN OF SHAREHOLDING

As at June 30, 2015

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
635	1	100	28,498
661	101	500	189,743
401	501	1000	328,898
292	1001	5000	696,256
42	5001	10000	317,828
14	10001	15000	167,687
9	15001	20000	163,237
6	20001	25000	140,600
2	25001	30000	56,475
1	35001	40000	38,600
1	45001	50000	50,000
1	50001	55000	54,500
1	85001	90000	86,600
1	100001	105000	105,000
1	105001	110000	108,597
1	115001	120000	117,187
3	140001	145000	421,875
1	165001	170000	168,800
1	200001	205000	201,500
1	270001	275000	273,750
1	295001	300000	296,875
1	400001	405000	402,400
1	1055001	1060000	1,056,600
1	4780001	4785000	4,780,500
1	13185001	13190000	13,185,494
2080			23,437,500

Categories of Shareholders	Shareholdings	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MUHAMMAD YUNUS TABBA	1	2,000	0.01
MUHAMMAD SOHAIL TABBA	1	2,000	0.01
MOHAMMAD ALI TABBA	1	2,000	0.01
JAWED YUNUS TABBA	1	2,000	0.01
RAHILA ALEEM	1	2,000	0.01
MARIAM TABBA KHAN	1	2,000	0.01
SALEEM ZAMINDAR	1	500	0.00
Associated Companies, undertakings and related parties			
YB PAKISTAN LIMITED	1	4,780,500	20.40
Y.B. HOLDING (PRIVATE) LIMITED	1	13,185,494	56.26
Executives	-	-	-
Public Sector Companies and Corporations	6	1,090,653	4.65
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	5	542,797	2.32
Mutual Funds			
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	8,690	0.04
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	86,600	0.37
General Public			
a. Local	2034	3,672,776	15.67
b. Foreign	-	-	-
Foreign Companies	1	562	0.00
Others	23	56,928	0.24
	2080	23,437,500	100.00

Share holders holding 5% or more	Shares Held	Percentage
YB PAKISTAN LIMITED	4,780,500	20.40
Y.B. HOLDING (PRIVATE) LIMITED	13,185,494	56.26

GLOSSARY

ATIR	Appellate Tribunal Inland Revenue
CEO	Chief Executive Officer
CS	Company Secretary
DPS	Dividend Per Share
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EOGM	Extra Ordinary General Meeting
EPS	Earnings Per Share
GIDC	Gas Infrastructure Development Cess
GTML	Gadoon Textile Mills Limited
IAS	International Accounting Standards
IASB	Peshawar Electric Supply Corporation
ICIP	ICI Pakistan Limited
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
KIBOR	Karachi Inter-Bank Offered Rate
LHL	Lucky Holdings Limited
LIBOR	London Inter-Bank Offered Rate
LOA	Leave of Absence
MMBTU	Million Metric British Thermal Units
MW	Mega Watt
PE	Price Earnings Ratio
PESCO	Central Depository Company
PSF	Polyester Staple Fiber
SNGPL	Sui Northern Gas Pipeline Limited
WHR	Waste Heat Recovery Plant
WWF	Workers' Welfare Fund
WWF PAKISTAN	World Wildlife Fund
YBG	Yunus Brothers Group
YEL	Yunus Energy Limited
YTML	Yunus Textile Mills Limited

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FORM OF PROXY

The Company Secretary,
GADOON TEXTILE MILLS LIMITED
7-A, Muhammad Ali Housing Society,
Abdul Aziz Haji Hashim Tabba Street,
Karachi

I/We ____ of (full address)
____
being member of **Gadoon Textile Mills Limited** and holder of ____________ ordinary shares as per Share Register Folio No.__________ and/or CDC Participant I.D. No.________ and Sub-Account No. ________ hereby appoint ________________________ of (full address)________________________________ or failing him/her ______ ____________________ of (full address) ____________ ________________ ________________ who is also a member of **Gadoon Textile Mills Limited**, as my/our proxy in my/our presence to attend and vote for me/us an on my/our behalf at an 28th Annual General Meeting of the Company to be held on Thursday, October 29, 2015 at 11:30 am and at any adjournment thereof.

Signature this ________ day of __________, 2015

Witnesses:

1. Signature: ________________
   Name ________________
   Address ________________
   CNIC No. ________________

2 Signature: ________________
   Name ________________
   Address ________________
   CNIC No. ________________

Signature on Five Rupee Revenue Stamp

Signature of members should match with the specimen signature registered with the Company

AFFIX
CORRECT
POSTAGE

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

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