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COMPANY PROFILE

- Board of Directors** : Muhammad Yunus Tabba (Chairman)
Muhammad Sohail Tabba (Chief Executive)
Muhammad Ali Tabba
Javed Yunus Tabba
Mrs Marium Tabba Khan
Ilyas Ismail
Tariq Iqbal Khan
- Chief Financial Officer & Company Secretary** : Abdul Sattar Abdullah
- Audit Committee** : Muhammad Ali Tabba
Javed Yunus Tabba
Ilyas Ismail
- Auditors** : M. Yousuf Adil Saleem & Co.
Chartered Accountants
- Registered Office/Factory** : 200-201, Gadoon Amazai Industrial Estate,
Distt. Swabi, Khyber Pakhtunkhwa
Phone No. :0938-270212-13
Fax No. :0938-270311
E-mail Address :secretary@gtmlfactory.com
- Liaison Office** : APTMA House,
Tehkal Payan, Jamrud Road,
Peshawar.
Phone No. :091-5701496
Fax No. :091-840273
E-mail Address: secretary@gadoontextile.com
- Karachi Office** : 6-A, Muhammad Ali Housing Society,
Abdul Aziz Haji Hashim Tabba Street,
Karachi-75350.
Phone No. :021-34397701-03
Fax No. :021-34382436, 34536229
E-mail Address: secretary@gadoonho.com
- Share Registrar** : Central Depository Company of Pakistan Ltd
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi
Ph # 021-111-111-500
Fax # 021-34326027
Email Address: info@cdcpak.com
- Bankers** : Bank Alfalah Limited (Islamic Banking)
Bank Al Habib Limited
Barclays Bank PLC, Pakistan
Citibank N.A.
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
United Bank Limited



MISSION STATEMENT

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

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

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

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

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



NOTICE OF 23RD ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the members of **Gadoon Textile Mills Limited** will be held on 30th October, 2010 at 10:00 a.m. at the registered office of the Company, 200-201, Gadoon Amazai Industrial Estate, District Swabi, Khyber Pakhtunkhwa, to transact the following business:

1. To confirm the minutes of Extraordinary General Meeting held on 20th March, 2010.
2. To receive, consider and adopt the Audited Accounts for the year ended 30th June, 2010 together with the Directors' and Auditors' report thereon.
3. To approve cash dividend @ Rs. 7.00 per share of Rs. 10/- each for the year ended 30th June 2010 as recommended by the Directors.
4. To appoint Auditors for the year ending 30th June, 2011 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

By order of the Board

Abdul Sattar Abdullah
Company Secretary

Karachi: 8th October, 2010

NOTES:

1. The Share Transfer Book of the Company will remain closed from 23rd October, 2010 to 30th October, 2010 (both days inclusive). Transfers received in order at our Share Registrar/Transfer Agent M/s Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi, upto close of business on 22nd October 2010, will be considered in time.
2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time for holding the meeting.
3. Individual CDC account holders shall produce his/her Original Computerized National Identity Card or Passport, Account and Participant's I.D numbers to prove his/her identity. A representative of corporate members from CDC, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.
4. Members are requested to notify change in their addressess, if any, to our Share Registrar/Transfer Agent M/s Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi.



DIRECTORS' REPORT

The Directors of your Company have pleasure in presenting before you the 23rd Annual Report together with the Company's audited financial statements for the year ended June 30, 2010.

Operating Results:

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

	Year Ended 30-06-2010	Year Ended 30-06-2009	Percentage Favorable (Unfavorable)
	Rupees (000)		
Sales - Export	4,840,075	4,172,215	16.00
Local	5,188,690	2,968,577	74.79
Sales (net)	10,028,765	7,140,792	40.44
Gross Profit	1,584,698	756,875	109.38
Finance costs	290,551	620,007	53.14
Profit/(Loss) before taxation	874,687	(297,072)	394.44
Profit/(Loss) for the year	828,191	(338,597)	344.59
Earnings/(Loss) per share	35.34	(14.45)	

By the grace of Almighty Allah, your Company achieved another milestone in operating performance, outstripping all past records. The Company recorded an incredible growth in turnover, scaling an all time high of Rs.10,029 million during the year under review (2009: Rs.7,141 million), showing a big jump of 40%. The reduced sales mix of export versus local sales is due to quota imposition/regulatory duty on export of yarn. The gross margin during the year pegged at Rs.1,585 million (2009:Rs.757 million), registered an increase of 109%. The after tax profit for the period shows an unprecedented rise at Rs.828 million (2009: after tax loss Rs.339 million) showing an increase of 345%.

This one-off scintillating performance during the year is attributable to an upbeat yarn market and inventory gain. With well-focussed raw material planning and procurement policies in place and aided by comfortable liquidity position, the Company took full advantage of the cheap raw material situation by purchasing the annual inventory consumption early in the season well before the lint cotton prices skyrocketed.

The profit for the year would have been substantially higher, had there been no curtailment/load-shedding of gas, which substantially affected the cost of production due to alternative use of expensive furnace oil.

Fiscal Relief for KP Industries:

Your Company is one of the beneficiaries of the fiscal relief, such as income tax exemption u/s 126(F) for the next three years, 50% reduction in Sales Tax and reduced mark-up on advances/loans, announced by the Government to rehabilitate industries affected by military operations in Khyber Pakhtunkhwa and FATA/PATA.



Expansion and Modernization Projects:

As stated in our interim reports your Company is pursuing the policy of replacing old plant and machinery in a phased manner from own resources to promote efficiency and economy of operations.

Besides, in order to maintain sustained growth in profitability, the Company is considering to put up an additional production facility at Karachi. The road transportation cost to and from Gadoon Amazai is day by day becoming prohibitive and makes Karachi economically viable. Import of raw material and export of yarn and easy access to port facilities also favour this proposal.

New Board of Directors:

The new board of Directors was elected for a tenure of three years at the Extraordinary General Meeting of the Company held on 20th March 2010.

The new board appointed Mr. Muhammad Sohail Tabba as the Chief Executive of the Company for a period of three years w.e.f. 30th March 2010.

Earnings Per Share:

The earnings per share during the year under report worked out to Rs.35.34 as compared to loss of Rs.14.45 for 2009.

Dividend:

The Board of Directors have pleasure in recommending cash dividend at the rate of Rs. 7.00 Per Share for the year under review (2009: Nil).

Future Outlook:

Given the severe damage inflicted by massive floods, the cotton crop has been damaged causing severe shortage and panic buying of cotton. The situation has further worsened due to higher global prices. Consequently, the prices of raw cotton are soaring day by day. Operating in these conditions, we may not be in a comfortable position on supply side in 2010-11. Other constraints such as electricity and gas and ocean and surface freight will continue to impact our margins.

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 Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your company as required by the Code.

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

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and is being effectively implemented and reviewed by internal audit function.



- f) The Company has a very sound balance sheet with excellent debt:equity ratio and therefore there is no doubt at all about the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- h) We have an Audit Committee the members of which are from the Board of Directors.
- i) We have prepared and circulated a Statement of Ethics and Business Strategy among directors and employees.
- j) The Board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- k) As required by the Code of Corporate Governance, we have included the following information in this Report:
 - i) Statement of pattern of shareholding has been given separately.
 - ii) Statement of shares held by associated undertaking and related persons have been given separately.
 - iii) Statement of the Board meetings held during the year and attendance by each director.
 - iv) Key operating and financial statistics for the last six years has been given separately.

Auditors:

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

As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending 30th June, 2011.

Acknowledgements:

