YUNUS BROTHERS GROUP

Annual Report 2011

GADOON TEXTILE MILLS LTD.

CONTENTS

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
Director Finance & Company Secretary	:	Abdul Sattar Abdullah
Audit Committee	:	Muhammad Ali Tabba Javed Yunus Tabba Ilyas Ismail
Auditors	:	M. Yousuf Adil Saleem & Co. Chartered Accountants A Member of Deloitte Touche Tohmatsu
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	:	7 Park Avenue Road University Town Peshawar. Phone No. :091-5701496 Fax No. :091-5702029 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/ Transfer Agent	:	Central Depository Company of Pakistan Ltd CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi (Toll Free) : 0800 23275
Bankers	:	Bank Alfalah Limited (Islamic Banking) Bank Al Habib Limited Barclays Bank PLC, Pakistan Citibank N.A. Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited Meezan Bank Limited MCB Bank Limited National Bank of Pakistan United Bank Limited

VISION

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

MISSION

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

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

NOTICE OF 24TH ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of the members of Gadoon Textile Mills Limited will be held on Monday, October 31, 2011 at 10:00 a.m. at the registered office of the Company, 200-201, Gadoon Amazai Industrial Estate, District Swabi, Khyber Patkhtunkhwa to transact the following business:

1. To confirm the minutes of 23rd Annual General Meeting held on October 30, 2010.

2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2011 together with the Directors' and Auditors' report thereon.

3. To approve cash dividend @ Rs.10.00 per share of Rs. 10/- each for the year ended June 30, 2011 as recommended by the Directors.

4. To appoint Auditors for the year ending June 30, 2012 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: October 8, 2011

NOTES:

1. The Share Transfer Book of the Company will remain closed from Monday, October 24, 2011 to Monday, October 31, 2011 (both days inclusive). Transfers received in order at our Share Registrar/Transfer Agent M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi-74400, at the close of business on Saturday, October 22, 2011, will be considered in time for the purpose of above entitlement to the transferees.

2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time of holding the meeting.

3. An individual beneficial owner of shares from CDC must bring his/her Original Computerized National Identity Card or Passport, Account and Participant's I.D. numbers to prove his/her identity. A representative of corporate members from CDC, must bring the Board of Directors' Resolution and/or Power of Attorney and the specimen signature of the nominee.

4. The members are requested to notify change in their 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-74400.

DIRECTORS' REPORT

The Directors of your Company have pleasure in presenting before you the 24th Annual Report together with the Company's audited financial statements for the year ended June 30, 2011.

OVERVIEW

The cotton spinning industry concluded the year ended June 30, 2011 with impressive growth both in local and export sales value as compared to same period last year.

Domestic cotton prices rose during the year to their record high average of Rs.13,301 per 40 kg. to fall to Rs.9,157 in June---a phenomenon hardly ever seen in the past.

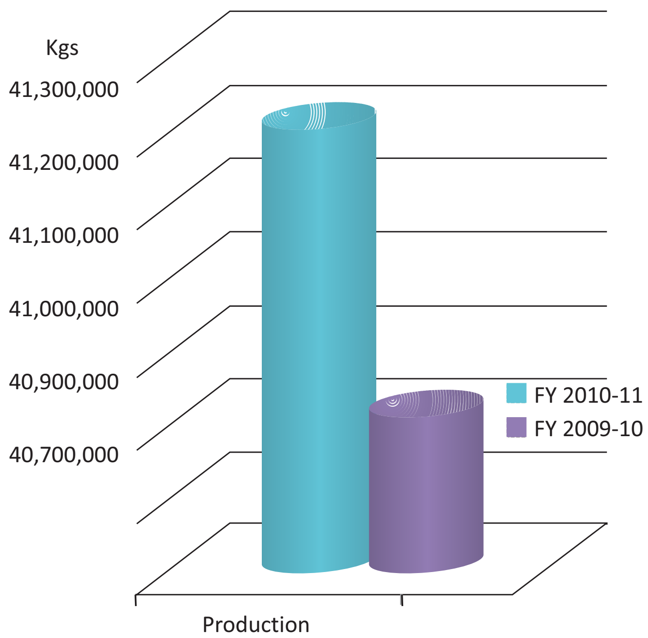
In order to maintain its competitive position in the coming years, your Company has undertaken expansion project at Karachi, details of which are given elsewhere in this report.

BUSINESS PERFORMANCE

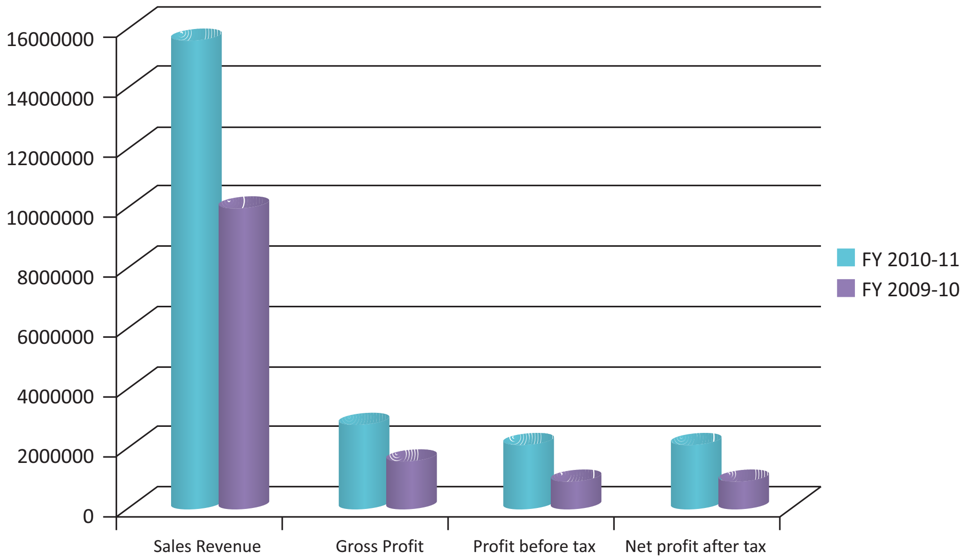
(a) Production & Sales Volume Performance

The Production statistics of your Company for the year under review as compared to same period last year are as under:

Particulars	FY 2010-11	FY 2009-10	Increase/ (Decrease) %
YARN PRODUCTION	41,206,862 Kgs	40,813,419 Kgs	1%



Financial Performance:
A comparison of the key financial results of the Company for the Financial Year ended on June 30, 2011 with the same period last year is as under:



	Year Ended 30-06-2011	Year Ended 30-06-2010	Percentage Favorable (Unfavorable)
	Rupees (000)		
Sales - Export	8,437,729	4,840,075	74.33
Local	7,200,758	5,188,691	38.78
Sales (net)	15,638,487	10,028,765	55.94
Gross Profit	2,810,034	1,584,698	77.32
Finance costs	147,806	290,551	49.13
Profit before taxation	2,169,597	874,687	148.04
Profit for the year	2,156,255	828,191	160.36
Earnings per share (Rs.)	92.00	35.34	

Your Company, by the Grace of Almighty Allah, put up a highly encouraging financial performance breaking all past records of profitability.

The total sales grew by 56% attaining an all time high of Rs.15,638 million during the year under review (2010:Rs.10,029 million). The export sales stood at Rs.8,438 million (2010:Rs.4,840 million) and local sales amounted to Rs.7,201 million (2010:Rs.5,189 million). The gross margin during the year stood at Rs.2,810 million (2010:Rs.1,585 million), registering an increase of 77% over the previous year. The after tax profit for the year witnessed a hefty increase of 160% at Rs.2,156 million (2010: Rs.828 million).

