

Half Yearly Report  
December 31, 2010



**Gadoon Textile Mills Limited**



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## COMPANY PROFILE

- Board of Directors** : Muhammad Yunus Tabba (Chairman)  
Muhammad Sohail Tabba (Chief Executive)  
Muhammad Ali Tabba  
Javed Yunus Tabba  
Mrs. Marium Tabba Khan  
Ilyas Ismail  
Tariq Iqbal Khan
- Director Finance & Company Secretary** : Abdul Sattar Abdullah
- Audit Committee** : Muhammad Ali Tabba  
Javed Yunus Tabba  
Ilyas Ismail
- Auditors** : M. Yousuf Adil Saleem & Co.  
Chartered Accountants
- Registered Office/Factory** : 200-201, Gadoon Amazai Industrial Estate,  
Distt. Swabi, Khyber Pakhtunkhwa  
Phone No. :0938-270212-13  
Fax No. :0938-270311  
E-mail Address :secretary@gtmfactory.com
- Liaison Office** : 7 Park Avenue Road University Town Peshawer.  
Phone No. :091-5701496  
Fax No. :091-5702029  
E-mail Address: secretary@gadoontextile.com
- Karachi Office** : 6-A, Muhammad Ali Housing Society,  
Abdul Aziz Haji Hashim Tabba Street,  
Karachi-75350.  
Phone No. :021-34397701-03  
Fax No. :021-34382436, 34536229  
E-mail Address: secretary@gadoonho.com
- Share Registrar** : Central Depository Company of Pakistan Ltd  
CDC House, 99-B, Block B, S.M.C.H.S.,  
Main Shahrah-e-Faisal, Karachi  
Ph # 021-111-111-500  
Fax # 021-34326027  
Email Address: info@cdcpak.com
- Bankers** : Bank Alfalah Limited (Islamic Banking)  
Bank Al Habib Limited  
Barclays Bank PLC, Pakistan  
Citibank N.A.  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Meezen Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
United Bank Limited



## DIRECTORS' REPORT

The Directors of your Company have pleasure in presenting before you the performance review together with the financial statements of the Company for the Half Year ended December 31, 2010, duly reviewed by the auditors.

### OVERVIEW

The cotton spinning industry concluded the first half year ended December 31, 2010 with overall positive growth both in local and export sales value as compared to the same period last year.

Cotton prices have gone up at a breathtaking pace. This unprecedented hike has not been seen in the past. So long as the industry is able to pass this yarn price increase through cost to buyers the spinning sector will have no problem in maintaining its margins.

Your Company is carrying sufficient inventory to enter into new crop season, which is risk averse because of timely procurement of cotton.

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

A comparison of the key financial results of the Company for the half year ended December 31, 2010 with same period last year is as under:

	<b>HY 2010-11</b>	<b>HY 2009-10</b>	<b>% Change</b>
Sales revenue	6,869	4,549	51.01
Gross profit	1,425	572	149.35
Operating profit	1,225	375	226.60
Profit before tax	1,184	239	396.12
Net profit after tax	1,190	172	592.20
Earnings per share	50.78	7.34	

*Rupees in Million except EPS*

A comparison of 2nd quarter versus 1st quarter is as under:

	<b>2Q 2010-11</b>	<b>1Q 2010-11</b>	<b>% Change</b>
Sales revenue	3,727	3,142	18.60
Gross profit	756	669	12.95
Operating profit	692	533	30.00
Profit before tax	648	537	20.61
Net profit after tax	647	543	19.07
Earnings per share	27.60	23.18	

*Rupees in Million except EPS*



A comparison of 2nd quarter versus same quarter last year is as under:

	2Q 2010-11	2Q 2009-10	% Change
Sales revenue	3,727	2,333	59.77
Gross profit	756	313	141.19
Operating profit	692	211	227.59
Profit before tax	648	136	375.81
Net profit after tax	647	116	457.57
Earnings per share	27.60	4.95	

*Rupees in Million except EPS*

## BUSINESS PERFORMANCE

### (a) Production & Sales Volume Performance

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

Particulars	Half Year 2010-11	Half Year 2009-10	Increase/ (Decrease) %
YARN PRODUCTION	21,045,100.86kgs	20,747,210.40kgs	1%

### (b) Financial Performance:

Your Company, by the Grace of Almighty Allah, posted glittering financial results. Sales revenue amounted to Rs.6,869 million in the half year under review as compared to Rs. 4,549 million in the corresponding period last year---a jump of Rs.2,320 million translating into 51%. The growth represents increase of 45.9% in export sales and 55.1% in local sales.

The higher sales revenue is attributable to good yarn market and inventory gain accruing due to progressive rise in lint cotton prices which virtually hit through the roof in line with worldwide trend.

The Gross Profit rose to Rs.1,425 million during period under review (HY 2009:Rs.572 million). The gross profit rate works out to an impressive 20.75% (HY 2009:12.56%). With its planning and procurement policies attuned to competitive purchasing of cotton at the right time, the Company has taken maximum benefit of this situation. The after tax profit also moved upwards to Rs.1,190 Million (HY 2009: Rs.172 Million) which translates into earnings per share of Rs.50.78 (HY2009: Rs.7.34).

The margins would have been still higher, had there been no disruption of gas, during the period of devastating flood, which pushed up the cost of production due to alternative use of expensive fuel.



### **PROGRESS ON PROJECTS**

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

The current status of the project is that so far plant and machinery amounting to Rs.1,038 million has been imported and is in the process of installation. Building at a cost of Rs. 97 million has been erected. The total outlay of the project, including miscellaneous expenses and mark-up capitalized, work out to Rs.1,223 million.

The new facility is expected to be ready Insha Allah by the end of this Financial Year.

