

**Gadoon Textile Mills Limited**

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[gadoontextile.com](http://gadoontextile.com)

# All for One, One for All.

Annual Report 2018

DCIP/THE D'HAMIDI PARTNERSHIP/DESIGN



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# All for Prosperity, Prosperity for All.

Company Information



# Company Information

## Board of Directors

Mr. Muhammad Yunus Tabba (Chairman)  
Mr. Muhammad Sohail Tabba (Chief Executive Officer)  
Mr. Muhammad Ali Tabba  
Mr. Imran Yunus Tabba  
Mr. Jawed Yunus Tabba  
Ms. Mariam Tabba Khan  
Ms. Zulekha Tabba Maskatiya  
Mr. Saleem Zamindar (Independent Director)

## Audit Committee

Mr. Saleem Zamindar (Chairman)  
Mr. Muhammad Ali Tabba  
Mr. Jawed Yunus Tabba  
Ms. Zulekha Tabba Maskatiya

## HR and Remuneration Committee

Mr. Saleem Zamindar (Chairman)  
Mr. Jawed Yunus Tabba  
Ms. Zulekha Tabba Maskatiya

## Executive Director Finance and Company Secretary

Mr. Abdul Sattar Abdullah

## Chief Financial Officer

Mr. Muhammad Imran Moten

## Auditors

Deloitte Yousuf Adil  
Chartered Accountants  
A Member of Deloitte Touche Tohmatsu

## Chief Internal Auditor

Mr. Haji Muhammad Mundia

## Registered Office

200-201, Gadoon Amazai Industrial Estate,  
Distt. Swabi, Khyber Pakhtunkhwa  
Phone: 093-8270212-13  
Fax: 093-8270311  
E-mail: secretary@gadoontextile.com

## Karachi Office

7-A, Muhammad Ali Society, Abdul Aziz Haji Hashim  
Tabba Street, Karachi 75350.  
Phone: 021-35205479-80  
Fax: 021-34382436

## Liaison Office

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

## Factory Locations

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

## Bankers

Allied Bank Limited  
Askari Bank Limited  
Bank Al-Falah Limited  
Bank Al-Habib Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Standard Chartered Bank Pakistan Limited  
The Bank of Punjab  
The Bank of Khyber  
United Bank Limited

## E-Communication

Website: [www.gadoontextile.com](http://www.gadoontextile.com)  
Facebook: [www.facebook.com/Gadoontextile/](https://www.facebook.com/Gadoontextile/)  
Linkedin: [www.linkedin.com/company/gadoontextilemillslimited](https://www.linkedin.com/company/gadoontextilemillslimited)

## Share Registrar / Transfer Agent

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

# Gadoon at a Glance

We at Gadoon Textile Mills Limited (GTML) are primarily engaged in the textile industry of Pakistan, the fiber spinning and knitting sector markedly. The company operates in the B2B segment of the industry and its production facilities comprise of spinning and processing all categories of cotton and manmade fiber including knitting home textile and jersey. Our customer's portfolio includes a portion of the greatest names in textile business of Pakistan and abroad. We appreciate connections that have been fashioned, kept up and reinforced amid the previous thirty years.

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

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

Despite the fact that the Government unilaterally withdrew the incentive in 1991 that it offered for setting up industrial units, the management of GTML decided to continue its operations and further strive to achieve its goals. It is the timeless effort of GTML that made it "ONE OF THE LARGEST SPINNING UNITS OF PAKISTAN"

Following are some of the products that we manufacture:

- Compact Yarn
- Murata Jet Spun Yarn
- Core Spun Yarn
- 100% Grey Cotton Ring Spun Yarn
- Man Made / Blended Yarn
- Poly/Cotton Yarn
- Murata Vortex Spun Yarn
- Open-End Yarn
- Siro Yarn
- Lycra Yarn
- Slub Yarn
- Slub Core Spun Yarn

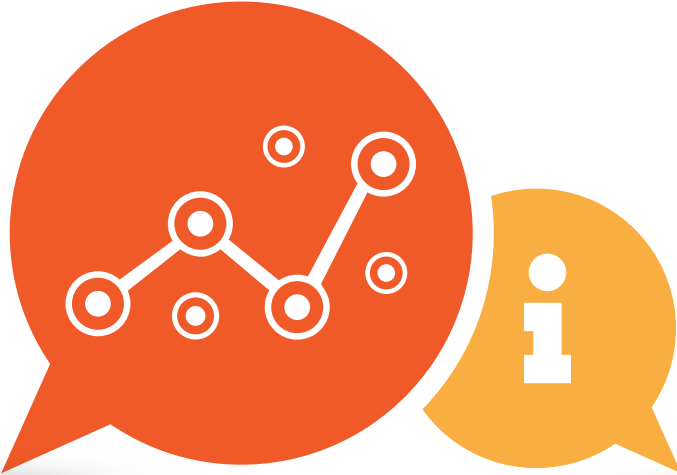
- Compact Core Spun Yarn
- Double Compact Spun Yarn on Ring Machine (Without Doubling)
- Ring Spun/Compact Spun Double Yarn on Doubling Machine

## Brands

Koyal and peach are two of our brands having significant prominence in the market.

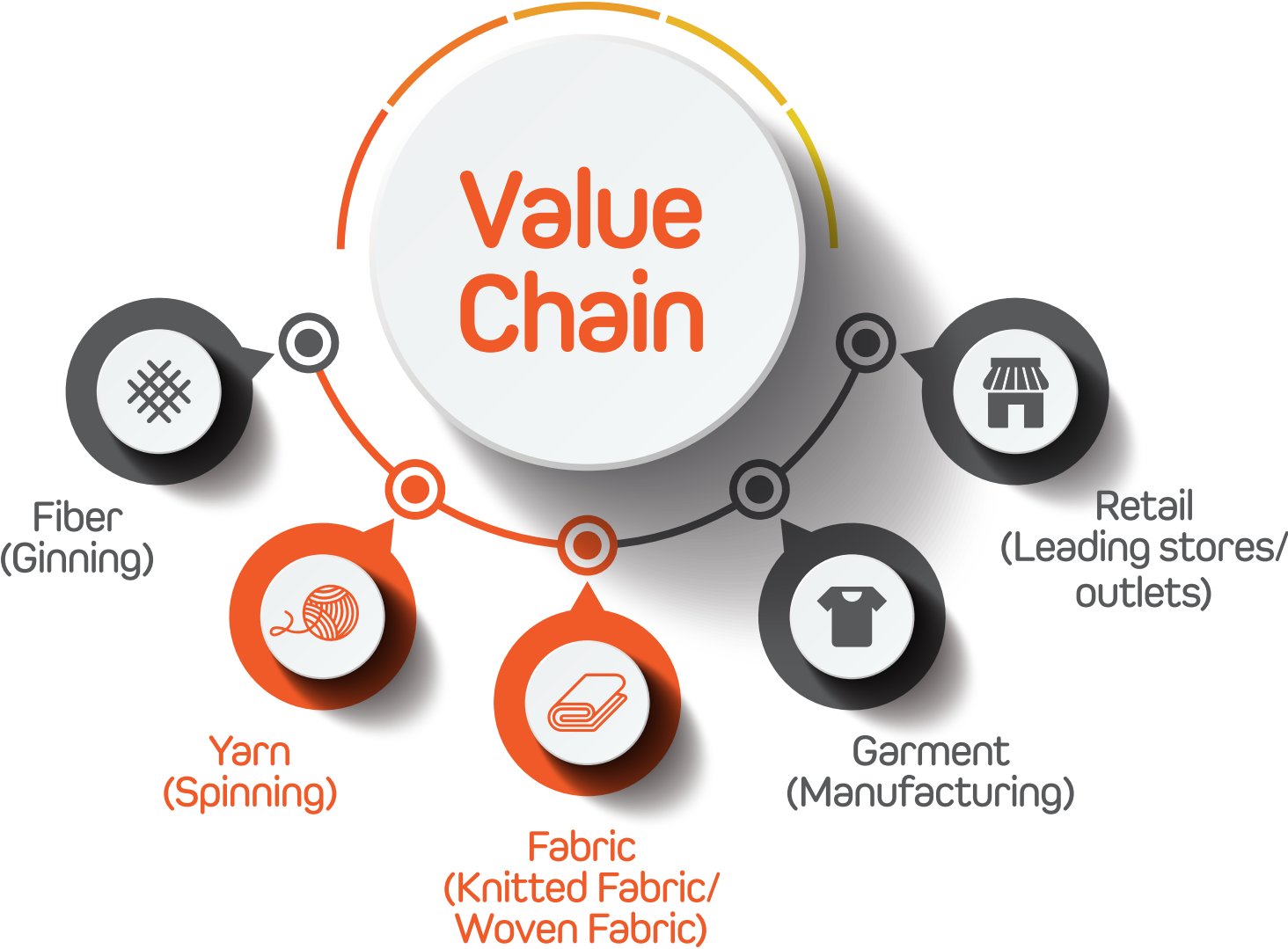
## Knitted Fabric

- Grey and Dyed Fabric
- Knitted Fitted Sheet /Comforter





# Value Chain



Gadoon is a mill with a greater share of thrills. Having started with a little over 14,000 spindles 30 years ago, we have over 300,000 spindles today that are at the heart of our state of the art, environmentally-friendly plant where even the waste-heat is recovered, reused and re-purposed alongside our own power generation facility that gives us the independence to never stop working for you.

The rewards of our work ethic have further empowered us to merge, acquire and spread our investments across a diverse portfolio of vertically and horizontally integrated industries — including wind, solar and hydel projects that help us forestall potential energy shortfalls. With all this, and more, we know that three decades might seem like a long time to some. But, at Gadoon, it's just another day where we get to go back to work on our singular promise of signature quality for you. Here's to the next 30...

# Group Information

## About YBG

YBG is one of the biggest conglomerates in Pakistan with diversified interests in textiles, building materials, real estate, power generation, chemicals, pharmaceuticals, food and automotive. 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 in Pakistan.

## YB Holdings (Private) Limited

Y.B. Holdings (Private) Limited was incorporated in Pakistan in the year 2013 as a Group Holding Company. The Company invests mainly in its group companies and has a diverse portfolio in building materials, textiles, energy, chemical, trading, food and real estate.

## Y.B. Pakistan Limited (YBPL)

Yunus brothers started business in 1962 as partnership by Mr. Abdul Razzak Tabba (Late) and Mr. Yunus Tabba. Initially, trading of grey cloth was the main business. However, with the time the firm started dealing in other commodity items e.g. wheat, rice, corn and other pulse items. In order to encourage corporate culture, the management decided in 2012 to convert the partnership firm into a public limited company with name and style of Y.B. Pakistan Limited. The company has diversified portfolio of investment in various segment of businesses.

## Lucky Textile Mills Limited (LTML)

Lucky Textile Mills Limited was established in 1983 and has since then remained one of the leading textile manufacturers in the country to-date. The Company is engaged in the activity of manufacturing and export of fabrics, home textile and garments.

It has 4 state-of-the-art weaving mills that house 761 Sulzer Shuttle-less looms and 264 Air Jet looms which are equipped with computerized back process comprising of Karl Mayer warping and sizing machines.

It has the capacity to process 72 million meters per annum of fabric. Further LTML has its own power generation facility of 6 Megawatts (MW).

The stitching division is equipped with sophisticated high tech machines that can stitch fabrics and transform them into home textile as well as apparel products with a high degree of precision. Stitching machines include Juki, Brother, Kansai, and automated Texpa plant.

## Aziz Tabba Foundation (ATF)

ATF is a not-for-profit organization, recognized in 1987. It is a platform of social activities dedicated in serving humanity in several vital areas of life. The Foundation renders its services to fulfill the need of underprivileged people by providing them shelter, education, marriage, health care, vocational training program, laptop support, equipment support, monthly aid, self-employment scheme (motorcycle) and Ramadan ration support to bring prosperity and change to uplift the living standard of society. The foundation has successfully introduced rickshaw support under self-employment scheme recently.

## Gadoon Textile Mills Limited (GTML)

GTML was established in 1988 and started production in the year 1990. Initially it started its operations with only 14,400 spindles. However, with the advent of installation of state-of-the-art automatic machinery and merger with Fazal Textile Mills Limited, increased its capacity to 332,724 spindles. GTML has 2 manufacturing facilities located at Gadoon Amazai – Khyber Pakhtunkhwa and at Karachi – Sindh. The Company also has a captive power plant with a generation capacity of around 57 MW. GTML is listed on the Pakistan Stock Exchange (PSX)."

## Lucky Cement Limited (LCL)

Founded in 1993, Lucky Cement Limited stands as the flagship company of YBG. LCL is one of the largest producers and leading exporters of quality cement in Pakistan and is listed on the PSX. The Company has also issued Global Depository Receipts (GDRs), listed and traded on the Professional Securities Market of the London Stock Exchange.

Over the years, the Company has grown substantially and is expanding its business operations with production facilities at strategic locations in Karachi to cater to the Southern regions and Peshawar, Khyber Pakhtunkhwa to furnish the Northern areas of the Country. Lucky Cement is Pakistan's first Company to export sizeable quantities of loose cement being the only cement manufacturer to have its own loading and storage terminal at Karachi Port.

Lucky Cement strives to remain an efficient and low cost producer and is one of the pioneers to introduce and install Waste Heat Recovery (WHR) and Refuse Derived Fuel (RDF) and Tyre Derived Fuel (TDF) Plants in Pakistan. It also has self-sufficient captive power generation facility of 180 MW and also supplies additionally generated electricity to support the National grid. Lucky Cement owns a fleet of Bulkers and trailers, which gives added advantage in terms of logistics and efficient deliveries to all types of costumers spread across the length and breadth of the Country.

## Lucky Energy (Private) Limited (LEPL)

LEPL is a Captive Power Producer (CPP) under National Electric Power Regulatory Authority (NEPRA) incorporated in July 1993. LEPL, is a gas-based thermal power generation unit, with total production capacity of 56.575 MW. It is equipped with one of the most sophisticated and highly-efficient generators and supplies uninterruptible power to its group companies.

## Aziz Tabba Kidney Centre (ATKC)

ATKC started its services as Aziz Tabba Dialysis Centre (ATDC) in 1995 as a Hemodialysis unit with four dialysis machines. Over the years, it grew into one of the largest Hemodialysis center in the country. At present ATKC is a 100 bed tertiary care center providing comprehensive services both in Adult and Peds nephrology and urology.

In 2010, it became an ISO certified institution and at the time took the honor of the only ISO 9001:2008

certified renal care providing facility in Pakistan. The hospital has a well-established hemodialysis clinic with 36 dialysis stations. Currently it has about 300 patients enrolled in its maintenance hemodialysis program and performs over 40,000 dialysis sessions every year.

## Yunus Textile Mills Limited (YTML)

YTML is a vertically integrated home textile unit established in 1998, consisting of spinning, weaving, printing, dyeing, finishing and cut & sews with a workforce of 3,700 employees. In a span of 10 years it became the no. 1 home textile exporter of Pakistan with almost 10% share of all home textiles exported. The company has its international warehousing, distribution and design development offices in USA, UK and France.

## Tabba Heart Institute (THI)

THI has an internationally trained and globally experienced team of Cardiologists, Surgeons, technicians, dedicated nursing teams and specifically trained paramedical staff. Its focus and prime objective is quality care at affordable cost. This is a part of the acclaimed American College of Cardiology database that sets our services at par with international standards. THI is a 170 bed hospital supported by Cardiac Emergency Room, Operation Theatres, Catheterization Labs, Consultant Clinics, Clinical Laboratory, Pharmacy and one of its kind Preventive Cardiology & Rehabilitation Department. It is a modern, specialty Cardiac Care hospital committed to delivering the highest standards of Cardiac care, be it having the finest doctors, cutting edge technology, state-of-the-art infrastructure or nursing with a smile. In June 2018, THI successfully inaugurated the first of its kind, Emergency first & Laboratory Collection Unit following the launch of DHA Diagnostic & Consultation Centre in April 2018.

## Lucky Knits (Private) Limited (LKL)

Established in 2005, LKL has become one of the leading value added fashion garment company of Pakistan. The company is involved in the manufacturing

and exports of knitted apparel with the product line ranges from T- shirts, polo shirts, hoodies, trousers and undergarments having large variety of styles in casual and sportswear. State of the art vertically integrated manufacturing facility helps to achieve efficiency at every stage of the process and ensure customer satisfaction in terms of value, quality and delivery of products.

### LuckyOne (Private) Limited (LOPL)

LOPL is a project company, which after constructing the Lucky One Mall, is now constructing Lucky One Apartments, which will be a magnificent, multifaceted, first-of-its-kind high-end residential complex that will revolutionize the luxury living experience in Pakistan. Lucky One Apartments integrate 7 elegant residential towers and a large 8 - acre Rooftop Park. The project comprises of two phases of which Phase -1 is being launched. Conveniently situated at the prime location of Karachi on main Rashid Minhas Road. The apartments are easily accessible through major flyovers of Karachi. The unbeatable mix of top class luxury apartments and high-end amenities like Swimming Pool, Gymnasium, Jogging Track, Tennis Courts, Reading Room, Event Hall, Play areas and the amazing 8 - acre Rooftop Park make Lucky One Apartments the premiere lifestyle destination for urban living in Karachi.

### Lucky Landmark (Private) Limited (LLPL)

LLPL owns the Lucky One Mall, which is a magnificent, multifaceted, first-of-its-kind regional shopping mall that will revolutionize the shopping experience in Pakistan. The Mall is home to over 200 stores and different services with the largest parking structure in Pakistan of more than 1500 parking spaces. It also includes largest indoor theme park in Pakistan known as Onederland, largest food court in Pakistan and the only food street of any mall plus a three story Atrium, ramp for fashion shows, banking enclave and a large area for musical concerts.

### Yunus Energy Limited (YEL)

YEL was incorporated as a Special Purpose Vehicle (SPV), with a corporate structure of a public unlisted company under SECP regulations, in the year 2011, to exclusively develop a 50 MW Wind Power Project in Dah Kohistan, Jhimpir, District Thatta. The project achieved financial close in February 2015 and initiated commercial operations in September 2016.

Project is equipped with the state-of-the-art European technology. Wind Turbine Generators (WTGs) have been manufactured by Nordex Energy Germany, one of the top WTG manufacturers from Europe; Electrical balance of plants has been supplied by Alstom France, a needling grid solution provider; whereas construction activities have been carried out by Descon Engineering Limited, the biggest construction and engineering company of Pakistan.

It is a clean energy project, harnessing the renewable wind resource for the generation of electric power without any carbon emissions. The project is supplying electricity to the national grid on regular basis post achieving Commercial Operations Date (COD) in September 2016.

### ICI Pakistan Limited (ICIP)

In December 2012, Lucky Holdings Limited along with other group companies acquired the shareholding of ICI Omicron B.V., heralding a new era for ICIP Limited as a part of the YBG. The company is engaged in the manufacturing of polyester staple fiber, POY chips, soda ash, specialty chemicals, sodium bicarbonate and polyurethanes, marketing of seeds, toll manufacturing and imported pharmaceuticals and animal health products and merchandising of general chemicals. It also acts as an indenting agent and toll manufacturer. ICIP also has investments in the business of manufacturing and sales of pharmaceutical products and infant milk powder. ICIP is listed on PSX.

### Lucky Air (Private) Limited (LAPL)

LAPL was incorporated in Pakistan on September 7, 2012 as a private limited company. The objective of the company is to operate passenger and cargo aircrafts for private as well as commercial use in Pakistan and internationally after obtaining the required permissions from government departments as applicable.

### Lucky Commodities (Private) Limited (LCPL)

Lucky Commodities is the largest South African coal supplier in Pakistan, a trading arm of the YBG, founded on three core values; integrity, quality and reliability, aim to provide exceptional customer service with utmost dedication and efficiency. These key values have served well in maintaining long-standing client relationships.

### Lucky Electric Power Company Limited (LEPCL)

LEPCL is formed as an IPP under Government of Pakistan Power policy. The company is wholly owned by LCL Holdings Limited and is in the process of setting up 660 MW Super Critical Power Project on Port Qasim using Thar Lignite. The Company has achieved financial close of the project on 25th June 2018 after fulfilling all the necessary conditions and accordingly, Private Power & Infrastructure Board (PPIB) has issued the necessary guarantee from the Government of Pakistan under the Implementation Agreement. The target date for Commercial Operations is 1st March 2021.

### Kia Lucky Motors Pakistan Limited (KLM)

KLM was incorporated in Pakistan in December 2016 as a public unlisted company. The objective of the company is to carry out the business of assembling, marketing, distribution and sales of Kia vehicles, parts and accessories in Pakistan in collaboration with Kia Motors Corporation, South Korea [part of Hyundai Motor Group]. KLM was awarded with category “A” greenfield investment status in June 2017 by the Ministry of Industries and Production and is the first company to get such status under Automotive Development Policy 2016 – 2021.

KLM started construction of the project in November 2017 and has also signed a New Entrant Agreement with Ministry of Industries & Production under the Automotive Development Policy 2016-2021 in December 2017. The Project aims to start commercial production in second quarter of 2019.

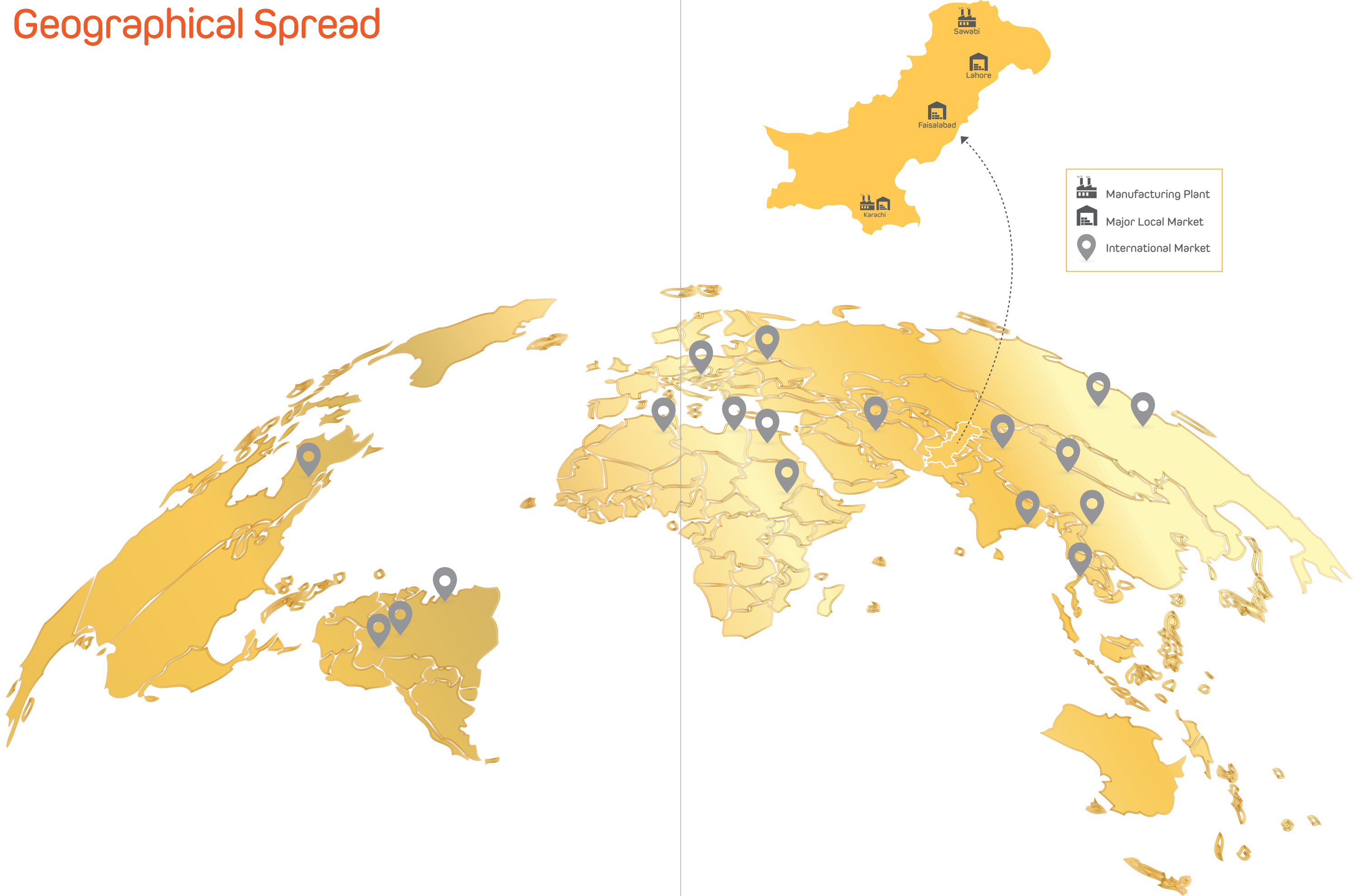
### Lucky Foods (Private) Limited (LFPL)

Incorporated in 2015, LFPL has a strategic aim to be one of the leading corporate dairy farms in Pakistan. The company is currently focusing on local animals and has also developed its retail shops and home delivery network to reach household consumers.

The company has also ventured into marketing of yogurt and plans to add more value added dairy products. The farm is located at Super Highway, Karachi. LFPL aims to be a leading player in food related products, across Pakistan and in the export market.



# Geographical Spread



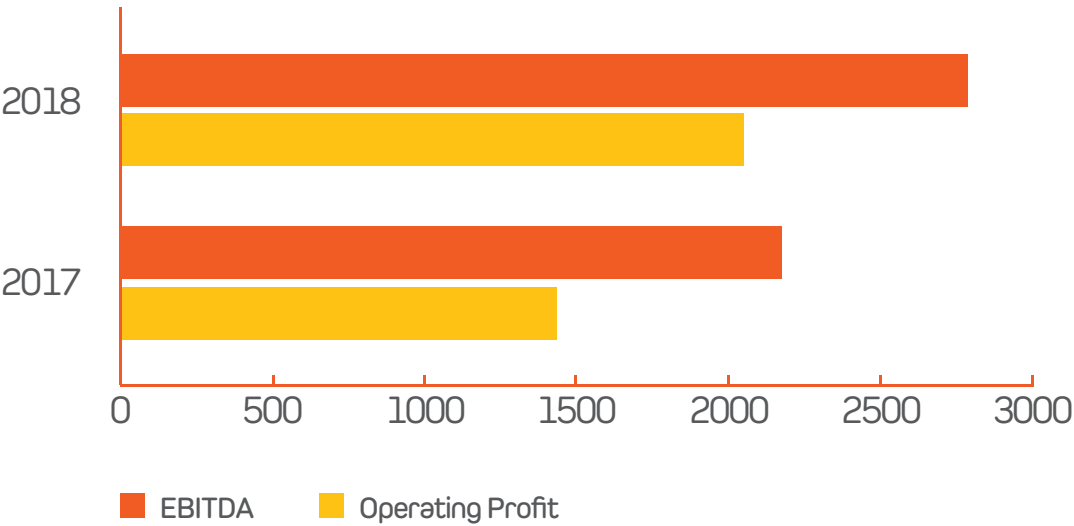


# Key Performance Indicators



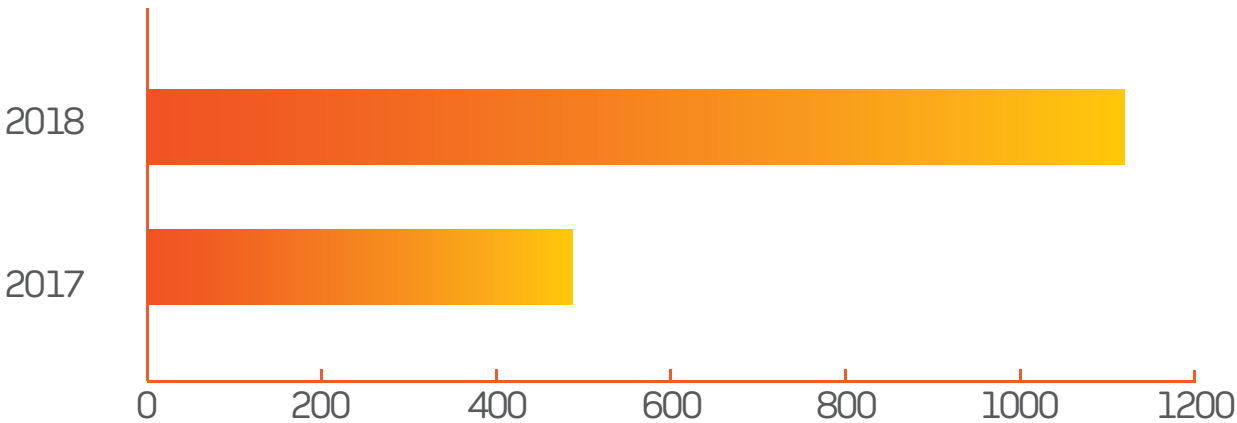
## Operating Results and EBITDA

Rs. in Million



## Capital Expenditure

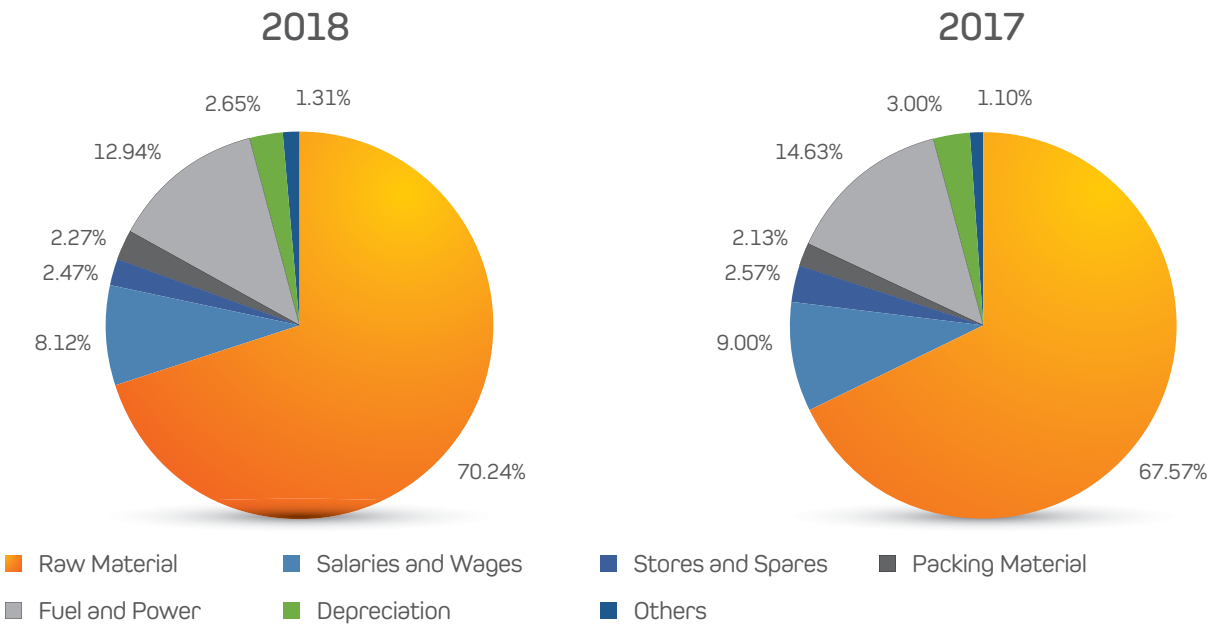
Rs. in Million



The management continuously monitors the above KPIs and significant deviations from previous year are investigated for corrective actions to be taken. Further, the board also review these KPI on a quarterly basis. The management anticipates these KPI's to be relevant in the future in order to assess Company's performance.

# Analysis of Costs

	2018		2017	
	Rs in '000	%	Rs in '000	%
Raw material	17,713,068	70.24%	15,252,169	67.57%
Salaries and wages	2,048,132	8.12%	2,030,634	9.00%
Stores and Spares	622,643	2.47%	579,050	2.57%
Packing Material	572,185	2.27%	481,821	2.13%
Fuel and Power	3,263,816	12.94%	3,302,058	14.63%
Depreciation	669,202	2.65%	676,031	3.00%
Others	330,471	1.31%	249,009	1.10%
Total	25,219,517	100.00%	22,570,772	100.00%



## Raw Material Composition

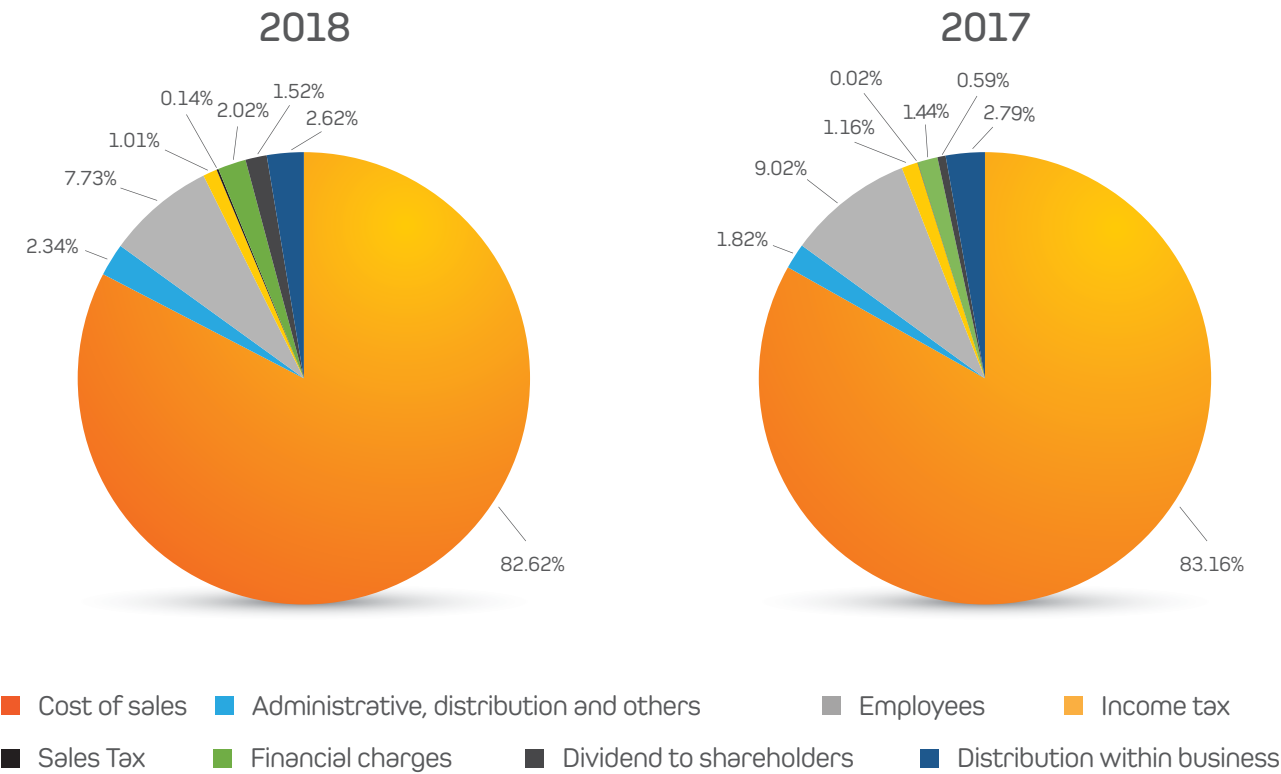
Bifurcation of raw material purchased during the year is as:

Imported		Local		Total	
KGS	Amount	KGS	Amount	KGS	Amount
60,784,408	12,921,826,524	45,467,633	6,950,504,476	106,252,041	19,872,331,000

If the Pakistani Rupee had weakened / strengthened by 10% against the US Dollars, Euros and Swiss Franc with all variables held constant, the raw material cost for the year would have been lower / higher by Rs. 1.29 billion. This analysis assumes that all other variables, in particular interest rates, remain constant.

# Statement of Value Additions and its Distribution

	2018		2017	
	Rs in '000	%	Rs in '000	%
<b>Wealth generated</b>				
Sales including sales tax	27,593,222	96.75%	23,253,553	97.23%
Other operating income	926,387	3.25%	661,782	2.77%
	<b>28,519,609</b>	<b>100.00%</b>	<b>23,915,335</b>	<b>100.00%</b>
<b>Wealth distribution</b>				
Cost of sales	23,561,665	82.62%	19,889,151	83.16%
Administrative, distribution and others	666,830	2.34%	436,383	1.82%
Employees	2,204,251	7.73%	2,157,287	9.02%
Income tax	288,350	1.01%	277,952	1.16%
Sales tax	38,535	0.14%	4,975	0.02%
Financial charges	574,682	2.02%	342,601	1.44%
Dividend to shareholders	434,459	1.52%	140,148	0.59%
Distribution within business	750,837	2.62%	666,838	2.79%
	<b>28,519,609</b>	<b>100.00%</b>	<b>23,915,335</b>	<b>100.00%</b>



# All for Dreams, Dreams for All.

## Vision, Mission, Culture and Core Values

### Vision

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

### Mission

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

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

### Culture

GTML embraces a culture which is driven by people-oriented approach and empowers a collaborative environment for employees. The management is committed to promote coherent culture, facilitating effective teamwork at workplace thus our strong belief in cultivating open-communication is reflected in all that we do. Frequent feedbacks and performance evaluation on various level are ensured to sustain equity and transparency of employees, which supplements mutual trust and respect among employees and with management.

### Core Values

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



# Objectives

## Overall Strategic Objectives

- To further reinforce our strengths and deliver maximum utility to our stakeholders, by investing in diversified businesses and aiming to explore the untapped markets;
- To acquire and implement innovative technology and techniques in order to enhance the overall productivity of the company;
- To maintain high ethical and professional standards and provide a healthy working environment for our employees;
- To promote awareness and encourage best customs to support environmental sustainability and;
- To contribute effectively as a corporate entity and play a vital role in flourishing the country’s economy.

## Management Objectives

### Objective 1

Sales Maximization and Global Footprint

**Strategy:** Maximize sales by exploring and entering new markets, hence increasing the global footprint of the Company.

**Priority:** High

**Timeline:** Short term

**Status:** Ongoing Process

**Opportunities / Threats:** Increased globalization, coupled with Government’s foreign policies (GSP+ etc.) status given to Pakistan has supported the industry in retention and further penetration in the market. However its withdrawal seems to be threat for the local companies in the prevailing situation where the government of regional competitors incentivizes local manufacturers. This poses a further threat to the entire sector, as well as issues, distinctly related to power, tariff, incentive schemes and increased conversion costs would impede progress in the long run if not dealt by the Government with high priority.

**Resource allocation plan:** In addition to the budget allocated for marketing to boost export sales and explore new markets, the management is placing efforts to build global image of the Company and for this reasons various activities are being planned for the coming year too. The company, being the member of various forums / associations like APTMA, Sahrhad Chambers and etc also attends Investment conferences and seminars both locally and globally, thus promoting its corporate image. Further, in order to ensure presence at various events / seminar, our ‘Corporate and Branding Team’ continuously monitors possible avenue and take active participation in them.

### Objective 2

Diversify risks and provide maximum return to shareholders by identifying and investing in diversified businesses.

**Strategy:** Expand within and outside the spinning sector by continuously seeking for viable avenues.

**Priority:** High

**Status:** An on-going process

**Timeline:** Medium Term

**Opportunities / Threats:** Diversifying into new avenues of business is a strategic decision that comes with uncertain business outcomes, high costs both in terms of capital expenditure as well as human capital requirements. GTML regularly searches for opportunities to invest and diversify its investments and risks, thus ensuring maximum value for its shareholders.

**Resource allocation plan:** In order to achieve this objective, GTML have strong financial standing and have sufficient available limits.

In order to manage investment in diversified projects, GTML have experienced management pool, their roles and responsibilities have also been appropriately assigned to dedicated team responsible for managing investments and their competency level have been ensured.

### Objective 3

Create and achieve overall business synergies by maintaining operational efficiencies.

**Strategy:** Constantly monitor the business processes and look for ways to make the overall process lean and efficient.

**Priority:** High

**Timeline:** Short term

**Status:** Ongoing process – Targets for the year achieved.

**Opportunities / Threats:** The Company strongly believes in the notion of continuous improvement and focuses on ways to improve overall efficiencies. Sometimes this requires employment of unconventional practices where outcomes maybe unfavorable.