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

For and on behalf of the Board

Muhammad Sohail Tabba
Chief Executive/Director

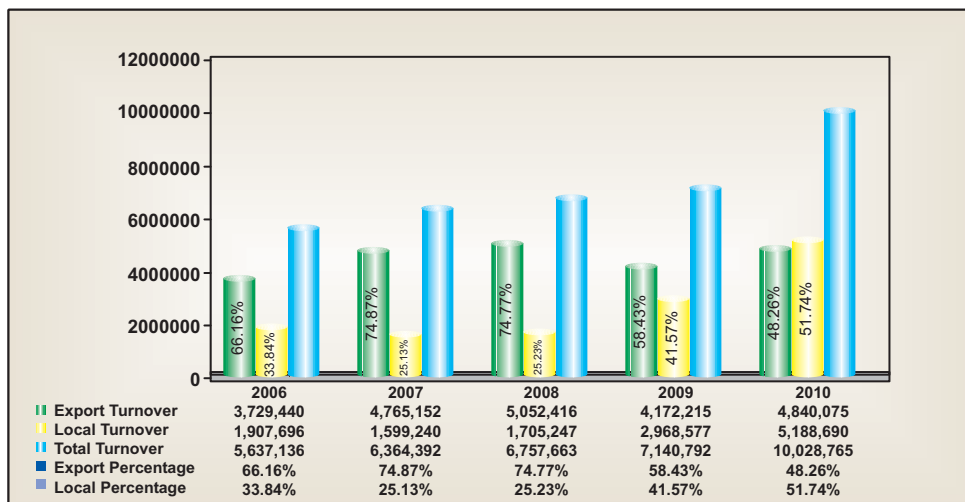
Karachi: 27th September, 2010



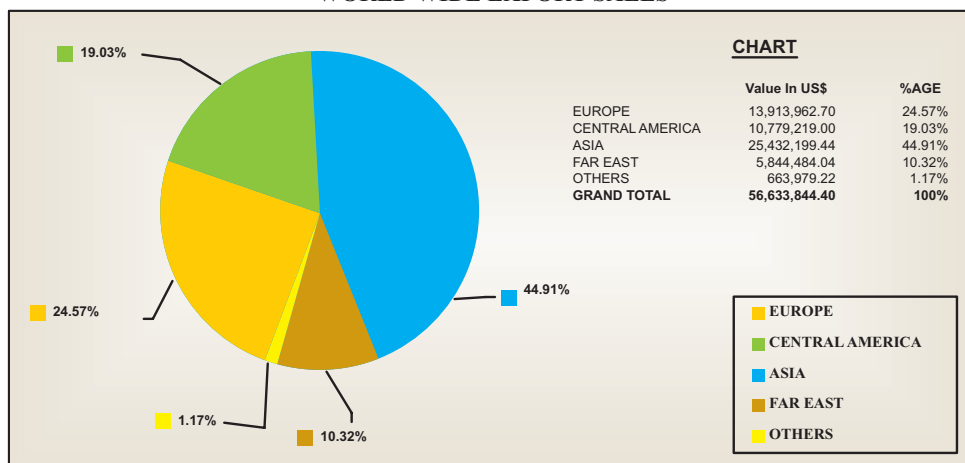
YEAR WISE STATISTICAL SUMMARY

	Rupees (000)							
	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS EMPLOYED								
Fixed Assets	2,935,674	2,950,274	3,057,989	3,020,789	2,947,545	3,063,735	2,760,662	2,724,684
Long Term Loans, Deposits & Deferred Costs	4,176	4,558	4,429	9,728	8,326	10,960	7,971	13,007
Investment	-	-	-	-	15,238	83,335	66,667	66,667
Current Assets	1,747,374	1,640,540	2,703,545	3,114,125	2,882,650	4,384,976	3,208,422	3,741,676
Total Assets Employed	<u>4,687,224</u>	<u>4,595,372</u>	<u>5,765,963</u>	<u>6,144,642</u>	<u>5,853,759</u>	<u>7,543,006</u>	<u>6,043,722</u>	<u>6,546,034</u>
FINANCED BY								
Shareholders' equity	1,704,754	1,978,992	2,127,333	2,361,750	2,536,189	2,314,285	1,974,019	2,802,210
Long Term Loans	860,000	680,000	750,000	375,000	50,581	102,666	897,974	630,161
Current portion of Long Term Loans	-	430,000	305,000	375,000	350,000	4,215	8,907	17,813
	860,000	1,110,000	1,055,000	750,000	400,581	106,881	906,881	647,974
Liability against purchase of Lease hold Land	-	-	1,750	875				
Obligation under Finance Lease	-	-	-					
Deferred Liabilities	329,984	303,286	192,895	191,365	208,493	207,587	215,659	285,860
Current Liabilities	1,792,486	1,633,094	2,693,985	3,215,652	3,058,496	4,918,468	2,956,070	2,827,803
Current portion of Loans & Lease	-	(430,000)	(305,000)	(375,000)	(350,000)	(4,215)	(8,907)	(17,813)
	1,792,486	1,203,094	2,388,985	2,840,652	2,708,496	4,914,253	2,947,163	2,809,990
Total Funds Invested	<u>4,687,224</u>	<u>4,595,372</u>	<u>5,765,963</u>	<u>6,144,642</u>	<u>5,853,759</u>	<u>7,543,006</u>	<u>6,043,722</u>	<u>6,546,034</u>
TURNOVER AND PROFIT								
Turnover	4,510,525	5,954,839	4,072,070	5,637,136	6,364,392	6,757,664	7,140,792	10,028,765
Gross Profit	441,347	519,614	541,805	799,889	749,861	745,563	756,875	1,584,698
Operating Profit	292,912	349,455	363,820	567,862	470,188	485,585	527,856	1,257,170
Profit/(loss) before taxation	250,285	262,067	279,429	363,022	320,389	(132,606)	(297,072)	874,687
Profit/(loss) after taxation	132,388	244,941	206,924	293,022	232,794	(164,740)	(338,597)	828,191
Cash Dividend	29,297	58,594	58,594	58,594	58,594	58,594	-	164,063
Profit/(loss) carried forward	1,396,551	582,899	789,822	1,024,250	1,198,450	975,116	636,519	1,464,710
Earning/(loss) per share (Rupees)	5.65	10.45	8.83	12.50	9.93	(7.03)	(14.45)	35.34
Break up value per share (Rupees)	72.74	84.44	90.77	100.77	108.21	98.74	84.22	119.56

