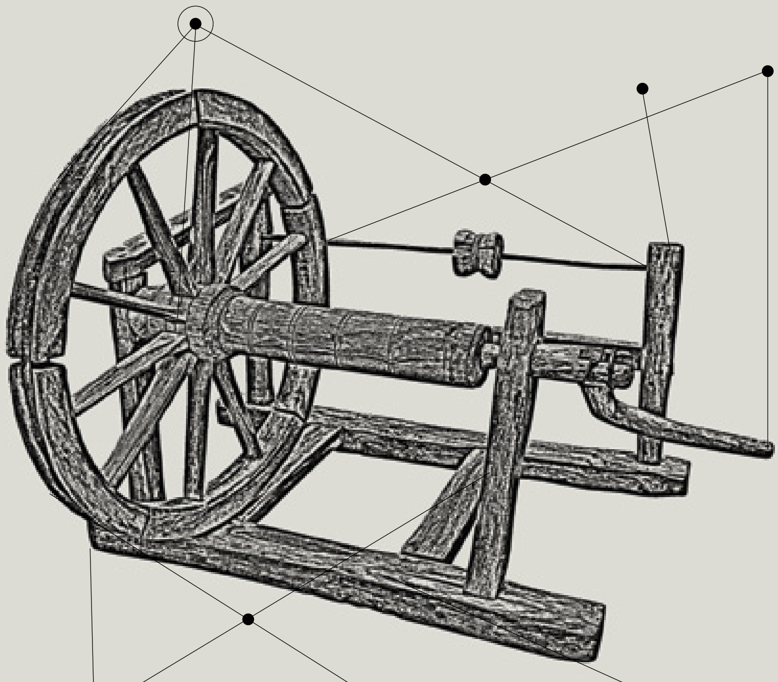
ANNUAL REPORT 2014

Gadoon Textile Mills Limited



SPINDLE USED IN THE 11th CENTURY

SPIN:

SUCCESS THROUGH PRINCIPLES AND INNOVATIONS TO CREATE NOVELTY IN THE INDUSTRY

A Part of YBG

SPIN FOR A BETTER FUTURE. FOR OURSELVES, OUR PEOPLE AND OUR STAKEHOLDERS

In this year's Annual Report we weave through the history of spinning through the ages. From its humble beginnings to its long history of innovation to the present, and how Gadoon Textiles Mills Limited has progressed, incorporating world-class technologies in its factories.

GADOON AT A GLANCE

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

The foundation of Gadoon Textile Mills Limited (GTML) was laid in 1988, by setting up a spinning unit in the Gadoon Amazai Industrial Estate District Swabi, Khyber Pakhtunkhwa, Pakistan. In late 80's the Government invited the private sector to setup industrial units to provide an alternative source of employment in the region to eliminate and eradicate the poppy cultivation.

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

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

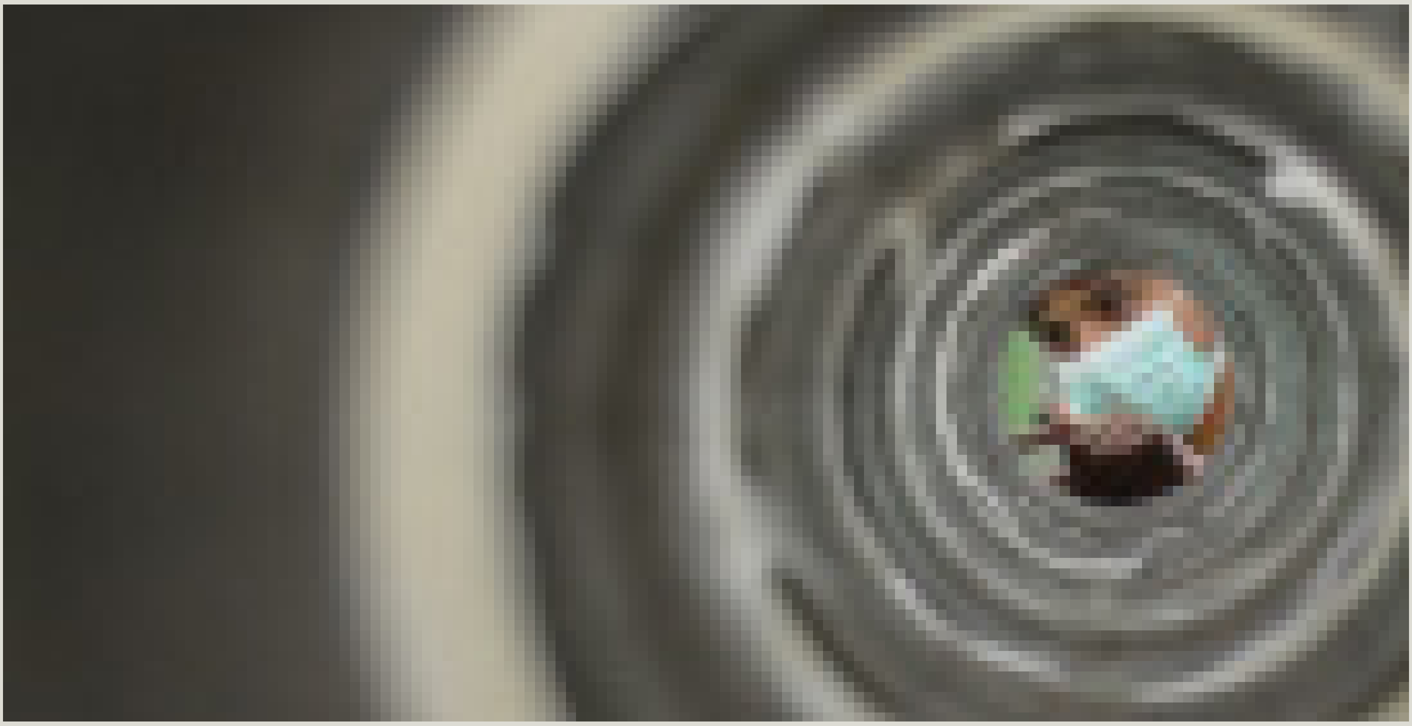
We bow our heads in gratitude in front of Allah Almighty, Who Bestowed His blessings on us throughout this journey and rewarded the noble intentions of the group by making this unit, "the largest spinning unit of the country".

Following are some of the products we manufacture:

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

ABOUT YBG

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



GEOGRAPHICAL PRESENCE & DISTRIBUTION REACH

KEY PERFORMANCE INDICATORS

STATEMENT OF INCOME

Indicator	2014	2013	% Change
Operating Result (Rs. in Million)	1,510	1,830	-18% ▼
Profit before Tax (Rs. in Million)	739	1,254	-41% ▼
Profit after Tax (Rs. in Million)	581	1,130	-49% ▼
EBITDA (Rs. in Million)	2,038	2,209	-8% ▼
EBITDA Margin (In %)	10.15%	11.83%	-14% ▼

RATIOS

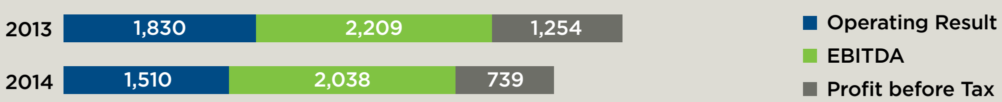
Indicator	2014	2013	% Change
Equity (Rs. in Million)	6,500	6,185	5% ▲
Price Earning (In Times)	10.09	2.56	294% ▲
Return on Capital Employed (In %)	20.55%	25.14%	-18% ▼
Return on Fixed Assets (In Times)	2.72	2.76	-2% ▼
Dividend Yield (In %)	2%	10.08%	-80% ▼
Dividend Payout (In %)	20.18%	25.93%	-22% ▼

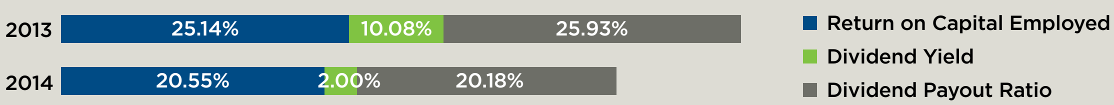
DIVIDEND & EARNING PER SHARE

Indicator	2014	2013	% Change
Earning Per Share (In Rs.)	24.78	48.21	-49% ▼
Dividend Per Share (In Rs.)	5.00	12.50	-60% ▼

CASH FLOWS

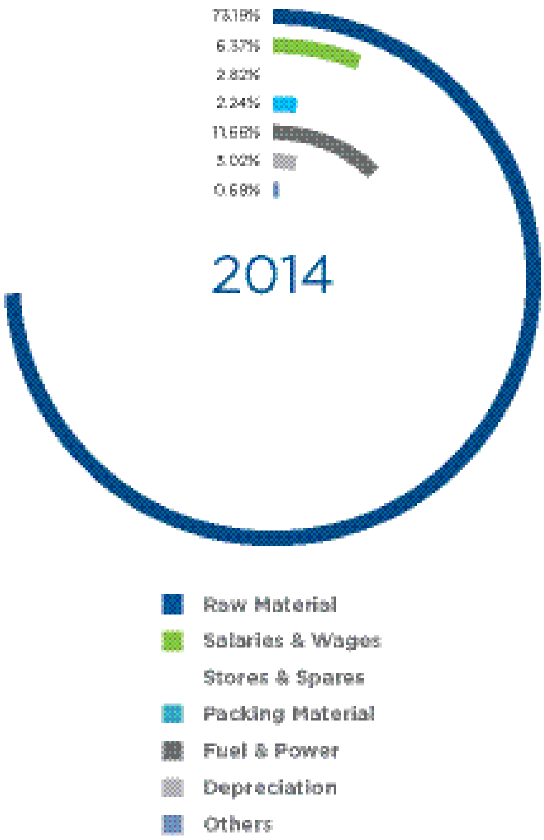
Indicator	2014	2013	% Change
Net Cash from Operating Activities (In Rs.)	(578)	447	-229% ▼
Capital Expenditure (In Rs.)	1,048	1,164	-10% ▼





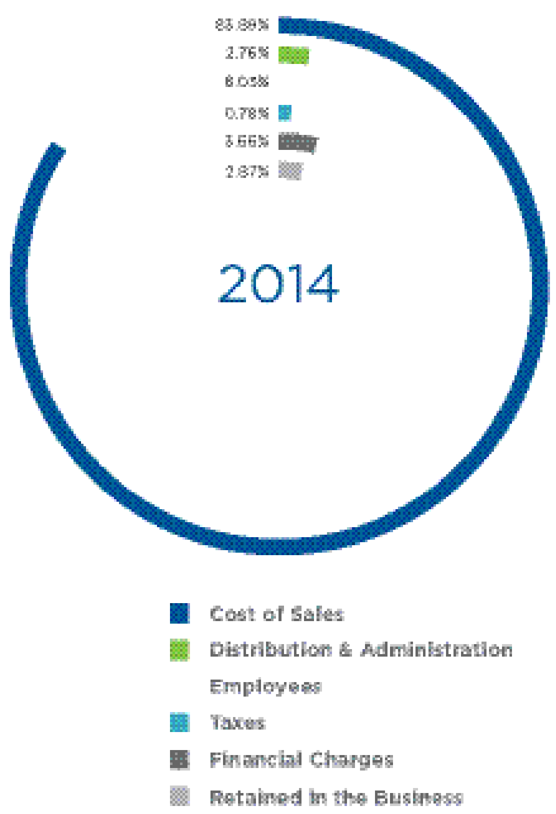
ANALYSIS OF COSTS

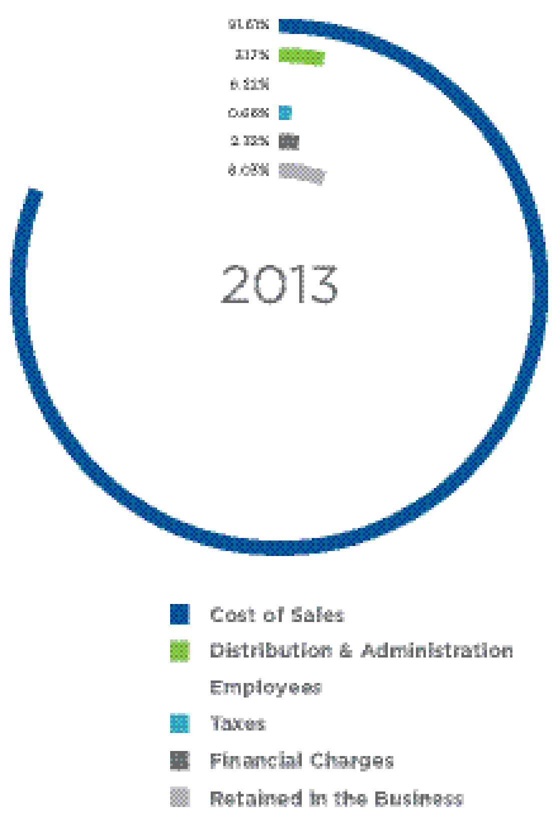
	2014	%	2013	%
	(Rupees in '000)		(Rupees in '000)	
Raw Material	13,442,308	73.19%	12,094,406	72.52%
Salaries & Wages	1,170,585	6.37%	1,128,526	6.77%
Stores & Spares	518,495	2.82%	531,213	3.19%
Packing Material	411,385	2.24%	356,951	2.14%
Fuel & Power	2,141,781	11.66%	1,960,865	11.76%
Depreciation	555,166	3.02%	517,086	3.10%
Others	127,489	0.69%	89,021	0.53%
	18,367,209	**100.00%**	16,678,068	100.00%



STATEMENT OF VALUE ADDITIONS & ITS DISTRIBUTION

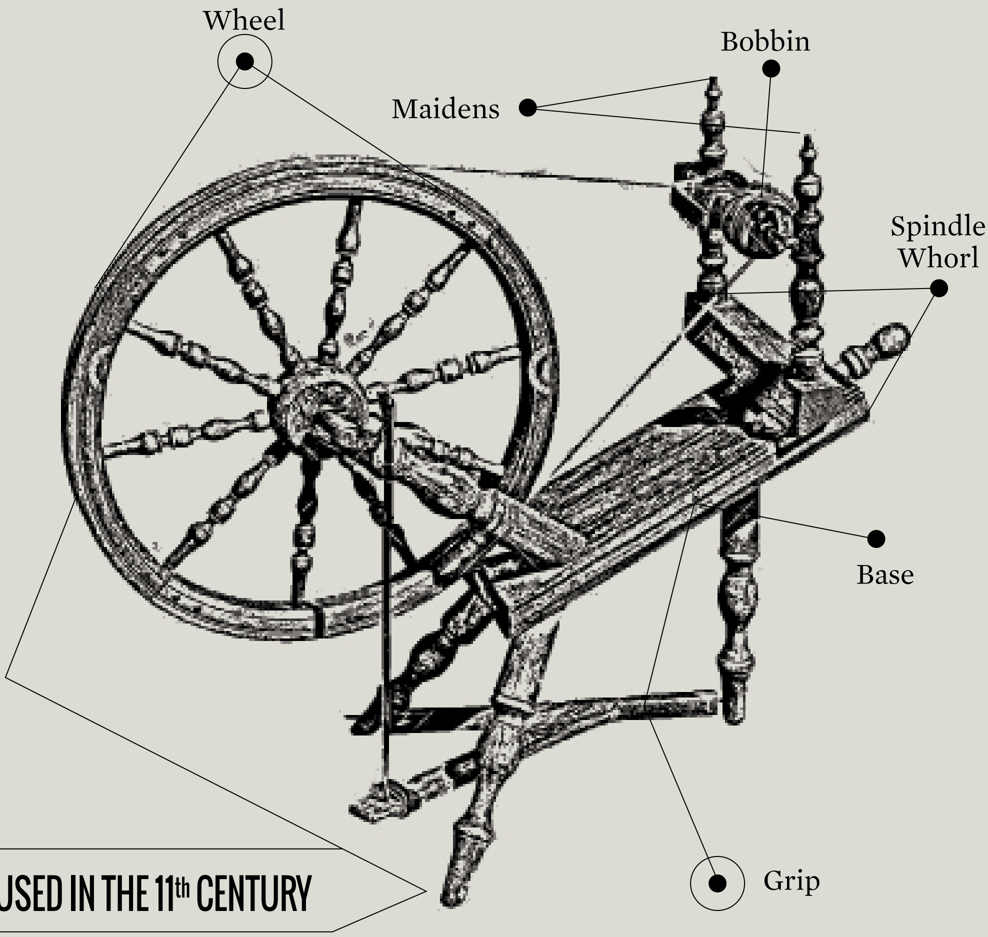
	2014	**%**	2013	%
	(Rupees in '000)		(Rupees in '000)	
Wealth Generated				
Net Sales	20,066,084	99.24%	18,673,753	99.61%
Other Operating Income	154,155	0.76%	73,171	0.39%
	20,220,239	**100.00%**	18,746,924	100.00%
Wealth Distribution				
Cost of Sales	16,963,333	83.89%	15,298,769	81.61%
Distribution & Administration	558,127	2.76%	594,570	3.17%
Employees	1,219,992	6.03%	1,165,409	6.22%
Taxes	158,350	0.78%	124,193	0.66%
Financial Charges	739,638	3.66%	434,061	2.32%
Retained in the Business	580,799	2.87%	1,129,922	6.03%
	20,220,239	**100.00%**	18,746,924	100.00%





CONTENTS

THE WHEELS OF SUCCESS



SPINDLE USED IN THE 11th CENTURY

A spinning wheel is a device for spinning thread or yarn from natural or synthetic fibres. Spinning wheels appeared in Asia, probably in the 11th century and very gradually replaced hand spinning with the spindle and distaff. Spinning machinery, such as the spinning jenny and spinning frame, replaced the spinning wheel during the Industrial Revolution. The earliest clear evidence of the spinning wheel comes from Baghdad (c. 1234), China (c. 1270) and then in Europe (c. 1280) and there is proof that spinning wheels had already come into use in both China and the Islamic world during the 11th century.

VISION MISSION VALUES

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.

N

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

SSION

UES

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

BUSINESS STRATEGIES

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

COMPANY INFORMATION

BOARD OF DIRECTORS
Mr. Muhammad Yunus Tabba (Chairman)
Mr. Muhammad Sohail Tabba (Chief Executive)
Mr. Muhammad Ali Tabba
Mr. Jawed Yunus Tabba
Mrs. Rahila Aleem
Mrs. Mariam Tabba Khan
Mr. Moin M. Fudda

AUDIT COMMITTEE
Mr. Moin M. Fudda (Chairman)
Mr. Muhammad Ali Tabba (Member)
Mr. Jawed Yunus Tabba (Member)

HUMAN RESOURCES AND REMUNERATION COMMITTEE
Mr. Jawed Yunus Tabba (Chairman)
Mrs. Rahila Aleem (Member)
Mrs. Mariam Tabba Khan (Member)

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

AUDITORS
M. Yousuf Adil Saleem & Co.
Chartered Accountants
A Member of Deloitte Touche Tohmatsu

CHIEF INTERNAL AUDITOR
Mr. Haji Muhammad Mundia

SHARE REGISTRAR/TRANSFER AGENT
Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi.
(Toll Free): 0800 23275

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

LIAISON OFFICE
Syed's Tower, Third Floor, Opposite Custom House,
Jamrud Road, Peshawar.
Phone No.: 091-5701496
Fax No.: 091-5702029
E-mail: secretary@gadoontextile.com

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

BANKERS
Allied Bank Limited
Bank Al-Falah Limited (Islamic Banking)
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Barclays Bank Limited
Citibank N.A. Pakistan
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank Pakistan Limited
The Bank of Punjab
United Bank Limited

OUR ROAD

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

1990-1995

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

1995-2000

- Number of spindles increased to 128,160.
- Introduced 'Compact Spinning' with 15,840 spindles for the first time in Pakistan and second in the world.