This brilliant performance during the year is attributable to a bullish yarn market and inventory gain, further aided by fiscal relief extended by Khyber Pakhtunkhwa Government and reduced mark-up rate on long-term finance by the State Bank of Pakistan under the KPK incentives which will continue till the end of December, 2011.

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.

The Director would to draw your attention to the note 27.1 of the financial statments.

Expansion and Modernization Projects:
In order to maintain sustained growth in profitability, the Company has put up an additional production facility at Karachi which is in the finishing stage. This project will enhance profitability by saving on surface transportation cost to and from Gadoon Amazai. Import of raw material and export of yarn on account of easy access to port facilities will be an added advantage.

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

Board of Directors:
Mrs. Neelofar Hameed, NIT nominee director resigned during the year. The Board co-opted Mr. Tariq Iqbal Khan as a Director to hold office for the remainder of the term of the director in whose place he has been appointed.

Earnings Per Share:
The earnings per share during the year under report worked out to Rs.92.00 as compared to earning of Rs.35.34 for 2010.

Dividend:
The Board of Directors have pleasure in recommending cash dividend at the rate of Rs.10/-per Share for the year under review (2010: Rs.7/- per share).

Future Outlook:
Following the nose dive of the cotton market locally and internationally, the yarn and value added prices also fell out of proportions in the last quarter of fiscal year under review. The falling trend is still continuing and at one point in time the sale price were even not covering the raw material cost, due to carry over of inventory at higher prices.

Owing to uncertain and volatile cotton market, the overseas customers are holding back their orders in anticipation of further decline in prices.

The market must stabilize failing which margins of spinning sector will come under pressure. There is already pressure on cost of production because of rising fuel prices coupled with double digit inflation.

The domestic cotton crop has been partially damaged due to torrential rains which will have its impact on the price of the cotton.

As stated earlier the new expansion at Karachi will partially off-set the adverse impact on company's profitability in future.

Your directors are striving hard to minimize the negative effect of the foregoing factors.

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 June 30, 2012.

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

Karachi: September 15, 2011

YEAR WISE STATISTICAL SUMMARY

Rupees (000)

	2004	2005	2006	2007	2008	2009	2010	2011
ASSETS EMPLOYED								
Fixed Assets	2,950,274	3,057,989	3,020,789	2,947,545	3,063,735	2,760,662	2,724,684	**4,181,980**
Long Term Loans, Deposits & Deferred Costs	4,558	4,429	9,728	8,326	10,960	7,971	13,007	**12,153**
Investment				15,238	83,335	66,667	66,667	
Current Assets	1,640,540	2,703,545	3,114,125	2,882,650	4,384,976	3,208,422	3,741,676	**6,803,765**
Total Assets Employed	4,595,372	5,765,963	6,144,642	5,853,759	7,543,006	6,043,722	6,546,034	**10,997,898**
FINANCED BY								
Shareholders' equity	1,978,992	2,127,333	2,361,750	2,536,189	2,314,285	1,974,019	2,802,210	**4,794,402**
Long Term Loans	680,000	750,000	375,000	50,581	102,666	897,974	630,161	**62,347**
Current portion of Long Term Loans	430,000	305,000	375,000	350,000	4,215	8,907	17,813	**567,814**
	1,110,000	1,055,000	750,000	400,581	106,881	906,881	647,974	**630,161**
Liability against purchase of Lease hold Land	-	1,750	875					
Deferred Liabilities	303,286	192,895	191,365	208,493	207,587	215,659	285,860	**312,472**
Current Liabilities	1,633,094	2,693,985	3,215,652	3,058,496	4,918,468	2,956,070	2,827,803	**5,828,677**
Current portion of Loans & Lease	(430,000)	(305,000)	(375,000)	(350,000)	(4,215)	(8,907)	(17,813)	**(567,814)**
	1,203,094	2,388,985	2,840,652	2,708,496	4,914,253	2,947,163	2,809,990	**5,260,863**
Total Funds Invested	4,595,372	5,765,963	6,144,642	5,853,759	7,543,006	6,043,722	6,546,034	**10,997,898**
TURNOVER AND PROFIT								
Turnover	5,954,839	4,072,070	5,637,136	6,364,392	6,757,664	7,140,792	10,028,765	**15,638,487**
Gross Profit	519,614	541,805	799,889	749,861	745,563	756,875	1,584,698	**2,810,034**
Operating Profit	349,455	363,820	567,862	470,188	485,585	527,856	1,257,170	**2,553,671**
Profit/(loss) before taxation	262,067	279,429	363,022	320,389	(132,606)	(297,072)	874,687	**2,169,597**
Profit/(loss) after taxation	244,941	206,924	293,022	232,794	(164,740)	(338,597)	828,191	**2,156,255**
Cash Dividend	58,594	58,594	58,594	58,594	58,594	-	164,063	**234,375**
Profit/(loss) carried forward	582,899	789,822	1,024,250	1,198,450	975,116	636,519	1,464,710	**3,456,902**
Earning/(loss)per share (Rupees)	10.45	8.83	12.50	9.93	(7.03)	(14.45)	35.34	**92.00**
Break up value per share (Rupees)	84.44	90.77	100.77	108.21	98.74	84.22	119.56	**204.56**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Board of Directors comprises of seven directors including the Chief Executive Officer (CEO). The number of executive directors on the Board is two (2).

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of the directors of the Company are members of any Stock Exchange.

4. A casual vacancy occurred during the year due to resignation of nominee director of NIT was filled thereof.

5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and key employees of the Company.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of executive directors, have been taken by the Board. 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 related party transactions and pricing methods have been placed before the audit committee and approved by the board of directors with necessary justification for pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions.

10. 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.

11. The board has provided with detail in house briefing and information package to apprise them of their duties and responsibilities.

12. The Director Finance, Company Secretary & Head of Internal audit continued their services and no change were made during this financial year.

13. 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.

14. The CEO and Director Finance duly endorsed the financial statements of the Company before approval of the Board.

15. 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.

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

17. 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.

18. 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.

19. The Board has set-up an internal audit function within the entity.

20. 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.

21. 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.

22. 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: September 15, 2011

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

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, 2011.

M. Yousuf Adil Saleem & Company
Chartered Accountants

Karachi: September 15, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gadoon Textile Mills Limited ("the Company") as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b. in our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and

d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 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. Our opinion is not qualified in respect of this matter.