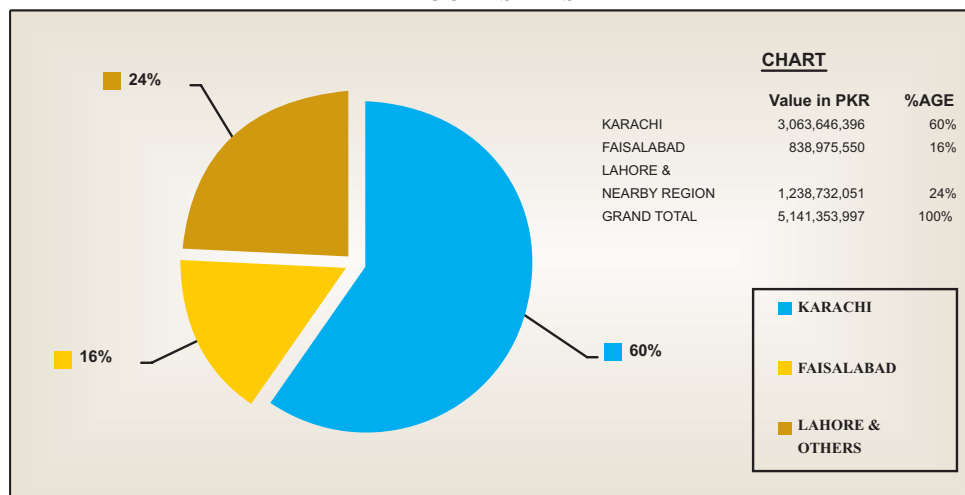
TURNOVER



WORLD WIDE EXPORT SALES

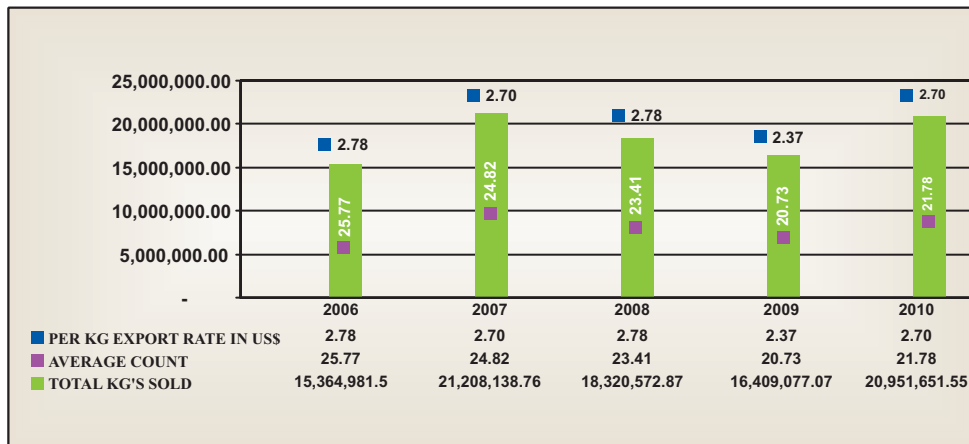


LOCAL SALES

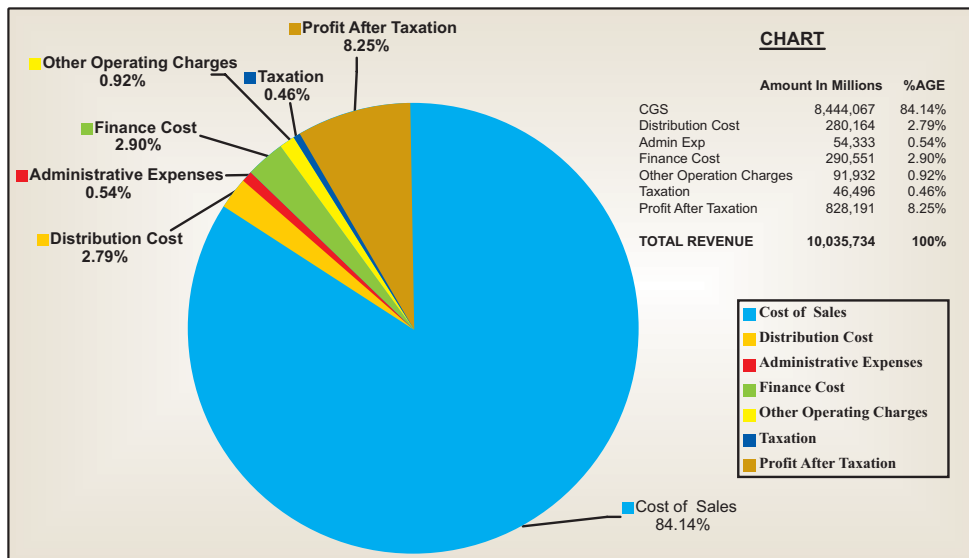




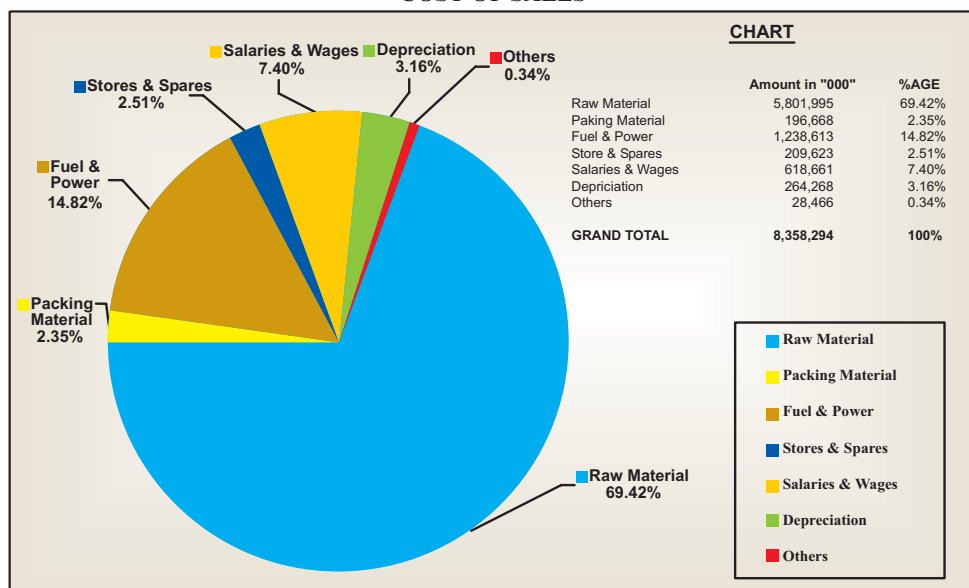
PER KG EXPORT RATE IN US\$



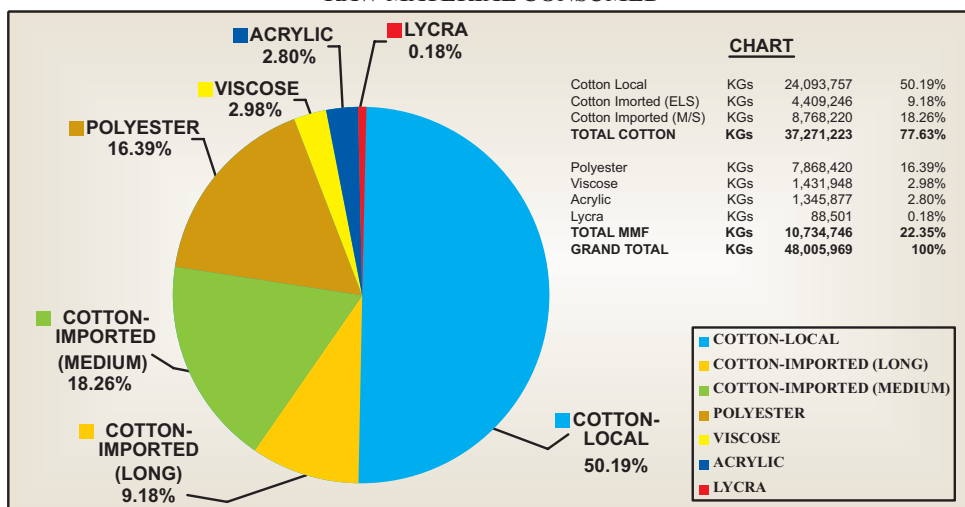
REVENUE UTILIZATION



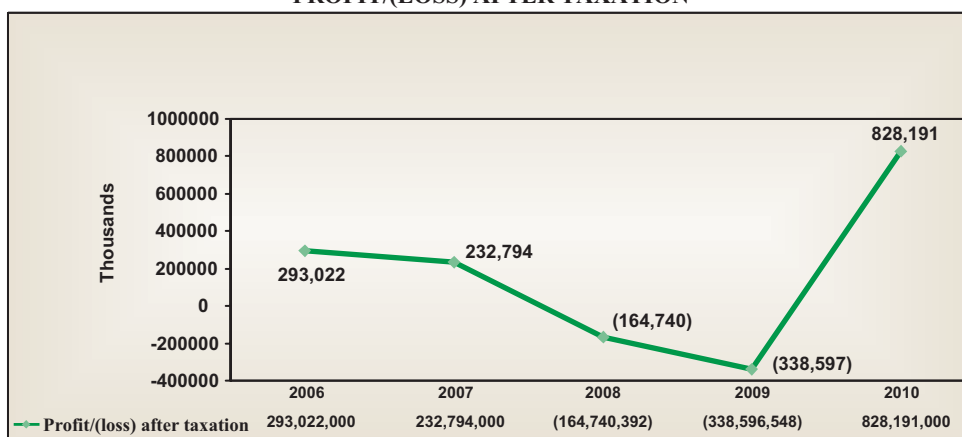
COST OF SALES



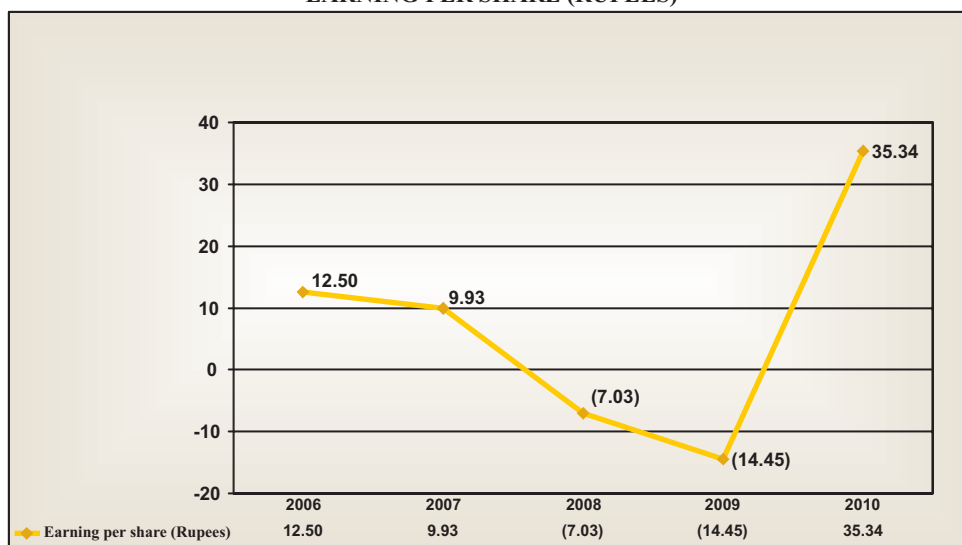
RAW MATERIAL CONSUMED



PROFIT/(LOSS) AFTER TAXATION

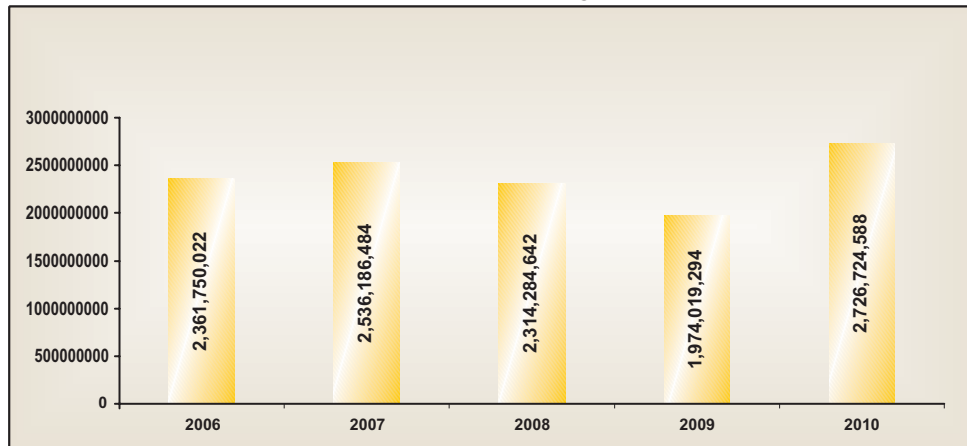


EARNING PER SHARE (RUPEES)

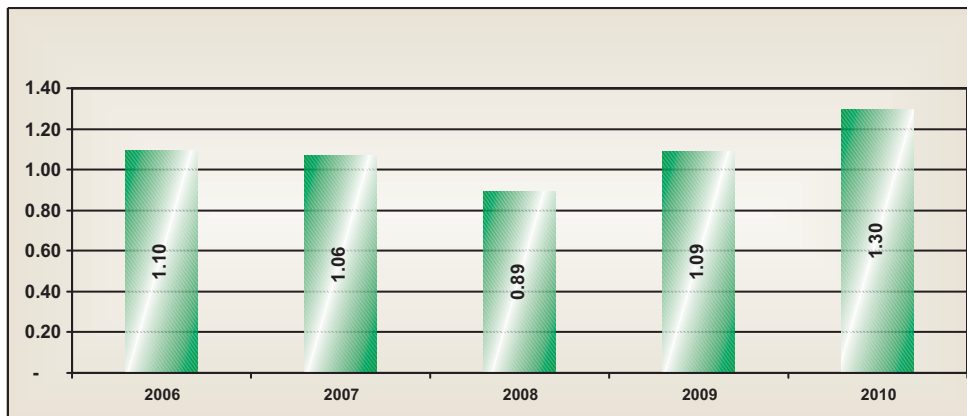




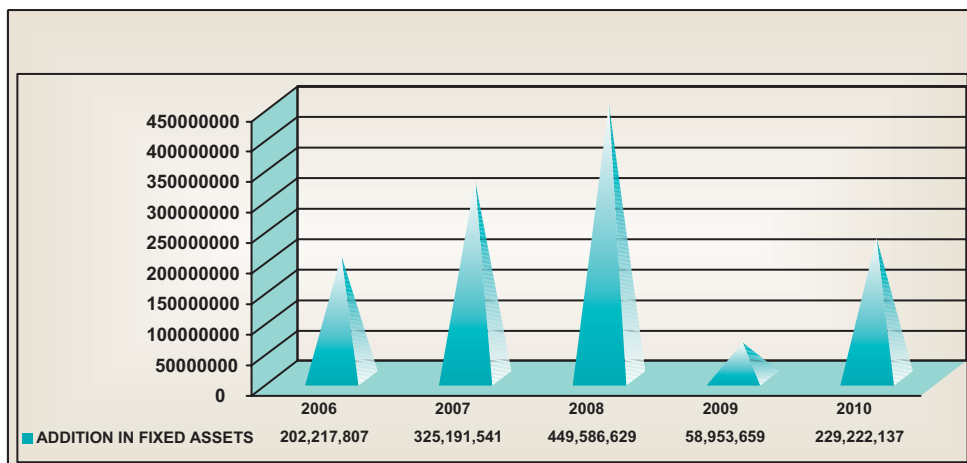
SHARE'S HOLDER EQUITY



CURRENT RATIO



ADDITION IN FIXED ASSETS





STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of Directors comprises of seven directors including the Chief Executive Officer (C.E.O). The number of executive directors on the Board is two (2).
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of the directors of the Company are members of any Stock Exchange.
4. The three year term of the office of previous Board of Directors was completed during the year and an election of Directors for the next term was held wherein all seven directors were elected unopposed. No casual vacancy occurred in the Board of Directors during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and key employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of executive directors, have been taken by the Board. No remuneration was paid to the CEO during the year.
8. All related party transactions have been reviewed and approved by the Board and are carried out on normal / agreed terms and conditions.
9. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose. The Board met at-least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The board has provided with detail in house briefing and information package to apprise them of their duties and responsibilities.