2000-2005

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

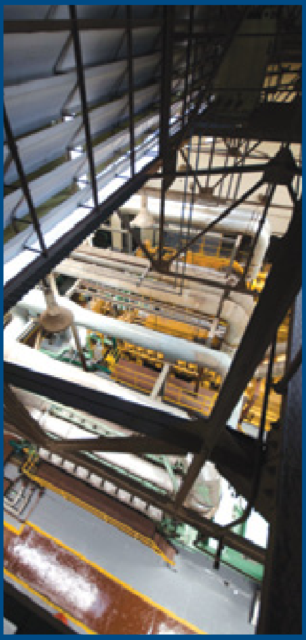
2005-2010

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

TO SUCCESS

2010-2014

- Planned an investment in an enviornment friendly 50 MW Wind Power Project.
- Started commercial operations at Karachi Plant.
- Number of spindles increased to 245,000.
- Acquired assets of another textile mill located in Gadoon Amazai Industrial Estate.
- Invested in shares of ICI Pakistan Limited.
- Acquired new electric generators based on natural gas to enhance the generation capacity.
- Signed an EPC contract to generate an additional 2.66 MW based on Waste Heat Recovery.
- Acquired 2 additional gas generators to avail the connection at an optimum level.



GROUP INFORMATION

1962

Yunus Brothers (YB)

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

1983

Lucky Textile Mills Limited (LTML)

Lucky Textile Mills Limited was founded in 1983 and started as a fabric manufacturing unit which expanded its operations and became a vertically integrated mill. With an annual production capacity of approximately 60 million meters, LTML is an exporter of home textiles to international markets.

1987

Aziz Tabba Foundation (ATF)

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

Fazal Textile Mills Limited (FTML)

Fazal Textile Mills Limited was founded in 1987 and is one of the top spinning mills in the country. It specializes in the production of Cotton Ring Spun Yarn. FTML has machinery from the world's renowned textile machinery manufacturers.

1988

Gadoon Textile Mills Limited (GTML)

Gadoon Textile Mills Limited is Pakistan's largest spinning unit with approximately 245,000 spindles under one shade. GTML is the 2nd in the world and 1st in Pakistan to introduce the Compact Core Spun Yarn. GTML was initially established to provide an alternative source of income for the locals of the Swabi District, who cultivated poppy and opium on their lands.

1993

Lucky Cement Limited (LCL)

Lucky Cement Limited is by far the largest cement manufacturing company in Pakistan. LCL is Pakistan's first and largest exporter of loose cement. It is the only cement manufacturing company which has a loading and storage terminal at the Karachi Port. Another exclusive attribute that allows Lucky Cement to stand ahead of its competitors is its unique supply chain function with specialized loose cement carriers and ship loaders.

Lucky Energy Private Limited (LEPL)

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

1995

Aziz Tabba Kidney Centre (ATKC)

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

1998

Yunus Textile Mills Limited (YTML)

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

2005

Lucky Knits (Pvt.) Limited

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

Tabba Heart Institute (THI)

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

2007

Lucky-Paragon ReadyMix Limited

Lucky-Paragon ReadyMix Limited is a joint venture between Lucky & Paragon Construction (Pvt.) Limited which started operations in August 2006. LPRM is the first professionally managed ready-mix concrete business in Pakistan. LPRM manufactures and markets ready-mix concrete for mega projects throughout the country with a quality and reliable supply of concrete. The Company offers a full range of products with a strength ranging from 1,000 psi to 10,000 psi for both OP & SR cement types.

2010

LuckyOne (Pvt.) Ltd (A Real Estate Project)

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

2011

Yunus Energy Limited (YEL)

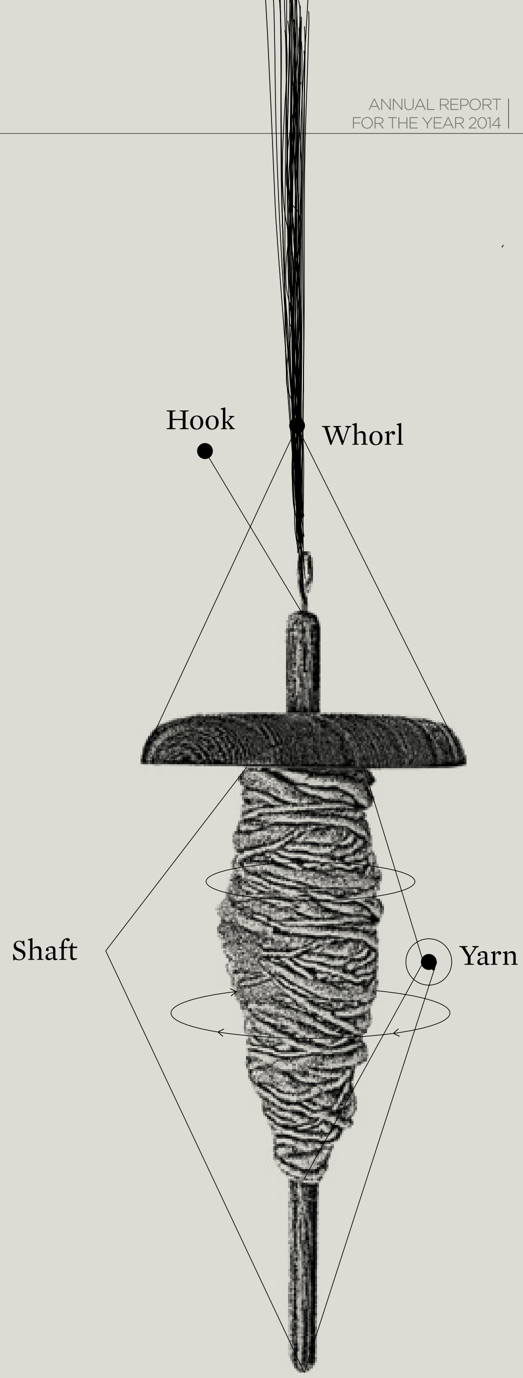
YBG has recently initiated a project of unique nature and national importance in Pakistan named Yunus Energy Limited. YEL will be a wind farm to generate 50 MWs of electricity through wind turbine generators to be supplied by Nordex Germany, technology inventor.

2012

Shares Acquisition of ICI Pakistan Ltd

ICI Pakistan has a portfolio of 4 business segments; Polyester Staple Fibre, Soda Ash, Chemicals and Life Sciences. They are the largest local Soda Ash producer & second largest local PSF producer. ICIP is a highly recognized corporate brand and has installed a capacity of 37 MW self-generating captive power plant.


THE
GREAT
WHEEL



The spinning wheel replaced the earlier method of hand spinning with a spindle. The first stage in mechanizing the process was mounting the spindle horizontally so it could be rotated by a cord encircling a large, hand-driven wheel.

BOARD OF DIRECTORS & CEO

MR. MUHAMMAD YUNUS TABBA

Chairman

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

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

DIRECTORSHIPS

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

MR. MUHAMMAD SOHAIL TABBA

Chief Executive

Mr. Sohail Tabba is one of the top businessmen and entrepreneurs in Pakistan. With the vast experience he has gained in more than two decades in the manufacturing, energy, real estate and cement sectors, Mr. Sohail Tabba stands as the ultimate icon of a successful and dynamic businessman.

Mr. Sohail Tabba has secured a Bachelor's degree in Commerce and Master's degree in International Relations from the University of Karachi. In his association with the Yunus Brothers Group, Mr. Tabba metamorphosed the group's textile business into a leading global textile industry. His passion for innovation and creativity and his ferocious drive has revolutionized six industries: Gadoon Textile Mills Limited, Fazal Textile Mills Limited, Lucky Knits (Pvt.) Limited, Lucky Energy (Pvt.) Limited, Yunus Energy Limited and LuckyOne (Pvt.) Limited. Mr. Sohail Tabba serves as the Chief Executive of these six industries and under Mr. Tabba, the family business managed to overtake many local industries in terms of share capitalisation. He brought accolades to the family business as it gained a pre-eminent reputation for the development and inculcation of modern and updated technology in the industries.

Mr. Sohail Tabba is the Chairman for Lucky Paragon ReadyMix Limited, ICI Pakistan Limited and a Director on the Boards of Yunus Textile Mills Limited, Lucky Textile Mills Limited, and Lucky Cement Limited, the leading cement manufacturer and exporter of Pakistan. Mr. Sohail Tabba's business activities include general commodity trading, power generation and construction, which has given him a profound understanding of both domestic and international markets and thorough knowledge of the market and future trends.

Mr. Sohail Tabba is a philanthropist and he devotes his free time in improving lives of the poverty stricken and ailing citizens of Pakistan. He is a founder member of the Child Life Foundation (CLF) and serves as the Director of Tabba Heart Institute (THI) and Aziz Tabba Foundation (ATF). Mr. Sohail Tabba is also a founder member of Italian Development Council (IDC).

DIRECTORSHIPS

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

MR. MUHAMMAD ALI TABBA

Director

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

Mr. Muhammad Ali Tabba is a distinguished leader and has been actively involved in many welfare organizations as well. Mr. Tabba also serves as a Trustee of the Fellowship Fund for Pakistan, a Board formed to identify and sponsor 'Leaders' of the country to polish their leadership skills. Due to his extensive engagement in many community welfare projects, he has received numerous recognitions and awards for his social interventions. Mr. Tabba is also on the Board of Governors at various universities, institutions and foundations. He also manages the Group's own Aziz Tabba Foundation with welfare projects in the field of education, health, housing and other social needs. Acknowledging the professional accomplishments, distinguished leadership and commitment to shaping a better future, the World Economic Forum bestowed Mr. Muhammad Ali Tabba with the honor of "Young Global Leader", 2010. He also received the "Businessman of the Year" award 2014 from the Prime Minister of Pakistan.

DIRECTORSHIPS

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

MR. MUHAMMAD JAWED TABBA

Director

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

DIRECTORSHIPS

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

MRS. RAHILA ALEEM

Director

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

DIRECTORSHIPS

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

MRS. MARIAM TABBA KHAN

Director

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

DIRECTORSHIPS

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

MR. MOIN M. FUDDA

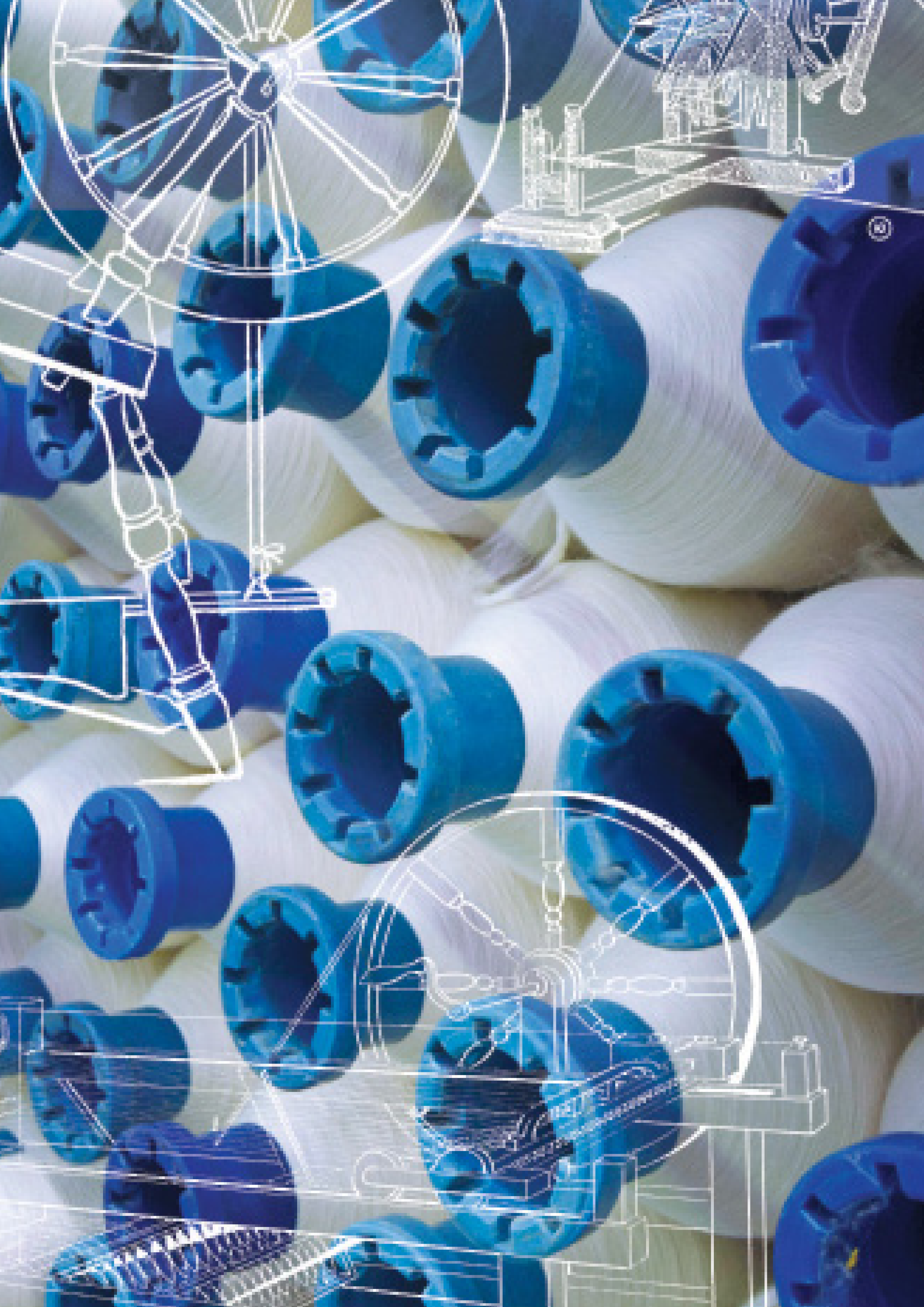
Director

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

Before joining KSE he was the Country Chief of Commercial Union Insurance, (now AVIVA) and earlier he served as Executive Director Pakistan Insurance Corporation. The Government of New Zealand appointed him as its Honorary Consul for Pakistan in 1990 and in 1997 he was elevated as Honorary Consul-General position that he continues to hold. With the assistance of the Government of New Zealand, he worked with a number of NGOs. The Queen of New Zealand was pleased to confer upon him the dignity of an "Honorary Counsel General" of the New Zealand Order of Merit (ONZM), for services to New Zealand's interest in Pakistan. He is the former President of the Management Association of Pakistan and the Overseas Investors Chamber of Commerce & Industry. In recognition of his valuable services in the field of public service, in March 2006, he was conferred the Civil Award "Sitara-e-Imtiaz" by the President of Pakistan.

DIRECTORSHIPS

Wyeth Pakistan Limted
Al Meezan Investment Management Limted



BOARD COMMITTEES

AUDIT COMMITTEE

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

TERMS OF REFERENCE

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

Financial Reporting

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

2. The methods used to account for significant or unusual transactions where different approaches are possible.

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

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

Internal Controls and Risk Management Systems

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

Compliance

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

2. Review the Company's procedures for detecting fraud.

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

Internal Audit

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

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

External Audit

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

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

3. Review the management letter and management's response to the auditor's findings and recommendations.

4. Oversee the relationship with the external auditor.

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

6. Review the findings of the audit with the external auditor.

Reporting Procedures

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

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

Other Matters

1. Be responsible for co-ordination of the internal and external auditors.

2. Oversee any investigation of activities which are within its terms of reference.

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

REVIEW OF TERMS OF REFERENCE

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

HUMAN RESOURCE COMMITTEE

TERMS OF REFERENCE

1. To review and advise on the Human Resource policies of the Company and its revision from time to time as and when necessary.

2. To determine the remuneration and terms of service of the Chief Executive and other non-board Directors of the Company including their performance benefits and other benefits such as pensions, gratuity, cars/car allowances and other contractual terms.

3. To ensure that the best practices are adopted by the management of the Company with emphasis that:

    - The people of appropriately high ability and calibre are recruited, retained and motivated by offering market competitive packages.
    - Clear statement of job description and responsibilities for each individual position are defined for proper performance measurement.
    - Performance evaluation process / mechanism are in place and carried out annually.
    - Market competitive pay scales of comparable size and turnover companies are determined through independent sources and compared with Company's existing pay scale.

4. To review and advice on the training, development and succession planning for the senior management of the Company.

5. To devise a mechanism for the approval of HR related policies of the Company.

6. To recommend any matter of significance to the Board of Directors.

REVIEW OF TERMS OF REFERENCE

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

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

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

Sr. No.	Name	Annual 23-Sep-13	1st Qtr 25-Oct-13	Half Yearly 24-Feb-14	3rd Qtr 17-Apr-14
1	Mr. Muhammad Yunus Tabba	✔	✔	✔	✔
2	Mr. Muhammad Sohail Tabba	✔	✔	LOA	✔
3	Mr. Muhammad Ali Tabba	✔	✔	✔	LOA
4	Mr. Jawed Yunus Tabba	LOA	✔	✔	✔
5	Mrs. Rahila Aleem	✔	✔	✔	LOA
6	Mrs. Mariam Tabba Khan	✔	✔	LOA	✔
7	Mr. Moin M. Fudda	LOA	LOA	✔	✔

ATTENDANCE RECORD OF AUDIT COMMITTEE MEETINGS

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

Sr. No.	Name	Annual 23-Sep-13	1st Qtr 25-Oct-13	Half Yearly 24-Feb-14	3rd Qtr 17-Apr-14
1	Mr. Moin M. Fudda	LOA	LOA	✔	✔
2	Mr. Muhammad Ali Tabba	✔	✔	✔	LOA
3	Mr. Jawed Yunus Tabba	✔	✔	✔	✔

CODE OF CONDUCT

STATEMENT OF INTENT

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

CODE OF CONDUCT

The management will ensure that through this BPEP and through other means of communication, its entire staff is aware of the required standards, rules and regulations. This Code of Conduct has been prepared for the use and guidance of all executives.

It clearly sets out the standards of professional behavior that are expected and outlines the principles that should guide executives in maintaining the highest professional level of ethical conduct.

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

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

GUIDELINES

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

(a) CONFIDENTIALITY

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

(b) HONESTY AND INTEGRITY

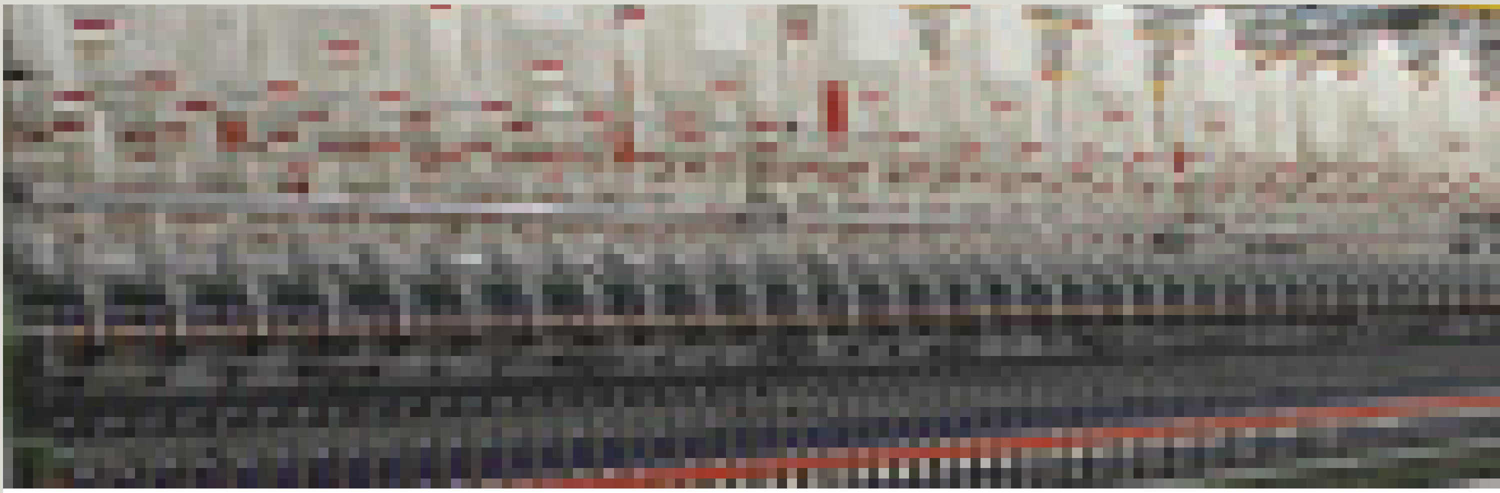
Executives will not convert for their personal use any funds or property which is not their own. The management expects absolute honesty and integrity towards the management of the Company.