M.Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner
Asad Ali Shah

Karachi: September 15, 2011

BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	4	**4,181,980,317**	2,724,683,607
Long-term advance	5	**-**	66,666,667
Long-term loans	6	**4,867,239**	5,734,580
Long-term deposits		**7,285,956**	7,272,958
		4,194,133,512	2,804,357,812
Current Assets			
Stores, spares and loose tools	7	**281,166,698**	223,164,356
Stock-in-trade	8	**2,104,434,377**	2,159,942,139
Trade debts	9	**3,147,275,019**	998,551,745
Loans and advances	10	**134,348,070**	149,629,913
Short-term investment	11	**28,936,901**	-
Trade deposits and short-term prepayments		**5,345,000**	1,590,000
Other receivables	12	**217,787,387**	42,469,015
Income tax refundable due from the government		**53,347,624**	40,819,674
Cash and bank balances	13	**831,123,648**	125,509,669
		6,803,764,724	3,741,676,511
Total Assets		**10,997,898,236**	6,546,034,323
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised			
50,000,000 ordinary shares of Rs.10/- each		**500,000,000**	500,000,000
Issued, subscribed and paid-up	14	**234,375,000**	234,375,000
Capital reserves			
Share premium		**103,125,000**	103,125,000
Revenue reserves			
General reserve		**1,000,000,000**	1,000,000,000
Unappropriated profit		**3,456,902,078**	1,464,709,963
		4,456,902,078	2,464,709,963
Total Equity		**4,794,402,078**	2,802,209,963
Non-Current Liabilities			
Long-term financing	15	**62,347,245**	630,160,747
Deferred liabilities	16	**312,471,571**	285,859,848
		374,818,816	916,020,595
Current Liabilities			
Trade and other payables	17	**1,302,769,127**	1,141,007,304
Accrued mark-up		**116,213,807**	66,847,912
Short-term borrowings	18	**3,828,958,203**	1,543,076,423
Current portion of long-term financing	15	**567,814,004**	17,813,502
Provision for taxation		**12,922,201**	59,058,624
		5,828,677,342	2,827,803,765
Total Equity and Liabilities		**10,997,898,236**	6,546,034,323
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, 2011

	Note	2011 Rupees	2010 Rupees
Sales - net	20	**15,638,487,153**	10,028,765,155
Cost of sales	21	**(12,828,452,720)**	(8,444,067,069)
Gross profit		**2,810,034,433**	1,584,698,086
Distribution cost	22	**(293,013,738)**	(280,164,000)
Administrative expenses	23	**(66,984,670)**	(54,333,286)
		(359,998,408)	(334,497,286)
		2,450,036,025	1,250,200,800
Finance cost	24	**(147,806,122)**	(290,550,971)
Other operating charges	25	**(236,267,913)**	(91,931,996)
		2,065,961,990	867,717,833
Other operating income	26	**103,635,080**	6,969,320
Profit before taxation		**2,169,597,070**	874,687,153
Taxation	27	**(13,342,455)**	(46,496,484)
Profit for the year		**2,156,254,615**	828,190,669
Earnings per share - basic and diluted	28	**92.00**	35.34

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, 2011

	2011 Rupees	2010 Rupees
Profit for the year	**2,156,254,615**	828,190,669
Other comprehensive income	**-**	-
Total comprehensive income for the year	**2,156,254,615**	828,190,669

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, 2011

	2011 Rupees	2010 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**2,169,597,070**	874,687,153
Adjustments for:		
Depreciation	**275,534,359**	281,718,862
Gain on disposal of operating fixed assets	**(7,555,655)**	(1,047,697)
Profit on deposits	**(94,171,371)**	(4,580,945)
Interest / mark-up expense	**349,629,367**	280,439,772
Unrealised loss on short-term investment	**956,768**	-
Provision for long-term advance	**66,666,667**	-
Provision for gratuity	**53,752,207**	45,067,448
Provision for stores and spares	**55,000,000**	-
	699,812,342	601,597,440
Operating cash flows before working capital changes	**2,869,409,412**	1,476,284,593
(Increase) / decrease in current assets		
Stores, spares and loose tools	**(113,002,342)**	(68,473,531)
Stock-in-trade	**55,507,762**	(208,755,045)
Trade debts	**(2,148,723,274)**	(327,437,468)
Loans and advances	**(10,279,639)**	8,875,333
Short-term loans	**(19,000,000)**	-
Trade deposits and short-term prepayments	**(3,755,000)**	210,856
Other receivables	**(174,757,806)**	36,554,548
	(2,414,010,299)	(559,025,307)
Increase in current liabilities		
Trade and other payables	**160,871,185**	165,140,401
Changes in working capital	**(2,253,139,114)**	(393,884,906)
Cash generated from operations	**616,270,298**	1,082,399,687
Interest / mark-up paid	**(300,263,472)**	(316,034,365)
Taxes (paid) / refunded	**(27,958,614)**	30,956,064
Gratuity paid	**(28,283,198)**	(21,362,402)
	(356,505,284)	(306,440,703)
Net cash from operating activities	**259,765,014**	775,958,984

	Note	2011 Rupees	2010 Rupees
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,739,474,134)**	(251,430,569)
Short-term investments		**(29,893,669)**	-
Sale proceeds from disposal of property, plant and equipment		**14,198,720**	6,737,654
Profit on deposit accounts received		**93,610,805**	4,610,955
Recovered / (disbursed) long-term loans - net		**2,523,323**	(3,643,548)
Long-term deposits paid		**(12,998)**	(6,344)
Net cash used in investing activities		**(1,659,047,953)**	(243,731,852)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		**(17,813,000)**	(258,906,751)
Dividend paid		**(163,171,862)**	(36,579)
Net cash used in financing activities		**(180,984,862)**	(258,943,330)
Net (decrease) / increase in cash and cash equivalents (A+B+C)		**(1,580,267,801)**	273,283,802
Cash and cash equivalents at the beginning of the year		**(1,417,566,754)**	(1,690,850,556)
Cash and cash equivalents at the end of the year		**(2,997,834,555)**	(1,417,566,754)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	**831,123,648**	125,509,669
Short-term borrowings	18	**(3,828,958,203)**	(1,543,076,423)
		(2,997,834,555)	(1,417,566,754)

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, 2011

	Capital reserves			Revenue reserves			
	Issued, subscribed and paid-up share capital	Share premium	Sub Total	General reserve	Unappropriated profit	Sub Total	Grand total
	Rupees						
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
Comprehensive income							
Profit for the year	-	-	-	-	828,190,669	828,190,669	828,190,669
Other comprehensive income	-	-	-	-	-	-	-
-	-	-	-	-	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
Comprehensive income							
Profit for the year	-	-	-	-	2,156,254,615	2,156,254,615	2,156,254,615
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	2,156,254,615	2,156,254,615	2,156,254,615
Transactions with owners recorded directly in equity							
Final dividend for the year ended June 30, 2010 @ Rs.7/=per share	-	-	-	-	(164,062,500)	(164,062,500)	(164,062,500)
Balance at June 30, 2011	**234,375,000**	**103,125,000**	**103,125,000**	**1,000,000,000**	**3,456,902,078**	**4,456,902,078**	**4,794,402,078**

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, 2011

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:

- obligations under the defined benefit plan have been stated at present value; and
- short-term investment which is stated at fair 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 3.9);
d) accounting for staff retirement benefits (note 3.10); and
e) provisions (note 3.17)

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

The following new / 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 7 - Financial Instruments: Disclosures (Amendment)	January 01, 2011
IFRS 7 - Financial Instruments: Disclosures (Amendment)	July 01, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2011
IAS 12 - Income Taxes (Amendment)	January 01, 2012
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 34 - Interim Financial Reporting (Amendment)	January 01, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 01, 2011
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	January 01, 2011

The Company considers that the above new / 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.

3.1 Property, plant and equipment

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

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

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

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

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

3.2 Stores, spares and loose tools

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

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

3.3 Stock-in-trade

Basis of valuation are as under: -

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

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

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

3.4 Trade debts and other receivables

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

3.5 Derivative financial instruments

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

3.6 Cash and cash equivalents

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

3.7 Investments

The investments of the Company, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity investment or available for sale investment, as appropriate. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. The Company currently holds investments at fair value through profit or loss.

When investments are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Investments at fair value through profit or loss

These include investments held for trading and investments designated upon initial recognition as at fair value through profit or loss. Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer s margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

3.8 Borrowings and their costs

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

3.9 Taxation

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

Current

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

Deferred

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

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

3.10 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the scheme. Charge is made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account by using "Project Unit Credit Method". The most recent valuation was carried out as at June 30, 2011 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.