**Resource allocation plan:** The company keeps significant focus on investment in the training and development of its staff and executives at various local and international levels. This helps staff and executives to improve their management and technical skills and to equip them with latest production techniques to enhance overall efficiency and effectiveness.

### Objective 4

Sustain Industry leadership.

**Strategy:** Planned and regular up-gradation of production facilities; timely deployment of the latest technological innovations and manufacturing techniques to maximize overall efficiencies and production of customer centric product.

**Priority:** High

**Timeline:** Long Term

**Status:** Ongoing process – Targets for the year achieved.

**Opportunities / Threats:** GTML to stay ahead of its’ competitors, and help achieve economies of scale

in the long run. Planned up-gradation helps the Company in ensuring minimum production downtime. However, the process of up-gradation and maintenance does result in high monetary costs initially.

**Resource allocation plan:** The Company in order to sustain industry leadership have been investing in technological advance machines and anticipates that in the coming years the Company will be able to rationalize its man power, which will bring in further value addition to the Company.

Further, the Company is also focusing on expanding its vertically integrated segment and accordingly budget has been allocated for the same.

## Significant Changes in Objectives and Strategies

The business objectives and strategies of the Company are developed through extensive research, planning and benchmark practices. To measure the Company’s performance against the stated objectives, Key Performance Indicators have been set, which are measured and regularly monitored by the management. There have been no material derivation from the targets’ set to achieve the strategic objective during the year.

## Relationship between the Company’s Results and Management’s Objectives

The overall management objectives are influenced by a variety of factor that includes strategic, commercial, operational and financial risks such as Government Policies, variation in prices of raw material and sluggish market demand. These risks have been explained in detail in the “RISK AND OPPORTUNITY” section of the Annual Report 2018.



Liquidity position:

The Company has adequate capital structure mainly supported by equity, with insignificant portion of long term finance.

	2018	2017
	Rupees in '000	
Equity	8,213,510	7,366,723
Long term loan	594,338	-

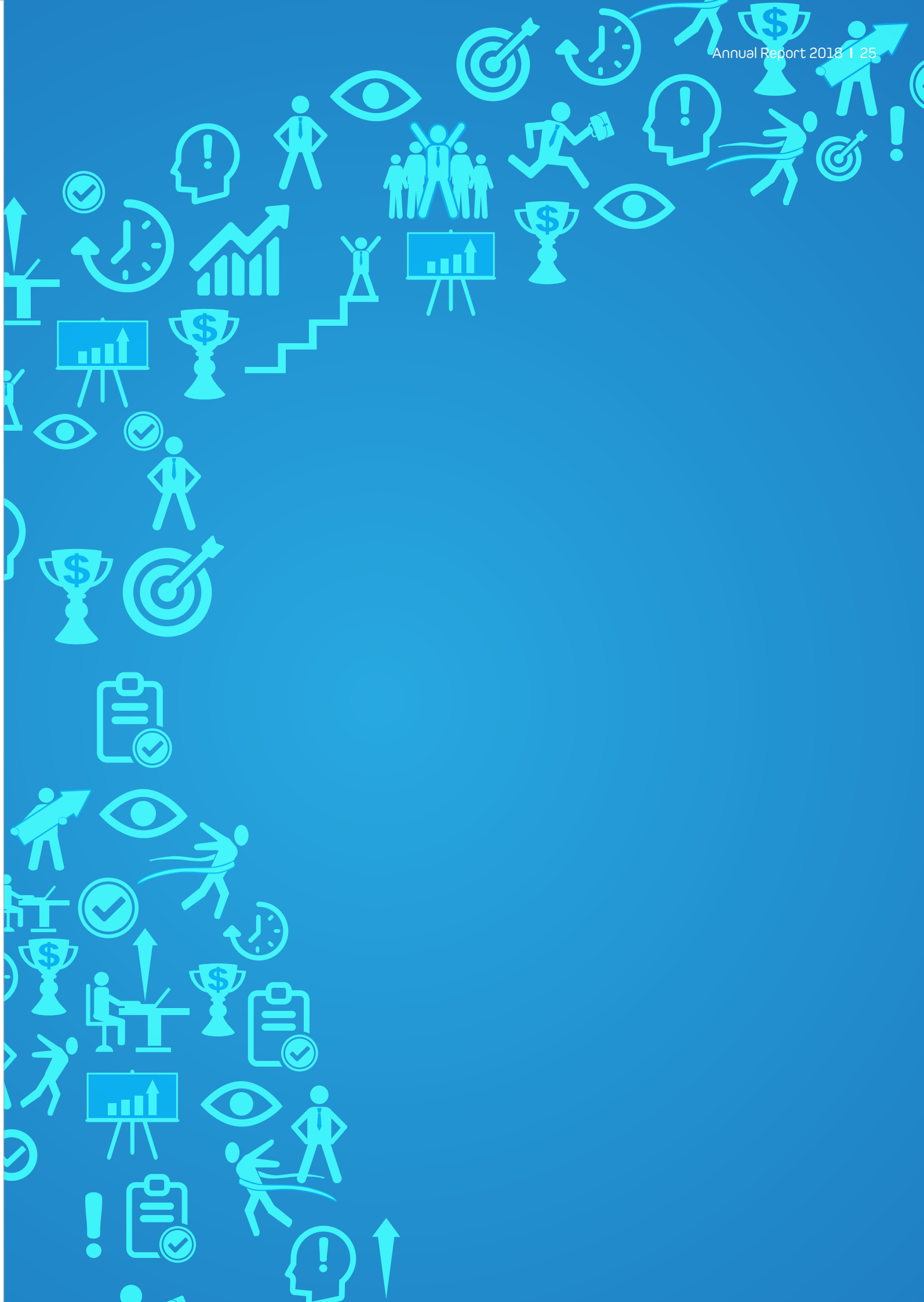
The principal repayment of Rs. 318.73 million out of Rs. 594 appearing as long term finance as at June 30, 2018, will be due after 5 years.

Moreover, the Company has a practice of settling obligations on a timely basis, and accordingly there is no history of any default with respect to payment of debts including this year.

The company has sufficient liquid resources in hand to meet its working capital requirement. The company managed to improve its current ratio from 0.82 in 2015 to 0.96 in 2018. This depicts the performance of the management in achieving the targets set by the board. The management ensures all necessary measures to manage the ratio at the optimum level.

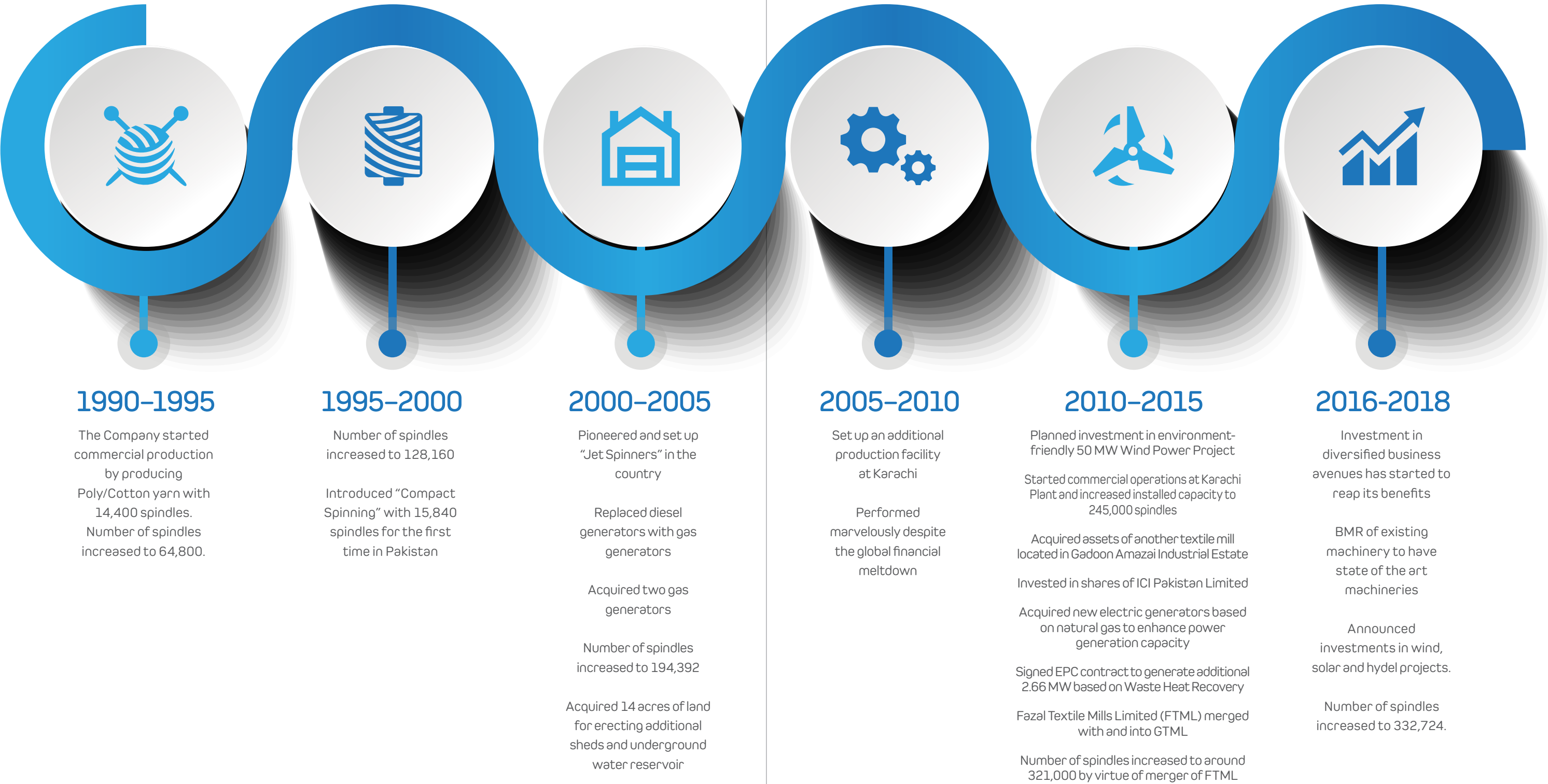
Significant plans:

The company has from time to time expand its business operation through expansion, restructuring including merger. However, in near future there are no plans for any significant restructuring, expansion or discontinuance of operations.



# Our Road to Success

During the past thirty 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.



# All for Leadership, Leadership for All.

Directors' Profile



## Board of Directors

Under the direction of our profound and astute leaders. We have successfully marshalled the drive and passion of our people towards the road of prosperity.

Our Board of Directors have played a pivotal role in transforming GTML throughout the course of its operations; they have led GTML from the front and at the same time have stayed by their workforce through thick and thin. Their determination for achieving excellence and staying by their employees is what drives GTML every day each moment.



**Mr. Muhammad Yunus Tabba**  
Chairman

Muhammad Yunus Tabba started his over Fifty-six years long career with YBG as one of its founding members and has seen its progress through manufacturing, sales management, marketing management and general management. With his expertise and diversified experience, he has taken YBG to a level which is appreciated by both local and international business communities. He has also been awarded “Businessman of the Year” by the Chambers of Commerce several times during his awe-inspiring entrepreneurial career.





### Mr. Muhammad Sohail Tabba

Chief Executive Officer

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

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

He was appointed as a Non-Executive Director on the Board of ICI Pakistan Limited in December 2012, and appointed as the Chairman of the Board of Directors of ICI Pakistan Limited in April 2014. He is also the Chairman of NutriCo Morinaga (Private) Limited, a joint venture between ICI Pakistan Limited, Morinaga Milk Industry Company Limited and Unibrands (Private) Limited, in which ICI Pakistan Limited holds majority shareholding. The Company entered into this joint venture to locally manufacture Morinaga infant formula at a state-of-the-art Morinaga manufacturing facility, the first to be established in Pakistan.

He is also the Chief Executive Officer of Lucky Energy (Private) Limited and Yunus Energy Limited, in addition to LuckyOne (Private) Limited. He is the Chairman of Lucky Paragon Readymix Concrete and a Director on the Board of Lucky Cement Limited – Pakistan's leading cement manufacturer and exporter.

In December 2016, he was appointed as a Director on the Board of Kia Lucky Motors Pakistan Limited (a subsidiary of Lucky Cement Limited).

Mr. Sohail Tabba's philanthropic and social engagements include being the founding member of the Child Life Foundation and the Italian Development Council. He also serves as a Director for the Tabba Heart Institute and the Aziz Tabba Foundation. He has also previously served on the Board of Governors at Hamdard University Pakistan.



### Mr. Muhammad Ali Tabba

Director

Mr. Muhammad Ali Tabba is the Chief Executive Officer of Lucky Cement Limited. Lucky Cement Limited is one of the largest producers and leading exporters of quality cement in Pakistan.

He also serves as the Chief Executive Officer of Yunus Textile Mills Limited a state-of-the-art home textile mill and the largest exporter of home textile products from Pakistan with subsidiaries in North America and France.

He is the Chairman of KIA Lucky Motors and serves in the capacity of Vice Chairman on the Board of ICI Pakistan Limited. ICI Pakistan Limited is the leading producer of Polyester, Soda Ash, Chemicals, Life Sciences and Pharmaceuticals products.

All of the above companies are sponsored by Yunus Brothers Group which is one of the largest export houses and business conglomerates in Pakistan.

He is also the Chairman of Pakistan Business Council (PBC). PBC is a business policy advocacy platform comprising of the largest private-sector businesses and conglomerates, including multinationals in Pakistan. PBC aims to improve the general business environment of the country. He is the former chairman of All Pakistan Cement Manufacturing Association (APCMA), a regulatory and apex body of the cement manufacturers in Pakistan. He has been appointed by the Government of Pakistan to serve on the Board of Directors of Pakistan International Airlines Corporation Limited.

In recognition of his outstanding services and contributions in the social development sector of Pakistan, World Economic Forum (WEF) in 2010 bestowed the title of Young Global Leader (YGL) on Mr. Muhammad Ali Tabba. For his distinguished services rendered in the field of entrepreneurship, public service and philanthropy; government of Pakistan in 2018 conferred upon Mr. Muhammad Ali Tabba "Sitara-e-Imtiaz," one of highest awards government of Pakistan bestows upon a civilian.

He is the Vice Chairman of Aziz Tabba Foundation. The Foundation runs two state-of-the-art hospitals in Karachi; Tabba Heart Institute and Tabba Kidney Institute.



**Mr. Imran Yunus Tabba**  
Director

Mr. Imran Yunus Tabba has a vast experience in textile sector and he is the Executive Director and a key decision maker of the Lucky Textile Mills Limited. He manages the administrative & operational function of LTML units located in Karachi. Mr. Imran Tabba has contributed significantly in the performance of the companies where he serves as a Director on the Board. He is also involved in the Aziz Tabba Foundation, which is the Yunus Brother Group's foundation of philanthropy. He also serves as a Director on the Board of various other companies of the Group.



**Mr. Jawed Yunus Tabba**  
Director

Mr. Jawed Yunus Tabba has a rich experience in the textile industry and is currently the Chief Executive and Director of Lucky Textile Mills Limited. His untiring efforts helped him acquire deep insight and expertise into the export and manufacturing activities. He is also the chairman of the Shares Transfer Committee of the Board of Lucky Cement Limited.

Moreover he is also managing the Real Estate Project LuckyOne, which is the Largest Mall in Karachi. LuckyOne is currently touted as a multi-faceted- first of its kind regional shopping mall which is revolutionizing the shopping experience in Pakistan. Mr. Jawed Tabba is also extensively engaged in community welfare projects which include the Aziz Tabba Foundation, the foundation is working extensively in the field of social welfare, education, health and housing.



**Ms. Mariam Tabba Khan**  
Director

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

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

The hospital, an ISO 9001 and ISO 14001 certified facility, is recognized by College of Physicians & Surgeons Pakistan (CPSP) for imparting post-graduate training in Cardiology, Cardiothoracic surgery, Interventional Cardiology and Cardiothoracic Anesthesia. Also, THI is giving a Diploma in Cardiac Nursing, recognized by Pakistan Nursing Council (PNC).

In response to the ever growing demand for heart care solutions being provided by Tabba Heart Institute, her vision to launch the prestigious "DHA Diagnostic & Consultation Centre" became a reality in April 2018. She is a popular full time CEO of the hospital and her presence gives an energetic boost to her entire team.



**Ms. Zulekha Tabba Maskatiya**  
Director

Having pursued a Bachelor's degree in Management Sciences from the University of Warwick and a Master's degree in Management, Organizations and Governance from the London School of Economics and Political Science, Ms. Zulekha Tabba Maskatiya has been an indispensable part of the business since its inception. She not only holds a prestigious position within the YBG but her educational background brings the values of business focus, corporate governance and social responsibility to the organization. In addition to this, she is also the Founder and the Creative Director of the luxury jewellery brand, Lazuli, based in Pakistan.





**Mr. Saleem Zamindar**  
Director

Mr. Saleem Zamindar has a Bachelor of Arts (BA) degree in Economics from Boston University, USA and a Master of Business Administration (MBA) from Durham University Business School, UK. He has over 23 years of experience across several countries in investment management, board level general management and international banking. He is a certified company Director by the Pakistan Institute of Corporate Governance (PICG) and additionally also holds the globally prestigious Certificate in Company Direction from the Institute of Directors (IoD) UK. He is an IFC Certified Trainer on Corporate Governance and is a member of the faculty of PICG. Presently, he serves on the Board of Directors of several publicly listed & private limited companies. He is also the past President of the Rotary Club of Karachi, the largest and oldest Rotary Club in District 3271, and is a former member of the Managing Committee of the Karachi Boat Club and a current member of the Board of Governors of the Karachi Council on Foreign Relations.

# Board Committees

## Audit Committee

- Mr. Saleem Zamindar (Chairman)
- Mr. Muhammad Ali Tabba
- Mr. Jawed Yunus Tabba
- Ms. Zulekha Tabba Maskatiya

## Terms of Reference

The Terms of Reference of Audit Committee were presented to the members as required under the Code of Corporate Governance and the same were approved by the Board of Directors. Accordingly, contents of the same are as under:

## Financial Reporting

- Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account views of the external auditor.
- Review of quarterly, half-yearly and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on:
  - › Major judgmental areas, where different approaches are possible;
  - › Significant adjustments resulting from the audit;
  - › Going concern assumption;
  - › Any changes in accounting policies and practices, on a year by year basis;
  - › Compliance with applicable accounting standards;
  - › Compliance with listing regulations and other statutory and regulatory requirements; and
  - › All related party transactions.
- Review of preliminary announcements of results prior to publication.

## Internal Controls and Risk Management Systems

- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- Review of the company’s statement on internal control systems prior to endorsement by the

board of directors and internal audit reports;

- Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- Determination of appropriate measures to safeguard the Company’s assets and detection of frauds; and
- Consideration of major findings as a result of internal investigations of activities characterized by fraud, corruption and abuse of power and management’s response thereto.

## Compliance

- Determination of compliance with relevant statutory requirements;
- 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; and
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof, receiving reports on non-compliance (if any).

## External Audit

- Consider and make recommendations to the board in relation to the appointment, re-appointment, audit fees and removal of the Company’s external auditor. The Committee shall oversee the selection process for a new auditor and, if an auditor resigns, the committee shall investigate the issues leading to his resignation and decide whether any action is required. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
- Review the management letter and management’s response to the auditor’s findings and recommendations;

- 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; and
- Facilitating the external audit and discussion with external auditors on major observations arising from half-yearly review and annual audit, including any matter that the auditors may wish to highlight (in the absence of management, where necessary).

Reporting Procedure

- The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed; and
- The committee shall produce a report on its activities to Board of Directors.

Other Matters

- Be responsible for co-ordination of the internal and external auditors;
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- 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; and
- Consideration of any other issue or matter as may be assigned by 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.

Human Resource Committee

Mr. Saleem Zamindar (Chairman)  
Mr. Jawed Yunus Tabba  
Ms. Zulekha Tabba Maskatiya

Terms of Reference

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

Review of Terms of Reference

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

Report of Audit Committee

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

Meetings of the Audit Committee were held at least once in every quarter. Four meetings of the Audit Committee were held during the year 2017-18. The Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended June 30, 2018 and reports that:

- The Company has adhered, without any material departure, with the mandatory provisions of the Pakistan Stock Exchange, Code of Corporate Governance, Company’s code of conduct and values and the best practices of governance throughout the year;
- The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed by the external auditors of the Company;
- The Company’s Code of Conduct has been disseminated across the organization;
- Appropriate accounting policies have been consistently applied. All core and other applicable International Financial Reporting Standards were followed in preparation of financial statements of the Company on a going concern basis for the financial year ended June 30, 2018, which represent fairly the state of affairs, results of operations, cash flows and changes in equity of the Company;
- Accounting estimates are based on reasonable and prudent judgement. Proper and adequate accounting records have been maintained by the Company in accordance with Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs;
- The financial statements comply with the requirements of the Fourth Schedule of the Companies Act 2017 and the applicable International Financial Reporting Standards as notified by SECP;

- The Audit Committee reviewed quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors focusing on major judgmental areas (where different approaches are possible), significant adjustments resulting from the audit, going concern assumption used by the management, any changes in accounting policies and practices (on a year by year basis), compliance with applicable accounting standards, compliance with listing regulations and other statutory and regulatory requirements and all related party transactions. No significant issues has been identified by the committee in this respect;
- The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) attended Audit Committee meetings by invitation;
- The CEO and the CFO have endorsed the financial statements of the Company. They acknowledge their responsibility for true and fair presentation of Company’s financial statements, accuracy of reporting and compliance with regulations and applicable accounting standards;
- The Audit Committee has reviewed all the related party transactions and recommended for the approval of the BOD. Provided that where majority of the directors are interested in such transactions, the matter is placed before the general meeting for approval as special resolution;
- The Company’s system of internal controls is designed to manage and minimize the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The committee has ascertained that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- The Committee has reviewed the Annual Report and concluded that it is fair, balanced and understandable and that it also provided with the necessary information for the shareholders to assess the Company’s position and performance, business model and strategy;



- The Committee has reviewed the “Whistle-Blowing Policy” as an arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures. No material incidents regarding operations of the entity or otherwise were reported to the Audit committee during the year; and
- The Board has a practice to carry out the annual evaluation of its committees and its members. The results of the evaluation carried out were found to be satisfactory.

Internal Audit

- The Chief Internal Auditor (CIA) also attended the Audit Committee meetings;
- The CIA has direct access to the Chairman of the Audit Committee and its members. The Internal Audit function has carried out its duties under the charter defined by the Committee;
- The CIA reports functionally to the Audit Committee and carries out the audits of different functions based on the Annual Audit Plan;
- For appraisal of internal controls and monitoring compliance, the Company has in place as appropriately staffed, Internal Audit Department. The Committee reviewed the resources of the Internal Audit Department to ensure that they were adequate for the planned scope of the Internal Audit function; and
- The Audit Committee reviewed the internal audit reports presented by CIA which encompasses Audit findings, process improvement avenues and control weaknesses. A rating system is used on the basis of likelihood and impact and as a result, high to low risk rating is assigned. The high risk findings along with action items were agreed with the management. The Committee has evaluated the performance of Internal Audit and found the results to be satisfactory.

External Audit

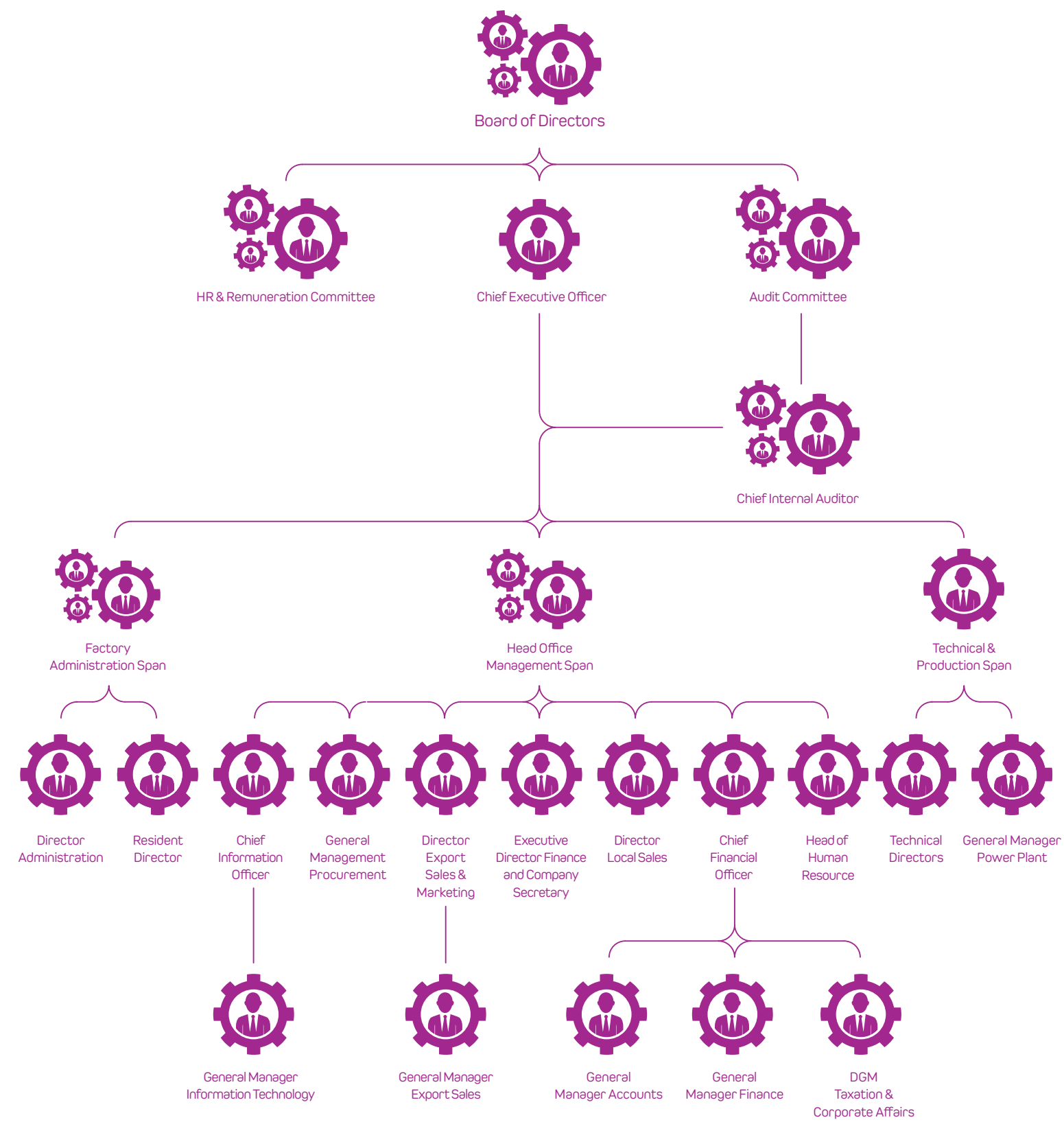
- The external auditors M/s. Deloitte Yousuf Adil, Chartered Accountants has been engaged as the external auditors of the Company since 2005;
- They were allowed direct access to the Audit Committee and necessary coordination with internal auditors were ensured;
- The Audit Committee also separately meets the external auditors at least once a year without the presence of the management; and
- Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s. Deloitte Yousuf Adil, Chartered Accountants as external auditors of the Company for the year ending June 30, 2019.

Calendar Of Corporate Events

Notable Events For The Financial Year	
BOD Budget Meeting 2017-2018	July 22, 2017
BOD Meeting for Yearly Accounts - 2017	August 03, 2017
Annual General Meeting – 2017	September 28, 2017
BOD Meeting for first quarter ended September 30, 2017	October 27, 2017
BOD Meeting for determination of Additional/Interim Dividend	November 10, 2017
BOD Meeting for Half year ended December 31, 2017	January 29, 2018
Extraordinary General Meeting for approval of investment in Associated Companies (YWPL, TWPPL AND TSPPL)	April 13, 2018
BOD Meeting for third quarter ended March 31, 2018	April 27, 2018
BOD Budget Meeting 2018-2019	June 30, 2018
BOD Meeting for Yearly Accounts - 2018	July 30, 2018


Tentative Dates for Next Financial Year	
Annual General Meeting – 2018	September 27, 2018
BOD Meeting for first quarter ending September 30, 2018	October 26, 2018
BOD Meeting for half year ending December 31, 2018	January 28, 2019
BOD Meeting for third quarter ending March 31, 2019	April 26, 2019
BOD Meeting for Yearly Accounts - 2019	July 29, 2019

# Organizational Chart




# Senior Management


## Head Office




**Mr. Muhammad Sohail Tabba**  
Chief Executive Officer




**Mr. Abdul Sattar Abdullah**  
Executive Director Finance and Company Secretary




**Mr. Imroz Iqbal**  
Director Export Sales and Marketing



**Mr. Muhammad Imran Moten**  
Chief Financial Officer



**Mr. Salam Chottani**  
Director Local Sales




**Mr. Haji Muhammad Mundia**  
Chief Internal Auditor


## Gadoon Amazai Plant



**Mr. Viqar Ahmed Khan**  
Director Administration



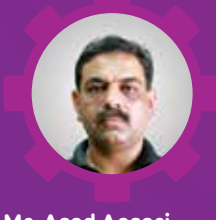
**Mr. Iftikhar Ahmed**  
Director Technical



**Mr. Mohammad Nadeem Riaz**  
Director Technical




**Mr. Shafqat Mumtaz Ahmed**  
Director Technical




**Mr. Asad Ansari**  
General Manager Power Plant

## Karachi Plant



**Mr. Tahir Saleem**  
Executive Director Technical



**Mr. Akhtar Kamdar**  
Resident Director

# Chairman's Reveiw

The Board comprises of competent and proficient leaders having immense experience in various sectors of business world.

The Board of Gadoon Textile Mills Limited constitute of:

Mr. Muhammad Yunus Tabba (Chairman)  
Mr. Muhammad Sohail Tabba (Chief Executive Officer)  
Mr. Muhammad Ali Tabba  
Mr. Imran Yunus Tabba  
Mr. Jawed Yunus Tabba  
Ms. Mariam Tabba Khan  
Ms. Zulekha Tabba Maskatiya  
Mr. Saleem Zamindar (Independent Director)

The board, being responsible for the management of the company, formulates all significant policies and strategies. The board is governed by relevant laws & regulations and its obligation, rights, responsibilities and duties are as specified and prescribed therein.

The Board comprises of competent and proficient leaders having immense experience in various sectors of business world.

During financial year 2017-2018, the board met seven times. The board acts in consonance with pertinent laws and best practices, complying with all the regulatory requirements.

The board strictly monitored the performance of its sub-committees. Comprehensive and effective meetings of the board resulted in conducive decisions for the Company. Whereas, integration of all policies assimilating to company's mission and vision was ensured by the board. In addition to it, the board also ensures compliance with all applicable rules and best practices of the company.

In order to aid the board members and enabling them to remain harmonize for continuous progression of the company, the board assessed its sub-committees along with the evaluation of its own performance, facilitating the board to play an effective role in accomplishing set targets of the company.

The Board also monitors the followings:

- Quality standards of its product.
- Compliance with best corporate practices and good governance.
- Stable and continual growth.
- Encouraging diversity and upholding ethical behavior.
- Development of skillful resources to attain advancement and excellence.

During the year, the board recommended and approved among other things:

- Routine BMR;
- Budget;
- Quarterly and annual financial statements;
- Internal audit and audit committee reports and finding;
- Appointment of external auditors;
- Strategic investments in diversified projects; and
- Distribution of dividend.



**Muhammad Yunus Tabba**

Chairman

Karachi: July 30, 2018





# CEO's Message

We aim to pursue optimum growth and realize success by investing in up-to-date, technologically advanced equipment and diversified projects to add value to our shareholders.

Alhamdulillah, this fiscal year marks the thirtieth year of prosperous operations of Gadoon Textile Mills Limited. Achieving success would not have been possible without the support and collective action of our determined leaders and team members in this crucial journey of organizational significance.

I am pleased to inform that our Company has shown impressive turnaround during the current year, despite political instabilities and abrupt devaluation of Pak Rupee. This performance was achieved by implementing measures to minimize increasing conversion cost, strengthening our sales mix, by achieving operational excellence and strategic decisions to diversify our portfolio by investing in profitable business segments.

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

Looking ahead, we are well prepared to take the challenge of intensive trade war that is prevalent. We are geared to curtail the increasing conversion cost by continuing to identify and implement efficient process to improve company's profitability.

Moreover, Government's export rebate scheme and resilient Company's performance with the strategic dynamics of the industry, provides confidence of sustained profitability for the shareholders of the Company in the coming years.

In the end, I would like to thank all our stakeholders who have been steadfast and by our side throughout the journey and I hope that the bond we share, continues to grow further in years to come.



**Muhammad Sohail Tabba**  
Chief Executive Officer



# All for Growth, Growth for All.

## Directors' Report

### Dear Members

The Directors of your Company takes pleasure in presenting before you the performance review together with the audit report and the financial statements of the Company for the year ended June 30, 2018.

### Overview

The principal business activity of your company is manufacturing of yarn and knitted fabric. To facilitate customers and minimize the cost effect, the Company has strategically set its manufacturing facility in two regions i.e. South and North. The business of the Company is mainly exposed to price increase in raw material and exchange rate fluctuations, which may affect its performance. Detailed analysis of the risks and opportunities has been covered in the SWOT analysis and risk and opportunity report.

During the year, your Company recorded turnover of Rs.27.5 billion against Rs.23.2 billion for the Same Period Last Year (SPLY); an increase of approximately Rs.4.3 billion, 18.5% from SPLY. The increase in turnover is attributable on account of increase in total exports by 36% and local sales by 10%. The major reasons for Increase in exports are government export package with softening conditions, further devaluation of Pakistani currency and increase in export sales of Knitted Fabrics from Rs.606 million to Rs.903 million, an increase of Rs.297 million, 49% from SPLY.

Increase in Local sales is mainly attributed to withdrawal of sales tax and increase in demand of value added sector due to government export package which increased exports of value added sector as well. Yarn, being raw material for them, also helped the Company to increase its sales locally. Local sales of Knitted Fabric have increased from Rs.208 million to Rs.488 million. Showing an upward movement of Rs.280 million from SPLY.

The energy cost is still higher than regional competitors in addition to increased prices of raw material, due to demand supply gap and abrupt devaluation of Pak Rupee, increased uncertainties, political instabilities and innovative taxes and levies, which have made it difficult for the industry to take a long term view over their operations. Despite political instabilities, abrupt devaluation of currency, thin profit margin and fierce competition with regional competitors, your Company, due to the consistent efforts of the management and the return from strategic investments and government's export package, has managed to get the positive bottom lines of Rs.1,185 million as compared to Rs.807 million SPLY.

Further, there has been no significant change in the nature of business other than normal course.



Economic Prospects

Overall economic position of the country has remained stable. There have been political instabilities, which was compensated by other factors, not limited to CPEC gaining global recognition and reduction in power crisis of the country.

Although cotton production has increased in comparison to last year but still not been able to meet the targets set by the government, due to which industry has to shift towards import of cotton in current financial

year too. This has not only affected the current account of the country but has also made finished products costlier than our regional competitors. On overall basis, current account deficit of the country is up by 22% in Rupee term and 16% in dollar term.

The implementation of ECC decision regarding withdrawal of Sales tax and Custom duty on imported cotton has supported in reducing cost of production which was increased by abrupt change in exchange rate.

Financial Results

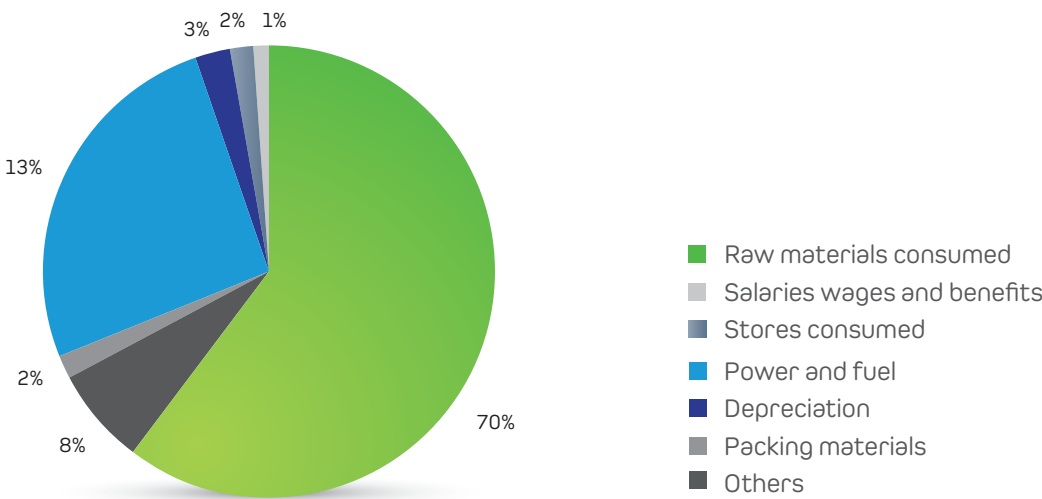
A comparison of the key financial results of the Company for the year ended June, 30, 2018 is as under:

Profit and loss summary	June 30, 2018 Rupees '000	June 30, 2017	Favorable/(Unfavorable) Percentage
Export	10,329,551	7,582,955	36.22
Local	17,225,136	15,665,623	9.96
Sales (net)	27,554,687	23,248,578	18.52
Gross Profit	1,944,890	1,328,793	46.37
Finance Cost	(574,682)	(342,601)	(67.74)
Distribution expenses	(437,311)	(279,821)	(56.28)
Administrative expenses	(224,245)	(193,915)	(15.64)
Other Income	926,387	661,782	39.98
Profit before taxation	1,473,646	1,084,938	35.83
Profit after taxation	1,185,296	806,986	46.88
Earnings Per Share (Rs.)	42.29	28.79	

As evident from above, the Export sales have shown an upward trend from SPLY mainly on account of support from the Export package announced by the Government in January 2017 which was further extended to financial year 2018 in August 2017 with relax conditions and devaluation of Pak rupee by 7%. The product cost in the current period has also increased, resultantly, gross profit margins have not shown a major upward trend when compared with last period's 5.7%.

Although, devaluation of Pakistani currency has given an opportunity to the Company to help regain their product footprints in the global markets, but it has also impacted the raw material cost due to unavailability of quality raw material locally, the Company had to shift towards procurement of imported raw material, resultantly, dilution of positive impact from increased export. Below is the breakup of manufacturing cost:

Manufacturing Cost - 2018



The significant portion of cost of goods manufacture consists of Raw material i.e. 70% and power cost i.e.13%, which has been the key concern for the management to control during this year too. In an effort to rationalize average production cost, management did procure wisely by procuring mix of local and imported cotton and altered power consumption mix by greater use of natural gas against furnace oil, due to rising trend of furnace this year. The timely decision to alter the power mix of gas and furnace allowed the Company to avail the optimum benefit of the arbitrage opportunity. Furthermore, Company is consistently procuring new and more energy efficient gas generators to avail maximum possible benefit by utilizing gas.