(c) HEALTH, SAFETY AND ENVIRONMENT

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

(d) POST EMPLOYMENT OBLIGATIONS

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



COMPETITIVE EDGE

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

MARKET LEADERSHIP

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

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

ECONOMIES OF SCALE

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

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

ENERGY EFFICIENCY

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

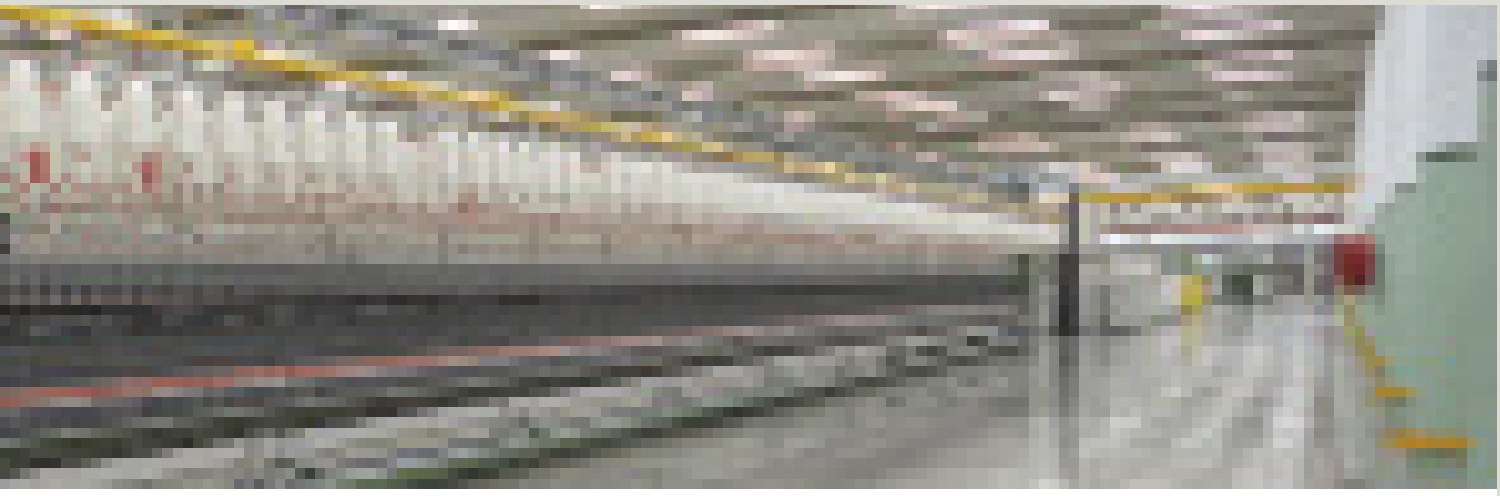
MODERNIZATION

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

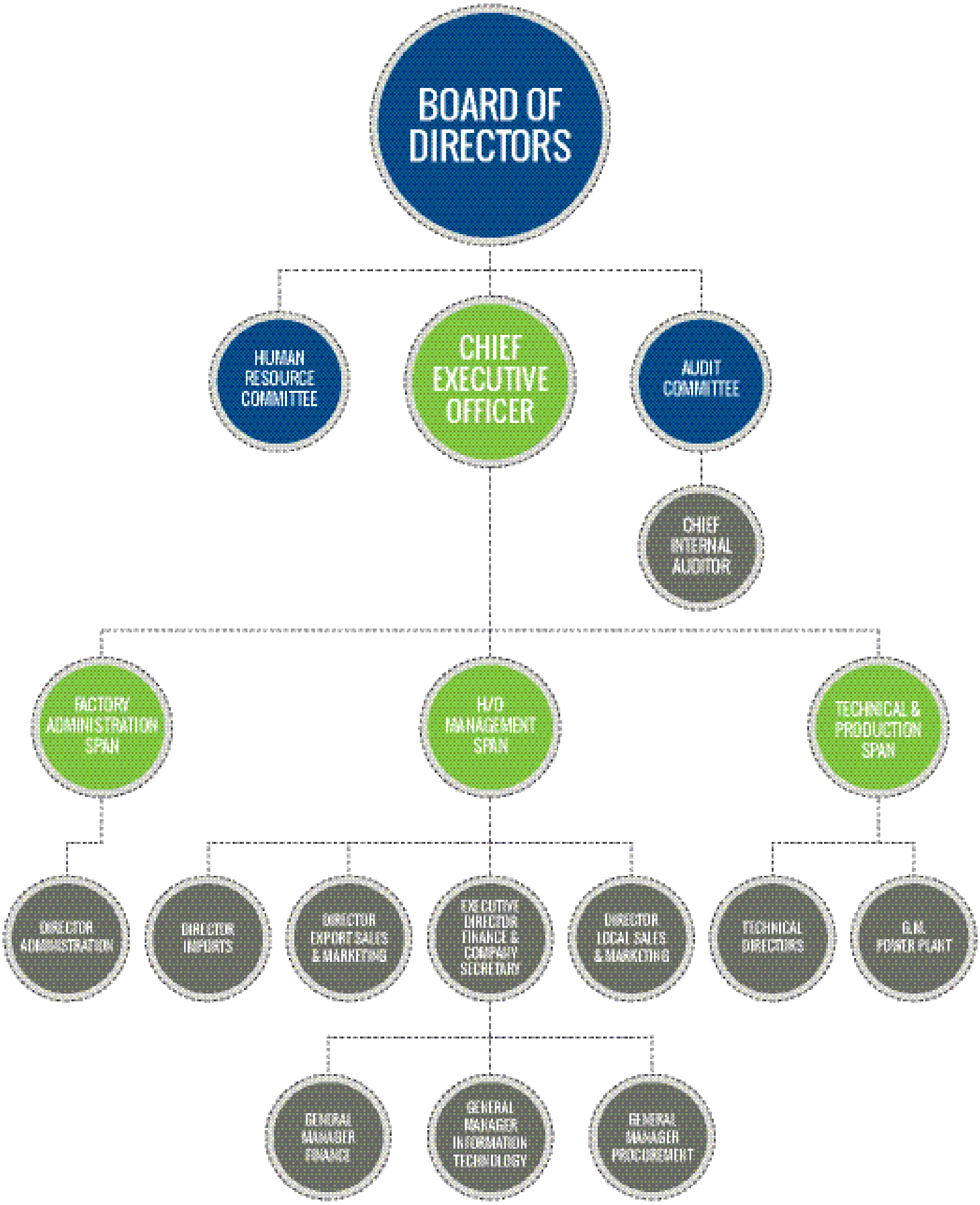
LOYAL/ESTABLISHED CLIENTELE

Over the years, GTML has worked tirelessly in order to provide maximum customer satisfaction to its clients. We take pride in the fact that we have strong working relationships with all our clients, spanning over many years. Our clients have put their trust in us, and we value it by serving them in the most effective manner.

Through our uncompromising commitment on quality, we have been able to retain maximum and remain the first preference of customers.

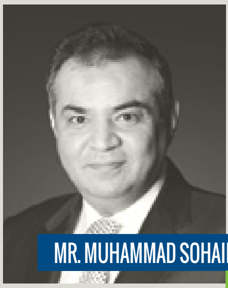


ORGANIZATIONAL CHART

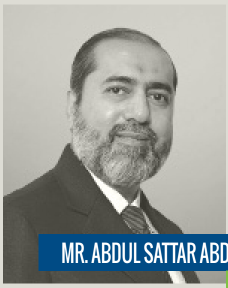


SENIOR MANAGEMENT

Head Office



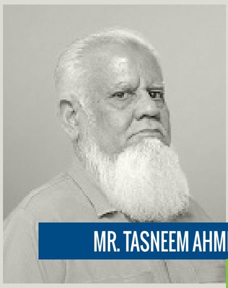
MR. MUHAMMAD SOHAIL TABBA
CEO



MR. ABDUL SATTAR ABDULLAH
Executive Director Finance & C.S.

MR. IMROZ IQBAL
Director Export Sales & Marketing

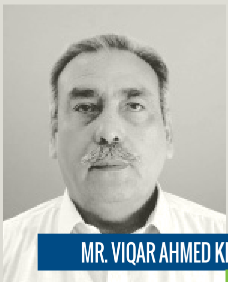
MR. SALAM CHOTTANI
Director Local Sales & Marketing



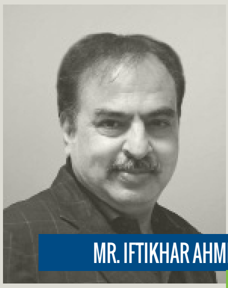
MR. TASNEEM AHMED
Director Imports

MR. HAJI MUHAMMAD MUNDIA
Chief Internal Auditor

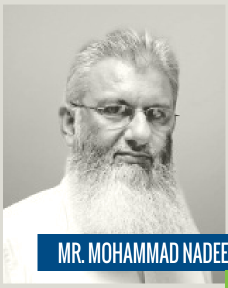
Gadoon Amazai Plant



MR. VIQAR AHMED KHAN
Director Administration



MR. IFTIKHAR AHMED
Director (Technical)



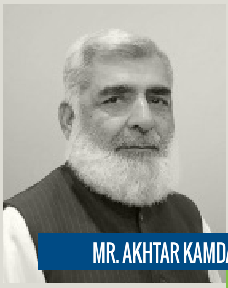
MR. MOHAMMAD NADEEM RIAZ
Director (Technical)

MR. SHAFQAT MUMTAZ AHMED
Director (Technical)

MR. ASAD ANSARI
GM Power Plant

Karachi Plant

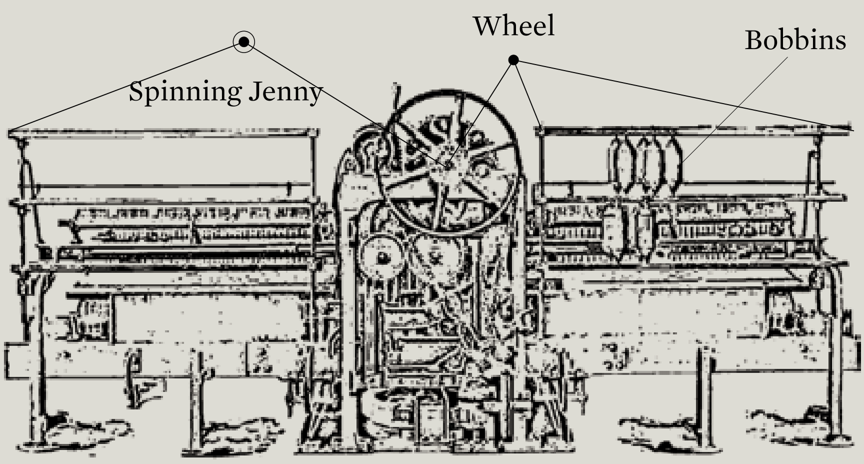
MR. TAHIR SALEEM
Executive Director (Technical)

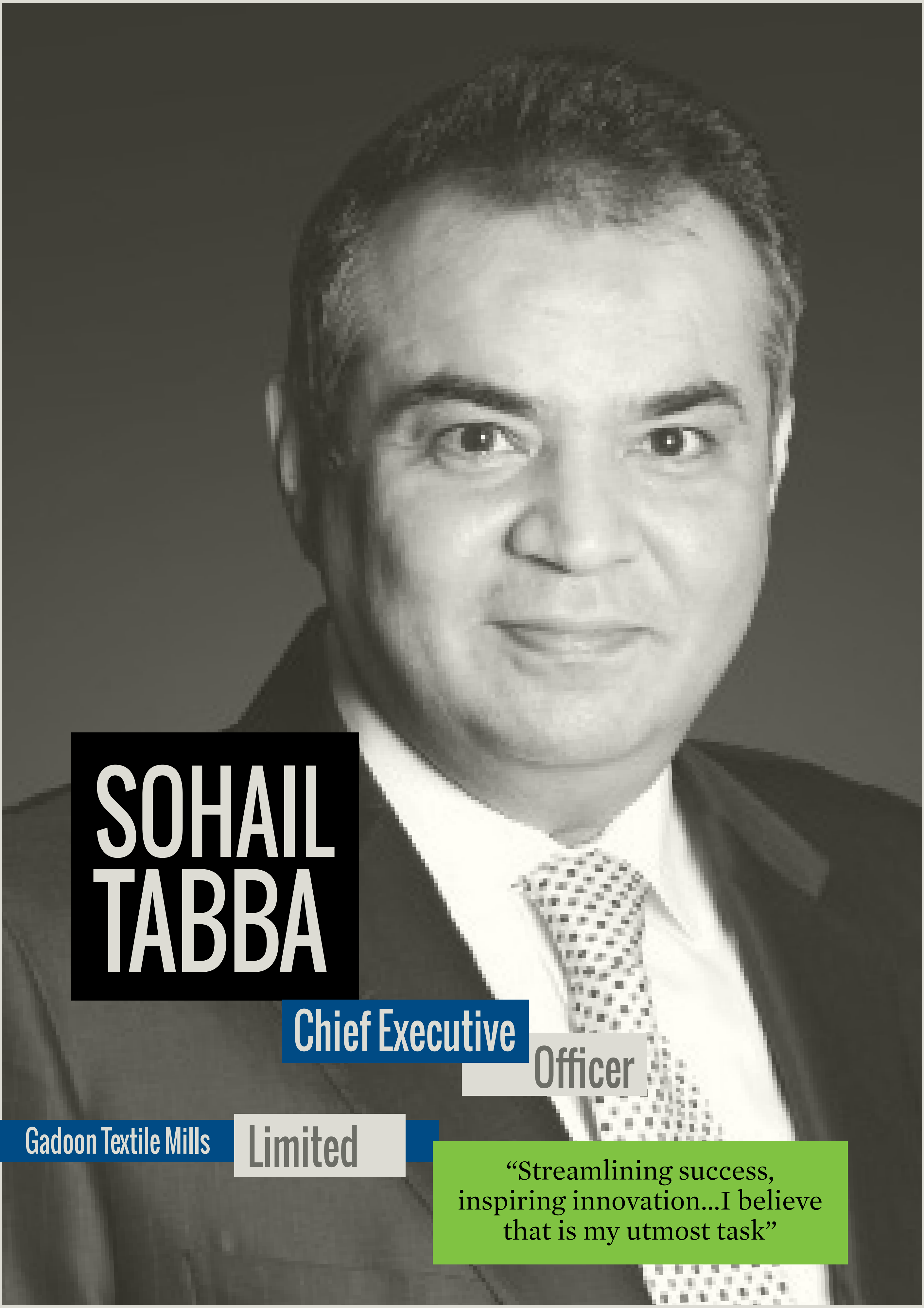


MR. AKHTAR KAMDAR
Resident Director

THE INDUSTRIAL REVOLUTION

On the eve of the industrial revolution, it took at least five spinners to supply one weaver. Using two sets of rollers that travelled at different speeds, yarn could be twisted and spun quickly and efficiently. More modern spinning machines used automatic machines to rotate the spindle. Newer technologies that offer even faster yarn production include friction spinning, compact spinning, an open-end system and air jets.





SOHAIL TABBA

Chief Executive Officer

Gadoon Textile Mills Limited

"Streamlining success, inspiring innovation...I believe that is my utmost task"

CEO'S MESSAGE

By the grace of Almighty Allah, GTML has successfully completed 26 years of fruitful operations this year. The journey was by no means easy; owing to the constant changes in the business environment and the dynamics of the industry. Yet it was made possible by the unfailing commitment from our employees who enabled us to achieve milestones since the start of our operations; thus standing proud as the largest spinning mill in the country.

It is with immense pleasure and gratitude that I inform you that this fiscal year your Company has earned the highest sales revenue in its 26 years of operations crossing the PKR 20 Billion mark for the first time. This was made possible due to the trust shown by our valued customers in our brand, along with new markets that your Company is always exploring to capitalize.

"ADAPTABILITY IS THE PRICE OF SURVIVAL."

The profitability of your Company did fall this year; mainly due to the increase in conversion costs, currency appreciation and the availability of subsidized Indian yarn in the market. All these factors adversely affected the profitability of your Company. Although the impacts of these changes are expected to stay at least until the end of this calendar year, your Company has already implemented counter measures where possible to minimize their impact.

We are staying firm on our commitment of investing back in the society and the community we operate in; this is evident from the CSR activities that we conducted this year as a socially responsible entity.

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

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

Muhammad Sohail Tabba

The Saxony is the wheel of the fairy tales. When most people think of a spinning wheel, the Saxony style is the most familiar. It is often referred to as the "Cinderella" wheel. The elements of a Saxony wheel are arranged horizontally, with a large wheel at one end and the flyer at the other, sloping frame, and normally has three legs.

DIRECTORS' REPORT

Dear Members,

The Directors of your Company take immense pleasure in presenting before you the performance review together with the audit report and financial statements of the Company for the year ended June 30, 2014.

OVERVIEW

The year under review was another challenging period for the Company. During the year, a number of external factors including weaker Chinese currency, availability of subsidized Indian yarn in the market, higher conversion cost and rapid unprecedented appreciation of Pakistani Currency adversely affected the profitability of your Company. However, extensive efforts by the management team, combined with the strong business relationships that we maintain with our customers, enabled us to achieve the highest ever Sales Turnover of Rs. 20.066 billion (2013: Rs. 18.67 billion).

FINANCIAL RESULTS

A comparison of the key financial results of the Company for the year ended June, 30, 2014 is as under:

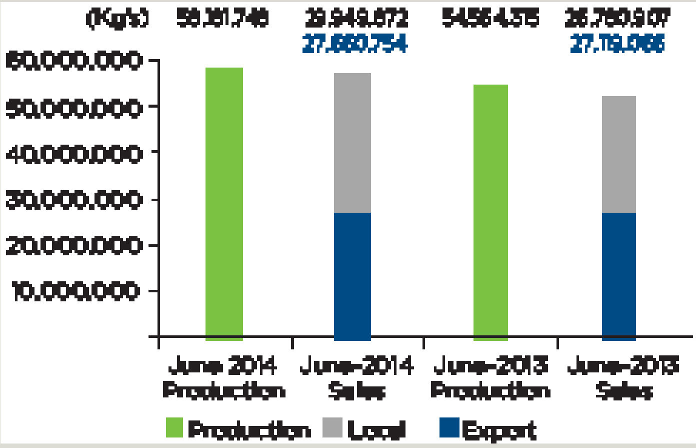
	Year Ended June 30, 2014 (Rs.'000')	Year Ended June 30, 2013 (Rs.'000')	Percentage % Favorable/ (Unfavorable)
Export	9,018,254	8,819,457	2.25
Local	11,047,830	9,854,296	12.11
Sales (net)	20,066,084	18,673,753	7.46
Gross Profit	1,932,166	2,246,458	(13.99)
Finance Cost	739,638	434,061	(70.40)
Profit before Tax	739,149	1,254,115	(41.06)
Profit after Tax	580,799	1,129,922	(48.60)
Earnings Per Share (Rupees)	24.78	48.21	

As can be seen from the figures, our net sales income for the year is 7.46% (Rs. 20,066 million) higher than the same period last year. Despite this increase in sales, Gross Profit worked out to be 14% lower than the previous period. This is due to the deteriorating cotton yarn demand in both domestic as well as international market; this combined with the availability of subsidized and cheaper Indian cotton yarn in the markets poses a threat to our textile sector. Furthermore the rapid, unprecedented appreciation of Pakistani rupee in inter-bank trading also reduced confidence of the exporters of the country.

There is a 70.40% (Rs. 305.58 million) increase in our financial cost due to increase in our working capital requirement; which was a result of the rapid currency fluctuation and building up of sufficient Stock-in-Trade to meet production requirements before the starting of new season. The bottom line declined by 48.26% translating into Rs. 24.78; as compared to Rs. 48.21 the previous year.

OPERATIONAL PERFORMANCE

The production and sales statistics for the year ended June 30, 2014 with its comparison of last year is presented below.



EXPANSION, MODERNIZATION AND INVESTMENTS

As part of Company's policy, we are constantly investing and exploring options to strategically expand and diversify our operations. During the year, your Company has invested around Rs. 1.0 billion in acquiring and installing state of the art machineries as part of BMR and expansions.