3.11 Trade and other payables

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

3.12 Foreign currency translation

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

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

3.13 Revenue recognition

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

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

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

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

3.14 Financial instruments

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

3.15 Offsetting of financial assets and financial liabilities

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

3.16 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

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

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised. Reversal of impairment loss is recognised as income.

3.17 Provisions

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

3.18 Dividend and appropriation to / from reserves

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

	Note	2011 Rupees	2010 Rupees

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2011 Rupees	2010 Rupees
Operating fixed assets	4.1	**2,569,241,052**	2,695,556,675
Capital work-in-progress	4.2	**1,612,739,265**	29,126,932
		4,181,980,317	2,724,683,607

4.1 Operating fixed assets

Particulars	Cost as at July 01, 2010	Additions / (Deletion)	Cost as at June 30, 2011	Accumulated depreciation as at July 01, 2010	Depreciation for the year	Accumulated depreciation as at June 30, 2011	Written down value as at June 30, 2011	Rate of depreciation
	<---------- 2011 ---------->							
	---------- Rupees ----------							
Land:								
Lease hold	41,088,314	-	41,088,314	4,931,142	415,033	5,346,175	35,742,139	1%
Free hold	879,915	-	879,915	-	-	-	879,915	-
Buildings on lease hold land:								
Mills	392,396,805		392,396,805	267,147,825	12,524,898	279,672,723	112,724,082	10%
Other	91,693,853	-	91,693,853	35,840,753	2,792,655	38,633,408	53,060,445	5%
Road	7,128,590	-	7,128,590	4,269,469	285,912	4,555,381	2,573,209	10%
Power plant	74,158,134	-	74,158,134	42,222,818	3,193,532	45,416,350	28,741,784	10%
Office	7,160,865	-	7,160,865	2,462,621	469,824	2,932,445	4,228,420	10%
Buildings on free hold land:								
Family colony	66,120,617	-	66,120,617	37,192,732	2,892,788	40,085,520	26,035,097	10%
Workers' colony	105,405,103	-	105,405,103	69,703,221	3,570,188	73,273,409	32,131,694	10%
Plant and machinery	4,127,078,743	135,637,906	4,233,240,369	2,205,310,557	199,773,664	2,379,958,306	1,853,282,063	10%
		(29,476,280)			(25,125,915)			
Power plant	747,737,080		747,737,080	388,809,237	35,892,784	424,702,021	323,035,059	10%
Electric installation	138,903,918	2,460,000	141,363,918	75,916,200	6,360,272	82,276,472	59,087,446	10%
Tools and equipment	11,958,372	142,000	12,100,372	7,547,056	452,965	8,000,021	4,100,351	10%
Furniture and fittings	5,917,276	-	5,917,276	4,294,316	162,296	4,456,612	1,460,664	10%
Computer equipment	6,392,664	635,929	7,028,593	5,194,214	420,409	5,614,623	1,413,970	30%
Office equipment and installations	4,363,418	645,750	5,009,168	2,693,116	179,565	2,872,681	2,136,487	10%
Fork lifters and tractors	8,332,970	-	8,332,970	6,954,989	275,596	7,230,585	1,102,385	20%
Vehicles	47,942,947	16,340,216	57,227,736	29,798,442	5,753,398	30,789,113	26,438,623	20%
		(7,055,427)			(4,762,727)			
Fire fighting equipment	2,765,902	-	2,765,902	1,580,103	118,580	1,698,683	1,067,219	10%
	5,887,425,486	155,861,801	6,006,755,580	3,191,868,811	275,534,359	3,437,514,528	2,569,241,052	
June 30, 2011		(36,531,707)			(29,888,642)			

Particulars	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
	<---------- 2010 ---------->							
	---------- 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	4,127,078,743	2,017,094,151	199,976,487	2,205,310,557	1,921,768,186	10%
		(16,937,567)			(11,760,081)			
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	47,942,947	26,633,943	4,472,058	29,798,442	18,144,505	20%
		(1,820,030)			(1,307,559)			
Fire fighting equipment	2,765,902	-	2,765,902	1,448,348	131,755	1,580,103	1,185,799	10%
	5,676,960,946	229,222,137	5,887,425,486	2,923,217,589	281,718,862	3,191,868,811	2,695,556,675	
June 30, 2010		(18,757,597)			(13,067,640)			

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

	Note	2011 Rupees	2010 Rupees
Cost of sales	21.1	**256,032,466**	264,268,349
Administrative expenses	23	**3,194,676**	3,486,819
Other operating charges	25.2	**16,307,217**	13,963,694
		275,534,359	281,718,862

Description	Cost	Accmumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Purchaser
	-------------	Rupees	-----------			
Vehicles	660,000	158,107	501,893	600,000	Negotiation	Saad Ullah Khan
	475,940	410,330	65,610	252,000	Negotiation	Tariq Ali
	468,000	368,933	99,067	327,600	Negotiation	Jawed Zia
	40,990	-	40,990	42,000	Negotiation	Abdullah
	842,340	212,831	629,509	800,000	Negotiation	Mian Riaz
	1,161,972	885,059	276,913	1,099,000	Negotiation	New Jubilee Insurance
	65,200	10,867	54,333	62,000	Negotiation	Abid Mehmood
	65,200	10,867	54,333	62,000	Negotiation	Jawed Anwer
	1,236,501	990,239	246,262	250,000	Negotiation	Iftikhar Ahmed
	907,390	769,437	137,953	250,000	Negotiation	Nadeem Riaz
	1,093,510	934,320	159,190	159,190	Negotiation	Waqar Ahmed Khan
	38,384	11,738	26,646	38,000	Negotiation	New Jubilee Insurance
	7,055,427	4,762,728	2,292,699	3,941,790		
Plant and machinery	2,172,602	1,541,950	630,652	1,000,000	Negotiation	Swabi Textile Mills
	5,917,581	5,027,534	890,047	2,501,730	Negotiation	Textile Machine International
	12,141,876	10,700,562	1,441,314	3,600,000	Negotiation	Fazal Textile Mills Limited
	3,053,657	2,564,630	489,027	750,000	Negotiation	Lucky Knits (Pvt) Limited
	6,190,564	5,291,238	899,326	2,405,200	Negotiation	Gulf Tex Machine
	29,476,280	25,125,914	4,350,366	10,256,930		
June 30, 2011	36,531,707	29,888,642	6,643,065	14,198,720		
June 30, 2010	18,757,597	13,067,641	5,689,956	6,737,654		

4.1.2 Disposal of operating fixed assets

4.2 Capital work-in-progress	Note	2011 Rupees	2010 Rupees
Civil works		**40,368,674**	4,388,075
Plant and machinery		**40,347,872**	19,101,857
Advances for vehicles		**-**	5,637,000
Karachi Project			
Plant and machinery		**1,190,751,186**	-
Civil works		**266,692,184**	-
Vehicle		**1,438,350**	-
Electric installation		**25,977,230**	-
Advance to suppliers		**23,483,718**	-
Borrowing cost	4.2.1	**23,680,051**	-
		1,612,739,265	29,126,932

4.2.1 Borrowing cost is capitalised at weighted average borrowing capitalization rate of 0.78% (LIBOR based)

	Note	2011 Rupees	2010 Rupees
5. LONG-TERM ADVANCE			
-Considered doubtful			
Investment in joint venture	5.1	**66,666,667**	66,666,667
Less: Provision against advance	5.2	**(66,666,667)**	
		-	66,666,667

5.1 This represents first and second tranche of advance for a Joint Venture project amounting to Rs. 4,250 million. The principal activity of the Joint Venture Project is acquisition and development of certain land in Karachi through a Joint Venture Company. The Company's share in this Joint Venture project is ten percent. Currently, the future of this project is not certain and the recovery of this amount is considered doubtful. Accordingly, management has made full provision against such advance on prudent basis.