There has been a sharp increase in distribution cost mainly due to increased freight on account of increased export of Yarn and Knitted fabrics. The company contained its administrative cost from past 2 years and increase is mainly on account of uncontrollable features, such as inflation, employee

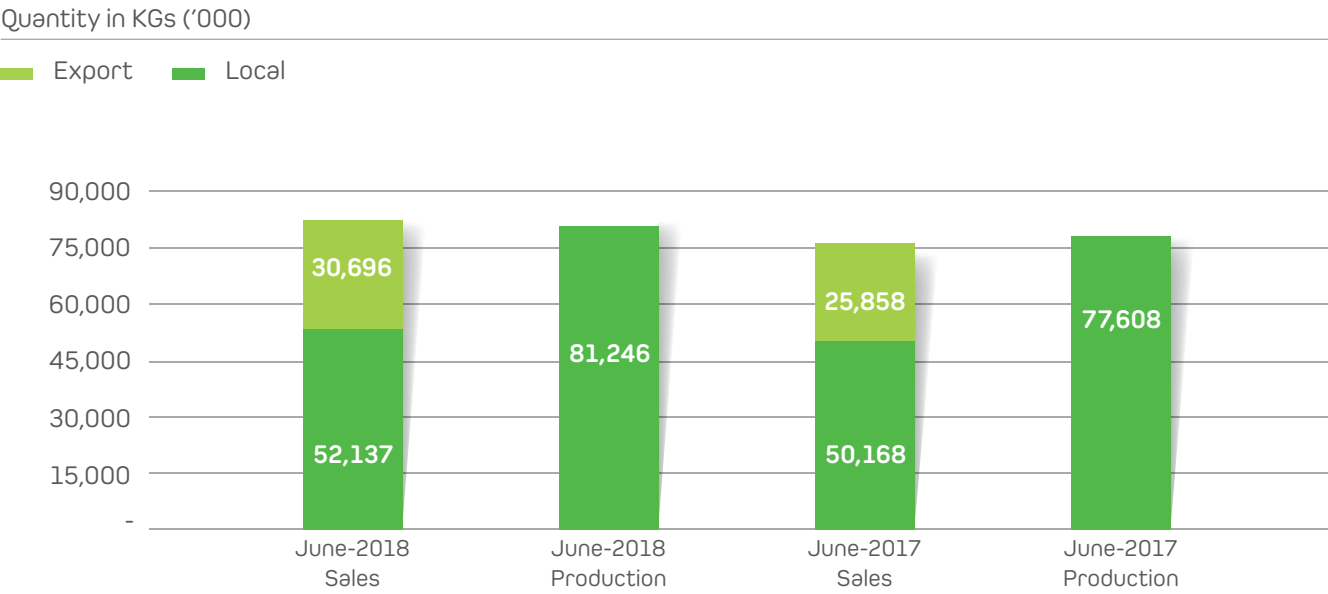
costs. After the political instability which resulted in abrupt devaluation during the period, the Company's management, keeping in view the risk management and cost benefit analysis, has disposed-off its foreign currency exposure by converting the same to local borrowing, which resulted in an increase of 67% in its finance cost. Although, the management has still managed to maintain an efficient portfolio of funds by reaping maximum benefits of lower benchmark rates prevalent in the country along-with minimum spreads.

The returns from the company's strategic decision to invest in diversified avenues is supporting in increasing the overall value of the Company which is evident from a material increase of Rs.93 million in other income to Rs.477 million against Rs.384 million SPLY. Furthermore, the revised export package has increased other Income by Rs.411 million as against Rs.149 million SPLY.



Operational Performance

The production and sales statistics for the year ended June 30, 2018 and its comparison with SPLY is presented below:



Cash Flow Strategy

Your Company has an effective cash flow strategy in place. This comprehensive strategy has always empowered your Company in smooth settlement of its financial commitments and hope to cater any and every challenge that will come in its way. In compliance of the above, the management has put constant endeavors to rationalize borrowing cost, which is done by managing a balanced portfolio of sources of funds and efficient financing arrangements. In response to the current market condition and to meet its management objectives, the Company has made a decision to limit its capital expenditure towards BMR and strategic avenues to augment economic efficiencies.

Good Corporate Governance

The Directors of your Company are pleased to state that the Company is in compliance with the provisions of the Code of Corporate Governance as required by the Securities and Exchange Commission of Pakistan (SECP).

As a part of the compliance with the requirements of the Code of Corporate Governance and the Companies Act, 2017, we confirm the following:

- 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;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The board understand its responsibility to ensure that adequate and effective internal financial controls are in place. It evaluates the compliance of internal control by reviewing the internal audit reports of internal audit department, which

regularly reviews the design and effectiveness of controls. Deficiencies, if any, are reported to the board and corrective actions are taken.

- IFRSs, as applicable in Pakistan, have been followed in preparation of financial statements;
- There is no significant doubt about the Company’s ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance;
- We have an Audit Committee, the members of which are from the Board of Directors and the Chairman is an independent director;
- We have prepared and circulated a Statement of Ethics and Business Strategy amongst directors and employees; and
- The Board has adopted a Mission Statement and a Statement of Overall Corporate Strategy.

Composition of Board

The Board of Directors as at June 30, 2018 consist of:

Directors	Numbers
a) Male	06
b) Female	02

Composition	Numbers
a) Independent Director	01
b) Other Non-Executive Directors	06
c) Executive Director	01

Attendance of Board Meetings

Directors	Board of Directors	Audit Committee	HR & Remuneration Committee
Mr. Muhammad Yunus Tabba – Chairman	7/7	N/M	N/M
Mr. Muhammad Sohail Tabba – CEO	7/7	4/4*	1/1*
Mr. Muhammad Ali Tabba	5/7	4/4	N/M
Mr. Imran Yunus	4/7	N/M	N/M
Mr. Jawed Yunus Tabba	6/7	3/4	1/1
Ms. Mariam Tabba Khan	4/7	N/M	1/1
Ms. Zulekha Tabba Maskatiya	4/7	1/4	1/1
Mr. Saleem Zamindar	6/7	4/4	**

\* Mr. Muhammad Sohail Tabba attended all the meetings of Audit and HR & Remuneration Committee, by way of invitation.

\*\* Mr. Saleem Zamindar has been appointed as a member of HR & Remuneration committee on April 27, 2018 in place of Ms. Mariam Tabba Khan, in order to comply with the requirement of Listed Companies (Code of Corporate Governance) Regulations, 2017, which requires Chairman of HR & Remuneration Committee to be an independent director.

N/M: Not a member

Role of Chairman and CEO

Principally, Chairman is in charge of leadership of the Board and to guarantee that the Board plays a compelling part in satisfying every one of its duties. Whereas, Chief Executive Officer is an executive director and is responsible to act as the head of the Company.

The Roles and Responsibilities of the Chairman include:

- Setting agendas for the board’s consideration.
- Leading the board and discussing all proposals put forward by the executive team.
- Liaising and coordinating with sub-committee chairs.
- Identifying and participating in selection of the Board members and overseeing a formal succession plan for the Board, CEO, CFO and key senior management.
- Managing conflicts of interest and to maintain an effective team.
- Ensuring that good relations are maintained with the Company’s strategic stakeholders.
- To ensure that stakeholders’ trust and confidence is maintained in the company.

The Roles and Responsibilities of the CEO include:

- Serving as Chief Representative of the Company.
- Overseeing the business operations and implementing the policies and strategies recommended and approved by the Board.
- Closely monitor the operating and financial results of the company against plans and budgets on a consistent basis.
- Ensuring that effective reporting mechanisms exist within the organization to provide feedback at all levels of management.

- Ensuring that the Company complies with all relevant laws and corporate governance principles and that these principles are recommended to and adopted by the Board to mitigate key risks.
- Setting the ethical tone in providing ethical leadership and creating an ethical environment.

Performance Evaluation of Directors on the Board

The Board of Directors of your Company is a body of highly professional individuals. All Board members possess high caliber with diversified experience, in-depth business understanding and strategic thinking. The Board comprises of eight members including an independent director, having professional experience in various business disciplines.

The working of the Board is based on best business practices and is in line with the Code as defined by Securities and Exchange Commission of Pakistan (SECP). The Board has adopted a highly structured process to evaluate its own performance wherein individual Board members rate overall Board performance by responding to a series of performance evaluation questions. The responses of the directors are then compiled for a detailed discussion among the members. During the discussion, Board also evaluates its performance in fulfilling its fiduciary responsibilities, providing its leadership role, giving strategic direction and providing guideline to the management in compliance of policies and standards.

The Board has been proactive in setting up committees with specific roles and responsibilities under Terms of References (ToRs). On an overall basis, Board performance of the Company has been highly satisfactory and the Board is cognizant of the fact that continuous improvement in its working is the basis of the Company’s success.

CEO Performance Evaluation

It has been a regular practice of the board members to evaluate the performance of the CEO and their recommendations are put forward to the Chairman. The performance of the CEO is evaluated on the basis of both qualitative and quantitative attributes, including but not limited to, overall company’s financial performance, goal setting, leadership compliance and effective Governance.

Efforts for sustaining financial performance, increased customer base, stronger human capital and approaching new strategic avenues in the supply chain are some of the keystones of success of the CEO this year.

Director’s Training

The Directors of the Company are adequately trained to perform their duties, and are aware of their powers and responsibilities under the Companies Act 2017.

Auditors

The present Auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants have completed the annual audit for the year ended June 30, 2018 and issued clean audit report. The auditors will retire on conclusion of the Annual General Meeting of the Company and being eligible; have offered themselves for reappointment. As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending June 30, 2019.

Health, safety and environment

Being part of the most reputed group of the country, we feel ourselves responsible for the health and safety of not only our employees, but also the people near our factory premises. A dedicated clinic / dispensary is managed by the qualified team where genuine medicine are provided. We also ensure the compliance of our production facility with all the environmental standards. Waste heat recovery plant and investment in green energy projects are one of the examples. Our production facility does not discharge any harmful material. However, we have strict compliance towards wastage and disposal.

Corporate Social Responsibility

We believe in serving the mankind of the country and ensure each of our CSR activity actually benefits people in need. Several activities have also been conducted during the year. We also appreciate and encourage our employees to dedicate their time and to take active participation in these activities.

We stood with our people at the time when they needed us the most, whether it’s the flood, earth quake or the after effects of war on terror faced by IDP’s. We arrange several events within our factory premises to support the lives nearby. In addition to participating and conducting such events, we also collaborate with several institutions including health, education and other social welfare.

Pattern of Shareholding

The pattern of shareholding and additional information as at June 30, 2018 is part of the Annual Report of your Company. Associated companies and public sector companies own 69.57%, Banks/ Insurance Companies/Mutual Funds own 9.14%, Director’s 0.09% and individuals own 21.20% of the entire shareholding.

Future Outlook

We are optimistic about the policies of the newly elected government; however with 5% devaluation of Pak Rupee, subsequent to the year’s end, high volatility in the price of local and international cotton prices and with IMF bailout package on the cards, the cost of doing business may increase. These potential impacts will be monitored closely to hedge possible uncertainties by acquiring an efficient mix of raw material, more efficient use of gas-based fuel, investment in green energy and efficient utilization of machineries.

It is expected that exports may also rise due to devaluation of currency. Furthermore, after the imposition of regulatory duties on hundreds of items, current account deficit of the country may reduce in the coming years.

To be at par and realize business objectives, the Company's management will continue to replace old technology machineries with advanced technology to become more effective and efficient not only to utilize the power and fuel in a productive manner, but also to compete with its regional competitors with enhanced quality products.

The board has already notified its approval for investment in renewable power projects keeping in perspective the results achieved by investing in diversified portfolios, the demand supply gap, the initiative of lowering the overall energy cost of the country and for the protection of environment by generating green energy. The shareholders have approved all these investment decisions as well.

Furthermore, the board, subsequent to year end has also approved investment in up to 150 MW Hydel Power.

The management expects that once all such investments are materialized, it will help boost Company's bottom line.

We expect a business friendly policy and exploration of new avenues, by providing ease in doing business and immediate release of tax refunds and duty drawback claims of exporter from the new government.

For and on behalf of the Board



**Muhammad Yunus Tabba**  
Chairman  
Karachi: July 30, 2018

The Company's future prospectus looks very promising. The group is well placed to help achieve further success and provide value addition to all stakeholders.

We are committed to provide healthy, safe and collaborative work environment to our employees for continuous learning.

The Company continues to employ skillful people irrespective of cultures and gender.

**Dividend and Appropriation Policy**

Bearing in mind our strategic investment, business needs and Company's ability to generate cash, the Board of Directors is pleased to propose final cash dividend of Rs 8.75 per share for the year ended June 30, 2018.

Further, during the year the Company has paid additional / interim cash dividend @ Rs. 6.75 per share, making a total dividend of Rs. 11.75 per share for the year ended June 30, 2017, in order to comply with the requirement of section 5(A) of the Income Tax Ordinance, 2001.

**Acknowledgements**

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



**Muhammad Sohail Tabba**  
Chief Executive Officer

**CE Review**

**Economic Standpoint**

This Fiscal year 2017-2018 has been full of challenges, however, with constant determination, we were able to face the challenges head to head. Thus, standing proud as one of the largest spinning mills in the country.

According to Pakistan Economic Survey, the year under review witnessed higher volumes of nationwide activity in different sectors and resulting in an increase in the GDP of 5.79% (2017: 5.28%). Specifically, the agriculture sector also witnessed a growth of 3.81% surpassing target of 3.5%. Country's total export have shown an upward movement of 13.7% (in dollar terms). Textile exports, being major contributor to the country's export have shown an upward movement of 8.7% (in dollar terms).

Concurrently, our economy was also impacted due to the uncontrollable circumstances such as, weather conditions, energy break downs and political instability. Moreover, the uncertainty regarding the pending decision of GIDC and other innovative taxes, increased conversion costs adding to the difficulty level for the local manufacturers to compete in both local and international markets. Furthermore, this year, being an election year, with current account deficit all times high, uncertainties with regard to policies exists, which once resolved, will help move towards economic growth.

Correspondingly, projects like China Pakistan Economic Corridor (CPEC) will prove beneficial for the economy. According to IMF research on Pakistan Economic Program, "CPEC is contributing positively to the economy considering that it would enable our country to become the new trade hub for Central Asian Countries." Hence, development of Gwadar port and a series of energy projects will further augment the development of the national economy and will add more energy to the National Grid at its maturity.

Nevertheless, challenging global environment and huge current account on growth prospects. Average inflation in the country dropped to 4.2% in FY 2017-2018 (FY 2016-2017: 3.9%). This sustained low

inflation resulted in contributing positively to the economic performance of our Country.

**Market Review**

On the domestic side the textile industry performed better than last year, including the spinning sector The cotton ginning sector witnessed a significant growth of 8.72% compared to the growth rate of 5.59% SPLY. According to the Pakistan Economic Survey, the cotton output stood at 11.935 million bales registering an increase of 11.8% over the production of 10.671 million bales during SPLY. The production has increased due to better economic return received last year, promotional campaign for cotton by the Government, regular interval of rain and availability of inputs at subsidized rate.

Similarly on a worldwide scale, Pakistan's offer in textiles and apparel exchange was affected due to the creation of an uneven playing field by the regional competitors by virtue of providing preferential trade agreements and subsidies. Keeping in view, government extended the export rebate package for the FY 2017-2018, in August 2017, with 50% rebate to be received upfront without any condition and further 50% on 10% growth in export.

The implementation of SRO. 491(1)/2016 (amended SRO 1125(1)/2011) has been another supportive step by the Government, as it includes the reintroduction of zero-rated sales tax to five export-oriented sectors. Further, the refund of input tax paid on packing material is now claimable, by virtue of Finance Act, 2018, which will reduce the overall product cost.

The policy structure still remains an area of distress, although there have been concerns on the long-term applicability of favorable Government policies, which if applied to its full essence will reap benefits for the sector.

Nevertheless, the predicament is the lack of research and development by the government to keep the farmers well-informed regarding any setback that can potentially occur. The farmers however, with other positive initiative taken by the Government had more



cotton crops than before, also the economic return played a vital role in increased yields this year.

Financial and Operational Performance

GTML was able to improve its financial performance due to a combination of multiple factors including increased purchasing power, revenue synergies from increased product portfolio and cost synergies in terms of economies of scale. Moreover, increase in customer base coupled with better distribution channels also acted as a supportive step. In addition, government’s export package helped the company and sector to be competitive with regional competitors, which is a key factor in this year’s sales growth. Furthermore, returns from strategic investments supported company’s bottom line.

With persistent efforts of management, GTML was able to meet its objective for the financial year 2018.

Distinctive Traits

Following are the vital aspects that give us an edge over our competitors:

Market Dominance

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

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

Economies of Scale

Despite the fact that inflation rate has increased, GTML, being a pioneer has managed to maintain the conversion cost in line with SPLY, deriving benefits from economies of scale over its competitors. The exceptionally capable management consistently screens the occurrence of cost and continually searches for approaches to build effectiveness and further rationalizes the operating cost.

Energy Efficiency

Despite of an increase in the fuel cost from 46,000 in June 2017 to 78,000 in June 2018, the company’s management applied efficient mixed to keep the power cost similar to last year.

Improving energy efficiency is a key step towards achieving a sustainable future. GTML has taken a number of different initiative to conserve and improve energy efficiency. The company has introduced state-of-the-art waste heat recovery plant that enables to substantially reduce the cost and also ensure a greener working environment. The company aims to reduce the carbon footprint of its operations. In addition to this, GTML also ensures that maximum daylight is utilized where it is feasible and workable with the environment.

Another important factor that aids in this regard is the uninterrupted supply of electricity. GTML has its own in-house power plant, which satisfies the energy requirements of the Company to ensure timely delivery of products to our esteemed customers.

Modernization

In the rapidly progressing environment, GTML has always stayed updated by having the best modern technology and process available. GTML has established a phase wise strategy to replace old and obsolete machinery to better serve our customers in terms of quality and supplementary services, which is evident from significant capex made during the year of Rs. 1,119 million.

Established Clientele

GTML is well known in the industry for its outstanding yarn quality and thus remains the first choice for customers both locally and internationally. Despite some very formidable challenges during the year, the team at GTML continued to deliver consistently upholding its reputation of quality and customer satisfaction which is evident from material increase of 18.5% in net sales. GTML has strong network relationships with all its customers, and we show our respect to the trust they put in the Company by ensuring that they are served in the most effective way possible.

Indicative Prospects of the Entity

Indicators are categorized into financial and non-financial measures. Financial indicators are set on revenue and profitability, PE Ratio, Gearing (Debt/Equity)

and Liquidity; while non-financial indicators include Market Share, Productivity, Sustainable Growth, Human Capital, Consumer Preference, Innovation, Expansion and Diversification.

Targets	Measures
Cost Reduction	Procurement of modernized and efficient machineries as part of BMR to reduce labor cost and overheads.
Profitability	Procuring quality raw material in a timely and cost effective manner to attain desired results.
Employee Development	Regular training and evaluation of employees. Employee engagement policies to make employees feel more motivated.
Diversification	Strategic investment in the shares of ICI Pakistan, Investment in Wind Power Project of YEL and other renewable projects already approved by shareholders.

It has always been a prime concern for GTML to achieve its set objective and this year the Company has been able to successfully accomplish its goals, causing profitability to increase by 47% compared to last year.

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

Contribution to National Exchequer and Economy

As always, GTML continued to actively contribute to economic prosperity in Pakistan by providing direct employment to 4,987 permanent and contractual employees, along with compensation and benefits of Rs. 2.2 billion for the year.

The Company also contributed an amount of Rs 299.6 million (2017: Rs 327 million) into the Government Treasury on account of all kinds of taxes, excise duty and sales tax. Furthermore, significant foreign exchange through export sales realized to the tune of more than US \$ 93.3 million was also brought to the reserves of the Central Bank of the country during the period.

During the year under review, GTML sold products worth Rs. 27.55 billion of cotton and man-made yarn by buying local and imported raw materials worth Rs. 19.87 billion.

Our Company has also contributed in the economy through payments to providers of funds to the tune of 1.009 billion.

Whistle Blowing Incidents

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

Procedure

Employees are firmly required to report any negligence within the workplace to their immediate supervisor. The reporter is safeguarded from any detrimental treatment, as long as the correct protocol is being followed. However, where the matter is of strategic significance, the level may be raised to senior management. Other stakeholders may directly approach Company Secretary and voice their concerns.

Incidents reported during the year

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

Code of Conduct

Code of Conduct clearly sets out the benchmark of proficient conduct that should guide employees in keeping up the most elevated and proficient level of moral behavior.

Statement Of Intent

GTML requires its employees 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 employees in meeting the standards of professional and personal integrity expected and required of them.

Our Code of Conduct clearly sets out the benchmark of proficient conduct that should guide employees in keeping up the most elevated and proficient level of behavior. HR along with individual departments ensure that the employees are aware about the guidelines. Hence our employees remain vigilant of their personal behavior with respect to the company and its operation.

Conflict of Interest

Conflict of interest is a situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person’s self-interest and professional or public interest. All employees avoid situations where there is a possibility of conflict, as inability to conform to these ethical policies may render an individual at risk of disciplinary action, even subsequent dismissal in an instance where a severe breach occurs.

Confidentiality

Employees come across a number of confidential information during the course of their employment, pertaining to the company and its customers. They are expected to maintain the confidentiality and integrity of all sensitive matters during and after their employment with the company.

Honesty and Integrity

Our executives abide by the high standards of honesty and integrity, ensuring that the company’s funds or property is not converted for personal use.

Employee Engagement

GTML considered employee as one of its biggest asset and placed strong emphasis on promoting culture of mutual trust, respect for human rights at work, opportunities for professional growth and personal welfare with zero level tolerance on any form of discrimination, harassment or bullying in the workplace.

Health, Safety and Environment

Being socially responsible, GTML focus on all aspects of occupational health, safety and environmental protection by providing a safe working environment for its employees with minimum impact on its external environment.

Harassment Free Workplace

GTML endeavors to keep up a workplace that is free from badgering whether physical, verbal or mental. Strict disciplinary actions are taken against any individual found breaching such a principle.

Business Ethics and Anti-corruption

The management of GTML has always laid great emphasis on ensuring that day to day operations of the Company are conducted in the most transparent manner. In this regard, the management maintains a zero-tolerance policy towards unethical business practices and highly discourages corruption in every form. The entire GTML staff is liable to comply with the ‘Code of Conduct’ and all business transactions

are to be done in the most transparent manner by maintaining the highest standards of ethics. Likewise any misconduct or failure in compliance with the Company's Code of Conduct is liable to disciplinary action.

The Audit committee of the Board met at regular intervals during the year to review the adequacy and effectiveness of the internal controls, including those relating to the strengthening of the Company's risk management policies and systems. There have been no significant incidents of corruption during the year ended June 30, 2018.

**Quality Assurance**  
GTML is dedicated to provide high quality finished products to its customers; which is signified by our highest sales in this year and is mirrored through our strong customer retention ratio. The Company considers quality management to be an integral part of the organization. An internal function measures performance against quality benchmarks on a regular basis to ensure efficient quality management.



# 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, the Company had introduced the 'paper less environment' initiative in the past under which all the records and relevant documents are being scanned so that they are available electronically. This initiative has not reduced the amount of paper consumed by the Company but has also addressed the safety and time-bound concerns of the records. Storing data electronically has greatly reduced the physical space taken up by such documents and it is both cost effective and efficient.

The company has so far scanned more than 3 million documents that has reduced the paper consumption, markedly, as the access to print these scanned documents are also controlled.

Moreover, precautionary measures such as fire-extinguishers, fire-resistant and electronically operated safes 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.





# IT Governānce

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

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

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

## Projects

**BI Tool**  
Business Intelligence is no doubt one of the most used buzzwords in the modern business landscape. We are currently evaluating some leading BI tools to facilitate our corporate executives / managers in timely decision making.

Once implemented, it will help to analyze and display raw data in meaningful and actionable ways through Dashboard / KPIs.

**Virtual Machine (VM) Project:**  
We have successfully completed VM hardware migration project this year. The purpose of subject project was to replace legacy physical servers to virtual environment. Subject technology has great advantages like fewer physical servers, easily scale-up server level hardware, energy efficient, increase uptime, improve disaster recovery and maximum utilization of server hardware.

**Bio-metric Solution**  
Bio-metric technology was initially introduced for the enrollment of factory labor in 2016. After successfully completing the enrollment process, we extended the project to implement the bio-metric technology for cash disbursement in 2017 and got tremendous response in overall cash payment process. Now, we are planning to move further to get the advantage of subject technology in instant random audit related to labor attendance.

**BCP (Business Continuity Plan)**  
We are well aware about the importance of BCP (Business Continuity Plan) and working aggressively on subject project since last year. Our BCP is designed to permit our organization to resume operations as quickly as possible, given the scope and severity of the significant business disruption. So far, we have successfully completed the first phase of BCP project and formally declared specific area for seating arrangement for general staff and for executive members. It is plan to energize fully functional BCP at the end of next year.

# Human Resource Excellence

Organization cannot build a good team of working professionals without good Human Resource. As the pace of business accelerates and competition strengthens, companies are antagonized with greater uncertainty and intricacy. While facing such contests, our human resource has the potential to be a crucial asset by ensuring that company indeed has the desired human capital to compete and the ability to react fast to changing environments. They are determined to take company to new heights, and this commitment helps us to strive against the impossible and try to break our own benchmarks that we have set in the industry over the time. The wonderful relationship that we share with our employees is the key reason why the company has a very low employee turnover.

We develop plans and strategies for hiring the right kind of resources which includes criteria best suited to a detailed job description. Other than that, recruitment includes formulating the obligations of an employee and the scope of tasks assigned to him/her. In case the company doesn’t find anyone from within, the management tries to recruit employees through advertisements in paper/electronic media and even by using company’s database. The selection and placement is based on the qualification and experience required for the position under consideration. Trainings are also provided to the employees according to the requirements of the organization. Thus, the staff members get the opportunity to sharpen their existing skills and develop specialized skills which in turn, help them to take up some new roles and also help company to grow as employees with upgraded skills play an important role in company’s success.

**Employee Engagement**  
GTML always encourages relationship between the organization and its employees. For this purpose, several gatherings and events were organized on different occasions. In Ramadan, Ration was distributed among employees as gift from the company. Similarly,

14<sup>th</sup> August was celebrated with colors of Patriotism and employees were given gifts to celebrate the event with vigor.

Besides other recreational activities (picnics/dinners) organized by company for the employees, this year, GTML has planned to organize a leisure trip for a group of employees in order to increase team building, develop better understanding among employees and to increase productivity as we believe that a happy employee is a productive employee. For this purpose, a balloting will be done based on a merit criteria and selected employees will be spending couple of days in Northern areas of Pakistan thus cherishing the natural God gifted beauty of our country. This courageous step of management will develop a sense of belonging and motivation among employees.

**Training**  
Training is the key to improve employee’s performance and to help them achieve the required level of knowledge and skills needed for the job. In order to help them achieve those skills, the company organizes training activities both internally and externally. This year also many different training sessions were organized. The employees were given both cross functional and cross departmental trainings.

One of the most significant external training sessions was for the departmental heads on ‘Leadership and Team Building’ in collaboration with Ingenium Business Solutions held at Movenpick Hotel.

Similarly, among the internal sessions were Self Awareness & Positive Thinking, Effective Communication Techniques, Advance Excel and Basic Etiquettes for Workplace.

**Succession Planning**  
In GTML, succession planning is a continuing process which is designed to identify, evaluate and develop the potential employees from within the organization who would be able to take up the leadership roles in future.

The purpose of this is to have a pool of talented employees who can replace anyone in leadership role. In case a gap arises due to attrition, these “ready now” managers can fit in those positions.

Retirement Benefit Plans

The company pays special attention on retirement benefit plan in order to give the employees a sense of financial security after retirement. The Company currently manages an unfunded gratuity scheme and a policy to compensate for leave absences. Present value of defined benefit obligation as on June 30, 2018 stood at Rs.533.8 million representing a net increase of Rs.87.5 million. Details of the gratuity scheme have been disclosed in note 16 of the financial statements.

Residence

Considering the social and emotional needs of the hardworking staff, accommodation facilities are available at both location for workers and staff. The residential blocks are well maintained and the company takes great care that the workers live in a secure and healthy environment.

Dispensary

A well-managed dispensary at both the locations are maintained by the Company for the welfare of the employees, to ensure proper health and safety.

Other Facilities for Plant Employees: -

- Subsidized mess
- Ambulance service
- Shuttle service

Safety and Security

At GTML, we have a strong commitment towards ensuring that our employees work in a healthy and safe environment, but when and if the need arises, 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 (if any). We also have a zero-tolerance policy against violence. Employees are well notified of such policies and the consequences of such actions.

Moreover, safety drills are regularly carried out to train and educate employees for emergency situations.



Stakeholders Engagement

Policy and Procedure for Stakeholder Engagement

Activity	Activity Details	Frequency
Annual General Meeting	The AGM of the Company is convened in accordance with the requirement of Companies’ Act, 2017. 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.	Annual
Financial Reporting	GTML being a listed Company publishes its periodic financial statements (annually, half-yearly and quarterly) at the stock exchange and makes it available as well at the Company’s website so as to communicate the Company’s financial results to the stakeholders and potential investors.	Periodic (Annually, Half yearly and Quarterly)
Stock Exchange Notifications	The management of the Company has a clear Policy of sharing all information which may affect the confidence of its stakeholders in any manner. The Company communicates all material information in a timely manner to the Pakistan Stock Exchange. These include: <ul style="list-style-type: none"><li>• BOD Meeting</li><li>• Financial Results</li><li>• Material information</li></ul>	As and when required.

Encourage Minority Shareholders

Apart from timely submission of accounts and notices to shareholders, the company in order to encourage minority shareholders to attend the general meetings and on the basis of section 132(2) of the Companies Act, 2017, have provided the video conferencing facility to shareholders (having shareholding of 10% or more in aggregate), subject to availability of video conference facility in that city and receipt of intimation from the shareholders at least 10 days prior to date of meeting.

Regulators

We have a dedicated skilled and professional team in our Corporate Affairs department who not only ensure compliance requirement but also evaluate global and best practice and applies proactive approach.

Banks and Other Lenders

Strong and long term business relationship with our stakeholders is considered to be of utmost importance for us. 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. The company maintains excellent relationship with all the leading financial institutions of the country.

Media and Website

In order to engage our stakeholders, our corporate communication department continuously update our social media and website.

Relation with stakeholders

Management recognizes the fact that the dispute with the stakeholders can have hindrance in day to day business operations, and therefore give due importance to their feedback / suggestion. Accordingly, stakeholders are allowed to have direct access to Company secretary in case of any grievance, as mentioned in whistle blowing segment.

Issues Raised In Last AGM

The last AGM was held on September 28, 2017 at the registered office of the Company. During the meeting no significant issues were raised.

# Corporate Affiliations

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



# Corporate Social Responsibility and Sustainability

The incorporation of GTML proved to be a great example of contribution towards the betterment of the society. Before GTML came into existence in Swabi, the people of Swabi were involved in cultivation of poppy and opium on their agricultural lands in order to earn their livelihood. A very brave step was taken by the group by setting up a company in that area with the aim of providing employment to the locals and to help them distance themselves from these harmful practices. Thus, GTML is not only a profit making entity but also has a core objective to be socially responsible.

Various CSR activities were held this year with the active participation of employees in which the most highlighted ones were;

- A visit to Binte-Fatima (an old age house specifically meant for old ladies) located in DHA and home to almost 50 old females. It was a very well managed setup with 24/7 supervision of dedicated staff to take care of the residents along with clean, hygienic food and environment. Our employees went there to spend their valuable time with the old females and distributed gifts among them.
- Another visit was to a Street to School project located at Gharibabad vicinity in Karachi. A very courageous step taken by a group of philanthropists who worked hard in convincing the local neighborhood to send their children to school. It's not only focusing on the education of children but is also busy in educating the parents and guardians as well. Our employees went there to show the support of GTML and shared snacks and gifts with the children. Furthermore, a handsome amount of donation was also given to the management to build the roof top of the school.

- Another group of employees made a visit to Al Mustafa Orphanage located in Korangi, Karachi. It's again a well-managed home to 50+ young boys and few families, providing hostel and educational facilities. Our employees played games with the children and engaged them in different other activities like singing songs and other small competitions. Similarly, a small visit to Child Life Foundation hospital located at Lyari, Karachi was organized in order to see the new, improved health facilities being offered there. Employees spent time with the children there, distributed balloons and gifts to them.

## Iftar Arrangements

Like previous years, this year too, Iftar arrangements were made during the Holy Month of Ramadan at factory premises. This benevolent gesture was open for all, bringing ease and joy to the locality.

## Masjid

A Masjid has been built inside the mill premises at both the locations to facilitate both, employees and locals.

## Efforts to Mitigate Adverse Risk of Industrial Effluents

The company's policy of 'clean environment; healthy life', is aiming to implement process and procedures that ensures disposal of waste materials and chemicals in a way that is least harmful for the environment. Training and awareness sessions are conducted on a regular basis for this purpose.

## Energy Saving Measures Taken By the Company

GTML aims to conserve natural resources and reduce energy consumption. Hence, the Company has acquired a state-of-the-art Waste Heat



Recovery Plant which substantially reduces carbon dioxide emission and creates a greener environment. In addition to this, the Company has made a conscious effort to reduce waste, as small as mindfully turning off unnecessary lights or computers during office breaks or as immense as using energy efficient office equipment.

Paper-Waste Disposal

GTML is a socially responsible organization, striving hard to reduce the use of paper. Technology such as scanning and digital data storage is implemented wherever possible. The Company in continuance of its past practice, collected and donated tonnes of paper for recycling in the current year as well.



# Awards and Achievements

- Top 25 Companies for The Year Award
- Top Exporter (Foreign Exchange Earner) of the Province
- Top Importer of The Province
- Top Income Tax Payer of The Province
- Best Consumer Award
- Businessman of the Year Gold Medal Award
- Business Excellence Award
- ACCA and ICAEW Approved Employer Status
- ICAP's Outside Practice Scheme's Enrollment
- Awarded With Best Corporate Report Award 2015, 2016 and 2017
- Secured First Place In National Finance Olympiad (NFO) 2016 organized by ICAP



# SWOT Analysis

- Strengths
- Market dominance
  - In-house power generation
  - Strong group structure
  - Economies of scale
  - Availability of wide range of products
  - State-of-the-art plant and production facilities
  - Global reach to internationally acclaimed clients

- Opportunities
- Access to untapped markets to increase exports
  - Availability of expansion in existing and untapped segments with bare minimum capital expenditure
  - Target the niche market due to wide range of product manufactured
  - Develop innovative product range utilizing experienced technical staff



- Weaknesses
- Labor intensive operations
  - Larger portion of production based on volatile cotton market
  - Dependence on particular region for sales
  - Major reliance on the spinning segment

- Threats
- Political Instability
  - Imposition of innovative taxes and uncertain government policies e.g. GIDC
  - Shortage of raw material due to natural disasters
  - Fluctuation in interest and exchange rates
  - High labour intensive industry
  - Availability of subsidized yarn by regional competitors

# Risk and Opportunity Report

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

Risk Management

The management of the company follow the rigorous approach to risk management which is essential to running a successful and sustainable business. The board of directors of the company are closely connected to effective risk management. Risk assessment, reporting and control help to enhance governance and control policies, to keep company aligned with its objectives.

Our board member have diversified skills, knowledge and experience which enable them to identify and

manage the key risks that are likely to arise. They also steer the culture of an organization which promotes an appropriate balance between risk and opportunities.

Potential Opportunities

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

The ever so competitive local and international market has made it difficult for companies to sustain. This

provides our Company the opportunity to acquire smaller players of the market and increase its market share and economic efficiencies.

Key sources of uncertainty

- Adverse impact of policies formed by the regulators
- Natural catastrophes such as heavy rains and floods that could destroy local cotton crop
- Adverse interest rate and exchange rate movements

Materiality Approach

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

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

Share Price Sensitivity Analysis

Share price of the Company depends on the Company’s overall performance and reputation in the respective industry in which it exists, combined with other external factors on which management has lesser or no control.

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

Stock Market

GTML is listed on the Pakistan Stock Exchange (PSX) which is regarded as one of the most liquid and top performing exchanges market among the global market and is operating in a discount against other Asian regional markets.

Company’s share price depends on overall market performance, investor confidence on the economy and particular sector and the overall fundamentals of the company. Positive sentiments, news flows prevailing in the market may result in appreciation of share price of the company.

Taxation

GTML is exposed to inconsistent Government regulations, taxes schemes, policies, incentives schemes which directly affects the company’s financial performance which in turn may affect the share price.

Political Instability

The political conditions in this year were not stable on account of general election 2018, as there was uncertainty about the future government and its policies. Stable political situation in the country improves the overall business performance, investor confidence and also encourages foreigners to deal with some of the prestigious companies in the country, which may have impact on Company’s share price.

Exchange Rate

GTML generated 33 percent of its revenue from exports, through which the entity is exposed to exchange rate risk. Any favorable or unfavorable movement in exchange rates might affect the company’s profitability and hence, affect the share price. The company has also adopted effective strategies to minimize the risk of exchange rates.

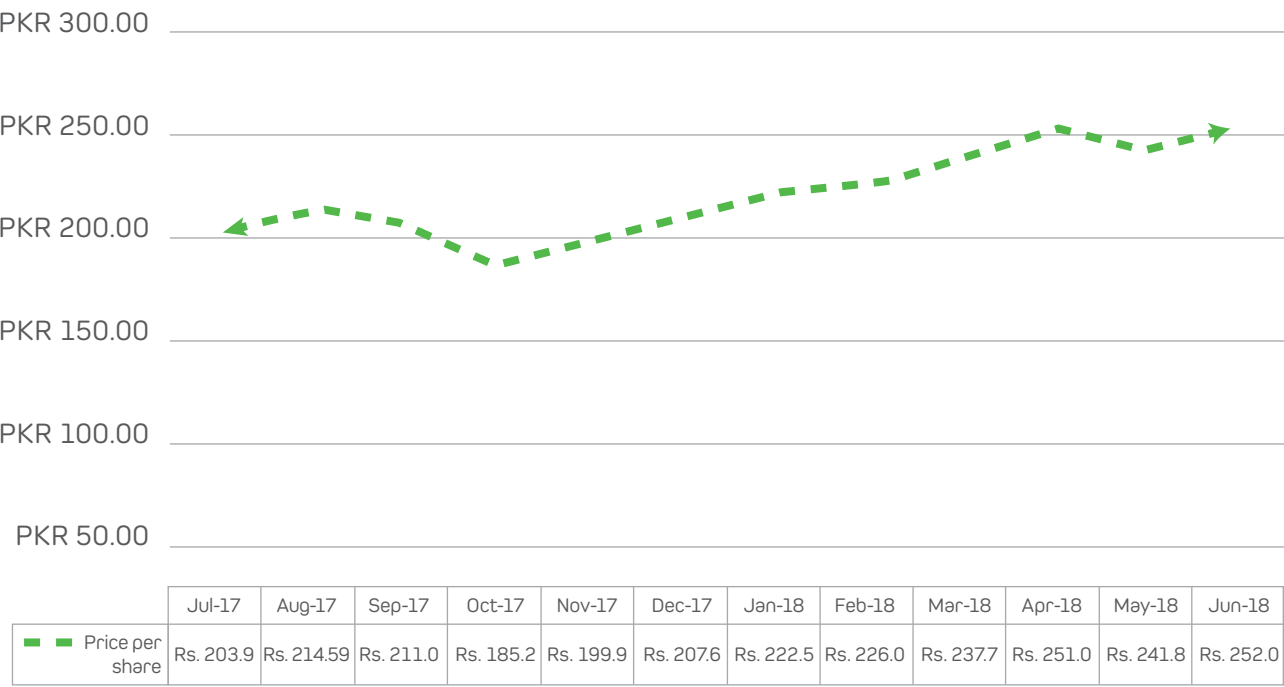
Interest Rate

The Company’s Finance Cost is 2.1 percent of the turnover. Any adverse interest rate movement might affect the company’s profitability and hence, affect the share price.

Availability of Raw Material

The Company’s performance is largely dependent upon the availability of raw material, which is highly sensitive to seasonal fluctuations. Thus, any negative or positive change in the crop yield will dampen the Company’s performance and influence the share price.

Share Price Variation



Forward Looking Statement

The current economic scenario and market conditions of the textile-spinning sector are expected to remain same at least till the end of the current calendar year. However, in order to secure optimum results, the Company is focusing on efficient sales mix and product differentiation strategy along with consistent monitoring of areas where measures can be taken to reduce cost. The Company will work extensively to increase its exports sales despite the fact that benefit of government export package will not be available for the year 2018-19 on sale of yarn. Furthermore, the Company also expects increase in returns from its strategic investments.

The Company on the basis of current monetary and fiscal policy, affiliation / contacts with associations including APTMA, Sarhad Chamber of Commerce and Industry, consultation with industry experts including advisory firms, market research including past

trends, forecast the factors i.e. exchange rate, interest rate, cotton prices, sales prices etc having significant impacts on the Company’s operations and accordingly makes projections for the upcoming year.

As anticipated in the future outlook of previous year, the export package announced by the government and the Company’s strategic investments have resulted in better profits for the Company and accordingly share of profit from associates and rebate income have contributed Rs. 477.17 million (Rs. 384.01 million in SPLY) and Rs. 411.63 million (Rs. 148.83 million in SPLY) respectively to the profits of Company in this year.

Furthermore, apart from investment in state of art technological machines and strategic investments, no other major projects are in pipelines from previous year, the progress of which needs to be disclosed.