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

During the year, your Company has invested a further Rs. 23.351 million in Yunus Energy Limited (YEL), a 50 MW wind power project. By the grace of Almighty Allah, YEL has successfully signed the implementation agreement with the Government of Pakistan through the Alternate Energy Development Board (AEDB), an energy purchase agreement with National Transmission and Dispatch Company (NTDC), site sub lease with AEDB, and is in the process of negotiating and finalizing the financing documents with a consortium of local lenders. We are hopeful that YEL will achieve financial close by the end of current calendar year Insha Allah.

MAJOR CORPORATE EVENTS

During the year, shares held by the Directors and sponsors were transferred to Y.B. Holdings (Private) Limited. By virtue of this transaction, your Company became a subsidiary of Y.B. Holdings (Private) Limited.

Your Company has initiated the evaluation process to merge M/s. Fazal Textile Mills Limited into your Company. We are hopeful that this strategic decision will not only further diversify our portfolio, but would also solidify our position as market leaders in the spinning industry of Pakistan.

The material information regarding these events has been duly communicated to the members of the Company through stock exchanges.

FUTURE OUTLOOK

With the present economic conditions that are expected to prevail for a foreseeable future, the Company aims to develop and implement measures that will enable it to minimize the adverse effects.

A sizeable cotton crop is anticipated in the country and the price, we foresee, during the current season shall remain stable, in line with the international market. The price is at a level where the cost of production is viable to maintain the profitability.

After a long spell of depressed yarn market for Pakistani yarn locally and internationally due to higher cost of production as against subsidized cheaper Indian yarn, it seems that the market is taking a turn around. Taking the advantage of cheaper new cotton crop and a relief in the overhead cost due to reversal of Gas Infrastructure Development Cess, as decided by the Honorable Supreme Court recently, the Company will Insha Allah post better results in the forthcoming period.

CODE OF CORPORATE GOVERNANCE

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance, incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Security & Exchange Commission of Pakistan. We are taking all 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. The system of internal controls is sound in design and is being effectively implemented and reviewed by internal audit function.

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

f) The Company has a very sound balance sheet with an 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, 2015.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Muhammad Sohail Tabba
Chief Executive/Director

Karachi: September 08, 2014.

ADDITIONAL INFORMATION

CASH FLOW STRATEGY

Your Company has always maintained an effective cash management system whereby cash inflows and cash outflows are projected on a regular basis. Working capital requirements are planned through internal cash generations and short term borrowings.

Even though the unprecedented appreciation of Pakistani Rupee, combined with the exceptionally large quantities of stock in trade held strategically resulted in a Net outflow from operations of Rs. 578 million; the Company still managed to invest a sum of Rs. 1,047 million in capital expenditures, and further invested in Yunus Energy Limited (YEL) to the tune of Rs. 23.5 million. Dividends amounting to Rs. 291 million were also distributed to shareholders.

Our efficient cash management system has always enabled us to cater any and every challenge that has come our way, and has helped us in ensuring smooth settlement of our short as well as long term financial commitments. The Company has performed satisfactorily in this regard throughout these years, and aims to enhance its efficiency.

CONTRIBUTION TO THE NATIONAL EXCHEQUER AND ECONOMY

Gadoon Textile Mills Limited continued to contribute to economic prosperity by providing direct employment to 3,735 permanent and contractual employees with remuneration and benefits of Rs. 1.2 billion.

Your Company contributed an amount of Rs. 175.5 million (2013: Rs. 175.2 million) into the Government Treasury on account of taxes, levies, excise duty and sales tax. Moreover, significant foreign exchange through export sales realized to the tune of US $ 89 million was also brought to the reserves of Central Bank of the country during the period.

During the year under review, your Company sold goods worth Rs. 20.06 million (57.6 million Kgs) of cotton and man-made yarn, by buying local and imported raw materials worth Rs. 14.95 billion from various suppliers.

Your Company has also contributed in the economy through payments to providers of funds to the tune of Rs. 740 million and Rs. 291 million in the shape of shareholders' returns through cash dividend.

CAPITAL STRUCTURE

One particular reason why stakeholders show great confidence in GTML is due to the strong capital base it has been able to maintain since its inception. The capital structure of your Company is mainly supported by equity and working capital finance.

The assets are financed by debt and equity in the ratio of 60:40, with the interest cover ratio of 2 times.

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

INDICATIVE PROSPECTS OF THE ENTITY

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

Targets	Measures
Cost Reduction	Procurement of gas generators and installation of WHR Plant and in progress.
Profitability	Procuring quality raw materials in a timely and cost effective manner to achieve sales targets.
Cash Flows	Efficient Management of Working Capital.
Expansion	Intended merger with FTML.
Employee Development	Regular training of employees.
Diversification	Investment in the shares of ICI Pakistan Investment in Wind Power Project of YEL.

We have almost achieved the targets that we had set at the beginning of the financial year as achieving these targets was imperative in order to maintain a competitive edge in the market.

BUSINESS ETHICS AND ANTI-CORRUPTION

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

There have been no incidents of corruption during the year ended June 30, 2014.

POLICY AND PROCEDURE FOR STAKEHOLDER ENGAGEMENT

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

BANKS AND OTHER LENDERS

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

COMPANY'S WEBSITE

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

REGULATORS

Our Corporate affairs department ensures of all regulatory requirements in a timely manner.

BUSINESS CONTINUITY PLANNING (BCP)

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

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

Your Company has formulated BCP's along with detailed standard operating procedures (SOPs) with regards to backing up of important assets of the Company including virtual and physical data – for natural calamities and other possible external incidents. In the event of such uncalled for events, the Company is fully equipped to initiate their BCP response protocols to ensure the continuity of important operations with minimum time lapse.

SEVEN YEARS AT A GLANCE

	2014	2013	2012	2011	2010	2009	2008
				(Rupees in '000')			
ASSETS EMPLOYED							
Fixed assets	5,997,051	5,502,528	4,882,569	4,181,980	2,724,684	2,760,662	3,063,735
Long term loans, deposits & deferred costs	31,846	27,958	15,667	12,153	13,007	7,971	10,960
Long term advances					66,667	66,667	83,335
Current assets	8,717,727	7,002,605	5,380,582	6,803,765	3,741,676	3,208,422	4,384,976
Long term investment	1,358,798	1,230,711	-	-	-	-	-
Total assets employed	**16,105,422**	13,763,802	10,278,818	10,997,898	6,546,034	6,043,722	7,543,006
FINANCED BY							
Shareholders' equity	6,499,577	6,184,838	5,208,840	4,794,402	2,802,210	1,974,019	2,314,285
Long term loans	8,905	26,719	44,533	62,347	630,161	897,974	102,666
Current portion of long term loans	17,814	17,814	17,814	567,814	17,813	8,907	4,215
	26,719	44,533	62,347	630,161	647,974	906,881	106,881
Deferred liabilities	686,456	529,415	352,253	312,472	285,860	215,658	207,588
Current liabilities	8,910,484	7,049,549	4,673,192	5,828,677	2,827,803	2,956,070	4,918,468
Current portion of loans & lease	(17,814)	(17,814)	(17,814)	(567,814)	(17,813)	(8,907)	(4,215)
	8,892,670	7,031,735	4,655,378	5,260,863	2,809,990	2,947,163	4,914,253
Total funds invested	**16,105,422**	13,763,802	10,278,818	10,997,898	6,546,034	6,043,722	7,543,006
TURNOVER AND PROFIT							
Turnover	20,066,084	18,673,753	13,570,317	15,638,487	10,028,765	7,140,792	6,757,664
Gross profit	1,932,166	2,246,458	1,151,732	2,810,034	1,584,698	756,875	745,563
Operating profit	1,510,041	1,830,783	1,083,299	2,553,671	1,257,170	527,856	485,585
Profit/(loss) before taxation	739,149	1,254,115	654,466	2,169,597	874,687	(297,072)	(132,606)
Profit/(loss) after taxation	580,799	1,134,825	648,813	2,156,255	858,191	(338,597)	(164,740)
Cash dividend	117,188	292,969	175,781	234,375	164,063	-	-
Profit/(loss) carried forward	5,162,077	4,847,338	3,871,340	3,456,902	1,464,710	636,519	975,116
Earning per share (Rupees)	24.78	48.21	27.68	92.00	35.34	(14.45)	(7.03)
Break up value per share (Rupees)	277.32	263.88	222.24	204.56	119.56	84.22	98.74
CASH FLOW SUMMARY							
Net cash from operating activities	(578,231)	447,382	1,494,422	259,765	775,959	997,762	(871,679)
Net cash used in investing activities	(1,024,527)	(2,346,195)	(957,436)	(1,659,048)	(243,732)	19,068	(495,319)
Net cash (outflow)/inflow from financing activities	(309,184)	(192,379)	(800,458)	(180,985)	(258,943)	799,934	(65,004)
(Decrease)/increase in cash & cash equivalents	(1,911,942)	(2,091,192)	(263,472)	(1,580,268)	273,284	1,816,764	(1,432,001)
Cash & cash equivalents at beginning of the year	(5,352,498)	(3,261,306)	(2,997,834)	(1,417,566)	(1,690,851)	(3,507,614)	(14,980)
Cash & cash equivalents at end of the year	(7,264,440)	(5,352,498)	(3,261,306)	(2,997,834)	(1,417,567)	(1,690,850)	(1,446,981)

ANALYSIS OF FINANCIAL PERFORMANCE

As on JUNE 30,2014

FINANCIAL RATIOS	UoM	2014	2013	2012	2011	2010	2009	2008
Profitabiliy Ratios								
Gross profit to sales	Percentage	9.63%	12.03%	8.49%	17.97%	15.80%	10.60%	11.03%
Net profit after tax to sales	Percentage	2.89%	6.05%	4.78%	13.79%	8.26%	(4.74%)	(2.44%)
Ebitda to sales	Percentage	10.15%	11.83%	9.06%	16.48%	14.29%	8.72%	7.40%
Operating leverage	Times	(1.79)	2.84	3.87	2.76	9.06	11.64	2.84
Return on equity after tax	Percentage	8.94%	18.27%	12.46%	44.97%	29.55%	(17.15%)	(7.12%)
Return on capital employed	Percentage	20.55%	25.14%	16.95%	44.83%	31.34%	10.46%	7.57%
Liquidity Ratios								
Current ratio	Times	0.98	0.99	1.15	1.17	1.32	1.09	0.89
Quick/acid test ratio	Times	0.29	0.35	0.36	0.76	0.48	0.37	0.34
Cash to current liabilites	Times	(0.82)	(0.76)	(0.70)	(0.51)	(0.50)	(0.57)	(0.29)
Cash flow from operations to sales	Times	(0.03)	0.02	0.11	0.02	0.08	0.14	(0.13)
Activity/Turnover Ratios								
Inverntory turnover	Times	3.41	4.00	4.09	5.38	3.76	2.66	2.95
No. of days in inventory	Days	107	91	89	68	97	137	124
Debtors turnover	Times	17.83	18.00	6.70	7.54	12.01	8.42	6.93
No. of days in receivables	Days	20	20	54	48	30	43	53
Creditors turnover	Times	16.01	14.75	10.36	10.50	7.98	6.90	8.96
No. of days in payables	Days	23	25	35	35	46	53	41
Operating cycle	Days	105	87	109	81	82	128	136
Total assets turnover	Times	1.25	1.36	1.32	1.42	1.53	1.18	0.90
Fixed assets turnover	Times	2.72	2.76	2.77	3.73	3.58	2.52	2.14
Equity mulitiplier	Times	2.48	2.23	1.97	2.29	2.34	3.06	3.26
Investment Valuation Ratios								
Earnings per share after tax	Rupees	24.78	48.42	27.68	92.00	35.34	(14.45)	(7.03)
Price/earning ratio after tax	Times	10.09	2.56	2.33	0.74	0.99	(1.11)	(8.05)
Dividend yield	Percentage	2.00%	10.08%	11.61%	14.71%	20.03%	-	-
Dividend payout ratio	Percentage	20.18%	25.82%	27.10%	10.87%	19.81%	-	-
Dividend cover ratio	Times	4.96	3.87	3.69	9.20	5.05	-	-
Cash dividend per share	Rupees	5.00	12.50	7.50	10.00	7.00	-	-
Break-up value per share	Rupees	277.32	263.89	222.24	204.56	119.56	84.22	98.74
Market value per share as June 30th	Rupees	249.95	124.00	64.59	68.00	34.94	16.02	56.60
Highest during the year	Rupees	332.44						
Lowest during the year	Rupees	125.00						
Capital Structure Ratios								
Financial leverage ratio	Times	0.31	0.29	0.30	0.50	0.79	1.14	0.67
Weighted average cost of debt	Percentage	10%	7%	8%	4%	13%	23%	9%
Debt to equity ratio	Percentage	0.14%	0.43%	0.85%	1.30%	22.49%	45.49%	4.44%
Interest coverage ratio	Times	2.00	3.89	3.21	15.68	4.01	0.52	0.60
Dupont Analysis	Percentage	8.9%	18.3%	12.5%	45.0%	29.6%	(17.2%)	(7.1%)

ANALYSIS OF PROFIT & LOSS ACCOUNT

VERTICAL ANALYSIS							
	2014	2013	2012	2011	2010	2009	2008
Turnover	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	90.37%	87.97%	91.51%	82.03%	84.20%	89.40%	88.97%
Gross profit	9.63%	12.03%	8.49%	17.97%	15.80%	10.60%	11.03%
Distribution cost	1.53%	1.76%	1.82%	1.87%	2.79%	2.54%	3.17%
Administrative expense	0.57%	0.47%	0.65%	0.43%	0.54%	0.73%	0.73%
Operating profit	7.53%	9.80%	6.02%	15.67%	12.47%	7.33%	7.14%
Finance cost	3.69%	2.32%	2.18%	0.95%	2.90%	8.68%	4.90%
Other operating charges	0.92%	1.16%	0.98%	1.51%	0.92%	2.87%	4.24%
Other operating income	(0.77%)	(0.39%)	(1.97%)	(0.66%)	(0.07%)	(0.06%)	(0.05%)
Profit before taxation	3.68%	6.72%	4.82%	13.87%	8.72%	(4.16%)	(1.96%)
Taxation	0.79%	0.67%	0.04%	0.09%	0.46%	0.58%	0.48%
Profit for the year	**2.89%**	6.05%	4.78%	13.79%	8.26%	(4.74%)	(2.44%)

HORIZONTAL ANALYSIS							
	2014	2013	2012	2011	2010	2009	2008
	vs	**vs**	**vs**	**vs**	**vs**	**vs**	
	2013	2012	2011	2010	2009	2008	
Turnover	7.46%	37.61%	(13.22%)	55.94%	40.44%	5.67%	100.00%
Cost of sales	10.39%	32.28%	3.19%	51.92%	32.27%	6.18%	100.00%
Gross profit	(13.99%)	95.05%	(59.01%)	77.32%	109.37%	1.52%	100.00%
Distribution cost	(6.52%)	32.88%	15.66%	4.59%	54.69%	(15.33%)	100.00%
Administrative expense	31.91%	(0.90%)	(31.48%)	23.29%	3.57%	6.09%	100.00%
Operating profit	(17.52%)	124.21%	(66.67%)	95.97%	(138.91%)	8.52%	100.00%
Finance cost	70.40%	46.84%	99.99%	(49.13%)	(53.14%)	87.08%	100.00%
Other operating charges	(14.07%)	61.96%	(43.61%)	157.00%	(55.14%)	(28.54%)	100.00%
Other operating income	110.68%	(72.57%)	157.41%	1387.09%	53.03%	34.42%	100.00%
Profit/loss before taxation	(41.06%)	91.62%	(69.83%)	148.04%	394.44%	124.03%	100.00%
Taxation	27.50%	2096.94%	57.63%	(71.31%)	11.97%	29.22%	100.00%
Profit/loss for the year	**(48.60%)**	74.15%	(69.91%)	160.36%	344.59%	105.54%	100.00%

ANALYSIS OF BALANCE SHEET

VERTICAL ANALYSIS	2014	2013	2012	2011	2010	2009	2008
ASSETS							
Non-Current Assets							
Property, plant & equipment	37.24%	39.98%	47.50%	38.03%	41.62%	45.68%	40.62%
Long term advances	-	-	-	-	1.02%	1.10%	1.10%
Long term loans	0.07%	0.05%	0.08%	0.04%	0.09%	0.01%	0.05%
Long term deposits	0.13%	0.15%	0.07%	0.07%	0.11%	0.12%	0.10%
Long term investment	8.44%	8.94%	-	-	-	-	-
	45.87%	49.12%	47.65%	38.14%	42.84%	46.91%	41.87%
Current Assets							
Store, spares and loose tools	2.61%	2.60%	3.83%	2.56%	3.41%	2.56%	2.17%
Stock in trade	35.39%	30.15%	32.08%	19.13%	33.00%	32.28%	33.51%
Trade debts	6.70%	8.52%	8.78%	28.62%	15.25%	11.10%	13.58%
Loans & advances	2.85%	2.15%	2.36%	1.22%	2.29%	1.76%	5.62%
Short term investments	0.30%	0.27%	0.25%	0.26%	0.00%	0.00%	0.00%
Trade deposit & other short term prepayments	0.03%	0.06%	0.04%	0.05%	0.02%	0.03%	0.01%
Other receivables	1.35%	1.57%	1.35%	1.98%	0.65%	1.31%	0.65%
Tax refund due from government	2.85%	2.07%	1.18%	0.49%	0.62%	2.07%	0.31%
Cash & bank balances	2.06%	3.49%	2.48%	7.56%	1.92%	1.97%	2.28%
	54.13%	50.88%	52.35%	61.86%	57.16%	53.09%	58.13%
Total assets	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
EQUITY & LIABILITIES							
Share Capital & Reserves							
Issued, subscribed and paid-up capital	1.46%	1.70%	2.28%	2.13%	3.58%	3.88%	3.11%
Capital reserves							
Share premium	0.64%	0.75%	1.00%	0.94%	1.58%	1.71%	1.37%
Unrealized gain on sale of investment	0.00%	-	-	0.00%	0.00%	0.00%	0.02%
Revenue reserves							
General reserves	6.21%	7.27%	9.73%	9.09%	15.28%	16.55%	13.3%
Unapproiated profits	32.05%	35.22%	37.66%	31.43%	22.38%	10.53%	12.9%
	38.26%	42.48%	47.39%	40.53%	37.65%	27.08%	26.18%
Total equity	40.36%	44.94%	50.68%	43.59%	42.81%	32.66%	30.68%
Non-current liabilites							
Long term financing	0.06%	0.19%	0.43%	0.57%	9.63%	14.86%	1.36%
Defered liabilites	4.26%	3.65%	3.43%	2.84%	4.37%	3.57%	2.75%
	4.32%	3.97%	3.86%	3.41%	13.99%	18.43%	4.11%
Current liabilites							
Trade & other payables	7.04%	8.22%	10.64%	11.85%	17.43%	16.15%	11.59%
Accured markup	0.88%	0.50%	0.44%	1.06%	1.02%	1.70%	0.83%
Short term borrowings	47.17%	42.38%	34.21%	34.82%	23.57%	29.94%	48.78%
Current portion of long term finacning	0.11%	0.13%	0.17%	5.16%	0.27%	0.15%	0.06%
Provision for taxation	0.13%	0.00%	0.00%	0.12%	0.90%	0.98%	3.96%
	55.33%	51.22%	45.46%	53.00%	43.20%	48.91%	65.21%
Total equity & liabilites	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