5.2 Movement of provision against advance

Opening		**-**	-
Charge for the year		**66,666,667**	-
Closing		**66,666,667**	-

	Note	2011 Rupees	2010 Rupees
6. LONG-TERM LOANS			
-Considered good			
Loans to employees	6.1	**10,273,927**	12,797,250
Less: current portion of long-term loans	10	**(5,406,688)**	(7,062,670)
		4,867,239	5,734,580

6.1 Loans to employees

	Note	2011 Rupees	2010 Rupees
Executive	6.2	**640,000**	2,490,000
Other employees		**9,633,927**	10,307,250
	6.1.1	**10,273,927**	12,797,250

6.1.1 These are 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	**2,490,000**	170,000
Disbursement	**-**	3,000,000
Repayments	**(1,850,000)**	(680,000)
	640,000	2,490,000

	Note	2011 Rupees	2010 Rupees
7. STORES, SPARES AND LOOSE TOOLS			
Stores		**165,027,072**	89,204,654
Spares in			
- hand		**156,341,132**	122,189,658
- transit		**14,257,753**	11,308,094
		170,598,885	133,497,752
Loose tools		**540,741**	461,950
Less: Provision for slow moving stores and spares	7.1	**(55,000,000)**	-
		281,166,698	223,164,356
7.1 Movement of provision for slow moving spares			
Opening		**-**	-
Charge for the year		**55,000,000**	-
Closing		**55,000,000**	-
8. STOCK-IN-TRADE			
Raw material in			
- hand	21.1.1	**1,344,320,488**	1,632,796,979
- transit		**209,947,886**	237,503,008
	8.1	**1,554,268,374**	1,870,299,987
Work-in-process	21.1	**169,704,695**	67,697,694
Finished goods			
Yarn		**354,716,217**	201,155,720
Waste at net realizable value		**25,745,091**	20,788,738
	21	**380,461,308**	221,944,458
		2,104,434,377	2,159,942,139

8.1 The cost of raw material has been adjusted to net realisable value by Rs. 90,000,000.

	Note	2011 Rupees	2010 Rupees
9. TRADE DEBTS			
- Considered good			
Foreign		**2,560,126,743**	648,779,969
Local		**587,148,276**	349,771,776
	9.1 & 9.2	**3,147,275,019**	998,551,745

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.

	Note	2011 Rupees	2010 Rupees
10. LOANS AND ADVANCES			
- Unsecured - Considered good			
Current portion of long-term loans	6	**5,406,688**	7,062,670
Advance to employees		**19,187,500**	337,000
Advance to suppliers and contractors		**37,590,191**	27,393,059
Letters of credit		**416,309**	184,302
Advance Income tax		**71,747,382**	114,652,882
		134,348,070	149,629,913

11. SHORT-TERM INVESTMENT

	Note	2011 Rupees	2010 Rupees
At fair value through profit and loss account - Held for trading:			
- Ordinary shares of listed company		**28,936,901**	-

12. OTHER RECEIVABLES

	Note	2011 Rupees	2010 Rupees
Considered good			
Sales tax		**90,420,644**	28,088,087
Federal excise duty		**18,343,288**	12,321,336
Claim receivable		**2,179,238**	1,722,520
Interest accrued		**560,566**	-
Mark-up relief receivable	24.1	**105,945,279**	
Other		**338,372**	337,072
		217,787,387	42,469,015
Considered doubtful			
Claim receivable	19.1.2	**20,000,000**	20,000,000
Other	12.1	**5,600,000**	5,600,000
		25,600,000	25,600,000
Provision for doubtful other receivables		**(25,600,000)**	(25,600,000)
		-	-
		217,787,387	42,469,015

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 Fiber (PSF). The Company has paid under protest Rs. 5.6 million against this demand and also made provision for the same amount. Since the goods were imported for re-export, the Federal Board of Revenue has rectified the anomaly through S.R.O. 688(I)/2010 dated July 27, 2010, management believes that no further provision is required and the amount so paid shall become refundable.

13. CASH AND BANK BALANCES

	Note	2011 Rupees	2010 Rupees
Cash in hand		**751,310**	1,105,466
Cash with banks in:			
- current accounts	13.1	**218,163,250**	122,415,043
- time deposits	13.2	**612,209,088**	1,989,160
		831,123,648	125,509,669

13.1 It includes foreign currency deposits amounting to US Dollars 590,534 equivalent to Rs. 50.57 million (2010: US Dollars 537,105 equivalent to Rs. 45.77 million) and Euro 74.61 equivalent to Rs. 0.009 million (2010: Euro 74.61 equivalent to Rs. 0.007 million).

13.2 It represents short term deposits with various banks at the rate ranging from 1.75% to 11.5% (2010: 1.5% to 11%).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011 Number of shares	2010 Number of shares		2011 Rupees	2010 Rupees
6,000,000	6,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	60,000,000	60,000,000
17,437,500	17,437,500	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	174,375,000	174,375,000
23,437,500	**23,437,500**		**234,375,000**	**234,375,000**

14.1 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		2011	2010
	<- Rupees ->			
Opening balance	97,974,249	550,000,000	647,974,249	906,881,000
Obtained during the year	-	-	-	-
	97,974,249	550,000,000	647,974,249	906,881,000
Repaid during the year	(17,813,000)	-	(17,813,000)	(258,906,751)
	80,161,249	550,000,000	630,161,249	647,974,249
Current portion shown under current liabilities	(17,814,004)	(550,000,000)	(567,814,004)	(17,813,502)
Closing balance	62,347,245	-	62,347,245	630,160,747
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	-		
Security	Note 15.1	Note 15.2		

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	2011 Rupees	2010 Rupees
16. DEFERRED LIABILITIES			
Staff gratuity	16.1	**125,715,495**	100,246,486
Deferred taxation	16.2	**186,756,076**	185,613,362
		312,471,571	285,859,848

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:

	2011	2010
Discount rate	**14%**	13%
Expected rate of salary increase	**14%**	13%
The amount recognised in the balance sheet is as follows:		
Present value of defined benefit obligation	**101,295,069**	83,799,647
Unrecognised actuarial gain	**24,420,426**	16,446,839
	125,715,495	100,246,486
The amount recognised in profit and loss is as follows:		
Current service cost	**44,874,971**	34,845,422
Interest cost	**10,893,955**	10,550,877
Actuarial gains recognised	**(2,016,719)**	(328,851)
	53,752,207	45,067,448
Movement in the net liability is as follows :		
Opening balance	**100,246,486**	76,541,440
Charge for the year	**53,752,207**	45,067,448
Benefit paid	**(28,283,198)**	(21,362,402)
Closing balance	**125,715,495**	100,246,486
Movement of unrecognized actuarial gains		
Opening balance of unrecognized actuarial gains	**16,446,839**	8,336,972
Actuarial gains during the year	**9,990,306**	8,438,718
Actuarial gains recognized	**(2,016,719)**	(328,851)
Closing unrecognized actuarial gains	**24,420,426**	16,446,839

Historical information

	2011	2010	2009	2008	2007
As at June 30	- - - - - -	- - - - - -	- - Rupees - -	- - - - - -	- - - - - -
Present value of defined benefit obligation	101,295,069	83,799,647	66,927,168	57,865,966	48,834,203