11. No new appointment of Company Secretary, Chief Financial Officer (CFO) and Head of Internal Audit has been during the year.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises of three (3) members, all of them are non-executive directors including the chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an internal audit function within the entity.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive

Karachi: 27th September, 2010



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Gadoon Textile Mills Limited** (the Company) to comply with the listing regulations of the respective stock exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

M.Yousuf Adil Saleem & Co
Chartered Accountants

Karachi: 27th September, 2010



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gadoon Textile Mills Limited ("the Company") as at June 30, 2010 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, except for the changes as described in note 2.5 with which we concur;
 - 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, 2010 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 27.1 to the financial statements in which the management has explained the reason of not making a provision for turnover tax on local sales under section 113 of the Income Tax Ordinance, 2001.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner
Asad Ali Shah

Karachi: 27th September, 2010



BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	4	2,724,683,607	2,760,661,857
Long-term advance	5	66,666,667	66,666,667
Long-term loans	6	5,734,580	704,608
Long-term deposits		7,272,958	7,266,614
		<u>2,804,357,812</u>	<u>2,835,299,746</u>
Current Assets			
Stores, spares and loose tools	7	223,164,356	154,690,825
Stock-in-trade	8	2,159,942,139	1,951,187,094
Trade debts	9	998,551,745	671,114,277
Loans and advances	10	149,629,913	106,304,816
Trade deposits and short-term prepayments	11	1,590,000	1,800,856
Other receivables	12	42,469,015	79,023,563
Income tax refundable due from the government		40,819,674	125,392,614
Cash and bank balances	13	125,509,669	118,907,931
		<u>3,741,676,511</u>	<u>3,208,421,976</u>
Total Assets		<u>6,546,034,323</u>	<u>6,043,721,722</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised 50,000,000 ordinary shares of Rs.10/- each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up	14	234,375,000	234,375,000
Capital reserves Share premium		103,125,000	103,125,000
Revenue reserves General reserve Unappropriated profit		<u>1,000,000,000</u> <u>1,464,709,963</u> <u>2,464,709,963</u>	<u>1,000,000,000</u> <u>636,519,294</u> <u>1,636,519,294</u>
Total Equity		<u>2,802,209,963</u>	<u>1,974,019,294</u>
Non-Current Liabilities			
Long-term financing	15	<u>630,160,747</u>	<u>897,974,249</u>
Deferred liabilities	16	<u>285,859,848</u>	<u>215,658,317</u>
		916,020,595	1,113,632,566
Current Liabilities			
Trade and other payables	17	<u>1,141,007,304</u>	<u>975,903,482</u>
Accrued mark-up		66,847,912	102,442,507
Short-term borrowings	18	1,543,076,423	1,809,758,487
Current portion of long-term financing	15	17,813,502	8,906,751
Provision for taxation		59,058,624	59,058,635
		<u>2,827,803,765</u>	<u>2,956,069,862</u>
Total Equity and Liabilities		<u>6,546,034,323</u>	<u>6,043,721,722</u>
CONTINGENCIES AND COMMITMENTS			
	19		

The annexed notes 1 to 35 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Sales - net	20	10,028,765,155	7,140,792,393
Cost of sales	21	(8,444,067,069)	(6,383,917,237)
Gross profit		1,584,698,086	756,875,156
Distribution cost	22	(280,164,000)	(181,112,073)
Administrative expenses	23	(54,333,286)	(52,461,941)
		(334,497,286)	(233,574,014)
		1,250,200,800	523,301,142
Finance cost	24	(290,550,971)	(620,007,264)
Other operating charges	25	(91,931,996)	(204,920,266)
		867,717,833	(301,626,388)
Other operating income	26	6,969,320	4,554,619
Profit / (loss) before taxation		874,687,153	(297,071,769)
Taxation	27	(46,496,484)	(41,524,779)
Profit / (loss) for the year		828,190,669	(338,596,548)
Earnings / (loss) per share - basic and diluted	28	35.34	(14.45)

The annexed notes 1 to 35 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Profit / (loss) for the year	828,190,669	(338,596,548)
Other comprehensive income		
Realisation of gain on revaluation of investment	-	(1,668,800)
Total comprehensive income / (loss) for the year	<u>828,190,669</u>	<u>(340,265,348)</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	874,687,153	(297,071,769)
Adjustments for:		
Depreciation	281,718,862	303,667,500
Gain on disposal of operating fixed assets	(1,047,697)	(430,964)
Gain on disposal of long-term investment	-	(2,742,798)
Profit on deposits	(4,580,945)	(387,942)
Interest / mark-up expense	280,439,772	463,911,321
Provision for gratuity	45,067,448	26,270,208
	<u>601,597,440</u>	<u>790,287,325</u>
Operating cash flows before working capital changes	<u>1,476,284,593</u>	<u>493,215,556</u>
(Increase) / decrease in current assets		
Stores, spares and loose tools	(68,473,531)	9,108,683
Stock-in-trade	(208,755,045)	576,389,317
Trade debts	(327,437,468)	353,089,726
Loans and advances	8,875,333	(3,098,072)
Trade deposits and short-term prepayments	210,856	(726,165)
Other receivables	36,554,548	(29,670,348)
	<u>(559,025,307)</u>	<u>905,093,141</u>
Increase in current liability		
Trade and other payables	165,140,401	101,297,930
Changes in working capital	<u>(393,884,906)</u>	<u>1,006,391,071</u>
Cash generated from operations	1,082,399,687	1,499,606,627
Interest / mark-up paid	(316,034,365)	(424,026,465)
Taxes refunded / (paid)	30,956,064	(57,344,293)
Gratuity paid	(21,362,402)	(20,473,458)
	<u>(306,440,703)</u>	<u>(501,844,216)</u>
Net cash generated from operating activities	<u>775,958,984</u>	<u>997,762,411</u>



	Note	2010 Rupees	2009 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Operating fixed assets acquired		(251,430,569)	(47,140,950)
Sale proceeds from disposal of operating fixed assets		6,737,654	46,977,383
Sale proceeds from disposal of long-term investments		-	17,742,798
Profit on deposit accounts		4,610,955	375,982
Long-term loans (disbursed) /recovered-net		(3,643,548)	1,179,728
Long-term deposits paid		(6,344)	(67,200)
Net cash (used in) / generated from investing activities		<u>(243,731,852)</u>	<u>19,067,741</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		(258,906,751)	-
Long-term financing obtained		-	800,000,000
Dividend paid		(36,579)	(66,497)
Net cash (used in) / generated from financing activities		<u>(258,943,330)</u>	<u>799,933,503</u>
Net increase in cash and cash equivalents (A+B+C)		273,283,802	1,816,763,655
Cash and cash equivalents at beginning of the year		(1,690,850,556)	(3,507,614,211)
Cash and cash equivalents at end of the year		<u>(1,417,566,754)</u>	<u>(1,690,850,556)</u>
CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	125,509,669	118,907,931
Short-term borrowings	18	(1,543,076,423)	(1,809,758,487)
		<u>(1,417,566,754)</u>	<u>(1,690,850,556)</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	<----- Capital reserves ----->				<----- Revenue reserves ----->			
	Issued, subscribed and paid-up share capital	Share premium	Unrealised gain on available for sale investments	Sub Total	General reserve	Unappropriated profit	Sub Total	Grand total
	----- Rupees -----							
Balance at June 30, 2008	234,375,000	103,125,000	1,668,800	104,793,800	1,000,000,000	975,115,842	1,975,115,842	2,314,284,642
Loss for the year	-	-	-	-	-	(338,596,548)	(338,596,548)	(338,596,548)
Other comprehensive income for the year	-	-	(1,668,800)	(1,668,800)	-	-	-	(1,668,800)
Balance at June 30, 2009	234,375,000	103,125,000	-	103,125,000	1,000,000,000	636,519,294	1,636,519,294	1,974,019,294
Profit for the year	-	-	-	-	-	828,190,669	828,190,669	828,190,669
Balance at June 30, 2010	234,375,000	103,125,000	-	103,125,000	1,000,000,000	1,464,709,963	2,464,709,963	2,802,209,963

The annexed notes 1 to 35 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Gadoon Textile Mills Limited (the Company) was incorporated in Pakistan on February 23, 1988 as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi and Islamabad stock exchanges. The registered office of the Company and its manufacturing facilities are located at Gadoon Amazai Industrial Estate, Gadoon, District Swabi, Khyber Pakhtunkhwa. The principal activity of the Company is manufacturing and sale of yarn.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that the obligations under the defined benefit plan have been stated at present value.

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 ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a) determining the residual values and useful lives of the property, plant and equipment (note 3.1 and 4.1);
- b) valuation of stock-in-trade (note 3.3);
- c) Provision for taxation including deferred tax (note 3.8);
- d) accounting for staff retirement benefits (note 3.9); and
- e) provisions (note 3.16)

2.5 Change in accounting policy

The following standard is effective from accounting periods on or after January 1, 2009 and is applicable to the Company from the current financial year.