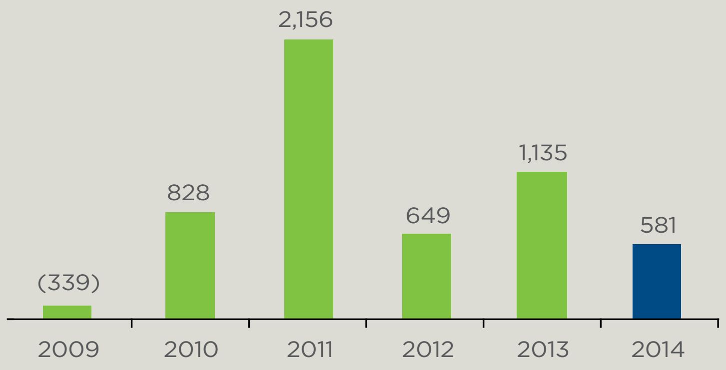
ANALYSIS OF BALANCE SHEET

HORIZONTAL ANALYSIS	2014 vs 2013	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008
ASSETS							
Non-Current Assets							
Property, plant & equipment	8.99%	12.70%	16.75%	53.48%	(1.30%)	(9.89%)	100.00
Long term advance	-	-	-	(100.00%)	-	(20.00%)	100.00
Long term loans	55.65%	(16.58%)	72.04%	(15.13%)	713.42%	(81.25%)	100.00
Long term deposits	0.00%	187.54%	0.11%	0.18%	0.08%	0.94%	100.00
Long term investment	10.41%	-	-	-	-	-	-
	9.27%	38.03%	16.79%	49.56%	(1.09%)	(10.22%)	100.00
Current Assets							
Store, spares and loose tools	17.39%	(8.95%)	39.88%	25.99%	44.26%	(5.56%)	100.00
Stock in trade	37.35%	25.86%	56.68%	(2.57%)	10.70%	(22.80%)	100.00
Trade debts	(7.94%)	29.81%	(71.31%)	215.18%	48.79%	(34.47%)	100.00
Loans & advances	55.26%	21.80%	80.44%	(10.21%)	40.76%	(74.94%)	100.00
Short term investments	30.30%	47.91%	(12.12%)	-	-	-	100.00
Trade deposit & other short term prepayments	(52.12%)	136.28%	(32.59%)	236.16%	(11.72%)	67.53%	100.00
Other receivables	0.04%	55.82%	(36.16%)	412.81%	(46.26%)	60.12%	100.00
Tax refund due from government	61.28%	134.23%	127.51%	30.69%	(67.45%)	442.31%	100.00
Cash & bank balances	(30.89%)	88.17%	(69.29%)	562.20%	5.55%	(30.71%)	100.00
	24.49%	30.15%	(20.92%)	81.84%	16.62%	(26.83%)	100.00
Total assets	**17.01%**	33.90%	(6.54%)	68.01%	8.31%	(19.88%)	100.00
EQUITY & LIABILITIES							
Share Capital & Reserves							
Capital reserves							
Share premium	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00
Unrealized gain on sale of investment	0.00%	0.00%	0.00%	0.00%	0.00%	(100.00%)	100.00
Revenue reserves							
General reserves	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00
Unapproiated profits	6.49%	25.21%	11.99%	136.01%	130.11%	(34.72%)	100.00
	5.38%	20.04%	9.30%	80.83%	50.61%	(17.14%)	100.00
Total equity	5.09%	18.74%	8.64%	71.09%	41.95%	(14.70%)	100.00
Non-current liabilites							
Long term financing	(66.67%)	(40.00%)	(28.57%)	(90.11%)	(29.82%)	774.66%	100.00
Defered liabilites	36.55%	42.71%	12.73%	9.31%	32.55%	3.89%	100.00
	31.35%	33.43%	5.86%	(59.08%)	(17.74%)	258.94%	100.00
Current liabilites							
Trade & other payables	0.27%	3.36%	(16.02%)	14.18%	16.92%	11.66%	100.00
Accured markup	108.71%	52.28%	(61.48%)	73.85%	(34.75%)	63.76%	100.00
Short term borrowings	30.24%	65.87%	(8.16%)	148.14%	(14.74%)	(50.81%)	100.00
Current portion of long term finacning	0.00%	0.00%	(96.86%)	3087.64%	99.99%	(111.32%)	100.00
Provision for taxation	0.00%	0.00%	(100.00%)	(78.12%)	0.00%	(80.21%)	100.00
	26.40%	50.85%	(19.82%)	106.12%	(4.34%)	(39.90%)	100.00
Total equity & liabilites	**17.01%**	33.90%	(6.54%)	68.01%	8.31%	(19.88%)	100.00

GRAPHICAL REPRESENTATION OF FINANCIAL OPERATIONAL PERFORMANCE

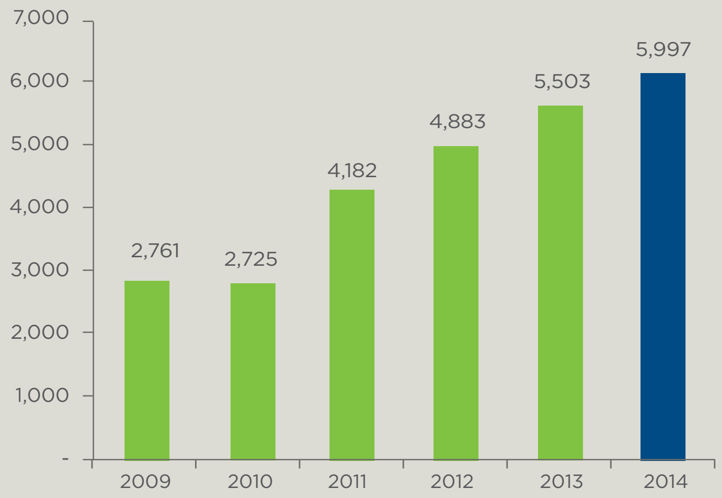
PROFIT AFTER TAX

(Rs in millions)



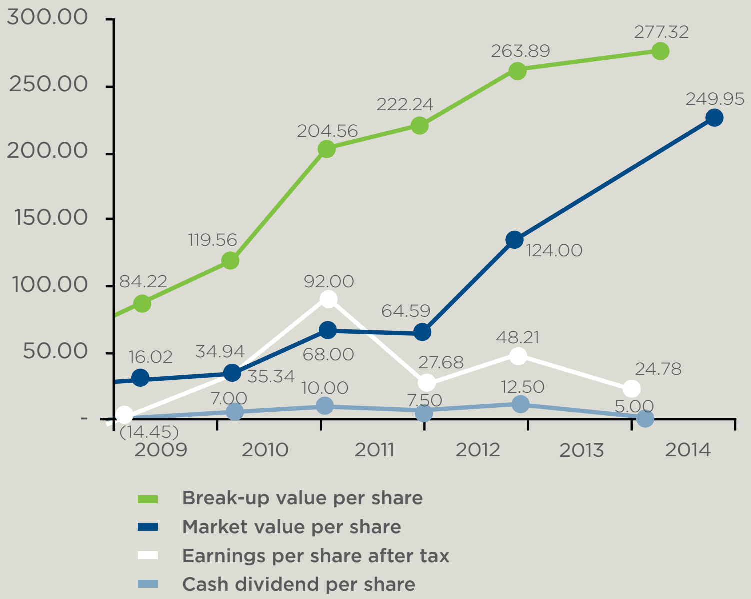
FIXED CAPITAL EXPENDITURE GROWTH

(Rs. in million)

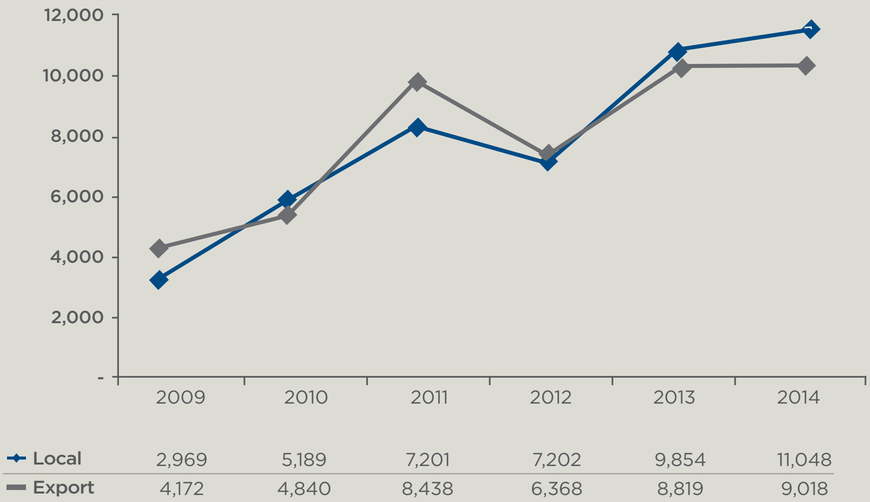


YEARLY BREAK-UP, D.P.S, E.P.S, MARKET VALUE PER SHARE

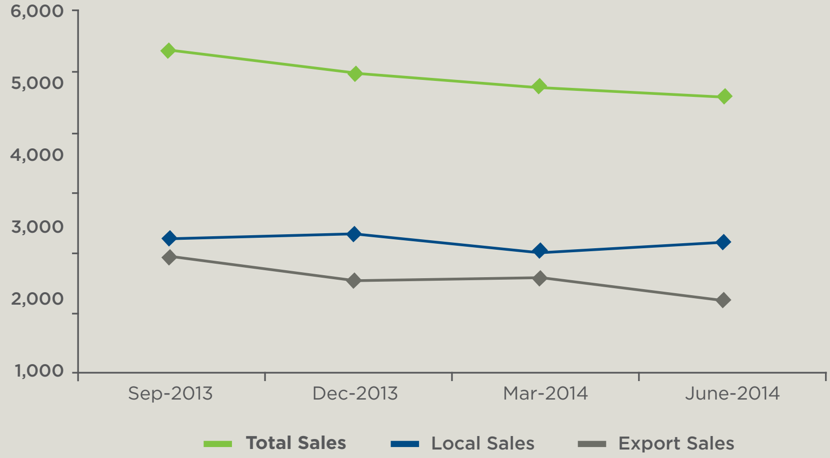
(Rupees)



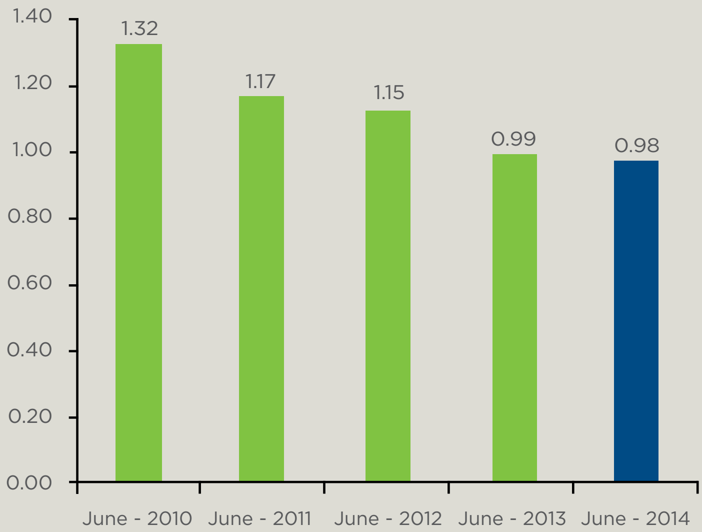
TURNOVER ANALYSIS
(Rs. in million)



QUARTERWISE SALES
(Rs. in million)



YEARLY CURRENT RATIO
(In Times)



HUMAN RESOURCE EXCELLENCE

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

Over the years the Company has laid emphasis on the continuous training and development of its employees, and has ensured that the training provided not only enhances their professional capabilities, but also enables them to become socially responsible citizens of the country.

The Company's recruitment decisions are based on a selection process that identifies the best qualified individual for the position to be filled. We follow a merit based recruitment policy and our selection procedure is geared to attract and retain capable and qualified executives who can best contribute towards the accomplishment of the objectives of the Company.

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

SUCCESSION PLANNING

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

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

CORPORATE SOCIAL RESPONSIBILITY

The incorporation of GTML is in itself an example of contribution towards the betterment of the society. Before the establishment of Gadoon Textile Mills in the Swabi District, locals used to rely on the cultivation of poppy on their lands for achieving their livelihood. The Group took a courageous step towards the betterment of the society to take the initiative and set up a Company with the objective of providing employment to the locals of the district and discourage the practices they were previously involved in. Thus, not limited to a profit-making venture, GTML has a socially motivated reason as its essence.

TREE-A-THON 2014

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

PAPER-WASTE DISPOSAL VIA 'GUL BAHAO'

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

IFTAR ARRANGEMENTS

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

MASJID

A masjid has been built inside both mill premises for the facilitation of employees and nearby locality.

RESIDENCE

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

DISPENSARY

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

OTHER FACILITIES FOR PLANT EMPLOYEES

- Subsidized mess
- Ambulance
- Shuttle service

AWARDS AND ACHIEVEMENTS

During the past 2 decades, GTML has been a regular recipient of several awards in recognition of its outstanding performance, some of which are listed below:

- Top Exporter (Foreign Exchange Earner) Of The Province
- Top Importer Of The Province
- Top Income Tax Payer Of The Province
- Best Consumer Award
- Business Man Of The Year Gold Medal Award
- Top 25 Companies Award

CORPORATE AFFILIATIONS

Gadoon Textile Mills Limited is affiliated with known and respected corporate entities, some of which are as follows:

- OEKO-TEX 100 Standards
- Member of Management Association of Pakistan
- Member of Karachi Chamber of Commerce and Industry
- Member of Sarhad Chamber of Commerce and Industry
- Member of All Pakistan Textile Mills Association, Khyber Pakhtunkhwa
- Member of Supima, USA

The Castle:
The component parts of a castle style wheel are stacked vertically with the flyer being positioned above the wheel.

IT DEVELOPMENT

In today's highly competitive and dynamic environment, it is imperative that companies align themselves with the advancements in the field of information technology. Not only have these advancements revolutionized the way information used to be communicated, but have also played a vital role in bringing down costs, hence emerging as both time-saving and cost-effective ways of sharing information.

In this regard, we at Gadoon Textile Mills have been constantly developing and monitoring our IT framework and have ensured that the measures we have taken so far have improved the storing, safeguarding, retrieving and sharing of information. We have a team of talented individuals, who have been constantly striving to make sure that the methods adopted and implemented by the Company are in line with industry practices.

We realize that it is important to both train and create awareness amongst the employees regarding the methods implemented by the management, and the issues related to safety and security of the systems. For this purpose, the Company makes sure that employees are informed beforehand regarding any decision the Company plans to put to effect, so that any queries that may rise are addressed properly.

The Company maintains detailed, up-to-date inventory records for all computer hardware, software and data. During the year, the IT Department along with other service departments further embarked on its journey to acquire and adopt the latest technology for its HR department. We have converted our Payroll System from the Legacy system to the RDBMS platform. In order to ensure better controls and monitoring of our staff attendance, the Company has successfully initiated the use of Biometric Systems.

The centralized and integrated "Cash Disbursement System" has further enabled the Company to pay its labor in the most efficient manner and has also helped in making the entire process fool-proof. Moreover, it answers to any and every query that may arise in the minds' of our employees, and helps increase their confidence in the management as they know the parameters and the process by which they are compensated.

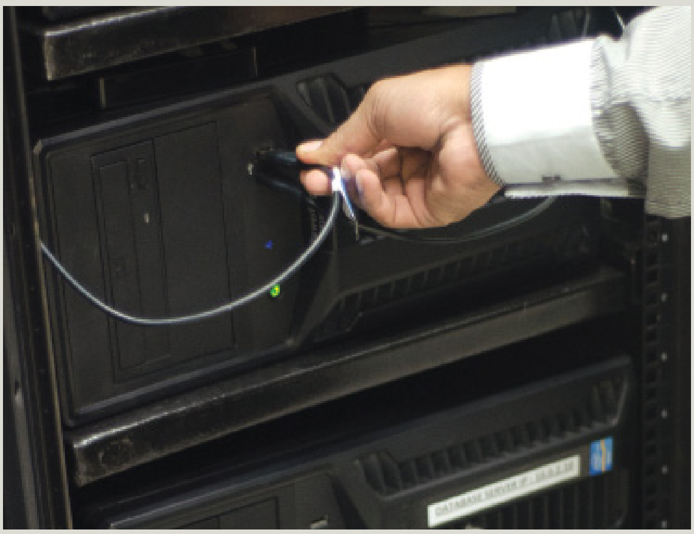
As part of Disaster Recovery (DR) protocols, the Company has successfully completed the process of utilizing Karachi Project as a DR site. This has added another layer to our data protection, and has enabled the Company to retrieve data at the earliest in case of any unforeseen event.

The Electronic Document Management System (EDMS) Project is now reaching its maturity stage. The scope of the project has now expanded to cater the needs of all departments of the Company. A one-click solution is now available to the authorized user to retrieve the required information in no time.

PLANNED PROJECTS

The IT department with the coordination of Power Plant management has initiated a Plant Maintenance and Management System. Moreover the joint team of IT, Finance, Power Plant and Spinning is also in the process of evaluating a solution to monitor the power generation and consumption system on a real-time basis.

In order to align ourselves with the latest technological advancements and further improve our benchmark practices, we are in the process of conducting a detailed gap analysis of our existing solutions and the ERP solutions available in the market.



SAFETY AND SECURITY

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

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

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

SAFETY OF COMPANY RECORDS

The Company has implemented stringent controls to ensure that the records maintained are not only in compliance with the standard procedures, but are also stored in a way so as to ensure their safety as well as their timely retrieval when required. In this regard, we introduced the ‘paperless environment’ initiative the previous year; emphasis now is laid on scanning all the records and relevant documents so that they are available electronically. This initiative will not only reduce the amount of paper consumed by the Company, but will also address the safety and time-bound concerns of our records. Storing data electronically will greatly reduce the physical space taken up by such documents, and it is both cost-effective and efficient. We have also restricted the access to print these scanned documents, to ensure that paper consumption is minimal.

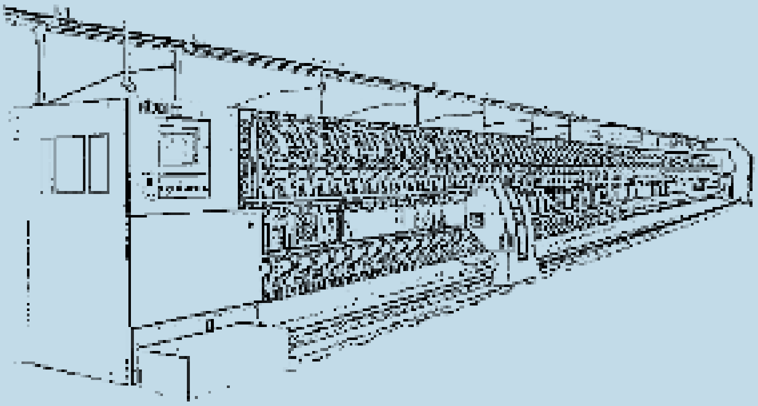
Moreover, precautionary measures such as fire-extinguishers, fire-resistant and electronically operated safes etc. are already in place to ensure maximum safety of sensitive documents of the Company. As a corporate citizen, the Company is also considering other ways of reducing manual paperwork to become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

REDEFINING THE DEFINED

For 26 years, GTML has been at the forefront of change – defining and redefining existing practices by consistently setting industry benchmarks in its on-going journey.

From being the pioneers in introducing Compact Spinning in Pakistan, to having the largest Rieter K-44 setup in the country, GTML has a history of firsts. We believe in constant improvement, and therefore settle for nothing less than the best, because innovation is in the fibre of our being.

We are proud of our glorious history, and look forward to a future full of exciting opportunities.



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Statement of Compliance with the Code of Corporate Governance

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors (the Board). At present, the Board includes:

Category	Names
Independent Director	Mr. Moin M. Fudda
Executive Directors	Mr. Muhammad Sohail Tabba (CEO) Mrs. Mariam Tabba Khan
Non-Executive Directors	Mr. Muhammad Yunus Tabba (Chairman) Mr. Muhammad Ali Tabba Mr. Jawed Yunus Tabba Mrs. Rahila Aleem

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring in the Board during the year was filled up by the directors within 90 days.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the board / shareholders. No remuneration was paid to the Chief Executive Officer (CEO) during the year. There is no change in the remuneration of other executive director.

8. The meetings of the Board were presided over by the Chairman who is a non-executive director and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors of the Company have given a declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the Listing Regulations of stock exchanges. All directors of the Company, except two, comply with education and experience as per latest requirements of the Code.