	Note	2011 Rupees	2010 Rupees

16.2 Deferred tax liability

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

Deferred credits / (debits) arising due to:

- Accelerated tax depreciation on property, plant and equipment		**226,609,309**	199,647,870
- Provision for gratuity		**(20,252,749)**	(14,034,508)
- Provision for long-term advance		**(10,739,991)**	-
- Provision for stores and spares		**(8,860,493)**	-
		186,756,076	185,613,362

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 2009, 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

	Note	2011 Rupees	2010 Rupees
Creditors		**137,256,740**	130,689,627
Foreign bills payable		**204,862,307**	253,650,598
Advance from customers and employees		**13,978,820**	16,517,102
Accrued liabilities	17.1	**740,326,708**	620,956,877
Withholding income tax		**133,971**	103,684
Sales tax payable		**-**	776,693
Regulatory duty		**5,600,000**	35,226,021
Unclaimed dividend		**6,786,803**	5,896,165
Workers' Welfare Fund		**76,595,665**	30,184,165
Workers' Profit Participation Fund		**117,228,113**	47,006,372
		1,302,769,127	1,141,007,304

17.1 This includes Rs. 220 million payable to a service provider against services rendered. The Company has a disagreement on the rate of services provided and had filed a petition in the Court which has been widthdrawn after the parties decided to settle the matter ouside the Court. However, as a matter of prudence, management has recognized the payable for past services.

18. SHORT-TERM BORROWINGS
- Secured

	Note	2011 Rupees	2010 Rupees
From banking companies			
Running finances under mark-up arrangements	18.1	**1,299,672,568**	589,787,427
Short term finance	18.2	**1,374,999,854**	90,428,496
Foreign currency loan against			
Import finance	18.1	**1,154,285,781**	649,708,211
Export finance	18.1	**-**	213,152,289
		1,154,285,781	862,860,500
		3,828,958,203	1,543,076,423

18.1 Facilities for running finance, import finance and export refinance are available from various banks upto Rs. 4.57 billion (2010: Rs. 5.89 billion). For running finance facility the rates of mark-up range between KIBOR + 0.5% to KIBOR + 1.75% per annum (2010: KIBOR + 0.4% to KIBOR + 1.75% per annum) and for import 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 facilities amounting to Rs. 1.5 billion from various banks having mark-up rate of 3 month KIBOR plus 0.5% per annum. This is secured against first pari passu hypothecation charge over stock 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. 378.74 million (2010: Rs. 255.239 million).

19.1.2 During prior years, the Company was charged by Sui Northern Gas Pipeline Limited (SNGPL) with an amount of Rs. 168 million on account of under billing of gas. The Company lodged complaint with the Appellate Authority (the 'Authority') against SNGPL and on January 21, 2010, the Authority gave its decision and partly admitted the plea of the Company and allowed partial relief of Rs. 53.89 million. The Company in addition to Rs. 65.38 million paid in prior years has paid further Rs. 48.25 million during the year. Subsequent to the decision of the Authority, both the Company (to claim additional relief) and SNGPL (against the relief provided) have filed appeals with higher authorities against the decisions. Management is of the view that no further liability in this regard will arise as it is expected that the final outcome of this case will be in its favour.

19.1.3 Others	**2011 Rupees**	**2010 Rupees**
Export bills discounted with recourse	**-**	787,524,928
Indemnity bond in favour of Collector of Customs against import	**2,845,000**	2,590,000
Post dated cheques in favour of Collector of Customs against imports	**85,693,786**	58,029,703

19.2 Commitments

Letters of credit opened by banks for:		
Plant and machinery	**198,477,400**	62,318,997
Raw materials	**930,620,498**	221,332,736
Stores and spares	**28,185,948**	12,142,023
Foreign currency forward contracts	**2,674,048,432**	1,072,185,087

20. SALES - Net

Export		
Direct		
- Yarn	**8,162,972,238**	4,789,835,582
- Waste	**459,079,838**	162,870,918
	8,622,052,076	4,952,706,500
Commission on direct export sales	**(184,322,695)**	(112,631,868)
	8,437,729,381	4,840,074,632
Local		
- Yarn	**7,017,583,418**	4,999,710,147
- Waste	**208,942,173**	208,159,636
	7,226,525,591	5,207,869,783
Commission on local sales	**(25,767,819)**	(19,179,260)
	7,200,757,772	5,188,690,523
	15,638,487,153	10,028,765,155

	Note	2011 Rupees	2010 Rupees
21. COST OF SALES			
Opening stock - finished goods		**221,944,458**	318,497,166
Cost of goods manufactured	21.1	**12,986,969,570**	8,347,514,361
Less: Closing stock - finished goods	8	**(380,461,308)**	(221,944,458)
		12,828,452,720	8,444,067,069

21.1 Cost of good manufactured

	Note	2011 Rupees	2010 Rupees
Raw material consumed	21.1.1	**10,346,551,746**	5,801,994,800
Salaries, wages and benefits	21.1.2	**752,239,603**	618,661,037
Stores, spares and accessories		**238,718,673**	209,622,605
Packing material consumed		**240,476,037**	196,668,531
Fuel and power		**1,169,892,590**	1,238,613,004
Repairs and maintenance		**8,813,053**	4,661,141
Insurance		**12,464,145**	15,066,098
Travelling, conveyance and entertainment		**5,113,852**	5,160,299
Doubling charges		**1,657,282**	1,827,896
Communication		**730,989**	614,571
Depreciation	4.1.1	**256,032,466**	264,268,349
Other manufacturing expenses		**1,286,135**	1,135,734
Provision for slow moving stores and spares		**55,000,000**	-
		13,088,976,571	8,358,294,065
Work-in-process			
Opening stock		**67,697,694**	56,917,990
Closing stock	8	**(169,704,695)**	(67,697,694)
		(102,007,001)	(10,779,704)
Cost of goods manufactured		**12,986,969,570**	8,347,514,361

21.1.1 Raw material consumed

	Note	2011 Rupees	2010 Rupees
Opening stock		**1,632,796,979**	1,325,387,187
Purchases - net		**10,058,075,255**	6,109,404,592
Less: Closing stock	8	**(1,344,320,488)**	(1,632,796,979)
		10,346,551,746	5,801,994,800

21.1.2 Salaries, wages and benefits includes Rs. 50.206 million (2010: Rs. 43.29 million) in respect of staff retirement benefits.

22. DISTRIBUTION COST

	2011 Rupees	2010 Rupees
Freight, octroi and handling charges		
- Export	**231,120,992**	208,654,264
- Local	**17,078,471**	31,321,381
	248,199,463	239,975,645
Export development surcharge	**23,033,551**	19,852,862
Bank charges on export	**21,780,724**	20,335,493
	293,013,738	280,164,000

23. ADMINISTRATIVE EXPENSES

	Note	2011 Rupees	2010 Rupees
Staff salaries and benefits	23.1	**27,691,716**	20,898,560
Rent, rates and taxes		**271,158**	286,699
Communication		**2,542,231**	1,910,580
Printing and stationery		**757,776**	586,127
Repairs and maintenance		**1,583,347**	482,931
Legal and professional		**5,996,468**	5,218,615
Travelling and conveyance		**7,036,916**	5,452,625
Entertainment		**3,016,724**	3,014,729
Vehicles running and maintenance		**3,242,179**	3,014,482
Secretarial expenses		**705,460**	669,659
Fee and subscriptions		**4,517,977**	4,013,093
Electricity		**1,886,961**	1,259,229
Advertisement		**142,500**	80,700
Auditors' remuneration	23.2	**1,070,000**	1,137,500
Depreciation	4.1.1	**3,194,676**	3,486,819
Insurance		**1,464,956**	1,623,870
Books and periodicals		**65,604**	23,936
Others		**1,798,021**	1,173,132
		66,984,670	54,333,286