Six Years at a Glance

	2018	2017	2016	2015	2014	2013
(Rupees In '000)						
<b>Assets Employed</b>						
Property, Plant And Equipment	7,791,928	7,447,694	7,727,013	8,322,228	5,997,051	5,502,528
Long Term Loans, Deposits And Deferred Costs	63,050	51,180	41,340	46,788	31,846	27,958
Long Term Advances	-	-	-	-	-	-
Current Assets	12,600,632	10,028,260	9,132,266	10,281,322	8,697,492	7,002,605
Long Term Investments	2,686,920	2,472,715	2,194,332	1,683,343	1,358,798	1,230,711
Total Assets Employed	23,142,530	19,999,849	19,094,951	20,333,681	16,085,187	13,763,802
<b>Equity and Liabilities</b>						
Shareholder's Equity	8,213,510	7,366,723	6,533,605	6,817,519	6,499,577	6,184,838
Long Term Finance	594,338	-	-	-	8,905	26,719
Current Portion of Long Term Finance	-	-	-	8,905	17,814	17,814
	594,338	-	-	8,905	26,719	44,533
Retirement Benefit Obligation	533,769	446,314	447,453	348,205	218,333	168,521
Deferred Tax Liabilities	696,275	668,382	642,313	648,707	468,123	334,175
Current Liabilities	13,104,638	11,518,430	11,471,580	12,519,249	8,890,249	7,049,549
Current Portion of Long Term Finance	-	-	-	(8,905)	(17,814)	(17,814)
	13,104,638	11,518,430	11,471,580	12,510,344	8,872,435	7,031,735
<b>Total Equity and Liabilities</b>	23,142,530	19,999,849	19,094,951	20,333,681	16,085,187	13,763,802
<b>Turnover And Profit</b>						
Sales	27,554,687	23,248,578	21,269,477	23,003,447	20,066,084	18,673,753
Gross Profit	1,944,890	1,328,793	726,192	1,129,822	1,932,166	2,246,458
Operating Profit	2,048,328	1,427,539	357,012	701,200	1,478,787	1,688,176
Profit/(Loss) Before Taxation	1,473,646	1,084,938	(92,164)	(90,281)	739,149	1,254,115
Profit/(Loss) After Taxation	1,185,296	806,986	(273,845)	(392,334)	580,799	1,129,922
Cash Dividend	434,459	140,148	-	-	117,188	292,969
Unappropriated Profit	6,068,340	5,221,553	4,388,435	4,672,349	5,162,077	4,847,338
Earnings per Share (Rupees)	42.29	28.79	(9.77)	(14.59)	24.78	48.21
Book Value per Share (Rupees)	293.03	262.82	233.10	290.88	277.32	263.89

Analysis of Financial Performance

Financial Ratios	UoM	2018	2017	2016	2015	2014	2013
<b>Profitability Ratios</b>							
Gross Profit to Sales	Percentage	7.06%	5.72%	3.41%	4.91%	9.63%	12.03%
Net Profit after Tax to Sales	Percentage	4.30%	3.47%	(1.29%)	(1.71%)	2.89%	6.05%
EBITDA to Sales	Percentage	10.11%	9.34%	5.49%	6.43%	10.15%	11.83%
Operating Leverage	Times	2.35	32.23	6.51	(3.59)	(1.66)	2.07
Return on Equity after Tax	Percentage	15.22%	11.61%	(4.10%)	(5.89%)	9.16%	19.83%
Return on Capital Employed	Percentage	25.33%	20.54%	5.34%	10.50%	23.19%	29.36%
<b>Liquidity Ratios</b>							
Current Ratio	Times	0.96	0.87	0.80	0.82	0.98	0.99
Quick/Acid Test Ratio	Times	0.35	0.33	0.30	0.39	0.29	0.35
Cash to Current Liabilities	Times	0.01	0.01	0.03	0.04	0.04	0.07
Cash flow from Operations to Sales	Times	(0.02)	0.04	0.06	0.07	(0.03)	0.02
<b>Activity/Turnover Ratios</b>							
Inventory Turnover	Times	3.89	4.04	4.09	4.13	3.68	4.41
No. of days in Inventory	Days	94	90	89	88	99	83
Debtors Turnover	Times	13.07	14.10	11.92	14.84	17.83	18.00
No. of days in Receivables	Days	28	26	31	25	20	20
Creditors Turnover	Times	9.38	10.88	11.54	15.69	19.08	17.37
No. of days in Payables	Days	39	34	32	23	19	21
Operating Cycle	Days	83	82	88	90	100	82
Total Assets Turnover	Times	1.28	1.19	1.08	1.26	1.34	1.55
Fixed Assets Turnover	Times	3.62	3.06	2.65	3.21	3.49	3.60
Equity Multiplier	Times	2.77	2.81	2.95	2.73	2.35	2.11
<b>Investment/Market Ratios</b>							
Earnings per Share	Rupees	42.29	28.79	(9.77)	(14.59)	24.78	48.21
Price/Earning Ratio	Times	5.96	7.33	-	-	10.09	2.56
Price/Book Ratio	Percentage	86.00%	80.28%	55.17%	56.64%	90.13%	46.99%
Dividend Yield	Percentage	6.15%	2.37%	-	-	2.00%	10.08%
Dividend Payout Ratio	Percentage	36.65%	17.37%	-	-	20.18%	25.93%
Dividend Cover Ratio	Times	2.73	5.76	-	-	4.96	3.86
Cash Dividend per Share	Rupees	15.50	5.00	-	-	5.00	12.50
Book Value per Share as at June 30th	Rupees	293.03	262.82	233.10	290.88	277.32	263.89
Market Value per Share as at June 30th	Rupees	252.00	211.00	128.59	164.76	249.95	124.00
Highest Share Price during the year	Rupees	264.00	323.62	153.20	332.18	332.44	-
Lowest Share Price during the year	Rupees	176.00	128.50	112.10	154.89	125.00	-
<b>Capital Structure Ratios</b>							
Degree of Financial Leverage Ratio	Times	1.08	1.32	(0.62)	3.19	3.92	0.95
Weighted Average Cost of Debt	Percentage	6.02%	3.77%	4.50%	8.78%	10.96%	9.18%
Debt to Equity Ratio (Book Value)	Percentage	7.24%	-	-	0.13%	0.41%	0.72%
Debt to Equity Ratio (Market Value)	Percentage	8.41%	-	-	0.23%	0.46%	1.53%
Interest Coverage Ratio	Times	3.56	4.17	0.79	0.89	2.00	3.89

# Analysis of Balance Sheet

## Vertical Analysis

	2018	2017	2016	2015	2014	2013
<b>Assets</b>						
<b>Non current assets</b>						
Property, Plant and Equipment	33.67%	37.24%	40.47%	40.93%	37.28%	39.98%
Long Term Advances	-	-	-	-	-	-
Long Term Loans	0.15%	0.12%	0.09%	0.11%	0.07%	0.05%
Long Term Deposits	0.12%	0.14%	0.13%	0.12%	0.13%	0.15%
Long Term Investments	11.61%	12.36%	11.49%	8.28%	8.45%	8.94%
	45.55%	49.86%	52.17%	49.44%	45.93%	49.12%
<b>Current Assets</b>						
Stores, Spares and Loose Tools	2.37%	2.46%	2.70%	2.60%	2.61%	2.60%
Stock in trade	32.28%	28.50%	26.96%	24.08%	35.43%	30.15%
Trade Debts	10.65%	8.75%	8.10%	9.94%	6.71%	8.52%
Loans and Advances	1.24%	1.31%	1.41%	1.15%	1.74%	0.81%
Receivables from an Associates	-	-	-	4.86%	-	-
Short Term Investments	-	-	0.40%	0.29%	0.30%	0.27%
Trade Deposit and Other Short Term Prepayments	0.14%	0.09%	0.15%	0.04%	0.03%	0.06%
Other Receivables	4.14%	4.64%	2.35%	1.84%	1.35%	1.57%
Current Tax Asset	2.81%	3.56%	3.72%	3.28%	3.84%	3.40%
Cash and Bank Balance	0.82%	0.82%	2.03%	2.49%	2.06%	3.49%
	54.45%	50.14%	47.83%	50.56%	54.07%	50.88%
<b>Total Assets</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Equity and Liabilities</b>						
<b>Share Capital and Reserves</b>						
Issued, Subscribed and Paid up Capital	1.21%	1.40%	1.47%	1.15%	1.46%	1.70%
Capital Reserves	0.59%	0.69%	0.72%	4.48%	0.64%	0.75%
Revenue Reserves	33.69%	34.74%	32.03%	27.90%	38.31%	42.48%
<b>Total Equity</b>	35.49%	36.83%	34.22%	33.53%	40.41%	44.94%
<b>Non Current Liabilities</b>						
Long Term Finance	2.57%	-	-	-	0.06%	0.19%
Retirement Benefit Obligation	2.31%	2.23%	2.34%	1.71%	1.36%	1.22%
Deferred Tax Liabilities	3.01%	3.34%	3.36%	3.19%	2.91%	2.43%
	7.88%	5.57%	5.71%	4.90%	4.32%	3.85%
<b>Current Liabilities</b>						
Trade & other Payables	13.35%	13.90%	9.72%	9.62%	6.98%	8.15%
Unclaimed Dividend	0.09%	0.08%	0.08%	0.08%	0.07%	0.07%
Accrued Markup	0.56%	0.44%	0.24%	0.66%	0.88%	0.50%
Short Term Borrowings	42.63%	43.18%	50.03%	51.17%	47.23%	42.38%
Current Portion of Long Term Finance	-	-	-	0.04%	0.11%	0.13%
	56.63%	57.59%	60.08%	61.57%	55.27%	51.22%
<b>Total Equity and Liabilities</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

## Horizontal Analysis

	2018 VS 2017	2017 VS 2016	2016 VS 2015	2015 VS 2014	2014 VS 2013	2013 VS 2012
<b>Assets</b>						
<b>Non current assets</b>						
Property, Plant and Equipment	4.62%	(3.61%)	(7.15%)	38.77%	8.99%	12.70%
Long Term Advances	-	-	-	-	-	-
Long Term Loans	50.50%	44.18%	(25.42%)	100.81%	55.65%	(16.58%)
Long Term Deposits	0.05%	10.56%	0.41%	18.98%	-	187.54%
Long Term Investments	8.66%	12.69%	30.36%	23.88%	10.41%	-
	5.72%	0.09%	(0.89%)	36.07%	9.27%	38.03%
<b>Current Assets</b>						
Stores, Spares and Loose Tools	11.70%	(4.68%)	(2.35%)	25.69%	17.39%	(8.95%)
Stock in trade	31.03%	10.72%	5.17%	(14.11%)	37.35%	25.86%
Trade Debts	40.75%	13.13%	(23.46%)	87.37%	(7.94%)	29.81%
Loans and Advances	9.31%	(2.15%)	15.14%	(16.54%)	150.70%	57.24%
Receivables from an Associates	-	-	(100.00%)	100.00%	-	-
Short Term Investments	-	(100.00%)	26.76%	21.91%	30.30%	47.91%
Trade Deposit & Other Short Term Prepayments	82.55%	(40.22%)	269.92%	96.13%	(52.12%)	136.28%
Other Receivables	3.23%	106.97%	19.81%	72.68%	0.04%	55.82%
Current Tax Asset	(8.63%)	0.29%	6.66%	7.93%	31.89%	59.81%
Cash and Bank Balance	15.21%	(57.69%)	(23.51%)	52.63%	(30.89%)	88.17%
	25.65%	9.81%	(11.18%)	18.21%	24.20%	30.15%
<b>Total Assets</b>	15.71%	4.74%	(6.09%)	26.41%	16.87%	33.90%
<b>Equity and Liabilities</b>						
<b>Share Capital and Reserves</b>						
Issued, Subscribed and Paid up Capital	-	-	19.59%	-	-	-
Capital Reserves	-	-	(84.90%)	783.20%	-	-
Revenue Reserves	12.19%	13.62%	7.82%	(7.95%)	5.38%	20.04%
<b>Total Equity</b>	11.49%	12.75%	(4.16%)	4.89%	5.09%	18.74%
<b>Non Current Liabilities</b>						
Long Term Finance	100.00%	-	-	(100.00%)	(66.67%)	(40.00%)
Retirement Benefit Obligation	19.59%	(0.25%)	28.50%	59.48%	29.56%	14.72%
Deferred Tax Liabilities	4.17%	4.06%	(0.99%)	38.58%	40.08%	62.73%
	63.67%	2.29%	9.31%	43.37%	31.35%	33.43%
<b>Current Liabilities</b>						
Trade and other Payables	11.12%	49.69%	(5.04%)	74.19%	0.13%	3.27%
Unclaimed Dividend	39.53%	(0.50%)	(0.38%)	36.67%	16.43%	14.28%
Accrued Markup	48.09%	92.23%	(65.96%)	(5.84%)	108.71%	52.28%
Short Term Borrowings	14.23%	(9.61%)	(8.19%)	36.98%	30.24%	65.87%
Current Portion of Long Term Finance	-	-	(100.00%)	(50.01%)	-	-
	13.77%	0.41%	(8.37%)	40.82%	26.11%	50.85%
<b>Total Equity and Liabilities</b>	15.71%	4.74%	(6.09%)	26.41%	16.87%	33.90%

# Analysis of Profit and Loss

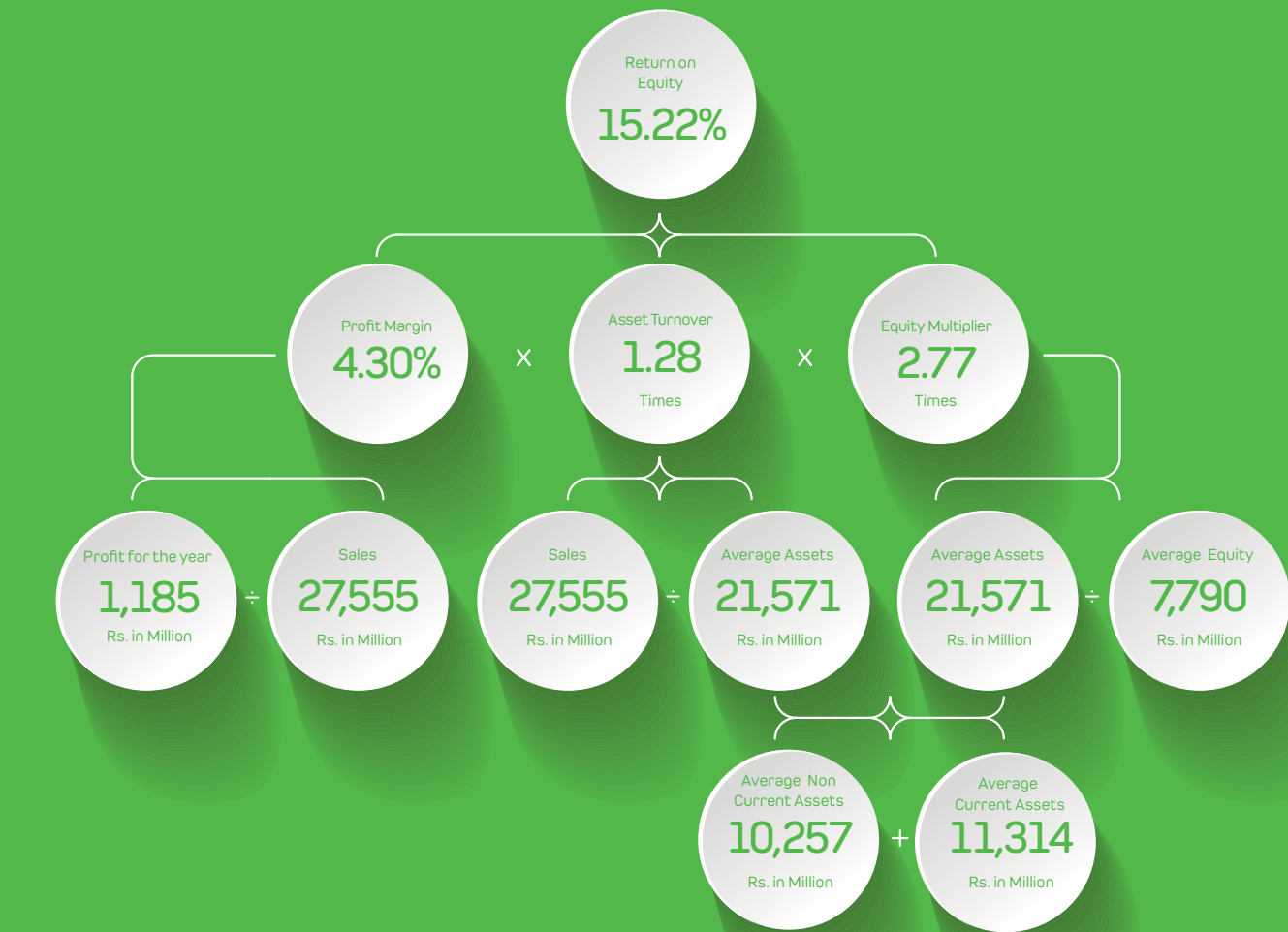
## Vertical Analysis

	2018	2017	2016	2015	2014	2013
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	92.94%	94.28%	96.59%	95.09%	90.37%	87.97%
Gross Profit	7.06%	5.72%	3.41%	4.91%	9.63%	12.03%
Distribution Cost	1.59%	1.20%	1.41%	1.61%	1.53%	1.76%
Administrative Expenses	0.81%	0.83%	1.01%	0.99%	0.57%	0.47%
Operating Profit	4.66%	3.69%	0.99%	2.31%	7.53%	9.80%
Finance Cost	2.09%	1.47%	2.11%	3.44%	3.69%	2.32%
Other Operating Expenses	0.59%	0.38%	0.36%	0.09%	0.92%	1.16%
Other Income	(3.36%)	(2.84%)	(1.05%)	(0.83%)	(0.77%)	(0.39%)
Profit/(Loss) before Taxation	5.34%	4.67%	(0.43)	(0.39%)	3.69%	6.71%
Taxation	1.05%	1.20%	0.85%	1.31%	0.79%	0.67%
Profit/(Loss) for the year	4.29%	3.47%	(1.28%)	(1.70%)	2.90%	6.04%

## Horizontal Analysis

	2018	2017	2016	2015	2014	2013
	VS	VS	VS	VS	VS	VS
	2017	2016	2015	2014	2013	2012
Sales	18.52%	9.30%	(7.54%)	14.64%	7.46%	37.61%
Cost of Sales	16.83%	6.70%	(6.08%)	20.62%	10.39%	32.28%
Gross Profit	46.37%	82.98%	(35.73%)	(41.53%)	(13.99%)	95.05%
Distribution Cost	56.28%	(6.54%)	(19.14%)	20.63%	(6.52%)	32.88%
Administrative Expenses	15.64%	(10.10%)	(4.92%)	97.03%	31.91%	(0.9%)
Operating Profit	50.09%	305.08%	(60.37%)	(64.73%)	(17.52%)	124.21%
Finance Cost	67.74%	(23.73%)	(43.25%)	7.01%	70.40%	46.84%
Other Operating Expenses	80.73%	15.66%	253.60%	(88.22%)	(14.07%)	61.96%
Other Income	39.98%	196.58%	17.20%	23.50%	110.68%	(72.57%)
Profit/(Loss) before Taxation	35.83%	1277.18%	(2.09%)	(112.21%)	(41.06%)	91.62%
Taxation	3.74%	52.99%	39.85%	90.75%	27.50%	2096.94%
Profit/(Loss) for the year	46.88%	394.69%	30.20%	(167.55%)	(48.60%)	74.15%

# Dupont Analysis



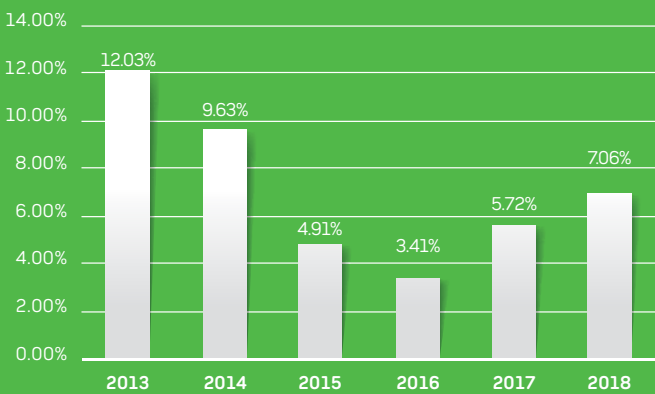
Years	Profit Margin (A)	Asset Turnover (B)	Equity Multiplier (C)	ROE A x B x C
2018	4.30%	1.28	2.77	15.22%
2017	3.47%	1.19	2.81	11.61%
2016	(1.29%)	1.08	2.95	(4.10%)
2015	(1.71%)	1.26	2.73	(5.89%)
2014	2.89%	1.34	2.35	9.16%
2013	6.05%	1.55	2.11	19.83%



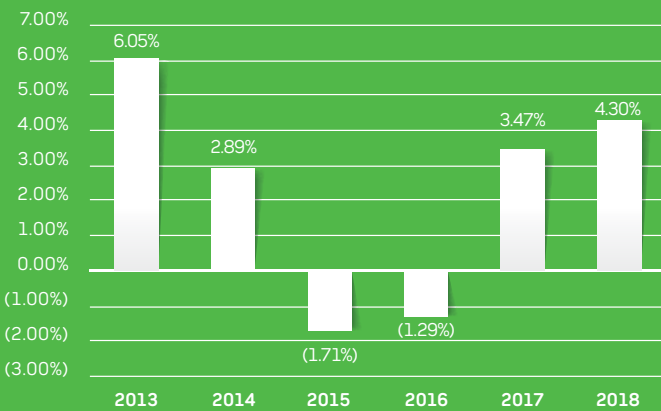
# Graphical Representation of Ratios

## Profitability Ratios

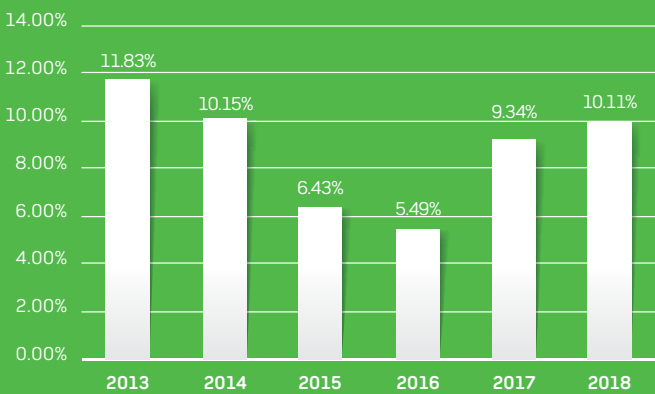
Gross Profit to Sales (Percentage)



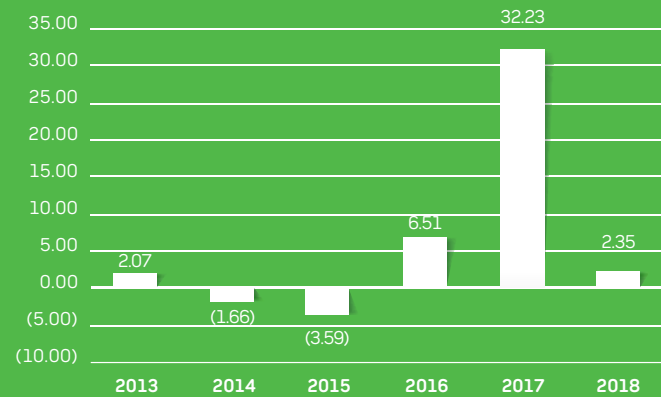
Net Profit after Tax to Sales (Percentage)



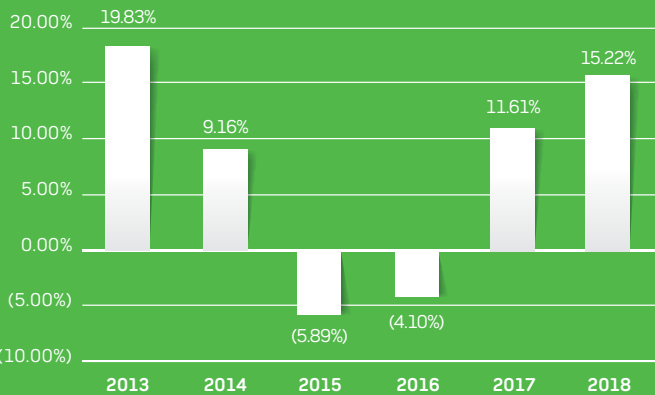
EBITDA to Sales (Percentage)



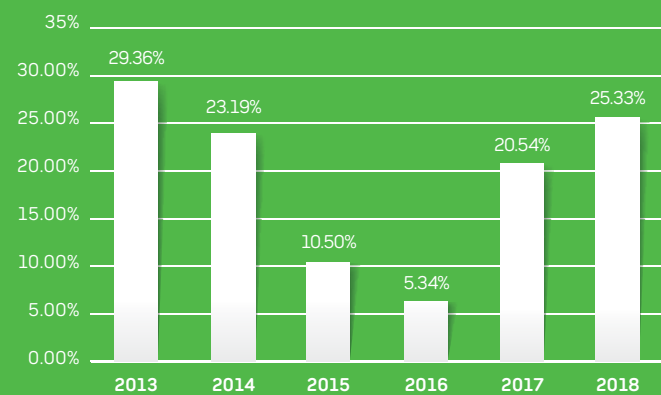
Operating Leverage (Times)



Return on Equity after Tax (Percentage)

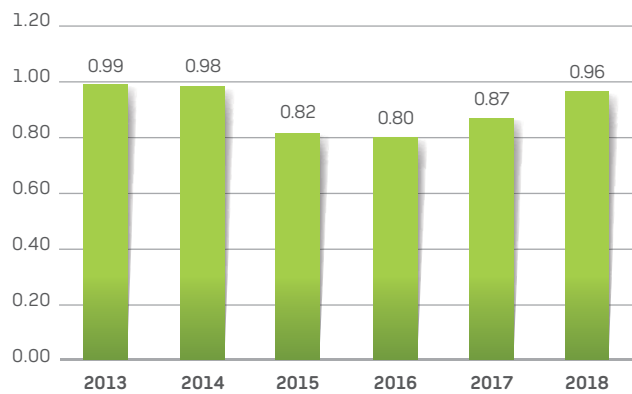


Return on Capital Employed (Percentage)



## Liquidity Ratios

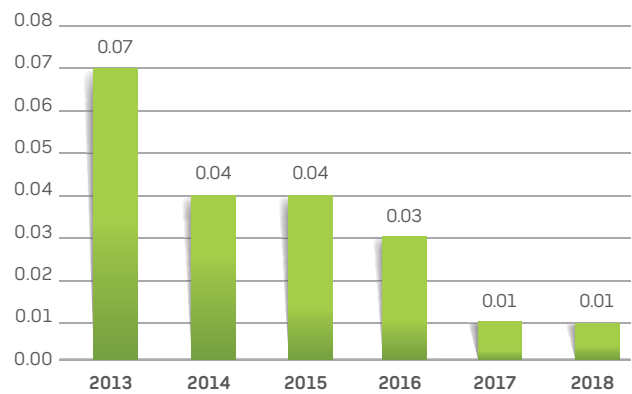
Current Ratio (Times)



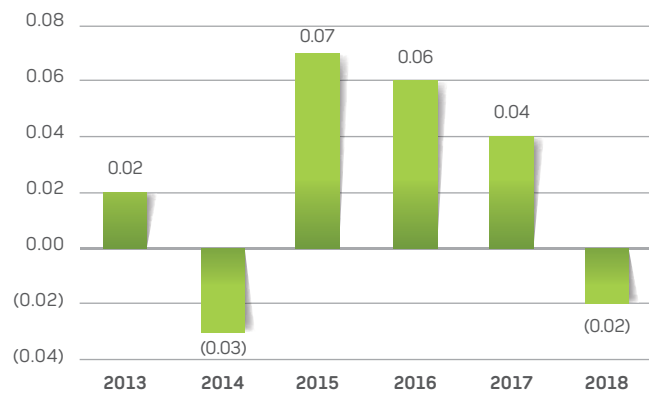
Quick/Acid Test ratio (Times)



Cash to Current Liabilities (Times)

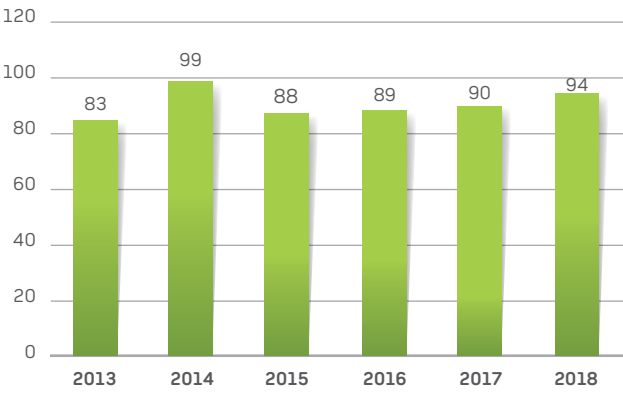


Cash Flow From Operations to Sales (Times)

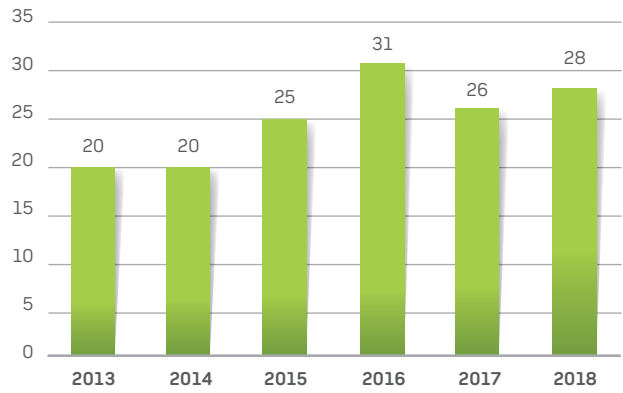


Activity/Turnover Ratios

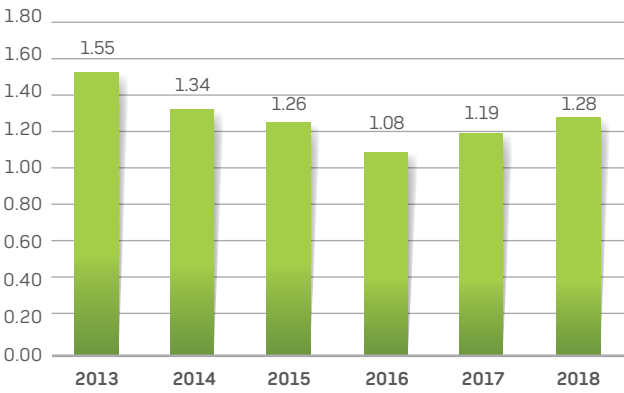
No. of Days in Inventory (Days)



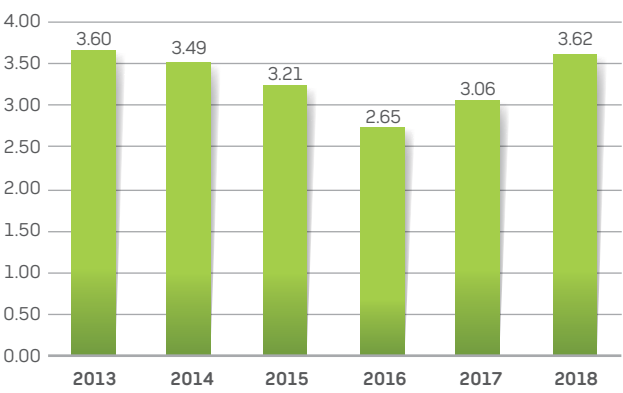
No. of Days in Receivables (Days)



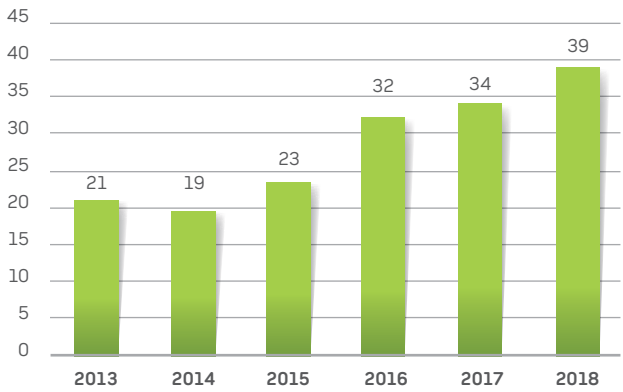
Total Assets Turnover (Times)



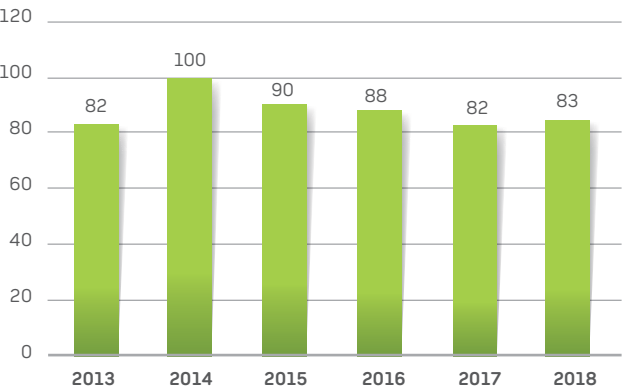
Fixed Assets Turnover (Times)



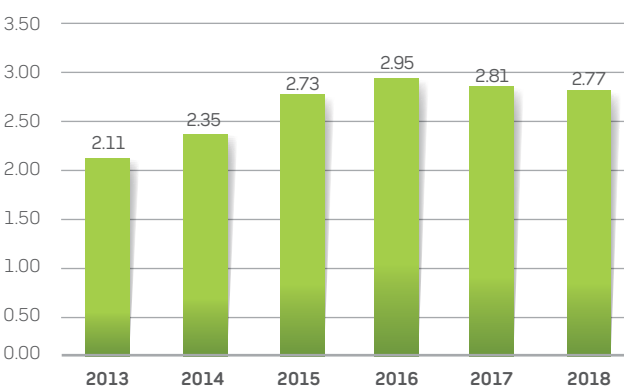
No. of Days in Payables (Days)



Operating Cycle (Days)

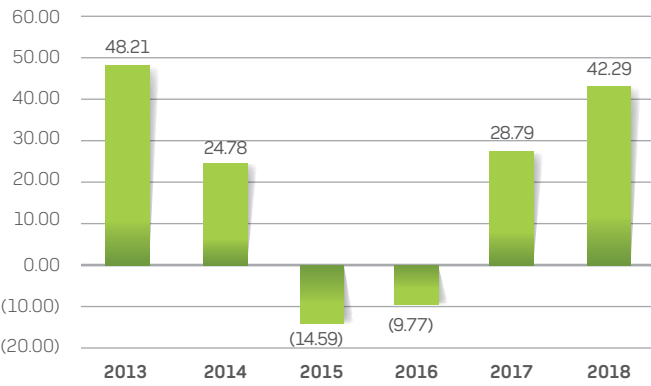


Equity Multiplier (Times)

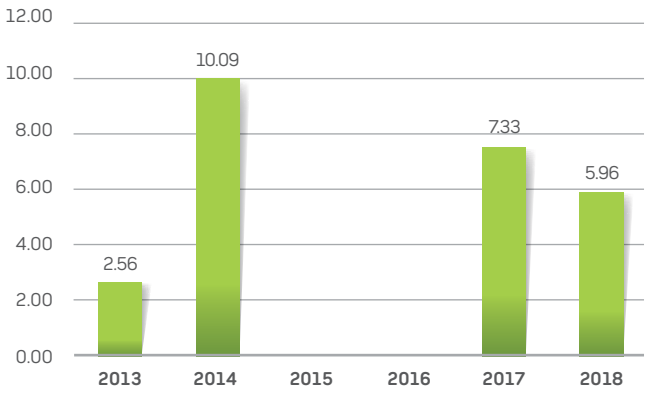


Investment/Market Ratios

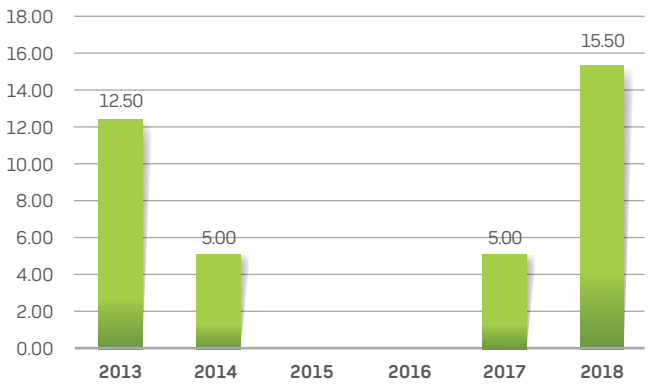
Earnings per Share (Rupees)



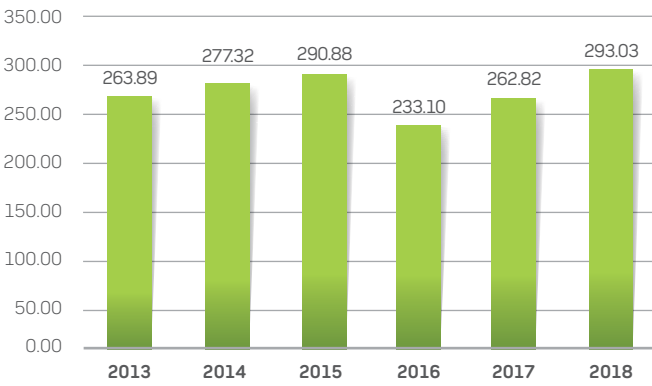
Price/Earning Ratio (Times)



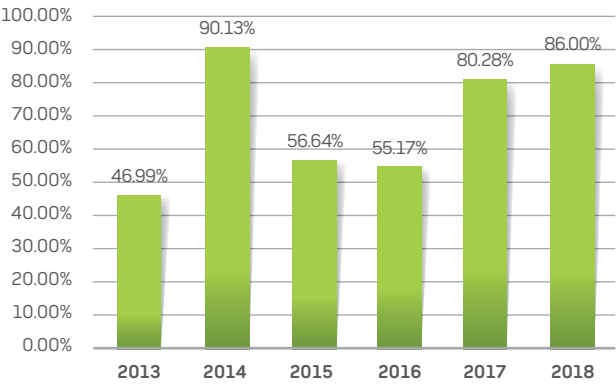
Cash Dividend per Share (Rupees)



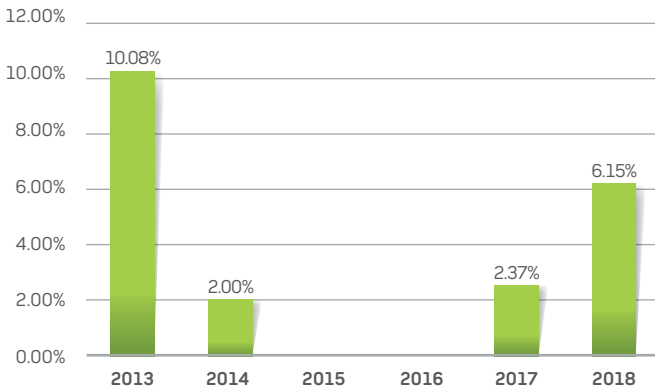
Book Value per Share as at June 30th (Rupees)



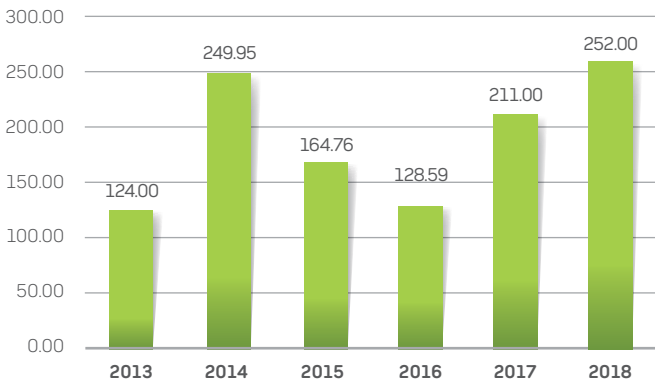
Price/Book Ratio (Percentage)