10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However no new appointment has been made in the financial year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and EDF before approval of the Board.

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

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

15. The Board has formed an Audit Committee. It comprises of three members. All of them are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference (TORs) of the committee have been formed and advised to the committee for compliance.

17. The Board has formed Human Resource and Remuneration Committee. It comprises three member, all are non-executive directors including the chairman of the committee.

18. The Board has set up an effective internal audit function. The internal audit personnel is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of The Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The related party transactions have been placed before the audit committee and approved by the Board along with pricing method.

24. We confirm that all other material principles enshrined in the Code have been complied with except for that a mechanism is in process of development for an annual evaluation of the Board's own performance.

Muhammad Sohail Tabba
Chief Executive/Director
Karachi.
Date: September 08, 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Gadoon Textile Mills Limited (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange and the Islamabad Stock Exchange, where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Further, we highlight the instance of non-compliance with the requirement of the Code as reflected in paragraph 24 of the Statement of Compliance wherein it is stated that the mechanism is in process of development for an annual evaluation of the Board's own performance.

Chartered Accountants

Date: September 08, 2014
Place: Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gadoon Textile Mills Limited ("the Company") as at June 30, 2014 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 the audit.

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

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

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

b. in our opinion:

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as disclosed in note 3.21 to the accompanying financial statements with which we concur;

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

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

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants

Engagement Partner:
Asad Ali Shah

Date: September 08, 2014
Place: Karachi

BALANCE SHEET

As at June 30, 2014

	Note	2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	5,997,051	5,502,528
Long-term advance	5	-	-
Long-term loans	6	10,872	6,985
Long-term deposits		20,974	20,973
Long-term investments	7	1,358,798	1,230,711
		7,387,695	6,761,197
Current Assets			
Stores, spares and loose tools	8	420,354	358,092
Stock-in-trade	9	5,699,647	4,149,820
Trade debts	10	1,079,098	1,172,120
Loans and advances	11	458,417	295,264
Short-term investment	12	49,008	37,612
Trade deposits and short-term prepayments		4,076	8,513
Other receivables	13	216,739	216,657
Income tax refundable due from the government		458,509	284,287
Cash and bank balances	14	331,879	480,240
		8,717,727	7,002,605
Total Assets		**16,105,422**	13,763,802
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised			
50,000,000 ordinary shares of Rs.10/- each		**500,000**	500,000
Issued, subscribed and paid-up capital	15	234,375	234,375
Capital reserves			
Share premium		103,125	103,125
Revenue reserves			
General reserve		1,000,000	1,000,000
Unappropriated profit		5,162,077	4,847,338
		6,162,077	5,847,338
Total Equity		6,499,577	6,184,838
Non-Current Liabilities			
Long-term financing	16	8,905	26,719
Deferred liabilities	17	686,456	502,696
		695,361	529,415
Current Liabilities			
Trade and other payables	18	1,133,845	1,130,831
Accrued mark-up		142,271	68,166
Short-term borrowings	19	7,596,319	5,832,738
Provision for taxation		20,235	-
Current portion of long-term financing	16	17,814	17,814
		8,910,484	7,049,549
Total Equity and Liabilities		**16,105,422**	13,763,802
CONTINGENCIES AND COMMITMENTS	20		

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

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

PROFIT & LOSS ACCOUNT

For the year ended June 30, 2014

	Note	2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's
Sales - net	21	20,066,084	18,673,753
Cost of sales	22	(18,133,918)	(16,427,295)
Gross profit		1,932,166	2,246,458
Distribution cost	23	(306,987)	(328,392)
Administrative expense	24	(115,138)	(87,283)
		(422,125)	(415,675)
		1,510,041	1,830,783
Finance cost	25	(739,638)	(434,061)
Other operating charges	26	(185,409)	(215,778)
		584,994	1,180,944
Other income	27	21,902	20,381
Share of profit from associates	7.2 & 7.3	132,253	52,790
Profit before taxation		739,149	1,254,115
Taxation	28	(158,350)	(124,193)
Profit for the year		**580,799**	1,129,922
Earnings per share - basic and diluted (Rupees)	29	**24.78**	48.21

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

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

	Note	2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's
Profit for the year		580,799	1,129,922
Other Comprehensive Income		-	-
Items that will be reclassified subsequently to profit or loss			
Share of other comprehensive income from associates	7.2 & 7.3	19,008	
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of defined benefit obligation	17.1.4	9,716	2,383
- Impact of tax		(1,815)	(419)
		7,901	1,964
Total Comprehensive Income for the Year		**607,708**	1,131,886

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

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

CASH FLOW STATEMENT

For the year ended June 30, 2014

	Note	2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		739,149	1,254,115
Adjustments for:			
Depreciation		558,815	521,590
Gain on disposal of operating fixed assets		(7,162)	(1,835)
Profit on deposit accounts		-	(3,714)
Interest / mark-up expense		740,764	409,081
Unrealised gain on short-term investment		(11,396)	(12,183)
Share of profit from associate - net of tax		(132,253)	(52,790)
Provision for gratuity		111,703	81,972
Provision for sales tax		-	52,439
		1,260,471	994,560
Operating cash flows before working capital changes		1,999,620	2,248,675
(Increase) / Decrease in current assets			
Stores, spares and loose tools		(62,262)	35,199
Stock-in-trade		(1,549,827)	(852,534)
Trade debts		93,022	(269,186)
Loans and advances		(143,026)	(19,966)
Trade deposits and short-term prepayments		4,437	(4,910)
Other receivables		(82)	(130,646)
		(1,657,738)	(1,242,043)
Increase in current liabilities			
Trade and other payables		1,415	35,517
Changes in working capital		(1,656,323)	(1,206,526)
Cash generated from operations		343,297	1,042,149
Interest / mark-up paid		(693,824)	(385,678)
Income tax paid		(175,529)	(175,224)
Gratuity paid		(52,175)	(33,865)
		(921,528)	(594,767)
Net cash (used in) / generated from operating activities		(578,231)	447,382

	Note	2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,047,561)	(1,163,568)
Sale proceeds from disposal of property, plant and equipment		28,550	23,854
Profit on deposit accounts received		-	4,308
(Disbursed) / recovered long-term loans - net		(6,088)	2,311
Long-term deposits paid		(1)	(13,679)
Investment in associates		(750)	(1,189,883)
Advance against shares		(22,601)	(21,500)
Dividend received from associate - ICI Pakistan Limited		23,924	11,962
Net cash used in investing activities		(1,024,527)	(2,346,195)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term financing		(17,814)	(17,814)
Dividend paid		(291,370)	(174,565)
Net cash used in financing activities		(309,184)	(192,379)
Net decrease in cash and cash equivalents (A+B+C)		(1,911,942)	(2,091,192)
Cash and cash equivalents at the beginning of the year		(5,352,498)	(3,261,306)
Cash and cash equivalents at the end of the year		**(7,264,440)**	(5,352,498)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	331,879	480,240
Short-term borrowings	19	(7,596,319)	(5,832,738)
		(7,264,440)	(5,352,498)

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

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2014

		Capital Reserves			Revenue Reserves			
	Note	Issued, subscribed and paid-up share capital	Share premium	Sub total	General reserve	Unappropriated profit	Sub total	Grand total
					Rupees in '000's			
Balance as at July 1, 2012 - as previously reported		234,375	103,125	103,125	1,000,000	3,871,340	4,871,340	5,208,840
Effect of remeasurement of defined benefit obligation - net of tax	3.21	-	-	-	-	19,893	19,893	19,893
Balance as at July 1, 2012 - Restated		234,375	103,125	103,125	1,000,000	3,891,233	4,891,233	5,228,733
Total Comprehensive Income for the Year								
Profit for the year		-	-	-	-	1,129,922	1,129,922	1,129,922
Other comprehensive income - restated	3.21	-	-	-	-	1,964	1,964	1,964
Total comprehensive income for the year -restated		-	-	-	-	1,131,886	1,131,886	1,131,886
Transactions with Owners Recorded Directly in Equity Directly in Equity								
Final dividend for the year ended June 30, 2012 @ Rs. 7.5/- per share		-	-	-	-	(175,781)	(175,781)	(175,781)
Balance as at June 30, 2013 - restated		234,375	103,125	103,125	1,000,000	4,847,338	5,847,338	6,184,838
Total Comprehensive Income for the Year								
Profit for the year		-	-	-	-	580,799	580,799	580,799
Other comprehensive income		-	-	-	-	26,909	26,909	26,909
Total comprehensive income for the year		-	-	-	-	607,708	607,708	607,708
Transactions with Owners Recorded Directly in Equity Directly in Equity								
Final dividend for the year ended June 30, 2013 @ Rs. 12.5/- per share	-	-	-	-	-	(292,969)	(292,969)	(292,969)
Balance as at June 30, 2014		**234,375**	**103,125**	**103,125**	**1,000,000**	**5,162,077**	**6,162,077**	**6,499,577**

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

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

1. THE COMPANY AND ITS OPERATIONS

1.1 Gadoon Textile Mills Limited (the Company) was incorporated in Pakistan on February 23, 1988 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi and Islamabad stock exchanges. The manufacturing facilities of the Company are located at Gadoon Amazai Industrial Estate and Nooriabad (near Karachi). The principal activity of the Company is manufacturing and sale of yarn. As disclosed in note 15.1, during the year Y.B. Holdings (Private) Limited became holding company of the Company.

On May 5, 2014, the Company passed a Special Resolution for change of registered office to 7-A, Muhammad Ali Society, Abdul Aziz Hashim Tabba Street, Karachi, Pakistan which was subsequently approved by Securities and Exchange Commission of Pakistan on July 24, 2014.

1.2 On May 10, 2014, the Board of Directors of the Company passed a resolution by circulation authorizing the Company to explore the viability of the potential merger between the textile business of Fazal Textile Mills Limited with and into the Company. For this purpose, the Company has also been authorized to appoint advisors and consultant for evaluating the feasibility, including due diligence and valuation, for consideration by the Company. The Company is in the process of evaluating the viability of merger.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:
a) determining the residual values and useful lives of the property, plant and equipment (note 3.1 and 4.1)
b) valuation of stock-in-trade (note 3.3);
c) provision for taxation including deferred tax (note 3.9);
d) accounting for staff retirement benefits (notes 3.10 and 17.1); and
e) provisions (note 3.17).

2.5 New accounting standard / amendments and IFRS interpretation that are effective for the year ended June 30, 2014

2.5.1 The following amendments and interpretation are effective for the year ended June 30, 2014. These amendments and interpretation are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments / Interpretation

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of requirements for comparative information

"Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment"

"Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction"

"Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities"

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

2.5.2 The amendments to IAS 19 - Employee Benefits are effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as described in note 3.21. This change is considered as change in accounting policy.

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

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

Standards / Amendments / Interpretation	**Effective date (accounting periods beginning on or after)**
Amendments to IAS 19 Employee Benefits: Employee contributions	July 1, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 – Levies	January 1, 2014
IFRS 10 – Consolidated Financial Statements	January 1, 2015

IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 1, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 1, 2015

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same, except for change in accounting policy disclosed in note 3.21, as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013 and are enumerated as follows:

3.1 Property, plant and equipment

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

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

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

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

3.2 Stores, spares and loose tools

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

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

3.3 Stock-in-trade

- Basis of valuation are as under:

- Raw material in hand (imported)	Lower of cost and net realisable value (NRV) - specific identified basis
- Raw material in hand (local)	Lower of cost (weighted average) and NRV

- Raw material in-transit	Cost accumulated to balance sheet date
- Work-in-process	Lower of cost and NRV
- Finished goods	Lower of cost and NRV
- Waste	NRV

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

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

3.4 Trade debts and other receivables

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

3.5 Derivative financial instruments

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

3.6 Cash and cash equivalents

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

3.7 Investments

Regular way purchase or sale of investments

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

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

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

Investment at Fair value through profit or loss

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

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

Associates

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

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

Derecognition

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

3.8 Borrowings and their costs

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

3.9 Taxation

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

Current

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

Deferred

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

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

3.10 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for its confirmed employees who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. The most recent valuation of the scheme was carried out as at June 30, 2014.

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

3.11 Trade and other payables

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

3.12 Foreign currency translation

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

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

3.13 Revenue recognition

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

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

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

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

3.14 Financial instruments

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

3.15 Offsetting of financial assets and financial liabilities

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

3.16 Impairment

Financial assets

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

Non-financial assets

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

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

3.17 Provisions

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

3.18 Dividend and appropriation to / from reserves

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

3.19 Operating segments

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

3.20 Earnings per share

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

3.21 Change in accounting policy

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has adopted IAS 19 Employees Benefits (as revised in 2011) along with related consequential amendments.

The revised IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension and gratuity assets or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. In addition, IAS 19 (as revised in 2011) introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures."

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on retrospective basis in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of change in accounting policy for the year ended June 30, 2012 was not material, therefore, third balance sheet for the year 2012 has not been presented. The effect of retrospective application of change in accounting policy is as follows:

For the year ended June 30, 2013	Amount as reported earlier Rupees in '000's	Effect of change in accounting policy Rupees in '000's	Amount restated Rupees in '000's
EFFECT ON BALANCE SHEET			
Deferred liabilities			
- Provision for gratuity	(189,093)	20,572	(168,521)
- Deferred taxation	(330,557)	(3,618)	(334,175)
	(519,650)	16,954	(502,696)
Unappropriated profit	4,830,384	16,954	4,847,338
EFFECT ON PROFIT AND LOSS ACCOUNT			
Cost of sales - salaries, wages and benefits *	(16,421,695)	(5,600)	(16,427,295)
Administrative expenses - salaries, wages and benefits *	(86,974)	(309)	(87,283)
Taxation	(125,199)	1,006	(124,193)
Profit for the year	1,134,825	(4,903)	1,129,922
Earning per share	48.42	(0.21)	48.21
EFFECT ON STATEMENT OF COMPREHENSIVE INCOME			
Other Comprehensive Income			
- Remeasurement on defined benefit obligations	-	2,383	2,383
- Impact of tax	-	(419)	(419)
	-	1,964	1,964

*During the year, corresponding figures have been reclassified within profit and loss account for the purpose of better presentation as disclosed in note 37.1.

		Note	2014 Rupees in '000's	2013 Rupees in '000's
4.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	4.1	5,366,017	5,356,683
	Capital work-in-progress	4.2	631,034	145,845
			5,997,051	5,502,528

4.1 OPERATING FIXED ASSETS

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

*Additions to operating fixed assets include tranfers from capital work-in-progress amounting to Rs. 587.020 million.

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

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

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
Cost of sales	22.1	555,166	517,086
Administrative expenses	24	3,649	4,504
		558,815	521,590

4.1.2 Disposal of operating fixed assets

Description	Cost	Accumulated depreciation	Book Value	Sale Proceeds	Mode of disposal	Purchaser
Vehicles	3	3	-	3	Negotiation	Babar Lal (employee)
	940	675	265	600	Negotiation	Asad Ansari (employee)
	44	19	25	12	Negotiation	Muhammad Zubair (employee)
	648	418	230	300	Negotiation	Munir Hashmi
	590	543	47	298	Negotiation	Muhammad Imran (employee)
	65	36	29	51	Negotiation	Javed Afzal (employee)
	45	20	25	36	Negotiation	Muhammad Jamil (employee)
	41	23	18	33	Negotiation	Muhammad Ayub (employee)
	41	23	18	33	Negotiation	Irfan Razi (employee)
	41	23	18	33	Negotiation	Naseem Ahmed (employee)
	41	23	18	33	Negotiation	Rizwan Siddique (employee)
	66	36	30	52	Negotiation	Muhammad Imran (employee)
	1,870	1,006	864	1,700	Negotiation	Haji Humayun Khan
	65	36	29	52	Negotiation	Muhammad Ali (employee)
	65	36	29	52	Negotiation	Muhammad Fazil (employee)
	65	36	29	52	Negotiation	Zulfiqar Gul (employee)
	65	36	29	52	Negotiation	Muhammed Younus (employee)
	65	36	29	52	Negotiation	Zahid Mehmood (employee)
	51	17	34	26	Negotiation	Tayyab Abdul Ghani
	597	539	58	0	Negotiation	Abdul Aziz Muhammad
	67	37	30	54	Negotiation	Syed Kiramat Shah (employee)
	67	37	30	54	Negotiation	Haider Zaman
	5,542	3,658	1,884	3,578		
Plant and machinery	1,600	208	1,392	1,680	Negotiation	Fazal Awais Textile
	800	104	696	900	Negotiation	Lyallpur Textiles
	1,200	173	1,027	1,350	Negotiation	Lyallpur Textiles
	1,600	231	1,369	1,800	Negotiation	Fazal Awais Textile
	8,496	6,945	1,551	1,650	Negotiation	Swabi Textile
	7,570	6,413	1,157	1,565	Negotiation	Salman Noman Ent.
	7,967	6,707	1,260	1,565	Negotiation	Salman Noman Ent.
	7,572	6,413	1,159	1,565	Negotiation	Salman Noman Ent.
	9,683	8,648	1,035	950	Negotiation	Fazal Awais Textile
	8,496	6,788	1,708	1,925	Negotiation	A.J Textile Mills
	4,898	2,930	1,968	900	Negotiation	Fazal Awais Textile
	800	145	655	900	Negotiation	Lyallpur Textiles
	7,098	6,186	912	1,250	Negotiation	Saab Tex
	2,751	2,260	491	900	Negotiation	Swabi Textile
	2,751	2,260	491	900	Negotiation	Swabi Textile
	5,523	5,010	513	1,400	Negotiation	Taymur Spinning Mills
	1,200	244	956	1,350	Negotiation	Fazal Awais Textile
	5,918	5,313	605	1,450	Negotiation	A.J Textile Mills
	2,751	2,269	482	910	Negotiation	Swabi Textile
	88,674	69,247	19,427	24,910		
Office equipment and installations	55	38	17	25	Negotiation	Computer Heaven
	60	37	23	20	Negotiation	Computer Heaven
	53	46	7	12	Negotiation	Raza Abdul Jabbar (employee)
	41	11	30	5	Negotiation	Tahir Bawany (employee)
	209	132	77	62		
June 30, 2014	**94,425**	**73,037**	**21,388**	**28,550**		
June 30, 2013	33,245	11,226	22,019	23,854		

4.2 Capital work-in-progress

	Gadoon					Karachi Project					
	Rupees in '000										
	Civil works	Plant and machinery	Advances to supplier	Markup capitalized	Others	Civil works	Plant and machinery	Advances to supplier	Mark-up capitalized	Others	Total
Year ended June 30, 2014											
Balance as at July 1, 2013	51,710	28,754	-	-	136	61,932	-	3,224	-	89	145,845
Additions during the year	38,623	425,335	112,000	11,261	22,408	109,760	280,219	(3,224)	15,905	39,922	1,052,209
Transfers to operating assets	(50,494)	(450,697)	-	(3,281)	(21,207)	(1,632)	(35,425)	-	-	(4,284)	(587,020)
Balance as at June 30, 2014	**39,839**	**3,392**	**112,000**	**7,980**	**1,337**	**170,060**	**244,794**	**-**	**15,905**	**35,727**	**631,034**
Year ended June 30, 2013											
Balance as at July 1, 2012	51,599	79,837	-	-	1,980	49,771	-	-	-	21,282	204,469
Additions during the year	56,686	1,016,436	-	-	6,945	32,324	30,615	6,334	-	5,849	1,155,189
Transfers to operating assets	(56,575)	(1,067,519)	-	-	(8,789)	(20,163)	(30,615)	(3,110)	-	(27,042)	(1,213,813)
Balance as at June 30, 2013	51,710	28,754	-	-	136	61,932	-	3,224	-	89	145,845

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

5. LONG-TERM ADVANCE

	Note	2014	2013
- Considered doubtful			
Investment in joint venture	5.1	66,667	66,667
Less: Provision against advance		(66,667)	(66,667)
		-	-

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

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

6. LONG-TERM LOANS

	Note	2014	2013
- Considered good			
Loans to employees	6.1	19,912	13,824
Less: current portion of long-term loans	11	(9,040)	(6,839)
		10,872	**6,985**

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

6.2 Maximum aggregate of loans outstanding at any time since June 30, 2013 is Rs. 20.03 million.

	Note	2014 Rupees in '000's	2013 Rupees in '000's

6.3 Loans to employees

	Note	2014	2013
Executives			
Other employees	6.4	2,119	2,394
		17,793	11,430
		19,912	13,824

6.4 Reconciliation of outstanding amount of loans to Executives:

	Note	2014 Rupees in '000's	2013 Rupees in '000's
Opening balance		2,394	2,806
Disbursements		2,350	1,299
Repayments		(2,625)	(1,711)
		2,119	2,394

7 LONG-TERM INVESTMENTS

Investment in associate	7.1		
ICI Pakistan Limited (ICIP)	7.2	1,264,360	1,152,903
Lucky Holdings Limited (LHL)	7.3	93,688	77,808
Yunus Energy Limited (YEL)	7.4	750	-
		1,358,798	1,230,711

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

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

		2014	2013
Number of shares held		**5,980,917**	5,980,917
Cost of investment (Rupees in '000)		**1,114,963**	1,114,963
Fair value of investment (Rupees in '000)		**2,334,591**	995,404
Ownership interest		**6.48%**	6.48%

	Note	2014 Rupees in '000's	2013 Rupees in '000's
Balance as of July 01		1,152,903	-
Investment made during the year		-	1,114,963
Share of profit / post acquisition profit		118,916	49,902
Share of other comprehensive income	7.2.1	16,465	-
Dividend received		(23,924)	(11,962)
Balance as of June 30		**1,264,360**	1,152,903

The financial year end of ICIP is June 30, 2014. Summarised financial highlights of ICIP and the related share of the Company as at year end are as follows:

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
Total assets		22,793,916	20,933,293
Total liabilities		(10,650,471)	(10,312,023)
Net assets		**12,143,445**	10,621,270
Company's share of net assets of associate		**786,895**	687,804
Revenue		**42,698,659**	18,240,037
Profit for the year		**1,835,117**	758,867
Company's share of profit of associate		**118,916**	49,142
Other comprehensive income for the year		**35,452**	-
Company's share of other comprehensive income of associate	7.2.1	**2,297**	-

7.2.1 In the previous year, the Company's accounting policy for employee benefits with respect to IAS - 19 was different from ICIP, which has resulted in recognition of higher share of other comprehensive income in the current year.