23.1 Salaries and benefits includes Rs. 3.546 million (2010: Rs. 1.02 million) in respect of staff retirement benefits.

23.2 Auditors' remuneration

		2011 Rupees	2010 Rupees
Statutory audit fee		**1,000,000**	1,000,000
Half yearly review and other certifications		**70,000**	137,500
		1,070,000	1,137,500

24. FINANCE COST

	Note	2011 Rupees	2010 Rupees
Mark-up / interest on			
Long-term financing		**78,308,883**	80,612,459
Short-term borrowings		**259,994,916**	199,827,313
Workers' Profit Participation Fund		**11,325,568**	-
		349,629,367	280,439,772
Bank and other financial charges		**4,356,191**	10,111,199
		353,985,558	290,550,971
Less: mark-up relief	24.1	**(206,179,436)**	-
		147,806,122	290,550,971

24.1 This represents mark-up relief received / claimed from the banks, which has been provided by the Government of Pakistan to rehabilitate the economic life in Khyber Pakhtunkhwa.

25. OTHER OPERATING CHARGES

	Note	2011 Rupees	2010 Rupees
Donations	25.1	**-**	872,650
Exchange loss on foreign currency transactions- net		**4,932,418**	23,591,756
Loss on supply of electricity to PESCO	25.2	**72,447**	2,027,347
Unrealised loss on short-term investments		**956,768**	-
Workers' Profit Participation Fund		**117,228,113**	47,006,372
Workers' Welfare Fund		**46,411,500**	18,433,871
Provision against long-term advance		**66,666,667**	-
		236,267,913	91,931,996

	Note	2011 Rupees	2010 Rupees

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

25.2 Loss on supply of electricity to PESCO

	Note	2011 Rupees	2010 Rupees
Cost and expenses of electricity generation			
Oil and lubricants		**869,856,169**	626,424,764
Freight on oil and lubricants		**921,087**	-
Depreciation	4.1.1	**16,307,217**	13,963,694
Stores consumed		**16,320,522**	27,078,922
Finance cost		**27,034,642**	6,105,588
Salaries and wages		**5,914,062**	5,484,147
Internal consumption of auxiliaries		**19,014,329**	12,825,978
Top end / overhauling expenses		**13,662,941**	11,561,792
Others		**4,803,450**	5,726,937
		973,834,419	709,171,822
Less: Recovery of cost from PESCO		**(973,761,972)**	(707,144,475)
		72,447	2,027,347

26. OTHER OPERATING INCOME

		2011 Rupees	2010 Rupees
Income from financial asset			
Profit on deposit accounts		**94,171,371**	4,580,945
Income from non-financial asset			
Scrap sales		**1,908,054**	1,340,678
Gain on disposal of operating fixed assets - net		**7,555,655**	1,047,697
		103,635,010	6,909,322

27. TAXATION

	Note	2011 Rupees	2010 Rupees
- Current			
For the year		**-**	-
Prior year	27.2	**12,199,741**	-
		12,199,741	-
- Deferred		**1,142,714**	46,496,484
		13,342,455	46,496,484

27.1 The Finance Act 2010 had introduced clause 126F in Part I of Second Schedule of Income Tax Ordinance, 2001 (the Ordinance) exempting the tax on profits and gains derived by a tax payer located in the war on terror affected areas of Khyber Pakhtunkhwa. As a result of this change, the income of the Company including tax on export proceeds for tax year 2010 to 2012 is exempt. However, the said clause does not specifically address the exemption of turnover tax under section 113. In this regard, some companies located in the affected areas filed a petition in Peshawar High Court against the recovery of turnover tax seeking a declaration regarding section 113 and 159 as discriminatory and contrary to the constitution and the Court has granted an interim relief restraining the recovery of turnover tax. The Company, along with other companies in the affected area, has also filed the petition on the same grounds which is pending in Peshawar High Court. 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 hence, has not made a provision of Rs. 36.133 million (June 30, 2010: Rs. 26.04 million) on account of turnover tax on local sales for the year ended June 30, 2011.

27.2 Income tax returns filed upto Tax Year 2010 by the Company were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, during the current year in respect of Tax Year 2006, the deemed assessment was amended by the taxation authorities by passing an amended order after making certain disallowances out of profit and loss account expenses and completing audit proceedings.

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 :

		2011	2010
Profit for the year	Rupees	**2,156,254,615**	828,190,669
Number of ordinary shares		**23,437,500**	23,437,500
Earnings per share	Rupees	**92.00**	35.34

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: -

	2011		2010	
	Director	Executives	Director	Executives
	- - - - - - - - - - - - - - Rupees - - - - - - - - - - - - -			
Remuneration	1,936,800	1,961,516	1,936,800	1,285,161
House rent	270,000	766,132	270,000	578,323
Utilities	193,200	196,152	193,200	128,516
Bonus	-	-	-	75,000
Medical	-	77,700	-	-
Leave encashment	-	140,000	-	166,000
	2,400,000	3,141,500	2,400,000	2,233,000
Number of persons	1	3	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. 0.042 million (2010: Rs. 0.046 million) has been paid to seven Directors.

30. PRODUCTION CAPACITY

	2011 Rupees	2010 Rupees
Spinning Mill		
Total number of spindles installed	**189,784**	190,744
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	**210,694,104**	209,509,877
Installed capacity after conversion into 20's (Kgs)	**79,810,261**	79,362,042
Actual capacity after conversion into 20's (Kgs)	**73,851,616**	79,311,274
Actual production (Kgs)	**41,206,862**	40,813,419

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 management 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	2011 Rupees	2010 Rupees
a.	**Associated companies**			
	Lucky Cement Limited (Common Directorship)	Purchase of cement	**19,569,035**	613,875
	Fazal Textile Mills Limited (Common Directorship)	Doubling charges	**-**	576,000
		Yarn sold	**399,899,690**	339,854,495
		Raw material sold	**2,022,030**	-
		Waste sales	**5,177,475**	-
		Machinery sold	**3,600,000**	-
		Purchase of machinery	**1,000,000**	-
	Lucky Knits (Private) Limited (Common Directorship)	Yarn sold	**439,058,116**	358,084,488
		Generator sold	**750,000**	-
	Yunus Textile Mills Limited (Common Directorship)	Yarn sold	**632,387,640**	286,140,180
	Feroze 1888 Industries Limited Formerly Nakshbandi Industries Limited (Common Directorship)	Yarn sold	**149,547,500**	53,376,000

Advances amounting to Rs. 700 million (2010: Rs. 1,030 million) were received from associated undertakings and Rs. 700 million (2010: 1,530) have been returned during the year.