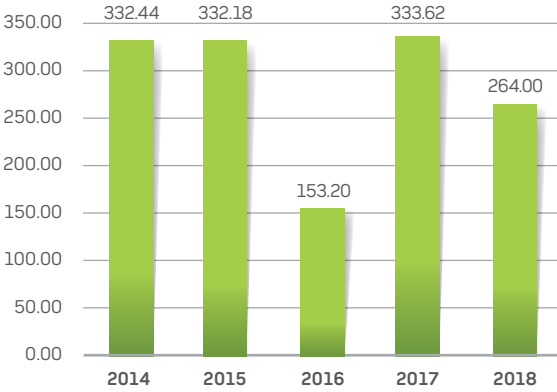
Dividend Yield (Percentage)



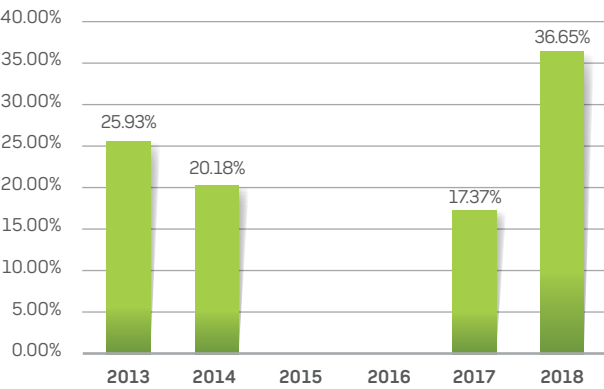
Market Value per Share as at June 30th (Rupees)



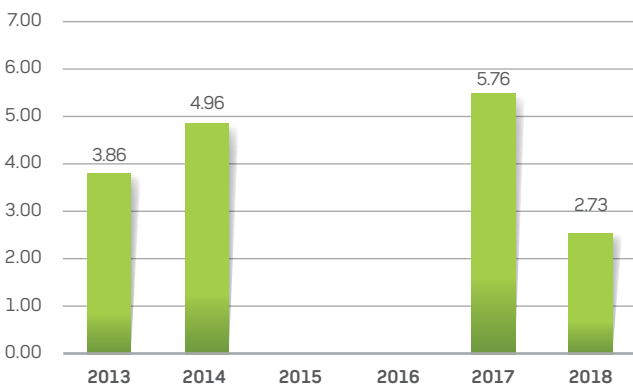
Highest Share Price during the year (Rupees)



Dividend Payout Ratio (Percentage)



Dividend Cover Ratio (Times)



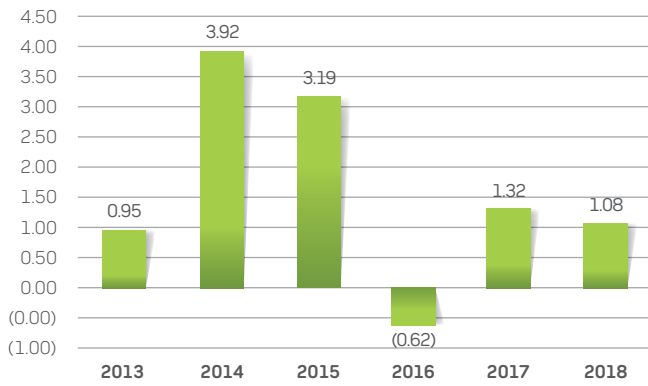
Lowest Share Price during the year (Rupees)



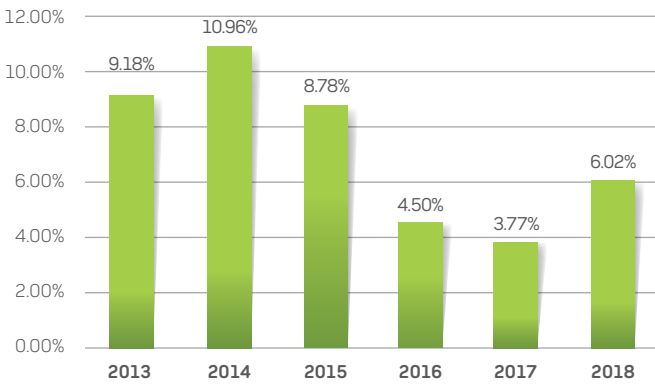


Capital Structure Ratios

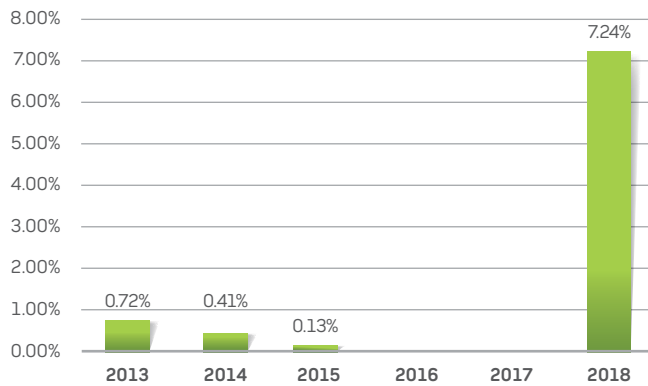
Degree of Financial Leverage Ratio (Times)



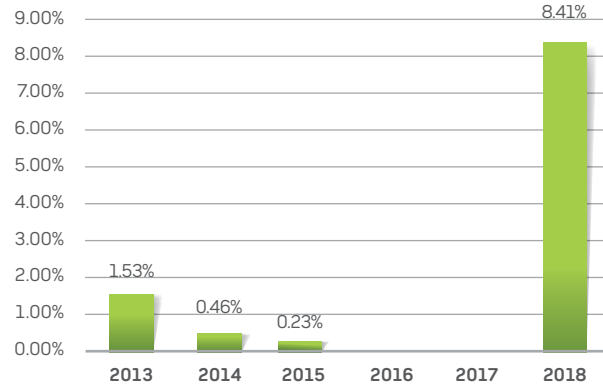
Weighted Average Cost of Debt (Percentage)



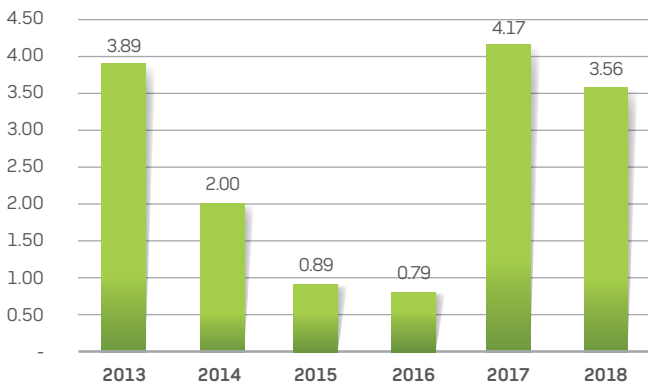
Debt to Equity Ratio (Book Value) (Percentage)



Debt to Equity Ratio (Market Value) (Percentage)



Interest Coverage Ratio (Times)

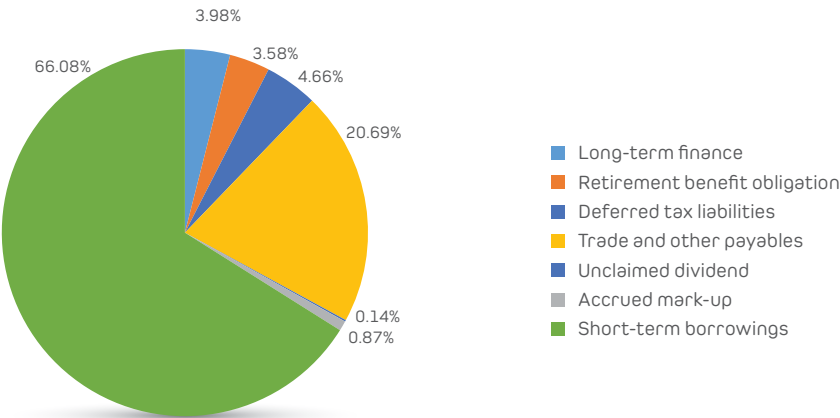


# Graphical Representation of Balance Sheet & Profit and Loss

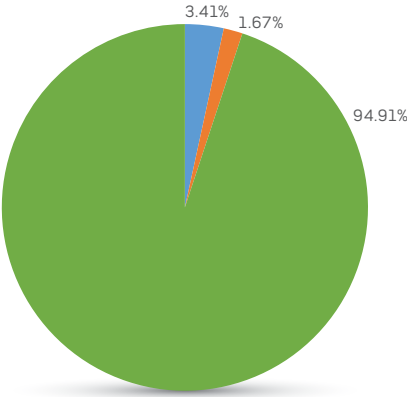
Asset



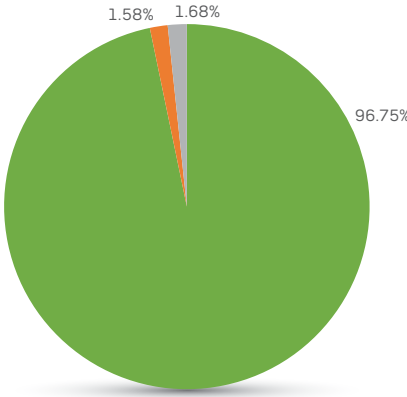
Liability



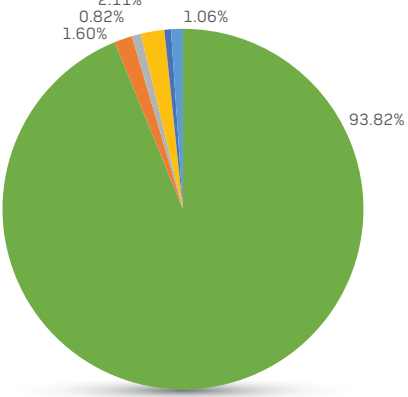
Equity



Income



Expense



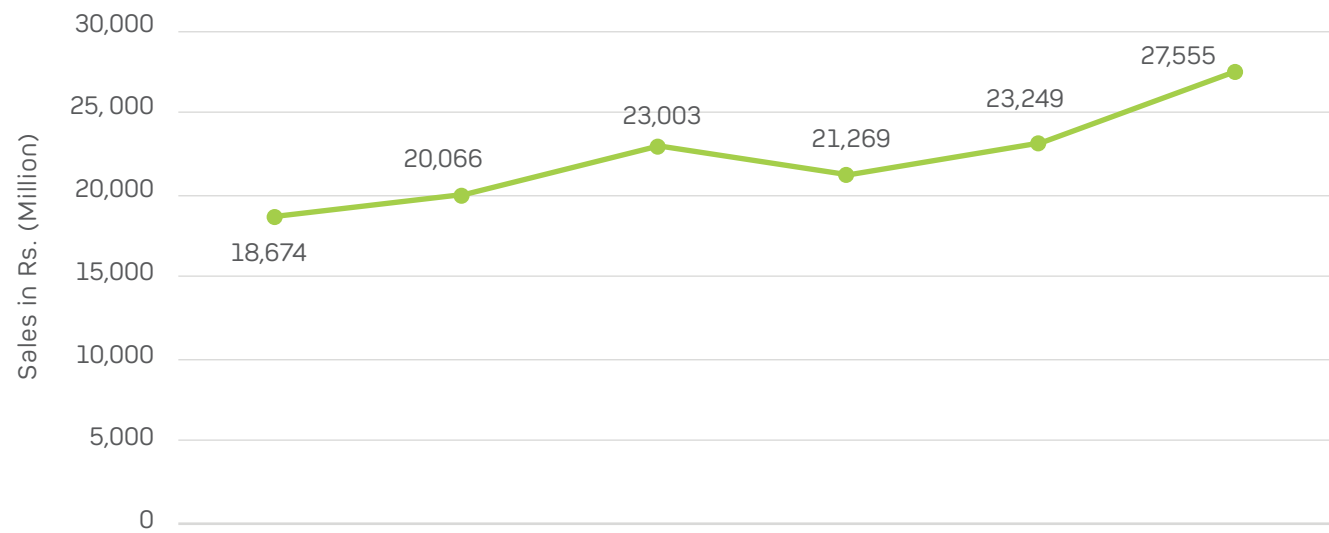
# Comments on the Financial Results

The following discussion, analysis and charts are intended to help the readers understand the Company’s results for the year ended June 30, 2018.

## Comments on Profit and Loss Accounts:

### Sales

Over the period of six years, sales results of the Company continued to grow at a Compounded Annual Sales Growth Rate (CASGR) of 6.7% and recorded highest sales revenue amounting to Rs. 27.555 billion during the current year as compared to sales of all previous financial periods of the Company. Export sales have increased by 36.22% as compared to SPLY which is mainly on account of government export package with softening conditions and devaluation of Pakistani currency by approximately 15% rendering our product competitive in the global markets.

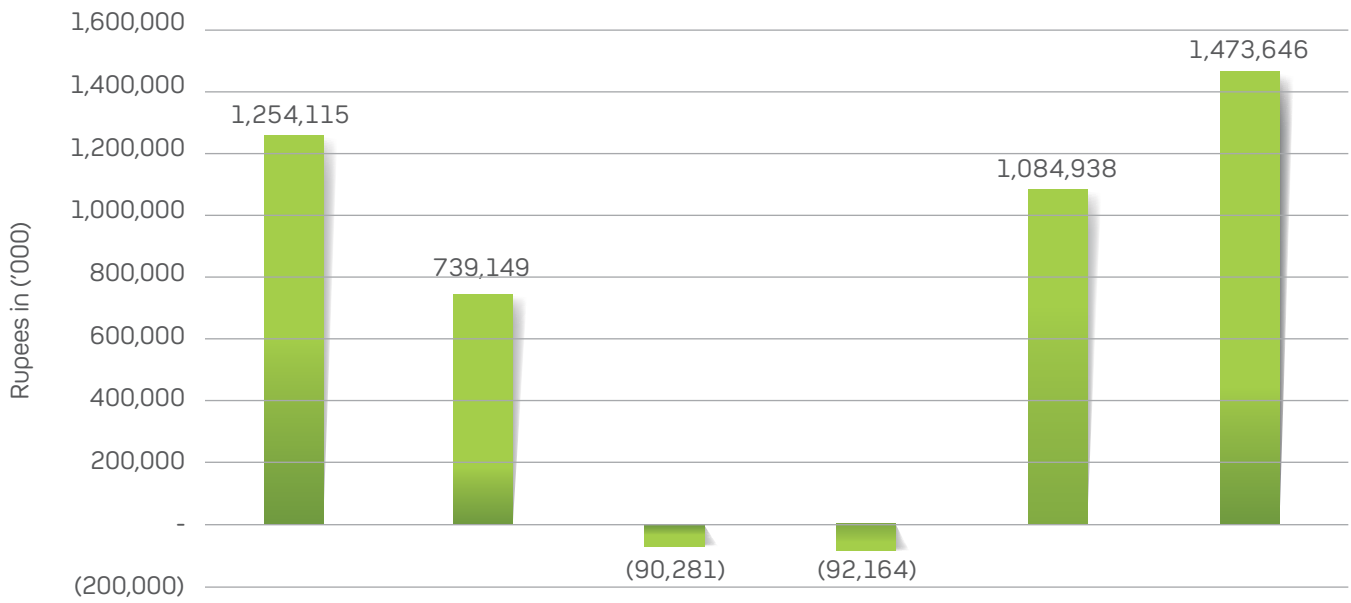


Years	2013	2014	2015	2016	2017	2018
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—●— Sales

### Profit Before Taxation

The profit before taxation has increased by Rs. 388.71 million as compared to SPLY. The gross profit margin percentage of the Company has increased from 5.72% to 7.06% in the current year which is primarily due to positive price mix, cost reduction and maintenance schemes implemented by the Company. Further, on account of inflationary impact on the economy, administrative expenses have increased by 15.64%. The increase in distribution cost by 56.28% is mainly due to increase in sales and exchange rate. Furthermore, the Government’s scheme (i.e. rebate on export sales of five export sectors including textile sector) has contributed to the performance of the Company by Rs. 411.63 million (Rs. 148.83 in SPLY) and Company’s strategic decision to invest in diversified portfolio has contributed Rs. 477.17 million (Rs. 384.09 in SPLY) to the profit of the Company.

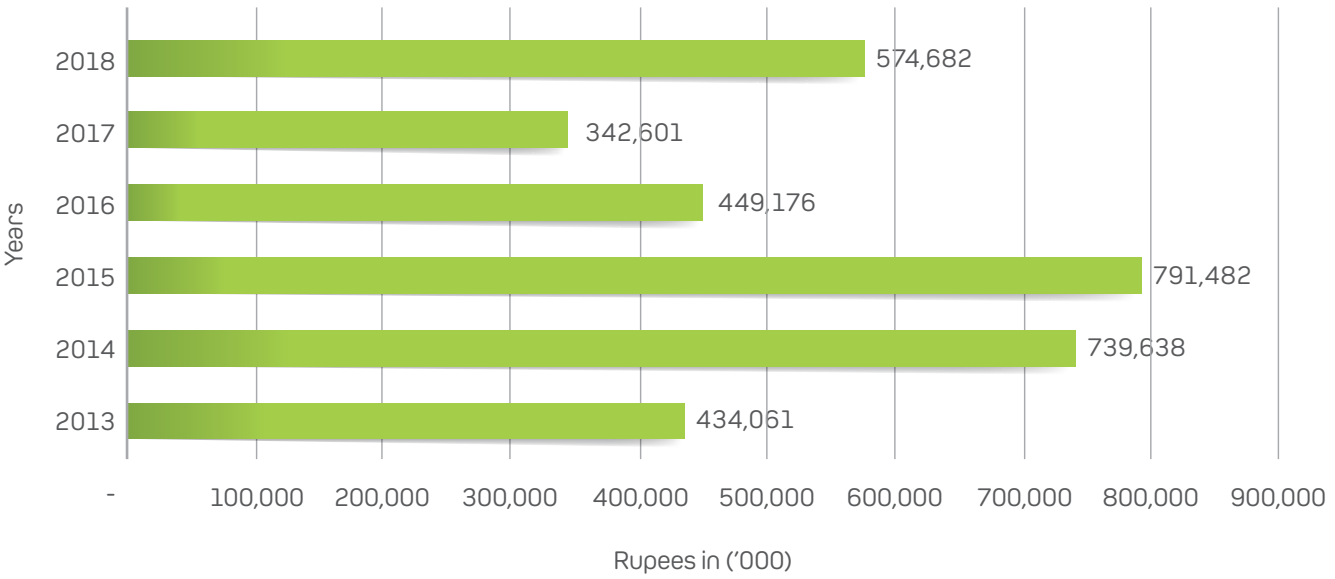


Years	2013	2014	2015	2016	2017	2018
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■ profit / (loss) before tax

### Finance Cost

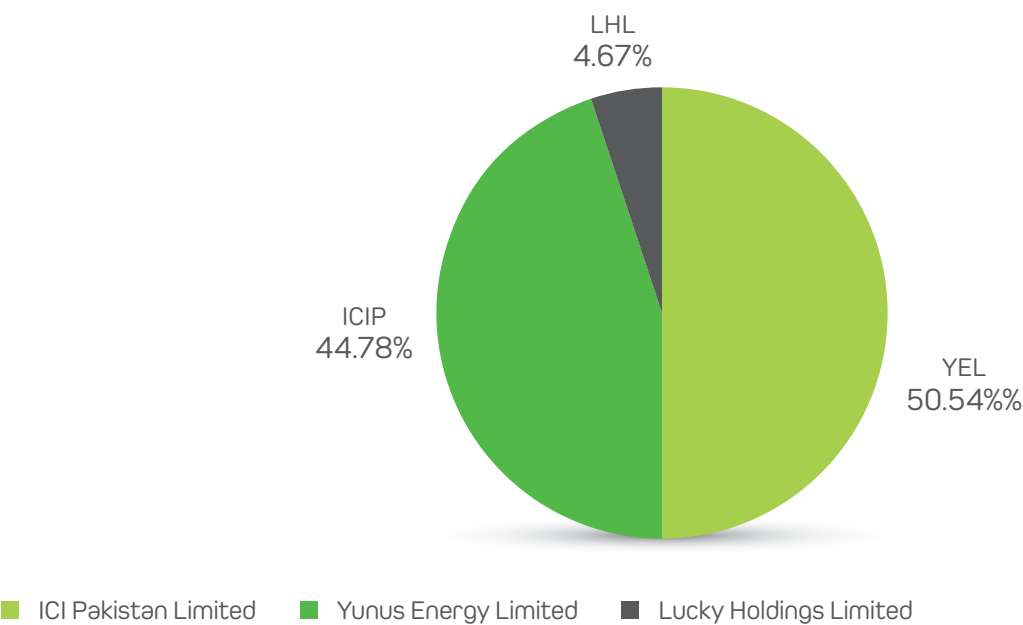
The Finance cost has shown a significant increase of Rs. 232.08 million i.e. 67.74% mainly due to political instability which resulted in abrupt devaluation during the period. The management, keeping in view the risk management and cost benefit analysis disposed-off its foreign currency exposure by converting the same to local borrowing. However, the management has maintained efficient portfolio of funds by achieving maximum benefits of lower benchmark rates.



■ finance cost

Share of Profit from Investments

As mentioned in our director’s report, the Company has been continuously seeking feasible investment avenues to support the bottom line of its core textile-spinning business. The Company has maintained its investment in ICI Pakistan Limited (ICIP), Lucky Holdings Limited (LHL) and Yunus Energy Limited (YEL) as they continue to add a positive impact on the Company’s bottom line. In the current year, the return from these strategic investments have contributed Rs. 477.17 million i.e. 24.23% increase as compared to the SPLY’s share of profit of Rs. 384.09 million.



Equity Multiplier

Your Company’s equity base has unveiled an improvement over the last six years which is reflected by the equity multiplier ratio of 2.77 in 2018 as compared to 2.11 in 2013. This improvement is consistent with the Company’s overall business objective of maximizing its shareholder’s wealth.

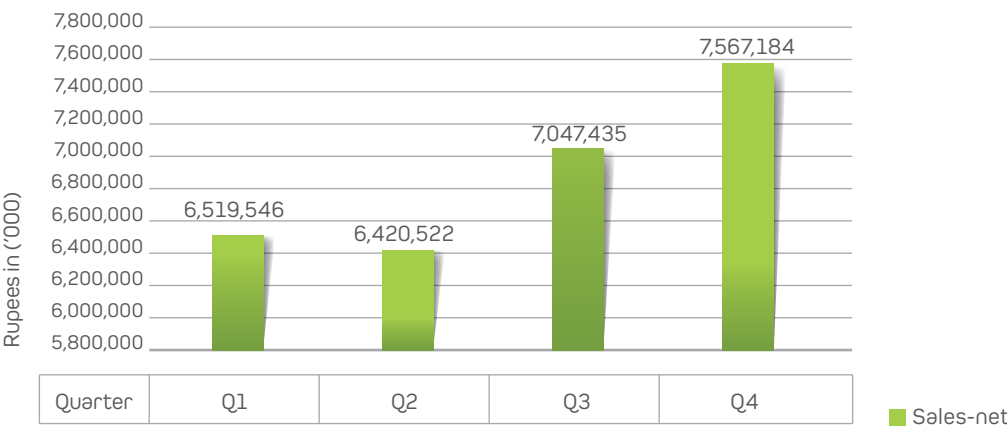
Quarterly Analysis

Quarterly Results

	Q1	Q2	Q3	Q4
	Rs. in million			
Sales	6,519,546	6,420,522	7,047,435	7,567,184
Gross profit	374,530	412,574	572,748	585,038
Operating Profit	362,320	396,119	520,431	769,458
Profit before tax	235,010	273,073	374,748	590,815
Profit for the period	160,761	243,585	282,462	498,488
Earnings per share (Rupees)	5.74	8.69	10.08	17.78

Sales

Quarter wise sales of the Company have been significantly varied over the year. Sales of Quarter 1 and Quarter 2 have increased by 16.24% and 5.74% respectively, compared to SPLY. However, Quarter 3 and Quarter 4, observed a significant boost in the sales of the Company with the increase of 28.85% and 24.07% respectively when compared with SPLY. The reason behind significant increase in sales of 3rd and 4th quarter is devaluation of Pak Rupees which enabled company’s product competitive and with sales team effort, such increase has been achieved. The management of the Company expects the consistent increase in sales growth in future years.



Profitability

Quarter wise profitability of the Company has been increasingly volatile over the year. Quarter 1 profitability was lowest among the 4 quarters mainly on account of exchange loss of around 42 million on foreign currency denominated loans. Quarter 3 results were slightly better than quarter 2 results on account of more exports sales, resulting in better gross profit margin for the quarter. However Quarter 4 outperformed all the 3 quarters mainly on account of additional rebate income recorded on achievement of export target set by the government (i.e. 10% increase in export sales as compared to previous year export sales), having impact of around 198 million.

Cashflow

Your Company’s net cash used in operating activities for the year is Rs. 622.79 million after payments of Rs. 816.12 million in respect of finance cost, gratuity and income taxes, which represents that the Company is operating well in terms of generation of cash, which could have been even better if stock-in-trade has not been increased by 1,768.98 million, resulting in blockage of working capital. The increase in stock-in-trade is mainly on account of strategic decision to avail the benefit of comparatively low price cotton available in the market, which is anticipated to be at higher side in the upcoming financial year.

Comparison with Budget

The management has a practice of making yearly budgets and to monitor performance against the same. Deviation if any are bifurcated into controllable and non-controllable factors in order to assess the effectiveness of teams responsible for setting budget. For controllable factors, timely corrective actions are taken. For non-controllable factors, risk management policies are considered and strategies are designed to minimize its negative effect.

In the current year, the Company’s sales are 10% more than budgeted, mainly as a result of government export package with softening conditions along with devaluation of Pakistani rupees and increase in cotton prices in international market (being raw material for Company’s product), thus resulting an increase in sales prices. Further, the Company’s net profit is 11% more than budgeted mainly on account of higher share of profit from associates and rebate income.



# Comments on Ratio

## Profitability Ratio

Overall profitability ratios have depict improved trends for the last two years mainly on account of increase in sales and returns from strategic investments, which were the result of effective and efficient implementation of strategic policies.

## Liquidity Ratio

Liquidity ratios have been consistent over the years mainly on account of strong working capital management policies. Current ratio of 0.96 as at June 30, 2018 is the highest since 2014.

## Operating Ratio

Operating cycle of the company has decreased over the years, indicating company is managing operational capital asset in a good manner. Fixed assets turnover and total assets turnover have shown increasing trend mainly on account of increase in sales.

## Investment / Valuation Ratio

Investment / Valuation ratios have also shown positive trend for the last two years. EPS is being highest since 2014 and DPS is highest of all time, which indicates that Company is paying back significant amount to its shareholders. The company's increasing trend of earning has also resulted in increase in share price of company's stock, which is evident from highest price/book ratio as at June 30, 2018 as compared to last four years.

## Capital Structure Ratio

Debt to equity ratio of 7.24% is on account of long term finance facility mainly for the purchase of Plant & Machineries.

Further, during the year, management keeping in view the risk management and cost benefit analysis on account of devaluation of Pakistani Rupee, has disposed-off its foreign currency borrowings by converting the same to local borrowing, as a result finance cost increase by Rs. 232.08 million from SPLY and accordingly interest cover ratio decrease. However, the ratio is still better than FY 2014 to FY 2016.

# Cash Flow Statement Using Direct Method

	2018 (Rupees in '000)
<strong>A. CASH FLOWS FROM OPERATING ACTIVITIES</strong>	
Cash received from customer	26,803,104
Cash paid to suppliers, employees and others	(26,706,240)
Finance cost paid	(532,519)
Income tax paid	(197,645)
Gratuity paid	(85,948)
Rebate received	96,452
Net cash used in operating activities	(622,796)
<strong>B. CASH FLOWS FROM INVESTING ACTIVITIES</strong>	
Purchase of property, plant and equipment	(1,119,172)
Sale proceeds from disposal of property, plant and equipment	36,297
Loans paid to employees	(16,117)
Long-term deposits given	(15)
Profit received from bank deposits	1,554
Dividend received	245,213
Net cash used in investing activities	(852,240)
<strong>C. CASH FLOWS FROM FINANCING ACTIVITIES</strong>	
Long-term finance obtained	594,338
Dividend paid	(323,279)
Net cash generated from financing activities	271,059
Net decrease cash and cash equivalents (A+B+C)	(1,203,977)
Cash and cash equivalents at the beginning of the year	(8,472,066)
Cash and cash equivalents at the end of the year	(9,676,043)

# Summary of Cash Flow Statement

	2018	2017	2016	2015	2014	2013
	(Rupees in '000)					
Cash generated from operations	96,864	1,562,464	2,122,687	2,679,748	343,297	1,042,149
Finance cost paid	(532,519)	(300,539)	(537,535)	(908,113)	(693,824)	(385,678)
Income tax paid	(197,645)	(260,236)	(230,417)	(170,369)	(175,529)	(175,224)
Rebate received	96,452	3,284	-	-	-	-
Gratuity paid	(85,948)	(113,203)	(83,167)	(97,403)	(52,175)	(33,865)
	(719,660)	(670,694)	(851,119)	(1,175,885)	(921,528)	(594,767)
Net cash (used in) / generated from operating activities	(622,796)	891,770	1,271,568	1,503,863	(578,231)	447,382
Net cash used in investing activities	(852,240)	(197,445)	(529,849)	(579,273)	(1,024,527)	(2,346,195)
Net cash generated from / (used in) financing activities	271,059	(77)	(8,963)	(130,846)	(309,184)	(192,379)
Net (decrease) / increase in cash & cash equivalents	(1,203,977)	694,248	732,756	793,744	(1,911,942)	(2,091,192)
Cash & cash equivalents at the beginning of the year	(8,472,066)	(9,166,314)	(9,899,070)	(7,264,440)	(5,352,498)	(3,261,306)
Transferred from FTML as on October 1, 2014 on amalgamation	-	-	-	(3,428,374)	-	-
Cash & cash equivalent at the end of the year	(9,676,043)	(8,472,066)	(9,166,314)	(9,899,070)	(7,264,440)	(5,352,498)

# Free Cashflow and Economic Value Added

## Free Cash Flow Statement

	(Rupees in '000)
Cash used in operations	(622,796)
Less: Capital expenditure incurred - net	(1,082,875)
Free cashflow	(1,705,671)

## Economic Value Added:

Economic value added (Rupees in '000)	=	Net operating profit after tax - (Invested capital* WACC)
	=	1,759,978 - (8,087,286 * 15.86%)
	=	477,037



# Corporate Governance

## Decision Taken by Board

The board meeting of the Company are usually held on a quarterly basis to decide the matters requiring directors’ approvals. Further, if decision on any matter is required on an urgent basis, and it is not practicable to arrange meeting, then such matters are decided on the basis of circular resolution, duly signed by each director, which is then presented in next board meeting for ratification.

The board members ensures that they fulfill all responsibilities assigned to them as required under applicable laws and regulations. Moreover, the board place more attention on areas such as strategic investments, business expansion, internal control & risk management, governance, review and approval of policies.

The board also delegates its tasks to sub-committees and the management, and keep follow up in board meetings. The day to day operational matters and the task assigned by the board or its sub-committees are dealt by the management in consultation with CEO.

## Board’s Evaluation

As per the requirement of Listed Companies (Code of Corporate Governance) Regulations, 2017, the board of director are required to carry out annual evaluation of their own performance, members of board and of its committees.

This year also the evaluation was carried out by the board of directors of the Company and results were found to be satisfactory.

Following major criteria are used to measure Board own performance and of its committees including Chairman:

- 1. The Board demonstrates integrity, credibility, trustworthiness and active participation in its affairs, and has the ability to handle conflict constructively.

- 2. The Board provides guidance and direction, rather than management to the Company.
- 3. The Board reviews management succession planning as needed.
- 4. The level of communication between the Board and relevant parties (i.e., Committees, Auditors, Management and Business Heads, etc.) is appropriate.
- 5. The Board receives and reviews all compliance needs.
- 6. The Board reviews adequacy of internal controls and risk management procedures.
- 7. The Board has developed a strategy for the organization that is central to its vision and mission statement.
- 8. The Board receives signals of potential issues that may adversely affect the Company’s key targets or financial performance.
- 9. The Board ensures that professional standards and corporate values are put in place that promote integrity for the Board, senior management and employees in the form of the Company’s Code of Conduct.
- 10. The Board review reliable projections of future cash flows for the medium and short-term, and is confident that the available funding will enable the Company to develop and operate as planned.

## Orientation Course:

The Company arranged a workshop on Companies Act, 2017 on January 4, 2018 for the directors’ and senior management duly conducted by PICG. The purpose of this session was to address changes from Companies Ordinance, 1984 and to acquaint them with additional roles and responsibilities.

## Directors’ Training Program:

As also mentioned in the statement of compliance, no directors training program has been held during the year as 5 out of 8 directors already meet the exemption criteria (the Company has applied for the exemption certificate from SECP) and 3 directors have already acquired the required training in previous years.

Further, in context to regulation 20 of Listed Companies (Code of Corporate Governance) Regulations, 2017, which requires every company to arrange training course for at least one female executive from the year starting 2019 and for at least one head of department from the year starting 2021, the company is in the process of setting up a formal policy against the same.

## Governance Practice Exceeding Legal Requirement:

The Board of directors of the company not only ensure adequate adherence with any new legal and regulatory requirements but also ensure that governance mechanism does not fail to prevent any event which can cause serious financial and/or reputational loss to the Company. The compliance team headed by the CFO actively monitors global best practices and takes all the necessary measures to assure that company adopts the same.

Company in the past have proactively complied with many additional legal requirements, which were not mandatory at that time. Some of the examples are:

- 1. The board of director of the Company has 2 female director out of 8 director since March 2013. This requirement was not mandatory in the past and have been introduce by CCG 2017, which requires each listed company to have at least one female director.
- 2. Chairman of the Board and Chief Executive Officer of the Company are separate person since May 2005. This requirement was introduced by CCG 2012.
- 3. Company has a past practice of to get all the related party transactions approved from shareholder since 2014, as majority of directors of the company are deemed interested in such transactions on account of their common directorship. The same practice has now been made mandatory by CCG 2017. In addition to that, the Company has been providing additional details in related party disclosure in the financial statements from many years, in order to ensure transparency.

- 4. CCG 2012 have made it mandatory for each Company to have at least one independent director. However, the Company has independent director in its board since September 2010.

Further, considering the best practice requirements, the Company, this year, has adopted new format for the statement of compliance under listed companies (Code of Corporate Governance) Regulations, 2017 in spite of having a choice for the year 2018, to either persist on using the old statement of compliance under Code of Corporate Governance, 2012 or to use the latest format.

## Gender Diversification:

The Board of Directors of GTML acknowledges gender diversity on various levels across the company, which is evident from the composition of the Board, comprising of 2 female directors out of 8, since March 2013.

The board places strong emphasis on promoting equal opportunities for candidates, based on merit and ensures fair and equal treatment of employees, free of biasness and discrimination on the basis of gender, ethnicity, religion etc. Further, management of GTML is also committed to promoting diversity in the workplace and female representation in all departments, thus taking several initiatives to progress in this area.

## Related Party:

Name of related party with whom the Company has entered into transactions along with the basis of relationship is disclosed in note 34 to the financial statements.

Further, all transaction with related parties are carried on arm’s length basis and are subject to review and recommendation of audit committee and approval of board.

## Board Meeting Outside Pakistan:

During the year, no board meeting was held outside Pakistan.



# Integrated Reporting

A new concept of reporting i.e. Integrated Reporting has been emerged in modern era and accounting bodies of different countries have diverted their eyes to the same. Currently, it is mandatory for companies in South Africa to follow International Integrated Reporting Framework for their annual reports and it is expected that in near future it would be mandatory for companies in Pakistan as well.

The integrated reporting is a concise communication about how company’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

That value has two interrelated aspects – value created for:

- The organization itself, which enables financial returns to the providers of financial capital; and
- Others (i.e., stakeholders and society at large).

**Guiding Principles for Integrated Reporting:**  
The following guiding principles underpin the preparation of an integrated report, informing the content of the report and how information is presented:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

**Content Elements for Integrating Reporting:**  
An integrated report includes eight content elements that are fundamentally linked to each other and are not mutually exclusive:

- Organizational overview and external environment
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of preparation and presentation

**Responsibility for an Integrated Report:**  
An integrated report should include a statement from those charged with governance that includes:

- An acknowledgement of their responsibility to ensure the integrity of the integrated report;
- An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report; and
- Their opinion or conclusion about whether the integrated report is presented in accordance with the International Integrated Reporting Framework.

**Status**  
The Company is currently reviewing the framework to assess / compile the required information which needs to be presented and it is expected that the Company will be able to comply with the provisions of the framework in the years to come.

# Statement of Compliance

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

**Name of Company:** Gadoon Textile Mills Limited (the Company)

**Year ended:** June 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 as per the following:
  - a. Male: 6
  - b. Female: 2
2. The composition of board is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
4. 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.

5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. During the year, no directors training program has been held. The Company has applied for the exemption certificate from Commission as per criteria mentioned in Regulation 20.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

Committee	Name of members and Chairman
a) Audit Committee	Mr. Saleem Zamindar (Chairman) Mr. Muhammad Ali Tabba Mr. Jawed Yunus Tabba Ms. Zulekha Tabba Maskatiya
b) HR and Remuneration Committee	Mr. Saleem Zamindar (Chairman) Mr. Jawed Yunus Tabba Ms. Zulekha Tabba Maskatiya

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

Committee	Frequency of meetings
a) Audit Committee	Quarterly
b) HR and Remuneration Committee	Annually


15. The board has set up an effective internal audit function and its members are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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


17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board



**Muhammad Yunus Tabba**  
Chairman  
Karachi: July 30, 2018



**Muhammad Sohail Tabba**  
Chief Executive Officer

# Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

## Independent Auditor’s Review Report To The Members Of Gadoon Textile Mills Limited

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Gadoon Textile Mills Limited (the Company) for the year ended June 30, 2018 in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 of Directors’ 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company’s process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Place: Karachi  
Date: August 07, 2018

  
Chartered Accountants

# Independent Auditor’s Report to the Members

## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of Gadoon Textile Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Contingencies</b></p> <p>The Company is subject to material litigations involving different courts pertaining to GID Cess, taxation and other matters, which requires management to make assessment and judgements with respect to likelihood and impact of such litigations.</p> <p>Management have engaged independent legal counsel on these matters.</p> <p>The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management’s assessment and the related provisions are disclosed in note 20 to the financial statements.</p>	<p>In response to this matter, our audit procedures included:</p> <p>Discussing legal cases with the legal department to understand the management’s view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances.</p> <p>Obtaining independent opinion of legal advisors dealing with such cases in the form confirmations.</p> <p>We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets.</p> <p>The disclosures of legal exposures and provisions were assessed for completeness and accuracy.</p>

### Information other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the report of audit committee, director’s report, ce review, analysis on financial performance, comments on the financial results, key performance indicators, analysis of cost and statement of value additions and its distribution.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in

the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regards.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

Place: Karachi  
Date: August 07, 2018

- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company’s business; and
- d) 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

The engagement partner on the audit resulting in this independent auditor’s report is Hena Sadiq.