IAS 1 (Revised) - 'Presentation of financial statements'

IAS 1 (Revised) 'Presentation of Financial Statements' – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under the revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present the components of profit or loss in a separate statement while a statement of comprehensive income is presented separately as permitted under revised IAS 1.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the profit for the year.

2.6 Other standards and interpretations applicable but not relevant

In addition to the above standard and interpretations there were other accounting standards, interpretations and amendments which became effective during the year. Such standards, interpretations and amendments will not result in significant impact on the Company's financial statements other than improved disclosures and presentations.

2.7 Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following revised standards, amendments to published standards and interpretations to existing standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

Standards or Interpretations	"Effective Date" (accounting periods beginning on or after)
IFRS 2 - Share-based payments (Amendment)	January 01, 2010
IFRS 5 - Non-current assets held for sale and Discontinued operation(Amendment)	January 01, 2010
IFRS 8 - Operating Segments (Amendment)	January 01, 2010
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2010
IAS 7 - Statement of cash flows (Amendment)	January 01, 2010



Standards or Interpretations

"Effective Date" (accounting periods beginning on or after)

IAS 17 - Leases (Amendment)	January 01, 2010
IAS 24 - Related party disclosures (Revised)	January 01, 2011
IAS 32 - Financial Instruments: Presentation (Amendment)	February 01, 2010
IAS 36 - Impairment of assets (Amendment)	January 01, 2010
IAS 39 - Financial Instruments: Recognition and Measurement (Amendment)	January 01, 2010
IFRIC 14: IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company considers that the above revised standards, amendments to published standards and interpretations to existing standards are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.5.

3.1 Property, plant and equipment

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

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

Depreciation is charged, from the month when the asset is available for use and cease from the month of disposal, to income statement applying the reducing balance method except for leasehold land, which is depreciated using the straight-line method. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date. Rates for deprecation are stated in note 4.1 to the financial statements.

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

Gains and losses on disposal of assets are taken to profit and loss account as and when incurred.



3.2 Stores, spares and loose tools

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

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

3.3 Stock-in-trade

Basis of valuation are as under: -

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

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

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to be incurred to effect such sale.

3.4 Trade debts and other receivables

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

3.5 Derivative financial instruments

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

3.6 Cash and cash equivalents

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

3.7 Borrowings and their costs

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised costs. 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.

3.8 Taxation

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

Current

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

Deferred

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

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

3.9 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the scheme. Charge is made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account by using "Project Unit Credit Method". The most recent valuation was carried out as at June 30, 2010 and results thereon have been disclosed in note 16.1.

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

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

3.10 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.



3.11 Foreign currency translation

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

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

3.12 Revenue recognition

Domestic sales are recognized as revenue upon transfer of significant risks and rewards of ownership, which coincides with dispatch.

Export sales are recognized as revenue upon transfer of significant risks and rewards of ownership, which coincides with date of shipping bill.

Revenue on supply of electricity is recognized on the basis of output delivered to the Power Purchaser.

Interest income is recognized on a time-apportioned basis using the effective rate of return.

3.13 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.

3.14 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.

3.15 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 for the asset in prior years. Reversal of impairment loss is recognised as income.

3.16 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.

3.17 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.

	Note	2010 Rupees	2009 Rupees
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	2,695,556,675	2,753,743,357
Capital work-in-progress	4.2	29,126,932	6,918,500
		<u>2,724,683,607</u>	<u>2,760,661,857</u>

4.1 Operating fixed assets

Particulars	2010							
	Cost as at July 01, 2009	Additions / (Deletion)	Cost as at June 30, 2010	Accumulated depreciation as at July 01, 2009	Depreciation for the year	Accumulated depreciation as at June 30, 2010	Written down value as at June 30, 2010	Rate of depreciation
----- Rupees -----								
Land:								
Lease hold	41,088,314	-	41,088,314	4,430,507	500,635	4,931,142	36,157,172	1%
Free hold	879,915	-	879,915	-	-	-	879,915	-
Buildings on lease hold land:								
Mills	392,396,805	-	392,396,805	253,231,272	13,916,553	267,147,825	125,248,980	10%
Other	91,693,853	-	91,693,853	32,901,116	2,939,637	35,840,753	55,853,100	5%
Road	7,128,590	-	7,128,590	3,951,789	317,680	4,269,469	2,859,121	10%
Power plant	74,158,134	-	74,158,134	38,674,449	3,548,369	42,222,818	31,935,316	10%
Office	7,160,865	-	7,160,865	1,940,594	522,027	2,462,621	4,698,244	10%
Buildings on free hold land:								
Family colony	66,120,617	-	66,120,617	33,978,523	3,214,209	37,192,732	28,927,885	10%
Workers' colony	105,405,103	-	105,405,103	65,736,345	3,966,876	69,703,221	35,701,882	10%
Plant and machinery	3,927,769,073	216,247,237 (16,937,567)	4,127,078,743	2,017,094,151	199,976,487 (11,760,081)	2,205,310,557	1,921,768,186	10%
Power plant	747,737,080	-	747,737,080	348,928,365	39,880,872	388,809,237	358,927,843	10%
Electric installation	127,203,918	11,700,000	138,903,918	69,243,490	6,672,710	75,916,200	62,987,718	10%
Tools and equipment	11,958,372	-	11,958,372	7,056,910	490,146	7,547,056	4,411,316	10%
Furniture and fittings	5,917,276	-	5,917,276	4,113,987	180,329	4,294,316	1,622,960	10%
Computer equipment	6,149,114	243,550	6,392,664	4,735,779	458,435	5,194,214	1,198,450	30%
Office equipment and installations	4,345,418	18,000	4,363,418	2,507,527	185,589	2,693,116	1,670,302	10%
Fork lifters and tractors	8,332,970	-	8,332,970	6,610,494	344,495	6,954,989	1,377,981	20%
Vehicles	48,749,627	1,013,350 (1,820,030)	47,942,947	26,633,943	4,472,058 (1,307,559)	29,798,442	18,144,505	20%
Fire fighting equipment	2,765,902	-	2,765,902	1,448,348	131,755	1,580,103	1,185,799	10%
June 30, 2010	5,676,960,946	229,222,137 (18,757,597)	5,887,425,486	2,923,217,589	281,718,862 (13,067,640)	3,191,868,811	2,695,556,675	



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

4.1.1 Depreciation charged for the year has been allocated as under:	Note	2010 Rupees	2009 Rupees
Cost of sales	21.1	264,268,349	295,956,970
Administrative expenses	23	3,486,819	3,863,711
Other operating charges	25.2	13,963,694	3,846,819
		<u>281,718,862</u>	<u>303,667,500</u>

4.1.2 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Purchaser
----- Rupees -----						
Vehicles	842,950	610,222	232,728	232,728	Company policy	Mrs. Suriya Bibi w/o Muhammad Ashraf (ex-employee) Elementary College, Al-fazal Colony, Jhang Mur, Muzaffargarh
	504,900	332,562	172,338	350,000	Negotiation	Abdul Majeed flat No. 201 Al Rahman Heights, Fatima Jinnah Colony, Jamshed Road, Karachi
	472,180	364,775	107,405	330,526	Negotiation	Usman Gul S/o Chamany Khan, Mohallah Biyari Near Saddar Ghari District, Charsada
	<u>1,820,030</u>	<u>1,307,559</u>	<u>512,471</u>	<u>913,254</u>		
Plant and Machinery	3,277,655	2,290,996	986,659	1,200,000	Negotiation	Abdul Majeed Sons 27-A New Cloth Market, M.A. Jinnah Road, Karachi
	13,659,912	9,469,086	4,190,826	4,624,400	Negotiation	Tex Machine International Limited P.O. Box 261665 Jabeel Ali Free Zone Dubai UAE
	<u>16,937,567</u>	<u>11,760,082</u>	<u>5,177,485</u>	<u>5,824,400</u>		
June 30, 2010	<u>18,757,597</u>	<u>13,067,641</u>	<u>5,689,956</u>	<u>6,737,654</u>		
June 30, 2009	<u>95,116,307</u>	<u>48,569,888</u>	<u>46,546,419</u>	<u>46,977,383</u>		



4.2 Capital work-in-progress	Note	2010 Rupees	2009 Rupees
Civil works		4,388,075	-
Plant and machinery		19,101,857	6,918,500
Advances for vehicles		5,637,000	-
		29,126,932	6,918,500

5. LONG-TERM ADVANCE

This represents first and second tranche of advance for a Joint Venture project amounting to Rs. 4,250 million. The principal activity of the Joint Venture Project is acquisition and development of certain land in Karachi through a Joint Venture Company. The Company's share in this Joint Venture project is ten percent.