7.3

Investment in Lucky Holdings Limited (LHL) - at equity method	Note	2014	2013
Number of shares held		**1,500,000**	1,500,000
Cost of investment (Rupees in '000)		**74,920**	74,920
Ownership interest		**1%**	1%

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
Balance as of July 01		77,808	-
Investment made during the year		-	74,920
Share of profit / post acquisition profit		13,337	2,888
Share of other comprehensive income	7.3.1	2,543	-
Balance as of June 30		**93,688**	77,808

The financial year end of LHL is June 30, 2014. Summarised financial highlights of LHL as at year end and the related share of the Company are as follows:

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
Total assets		31,177,876	29,657,926
Total liabilities		(18,598,887)	(18,454,206)
Net assets		**12,578,989**	11,203,720
Company's share of net assets of associate		**125,790**	112,037
Revenue		**38,078,277**	18,240,037
Profit for the year		**1,333,709**	288,776
Company's share of profit of associate		**13,337**	2,888
Other comprehensive income for the year		**35,452**	-
Company's share of other comprehensive income of associate	7.3.1	**354**	-

7.3.1 In the previous year, the Company's accounting policy for employee benefits with respect to IAS - 19 was different from LHL, which has resulted in recognition of higher share of other comprehensive income in the current year.

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

		2014	2013
Number of shares held		**75,000**	-
Cost of investment (Rupees in '000)		**750**	-
Ownership interest		**15.6%**	0%

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
Balance as of July 01		-	-
Investment made during the year	11.3	**750**	-
Share of loss / post acquisition profit		-	-
Balance as of June 30		**750**	-

7.4.1 The Company has also made advance payment against issue of shares as disclosed in note 11.3.

7.4.2 As at June 30, 2014, YEL has not started its operations and the impact of its profit or loss is not material to the Company's financial statements.

8. STORES, SPARES AND LOOSE TOOLS

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
Stores		165,211	164,878
Spares in			
- hand		273,860	228,535
- transit		35,096	18,462
		308,956	246,997
Loose tools		1,187	1,217
Less: Provision for slow moving stores and spares		(55,000)	(55,000)
		420,354	358,092

9. STOCK-IN-TRADE

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
Raw material in			
- hand	22.1.1	4,741,678	3,227,885
- transit		69,658	266,915
		4,811,336	3,494,800
Work-in-process	22.1	163,724	130,569
Finished goods			
- Yarn	9.1	632,816	427,843
- Waste at net realisable value		91,771	96,608
	22	724,587	524,451
		5,699,647	4,149,820

9.1 The stock of yarn has been written down to net realisable value by Rs. 26.427 million.

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

10. TRADE DEBTS

	Note	2014	2013
- Considered good			
Foreign		616,331	770,358
Local	10.1	462,767	401,762
	10.2 & 10.3	**1,079,098**	1,172,120

10.1 Trade receivables include Rs. 6.5 million (2013: Rs. 8.4 million) receivable from an associated company.

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

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

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

11. LOANS AND ADVANCES

	Note	2014	2013
- Unsecured - Considered good			
Current portion of long-term loans	6	9,040	6,839
Advance to employees	11.1	32,359	15,827
Advance to suppliers and contractors	11.2	193,404	66,912
Advance against shares	11.3	44,101	21,500
Letters of credit		292	290
Advance tax		179,221	183,896
		458,417	295,264

11.1 This includes advances provided to executives amounting to Rs. 29.737 million (2013: Rs. 13.339 million).

11.2 This includes advance given to ICI Pakistan Limited (associated company) amounting to Rs. 30.24 million (2013: Rs. 2.9 million) and pilot project of dairy farm business amounting to Rs. 102.6 million.

11.3 This represents advance against issue of shares in Yunus Energy Limited, a company incorporated to setup 50 MW Wind Farm with the total project cost of US$ 143 million. During the year, the shareholders have resolved in the Extraordinary General Meeting (EOGM) held on May 5, 2014 to raise the equity participation to 20% (2013: 14%) and amount of investment to Rs. 835 million (2013: 605 million), also during the year 75,000 shares with face value of Rs. 750,000 were issued to the Company (refer note 7.4). Subsequent to year end, 11,811,500 shares with a face value of Rs. 118,115,000 has been issued against advance for issuance of shares, thereby making a total of 19.96% of the Company's voting right.

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

12. SHORT-TERM INVESTMENT

	Note	2014	2013
At fair value through profit or loss - held for trading			
Ordinary shares of listed company - International Steels Limited		**49,008**	**37,612**

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

13. OTHER RECEIVABLES

	Note	2014	2013
Considered good			
Sales tax		188,205	196,765
Federal excise duty		25,767	17,936
Claim receivable		2,396	1,585
Other		371	371
		216,739	216,657
Considered doubtful			
Claim receivable	20.1.2	20,000	20,000
Sales tax	13.1	52,439	52,439
Other	13.2	5,600	5,600
		78,039	78,039
Provision for doubtful other receivables	13.3	(78,039)	(78,039)
		-	-
		216,739	216,657

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

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

		2014	2013
		Rupees in '000's	Rupees in '000's

13.3 Movement in provision for doubtful other receivables

		2014	2013
Opening balance		78,039	25,600
Provision made during the year		-	52,439
Closing balance		**78,039**	78,039

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

14. CASH AND BANK BALANCES

	Note	2014	2013
Cash in hand		9,816	3,942
Cash with banks in:			
- current accounts	14.1	322,063	476,277
- time deposits		-	21
		322,063	476,298
		331,879	480,240

14.1 It include balances in foreign currency bank deposits amounting to US Dollars 359,657 equivalent to Rs. 35.53 million (2013: US Dollars 362,200 equivalent to Rs. 35.64 million) and Euro 74.61 equivalent to Rs. 0.010 million (2013: Euro 74.61 equivalent to Rs. 0.010 million).

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
Number of shares			Rupees in '000's	Rupees in '000's
6,000,000	6,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	60,000	60,000
17,437,500	17,437,500	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	174,375	174,375
23,437,500	23,437,500		234,375	234,375

15.1 During the year, a group of individual shareholders has transfered their shares to Y.B. Holdings (Private) Limited, a company established and beneficially owned by the transferrers, as follows:

Name of Shareholders	**Shares Transferred**
Muhammad Yunus Tabba	2,227,884
Muhammad Sohail Tabba	1,783,276
Muhammad Ali Tabba	2,151,075
Jawed Yunus Tabba	966,500
Rahila Aleem	625,068
Imran Yunus Tabba	2,058,115
Kulsum Razzak Tabba	470,533
Amina Aziz Tabba	648,505
Zulekha Razzak Tabba	627,070
Mariam Tabba Khan	627,468
	12,185,494

Consequent to above, Y.B. Holdings (Private) Limited has now become the holding company of the Company.

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

	2014	2013
	Rupees in '000's	Rupees in '000's
16. LONG-TERM FINANCING		
- Banking Companies - Secured		
Opening balance	44,533	62,347
Obtained during the year	-	-
	44,533	62,347
Repaid during the year	(17,814)	(17,814)
	26,719	44,533
Current portion shown under current liabilities	(17,814)	(17,814)
Closing balance	**8,905**	26,719

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

Tranche 01

Date of loan obtained	May 04, 2007
Amount obtained	Rs. 24,423,000
Date of last installment	November 14, 2015
Amount of installment	Rs. 2,035,250 payable semi-annually

Tranche 02

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

Tranche 03

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

	Note	2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's

17. DEFERRED LIABILITIES

Staff gratuity	17.1	218,333	168,521
Deferred taxation	17.2	468,123	334,175
		686,456	502, 696

17.1 Staff gratuity

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

		2014	2013
Discount rate		13.25%	11.50%
Salary increase rate		13.25%	11.50%
Mortality rate		Adjusted SLIC 2001-05	Adjusted EFU 1961-66

		2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's

17.1.1 Liability recognised in the balance sheet

Present value of defined benefit obligation		**218,333**	168,521

17.1.2 Movement in liability during the year

Balance at the beginning of the year		168,521	122,797
Expense recognised in profit or loss		111,703	81,972
Total remeasurements recognised in other comprehensive income		(9,716)	(2,383)
Benefits paid		(52,175)	(33,865)
		218,333	168,521

17.1.3 Expense recognised in profit and loss account

Current service cost		95,323	68,739
Interest cost		16,380	13,233
		111,703	81,972

17.1.4 Total remeasurements recognised in other comprehensive income

Actuarial loss / (gain) on liability arising on			
- financial assumptions		-	-
- demographic assumptions		-	-
- experience adjustments		(9,716)	(2,383)
		(9,716)	(2,383)

17.1.5 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

		Increase (decrease) in defined benefit oblation	
	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees in '000's)	
Discount rate	1%	(2,553)	(2,609)
Salary growth rate	1%	3,537	(3,498)

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

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

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

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

17.1.7 The weighted average duration of defined benefit obligation as at June 30, 2014 is 1.18 years (2013: 1.55 years).

17.1.8 The expected gratuity expense for the next one year from July 1, 2014 amounts to Rs. 115.951 million. This is the amount by which the defined benefit liability is expected to increase.

	2014	2013
		(Restated)
	Rupees in '000's	Rupees in '000's

17.2 Deferred taxation

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

Deferred credits / (debits) arising due to:		
- Accelerated tax depreciation on property, plant and equipment	528,340	534,201
- Provision for gratuity	(38,642)	(29,640)
- Provision for long-term advance	(11,799)	(11,725)
- Provision for stores and spares	(9,734)	(9,673)
- Provision for doubtful other receivables	(13,812)	(13,726)
- Investment in associates	13,770	2,171
- Tax credit for investment in plant and machinery	-	(137,433)
	468,123	334,175

17.2.1 The income tax department had not allowed the credit of unabsorbed tax depreciation worked out for the tax holiday period from 1990 to 2000 against the profits of post tax holiday period. The Company filed an appeal before the Commissioner of Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue. In 2012, the matter was decided in favour of the Company but appeal effect order had not been given by the tax department. During the year ended June 30, 2013, the income tax department has filed appeal in Peshawar High Court and the matter is pending adjudication. Deferred tax asset of Rs. 300 million approximately, on this has not been recorded. Also, deferred tax asset of Rs. 373 million on tax depreciation related to tax exempt period from 2010 to 2012 has not been recorded due to the aforementioned reason.

18. TRADE AND OTHER PAYABLES

	Note	2014 Rupees in '000's	2013 Rupees in '000's
Creditors		227,940	225,601
Foreign bills payable		-	23,843
Advance from customers and employees		13,561	19,327
Accrued liabilities	18.1	763,506	707,759
Withholding income tax		1,359	649
Regulatory duty		5,600	5,600
Unclaimed dividend		11,333	9,734
Sales tax payable		4,420	8
Workers' Welfare Fund		71,864	71,864
Workers' Profit Participation Fund	18.2	34,262	66,446
		1,133,845	1,130,831

18.1 This includes Rs. 32.201 million (2013: Rs. 20.421 million) payable to an associated company.

18.2 Workers' profits participation fund

	Note	2014 Rupees in '000's	2013 Rupees in '000's
Opening		66,446	35,327
Provision during the year	26	34,262	66,446
Payment made during the year		(66,446)	(35,327)
Closing		**34,262**	66,446

19. SHORT-TERM BORROWINGS
- Banking Companies - Secured

	Note	2014 Rupees in '000's	2013 Rupees in '000's
Running finances under mark-up arrangements	19.1	3,978,270	287,803
Short-term finance	19.2	1,786,319	2,551,574
Foreign currency loan against:			
- Import finance	19.1	1,782,355	1,505,531
- Export finance	19.1	49,375	1,487,830
		1,831,730	2,993,361
		7,596,319	5,832,738

19.1 Facilities for running finance, import finance and export refinance are available from various banks upto Rs. 15.04 billion (2013: Rs. 14.48 billion). For running finance facility, the rates of mark-up range between KIBOR + 0.15% to KIBOR + 1.5% per annum (2013: KIBOR + 0.15% to KIBOR + 1.5% per annum) and for import and export finance the rate of mark-up are based on LIBOR + bank's spread (which is decided at the time of disbursement). These are secured against hypothecation of stock, receivables and plant and machinery.

19.2 This represents short term finance facilities under sub-limit of the facilities mentioned in note 19.1, from various banks having mark-up ranging between KIBOR + 0.1% to KIBOR + 0.5% per annum (2013: KIBOR + 0.15% to KIBOR + 0.5% per annum). These are secured against hypothecation of stock, receivables and plant and machinery.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Outstanding guarantees given on behalf of the Company by banks in normal course of business amounting to Rs. 579.50 million (2013: Rs. 443.33 million).

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

20.1.3 As a result of the decision of Lahore High Court dated June 3, 2011 and subsequent decision of Peshawar High Court dated May 29, 2014 declaring the amendements of Finance Act 1996, 2006, 2008 and 2009 unconstitutional and the decision of the Appellate Tribunal Inland Revenue (ATIR) dated December 13, 2011 in favour of the Company in respect of non-payment of WWF for the tax year 2009, the Company has not recorded provision for Workers Welfare Fund (WWF) in the year 2012 and onwards amounting to Rs. 52 million. The tax department has filed an appeal before Peshawar High Court against the said decision and the matter is pending adjudication.

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

20.1.4 Under the Gas Infrastructure Development Cess Act, 2011, Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. In the month of June 2012, the Federal Government revised GID Cess rate from Rs. 13 per MMBTU to Rs. 100 per MMBTU. The Company filed a suit before the Honorable High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act 2011. The Sindh High Court has restrained the Federation and gas companies from recovering GID Cess over and above Rs. 13 per MMBTU. Subsequent to year end on August 22, 2014, the Supreme Court of Pakistan has concluded a judgment declaring that the levy of GID cess as a tax was not validly levied in accordance with the Constitution.

Management is confident that GID Cess will not be payable by the Company. However, on prudence basis, management has not reversed the GID cess of Rs. 117.346 million (paid / provided) in the profit and loss account.

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
20.1.5 Others			
Export bills discounted with recourse		1,343,141	1,409,273
Indemnity bond in favour of Collector of Customs against imports		4,105	4,105
Post-dated cheques in favour of collector of customs against imports		133,696	187,925
20.2 Commitments			
Letters of credit opened by banks for:			
Plant and machinery		6,063	153,777
Raw materials		103,489	220,691
Stores and spares		32,811	31,514
Foreign currency forward contracts		621,612	-

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

21. SALES - NET

Export			
Direct			
- Yarn		8,676,268	8,486,373
- Waste		445,880	489,520
		9,122,148	8,975,893
Commission on direct export sales		(103,894)	(156,436)
Local		9,018,254	8,819,457
- Yarn		11,206,848	9,777,323
- Waste		127,789	186,254
		11,334,637	9,963,577
Commission on local sales		(41,746)	(39,880)
Sales tax		(245,061)	(69,401)
		11,047,830	9,854,296
		20,066,084	18,673,753

22 COST OF SALES

	Note	2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's
Opening stock - finished goods		524,451	285,714
Cost of goods manufactured	22.1	18,334,054	16,666,032
Less: Closing stock - finished goods	9	(724,587)	(524,451)
		18,133,918	**16,427,295**

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

22.1 Cost of goods manufactured

	Note	2014	2013
Raw material consumed	22.1.1	13,442,308	12,094,406
Salaries, wages and benefits	22.1.2	1,170,585	1,128,526
Rent, rates and taxes		361	157
Stores, spares and loose tools consumed		518,495	531,213
Packing material consumed		411,385	356,951
Fuel and power		2,141,781	1,960,865
Repairs and maintenance		25,403	20,630
Printing and stationery		150	100
Legal and professional		2,269	1,669
Entertainment		4,283	3,832
Fee and subscriptions		9,613	8,187
Books and periodicals		12	11
Insurance		39,078	26,149
Travelling, conveyance and entertainment		14,776	13,188
Doubling charges		20,208	6,639
Communication		1,433	999
Depreciation	4.1.1	555,166	517,086
Other manufacturing expenses		9,903	7,460
		18,367,209	16,678,068
Work-in-process			
Opening stock		130,569	118,533
Closing stock	9	(163,724)	(130,569)
		(33,155)	(12,036)
Cost of goods manufactured		**18,334,054**	16,666,032

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

22.1.1 Raw material consumed

	Note	2014	2013
Opening stock		3,227,885	2,821,892
Purchases - net		14,956,101	12,500,399
Less: Closing stock	9	(4,741,678)	(3,227,885)
		13,442,308	12,094,406

22.1.2 Salaries, wages and benefits include Rs. 102.45 million (2013: Rs. 74.68 million) and fuel and power include Rs. 3.4 million (2013: 3 million) in respect of staff retirement benefits.

22.1.3 The average number of employees employed by the Company during the year were 3,618 (2013: 3,282), whereas the total number of employees as at June 30, 2014 were 3,735 (2013: 3,501).