*Hena Sadiq*

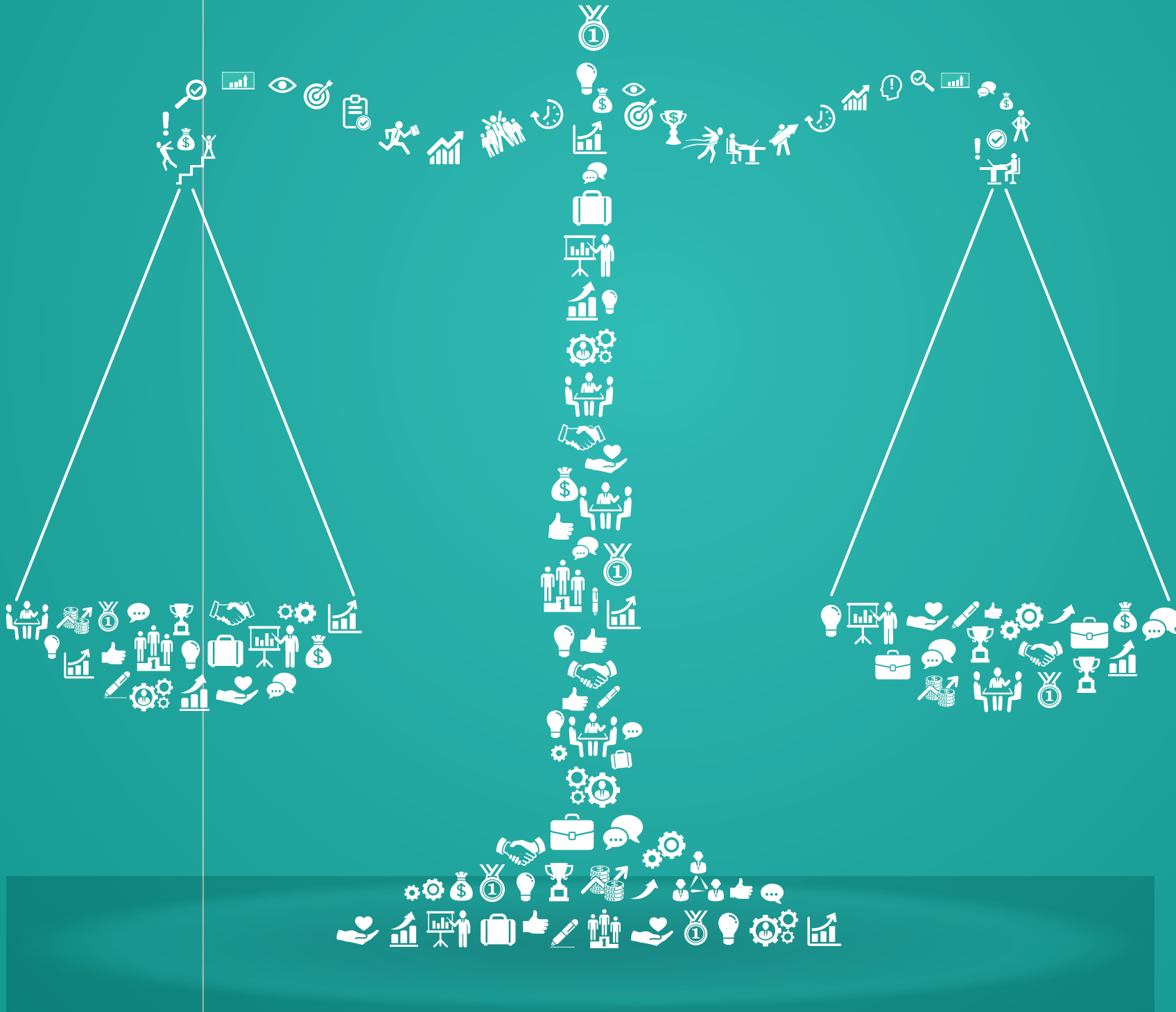
Chartered Accountants



# All for Success, Success for All.

GTML celebrates a legacy of almost three decades of churning out positive monetary rewards for its shareholders.

Over the course of time, GTML continued with a renewed commitment every passing year to ensure that our stakeholders rejoiced their fair share of our collective fiscal success.



# Statement of Financial Position

As at June 30, 2018

ASSETS

Non-Current Assets

Property, plant and equipment	4	7,791,928	7,447,694
Long-term advance	5	-	-
Long-term loans	6	35,331	23,476
Long-term deposits		27,719	27,704
Long-term investments	7	2,686,920	2,472,715
		10,541,898	9,971,589

Current Assets

Stores, spares and loose tools	8	549,319	491,790
Stock-in-trade	9	7,469,561	5,700,578
Trade debts	10	2,464,181	1,750,769
Loans and advances	11	286,996	262,541
Trade deposits and short-term prepayments		32,273	17,679
Other receivables	12	958,077	928,097
Current tax asset		651,362	712,880
Cash and bank balances	13	188,863	163,926

Total Assets

12,600,632	10,028,260
23,142,530	19,999,849

EQUITY AND LIABILITIES

Share Capital and Reserves

Authorized		575,000	575,000
57,500,000 ordinary shares of Rs.10/- each			
Issued, subscribed and paid-up capital	14	280,296	280,296
Capital reserves		137,541	137,541
Revenue reserves		7,795,673	6,948,886
Total Equity		8,213,510	7,366,723

Non-Current Liabilities

Long-term finance	15	594,338	-
Retirement benefit obligation	16	533,769	446,314
Deferred tax liabilities	17	696,275	668,382
		1,824,382	1,114,696

Current Liabilities

Trade and other payables	18	3,088,479	2,779,417
Unclaimed dividend		21,423	15,354
Accrued mark-up		129,830	87,667
Short-term borrowings	19	9,864,906	8,635,992

Total Liabilities

13,104,638	11,518,430
14,929,020	12,633,126
23,142,530	19,999,849

CONTINGENCIES AND COMMITMENTS

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD YUNUS TABBA  
Chairman / Director

MUHAMMAD SOHAIL TABBA  
Chief Executive Officer

MUHAMMAD IMRAN MOTEN  
Chief Financial Officer

# Profit and Loss Account

For the Year Ended June 30, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Sales - net	21	27,554,687	23,248,578
Cost of sales	22	(25,609,797)	(21,919,785)
Gross profit		1,944,890	1,328,793
Distribution cost	23	(437,311)	(279,821)
Administrative expenses	24	(224,245)	(193,915)
		(661,556)	(473,736)
		1,283,334	855,057
Finance cost	25	(574,682)	(342,601)
Other operating expenses	26	(161,393)	(89,300)
		547,259	423,156
Other income	27	449,217	277,684
Share of profit from associates	7	477,170	384,098
Profit before taxation		1,473,646	1,084,938
Taxation	28	(288,350)	(277,952)
Profit for the year		1,185,296	806,986
Earnings per share - basic and diluted (Rupees)	29	42.29	28.79

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD YUNUS TABBA  
Chairman / Director

MUHAMMAD SOHAIL TABBA  
Chief Executive Officer

MUHAMMAD IMRAN MOTEN  
Chief Financial Officer

# Statement of Comprehensive Income

For the Year Ended June 30, 2018

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Profit for the year		1,185,296	806,986
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Share of other comprehensive loss from associates - net of tax	7	(15,074)	(3,433)
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of defined benefit obligation	16.5	7,297	36,458
- Income tax relating to defined benefit obligation		(1,384)	(6,893)
		5,913	29,565
Other comprehensive (loss) / income		(9,161)	26,132
Total comprehensive income for the year		1,176,135	833,118

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD YUNUS TABBA  
Chairman / Director

MUHAMMAD SOHAIL TABBA  
Chief Executive Officer

MUHAMMAD IMRAN MOTEN  
Chief Financial Officer

Cash Flow Statement

For the Year Ended June 30, 2018

Note	2018	2017
	(Rupees in '000)	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	96,864	1,562,464
Finance cost paid	(532,519)	(300,539)
Income tax paid	(197,645)	(260,236)
Gratuity paid	(85,948)	(113,203)
Rebate received	96,452	3,284
	(719,660)	(670,694)
Net cash (used in) / generated from operating activities	(622,796)	891,770
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,119,172)	(487,816)
Sale proceeds from disposal of property, plant and equipment	36,297	25,263
Loans paid to employees	(16,117)	(9,609)
Long-term deposits given	(15)	(2,646)
Sale proceeds from disposal of short term investment	-	173,905
Profit received from bank deposits	1,554	1,782
Dividend received	245,213	101,676
Net cash used in investing activities	(852,240)	(197,445)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term finance obtained	594,338	-
Dividend paid	(323,279)	(77)
Net cash generated from / (used in) financing activities	271,059	(77)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(1,203,977)	694,248
Cash and cash equivalents at the beginning of the year	(8,472,066)	(9,166,314)
Cash and cash equivalents at the end of the year	(9,676,043)	(8,472,066)
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	13 188,863	163,926
Short-term borrowings	19 (9,864,906)	(8,635,992)
	(9,676,043)	(8,472,066)

CHANGES ARISING FROM FINANCING ACTIVITIES

	2017	Financing cash inflows	Financing cash outflows	Non-cash changes	2018
	Rupees in '000				
Loan from financial institutions	-	594,338	-	-	594,338
Unclaimed dividend	15,354	-	(323,279)	329,348	21,423

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**MUHAMMAD YUNUS TABBA**  
Chairman / Director

  
**MUHAMMAD SOHAIL TABBA**  
Chief Executive Officer

  
**MUHAMMAD IMRAN MOTEN**  
Chief Financial Officer

Statement of Changes in Equity

For the Year Ended June 30, 2018

	Capital Reserves			Revenue Reserves			Sub total	Grand total
	Share Premium	Amalgamation Reserve	Sub total	General Reserve	Amalgamation Reserve	Unappropriated profit		
Issued, subscribed and paid-up share capital								
	(Rupees in '000)							
Balance as at July 1, 2016	280,296	103,125	34,416	137,541	1,000,000	727,333	4,388,435	6,533,605
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	806,986	806,986	806,986
Other comprehensive income	-	-	-	-	-	26,132	26,132	26,132
Total comprehensive income for the year	-	-	-	-	-	833,118	833,118	833,118
Balance as at June 30, 2017	280,296	103,125	34,416	137,541	1,000,000	727,333	5,221,553	7,366,723
<b>Transaction with owners</b>								
Final dividend @ Rs. 5/- per share for the year ended June 30, 2017	-	-	-	-	-	(140,148)	(140,148)	(140,148)
Additional / Interim dividend @ Rs. 6.75/- per share	-	-	-	-	-	(189,200)	(189,200)	(189,200)
	-	-	-	-	-	(329,348)	(329,348)	(329,348)
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	1,185,296	1,185,296	1,185,296
Other comprehensive income	-	-	-	-	-	(9,161)	(9,161)	(9,161)
Total comprehensive income for the year	-	-	-	-	-	1,176,135	1,176,135	1,176,135
<b>Balance as at June 30, 2018</b>	280,296	103,125	34,416	137,541	1,000,000	727,333	6,068,340	8,213,510

The annexed notes from 1 to 40 form an integral part of these financial statements.

  
**MUHAMMAD YUNUS TABBA**  
Chairman / Director

  
**MUHAMMAD SOHAIL TABBA**  
Chief Executive Officer

  
**MUHAMMAD IMRAN MOTEN**  
Chief Financial Officer



# Notes to the Financial Statements

## For the Year Ended June 30, 2018

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 Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn and knitted fabrics. Y.B Holdings (Private) Limited is the holding company.

Following are the geographical location and address of all business units of the Company:

**Head Office:**  
7-A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi, Province of Sindh, South, Pakistan.

**Manufacturing facility:**  
a) 200-201, Gadoon Amazai Industrial Estate, District Swabi, Province of Khyber Pakhtunkhwa, North, Pakistan.  
b) 57 Km on Super Highway (near Karachi), Province of Sindh, South, Pakistan.

**Liaison Office:**  
Syed's Tower, Third Floor, Opposite Custom House, Jamrud Road, Peshawar, Province of Khyber Pakhtunkhwa, North, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.4.

2.2 Basis of measurement

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

- obligations under the defined benefit plan are stated at present value; and
- investment in associates are accounted for using 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);
- b) valuation of stock-in-trade - at lower of cost and NRV (note 3.3);
- c) provision for taxation including deferred tax (note 3.9);
- d) accounting for staff retirement benefits (note 3.10);
- e) provisions - for slow moving stores (note 3.17);
- f) provisions - for doubtful debts (note 3.17);
- g) provisions - doubtful advances (note 3.17); and
- h) provisions against liability (note 3.17).

2.5 Changes in accounting standards and interpretations

2.5.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

Following standards and amendments are either not relevant to the Company's operations and are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.
- Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses.

2.5.2 New accounting standards and amendments that are not yet effective

The following standards and amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. The applicable changes may have impact on the Company's annual financial statements. The management is in the process of determining the impact of such changes.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

Effective from accounting period  
beginning on or after:

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018. Earlier application is permitted.
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after January 01, 2018.
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan: - IFRS 1 'First Time Adoption of International Financial Reporting Standards' - IFRS 14 'Regulatory Deferral Accounts' - IFRS 17 'Insurance Contracts'	

2.5.3 New disclosure requirement due to adoption of Companies Act, 2017

Due to adoption of the Companies Act, 2017 certain new and enhanced disclosures have become applicable, which are in addition to those required by the International Accounting Standards. The relevant notes have been updated accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2017 and are enumerated as follows:

3.1 Property, plant and equipment

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

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

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

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

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

3.2 Stores, spares and loose tools

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

For items that are slow moving adequate provision is made, if necessary, for any excess carrying value over estimated realizable value and charged to profit and loss account.

3.3 Stock-in-trade

Basis of valuation is as under:	
- Raw material in hand (imported)	Lower of cost and net realizable value (NRV) - specific identification basis
- Raw material in hand (local)	Lower of cost (weighted average) and NRV
- Raw material in-transit	Cost accumulated to end of reporting period
- Work-in-process	Lower of cost (weighted average) and NRV
- Finished goods	Lower of cost (weighted average) 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.

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

3.4 Trade debts and other receivables

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

3.5 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss 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 recognized using trade date accounting. Trade date is the date that the Company commits to purchase or sell the investment.

All investments are initially recognized at fair value, being the cost of consideration given including transaction cost associated with the investment, except in case of investment classified as at fair value through profit or loss, where the transaction costs are charged 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 decisions based on their fair value.

After initial recognition, such investments are remeasured at fair value determined with reference to their market value. Gains or losses on investments due to remeasurement are recognized in profit and loss account on reporting date.

Associates

Associates are entities over which the Company exercises significant influence. Investment in associates is accounted for using equity basis of accounting, under which the investment in associate is initially recognized at cost and the carrying amount is increased or decreased to recognize 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 recognized in the Company’s profit and loss account. Distributions received from associate reduce the carrying amount of the investment. Adjustments to the carrying amount are also made for changes in the Company’s proportionate interest in the associate arising from changes in the associates’ other comprehensive income that have not been recognized in the associate’s profit or loss. The Company’s share of those changes is recognized 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 recognized in profit or loss.

Derecognition

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

3.8 Borrowings and their costs

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently at amortized 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. The charge for income tax includes adjustments to charge for prior year.

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

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

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

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, 2018.

Remeasurement changes which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

3.11 Trade and other payables

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

3.12 Foreign currency translation

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

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

3.13 Revenue recognition

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

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

3.14 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognized 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 of financial instruments

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 recognized 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 amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

3.17 Provisions

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

3.18 Dividend and appropriation to / from reserves

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

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The BOD has been identified as the chief operating decision maker responsible for strategic decisions like allocation of resources and assessing performance of operating segments. As disclosed in note 1.1 to the financial statements, the Company has two manufacturing facilities at Gadoon Amazai Industrial Estate and on Super Highway (near Karachi) which are viewed as a single 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.

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets  
Capital work-in-progress

Note	2018	2017
	(Rupees in '000)	
4.1	7,344,400	6,855,143
4.2	447,528	592,551
	7,791,928	7,447,694



4.1 Operating fixed assets

Particulars	2018							
	Cost as at	Additions/	Cost as at	Accumulated	Depreciation	Accumulated	Carrying	Rate of
	July 01, 2017	(Disposals)	June 30, 2018	depreciation as at July 01, 2017	for the year/ (Disposals)	depreciation as at June 30, 2018	value as at June 30, 2018	depreciation
	(Rupees in '000)							%
<b>Land:</b>								
Leasehold	59,180	-	59,180	9,065	647	9,712	49,468	1
Freehold	880	-	880	-	-	-	880	-
<b>Buildings on leasehold land:</b>								
Mills	2,033,114	1,285	2,034,399	906,802	112,747	1,019,549	1,014,850	10
Roads	43,488	3,968	47,456	17,765	2,903	20,668	26,788	10
Power plant	178,146	-	178,146	90,292	8,785	99,077	79,069	10
Office	60,513	-	60,513	19,257	4,126	23,383	37,130	10
Workers' colony	202,539	-	202,539	62,315	14,022	76,337	126,202	10
Other	414,001	18,499	432,500	141,055	14,011	155,066	277,434	5
<b>Buildings on freehold land:</b>								
Family colony	179,396	-	179,396	88,150	9,125	97,275	82,121	10
Workers' colony	123,727	-	123,727	93,294	3,043	96,337	27,390	10
Plant and machinery	9,857,740	957,830 (142,709)	10,672,861	5,594,075	476,474 (122,570)	5,947,979	4,724,882	10
Power plant	1,111,140	151,094 (15,000)	1,247,234	699,969	42,249 (10,308)	731,910	515,324	10
Electric installations	451,371	4,960	456,331	250,094	20,436	270,530	185,801	10
Tools and equipment	13,774	-	13,774	10,622	315	10,937	2,837	10
Furniture and fittings	24,895	-	24,895	12,172	1,272	13,444	11,451	10
Computer equipment	21,444	3,614 (383)	24,675	17,260	1,701 (267)	18,694	5,981	30
Office equipment and installations	22,694	924 (148)	23,470	11,933	1,133 (123)	12,943	10,527	10
Fork lifters and tractors	38,094	-	38,094	29,193	1,780	30,973	7,121	20
Vehicles	154,649	122,021 (28,473)	248,197	88,021	20,946 (14,791)	94,176	154,021	20
Fire fighting equipment	11,847	-	11,847	6,155	569	6,724	5,123	10
<b>June 30, 2018</b>	15,002,632	1,264,195 (186,713)	16,080,114	8,147,489	736,284 (148,059)	8,735,714	7,344,400	

Additions to operating fixed assets include transfers from capital work-in-progress amounting to Rs. 1.26 billion.

For comparative period

Particulars	2017							
	Cost as at	Additions/	Cost as at	Accumulated	Depreciation	Accumulated	Carrying	Rate of
	July 01, 2016	(Disposals)	June 30, 2017	depreciation as at July 01, 2016	for the year/ (Disposals)	depreciation as at June 30, 2017	value as at June 30, 2017	depreciation
	(Rupees in '000)							%
<b>Land:</b>								
Leasehold	59,180	-	59,180	8,418	647	9,065	50,115	1
Freehold	880	-	880	-	-	-	880	-
<b>Buildings on leasehold land:</b>								
Mills	2,031,978	1,136	2,033,114	781,972	124,830	906,802	1,126,312	10
Roads	42,328	1,160	43,488	14,928	2,837	17,765	25,723	10
Power plant	175,666	2,480	178,146	80,646	9,646	90,292	87,854	10
Office	60,513	-	60,513	14,673	4,584	19,257	41,256	10
Workers' colony	202,539	-	202,539	46,502	15,813	62,315	140,224	10
Other	411,292	2,709	414,001	126,750	14,305	141,055	272,946	5
<b>Buildings on freehold land:</b>								
Family colony	179,396	-	179,396	78,011	10,139	88,150	91,246	10
Workers' colony	123,727	-	123,727	89,913	3,381	93,294	30,433	10
Plant and machinery	9,864,515	113,888 (120,663)	9,857,740	5,230,204	467,773 (103,902)	5,594,075	4,263,665	10
Power plant	1,116,140	- (5,000)	1,111,140	657,443	45,732 (3,206)	699,969	411,171	10
Electric installations	450,891	480	451,371	227,739	22,355	250,094	201,277	10
Tools and equipment	13,774	-	13,774	10,272	350	10,622	3,152	10
Furniture and fittings	24,895	-	24,895	10,759	1,413	12,172	12,723	10
Computer equipment	20,267	1,397 (220)	21,444	15,916	1,497 (153)	17,260	4,184	30
Office equipment and installations	20,242	2,729 (277)	22,694	11,008	1,022 (97)	11,933	10,761	10
Fork lifters and tractors	38,094	-	38,094	26,968	2,225	29,193	8,901	20
Vehicles	141,991	26,402 (13,744)	154,649	82,614	14,768 (9,361)	88,021	66,628	20
Fire fighting equipment	11,847	-	11,847	5,522	633	6,155	5,692	10
June 30, 2017	14,990,155	152,381 (139,904)	15,002,632	7,520,258	743,950 (116,719)	8,147,489	6,855,143	

Additions to operating fixed assets include transfers from capital work-in-progress amounting to Rs. 148.26 million.

	2018	2017
Note	-----	-----
	(Rupees in '000)	

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

Cost of sales	22.1	715,545	726,311
Administrative expenses	24	20,739	17,639
		736,284	743,950

4.1.2 Disposal of operating fixed assets having net book value in excess of Rs. 500,000

Description	Cost	Accumulated depreciation	Carrying value	Sale proceeds	Gain/(loss)	Mode of disposal	Purchaser
(Rupees in '000)							
Plant and Machinery	8,495	7,088	1,407	150	(1,257)	Negotiation	M/S Swabi Textile Mills (Private) Limited
	4,345	3,762	583	160	(423)	Negotiation	M/S AMS Enterprises
	4,345	3,762	583	160	(423)	Negotiation	M/S AMS Enterprises
	16,992	14,711	2,281	300	(1,981)	Negotiation	M/S AMS Enterprises
	16,953	14,906	2,047	300	(1,747)	Negotiation	M/S AMS Enterprises
	21,784	19,577	2,207	450	(1,757)	Negotiation	M/S AMS Enterprises
	2,725	1,743	982	160	(822)	Negotiation	M/S AMS Enterprises
	4,287	3,548	739	160	(579)	Negotiation	M/S AMS Enterprises
	5,502	4,852	650	160	(490)	Negotiation	M/S AMS Enterprises
	4,576	3,815	761	160	(601)	Negotiation	M/S AMS Enterprises
	14,962	13,114	1,848	1,542	(306)	Negotiation	M/S Agha Traders
	4,864	3,098	1,766	315	(1,451)	Negotiation	M/S Agha Traders
	4,174	3,025	1,149	140	(1,009)	Negotiation	Mr. Shoukat Ali
	114,004	97,001	17,003	4,157	(12,846)		
Power plant	15,000	10,308	4,692	9,186	4,494	Negotiation	M/S Orient Energy System (Private) Limited
Vehicle	1,049	507	542	718	176	Company policy	Mr. Naeem Ullah - Employee
	1,569	78	1,491	1,491	-	Negotiation	M/S Lucky Landmark (Private) Limited - Associated Company
	1,664	1,102	562	1,165	603	Company policy	Mr. Khalid Cheema - Employee
	1,034	528	506	985	479	Insurance Claim	Alfalah Insurance Company Limited
	6,096	-	6,096	6,096	-	Negotiation	M/S Yunus Energy Limited- Associated Company
	11,412	2,215	9,197	10,455	1,258		
Total	140,416	109,524	30,892	23,798	(7,094)		

4.1.3 Leasehold and freehold land are situated at the manufacturing facilities having combined area of 137.8 acres.

4.2 Capital work-in-progress

	Gadoon Amazai					Karachi Project					Total
	Civil works	Plant and machinery	Advances to supplier	Markup capitalized	Sub-total	Civil works	Plant and machinery	Advances to supplier	Markup capitalized	Sub-total	
	(Rupees in '000)										
Year ended June 30, 2018											
Balance as at July 1, 2017	-	239,897	7,924	41,739	289,560	12,711	288,366	686	1,228	302,991	592,551
Additions during the year	5,253	713,657	109,870	10,302	839,082	106,072	150,045	14,129	5,306	275,552	1,114,634
Transfers to operating assets	(5,253)	(712,539)	(112,429)	(9,824)	(840,045)	(18,499)	(386,602)	(9,592)	(4,919)	(419,612)	(1,259,657)
Balance as at June 30, 2018	-	241,015	5,365	42,217	288,597	100,284	51,809	5,223	1,615	158,931	447,528
Year ended June 30, 2017											
Balance as at July 1, 2016	-	216,282	-	38,126	254,408	2,708	-	-	-	2,708	257,116
Additions during the year	-	82,922	29,158	3,613	115,693	17,488	343,427	5,854	1,228	367,997	483,690
Transfers to operating assets	-	(59,307)	(21,234)	-	(80,541)	(7,485)	(55,061)	(5,168)	-	(67,714)	(148,255)
Balance as at June 30, 2017	-	239,897	7,924	41,739	289,560	12,711	288,366	686	1,228	302,991	592,551

	2018	2017
Note	-----	-----
	(Rupees in '000)	

5. LONG-TERM ADVANCE  
- Considered doubtful

Investment in a joint venture - Advance	5.1	66,667	66,667
Less: Provision against advance		(66,667)	(66,667)
		-	-

5.1 This represents first and second tranche of advance for a Joint Venture project of Rs. 4,250 million. The principal activity of the Joint Venture Project was acquisition and development of a real estate project 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.

	2018	2017
Note	-----	-----
	(Rupees in '000)	

6. LONG - TERM LOANS  
- Considered good

Loan to employees	6.1		
Related parties - Key management personnel		21,757	18,338
Other employees		33,017	20,319
		54,774	38,657
Less: current portion	11	(19,443)	(15,181)
		35,331	23,476

- 6.1
- These are interest free loans recoverable in monthly installments over a period of three years. These loans are secured against employees' retirement benefit obligation.
- 6.2
- The maximum amount of loans to the key management personnel outstanding at the end of any month during the year ended June 30, 2018 was Rs. 24.04 million (2017: Rs. 24.82 million).

		2018	2017
	Note	(Rupees in '000)	
7. LONG - TERM INVESTMENTS			
Investment in associates			
ICI Pakistan Limited (ICIP)	7.2	1,661,022	1,571,147
Lucky Holdings Limited (LHL)	7.3	185,341	164,843
Yunus Energy Limited (YEL)	7.4	840,557	736,725
		2,686,920	2,472,715

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

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

Number of shares held	5,980,917	5,980,917
Cost of investment (Rupees in '000)	1,114,963	1,114,963
Fair value of investment (Rupees in '000)	4,793,705	6,546,413
Ownership interest	6.48%	6.48%
Balance as at July 01	1,571,147	1,463,896
Share of profit	213,688	212,551
Share of other comprehensive loss	(16,157)	(3,624)
Dividend received	(107,656)	(101,676)
Balance as at June 30	1,661,022	1,571,147

The financial year end of ICIP is June 30, 2018. Summarized financial highlights of ICIP and the related share of the Company as at year end are as follows:

Total assets	45,012,532	36,801,927
Total liabilities	(24,979,698)	(19,076,155)
Net assets	20,032,834	17,725,772
Company's share of net assets	1,298,128	1,148,630
Revenue	49,992,068	41,771,218
Profit for the year	3,297,654	3,280,107
Company's share of profit	213,688	212,551
Other comprehensive loss for the year	(249,330)	(55,924)
Company's share of other comprehensive loss	(16,157)	(3,624)

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

	2018	2017
	(Rupees in '000)	
Number of shares held	1,500,000	1,500,000
Cost of investment (Rupees in '000)	74,920	74,920
Ownership interest	1%	1%
Balance as at July 01	164,843	137,575
Share of profit	22,301	27,683
Share of other comprehensive loss	(1,803)	(415)
Balance as at June 30	185,341	164,843

The financial year end of LHL is June 30, 2018. Summarized financial highlights of LHL as at year end and the related share of the Company are as follows:

Total assets	50,773,791	43,157,194
Total liabilities	(27,269,327)	(22,933,435)
Net assets	23,504,464	20,223,759
Company's share of net assets	235,045	202,238
Revenue	49,992,068	41,771,218
Profit for the year	3,032,209	2,915,771
Company's share of profit	22,301	27,683
Other comprehensive loss for the year	(243,169)	(55,924)
Company's share of other comprehensive loss	(1,803)	(415)

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

Number of shares held	61,136,500	61,136,500
Cost of investment (Rupees in '000)	611,365	611,365
Ownership interest	19.98%	19.98%
Balance as at July 01	736,725	592,861
Share of profit	241,181	143,864
Share of other comprehensive income	208	-
Dividend received	(137,557)	-
Balance as at June 30	840,557	736,725

The financial year end of YEL is June 30, 2018. Summarized financial highlights of YEL as at year end and the related share of the Company are as follows:

2018                      2017  
----- (Rupees in '000) -----

Total assets	12,392,073	12,863,391
Total liabilities	(8,272,755)	(9,263,049)
Net assets	<u>4,119,318</u>	<u>3,600,342</u>

Company's share of net assets	<u>823,040</u>	<u>719,348</u>
Revenue	<u>2,601,285</u>	<u>1,865,025</u>
Profit for the year	<u>1,205,903</u>	<u>720,042</u>
Company's share of profit	<u>241,181</u>	<u>143,864</u>
Other comprehensive income for the year	<u>1,039</u>	<u>-</u>
Company's share of other comprehensive income	<u>208</u>	<u>-</u>

8. STORES, SPARES AND LOOSE TOOLS

Stores	261,155	235,027
Spares in		
- hand	291,393	276,026
- transit	47,810	38,933
Loose tools	<u>1,062</u>	<u>833</u>
	601,420	550,819
Less: Provision for slow moving stores and spares	<u>(52,101)</u>	<u>(59,029)</u>
	<u>549,319</u>	<u>491,790</u>

9. STOCK-IN-TRADE

Raw material in		
- hand	5,838,903	3,436,226
- transit	<u>477,945</u>	<u>721,359</u>
	6,316,848	4,157,585
Work-in-process	286,033	262,525
Finished goods		
- Yarn	<u>707,074</u>	<u>1,150,054</u>
- Knitted fabric	<u>44,712</u>	<u>24,783</u>
- Waste	<u>114,894</u>	<u>105,631</u>
	866,680	1,280,468
	<u>7,469,561</u>	<u>5,700,578</u>

10. TRADE DEBTS

- Considered good

Foreign - Secured	861,002	577,775
Local - Unsecured	<u>1,603,179</u>	<u>1,172,994</u>
	<u>2,464,181</u>	<u>1,750,769</u>

2018                      2017  
----- (Rupees in '000) -----

10.1 Trade balances outstanding from associated companies are as:

Lucky Textile Mills Limited	4,634	22,000
Lucky Knits (Private) Limited	<u>1,745</u>	<u>-</u>
	<u>6,379</u>	<u>22,000</u>

10.2 The maximum amount due from related parties, at the end of any month during the year were Rs. 181.8 million (June 30, 2017: Rs. 164.95 million). The transactions with associated companies are carried on arm's length basis.

10.3 Following are the details of debtors in relation to export sales:

Jurisdiction	Category	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Asia	Letter of credit		658,407	341,926
	Contract		-	36,153
Europe	Letter of credit		-	17,004
	Contract		46,618	44,800
Central America	Letter of credit		154,242	-
North America	Letter of credit		-	10,738
	Contract		1,735	127,154
Total	Letter of credit		812,649	369,668
	Contract		48,353	208,107

11. LOANS AND ADVANCES

- Unsecured - considered good

Current portion of long-term loans	6	19,443	15,181
Advances to employees		8,457	13,229
Advance to suppliers and contractors	11.1	251,764	233,745
Letters of credit, fee and expenses		407	386
Advance against shares	11.2	<u>6,925</u>	<u>-</u>
		<u>286,996</u>	<u>262,541</u>

11.1 This includes advance given for pilot project of dairy farm business amounting to Rs. 138.07 million (2017: Rs. 146.14 million).

11.2 This represents advance against investment in following companies. The shares will be issued in due course in accordance with the regulatory requirements.



	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Tricom Wind Power (Private) Limited		1,797	-
Tricom Solar Power (Private) Limited		4,534	-
Yunus Wind Power Limited		594	-
		<u>6,925</u>	<u>-</u>
12. OTHER RECEIVABLES			
Considered good			
Sales tax		433,623	744,065
Federal excise duty		27,762	27,995
Claims receivable		33,865	8,416
Rebate receivable on export sales		460,723	145,550
Other		<u>2,104</u>	<u>2,071</u>
		<u>958,077</u>	<u>928,097</u>
Considered doubtful			
Claims receivable	20.1.2	20,000	20,000
Sales tax	12.1	52,439	52,439
Other	12.2	<u>5,600</u>	<u>5,600</u>
		<u>78,039</u>	<u>78,039</u>
Provision for doubtful other receivables		<u>(78,039)</u>	<u>(78,039)</u>
		<u>-</u>	<u>-</u>
		<u>958,077</u>	<u>928,097</u>

12.1 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 it has filed 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.

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

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
13. CASH AND BANK BALANCES			
Cash in hand		8,119	10,123
Cash with banks in - current account	13.1	<u>180,744</u>	<u>153,803</u>
		<u>188,863</u>	<u>163,926</u>

13.1 It includes balances in foreign currency bank accounts amounting to US Dollars 7,126 equivalent to Rs. 0.865 million (2017: US Dollars 336,980 equivalent to Rs. 35.316 million).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
----- (Number of Shares) -----			----- (Rupees in '000) -----	
6,000,000	6,000,000	Ordinary shares of Rs. 10 each fully paid in cash	60,000	60,000
17,437,500	17,437,500	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	174,375	174,375
4,592,083	4,592,083	Ordinary shares of Rs. 10 each issued as fully paid in pursuant of amalgamation	45,921	45,921
<u>28,029,583</u>	<u>28,029,583</u>		<u>280,296</u>	<u>280,296</u>

14.1 As at June 30, 2018, Y.B Holdings (Private) Limited (the Holding Company) hold 19,499,741 (2017: 19,499,741) ordinary shares respectively of Rs. 10 each.

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

15. LONG-TERM FINANCE  
- Banking companies - secured

The Company has entered into a long term finance agreement with United Bank Limited, with an approved limit of Rs. 605 million as at June 30, 2018, whereas further facility of Rs. 895 million has been approved subsequent to the year end. The facility carries a mark-up ranging from 2.1% to 2.3% payable on a quarterly basis. The tenure of this facility is 10 years including grace period of 2 years. The Company has drawn Rs. 594.3 million upto June 30, 2018.

The above financing agreement is secured by pari passu charge over plant and machinery of the Company.

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
16. RETIREMENT BENEFIT OBLIGATION			
Retirement benefit obligation	16.1	<u>533,769</u>	<u>446,314</u>

16.1 Staff retirement gratuity

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

	2018	2017
Discount rate	8%	8%
Salary increase rate (Long term)	8%	8%
Salary increase rate (Short term)	12% for 2 years	12% for 3 years
Mortality rate	Adjusted SLIC	Adjusted SLIC
	2001-05	2001-05

Note ----- (Rupees in '000) -----

16.2 Liability recognized in the balance sheet

Present value of defined benefit obligation	533,769	446,314
---	---------	---------

16.3 Movement in liability during the year

Balance as at July 1	446,314	447,453
Expense recognized in profit and loss	180,700	148,522
Total remeasurements recognized in other comprehensive income	(7,297)	(36,458)
Benefits paid	(85,948)	(113,203)
Balance as at June 30	533,769	446,314

16.4 Expense recognized in profit and loss account

Current service cost	148,433	113,346
Interest cost	32,267	35,176
	180,700	148,522

16.5 Total remeasurements recognized in other comprehensive income

Actuarial gain on liability arising on		
- financial assumptions	-	(27,314)
- demographic assumptions	3,028	-
- experience adjustments	(10,325)	(9,144)
	(7,297)	(36,458)

16.6 Sensitivity analysis

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

	Change in assumption %	Increase / (decrease) in defined benefit obligation Increase in assumption Decrease in assumption ----- (Rupees in '000) -----
Discount rate	1	(6,412) 6,558
Salary growth rate	1	8,671 (8,601)

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 recognized in the balance sheet.

16.7 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 salaries 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.

16.8 The weighted average duration of defined benefit obligation as at June 30, 2018 is 32.7 years (2017: 32.2 years).

17. Deferred tax liabilities

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

	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Deferred credits / (debits) arising due to:		
- Accelerated tax depreciation on property, plant and equipment	719,199	699,968
- Provision against retirement benefit obligation	(101,253)	(84,384)
- Provision against long-term advance	(12,647)	(12,605)
- Provision against stores and spares	(9,883)	(11,160)
- Provision against doubtful other receivables	(14,803)	(14,755)
- Share of profit from associates	115,662	91,318
	696,275	668,382

17.1 The income tax department did not allow credit of unabsorbed tax depreciation worked out for the tax holiday period from 1990 to 2000 against the profits of post tax holiday period. The Company filed appeal before the Commissioner of Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue. In 2012, the matter was decided in favour of the Company but appeal effect order had not been given by the tax department. The income tax department filed appeal in Peshawar High Court and the matter is pending adjudication. Deferred tax asset approximately of Rs. 264.62 million on tax depreciation related to tax exempt period from 2010 to 2012 has also not been recorded due to uncertainty of recovery.

	Note	2018 ----- (Rupees in '000) -----	2017 -----
18. <b>TRADE AND OTHER PAYABLES</b>			
Creditors		459,588	433,845
Foreign bills payable		132,822	372,058
Advance from customers		52,075	126,323
Accrued liabilities		2,305,943	1,668,356
Withholding income tax		1,388	178
Sales tax		11,391	9,195
Workers' welfare fund		96,213	91,189
Workers' profit participation fund	18.1	642	57,102
Others		28,417	21,171
		<u>3,088,479</u>	<u>2,779,417</u>

18.1 **Workers' profit participation fund**

Balance as at July 1		57,102	-
Provision made during the year	26	77,825	57,102
Interest on funds utilized in business	25	14,302	-
Payments made during the year		<u>(148,587)</u>	<u>-</u>
Balance as at June 30		<u>642</u>	<u>57,102</u>

19. **SHORT-TERM BORROWINGS**

<b>Banking companies - secured</b>			
Running finance under mark-up arrangements	19.1	6,819,999	677,014
Short-term finances	19.2	2,889,750	1,500,000
Foreign currency loan against:			
- Import finance	19.1	-	6,002,310
- Export finance	19.1	-	33,365
- Export re-finance	19.3	155,157	423,303
		<u>155,157</u>	<u>6,458,978</u>
		<u>9,864,906</u>	<u>8,635,992</u>

19.1 Facilities for running finance, import finance, export finance and export refinance are available from various banks upto Rs. 27.78 billion (2017: Rs. 24.78 billion). For running finance facility, the rates of mark-up range between KIBOR + 0.00% to KIBOR + 0.20% per annum (2017: KIBOR + 0.00% to KIBOR + 0.20% 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 - 0.12% to KIBOR + 0.00% per annum (2017: KIBOR - 0.12% to KIBOR + 0.06% per annum). These are secured against hypothecation of stock and charge on receivables and plant and machinery.

19.3 The rate of mark-up on export re-finance is 2.1% (2017: 2.1%)

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. 990.04 million (2017: Rs. 949.04 million).

20.1.2 In prior years, Sui Northern Gas Pipeline Limited (SNGPL) charged the Company with an amount of Rs. 168 million on account of under billing of gas. The Company lodged a complaint with the Appellate Authority (the Authority) against SNGPL and on January 21, 2010, the Authority 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 decision. Management is of the view that no further liability will arise as it is expected that the final outcome of this case will be in its favour.

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

In September 2014, the Federal Government promulgated GIDC Ordinance No. VI of 2014 to circumvent earlier decision of the Supreme Court on the ground that GIDC was a 'Fee' and not a 'Tax'. In May 2015, the said Ordinance was approved in the Parliament and became an Act.

The Company has challenged GIDC Act, 2015 and filed writ petition in the Peshawar High Court (PHC) challenging the vires and legality of the levy and demand of GIDC including its retrospective application. The Court has granted stay against charging of the GIDC under the said Act.

On May 31, 2017, PHC dismissed the said petition, however, the Company has obtained interim relief from the payment of GIDC through monthly bills. Further, the Company has filed Civil Petition for Leave to Appeal (CPLA) in honourable Supreme Court, against the said order of PHC.

Since this issue is being faced by industry at large, management is of the view that there is no need to maintain any provision against this liability. The management is confident that decision of the case will be in its favour.

20.14 National Accountability Bureau (NAB) had filed a reference on February 2, 2016 against Executives of the Company in the Accountability Court (Peshawar), alleging that the Company purchased electricity from Peshawar Electric Supply Company (PESCO) at a cheaper price and at the same time it sold the electricity to PESCO at a higher price. The management believes that the allegations are false, unsubstantiated and unfounded. The case is devoid of merits as the Company sold the electricity after required approvals, licences and at price on which all captive power plants were selling electricity to distribution companies in accordance with approved policy of Government of Pakistan.

20.15 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 a relief restraining the recovery of turnover tax. The Company along with other companies in the affected areas also filed the petition on the same grounds. The Peshawar High Court in its order dated July 19, 2012, directed the respondents to extend the benefit to the Company. Subsequently, the Chief Commissioner Inland Revenue filed an appeal in the Supreme Court of Pakistan against the Company and other tax payers of the affected areas, which is pending for adjudication.

Through the Finance Act, 2015, a sub clause (XX) of clause 11(A) of the Second Schedule to the Ordinance has been added which gives relief to the Company that Section 113 does not apply to the tax payers falling under clause 126F. However, the matter of tax charged on other than local sales i.e. tax on export, is still pending for adjudication.