6. LONG-TERM LOANS

- Considered good

Loan to employees	6.1	12,797,250	9,153,702
Less: current portion of long-term loans	10	(7,062,670)	(8,449,094)
		5,734,580	704,608

6.1 Loans to employees

Executive	6.2	2,490,000	170,000
Other employees		10,307,250	8,983,702
	6.1.1	12,797,250	9,153,702

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

6.2 Reconciliation of outstanding amount of loan to Executive:

Opening balance	170,000	1,330,000
Disbursement	3,000,000	-
Repayments	(680,000)	(1,160,000)
	2,490,000	170,000

7. STORES, SPARES AND LOOSE TOOLS

Stores	89,204,654	39,034,607
Spares in		
- hand	122,189,658	112,995,708
- transit	11,308,094	2,343,577
	133,497,752	115,339,285
Loose tools	461,950	316,933
	223,164,356	154,690,825



8. STOCK-IN-TRADE

	Note	2010 Rupees	2009 Rupees
Raw material in			
- hand	21.1.1	1,632,796,979	1,325,387,187
- transit		237,503,008	250,384,751
		1,870,299,987	1,575,771,938
Work-in-process	21.1	67,697,694	56,917,990
Finished goods			
Yarn		201,155,720	297,777,106
Waste at net realizable value		20,788,738	20,720,060
		221,944,458	318,497,166
		<u>2,159,942,139</u>	<u>1,951,187,094</u>

9. TRADE DEBTS

- Considered good

Foreign		648,779,969	480,342,985
Local	9.1	349,771,776	190,771,292
		<u>998,551,745</u>	<u>671,114,277</u>

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

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

10. LOANS AND ADVANCES

- Unsecured - Considered good

Current portion of long-term loans	6	7,062,670	8,449,094
Advance to employees		337,000	281,100
Advance to suppliers and contractors		27,393,059	36,339,204
Letters of credit		184,302	169,390
Advance Income tax		114,652,882	61,036,018
Others		-	30,010
		<u>149,629,913</u>	<u>106,304,816</u>

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits		1,440,000	1,640,000
Prepayments		150,000	160,856
		<u>1,590,000</u>	<u>1,800,856</u>

12. OTHER RECEIVABLES

Considered good

Sales tax		28,088,087	55,164,541
Federal excise duty		12,321,336	8,684,450
Claim receivable		1,722,520	14,837,500
Other		337,072	337,072
		<u>42,469,015</u>	<u>79,023,563</u>

Considered doubtful

Claim receivable	19.1.2	20,000,000	-
Other	12.1	5,600,000	-
		25,600,000	-
Provision for doubtful other receivables		(25,600,000)	-
		<u>42,469,015</u>	<u>79,023,563</u>



12.1 The Company received a demand cum show cause notice in the amount of Rs. 13.169 million from custom authorities deleting their Manufacturing Bond Entry for import of Polyester Staple Fibre (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 and subsequent to year end, the Federal Board of Revenue has rectified the anomaly through S.R.O. 688(I)/2010 dated July 27, 2010, management believes that no further provision is required and the amount so paid shall become refundable.

13. CASH AND BANK BALANCES	Note	2010 Rupees	2009 Rupees
Cash in hand		1,105,466	1,517,592
Cash with banks in:			
- current accounts	13.1	122,415,043	117,390,339
- time deposits		1,989,160	-
		<u>125,509,669</u>	<u>118,907,931</u>

13.1 It includes foreign currency deposits amounting to US Dollars 537,105 equivalent to Rs.45.77 million (2009: US Dollars 450,870 equivalent to Rs. 36.12 million) and Euro 74.61 equivalent to Rs. 0.007 million (2009: Nil).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010 Number of shares	2009 Number of shares		2010 Rupees	2009 Rupees
6,000,000	6,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	60,000,000	60,000,000
17,437,500	17,437,500	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	174,375,000	174,375,000
<u>23,437,500</u>	<u>23,437,500</u>		<u>234,375,000</u>	<u>234,375,000</u>

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

	2010	2009	Number of Shares	
	%			
Lucky Energy (Private) Limited	8%	8%	1,773,150	1,773,150
Yunus Textile Mills Limited	1.61%	0.11%	377,799	26,300

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



15. LONG-TERM FINANCING
- Banking Companies - Secured

	Term Finance		2010	2009
	----- Rupees -----			
Opening balance	106,881,000	800,000,000	906,881,000	106,881,000
Obtained during the year	-	-	-	800,000,000
	106,881,000	800,000,000	906,881,000	906,881,000
Repaid during the year	(8,906,751)	(250,000,000)	(258,906,751)	-
	97,974,249	550,000,000	647,974,249	906,881,000
Current portion shown under current liabilities	(17,813,502)	-	(17,813,502)	(8,906,751)
Closing balance	80,160,747	550,000,000	630,160,747	897,974,249

No. of installments	12	Lump sum payments on or before the maturity with an early repayment option
Mark-up Rate	SBP LTF-EOP rate + 2% payable quarterly	6 months average KIBOR + 0.5% payable quarterly

Tranche 01

Date of loan obtained	May 04, 2007	June 30, 2009
Amount obtained	Rs. 24,423,000	Rs. 800,000,000
Date of last installment	November 14, 2015	July 31, 2011
Amount of installment	Rs. 2,035,250 payable semi annually	Lumpsum payment at maturity

Tranche 02

Date of loan obtained	May 31, 2007	-
Amount obtained	Rs. 26,158,000	-
Date of last installment	December 07, 2015	-
Amount of installment	Rs. 2,179,834 payable semi annually	-

Tranche 03

Date of loan obtained	October 11, 2007	-
Amount obtained	Rs. 56,300,000	-
Date of last installment	October 12, 2015	-
Amount of installment	Rs. 4,691,667 payable semi annually	-

Sub note number	15.1	15.2
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- 15.1 This facility is secured against first pari passu hypothecation charge on plant and machinery of the Company amounting to Rs. 167 million.
- 15.2 This facility is secured against registered joint pari passu charge over movables and receivables and ranking charge over plant and machinery.



	Note	2010 Rupees	2009 Rupees
16. DEFERRED LIABILITIES			
Staff gratuity	16.1	100,246,486	76,541,439
Deferred taxation	16.2	185,613,362	139,116,878
		<u>285,859,848</u>	<u>215,658,317</u>

16.1 Staff gratuity

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

Discount rate	13%	14%
Expected rate of salary increase	13%	14%

The amount recognised in the balance sheet is as follows:

Present value of defined benefit obligation	83,799,647	66,927,168
Unrecognised actuarial gain	16,446,839	8,336,972
Unpaid balances	-	1,277,300
	<u>100,246,486</u>	<u>76,541,440</u>

The amount recognised in profit and loss is as follows:

Current service cost	34,845,422	18,901,586
Interest cost	10,550,877	7,512,937
Actuarial gains recognised	(328,851)	(144,315)
	<u>45,067,448</u>	<u>26,270,208</u>

Movement in the net liability is as follows :

Opening balance	76,541,440	70,744,690
Charge for the year	45,067,448	26,270,208
Payments made during the year	(21,362,402)	(20,473,458)
Closing balance	<u>100,246,486</u>	<u>76,541,440</u>

Movement of unrecognized actuarial gains

Opening balances of unrecognized actuarial gains	8,336,972	8,136,881
Actuarial gains during the year	8,438,718	344,406
Actuarial gains recognized	(328,851)	(144,315)
Closing unrecognized actuarial gains	<u>16,446,839</u>	<u>8,336,972</u>

Historical information

	2010	2009	2008	2007	2006
As at June 30	----- Rupees -----				
Present value of defined benefit obligation	83,799,647	66,927,168	57,865,966	48,834,203	40,686,854



	Note	2010 Rupees	2009 Rupees
16.2 Deferred tax liability			
Deferred tax liability comprises taxable / (deductible) temporary differences in respect of following;			
Deferred credits arising due to			
Accelerated tax depreciation on property, plant and equipment		199,647,870	147,257,584
Deferred debits arising in respect of Provision for gratuity		(14,034,508)	(8,140,706)
		<u>185,613,362</u>	<u>139,116,878</u>

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

17. TRADE AND OTHER PAYABLES

Creditors		130,689,627	122,994,772
Foreign bills payable		253,650,598	13,560,001
Advance from customers and employees	17.1	16,517,102	505,730,737
Accrued liabilities	17.2	620,956,877	282,133,836
Withholding income tax		103,684	56,863
Sales tax payable		776,693	3,094,676
Regulatory duty		35,226,021	31,337,545
Unclaimed dividend		5,896,165	5,932,744
Workers' Welfare Fund		30,184,165	11,062,308
Workers' Profit Participation Fund		47,006,372	-
		<u>1,141,007,304</u>	<u>975,903,482</u>

17.1 This includes nil (2009: Rs. 500 million) advance received from an associated undertaking during the year against sale of special quality product.

17.2 This includes Rs. 220 million payable to a service provider against services rendered. The Company has a disagreement on the rate of services provided. However, as a matter of prudence, management has recognized the payable for past services, pending final decision.

18. SHORT TERM BORROWINGS - Secured

From banking companies			
Running finances under mark-up arrangements	18.1	589,787,427	766,848,854
Short term finance	18.2	90,428,496	500,000,000
Foreign currency loan against			
Import finance	18.1	649,708,211	542,909,633
Export finance	18.1	213,152,289	-
		<u>862,860,500</u>	<u>542,909,633</u>
		<u>1,543,076,423</u>	<u>1,809,758,487</u>



- 18.1** Facilities for running finance, import finance and export finance are available from various banks upto Rs. 5.89 billion (2009: Rs. 7.23 billion). For running finance facility the rates of mark-up range between 12.49% to 15.20% per annum (2009: 10.38% to 17.75% per annum) and for import and export finance the rate of mark-up are based on LIBOR + bank's spread (which is decided at the time of disbursement). These are secured against hypothecation of stocks and receivables.
- 18.2** This represents short term finance facility amounting to Rs. 500 million from a banking company having mark up rate of 3 month KIBOR plus 0.25% per annum. This is secured against first pari passu hypothecation charge over stocks and receivables.

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 Outstanding guarantees given on behalf of the Company by banks in normal course of business amounting to Rs. 255.239 million (2009: Rs. 215.969 million).

19.1.2 Until the year ended June 30, 2010, the Company was charged by Sui Northern Gas Pipeline Limited (SNGPL) with an additional amount of Rs. 168 million on account of under billing of gas. Out of Rs. 168 million, the Company paid an amount of Rs. 65.38 million to avoid disconnection of gas supply and lodged complaint with Oil and Gas Regulatory Authority (OGRA) against SNGPL. Further, as at balance sheet date Rs. 100.16 million has been charged to profit and loss account. On January 21, 2010, OGRA gave its decision and partly admitted the plea of the Company and allowed partial relief. The Company has filed a second appeal before the higher authorities for the unfavourable part of the decision and the management believes that no further provision is required against the balance amount of Rs. 68 million.