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

23. DISTRIBUTION COST

	Note	2014	2013
Freight, octroi and handling charges			
- Export		210,736	214,268
- Local		34,706	30,831
		245,442	245,099
Sales promotion expenses		3,986	3,039
Export promotion expenses		36,396	52,403
Bank charges on exports		21,163	27,851
		306,987	328,392

	Note	2014	2013
			(Restated)
		Rupees in '000's	Rupees in '000's

24. ADMINISTRATIVE EXPENSES

	Note	2014	2013
Staff salaries and benefits	24.1	49,407	36,883
Rent, rates and taxes		322	289
Communication		5,464	4,540
Printing and stationery		1,611	1,140
Repairs and maintenance		1,995	1,790
Legal and professional		4,768	5,779
Travelling and conveyance		21,438	13,810
Entertainment		1,353	1,248
Vehicles running and maintenance		5,514	5,148
Secretarial expenses		1,609	1,019
Fee and subscriptions		3,838	2,137
Electricity		6,395	4,097
Advertisement		129	375
Auditors' remuneration	24.2	1,113	1,070
Depreciation	4.1.1	3,649	4,504
Insurance		2,717	1,991
Books and periodicals		299	241
Others		3,517	1,222
		115,138	87,283

24.1 Salaries and benefits include Rs. 5.85 million (2013: Rs. 4.29 million) in respect of staff retirement benefits.

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

24.2 Auditors' Remuneration

	Note	2014	2013
Statutory audit fee		1,000	1,000
Half yearly review and other certifications		113	70
		1,113	1,070

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

25 FINANCE COST

	Note	2014	2013
Mark-up / interest on:			
Long-term financing		2,612	3,852
Short-term borrowings		720,497	399,690
Worker's Profit Participation Fund		17,655	5,539
		740,764	409,081
Bank and other financial charges		26,039	24,980
		766,803	434,061
Less: borrowing cost capitalised	25.1	(27,165)	-
		739,638	434,061

25.1 Borrowing cost is capitalised at weighted average borrowing capitalization rate of 8.81% (2013: Nil).

	Note	2014	2013
		Rupees in '000's	Rupees in '000's

26. OTHER OPERATING CHARGES

	Note	2014	2013
Donations	26.1	595	1,363
Exchange loss on foreign currency transactions-net		150,552	93,764
Sales tax paid		-	53,305
Loss on supply of electricity to PESCO		-	900
Workers' Profit Participation Fund	18.1	34,262	66,446
		185,409	215,778

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

		2014	2013
		Rupees in '000's	Rupees in '000's

27. OTHER INCOME

		2014	2013
Income from financial assets			
Profit on deposit accounts		-	3,714
Unrealised gain on short-term investment		11,396	12,183
		11,396	15,897
Income from non-financial assets			
Scrap sales		3,344	2,649
Gain on disposal of operating fixed assets - net		7,162	1,835
		10,506	4,484
		21,902	20,381

		2014	2013
		Rupees in '000's	Rupees in '000's

28. TAXATION

	Note	2014	2013
Current			
- For the year	28.1	20,235	-
- Prior year		5,982	-
		26,217	-
Deferred		132,133	124,193
		158,350	124,193

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

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

	Note	2014	2013
		Rupees in '000's	Rupees in '000's
28.2 Relationship between tax expense and accounting profit			
Accounting profit before taxation		739,149	1,254,115
Tax on accounting profit @ 34% (2013: 35%)		251,311	438,940
Tax effects of :			
- Turnover tax		113,346	-
- Prior year charge		5,982	-
- Income chargeable to tax at reduced rate		(16,122)	(43,295)
- Effect of tax credit		(48,440)	(90,384)
- Adjustment of unabsorbed depreciation previously unrecognised		(135,214)	(161,312)
- Effect of change in tax rate		2,832	-
- Effect of tax on investments		(37,241)	-
- others		21,896	(19,756)
		158,350	124,193

29. EARNINGS PER SHARE - Basic And Diluted

		2014	2013
There is no dilutive effect on the basic earnings per share of the Company which is based on			
Profit for the year	Rupees in '000	**580,799**	1,129,922
Number of ordinary shares		**23,437,500**	23,437,500
Earnings per share	Rupees	**24.78**	48.21

30. REMUNERATION OF DIRECTOR AND EXECUTIVES

. The aggregate amount charged in the financial statements for the year for remuneration, including benefits, to the director and executives of the Company were as follows:

	2014		2013	
	Director	Executives	Director	Executives
	Rupees in '000's			
Remuneration	1,937	8,101	1,937	6,666
House rent	270	3,108	270	2,558
Utilities	193	854	193	667
Bonus	-	375	-	300
Medical	-	490	-	294
Leave encashment	-	351	-	333
	2,400	**13,279**	2,400	10,818
Number of persons	**1**	**13**	1	11

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

30.2 The Chief Executive is not drawing any remuneration.

30.3 Meeting fee of Rs. 0.048 million (2013: 0.050 million) has been paid to seven Directors.

31. PRODUCTION CAPACITY

	2014	2013
Spinning Mill		
Total number of spindles installed	246,224	242,528
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	261,691,233	260,249,216
Installed capacity after conversion into 20's (Kgs)	99,126,655	98,581,165
Actual capacity after conversion into 20's (Kgs)	93,864,989	92,511,513
Actual production (Kgs)	58,181,748	54,563,952

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

32. RELATED PARTY TRANSACTIONS

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

Name of Related Party	Nature of Transaction	2014 Rupees in '000's	2013 Rupees in '000's
Associated companies			
- Common Directorship			
Lucky Cement Limited	Purchase of cement	18,933	8,618
Fazal Textile Mills Limited	Yarn sold	158,039	266,788
	Doubling charges	-	1,540
	Waste sales	-	21,402
	Purchase of machinery	2,800	2,850
	Open hand charges	15,313	-
Lucky Knits (Private) Limited	Yarn sold	396,898	257,569
	Purchase of machinery	-	350
Yunus Textile Mills Limited	Yarn sold	294,219	188,958
Feroze 1888 Industries Limited	Yarn sold	259,200	193,486
Lucky Textile Mills Limited	Purchase of Grey cotton cloth	214	2,269
	Yarn sold	1,124,496	1,284,598
Lucky Energy (Pvt) Limited	Purchase of electricity	341,596	264,927
Yunus Energy Limited	Expenses charged	-	7,382
	Advance against shares	23,351	21,500
Lucky Holdings Limited	Investment in shares	-	74,920
-Common Directorship and Shareholding			
ICI Pakistan Limited	Purchase of fibre	1,264,092	545,056
(Common Directorship and Shareholding)	Investment in shares	-	1,114,963
	Dividend received	23,924	11,962

33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Financial instruments by category

	2014 Rupees in '000's	2013 Rupees in '000's
FINANCIAL ASSETS		
Loans and receivables		
Long-term loans	19,912	13,824
Long-term deposits	20,974	20,973
Trade debts	1,079,098	1,172,120
Loans and advances	32,651	16,117
Trade deposits	1,310	5,490
Other receivables	2,767	1,956
Cash and bank balances	331,879	480,240
	1,488,591	1,710,720
Investment at fair value through profit or loss		
Short-term investment	49,008	37,612
	1,537,599	1,748,332
FINANCIAL LIABILITIES		
At amortised cost		
Long-term financing	26,719	44,533
Trade and other payables	1,002,779	966,937
Accrued mark-up	142,271	68,166
Short-term borrowings	7,596,319	5,832,738
	8,768,088	**6,912,374**

33.2 Financial risk management

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

33.2.1 Credit risk and concentration of credit risk

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

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

		2014	2013
		Rupees in '000's	Rupees in '000's
Long-term loans		19,912	13,824
Long-term deposits		20,974	20,973
Trade debts		1,079,098	1,172,120
Advances		32,651	16,117
Trade deposits		1,310	5,490
Other receivables		2,767	1,956
Bank balances		322,063	476,298
		1,478,775	1,706,778

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

33.2.2 Liquidity risk

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

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

June 30, 2014	Within 1 year	2 - 5 years	More than 5 years	Total
		Rupees in '000's		
Financial liabilities				
Long-term financing	19,372	9,218	-	28,590
Trade and other payables	1,002,779	-	-	1,002,779
Accrued mark-up	142,271	-	-	142,271
Short-term borrowings	7,596,319	-	-	7,596,319
	8,760,741	**9,218**	**-**	**8,769,959**

June 30, 2013	Within 1 year	2 - 5 years	More than 5 years	Total
		Rupees in '000's		
Financial liabilities				
Long-term financing	20,619	28,591	-	49,210
Trade and other payables	966,937	-	-	966,937
Accrued mark-up	68,166	-	-	68,166
Short-term borrowings	5,832,738	-	-	5,832,738
	6,888,460	28,591	-	6,917,051

33.2.3 Market risk

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

		2014	2013
		Rupees in '000's	Rupees in '000's
Investment at fair value through profit or loss			
- held for trading		**49,008**	37,612

In case of 10% increase / decrease in fair value of equity securities on June 30, 2014, income / (loss) for the year would be affected by Rs. 4.9 million (2013: Rs. 3.76 million) as a result of gain / loss.

Interest rate risk

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

		Carrying Amount 2014	2013
		Rupees in '000's	Rupees in '000's
Fixed rate instruments			
Financial assets		-	21
Financial liabilities - SBP LTF-EOP		**(26,719)**	(44,533)
Variable rate instruments			
Financial liabilities			
- KIBOR based		(5,764,589)	(2,839,377)
- LIBOR based		(1,831,730)	(2,993,361)
		(7,596,319)	(5,832,738)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in KIBOR based financial liabilities and 25 basis points change in LIBOR based financial liabilities at the reporting date would have increased / (decreased) equity and profit or loss by Rs. 62.22 million (2013: Rs. 35.87 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as in 2013.

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

	2014	2013	2014	2013
	USD		PKR in '000's	
Trade debts	6,276,128	7,839,531	616,331	770,358
Foreign currency bank balances	359,657	362,200	35,530	35,640
Import loan (LC's)	(16,509,978)	(14,799,091)	(1,630,360)	(1,462,150)
Export finance	(500,000)	(15,059,009)	(49,375)	(1,487,830)
Accrued mark-up	(94,133)	(43,083)	(9,296)	(4,257)
	JPY		PKR in '000's	
Import loan (LC's)	(48,000,000)	-	(46,651)	-
Accrued mark-up	(336,000)	-	(327)	-
Foreign bills payable	-	(23,857,800)	-	(23,843)
	EURO		PKR in '000's	
Foreign currency bank balances	75	75	10	10
Import loan (LC's)	(779,857)	(336,000)	(105,236)	(43,381)
Accrued mark-up	(2,130)	-	(287)	-

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2014	2013	2014	2013
US Dollars to PKR	102.89	96.86	98.75 / 98.55	98.8 / 98.6
Yen to PKR	1.0181	1.1103	0.9748 / 0.9728	0.9994 / 0.9974
Euro to PKR	139.64	125.39	134.73 / 134.46	129.11 / 128.85

As at June 30, 2014, if the Pakistani Rupee had weakened / strengthened 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. 119.97 million (2013: Rs. 221.55 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in 2013.

34. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

Fair value hierarchy

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

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

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

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

As at June 30, 2014, short term investment was categorised in level 1 (2013: level 1).

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

35. CAPITAL RISK MANAGEMENT

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

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

36. OPERATING SEGMENT

36.1 These financial statements have been prepared on the basis of single reportable segment.

36.2 Revenue from sales of yarn represents 97% (2013: 96%) of total revenue whereas, remaining represents revenue from sales of waste material.

36.3 All non current assets of the Company as at June 30, 2014 are located in Pakistan.

36.4 56% (2013: 53.5%) of sales of yarn are local sales whereas 44% (2013: 46.5%) of sales are export / foreign sales. All sales were made to external customers. Sales to individual foreign country represents 77% (2013: 28%) of total sales of Company.

36.5 Revenue from single major customer of the Company represent 24% (2013: 16%) of total revenue of the Company.

37. GENERAL

37.1 Corresponding figures amounting to Rs. 15.208 million have been reclassified within profit and loss account from administrative expenses to cost of sales for the purpose of better presentation.

37.2 The Board of Directors proposed a final dividend for the year ended June 30, 2014 of Rs. 5 /- per share (2013: Rs. 12.50 per share) amounting to Rs. 117.188 million (2013: Rs. 292.98 million) at their meeting held on September 8, 2014, 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 it is approved.

37.3 These financial statements were authorized for issue on **September 08, 2014** by the Board of Directors of the Company.

MUHAMMAD YUNUS TABBA
CHAIRMAN / DIRECTOR

MUHAMMAD SOHAIL TABBA
CHIEF EXECUTIVE

NOTICE OF 27th ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of the members of Gadoon Textile Mills Limited will be held on Wednesday, October 29, 2014 at 2:30 p.m. at Karachi Project, 57 K.M., Super Highway, Karachi to transact the following business:

1. To confirm the minutes of Extraordinary General Meeting held on May 05, 2014.

2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2014 together with the Directors' and Auditors' report thereon.

3. To approve cash dividend @ Rs.5.00 per share for the year ended June 30, 2014 as recommended by the Directors.

4. To appoint Auditors for the year ending June 30, 2015 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 04, 2014

NOTES:

1. The Share Transfer Book of the Company will remain closed from Wednesday, October 22, 2014 to Wednesday, October 29, 2014 (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 Tuesday, October 21, 2014, will be considered in time for the purpose of above entitlement to the transferees.

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

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

4. The members are requested to notify change in their addresses, if any, to our Share Registrar/Transfer Agent M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi-74400.

PATTERN OF SHAREHOLDING
As at June 30, 2014

No. of Shareholders	Shareholdings From	To	Total Shares Held
581	1	100	24,498
594	101	500	159,662
385	501	1000	312,241
239	1001	5000	564,267
51	5001	10000	406,065
19	10001	15000	241,287
9	15001	20000	159,937
8	20001	25000	188,165
1	25001	30000	29,000
1	35001	40000	37,000
1	65001	70000	68,600
1	105001	110000	108,597
1	110001	115000	115,000
1	115001	120000	117,187
3	140001	145000	421,875
1	200001	205000	201,500
1	270001	275000	273,750
1	285001	290000	287,000
1	295001	300000	296,875
1	400001	405000	402,400
1	1055001	1060000	1,056,600
1	4780001	4785000	4,780,500
1	13185001	13190000	13,185,494
1,903			**23,437,500**

SHAREHOLDERS' CATEGORY	Number of Shareholders	Number Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	7	12,500	0.05
Associated Companies, undertakings and related parties	2	17,965,994	76.65
NIT and ICP	3	32,550	0.14
Public Sector Companies and Corporations	3	1,058,103	4.51
Banks Development Financial Institutions, Non Banking Fianancial Institutions	1	10,000	0.04
Insurance Companies	3	440,400	1.88
Modarabas and Mutual Funds	6	232,790	0.99
General Public			
a. Local	1853	3,476,333	14.83
b. Foreign	2	17,062	0.07
Others (to be specified)	23	191,768	0.82
Share holders holding 5%			
YB PAKISTAN LIMITED - ASSOCIATED COMPANY	1	4,780,500	20.40
Y.B. HOLDINGS (PRIVATE) LIMITED - ASSOCIATED COMPANY	1	13,185,494	56.26
	1903	**23,437,500**	**100.00**

SHAREHOLDERS' CATEGORY	Number of Shareholders	Number Shares Held	Percentage %
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
YB PAKISTAN LIMITED	1	4,780,500	20.40
Y.B. HOLDINGS (PRIVATE) LIMITED	1	13,185,494	56.26
MUTUAL FUNDS			
CDC - TRUSTEE JS AGGRESSIVE ASSET ALLOCATION FUND	1	37,000	0.16
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	25,000	0.11
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	29,000	0.12
MCBFSL - TRUSTEE JS GROWTH FUND	1	115,000	0.49
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	22,290	0.10
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN			
MR. MUHAMMAD YUNUS TABBA (DIRECTOR)	1	2,000	0.01
MR. MUHAMMAD SOHAIL TABBA (DIRECTOR)	1	2,000	0.01
MR. MUHAMMAD ALI TABBA (DIRECTOR)	1	2,000	0.01
MR. JAWED YUNUS TABBA (DIRECTOR)	1	2,000	0.01
MRS. MARIAM TABBA KHAN (DIRECTOR)	1	2,000	0.01
MRS. RAHILA ALEEM (DIRECTOR)	1	2,000	0.01
MR. MOIN MUHAMMED FUDDA (DIRECTOR)	1	500	0.00
EXECUTIVES	-	-	-
Public Sector Companies and Corporations	6	1,090,653	4.65
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	6	563,497	2.40
SHARE HOLDERS HOLDING 5% OR MORE			
Y.B. HOLDINGS (PRIVATE) LIMITED - ASSOCIATED COMPANY	1	13,185,494	56.26
YB PAKISTAN LIMITED - ASSOCIATED COMPANY	1	4,780,500	20.40

GLOSSARY

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

DIVIDEND MANDATE

Dear Member / Shareholder

WITHHOLDING TAX ON DIVIDENDS

In pursuance to the Finance Act 2014 the withholding tax rates have been revised and it has been directed that all non-filers of Income Tax returns will be taxed @ 15%. However, the regular filers of Income Tax return will continue to be taxed @ 10%.

You are therefore requested to please send the information related to your NTN number along-with documentary evidence of your latest tax filed E-return, in case your name is not appearing in the active tax payer list available and updated by Federal Board of Revenues (FBR) from time to time at FBR website http://www.fbr.gov.pk

If we do not receive your reply along-with required documentary evidence by October 15, 2014, we will have no option but to deduct 15% withholding tax from your dividend, if declared by the board and subsequently approved by shareholders.

Please treat the matter as most urgent.

CNIC SUBMISSION (MANDATORY)

In pursuance of the directives of the Securities and Exchange Commission of Pakistan (SECP) vide their SRO 779(1) dated August 18, 2011 and various notices published by the Company in national newspapers and circulated from time to time. It is therefore, once again requested to those shareholders who have not yet submitted their Computerized National Identity Card(CNIC), to immediately send us a photocopy of their valid CNIC by October 15, 2014, failing which dividend warrants to those shareholders will be withheld under intimation to regulator till such time they provide the valid copy of their CNIC.

DIVIDEND MANDATE

The SECP through its notification No. 8(4)/SM/CDC-2008 dated April 5, 2013 has advised that the shareholders who have provided bank mandate should be paid dividend by transferring directly to their respective bank accounts (e-dividend mechanism); therefore, the registered shareholders of **GADOON TEXTILE MILLS LIMITED**, are requested to provide the following details in order to credit their cash dividends directly to their bank account, if declared:

(i) in case of book-entry securities in CDS, to CDS Participants; and

(ii) In case of physical securities to the Company's Share Registrar as mentioned below.

S. No.	Shareholder/Member Details	
1.	Shareholder's Name	
2.	Father's / Husband's Name	
3.	Folio Number	
4.	Postal Address:	
5.	Name of Bank	
6.	Name of Branch	
6.	Address of Branch	
7.	Title of Bank Account	
8.	Bank Account Number (Complete with code)	
9.	IBAN Number * (Complete with code)	
10.	Cell Number	
11.	Telephone Number (if any)	
12.	CNIC Number (attach copy)	
13.	NTN (in case of corporate entity, attach copy)	

*IBAN number (International Bank Account Number) will be provided by your banker, containing alpha, numeric and without any space.

Share Registrar: Central Depository
Company of Pakistan Limited
99-B, Block - B, S.M.C.H.S.
Shahrah-e-Faisal Karachi.

Yours truly,

Signature of Member/Shareholder

Abdul Sattar Abdullah
Company Secretary

Gadoon Textile Mills Limited
Legal & Corporate Affairs Department
7-A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi-75350.
Phone No.: (92-21) 3520 5479-80 Fax: (92-21) 3438 2436. E-mail: secretary@gadoontextile.com

FORM OF PROXY

The Company Secretary,

GADOON TEXTILE MILLS LIMITED

7-A, Muhammad Ali Housing Society,

Abdul Aziz Haji Hashim Tabba Street,

Karachi

I/We of

in the district of

being 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 27th Annual General Meeting of the Company to be held on October 29, 2014 and at any adjournment thereof.

Signed this day of 2014.

Members Signature

Affix Revenue Stamp of Rs. 5/=

Folio No./CDC No.

No. of shares held

CNIC No.

AFFIX
CORRECT
POSTAGE

The Company Secretary,
GADOON TEXTILE MILLS LIMITED,
7–A, Muhammad Ali Housing Society,
Abdul Aziz Haji Hashim Tabba Street, Karachi-75350
Phone No.: (92-21) 3520 5479-80 Fax: (92-21) 3438 2436
E-mail: secretary@gadoontextile.com

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

LIAISON OFFICE
Syed's Tower, Third Floor, Opposite Custom House,
Jamrud Road, Peshawar
Phone No.: 091-5701496
Fax No.: 091-5702029
E-mail: secretary@gadoontextile.com

FACTORY LOCATIONS

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

We would like to thank **MR. ARSALAN MOTEN**, **MR. HAFIZ MUHAMMAD** and **MR. FAHAD SAHAR** for their tremendous support and contribution to our Annual Report.

Designed by Wizard of Oz

Gadoon Textile Mills Limited

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

A Part of
YBG