			2011 Rupees	2010 Rupees
b.	**Other associated undertakings**			
	Lucky Textile Mills (Common Directorship)	Grey cotton cloth purchased	**2,063,327**	873,875
		Yarn sold	**569,166,210**	460,024,175

32. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

32.1 Financial instruments by category

	2011	2010
Financial assets		
Loans and receivables		
Long-term loans	**10,273,927**	12,797,250
Long-term advance	**-**	66,666,667
Long-term deposits	**7,285,956**	7,272,958
Trade debts	**3,147,275,019**	998,551,745
Loans and advances	**19,187,500**	337,000
Trade deposits	**5,120,000**	1,440,000
Other receivables	**3,078,176**	2,059,592
Cash and bank balances	**831,123,648**	125,509,669
	4,023,344,226	1,214,634,881
Investment at fair value through profit or loss		
Short-term investment	**28,936,901**	-
	4,052,281,127	1,214,634,881
Financial liabilities		
At amortised cost		
Long-term financing	**630,161,249**	647,974,249
Trade and other payables	**1,089,232,558**	1,011,193,267
Accrued mark-up	**116,213,807**	66,847,912
Short-term borrowings	**3,828,958,203**	1,543,076,423
	5,664,565,817	3,269,091,851

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:

	2011 Rupees	2010 Rupees
Long-term loans	**10,273,927**	12,797,250
Long-term advances	**-**	66,666,667
Long-term deposits	**7,285,956**	7,272,958
Trade debts	**3,147,275,019**	998,551,745
Advances	**19,187,500**	337,000
Trade deposits	**5,120,000**	1,440,000
Other receivables	**3,078,176**	2,059,592
Bank balances	**830,372,338**	124,404,203
	4,022,592,916	1,213,529,415

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. Credit risk on bank balances is limited as these are placed with banks having good credit ratings.

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 would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company 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:

June 30, 2011	Within 1 year	2 - 5 years	More than 5 years	Total
	- - - - - - - - - - - - - - Rupees - - - - - - - - - - - - -			
Financial liabilities				
Long-term financing	611,036,020	71,075,871	-	682,111,891
Trade and other payables	1,089,232,558	-	-	1,089,232,558
Accrued mark-up	116,213,807	-	-	116,213,807
Short-term borrowings	3,828,958,203	-	-	3,828,958,203
	5,645,440,588	71,075,871	-	5,716,516,459

June 30, 2010	Within 1 year	2 - 5 years	More than 5 years	Total
	- - - - - - - - - - - - - - Rupees - - - - - - - - - - - - -			
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
	2,713,494,232	640,638,458	9,218,487	3,363,351,177

32.2.3 Market risk

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

Price risk

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

As at June 30, 2011, fair value of equity securities exposed to price risk were as follow:

Investment at fair value through profit or loss account - held for trading	**28,936,901**	-

In case of 10% increase / decrease in fair value of equity securities on June 30, 2011, income / (loss) for the year would be affected by Rs. 2.894 million (2010: Rs. Nil) as a result of gain / loss.

Interest rate risk

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

Fixed rate instruments	Carrying Amount 2011 Rupees	2010 Rupees
Financial assets	**612,209,088**	1,989,160
Financial liabilities	**(80,161,249)**	(97,974,249)
	532,047,839	(95,985,089)

Variable rate instruments Financial liabilities	Carrying Amount 2011 Rupees	2010 Rupees
- KIBOR based	**(3,224,672,422)**	(1,230,215,923)
- LIBOR based	**(1,154,285,781)**	(862,860,500)
	(4,378,958,203)	(2,093,076,423)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in KIBOR based financial liabilities 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. 35.13 million (2010: Rs. 14.45 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

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, 2011, the financial assets and liabilities exposed to currency risk are as follows:

	2011	2010	2011	2010
	-----USD-----		-----PKR-----	
Trade debts	29,716,984	7,596,926	2,551,203,118	648,779,969
Foreign currency bank account	590,534	537,105	50,567,392	45,976,188
Import loan (LC's)	(13,181,910)	(7,590,049)	(1,134,303,381)	(649,708,211)
Export finance	-	(2,496,896)	-	(213,152,289)
Foreign bills payable	-	(323,126)	-	(27,659,635)
	-----JPY-----		-----PKR-----	
Foreign bills payable	(189,376,844)	(233,896,670)	(202,614,287)	(225,990,963)
	-----Euro-----		-----PKR-----	
Trade Debts	359,606	-	8,923,625	-
Foreign currency bank account	75	-	9,269	-
Foreign bills payable	(18,000)	-	(2,248,020)	-
Import Loan (LC's)	(160,000)	-	(19,982,400)	-

At June 30, 2011, if the Pakistani Rupee weakened / strengthen by 10% against the US Dollars, Japanese Yen and Euros with all variables held constant, pre-tax loss / profit for the year would have been lower / higher by Rs. 125.16 million (2010: Rs. 42.196 million). This analysis assumes that all other receivables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2010

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.

Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2011, short term investment was categorised in level 1.

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

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 June 30, 2011 of Rs. 10/- per share amounting to Rs. 234.375 million at their meeting held on September 15, 2011, 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 aproved.

b) These financial statements were authorized for issue on September 15, 2011 by the Board of Director of the Company.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive

Pattern of Shareholding as at June 30, 2011

NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING	TO	TOTAL SHARES HELD
565	1		100	23,070
506	101		500	126,811
340	501		1000	268,987
205	1001		5000	482,253
38	5001		10000	290,882
16	10001		15000	183,758
8	15001		20000	140,105
12	20001		25000	269,229
3	25001		30000	81,000
2	30001		35000	65,874
1	35001		40000	35,500
2	40001		45000	86,101
1	45001		50000	50,000
1	55001		60000	60,000
1	95001		100000	96,282
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
1	295001		300000	296,875
3	315001		320000	955,400
1	325001		330000	326,708
1	440001		445000	442,961
1	660001		665000	663,017
1	1055001		1060000	1,056,600
1	1245001		1250000	1,247,606
1	1735001		1740000	1,738,868
1	1775001		1780000	1,779,948
1	1940001		1945000	1,940,696
1	2370001		2375000	2,373,150
1	5780001		5785000	5,780,500
1,730				**23,437,500**

CATAGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCE-NTAGE
Directors, Chief Executive Officer, and their spouse and minor children	11	4,666,195	19.91
Associated Companies, undertakings and related parties	2	4,313,846	18.41
NIT and ICP	3	32,550	0.14
Public Sector Companies and Corporations	4	1,816,736	7.75
Banks Development Financial Institutions, Non Banking Fianancial Institutions	2	20,165	0.09
Insurance Company	1	50,000	0.21
Modarabas and Mutual Funds	4	363,286	1.55
General Public			
a. Local	1682	6,268,134	26.74
b. Foreign	1	562	0.00
Others	20	5,906,026	25.20
Total	**1730**	**23,437,500**	**100.00**

Pattern of Shareholding - Additionnal Information as at June 30, 2011

Shareholder's Category	Number of Shareholders	Number of Shares helds
Associated Companies, undertakings and related parties (name wise details):		
Yunus Textile Mills Limited	1	1,940,696
Lucky Energy (Private) Limited	1	2,373,150
NIT and ICP (name wise details:)		
National Investment Trust Limited (NIT)	2	31,750
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. Javed Yunus Tabba (Director)	2	320,801
Mrs. Marium 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	1,816,736
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds"	7	433,451
Shareholders holding ten percent or more voting interest (name wise details)		None
Lucky Energy (Private) Limited	1	2,373,150
Saif Holdings Limited	1	5,780,500

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

None of the Directors, CEO, DF, 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	4
2.	Mr. Muhammad Sohail Tabba	3
3.	Mr. Muhammad Ali Tabba	3
4.	Mr. Javed Tabba	3
5.	Mrs. Marium Tabba Khan	3
6.	Mr. Ilyas Ismail	4
7.	Mrs. Neelofar Hameed*	-
8.	Mr. Taqir Iqbal Khan**	1

* Mrs. Neelofar Hameed has resigned on September 27, 2010
** Mr. Tariq Iqbal Khan has appointed in place Mrs. Neelofar Hameed September 27, 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 24th Annual General Meeting of the Company to be held on the 31st day of October, 2011 and at any adjournment there of.

Signed this ____________ day of __________ 2011.

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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