19.1.3 Others	2010 Rupees	2009 Rupees
Export bills discounted with recourse	787,524,928	558,203,611
Indemnity bond in favour of Collector of Customs against import	2,590,000	1,890,000
Post dated cheques in favour of Collector of Customs against imports	58,029,703	13,097,315

19.2 Commitments

Letters of credit opened by banks for:		
Plant and machinery	62,318,997	87,199,256
Raw materials	221,332,736	150,880,487
Stores and spares	12,142,023	13,530,460
Foreign currency forward contracts	1,072,185,087	28,281,382

20. SALES - Net

Export

Direct		
- Yarn	4,789,835,582	3,016,489,672
- Waste	162,870,918	160,361,472
	4,952,706,500	3,176,851,144
Commission on direct export sales	(112,631,868)	(81,152,002)
	4,840,074,632	3,095,699,142
Indirect - Yarn	-	1,076,516,027
	4,840,074,632	4,172,215,169

Local

- Yarn	4,999,710,147	2,884,984,361
- Waste	208,159,636	99,282,899
	5,207,869,783	2,984,267,260
Commission on local sales	(19,179,260)	(15,690,036)
	5,188,690,523	2,968,577,224
	10,028,765,155	7,140,792,393



	Note	2010 Rupees	2009 Rupees
21. COST OF SALES			
Opening stock - finished goods		318,497,166	207,213,333
Cost of goods manufactured	21.1	8,347,514,361	6,495,201,070
Less: Closing stock - finished goods	8	(221,944,458)	(318,497,166)
		<u>8,444,067,069</u>	<u>6,383,917,237</u>
21.1 Cost of goods manufactured			
Raw material consumed	21.1.1	5,801,994,800	4,462,964,677
Salaries, wages and benefits	21.1.2	618,661,037	468,119,761
Stores, spares and accessories		209,622,605	164,451,627
Packing material consumed		196,668,531	168,924,099
Fuel and power		1,238,613,004	896,074,785
Repairs and maintenance		4,661,141	5,477,652
Insurance		15,066,098	15,616,435
Travelling, conveyance and entertainment		5,160,299	4,304,495
Doubling charges		1,827,896	1,166,465
Communication		614,571	780,909
Depreciation	4.1.1	264,268,349	295,956,970
Other manufacturing expenses		1,135,734	1,046,580
		<u>8,358,294,065</u>	<u>6,484,884,455</u>
Work-in-process			
Opening stock		56,917,990	67,234,605
Closing stock	8	(67,697,694)	(56,917,990)
		<u>(10,779,704)</u>	<u>10,316,615</u>
Cost of goods manufactured		<u>8,347,514,361</u>	<u>6,495,201,070</u>
21.1.1 Raw material consumed			
Opening stock		1,325,387,187	1,997,989,287
Purchases - net		6,109,404,592	3,790,362,577
Less: Closing stock	8	(1,632,796,979)	(1,325,387,187)
		<u>5,801,994,800</u>	<u>4,462,964,677</u>
21.1.2 Salaries, wages and benefits includes Rs. 43.29 million (2009: Rs. 24.76 million) in respect of staff retirement benefits.			
22. DISTRIBUTION COST			
Freight, octroi and handling charges			
- Export		208,654,264	140,253,926
- Local		31,321,381	9,137,790
		<u>239,975,645</u>	<u>149,391,716</u>
Export development surcharge		19,852,862	16,406,118
Bank charges on export		20,335,493	15,314,239
		<u>280,164,000</u>	<u>181,112,073</u>



	Note	2010 Rupees	2009 Rupees
23. ADMINISTRATIVE EXPENSES			
Staff salaries and benefits	23.1	20,898,560	20,883,391
Rent, rates and taxes		286,699	827,901
Communication		1,910,580	3,372,136
Printing and stationery		586,127	978,143
Repairs and maintenance		482,931	619,531
Legal and professional		5,218,615	2,384,761
Travelling and conveyance		5,452,625	6,386,825
Entertainment		3,014,729	2,241,011
Vehicles running and maintenance		3,014,482	2,327,895
Secretarial expenses		669,659	212,303
Fee and subscriptions		4,013,093	3,651,143
Electricity		1,259,229	1,135,191
Advertisement		80,700	293,520
Auditors' remuneration	23.2	1,137,500	950,000
Depreciation	4.1.1	3,486,819	3,863,711
Insurance		1,623,870	1,621,413
Books and periodicals		23,936	24,874
Others		1,173,132	688,192
		<u>54,333,286</u>	<u>52,461,941</u>

23.1 Salaries and benefits includes Rs. 1.02 million (2009: Rs. 1.39 million) in respect of staff retirement benefits.

23.2 Auditors' remuneration

Statutory audit fee	1,000,000	750,000
Half yearly review and other certifications	137,500	200,000
	<u>1,137,500</u>	<u>950,000</u>

24. FINANCE COST

Mark-up / interest on		
Long-term financing	80,612,459	7,783,259
Short-term borrowings	199,827,313	456,128,062
	<u>280,439,772</u>	<u>463,911,321</u>
Bank and other financial charges	10,111,199	2,345,910
	<u>290,550,971</u>	<u>466,257,231</u>
Loss on cross currency interest rate swap	-	153,750,033
	<u>290,550,971</u>	<u>620,007,264</u>

25. OTHER OPERATING CHARGES

Donations	25.1	872,650	731,429
Exchange loss on foreign currency transactions- net		23,591,756	201,379,380
Loss on supply of electricity to PESCO	25.2	2,027,347	2,809,457
Worker's Profit Participation Fund		47,006,372	-
Worker's Welfare Fund		18,433,871	-
		<u>91,931,996</u>	<u>204,920,266</u>



	Note	2010 Rupees	2009 Rupees
25.1	No director or their spouse had any interest in the donees' fund.		
25.2	Loss on supply of electricity to PESCO		
	Cost and expenses of electricity generation		
	Oil and lubricants	626,424,764	87,634,131
	Freight on oil & lubricants	-	5,737,715
	Depreciation	13,963,694	3,846,819
	Stores consumed	27,078,922	1,187,824
	Finance cost	6,105,588	5,885,546
	Salaries and wages	5,484,147	779,473
	Internal consumption of auxiliaries	12,825,978	-
	Top end / Overhauling expenses	11,561,792	-
	Others	5,726,937	804,808
		709,171,822	105,876,316
	Less: Recovery of cost from PESCO	(707,144,475)	(103,066,859)
		<u>(2,027,347)</u>	<u>(2,809,457)</u>
26.	OTHER OPERATING INCOME		
	Income from financial asset		
	Profit on deposit accounts	4,580,945	387,942
	Gain on sale of investment	-	2,742,798
	Income from non-financial asset		
	Scrap sales	1,340,678	992,915
	Gain on disposal of operating fixed assets - net	1,047,697	430,964
		<u>6,969,320</u>	<u>4,554,619</u>
27.	TAXATION		
	- Current		
	For the year	-	47,290,215
	Prior year	-	(8,039,477)
		-	39,250,738
	- Deferred	46,496,484	2,274,041
		<u>46,496,484</u>	<u>41,524,779</u>

27.1 The Finance Act 2010 has 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 year 2010 to 2012 is exempt. However, the newly inserted clause does not specifically address the exemption of turnover tax under section 113. Management, based on an advice from the tax advisor, believes that the Company will not be subject to turnover tax under section 113 of the Ordinance and has not made a provision of Rs. 26.039 million for turnover tax on local sales for the year ended June 30, 2010.



28. EARNINGS PER SHARE - Basic and diluted

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

		2010	2009
Profit / (loss) for the year	Rupees	828,190,669	(338,596,548)
Number of ordinary shares		23,437,500	23,437,500
Earnings / (loss) per share	Rupees	35.34	(14.45)

29. 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: -

	2010		2009	
	Director	Executives	Director	Executives
	----- Rupees -----			
Remuneration	1,936,800	1,285,161	1,936,800	1,285,161
House rent	270,000	578,323	270,000	578,323
Utilities	193,200	128,516	193,200	128,516
Bonus	-	75,000	-	166,000
Leave encashment	-	166,000	-	166,000
	2,400,000	2,233,000	2,400,000	2,324,000
Number of persons	1	2	1	2

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

29.2 The Chief Executive is not drawing any remuneration.

29.3 Meeting fee of Rs. 0.046 million (2009: Rs. 0.05 million) has been paid to seven Directors.

30. PRODUCTION CAPACITY

	2010 Rupees	2009 Rupees
Spinning Mill		
Total number of spindles installed	190,744	181,288
Number of shifts worked per day	3	3
Number of days worked	365	365
Number of shifts worked	1,093	1,093
Average number of spindles shift worked	209,509,877	205,315,258
Installed capacity after conversion into 20's (Kgs)	79,362,042	77,773,484
Actual capacity after conversion into 20's (Kgs)	79,311,274	76,025,969
Actual production (Kgs)	40,813,419	38,006,575

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.