Based on the judgment of the Peshawar High Court management believes that the Company will not be subject to tax on export sales and hence, has not made any provision on account of tax on export sales for the years ended June 30, 2010, 2011 and 2012.

20.16 The Additional Commissioner Inland Revenue, Peshawar has passed an order u/s 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) disallowing sales made to customers outside specified area as defined vide Clause 126F, Part I of Second Schedule to the Ordinance in the light of Federal Board of Revenue’s Circular no.14 of 2011 dated October 06, 2011 and levied tax thereon amounting to Rs. 90 million. Subsequently, the order has been set-aside by Commissioner Inland Revenue and directed for fresh assessment proceedings. The hearing of re-assessment proceedings have already been completed, order of which is awaited. However, the Company has also filed writ petition before the High Court of Peshawar to challenge the vires of Circular no.14 of 2011 issued for clarification under Clause (126F) which creates the anomaly and misinterpretation of said clause. The matter is pending for adjudication.

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

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

20.18 The Assistant Commissioner Inland Revenue (ACIR), Peshawar, has passed an order for the Tax Year 2015 which was under audit. The Company has preferred an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) against the frivolous demand created by the ACIR. CIRA has given partial relief and the tax demand has now been reduced to Rs. 462 million. The Company has filed a second appeal before the Appellate Tribunal Inland Revenue (ATIR) for relief of remaining unjustified additions, which is pending for hearing. According to the Company’s legal counsel, the Company has a strong legal ground and there is likelihood that the same will be decided in its favour. Therefore no additional provisions has been recorded.

	2018	2017
	----- (Rupees in ‘000) -----	
20.19 Others		
Export bills discounted with recourse	2,562,265	1,540,624
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	456,182	684,890

20.2 Commitments		
Letters of credit opened by banks for:		
Plant and machinery	254,806	-
Raw materials	267,771	477,625
Stores and spares	63,280	28,035
Foreign currency forward contracts	-	9,315

Further, the Company has outstanding contractual commitment under sponsors support agreement, for debt servicing of two loan installments upto Rs. 338 million on behalf of Yunus Energy Limited, an associated undertaking.

	2018	2017
	----- (Rupees in ‘000) -----	
21. SALES - net		
Export		
- Yarn	8,853,725	6,476,222
- Knitted fabric	930,130	625,566
- Waste	649,668	559,758
	10,433,523	7,661,546
Commission on direct export sales	(103,972)	(78,591)
	10,329,551	7,582,955
Local		
- Yarn	16,578,091	15,313,594
- Knitted fabric	489,645	220,895
- Waste	271,507	204,051
	17,339,243	15,738,540
Commission on local sales	(75,572)	(67,942)
Sales tax	(38,535)	(4,975)
	17,225,136	15,665,623
	27,554,687	23,248,578



22. COST OF SALES

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Opening stock - finished goods		1,280,468	641,035
Cost of goods manufactured	22.1	25,196,009	22,559,218
Less: Closing stock - finished goods	9	(866,680)	(1,280,468)
		<u>25,609,797</u>	<u>21,919,785</u>
22.1 Cost of goods manufactured			
Raw material consumed	22.1.1	17,713,068	15,252,169
Salaries, wages and benefits	22.1.2	2,048,132	2,030,634
Stores, spares and loose tools		622,643	579,050
Packing material		572,185	481,821
Rent, rates and taxes		2,832	2,522
Doubling charges		13,969	13,879
Dyeing, stitching and knitting charges		164,159	88,980
Mixing charges		31,004	31,533
Depreciation	4.1.1	669,202	676,031
Fuel and power	22.1.3	3,263,816	3,302,058
Repairs and maintenance		23,103	19,118
Printing and stationery		350	964
Legal and professional		8,525	1,052
Entertainment		5,904	4,936
Fee and subscriptions		7,893	8,301
Insurance		36,637	42,875
Travelling and conveyance		20,332	17,404
Communication		3,427	3,062
Other manufacturing expenses		12,336	14,383
		<u>25,219,517</u>	<u>22,570,772</u>
Work-in-process			
Opening stock		262,525	250,971
Closing stock	9	(286,033)	(262,525)
		<u>(23,508)</u>	<u>(11,554)</u>
Cost of goods manufactured		<u>25,196,009</u>	<u>22,559,218</u>
22.1.1 Raw material consumed			
Opening stock		4,157,585	3,381,252
Purchases - net		19,872,331	16,028,502
Less: Closing stock	9	(6,316,848)	(4,157,585)
		<u>17,713,068</u>	<u>15,252,169</u>

22.1.2 Salaries, wages and benefits include Rs. 165.69 million (2017: Rs. 144.27 million) in respect of staff retirement benefits.

22.1.3 This includes depreciation expense of Rs. 46.34 million (2017: Rs. 50.28 million).

23. DISTRIBUTION COST

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Logistic and related charges		304,599	180,158
Loading and others		30,637	28,061
Fee and subscriptions		25,285	18,592
Salaries, wages and benefits	23.1	28,691	22,393
Bank charges on export documents		24,962	14,377
Travelling and conveyance		11,211	6,592
Vehicles running and maintenance		1,851	1,291
Insurance		5,117	4,626
Communication		2,585	2,785
Entertainment		108	32
Printing and stationery		392	168
Repairs and maintenance		126	77
Others		1,747	669
		<u>437,311</u>	<u>279,821</u>

23.1 Salaries, wages and benefits include Rs. 3.13 million (2017: Rs 1.5 million) in respect of staff retirement benefits.

24. ADMINISTRATIVE EXPENSES

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
Salaries, wages and benefits	24.1	127,428	104,260
Legal and professional		5,430	8,229
Depreciation	4.1.1	20,739	17,639
Travelling and conveyance		8,644	3,461
Electricity		12,306	11,421
Fee and subscriptions		8,777	15,821
Vehicles running and maintenance		10,700	8,606
Insurance		10,587	7,320
Communication		6,053	4,708
Entertainment		2,286	1,892
Secretarial expenses		1,977	2,740
Auditors' remuneration	24.2	1,300	1,300
Printing and stationery		3,190	2,170
Repairs and maintenance		2,459	1,186
Advertisement		160	352
Rent, rates and taxes		330	335
Books and periodicals		54	53
Others		1,825	2,422
		<u>224,245</u>	<u>193,915</u>

24.1 Salaries, wages and benefits include Rs. 11.88 million (2017: Rs 2.73 million) in respect of staff retirement benefits.

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
24.2 <b>Auditors' remuneration</b>			
Statutory audit fee		1,150	1,150
Half yearly review and other certifications		150	150
		<u>1,300</u>	<u>1,300</u>
25. <b>FINANCE COST</b>			
Mark-up / interest on:			
Long-term finance		9,352	-
Short-term borrowings		516,307	315,729
Workers' profit participation fund	18.1	14,302	-
		<u>539,961</u>	<u>315,729</u>
Bank and other financial charges		50,329	31,713
		<u>590,290</u>	<u>347,442</u>
Less: borrowing cost capitalized	25.1	(15,608)	(4,841)
		<u>574,682</u>	<u>342,601</u>
25.1 Borrowing cost is capitalized at weighted average borrowing capitalization rate of 3.77% (2017: 6.28%).			
26. <b>OTHER OPERATING EXPENSES</b>			
Exchange loss on foreign currency transactions - net		76,007	12,693
Workers' profit participation fund	18.1	77,825	57,102
Workers' welfare fund		5,024	19,325
Loss on disposal of operating fixed assets - net		2,357	-
Others		180	180
		<u>161,393</u>	<u>89,300</u>
27. <b>OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on deposit accounts		1,515	1,830
Realized gain on short-term investment		-	98,171
Dividend income		-	2,440
		<u>1,515</u>	<u>102,441</u>
<b>Income from non-financial assets</b>			
Scrap sales		36,077	24,331
Rebate on export sales		411,625	148,834
Gain on disposal of operating fixed assets - net		-	2,078
		<u>447,702</u>	<u>175,243</u>
		<u>449,217</u>	<u>277,684</u>

		2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
28. <b>TAXATION</b>			
Current			
- for the year		257,481	258,170
- prior year		1,682	-
		<u>259,163</u>	<u>258,170</u>
Deferred		29,187	19,782
		<u>288,350</u>	<u>277,952</u>
28.1 <b>Relationship between tax expense and accounting profit</b>			
The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the total income of the Company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.			
28.2 Management had a practice of recording tax expense based on the generally accepted interpretation of tax laws and accordingly sufficient provision in respect of taxation for last three years has been provided in these financial statements.			
28.3 Subsequent to the amendment of section 5(A) of the Income tax Ordinance, 2001, tax at the applicable rate shall be imposed on every public company which derives profit for the year. However, this tax shall not apply in case of a company which distributes at least specified percentage of after tax profits within six months of the end of the tax year in the form of cash dividend. Liability in respect of such tax, if any, is recognized when the prescribed time period for distribution of dividend expires.			
29. <b>EARNINGS PER SHARE - Basic and Diluted</b>			
There is no dilutive effect on the basic earnings per share of the Company which is based on:			
		2018	2017
Profit for the year	Rupees in '000	1,185,296	806,986
Number of ordinary shares		28,029,583	28,029,583
Earnings per share	Rupees	<u>42.29</u>	<u>28.79</u>
30. <b>CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		1,473,646	1,084,938
<b>Adjustments for:</b>			
Depreciation		736,284	743,950
Loss / (gain) on disposal of property, plant and equipment		2,357	(2,078)
Finance cost		574,682	342,601
Share of profit from associates		(477,170)	(384,098)
Realized gain on short-term investment		-	(98,171)
Rebate on export sales		(411,625)	(148,834)
Profit on deposits		(1,515)	(1,830)
Provision for gratuity		180,700	148,522
Working capital changes	30.1	(1,980,495)	(122,536)
		<u>(1,376,782)</u>	<u>477,526</u>
<b>Cash generated from operations</b>		<u>96,864</u>	<u>1,562,464</u>

## 30.1 Working capital changes

**(Increase) / decrease in current assets**

Stores, spares and loose tools
Stock-in-trade
Trade debts
Loans and advances
Trade deposits and short-term prepayments
Other receivables

**Increase in current liabilities**

Trade and other payables
--------------------------

## Working capital changes

	2018	2017
	(Rupees in '000)	
	(57,529)	24,120
	(1,768,983)	(552,163)
	(713,412)	(203,130)
	(20,193)	8,176
	(14,594)	11,894
	285,154	(334,074)
	(2,289,557)	(1,045,177)
	309,062	922,641
	(1,980,495)	(122,536)

## 31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018		2017	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in '000			
Remuneration	14,580	33,037	14,580	28,436
House rent	1,980	9,911	1,980	9,166
Utilities	1,440	3,304	1,440	2,844
Bonus	1,875	5,316	3,000	4,190
Medical	-	3,304	-	2,420
Leave encashment	-	2,887	-	3,008
Retirement benefit plans	-	15,847	-	7,648
	19,875	73,606	21,000	57,712
Number of persons	1	20	1	26

31.1 The Company also provides vehicles for use to Chief Executive and Executives as per Company policy.

31.2 Meeting fee of Rs. 0.993 million (2017: Rs. 0.678 million) has been paid to eight Directors.

## 32. PRODUCTION CAPACITY

## Spinning Mill

Total number of spindles installed
Number of shifts worked per day
Number of days worked
Number of shifts worked
Average number of spindles worked
Installed capacity after conversion into 20's (Kgs)
Actual production after conversion into 20's (Kgs)
Actual production (Kgs)

	2018	2017
	332,724	321,676
	3	3
	365	365
	1,094	1,093
	352,519,113	346,194,195
	139,311,008	133,423,624
	132,048,782	130,251,254
	81,335,356	77,607,237

## Knitting

Total number of knitting machines installed
Average number of days worked
Installed capacity (Kgs)

	2018	2017
--	------	------

	12	12
	-	-
	1,485,000	1,485,000

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

The knitting capacity has not been used during the year because the Company outsourced its knitting production in order to achieve lower cost of production.

## 33. NUMBER OF EMPLOYEES

	2018			2017		
Number of employees	Factory	Others	Total	Factory	Others	Total
- At June 30	4,840	135	4,975	4,801	131	4,932
- Average during the year	4,848	139	4,987	4,816	95	4,911

## 34. RELATED PARTY TRANSACTIONS

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 31 are as follows:

Name of Related Party	Basis of Relationship	% of share-holding	Nature of Transaction	2018	2017
				(Rupees in '000)	(Rupees in '000)
Y.B.Holdings (Private) Limited	Holding Company	69.57%	Reimbursement of expenses	1,342	-
ICI Pakistan Limited	Associate	-	Purchase of fibre	1,960,860	1,308,722
			Sale of fiber	-	22,379
			Share of profit on investment	213,688	212,551
			Share of other comprehensive loss	16,157	3,624
			Dividend received	107,656	101,676
Yunus Energy Limited	Associate	-	Reimbursement of expenses	12,382	4,483
			Share of profit on investment	241,181	143,864
			Share of other comprehensive income	208	-
			Dividend received	137,557	-
			Vehicle sold	6,096	-
Lucky Holdings Limited	Associate	-	Share of profit on investment	22,301	27,683
			Share of other comprehensive loss	1,803	415
Lucky Cement Limited	Associated Company	-	Purchase of cement	21,950	3,336
			Reimbursement of expenses	1,028	706
Lucky Knits (Private) Limited	Associated Company	-	Yarn sold	871,999	646,705
			Vehicle and other item sold	-	410
			Yarn purchase	724	4,631
			Purchase of goods & services	34,506	33,909
			Reimbursement of expenses	2,604	-
Yunus Textile Mills Limited	Associated Company	-	Yarn sold	291,700	461,701
			Sale of waste	20,780	-
Lucky Textile Mills Limited	Associated Company	-	Yarn sold	2,007,749	2,151,762
			Sale of fabric	470,583	197,985
			Doubling charges	-	205
			Processing charges	2,310	3,454
			Reimbursement of expenses	2,408	-
Lucky Energy (Private) Limited	Associated Company	-	Purchase of electricity	1,096,878	1,109,849
			Reimbursement of expenses	1,558	-
Lucky One (Private) Limited	Associated Company	-	Vehicle sold	-	1,800
Lucky Landmark (Private) Limited	Associated Company	-	Vehicle sold	1,491	-
Tricom Wind Power (Private) Limited	Associated Company	-	Advance against shares	1,797	-
Tricom Solar Power (Private) Limited	Associated Company	-	Advance against shares	4,534	-
Yunus Wind Power Limited	Associated Company	-	Advance against shares	594	-
Kia Lucky Motors Pakistan Limited	Associated Company	-	Purchase of vehicle	1,999	-

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Financial instruments by category

Financial assets

Loans and receivables

Loans to employees	54,774	38,657
Trade debts	2,464,181	1,750,769
Loans and advances	8,864	13,615
Other receivables	496,692	156,037
Cash and bank balances	188,863	163,926
	<u>3,213,374</u>	<u>2,123,004</u>

Financial liabilities

At amortized cost

Long-term finance	594,338	-
Trade and other payables	2,898,353	2,474,259
Unclaimed dividend	21,423	15,354
Accrued mark-up	129,830	87,667
Short-term borrowings	9,864,906	8,635,992
	<u>13,508,850</u>	<u>11,213,272</u>

35.2 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 summarized as follows:

35.2.1 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:



	2018	2017
	----- (Rupees in '000) -----	
Long-term loans	54,774	38,657
Trade debts	2,464,181	1,750,769
Loans and advances	8,864	13,615
Other receivables	496,692	156,037
Bank balances	180,744	153,803
	<u>3,205,255</u>	<u>2,112,881</u>

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

35.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting agreements:

June 30, 2018	Within 1 year	2 - 5 years	More than 5 years	Total
	----- Rupees in '000 -----			
Financial liabilities				
Long-term financing	-	275,605	318,733	594,338
Trade and other payables	2,898,353	-	-	2,898,353
Unclaimed dividend	21,423	-	-	21,423
Accrued mark-up	129,830	-	-	129,830
Short-term borrowings	9,864,906	-	-	9,864,906
	<u>12,914,512</u>	<u>275,605</u>	<u>318,733</u>	<u>13,508,850</u>

June 30, 2017	Within 1 year	2 - 5 years	More than 5 years	Total
	----- Rupees in '000 -----			
Financial liabilities				
Trade and other payables	2,474,259	-	-	2,474,259
Unclaimed dividend	15,354	-	-	15,354
Accrued mark-up	87,667	-	-	87,667
Short-term borrowings	8,635,992	-	-	8,635,992
	<u>11,213,272</u>	<u>-</u>	<u>-</u>	<u>11,213,272</u>

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.

35.2.3 Market risk

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

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2018 the Company is not exposed to price risk.

Interest rate risk

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

	2018	2017
	----- (Rupees in '000) -----	
Fixed rate instruments		
Financial liabilities	<u>749,495</u>	<u>423,303</u>
Variable rate instruments		
Financial liabilities		
- KIBOR based	9,709,749	2,177,014
- LIBOR based	-	6,035,675
	<u>9,709,749</u>	<u>8,212,689</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit 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. 97.09 million (2017: Rs. 36.86 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as in previous year.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and borrowings, which, are entered in a currency other than Pak Rupees. As at year end, the financial assets and liabilities exposed to currency risk are as follows:

	2018	2017	2018	2017
	----- USD -----		----- PKR in '000 -----	
Trade debts	7,092,271	5,513,111	861,002	577,775
Foreign currency bank balances	7,126	336,980	865	35,316
Import loan (LC's)	-	(56,804,781)	-	(5,964,502)
Export finance	(1,278,064)	(4,349,219)	(155,157)	(456,668)
Accrued mark-up	(8,484)	(225,659)	(1,030)	(23,694)
	----- CHF -----		----- PKR in '000 -----	
Import loan (LC's)	-	(44,776)	-	(4,914)
Accrued mark-up	-	(449)	-	(49)
	----- Euro -----		----- PKR in '000 -----	
Import loan (LC's)	-	(273,810)	-	(32,896)
Accrued mark-up	-	(636)	-	(76)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rates	
	2018	2017	2018	2017
US Dollars to PKR	109.91	104.81	121.6 / 121.4	105.00 / 104.80
Euro to PKR	131.12	112.75	141.57 / 141.33	120.14 / 119.91
CHF to PKR	113.22	105.26	122.32 / 122.11	109.75 / 109.54

As at June 30, 2018, if the Pakistani Rupee had weakened / strengthened by 10% against the US Dollars, Euros and swiss franc with all variables held constant, profit or loss for the year would have been lower / higher by Rs. 70.6 million (2017: Rs. 586.971 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in previous year.

36. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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, 2018, the Company has no financial instruments that falls into any of the above category.

37. 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.

38. OPERATING SEGMENT

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

Revenue from sales of yarn represents 91.61% (2017: 93.16%) of total revenue whereas, remaining represents revenue from sales of knitted fabric and waste material.

All non current assets of the Company as at June 30, 2018 are located in Pakistan.

63.77% (2017: 66.89%) of sales of yarn are local sales whereas 36.23% (2017: 33.11%) of sales are export / foreign sales.

Revenue from single major customer of the Company represent 8.99% (2017: 10.11%) of total revenue of the Company.

39. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged wherever necessary for better presentation.

40. GENERAL

These financial statements has been rounded off to the nearest thousand rupees.

The Board of Directors proposed a final dividend for the year ended June 30, 2018 of Rs. 8.75 per share (2017: Rs. 5 per share) amounting to Rs. 245.26 million (2017: Rs. 140.15 million).

Further, during the year the Company has declared additional / interim cash dividend @ Rs. 6.75 per share in addition to final dividend @ Rs. 5 per share, making a total dividend of Rs. 11.75 per share in order to comply with the requirement of section 5(A) of Income Tax Ordinance, 2001 for the year ended June 30, 2017.

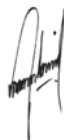
These financial statements were authorized for issue on July 30, 2018 by the Board of Directors of the Company.



**MUHAMMAD YUNUS TABBA**  
Chairman / Director



**MUHAMMAD SOHAIL TABBA**  
Chief Executive Officer



**MUHAMMAD IMRAN MOTEN**  
Chief Financial Officer

# Notice of 31<sup>st</sup> Annual General Meeting

Notice is hereby given that the 31st Annual General Meeting of the members of Gadoon Textile Mills Limited (“Company”) is scheduled to be held on Thursday, September 27, 2018 at 10:30 a.m. at 200-201, Gadoon Amazai Industrial Area, Gadoon Amazai, District Swabi, Khyber Pakhtunkhwa to transact the following business:

### Ordinary Business

1. To confirm the Minutes of Extraordinary General Meeting held on April 13, 2018.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2018 together with the Chairman’s Review Report, Directors’ and Auditors’ report thereon.
3. To approve the cash dividend @ Rs.8.75 per share for the year ended June 30, 2017 as recommended by the Board of Directors, in addition to an interim dividend of Rs. 6.75 per share, distributed during the year, to comply with the requirement of section 5(A) of the Income Tax Ordinance, 2001 for the year ended June 30, 2018.
4. To appoint Auditors for the year ending June 30, 2019 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

### Special Business

1. To ratify the transactions carried out by the Company with related parties disclosed in the Financial Statements for the year ended June 30, 2018 by passing the following resolution:

“**RESOLVED THAT** the transactions carried out by the Company with related parties including Lucky Cement Limited, Yunus Textile Mills Limited, Lucky Textile Mills Limited, Lucky Knits (Private) Limited, Lucky Energy (Private) Limited, ICI Pakistan Limited, Yunus Energy Limited, KIA Lucky Motors Pakistan Limited, Lucky Holdings Limited, Y.B. Holdings (Private) Limited, LuckyOne (Private) Limited and other such related parties during the year ended June 30, 2018 be and are hereby approved.”

2. To approve potential transactions with related parties intended to be carried out in the financial year 2018-2019 (including fiscal limits of general transaction) and to authorize the board of directors of the Company to carry out such related party transactions at its discretion from time to time, irrespective of the composition of the board of directors.

The resolutions to be passed as special resolutions are as under:

“**RESOLVED THAT** the Company be and is hereby authorized to carry out transactions including, but not limited to, the sale of yarn and other necessary goods, as well as the transactions of cement, cloth, power, steam, garments, vehicles, textiles and other ancillary machinery and relevant parts and other necessary commodities including receipt and payment of dividends, with related parties from time to time including, but not limited to Gadoon Holdings (Private) Limited, ICI Pakistan Limited, Kia Lucky Motors Pakistan Limited, Lucky Cement Limited, Lucky Energy (Private) Limited, Lucky Holdings Limited, Lucky Knits (Private) Limited, Lucky Landmark (Private) Limited, LuckyOne (Private) Limited, Lucky Textile Mills Limited, Lucky Wind Power Limited, Tricom Solar Power (Private) Limited, Tricom Wind Power (Private) Limited, Y.B. Holdings (Private) Limited, Y.B. Pakistan Limited, Yunus Energy Limited, Yunus Textile Mills Limited, Yunus Wind Power Limited and other such related parties to the extent of Rs.9,500,000,000/- (Rupees Nine Billion Five Hundred Million Only) for the fiscal year 2018-19.

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

By order of the Board



**Abdul Sattar Abdullah**  
Company Secretary

Karachi: September 6, 2018

### Notes

#### 1. CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from Thursday, September 20, 2018 to Thursday, September 27, 2018 (both days inclusive). Transfer received in order at our Share Registrar/Transfer agent, Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, S.M.C.H. Society, Main Shahrāh-e-Faisal, Karachi 74400, at the close of business on Wednesday, September 19, 2018 will be considered in time for the purpose of above entitlement to the transferees.

#### 2. PARTICIPATION IN GENERAL MEETING

All shareholders of the company are entitled to attend and vote at the general meeting of the Company after verification of their identity.

A member eligible to attend and vote 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 of the Company at 200-201, Gadoon Amazai Industrial Estate, Gadoon Amazai, District Swabi, Province of Khyber Pakhtunkhwa, at least 48 hours before the time of holding the meeting.

CDC account holders are advised to follow the following guidelines:

For attending the meeting:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For appointing proxies:

- i) In case of Proxy for an individual beneficial owner of shares from CDC, attested copies of beneficial owner’s CNIC or Passport, Account and Participant’s I.D. numbers must be deposited along with the form of proxy.
- ii) In case of proxy for representative of corporate members from CDC, Board of Directors’ Resolution and Power of Attorney and the specimen signature of the nominee must be deposited along with the form of proxy. The proxy shall produce his/her original Computerized National Identity Card or Passport at the time of meeting.
- iii) In order to be effective, the form of proxy duly completed, stamped, signed and witnessed along with Power of Attorney, or other instruments (if any), must be deposited at the registered office of the Company at least 48 hours before the time of holding the meeting.
- iv) If a member appoints more than one proxy and more than one form of proxy are deposited by a member with the Company, all such forms of proxy shall be rendered invalid.

#### 3. NOTIFY THE CHANGES IN ADDRESS OF SHAREHOLDER

The shareholders of the Company are requested to notify changes in their mailing addresses (if any), to our share registrar/transfer agent.



4. SUBMISSION OF COPIES OF CNIC (MANDATORY)

Pursuant to the Notification SRO.275(I)/2016 dated March 31, 2016 read with S.R.O.19(I)/2014 dated January 10, 2014 and SRO.831(I)/2012 dated July 5, 2012 of the Securities & Exchange Commission of Pakistan (SECP), Dividend Warrants shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of shareholders. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their CNIC or NTN in case of corporate entities (if not already provided) to the Company's Share Registrar.

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

5. WITHHOLDING TAX ON DIVIDEND

Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001, whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a)	For Filers of Income Tax Returns	15.0%
(b)	For Non-Filer of Income Tax Returns	20.0%

Shareholders who are filers, are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15%.

5.1 FOR JOINT SHAREHOLDERS

For shareholders holding their shares jointly as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately on 'Filer, Non-filer' status of principal shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar in writing as follows:

GADOON TEXTILE MILLS LIMITED					
Folio/CDC Account #	Total Shares	Principal Shareholder		Joint Shareholder (s)	
		Name and CNIC	Shareholding Proportion (No. of Shares)	Name and CNIC	Shareholding Proportion (No. of Shares)

6. PAYMENT OF CASH DIVIDEND ELECTRONICALLY (E-DIVIDEND MECHANISM)

As per provision of Section 242 of Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders and SECP vide S.R.O.1145(I)/2017 (as amended) directed all shareholders to provide their valid International Bank Account Numbers (IBAN) to receive cash dividend electronically. The Company has already communicated through its letters addressed to the shareholders individually along-with newspapers publications requesting to provide IBAN. The shareholders are hereby advised to provide details of their bank mandate specifying: (i) Title of Account, (ii) IBAN, (iii) Bank Name, (iv) Branch Name and Address to the Company's Share Registrar, shareholders who hold shares with Participants/CDC are advised to provide the mandate to the concerned Broker/Participant/CDC Investor account services.

The form for providing such information has been made available under the Investor Information section at Company's website <http://gadoontextile.com/investor-information/>

7. TRANSMISSION OF AUDITED FINANCIAL STATEMENTS / NOTICES THROUGH EMAIL

As notified by the SECP vide SRO.787 (I)/2014 dated September 8, 2014, all listed companies are allowed to circulate audited financial statements along with notice of annual general meetings to its shareholders through their e-mail addresses subject to written consent of the shareholders.

Shareholders of the company who wish to receive audited financial statements, notice of general meetings and other financial reports through e-mail are requested to fill the required information on the form earlier dispatched to the Shareholders of the Company. The form is also available under the Investor Information section at company's website <http://gadoontextile.com/investor-information/>. Filled forms may please forward to the company's share registrar.

8. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH CD/DVD/USB

SECP through its SRO.470 (I)/2016 dated May 31, 2016 have allowed companies to circulate their annual balance sheet, profit and loss account, auditors' report and directors' report to its members through CD/DVD/USB at their registered addresses. In view of the above the Company has sent its Annual Report to the shareholders in the form of CD/DVD. Any Member can send request for printed copy of the Annual Report to the Company on standard request form placed under the Investor Information section on its website <http://gadoontextile.com/investor-information/>.

9. AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON COMPANY'S WEBSITE

The audited financial statements of the Company for the year ended June 30, 2018 have been made available on the Company's website [www.gadoontextile.com/#report](http://www.gadoontextile.com/#report), in addition to annual and quarterly financial statements for the prior years.

10. E-VOTING:

Pursuant to SECP SRO.254 (I)/2018 dated February 22, 2018 members may also exercise their right to vote through e-voting.

11. CONSENT FOR VIDEO CONFERENCE FACILITY:

Pursuant to Section 132(2) of the Companies Act, 2017, if company receives consent form from shareholders holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 7 days prior to the date of meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit to registered office of the Company:

Consent Form for Video Conference Facility

I/We \_\_\_\_\_ of \_\_\_\_\_ being a shareholder of Gadoon Textile Mills Limited, holder of \_\_\_\_\_ ordinary share(s) as per Register Folio / CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

Signature of Member(s)

THE STATEMENT UNDER SECTION 134(3) PERTAINING TO THE "SPECIAL BUSINESS" AND IN PURSUANCE TO THE SECTION 208 OF THE COMPANIES ACT, 2017 IS ANNEXED WITH THE NOTICE BEING SENT TO THE MEMBERS.

\*\*\*

Statement Under Section 134(3) of The Companies Act, 2017 Pertaining to Special Business

**This statement sets out the material facts pertaining to the special business, being Items on the notice, intended to be transacted at the annual general meeting of the Company to be held on September 27, 2018**

As per the instructions of the Securities and Exchange Commission of Pakistan (the “SECP”), Gadoon Textile Mills Limited (the “Company”) had been directed in the past to obtain a broad approval from the shareholders of the Company, regarding related party transactions carried out by the Company from time to time, on a post facto basis.

On a strict reading of the laws, the SECP was of the opinion that due to the composition of the board of directors of the Company, the board of directors would be unable to approve the transactions carried out by the Company with other companies having majority common directors. However, no alternative mechanism was present under the Companies Ordinance, 1984.

Although transactions carried out by the Company with related parties constitute a small fraction of the Company’s entire business, a restriction to carry out business with related parties would adversely affect the business of the Company. The Company carries out transactions with its associated companies and related parties in the normal course of business. It is emphasized that the Company carries out such transactions in a fair and transparent manner and on an arm’s length basis. All transactions entered into with associated companies and related parties require the approval of the Audit Committee of the Company, which is chaired by the independent director of the Company. The Audit Committee reviews the transactions and ensures that the pricing method is transparent and at par with running market practice and that the terms are as per the Company’s practices. Only upon the recommendation of the Audit Committee, such transactions are placed before the board of directors for approval.

The transactions with related parties carried out during the fiscal year 2017-2018 to be ratified have been disclosed in the financial statements for the year ended June 30, 2018. All such transactions were recommended by the Audit Committee and were carried out at arm length basis.

Furthermore, since such transactions are an ongoing process and are approved by the board of directors on a quarterly basis, the shareholders are being approached to grant the broad approval for such transactions to be entered into by the Company, from time to time, at the discretion of the board (and irrespective of its composition). The Company shall comply with its policy pertaining to transactions with related parties as stated above to ensure that the same continue to be carried out in a fair and transparent manner and on an arm’s length basis. This would also ensure compliance with the Section 208(1) of the Companies Act, 2017 which requires that shareholders’ approval shall be required where the majority directors are interested in any related party transactions. Having said the above, strictly speaking, since the transactions are intended to be carried out on an arm’s length basis, such approval is not required from the shareholders of the Company in accordance with the proviso to Section 208(1); however, to ensure transparency and good governance, such broad approval is being obtained which will also ensure that the Company can carry on its business smoothly for the benefit of its stakeholders.

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

1. Lucky Cement Limited

3. Lucky Textile Mills Limited

5. Lucky Energy (Private) Limited

7. Yunus Energy Limited

9. Y.B. Holdings (Private) Limited

11. Lucky Landmark (Private) Limited
2. Yunus Textile Mills Limited

4. Lucky Knits (Private) Limited

6. ICI Pakistan Limited

8. Lucky Holdings Limited

10. Lucky One (Private) Limited

12. Lucky Wind Power Limited

13. KIA Lucky Motors Pakistan Limited

15. Tricom Wind Power (Private) Limited

17. Yunus Wind Power Limited
14. Tricom Solar Power (Private) Limited

16. Y.B. Pakistan Limited

18. Gadoon Holdings (Private) Limited

The shareholders would note that it is not possible for the Company or the directors to accurately predict the nature of the related party transaction(s) or the specific related party(ies) with which the transaction(s) shall be carried out. In view of the same, the Company seeks the broad approval of the shareholders that the board may cause the Company to enter into transactions with related parties from time to time in its wisdom and in accordance with the policy of the Company to the extent of Rs.9,500,000,000/- (Rupees Nine Billion Five Hundred Million Only) for the fiscal year 2018-19.

All such transactions are clearly stipulated at the end of the year in the company’s annual report. Furthermore, the Company and the board continuously serve to protect the interests of the shareholders of the Company and the said transactions are entered into in order to benefit the Company and its stakeholders.

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

# Pattern of Shareholding

As at June 30, 2018

No. of Shareholders	No. of Shareholders		Total Shares Held
	From	To	
759	1	100	28,941
761	101	500	188,586
362	501	1000	290,531
232	1001	5000	524,667
45	5001	10000	346,494
18	10001	15000	218,816
16	15001	20000	283,529
6	20001	25000	134,300
1	25001	30000	26,000
2	35001	40000	76,906
1	40001	45000	40,900
3	45001	50000	150,000
1	50001	55000	54,000
4	60001	65000	250,667
1	75001	80000	77,518
2	90001	95000	187,000
1	110001	115000	111,500
1	120001	125000	120,711
1	130001	135000	132,497
1	150001	155000	151,100
1	185001	190000	189,300
1	325001	330000	326,803
1	360001	365000	360,500
1	400001	405000	402,400
2	405001	410000	813,350
1	560001	565000	563,522
1	705001	710000	705,494
1	715001	720000	717,210
1	1055001	1060000	1,056,600
1	19495001	19500000	19,499,741
2,229			28,029,583

Categories of Shareholders	Shareholdings	Shares Held	Percentage
Director And Spouse(S)			
Mr. Muḥammad Yunus Ṭabbā	1	3,673	0.01
Mr. Muḥammad Sohail Ṭabbā	1	3,673	0.01
Mr. Muḥammad Ali Ṭabbā	1	3,673	0.01
Mr. Imran Yunus Ṭabbā	1	3,673	0.01
Mr. Jawed Yunus Ṭabbā	1	3,673	0.01
Ms. Mariam Ṭabbā Khan	1	3,673	0.01
Ms. Zulekha Ṭabbā Maskatiya	1	3,673	0.01
Mr. Saleem Zamindar	1	500	0.00
Associated Companies, Undertaking And Related Parties			
Y.B. Holdings (Private) Limited	1	19,499,741	69.57
Executives			
	-	-	-
Public Sector Companies and Corporations			
	-	-	-
Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds			
	47	2,243,603	8.00
Mutual Funds			
Golden Arrow Selected Stocks Fund Limited	1	19,301	0.07
CDC - Trustee Atlas Stock Market Fund	1	50,000	0.18
CDC - Trustee AKD Index Tracker Fund	1	1,500	0.01
CDC - Trustee AKD Opportunity Fund	1	64,900	0.23
CDC - Trustee National Investment (Unit)	1	132,497	0.47
General Public			
A - Local	2165	5,924,818	21.14
B -Foreign	2	17,012	0.06
Foreign Companies	1	50,000	0.18
Other	-	-	-
Total	2,229	28,029,583	100.00

# Annexures

## Glossary

AGM	Annual General Meeting
APCMA	All Pakistan Cement Manufacturing Association
ATF	Aziz Tabba Foundation
ATIR	Appellate Tribunal Inland Revenue
ATKC	Aziz Tabba Kidney Centre
ATL	Active Tax Payers List
BCI	Better Cotton Initiative
BCP	Business Continuity Plan
BMR	Balancing, Modernizing And Replacement
BPEP	Business Principles Ethics Policy
CASGR	Compounded Annual Sales Growth Rate
CDC	Central Depository Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
CNIC	Computerized National Identity Card
COD	Commercial Operations Data
CPEC	China Pakistan Economic Corridor
CPP	Captive Power Producer
CPSP	College Of Physicians & Surgeons Pakistan
DPS	Dividend Per Share
EBITDA	Earning Before Interest Tax Depreciation And Amortization
EOGM	Extra Ordinary General Meeting
EPS	Earning Per Share
FTML	Fazal Textile Mills Limited
GDR	Global Depository Reciept
GIDC	Gas Infrastructure Development Cess
GTML	Gadoon Textile Mills Limited
IASB	International Accounting Standards Board
IAS	International Accounting Standards
ICIP	Ici Pakistan Limited
IFAC	International Federation Of Accountants
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IoD	Institute Of Directors
ISA	International Standards On Auditing
KIBOR	Karachi Inter-Bank Offer Rate

KLM	Kia Lucky Motors Pakistan Limited
LCL	Lucky Cement Limited
LCPL	Lucky Commodities (Private) Limited
LEPCL	Lucky Electric Power Company Limited
LEPL	Lucky Enerrgy (Private) Limited
LIBOR	London Inter-Bank Offer Rate
LKL	Lucky Knits (Private) Limited
LTML	Lucky Textiles Mill Limited
MBA	Masters Business Adminstration
MMBTU	Million Metric British Thermal Unit
MW	Megawatts
NEPRA	National Electric Power Regulatory Authority
PBC	Pakistan Business Council
PE	Price Earning Ratio
PESCO	Peshawar Eelectricity Supplier Corportion
PICG	Pakistan Institute Of Corporate Governance
PNC	Pakistan Nursing Council
PSF	Polyester Staple Fiber
PSX	Pakistan Stock Exchange
RDF	Refuse Derived Fuel
SECP	Securities And Exchange Commission Of Pakistan
SNGPL	Sui Northern Gas Pipeline Limited
SPLY	Same Period Last Year
SPV	Special Purpose Vehicle
TDF	Tyre Derived Fuel
THI	Tabba Heart Institute
TKI	Tabba Kidney Institute
ToRs	Term Of Reference
WEF	World Economic Forum
WHR	Waste Heat Recovery Plant
WTG	Wind Turbine Generator
WWF	Workers Welfare Fund
YBG	Yunus Brothers Group
YBPL	Y.B. Pakistan Limited
YEL	Yunus Energy Limited
YGL	Young Global Leader
YTML	Yunus Textile Mills Limited



# form of proxy

I/We \_\_\_\_\_ of (full address) \_\_\_\_\_  
\_\_\_\_\_ being  
member of Gadoon Textile Mills Limited and holder of \_\_\_\_\_ ordinary shares as  
per Share Register Folio No. \_\_\_\_\_ and/or CDC Participant I.D. No. \_\_\_\_\_ and  
Sub- Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of (full address) \_\_\_\_\_  
\_\_\_\_\_ or  
failing him/her \_\_\_\_\_ of (full address) \_\_\_\_\_

who is also a member of Gadoon Textile Mills Limited, as my/our proxy in my/our absence to attend and to vote and  
act for me/us and on my/our behalf at the 31st Annual General Meeting of the Company to be held on Thursday,  
September 27, 2018 at 10:30 am and at any adjournment thereof.

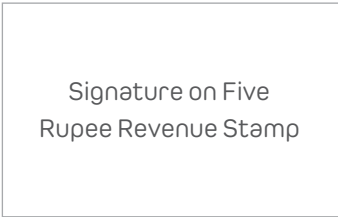
Signature this \_\_\_\_\_ day of \_\_\_\_\_, 2018

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

## Witness

1) Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
CNIC No. : \_\_\_\_\_

2) Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
CNIC No. : \_\_\_\_\_



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

## Note:

- Proxies in order to be effective, must be received by the Company not later than 48 hours before the meeting.  
Proxy must be a member of the Company.
- CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card with this proxy form before submission to the Company.