31. RELATED PARTY TRANSACTIONS

Related parties comprised of associated companies, other associated undertakings, directors and key personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 29, are as follows: -

Name of Related Parties	Nature of Transaction	2010 Rupees	2009 Rupees
a. Associated companies			
Lucky Cement Limited (Common Directorship)	Cement purchased	613,875	533,700
Fazal Textile Mills Limited (Common Directorship)	Raw material purchased	-	122,000
	Doubling charges	576,000	-
	Yarn sold	339,854,495	134,254,890
	Raw material sold	-	447,864
Lucky Knits (Private) Limited (Common Directorship)	Yarn sold	358,084,488	201,715,192
Yunus Textile Mills Limited (Common Directorship)	Yarn sold	286,140,180	674,786,646
Nakshbandi Industries Limited	Yarn sold	53,376,000	-
Advances amounting to Rs. 1,030 million (2009: Rs. 500 million) were received from associated undertakings and Rs. 1,530 million (2009: Nil) have been returned / adjusted against sale of yarn during the year.			
b. Other associated undertakings			
Lucky Textile Mills (Common Directorship)	Grey cotton cloth	873,875	-
	Yarn sold	460,024,175	486,428,809
Aziz Tabba Foundation	Cash donated	-	563,529

32. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

32.1 Financial instruments by category

Financial assets

Loans and receivables

Long-term loans	12,797,250	9,153,702
Long-term advance	66,666,667	66,666,667
Long-term deposits	7,272,958	7,266,614
Trade debts	998,551,745	671,114,277
Loans and advances	337,000	311,110
Trade deposits	1,440,000	1,640,000
Other receivables	2,059,592	15,174,572
Cash and bank balances	125,509,669	118,907,931
	<u>1,214,634,881</u>	<u>890,234,873</u>

Financial liabilities

At amortised cost

Long-term financing	647,974,249	906,881,000
Trade and other payables	1,011,193,267	424,621,353
Accrued mark-up	66,847,912	102,442,507
Short-term borrowings	1,543,076,423	1,809,758,487
	<u>3,269,091,851</u>	<u>3,243,703,347</u>

32.2 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:

32.2.1 Credit risk and concentration of credit risk

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

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

	2010 Rupees	2009 Rupees
Long-term loans	12,797,250	9,153,702
Long term advances	66,666,667	66,666,667
Long term deposits	7,272,958	7,266,614
Trade debts	998,551,745	671,114,277
Advances	337,000	311,110
Trade deposits	1,440,000	1,640,000
Other receivables	2,059,592	15,174,572
Bank balances	124,404,203	117,390,339
	<u>1,213,529,415</u>	<u>888,717,281</u>

The trade debts are due from foreign and local customers for export and local sales respectively. Trade debts from foreign customers are secured against letter 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.

32.2.2 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 difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements (refer note 18). The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:



	Within 1 year	2 - 5 years	More than 5 years	Total
----- Rupees -----				
June 30, 2010				
Financial liabilities				
Long-term financing	92,376,630	640,638,458	9,218,487	742,233,575
Trade and other payables	1,011,193,267	-	-	1,011,193,267
Accrued mark-up	66,847,912	-	-	66,847,912
Short-term borrowings	1,543,076,423	-	-	1,543,076,423
	<u>2,713,494,232</u>	<u>640,638,458</u>	<u>9,218,487</u>	<u>3,363,351,177</u>

	Within 1 year	2 - 5 years	More than 5 years	Total
----- Rupees -----				
June 30, 2009				
Financial liabilities				
Long-term financing	114,780,919	1,000,602,627	28,590,670	1,143,974,216
Trade and other payables	424,621,353	-	-	424,621,353
Accrued mark-up	102,442,507	-	-	102,442,507
Short-term borrowings	1,809,758,487	-	-	1,809,758,487
	<u>2,451,603,266</u>	<u>1,000,602,627</u>	<u>28,590,670</u>	<u>3,480,796,563</u>

32.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns. The Company is not exposed to equity price risk.

Interest rate risk

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

	Carrying Amount	
	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial assets	1,989,160	-
Financial liabilities	(97,974,249)	(106,881,000)
	<u>(95,985,089)</u>	<u>(106,881,000)</u>
Variable rate instruments		
Financial liabilities		
- KIBOR based	(1,230,215,923)	(2,066,848,854)
- LIBOR based	(862,860,500)	(542,909,633)
	<u>(2,093,076,423)</u>	<u>(2,609,758,487)</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates 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. 14.45 million (2009: Rs. 22.02 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

32.2.4 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and borrowings, which, are entered in a currency other than Pak Rupees. The Company does not enter into forward foreign exchange contracts for foreign purchases and payables, as it is not allowed by the State Bank of Pakistan. However, the Company enters into forward foreign exchange contracts to cover its exposure to foreign currency sales and receivables. As at June 30, 2010, the financial assets and liabilities exposed to currency risk are as follows:

	2010	2009	2010	2009
	-----USD-----		-----PKR-----	
Trade Debts	7,596,926	5,907,388	648,779,969	480,342,985
Foreign currency bank account	537,105	450,870	45,976,188	36,813,536
Import Loan (LC's)	(7,590,049)	(6,677,855)	(649,708,211)	(542,909,633)
Export Finance	(2,496,896)	-	(213,152,289)	-
Foreign bills payable	(323,126)	-	(27,659,635)	-
	-----JPY-----		-----PKR-----	
Foreign bills payable	(233,896,670)	(16,000,000)	(225,990,963)	(13,560,000)

At June 30, 2010, if the Pakistani Rupee weakened / strengthen by 10% against the US Dollars and Japanese Yen with all variables held constant, pre-tax loss / profit for the year would have been lower / higher by Rs. 42.196 million (2009: Rs. 3.931 million). This analysis assumes that all other receivables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2009.

33 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 arms length transaction other than in a forced or liquidation sale.

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



34. 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.

35. GENERAL

- a The Board of Directors proposed a final dividend for the year ended 30th June, 2010 of Rs. 7.00 per share amounting to Rs.164.063 million, at their meeting held on 27th September, 2010, for approval of members at the Annual General Meeting. These financial statements do not reflect this dividend payable which will be accounted for in the period in which is approved.
- b These financial statements were authorized for issue on 27th September, 2010 by the Board of Director of the Company.



Pattern of Shareholding as at June 30, 2010

NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING	TO	TOTAL SHARES HELD
564	1		100	23,294
522	101		500	133,429
349	501		1000	274,680
213	1001		5000	485,903
44	5001		10000	331,903
17	10001		15000	205,743
4	15001		20000	70,142
6	20001		25000	138,205
2	25001		30000	55,219
2	30001		35000	61,588
2	35001		40000	73,910
2	40001		45000	86,101
2	45001		50000	98,900
1	70001		75000	70,739
1	80001		85000	84,973
1	85001		90000	87,249
2	105001		110000	219,816
2	110001		115000	223,718
1	115001		120000	117,187
3	140001		145000	421,875
1	190001		195000	191,500
1	215001		220000	219,816
3	220001		225000	663,290
1	240001		245000	244,367
1	270001		275000	273,750
2	295001		300000	594,175
1	300001		305000	301,310
1	310001		315000	314,741
3	315001		320000	955,400
1	365001		370000	368,390
1	375001		380000	377,799
1	440001		445000	442,961
1	1055001		1060000	1,056,600
1	1245001		1250000	1,247,606
1	1735001		1740000	1,738,868
1	1770001		1775000	1,773,150
1	1775001		1780000	1,779,948
1	1845001		1850000	1,848,755
1	5780001		5785000	5,780,500
1,764				23,437,500



CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCE- NTAGE
Directors, Chief Executive Officer, and their spous and minor children	11	4,666,195	19.91
Associated Companies, undertakings and related parties	2	2,150,949	9.18
NIT and ICP	5	1,911,893	8.16
Banks Development Financial Institutions, Non Banking Fianancial Institutions	3	104,249	0.44
Insurance Companies	1	48,900	0.21
Modarabas and Mutual Funds	2	305,810	1.30
Share holders holding 10%	1	5,780,500	24.66
General Public			
a. Local	1709	6,116,281	26.10
b. Foreign	1	562	0.00
Others	29	2,352,161	10.04
Total	1764	23,437,500	100.00



Pattern of Shareholding - Additional Information as at June 30, 2010

Shareholder's Category	Number of Shareholders	Number of Shares
Associated Companies, undertakings and related parties (name wise details):		
Younus Textile Mills Limited	1	377,799
Lucky Energy Limited	1	1,773,150
NIT and ICP (name wise details):		
National Investment Trust Limited (NIT)	4	1,911,093
Investment Corporation of Pakistan (ICP)	1	800
Directors, CEO and their spouse and minor children (name wise details):		
Mr. Muhammad Yunus Tabba (Chairman / Director)	1	1,779,948
Mr. Muhammad Sohail Tabba (Chief Executive)	2	1,272,056
Mr. Muhammad Ali Tabba (Director)	2	662,777
Mr. Jawed Yunus Tabba (Director)	2	320,801
Mrs. Mariam Tabba Khan (Director)	2	333,238
Mr. Ilyas Ismail (Director)	1	296,875
Mr. Tariq Iqbal Khan (Director)	1	500
Executive	0	0
Public Sector Companies and Corporations	4	1,442,619
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	6	458,959
Shareholders holding ten percent or more voting interest (name wise details)		
Saif Holdings Limited	1	5,780,500

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

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

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS:

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

S/No.	Name of Director	Meetings Attended
1.	Mr. Muhammad Yunus Tabba	2
2.	Mr. Muhammad Sohail Tabba	4
3.	Mr. Muhammad Ali Tabba	3
4.	Mr. Javed Tabba	4
5.	Mrs. Mariam Tabba Khan	3
6.	Mr. Ilyas Ismail	4
7.	Mr. Muhammad Raziq*	2
8.	Mrs. Neelofar Hameed**	1

* Mr. Muhammad Raziq has resigned on 20-03-2010

** Mrs Neelofar Hameed has appointed in place Muhammad Raziq on 20-03-2010



FORM OF PROXY

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

I/We _____
_____ of _____ in the district of _____
be a Member/Members of GADOON TEXTILE MILLS LIMITED hereby appoint
_____ of _____
being a Member of the company as my/our proxy to vote for me/us _____
and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on the 30th
day of October, 2010 and at any adjournment there of.

Signed this _____ day of _____ 2010.

Members Signature

Affix
Revenue
Stamp
of Rs. 5/=

Folio No./CDC No. _____

No. of shares held _____

CNIC. # _____



AFFIX
CORRECT
POSTAGE

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

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