# تشکیل نیابت داری

میں / ہم \_\_\_\_\_ کے \_\_\_\_\_

بحیثیت رکن گدون ٹیکسٹائل ملز لمیٹڈ اور حامل \_\_\_\_\_ عام حصص، بمطابق شیئر رجسٹرڈ فولیو / سی ڈی سی شراکتی آئی ڈی نمبر \_\_\_\_\_

اور ذیلی کھاتہ نمبر \_\_\_\_\_ مسمی / مسماة \_\_\_\_\_ ساکن \_\_\_\_\_

فولیو / سی ڈی سی شراکتی آئی ڈی نمبر \_\_\_\_\_ اور ذیلی کھاتہ نمبر \_\_\_\_\_ یا بصورت دیگر مسمی / مسماة \_\_\_\_\_

ساکن \_\_\_\_\_ فولیو / سی ڈی سی شراکتی آئی ڈی نمبر \_\_\_\_\_ اور ذیلی کھاتہ نمبر \_\_\_\_\_

کو اپنی جگہ بروز جمعرات 27 ستمبر 2018 بوقت 10:30 بجے صبح منعقد یا ملتوی ہونے والے کمپنی کے 31<sup>st</sup> سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ (پراکسی) مقرر کرتا / کرتی ہوں۔

مورخہ \_\_\_\_\_ 2018

دستخط گواہ نمبر 1 \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

شناختی کارڈ نمبر \_\_\_\_\_

دستخط گواہ نمبر 2 \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

شناختی کارڈ نمبر \_\_\_\_\_

## نوٹ:

نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم مینٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہونا چاہیئے۔ نمائندے کو کمپنی کا رکن ہونا ضروری ہے۔

سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹر انزقومی شناختی کارڈ کی تصدیق شدہ کاپی تشکیل نیابت داری داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

انداز سے استعمال کیا جاسکتا ہے بلکہ اعلیٰ معیار کی مصنوعات کے ساتھ خطے میں دیگر ممالک سے مسابقت میں بھی آسانی پیدا ہوگی۔

مختلف النوع جہتوں میں کی جانے والی سرمایہ کاری سے برآمد ہونے والے نتائج، طلب و رسد کے مابین پائے جانے والے فرق، ملکی سطح پر توانائی کی لاگت میں کمی لانے کیلئے کئے جانے والے اقدامات، اور ماحولیات کی حفاظت کیلئے گرین انرجی کی پیداوار جیسے اقدامات کو مد نظر رکھتے ہوئے بورڈ کی جانب سے قابل تجدید ذرائع توانائی میں سرمایہ کاری کیلئے بورڈ کی جانب سے پہلے ہی منظوری دی جا چکی ہے۔ سرمایہ کاری کے ان فیصلوں کی حصص داران کی جانب سے بھی منظوری دی جا چکی ہے۔

مزید برآں، زیر نظر مالی سال کے اختتام کے بعد، بورڈ کی جانب سے پرن بجلی پیدا کرنے کے 150 میگا واٹ تک کے منصوبے میں سرمایہ کاری کی منظوری بھی دی جا چکی ہے۔ انتظامیہ اس بات سے پر امید ہے کہ ان تمام منصوبوں میں کی جانے والی سرمایہ کاری کے بار آور ہونے کے بعد کمپنی کی منفعت پران کے مثبت اثرات مرتب ہونگے۔

ہم نئی حکومت سے امید کرتے ہیں کہ ان کی جانب سے کاروبار دوست پالیسیاں بنائی جائیں گی، نت نئی کاروباری راہیں تلاش کی جائیں گی اور اس سلسلے میں نہ صرف کاروبار کیلئے ماحول کو سازگار بنایا جائے گا بلکہ ٹیکس ری فنڈ اور ڈیوٹی ڈرائیو کی سہولت کیلئے بھی کوششیں تیز کی جائیں گی۔

کمپنی کا مستقبل بہت تابناک ہے۔ گروپ پوری طرح سے اس پوزیشن میں ہے کہ نت نئی کامیابیاں سمیٹے اور تمام شرائکت داروں کی سرمایہ کاری کی قدر میں اضافے کا باعث بنے۔

برائے و مخانب بورڈ



محمد یونس ٹیہ

صدر ایگزیکٹو

بمقام کراچی: 30 جولائی 2018

ہم اپنے ملازمین کی صحت اور حفاظت کیلئے پرعزم ہیں اور انھیں کام کا ایک ایسا ماحول فراہم کرنا چاہتے ہیں جہاں تعاون کی فضاء کے ساتھ ساتھ مستقل بنیادوں پر سیکھنے کے مواقع بھی میسر ہوں۔ کمپنی کسی بھی ثقافتی اور جنسی امتیاز کا بالائے طاق رکھتے ہوئے مہارت کے حامل ملازمین کو ملازمت کے مواقع فراہم کرنے کا عمل جاری رکھے ہوئے ہے۔

### ڈیویڈنڈ اور اسکی تخصیص

مستقبل کی سرمایہ کاری کی حکمت عملی اور کاروباری ضروریات کو مد نظر رکھتے ہوئے اس بات کی اشد ضرورت ہے کہ کمپنی میں نقد رقوم پیدا کرنے کی صلاحیت موجود ہو۔ بورڈ آف ڈائریکٹرز کی جانب سے انتہائی مسرت کے ساتھ حتمی نقد ڈیویڈنڈ بقدر 8.75 روپے فی حصص برائے مالی سال اختتامیہ 30 جون 2018 تجویز کیا جاتا ہے۔

مزید برآں، زیر نظر سال کے دوران کمپنی کی جانب سے، انکم ٹیکس آرڈیننس 2001 کے سیکشن 5(A) کی پاسداری کے سلسلے میں اضافی/ عبوری ڈیویڈنڈ کی مد میں بقدر 6.75 روپے فی حصص کی ادائیگی کی جا چکی ہے، چنانچہ کل ڈیویڈنڈ برائے سال اختتامیہ 30 جون 2017 کی ادائیگی بقدر 11.75 روپے بنتی ہے۔

### اظہار تشکر

کمپنی کے ڈائریکٹران اپنے کارکنان، اسٹاف اور انتظامی افسران کی حسن کارکردگی پر جہہ دل سے شکریہ ادا کرتے ہیں۔



محمد سمیل ٹیہ

چیف ایگزیکٹو آفیسر

## صدر اور چیف ایگزیکٹو آفیسر کا کردار

اصولی طور پر بورڈ کا رہنما صدر ہوتا ہے اور یہ اس کی ذمہ داری ہے کہ اس بات کو یقینی بنائے کہ بورڈ کا ہر فرد اپنی ذمہ داریاں باحسن و خوبی نبھارہا ہے، جبکہ چیف ایگزیکٹو آفیسر ایک انتظامی ڈائریکٹر ہوتا ہے جسے کمپنی کے سربراہ کے بطور اپنی ذمہ داریاں سرانجام دینا ہوتی ہیں۔

## صدر کے کردار و ذمہ داریوں میں درج ذیل امور شامل ہیں:

- بورڈ کے غور کرنے کیلئے ایجنڈے تیار کرنا۔
- بورڈ کی رہنمائی کرنا اور انتظامی کمیٹی کی جانب پیش کی جانے والی تجاویز کو زیر غور لانا۔
- ذیلی کمیٹیوں کے صدر سے روابط رکھنا اور ان کے ساتھ مل کر کام کرنا۔
- بورڈ کے ممبران کے انتخاب کے سلسلے میں نشاندہی کرنا اور انتخاب کے امور میں شرکت کرنا، نیز بورڈ، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر اور دیگر اہم۔ انتظامی عہدوں پر تقرر کیلئے جانشینی کے منصوبوں کو باقاعدہ زیر غور لانا۔
- کمپنی کے مفادات کی حفاظت اور اجتماعیت کے جذبے کو قائم رکھنے کیلئے تنازعات کا تصفیہ کروانا۔
- اس بات کو یقینی بنانا کہ کمپنی سے منسلک تمام اہم ترین افراد اور کمپنی کے مابین دیرینہ تعلقات قائم رہیں۔
- اس بات کو یقینی بنانا کہ کمپنی سے اپنے مفادات وابستہ رکھنے والے افراد کا یقین اور اعتماد کمپنی پر بحال رہے۔

## چیف ایگزیکٹو آفیسر کے کردار اور ذمہ داریاں

- کمپنی کے اعلیٰ ترین نمائندے کی حیثیت سے ذمہ داریاں نبھانا۔
- کاروباری امور کی نگرانی کرنا اور بورڈ کی جانب سے سفارش کردہ اور منظور شدہ پالیسیوں اور حکمت عملیوں کے نفاذ کو ممکن بنانا۔
- کمپنی کے کاروباری افعال اور مالیاتی نتائج کا عمیق جائزہ لینا اور ان نتائج کا استقلال کے ساتھ کمپنی کے منصوبوں اور بجٹ سے موازنہ کرنا۔
- اس بات کو یقینی بنانا کہ کمپنی میں رپورٹنگ کا ایسا موثر نظام موجود ہو کہ انتظامیہ کی ہر سطح پر اس بات کو ممکن بنایا جاسکے کہ ملازمین اپنی آراء کا اظہار کر سکیں۔
- اس بات کو یقینی بنانا کہ کمپنی تمام متعلقہ قوانین اور کارپوریٹ گورننس کے ضوابط پر عمل پیرا ہے اور یہ کہ کمپنی کو لاحق خطرات کو کم از کم کرنے کی غرض سے بورڈ کی جانب سے ان

ضوابط کی سفارش کی جارہی اور انھیں اپنایا جارہا ہے۔ اس انداز سے ضابطہ اخلاق مرتب کرنا کہ رہنمائی بھی اخلاقی اقدار پر مبنی ہو اور ماحول بھی انہی اخلاقی اقدار کا مظہر ہو۔

## بورڈ کے ڈائریکٹر ان کی کارکردگی کی جانچ پڑتال

آپ کی کمپنی کا بورڈ آف ڈائریکٹر اعلیٰ پیشہ ورانہ صلاحیتوں کے حامل افراد پر مبنی ایک تنظیمی ڈھانچہ ہے۔ بورڈ کے تمام ممبران اعلیٰ صلاحیتوں کے حامل ایسے افراد ہیں جن کے پاس مختلف شعبہ ہائے زندگی کا تجربہ ہے، یہ افراد گہری کاروباری سوجھ بوجھ اور دوراندیشی کے حامل ہیں۔ بورڈ کل آٹھ ممبران پر مشتمل ہے جن میں ایک آزاد ڈائریکٹر بھی شامل ہے جنھیں مختلف کاروباری جہتوں کا پیشہ ورانہ تجربہ حاصل ہے۔

بورڈ کی کاروائیاں بہترین کاروباری طریق پر مشتمل ہیں اور ان طریق ہائے کار میں سکیورٹیز اینڈ ایسچینج کمیشن آف پاکستان کے ضوابط کی مکمل پاسداری کی جاتی ہے، بورڈ کی جانب سے اپنی ہی کارکردگی کو مؤثر انداز سے جانچنے کیلئے ایک انتہائی مربوط ضابطہ کار موجود ہے جس کے تحت بورڈ کا ہر ممبر فرداً فرداً جانچ سے متعلق چند مسلسل سوالات کے جوابات دے کر بورڈ کی مجموعی کارکردگی کا جائزہ لیتا ہے، اس کے بعد تسلسل کے ساتھ پوچھے گئے ان سوالات کو ایک ساتھ مرتب کیا جاتا ہے اور ممبران اجتماعی طور پر اسے زیر بحث لاتے ہیں۔ دوران مباحثہ بورڈ اس بات کا جائزہ لیتا ہے کہ اس کی جانب سے مالیاتی معاملات، کمپنی کو رہنمائی فراہم کرنے، حکمت عملی بنانے اور پالیسیوں اور ضوابط کی پاسداری کرتے ہوئے کمپنی کی انتظامیہ کو رہنمائی کرنے جیسے اہم امور میں اسکی کارکردگی کیسی رہی۔

کام کی شرائط کو مد نظر رکھتے ہوئے بورڈ نے مخصوص امور سے متعلق کمیٹیاں تشکیل دینے میں ہمیشہ مستعدی اور پیشگی کا مظاہرہ کیا ہے۔ مجموعی سطح پر بورڈ کی کارکردگی انتہائی اطمینان بخش رہی اور بورڈ اس اہم نکتے سے پوری طرح آگاہ ہے کہ بورڈ کی کارکردگی میں تسلسل کے ساتھ اصلاح چرہی دراصل کمپنی کی کامیابی کا دارومدار ہے۔

## چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ

یہ بورڈ کا معمول رہا ہے کہ چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ مستقل بنیادوں پر لیا جاتا رہے اور اس ضمن میں صدر کے روبرو سفارشات پیش کی جاتی رہیں۔

چیف ایگزیکٹو آفیسر کی کارکردگی کو جانچنے کیلئے معیاری اور مقتداری دونوں ہی قسم کے معیارات کو بروئے کار لایا جاتا ہے، جس میں کمپنی کی مجموعی مالیاتی کارکردگی، مقاصد کا تعین، رہنمائی کے اصولوں کی پاسداری اور موثر انتظامیہ جیسے امور شامل ہیں البتہ جانچ کے معیار محض انہی امور تک محدود نہیں ہیں۔

مالیاتی کارکردگی کو مضبوط سے مضبوط تر بنانے کی غرض سے مستقل بنیادوں پر کی جانے والی کوششیں، صارفین میں اضافہ، مضبوط انسانی وسائل اور سپلائی چین میں نئی حکمت عملیوں اور نئی جہتوں سے فوائد اٹھانے جیسے امور بھی چیف ایگزیکٹو آفیسر کی جانچ کے عمل میں انتہائی اہم کردار ادا کرتے ہیں۔

## ڈائریکٹر ان کی تربیت

تمام ڈائریکٹر ان اپنی فرائض کو احسن طریقے سے سرانجام دینے کے لیے نہ صرف تربیت یافتہ ہیں بلکہ کمپنیز آرڈیننس 2017 کے تحت اپنے فرائض و ذمہ داریوں سے بخوبی آگاہ ہیں۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز ڈیلاٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس مالی سال 30 جون 2018 کا سالانہ آڈٹ مکمل کرچکے ہیں اور انکی جانب سے کلین آڈٹ رپورٹ بھی جاری کی جاچکی ہے۔ آڈیٹرز ہذا سالانہ عام اجلاس کے اختتام پر ریٹائر ہو چکے ہیں، تاہم اہلیت کے حامل ہونے کی وجہ سے انھوں نے اپنی خدمات دوبارہ پیش کی ہیں، آڈٹ کمیٹی کی تجویز پر بورڈ نے انہی آڈیٹرز کی مالی سال 30 جون 2019 کیلئے تعیناتی کی سفارش کی ہے۔

## صحت، حفاظت اور ماحولیات

ملک کے ایک سب سے زیادہ معروف گروپ کا حصہ ہوتے ہوئے، ہم نہ صرف اس بات کا احساس رکھتے ہیں کہ ہم اپنے ملازمین کی صحت اور حفاظت کی ذمہ داری عائد ہوتی ہے بلکہ ان لوگوں کی بھی جو کہ ہماری فیکٹری قرب و جوار میں آباد ہیں۔ اس ضمن میں ایک کلینک / ڈسپنسری کو وقف کیا گیا ہے جہاں قابل افراد پر مبنی ایک ٹیم کے تحت اعلیٰ معیار کی ادویات فراہم کی جاتی ہیں۔ ہم اس بات کا بھی خیال رکھتے ہیں کہ ہماری پیداواری سہولیات کو بھی ماحول دوست رکھا جائے۔ ویسٹ ہیٹ ریکوری اور گرین انرجی پروجیکٹس میں کی جانے والی سرمایہ کاری اس سلسلے کی مثالیں ہیں۔ ہماری پیداواری سہولیات سے کسی بھی قسم کے مضر مادوں کا اخراج نہیں ہوتا۔ البتہ ہم فضلے اور کچرے سے متعلق معیارات پر سختی سے عمل پیرا ہیں۔

## کارپوریٹ معاشرتی ذمہ داری

ہم اپنے وطن کے عوام کی خدمت پر یقین رکھتے ہیں اور بات کو یقینی بنانے کی کوشش کرتے ہیں کہ کارپوریٹ معاشرتی ذمہ داری سے منسلک ہمارا ہر عمل ضرورت مند افراد کیلئے حقیقی فوائد کا باعث بنے۔ زیر نظر سال کے دوران ایسی کئی سرگرمیاں جاری رہیں۔ ہم اپنے

ملازمین کی بھی حوصلہ افزائی کرتے ہیں کہ وہ اس قسم کے کاموں میں بڑھ چڑھ حصہ لیں اور اپنا وقت ان کاموں کیلئے بھی وقف کریں۔

ہم اپنے لوگوں کے ساتھ اس وقت کھڑے رہے جب انھیں سب سے زیادہ ہماری ضرورت تھی، گو کہ وہ سیلاب ہوں، زلزلے ہوں یا دہشت گردی کے خلاف جنگ سے متاثر ہونے والے افراد ہوں۔ ہم اپنی فیکٹری کے احاطے کے اندر بھی اس قسم کی سرگرمیاں سرانجام دیتے ہیں جن سے قرب و جوار میں آباد لوگوں کو فائدہ پہنچے۔ اس قسم کی سرگرمیوں کا اہتمام کرنے کے علاوہ، ہم ایسے بہت سے اداروں کے ساتھ تعاون بھی کرتے ہیں جو صحت، تعلیم اور معاشرتی فلاح و بہبود کے دیگر کاموں سے منسلک ہیں۔

## ترتیب حصص داری

آپ کی کمپنی کی ترتیب حصص داری اور اضافی معلومات برائے مالی سال 30 جون 2018 اس رپورٹ کا حصہ ہے۔ کمپنی کے مجموعی حصص کا 69.57 فیصد منسلک کمپنی کے پاس، 9.14 فیصد بینکوں / انشورنس کمپنیوں اور میوچل فنڈز کے پاس، 0.09 فیصد ڈائریکٹر ان کے پاس اور 21.20 فیصد حصص انفرادی طور پر افراد کے پاس ہیں۔

## مستقبل پر نظر

ہم نو منتخب شدہ حکومت کی پالیسیوں کے حوالے سے پرامید ہیں؛ تاہم پاکستانی روپے کے قدر میں %5 کمی، مقامی اور بین الاقوامی سطح پر کپاس کی قیمتوں زبردست اتار چڑھاؤ اور آئی ایم ایف کی جانب سے امدادی پیکیج کا امکان وہ عناصر ہیں جن کی وجہ سے کاروباری سرگرمیوں کی لاگت میں اضافہ ہو سکتا ہے۔ ان تمام ممکنہ اثرات سے نمٹنے کی غرض سے اور غیر یقینی صورتحال کو ختم کرنے کیلئے تادیبی اقدامات کئے جائیں گے جن میں خام مال کے حصول کیلئے موثر ذرائع کو زیر استعمال لانا، گیس کو بطور ایندھن زیادہ مؤثر انداز سے استعمال کرنا، گرین انرجی میں سرمایہ کاری کرنا اور مشینوں کا موثر استعمال شامل ہے۔

روپے کی قدر میں کمی کے پیش نظر برآمدات میں اضافے کی توقع بھی کی جارہی ہے۔ مزید برآں، سیکٹروں اشیاء پر یگولیٹری ڈیوٹیز عائد کرنے کے بعد اس بات کے امکانات بھی پیدا ہو گئے ہیں کہ آئندہ برسوں میں ملک کے کرنٹ اکاؤنٹ کے خسارے میں کمی واقع ہو جائے۔

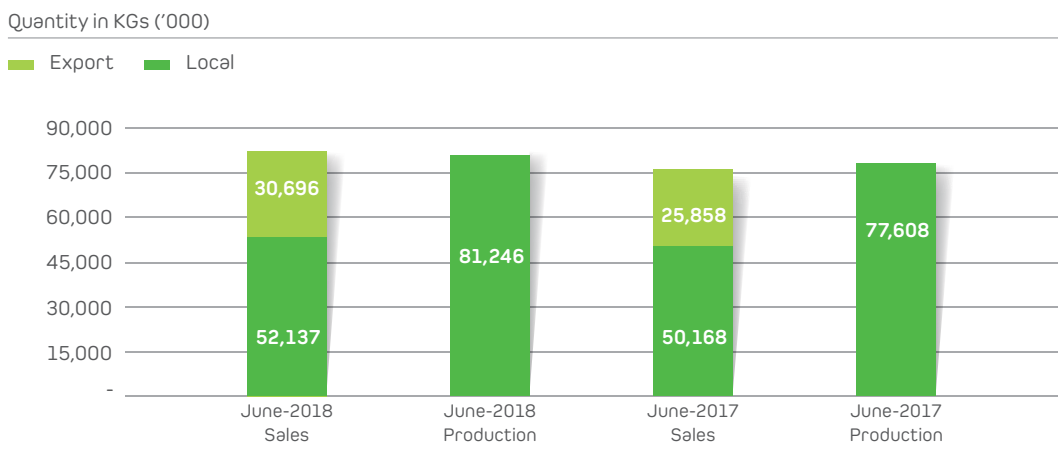
کاروباری مقاصد کے حصول اور وقت کے تقاضوں کو پورا کرنے کیلئے کمپنی کی انتظامیہ پرانی ٹیکنالوجی پر مبنی مشینری کو جدید ٹیکنالوجی سے تبدیل کرنے کا عمل بھی جاری رکھے گی تاکہ کاروباری عمل کو مزید موثر بنایا جاسکے جس سے نہ صرف توانائی اور ایندھن کو بہتر پیداواری



اگر پیداواری لاگت کو اہم اجزاء میں تحلیل کیا جائے تو خام مال پر آنے والی لاگت کل لاگت کا 70% تو انائی پر آنے والی لاگت %13 بنتی ہے جسے کنٹرول کرنا اس سال بھی کمپنی کی انتظامیہ کیلئے سب سے اہم چیلنج تھا۔ اوسط پیداواری لاگت کو معقول حد تک لانے کے سلسلے میں کی جانے والی کاوشوں کے ضمن میں کمپنی کی انتظامیہ نے خام مال کو مقامی اور درآمدی خام مال کے امتزاج کے ساتھ اٹھایا ہے، اور اسی طرح ایندھن کے سلسلے میں فرانس آئل پر مکمل انحصار کرنے کے بجائے قدرتی گیس کا بھی استعمال کیا ہے کیونکہ اس سال فرانس آئل کی قیمتوں میں اضافے کا رجحان پایا گیا ہے۔ ایندھن کے ضمن میں فرانس آئل اور قدرتی گیس کو ملا کر چلانے سے کمپنی کو قیمتوں کے فرق کا فائدہ حاصل ہوا ہے۔ مزید برآں، کمپنی نئے اور کم گیس پر چلنے والے گیس جزیئر حاصل کر رہی ہے تاکہ گیس کو زیادہ سے زیادہ استعمال کر کے بھرپور فائدہ اٹھایا جاسکے۔

## آپریشنل کارکردگی

مالی سال 30 جون 2018 کے دوران پیداوار اور فروختگی سے متعلق اعداد و شمار کا گزشتہ سال اسی عرصے کے دوران سرگرمیوں سے تقابلی جائزہ ذیل میں پیش کیا جا رہا ہے:



کمپنی کی جانب سے دور رس اثرات پر مبنی مختلف النوع کاروباروں میں کی جانے والی سرمایہ کاری نے مجموعی طور پر کمپنی کی کاروباری اہمیت کو بہم فائدہ پہنچائیں ہیں جس کا اظہار کمپنی کی دیگر آمدن سے ہوتا ہے جو کہ گزشتہ سال 384 ملین روپے اور اب بڑھ کر 477 ملین روپے تک جا پہنچی ہے یعنی اس میں 93 ملین روپے کا خاطر خواہ اضافہ ہوا ہے۔ اسی طرح نظر ثانی شدہ برآمدات پمپ کی وجہ سے بھی دیگر آمدن کی مد میں اضافہ ہوا ہے اور گزشتہ سال جو دیگر آمدن 149 ملین روپے تھی اب بڑھ کر 411 ملین روپے تک جا پہنچی ہے۔

کمپنی کے ساتھ نبھانے کے ساتھ ساتھ اسے پیش آنے والے کسی بھی اور ہر قسم کے چیلنجز سے نمٹ سکے۔ مزکورہ بالا امور کی پاسداری کرتے ہوئے انتظامیہ نے اس سلسلے میں مسلسل کوششیں کی گئی ہیں کہ فرضوں پر آنے والی لاگت کو کم از کم سطح پر رکھا جائے اور اس مقصد کے حصول کی خاطر فنڈز کی ساخت اور تمویلی بندوبست کو موثر بنایا گیا ہے۔ مارکیٹ کی موجودہ صورتحال کو مد نظر رکھتے ہوئے اور انتظامی مقاصد کی تکمیل کی خاطر کمپنی نے یہ فیصلہ کیا ہے کہ کمپنی کی جانب سے بی ایم آر کی مد میں کی جانے والی مستقل سرمایہ کاری کی تحدید کی جائے اور کمپنی کی معاشی کارکردگی میں بہتری پیدا کرنے کی غرض سے سرمایہ کاری کی نت نئی راہیں تلاش کی جائیں۔

## موثر کارپوریٹ گورننس

آپ کی کمپنی کے ڈائریکٹر انتہائی مسرت کے ساتھ اس بات کا اظہار کرتے ہیں کہ کمپنی نے سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) سے متعلق قواعد میں مقرر کارپوریٹ گورننس کے ضوابط کی مکمل پاسداری کی ہے۔

متعلقہ کارپوریٹ گورننس کے ضوابط اور کمپنیز ایکٹ 2017 کی پاسداری کے سلسلے میں ہم انتہائی مسرت کے ساتھ آپ کو آگاہ کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی جانب سے تیار کی گئی مالی دستاویزات میں اس بات کو یقینی بنایا جاتا ہے کہ کمپنی کے معاملات، کاروباری افعال کے نتائج، ترسیل نقد رقوم اور حصص میں رد و بدل جیسے معاملات کو ان دستاویزات میں شفاف انداز سے پیش کیا جائے۔
- کمپنی میں حساب کتاب سے متعلق باقاعدہ کھاتے مرتب کئے جاتے ہیں۔
- مالی دستاویزات کی تیاری کے سلسلے میں اکاؤنٹنگ کی مناسب پالیسیوں کو مستطلاً اپنایا جاتا ہے اور اکاؤنٹنگ کے تمام ترجیحیہ معقولیت کی بنیاد پر لگائے جاتے ہیں۔
- بورڈ اپنی اس ذمہ داری سے پوری طرح آگاہ ہے کہ مالیاتی کنٹرول کے سلسلے میں اندرونی سطح پر ایک مناسب اور موثر نظام فعال ہو۔ بورڈ اپنی اس ذمہ داری کو نبھانے کیلئے انٹرنل آڈٹ ڈپارٹمنٹ کی جانب سے شائع کی جانے والی اندرونی آڈٹ رپورٹس کا جائزہ لیتا رہتا ہے جو کہ مستقل بنیادوں پر اس نظام کی ساخت اور موثر کارکردگی پر نظر ثانی کرتے رہتے ہیں۔ اگر کسی بھی قسم کی کسی کمی یا کوتاہی کی نشاندہی کی جائے تو اسے بورڈ کے سامنے پیش کیا جاتا ہے اور اس کے تدارک کیلئے اقدامات اٹھائے جاتے ہیں۔
- مالی دستاویزات کی تیاری کے سلسلے میں پاکستان میں مستعمل بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈ کا لحاظ بھی رکھا گیا ہے۔
- اس بات میں کوئی شک کی گنجائش نہیں ہے کہ کمپنی اپنی کاروباری سرگرمیوں کو ہمیشہ ہمیشہ جاری رکھنا چاہتی ہے۔
- کارپوریٹ گورننس کے ضوابط کی پاسداری سے ایسی کوئی روگردانی نہیں کی گئی جو قابل ذکر ہو۔
- کمپنی کی ایک آڈٹ کمیٹی ہے جس کے ممبران بورڈ آف ڈائریکٹر سے تعلق رکھتے ہیں اور اس کا صدر ایک آزاد ڈائریکٹر ہے۔
- ہم اخلاقی ضوابط اور کاروباری حکمت عملی سے متعلق ایک دستاویز مرتب کرنے کے بعد ڈائریکٹران اور ملازمین کے درمیان تقسیم کر چکے ہیں۔؛ اور
- بورڈ مشن کے متن اور مجموعی کاروباری حکمت عملی پر عمل پیرا ہے۔

## بورڈ کی ساخت

بورڈ آف ڈائریکٹرز بتاریخ 30 جون 2018 ذیل پر مشتمل ہے:

ڈائریکٹر ان	تعداد
الف) مرد	06
ب) خواتین	02

ساخت	تعداد
الف) آزاد ڈائریکٹر	01
ب) دیگر غیر انتظامی ڈائریکٹر ان	06
ج) انتظامی ڈائریکٹر	01

## بورڈ اور اس کی کمیٹیوں میں حاضری سے متعلق معلومات

ڈائریکٹر ان	بورڈ آف ڈائریکٹرز	حاضری	انسانی وسائل و ادائیگیوں کی کمیٹی
جناب محمد یونس ٹیہ۔ صدر	7/7	N/M	N/M
جناب محمد سہیل ٹیہ۔ سی ای او	7/7	4/4*	1/1*
جناب محمد علی ٹیہ	5/7	4/4	N/M
جناب عمران یونس	4/7	N/M	N/M
جناب جاوید یونس ٹیہ	6/7	3/4	1/1
محترمہ مریم ٹیہ خان	4/7	N/M	1/1
محترمہ ذلیخہ ٹیہ مسکاتیہ	4/7	1/4	1/1
جناب سلیم زمیندار	6/7	4/4	**

\* جناب محمد سہیل ٹیہ تمام میں حاضر ہے۔

\*\* جناب سلیم زمیندار کو مورخہ 27 اپریل 2018 کو محترمہ مریم ٹیہ خان کی جگہ

انسانی وسائل و ادائیگیوں کی کمیٹی کا ممبر منتخب کیا گیا تاکہ لکھنؤ کمپنیز (کوڈ آف

کارپوریٹ گورننس) ریگولیشنز 2017 کی پاسداری کی جاسکے جس کے مطابق

انسانی وسائل و ادائیگیوں کی کمیٹی کے صدر کا ایک آزاد ڈائریکٹر ہونا لازم ہے۔

N/M: یعنی نمبر نہیں ہے۔

## ڈائریکٹر رپورٹ

### معزز ممبران گرامی

آپ کی کمپنی کے ڈائریکٹر ان انتہائی مسرت کے ساتھ آپ کی خدمت میں کمپنی کی کارکردگی کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی دستاویزات برائے سال 30 جون 2018 پیش کر رہے ہیں۔

### جائزہ

آپ کی کمپنی کی کاروباری سرگرمیاں بنیادی طور پر سوت اور بنے ہوئے کپڑے کی پیداوار سے متعلق ہے۔ صارفین کی سہولت کے پیش نظر اور پیداواری لاگت کو کم از کم رکھنے کی غرض سے مؤثر حکمت عملی کے تحت کمپنی کی پیداواری صلاحیت کو دو خطوں یعنی جنوب اور شمال میں منقسم کیا گیا ہے۔ کمپنی کے کاروبار کو خام مال کی قیمتوں میں اضافے اور شرح مبادلہ میں اتار چڑھاؤ جیسے خطرات کا سامنا رہتا ہے جن کی وجہ سے کمپنی کی کارکردگی متاثر ہو سکتی ہے۔ کمپنی کو لاحق خطرات اور حاصل ہونے والے مواقع کا تفصیلی جائزہ SWOT تجزیے اور تجزیہ برائے خطرات و مواقع کی رپورٹ میں تفصیلاً مذکور ہے۔

دوران سال رواں آپ کی کمپنی کا کاروباری حجم 27.5 ملین روپے درج کیا گیا جو کہ گزشتہ مالی سال کے دوران 23.2 ملین روپے درج کیا گیا تھا یعنی گزشتہ سال کے مقابلے میں اس سال کاروباری حجم میں 4.3 ملین روپے کا اضافہ درج کیا گیا ہے جو 18.5% بنتا ہے۔ کاروباری حجم میں اس خاطر خواہ اضافے کا سہرا مجموعی برآمدات میں 36% اضافے اور مقامی سطح پر فروختی میں 10% اضافے کو جاتا ہے۔ برآمدات میں مذکورہ اضافے کی بنیادی وجوہات میں نرم شرائط پر حکومت کی جانب سے برآمداتی ٹیکس کا اجراء، پاکستانی کرنسی کی قدر میں کمی اور بنے ہوئے کپڑے کی فروخت کا 606 ملین روپے سے بڑھ کر 903 ملین روپے تک جا پہنچنے جیسے اہم عوامل میں شامل ہیں، یعنی فروخت میں 297 ملین روپے اضافہ ہوا جو کہ گزشتہ سال کے اسی عرصے کے مقابلے میں 49% زائد ہے۔

مقامی سطح پر فروخت میں اضافے کی بنیادی وجہ سیلز ٹیکس واپس لیا جانا تھا اور اس کے علاوہ حکومت کی جانب سے دیئے جانے والے برآمدات کے ٹیکس کی وجہ سے ویلیو ایڈڈ ٹیکس کی طلب میں اضافہ بھی تھا، اس ٹیکس کی وجہ سے ویلیو ایڈڈ ٹیکس کی برآمدات بھی اضافہ ہوا۔ کیونکہ سوت ان مصنوعات کیلئے ایک خام مال ہے اس لئے مقامی سطح پر بھی کمپنی کو اپنی فروخت میں اضافہ کرنے میں مدد ملی۔ مقامی سطح پر بنے ہوئے کپڑے کی فروخت 208 ملین روپے سے بڑھ کر 488 ملین روپے تک جا پہنچی۔ یعنی گزشتہ سال کے اسی عرصے کے مقابلے میں فروخت میں 280 ملین روپے کا اضافہ درج کیا گیا ہے۔

خام مال کی قیمت زائد ہونے کے ساتھ ساتھ پورے خطے میں ہماری توانائی کی لاگت بھی سب سے زائد ہے۔ اس کے علاوہ طلب اور رسد میں پائے جانے والے فرق، پاکستانی کرنسی کی قدر میں آنے والی اچانک کمی، غیر یقینی صورتحال، سیاسی عدم استحکام اور نئے نئے ٹیکسوں اور لیویز کی وجہ سے صنعت کیلئے طویل المیعاد کاروباری سرگرمیوں کا جائزہ لینا بہت مشکل ہو گیا ہے۔ سیاسی عدم استحکام، پاکستانی کرنسی کی قدر میں اچانک آنے والی کمی، خفیف شرح منافع اور خطے میں زبردست مسابقت کے باوجود آپ کی کمپنی کی انتظامیہ کی جانب سے مسلسل کوششوں، دور رس سرمایہ کاری سے حاصل ہونے والے منافع اور حکومت کی جانب سے دیئے جانے والے برآمداتی ٹیکس کی وجہ سے آپ کی کمپنی منافع بخش کاروبار کرنے میں کامیاب رہی اور گزشتہ سال کے 807 ملین روپے منافع کے مقابلے میں اس سال 1,185 ملین روپے کا منافع کمایا۔

مزید برآں، معمول کی کاروباری سرگرمیوں سے ہٹ کر کمپنی کے کاروبار کی نوعیت میں کسی بھی قسم کی کوئی قابل ذکر تبدیلی واقع نہیں ہوئی ہے۔

### معاشی مستقبل

وطن عزیز کی مجموعی معاشی صورتحال میں توازن پایا گیا۔ گوسا سیاسی عدم استحکام بھی موجود تھا لیکن اس عدم استحکام کو دیگر عناصر نے قابو میں رکھا جو عالمی سطح پر سی پیک کی اہمیت کو ماننے اور ملک میں توانائی کے بحران میں آنے والی کمی کے اثرات تک محدود نہ تھے۔

گوکہ گزشتہ سال کے مقابلے میں اس سال کپاس کی پیداوار زائد تھی لیکن حکومت کی جانب سے دیا گئے اہداف پورا نہ کیا جاسکا جس کی وجہ سے رواں مالی سال کے دوران صنعت کو کپاس درآمد کرنا پڑی۔ اس سے نہ صرف وطن عزیز کے کرنٹ اکاؤنٹ پر منفی اثرات مرتب ہوئے بلکہ پورے خطے کے مقابلے میں ہماری مصنوعات کی لاگت اور قیمت میں بھی اضافہ ہوا۔ مجموعی طور پر روپے کے لحاظ سے ہمارے ملک کے کرنٹ اکاؤنٹ کے خسارے میں 22% اور ڈالر کے حساب سے 16% کا اضافہ ہوا ہے۔

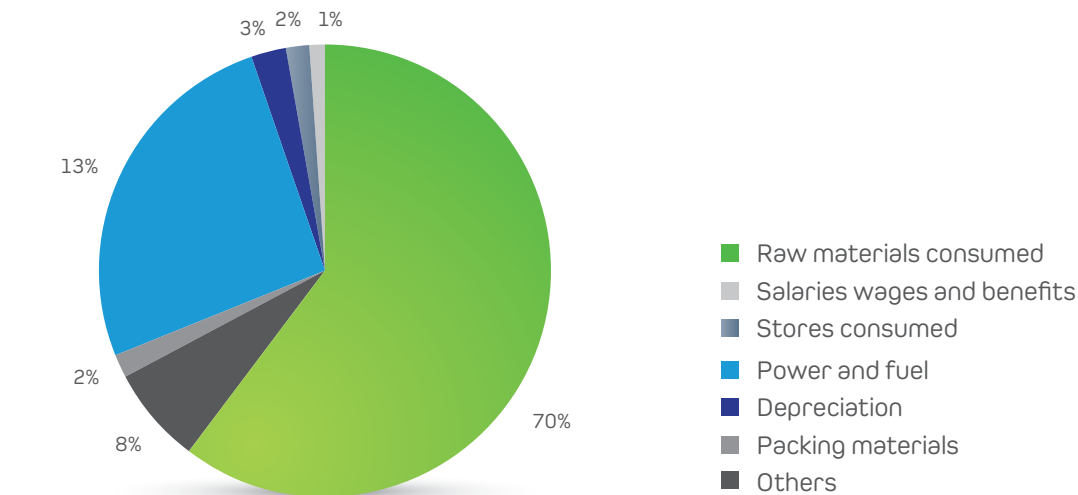
ای سی سی کی جانب سے درآمد شدہ کپاس پر سیلز ٹیکس اور سٹم ڈیوٹی واپس لئے جانے کے فیصلے پر عملدرآمد کی وجہ سے پیداواری لاگت میں کمی آئی ہے لیکن اس لاگت میں اس وقت اضافہ ہو گیا جب ڈالر کے مقابلے میں روپے کی قدر اچانک کم ہو گئی۔

### مالیاتی کارکردگی

کمپنی کے اہم ترین مالیاتی نتائج برائے سال 30 جون 2018 کا تقابلی جائزہ ذیل میں پیش خدمت ہے۔

خلاصہ نفع و نقصان	30 جون 2018	30 جون 2017	ثابت / (منفی) شرح فیصد
برآمدات	10,329,551	7,582,955	36.22
مقامی فروختی	17,225,136	15,665,623	9.96
کل فروختی	27,554,687	23,248,578	18.52
خام منافع	1,944,890	1,328,793	46.37
تموہلی لاگت	(574,682)	(342,601)	(67.74)
لاگت برائے تقسیم مال	(437,311)	(279,821)	(56.28)
لاگت برائے انتظامی امور	(224,245)	(193,915)	(15.64)
دیگر آمدن	926,387	661,782	39.98
نفع قبل از ٹیکس	1,473,646	1,084,938	35.83
نفع بعد از ٹیکس	1,185,296	806,986	46.88
آمدن فی حصص (روپے میں)	42.29	28.79	

گوکہ ڈالر کے مقابلے میں پاکستانی کرنسی کی قدر میں آنے والی کمی کی وجہ سے کمپنی کو یہ موقع حاصل ہوا ہے کہ عالمی منڈیوں میں کمپنی اپنی مصنوعات کی جگہ کو دوبارہ حاصل کر سکے لیکن مقامی طور پر خام مال کی عدم دستیابی کی وجہ سے درآمدی خام مال کی قیمت بھی زائد ادا کرنا پڑی کیونکہ کمپنی کو درآمد شدہ خام مال کی جانب رجوع کرنا پڑا جس کی وجہ سے برآمدات کی مد میں حاصل ہونے والے مثبت نتائج بھی معدوم ہو گئے۔ ذیل میں پیداواری لاگت کا تجزیہ پیش کیا جا رہا ہے:





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