#### **Future Outlook:**

Cotton prices have gone up at a breathtaking pace. This phenomenon has not been seen in the past. So long as yarn price increase is compensated by the higher cotton prices the industry will have no problem in maintaining its margins.

Other constraints such as electricity and gas and ocean and surface freight continue to impact our margins.

#### **Acknowledgements:**

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

For and on behalf of the Board

**Muhammad Yunus Tabba**  
Chairman

Karachi: 22nd February, 2011.



## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Gadoon Textile Mills Limited** (the Company) as at December 31, 2010, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and selected explanatory notes to the accounts for the half year then ended December 31, 2010 (here-in-after referred to as the 'interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2010 and 2009 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2010.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of Matter

We draw attention to note 8.1 to the interim financial information in which management has explained the reason of not making a provision for turnover tax on local sales under section 113 of the Income Tax Ordinance, 2001. Our conclusion is not qualified in respect of this matter.

### Chartered Accountants

**Engagement Partner**  
**Asad Ali Shah**

**Karachi**  
**Date: 22nd February 2011**



## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2010

	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
		(Rupees)	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	3,868,607,795	2,724,683,607
Long-term loans		2,637,476	5,734,580
Long-term advance		66,666,667	66,666,667
Long-term deposits		7,285,956	7,272,958
		<u>3,945,197,894</u>	<u>2,804,357,812</u>
<b>Current Assets</b>			
Stores, spares and loose tools		250,096,051	223,164,356
Stock-in-trade		2,298,662,711	2,159,942,139
Trade debts		2,569,329,946	998,551,745
Loans and advances		555,881,609	149,629,913
Trade deposits and short-term prepayments		6,159,233	1,590,000
Other receivables		181,583,033	42,469,015
Income tax refundable due from the government		33,391,714	40,819,674
Cash and bank balances		1,067,855,038	125,509,669
		<u>6,962,959,335</u>	<u>3,741,676,511</u>
<b>Total Assets</b>		<u>10,908,157,229</u>	<u>6,546,034,323</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised			
50,000,000 ordinary shares of Rs.10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up		234,375,000	234,375,000
Capital reserve - Share premium		103,125,000	103,125,000
Revenue reserves			
General reserve		1,000,000,000	1,000,000,000
Unappropriated profit		2,490,878,140	1,464,709,963
		<u>3,490,878,140</u>	<u>2,464,709,963</u>
		<u>3,828,378,140</u>	<u>2,802,209,963</u>
<b>Non-Current Liabilities</b>			
Long-term finance		71,253,996	630,160,747
Deferred liabilities		289,780,393	285,859,848
		<u>361,034,389</u>	<u>916,020,595</u>
<b>Current Liabilities</b>			
Trade and other payables		1,156,907,169	1,141,007,304
Accrued mark-up		129,489,666	66,847,912
Short-term borrowings	4	4,852,765,943	1,543,076,423
Current portion of long-term finance		567,813,502	17,813,502
Provision for taxation		11,768,420	59,058,624
		<u>6,718,744,700</u>	<u>2,827,803,765</u>
<b>Contingencies and Commitments</b>	5		
<b>Total Equity and Liabilities</b>		<u>10,908,157,229</u>	<u>6,546,034,323</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Ali Tabba**  
Director





## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

	Note	Half year ended		Quarter ended	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
----- Rupees -----					
Sales - net		6,869,166,594	4,548,726,835	3,726,785,388	2,333,138,771
Cost of sales	6	(5,444,059,149)	(3,977,204,671)	(2,970,886,878)	(2,019,737,182)
Gross profit		1,425,107,445	571,522,164	755,898,510	313,401,589
Other operating income		69,087,005	781,455	53,878,643	500,263
		1,494,194,450	572,303,619	809,777,153	313,901,852
Distribution cost		144,857,508	141,960,699	65,533,082	70,373,758
Administrative expenses		27,558,191	27,431,099	11,671,581	13,684,297
Other operating expenses		96,513,551	27,755,553	40,009,467	18,433,027
		(268,929,250)	(197,147,351)	(117,214,131)	(102,491,082)
		1,225,265,200	375,156,268	692,563,022	211,410,770
Finance cost	7	(40,961,383)	(136,444,291)	(45,083,723)	(75,330,032)
Profit before taxation		1,184,303,817	238,711,977	647,479,299	136,080,738
Taxation					
Current	8	-	28,510,346	-	14,882,145
Deferred		(5,926,860)	38,253,691	553,210	5,170,713
		5,926,860	(66,764,037)	(553,210)	(20,052,858)
Profit for the period		1,190,230,677	171,947,940	646,926,089	116,027,880
Earnings per share - basic and diluted		50.78	7.34	27.60	4.95

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Ali Tabba**  
Director



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- Rupees -----			
Profit for the period	1,190,230,677	171,947,940	646,926,089	116,027,880
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>1,190,230,677</u>	<u>171,947,940</u>	<u>646,926,089</u>	<u>116,027,880</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Ali Tabba**  
Director



## CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

	Half year ended	
	December 31, 2010	December 31, 2009
	(Rupees)	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,184,303,817	238,711,977
Adjustments for:		
Depreciation	135,357,706	137,426,563
Gain on disposal of operating fixed assets	(2,493,301)	-
Profit on deposits	(65,743,396)	(277,692)
Finance cost - net	39,592,357	136,444,291
Provision for gratuity	17,000,000	17,560,188
	123,713,366	291,153,350
<b>Operating cash inflows before working capital changes</b>	<b>1,308,017,183</b>	529,865,327
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	(26,931,695)	(9,797,965)
Stock-in-trade	(138,720,572)	(1,114,050,821)
Trade debts	(1,570,778,201)	(711,165,381)
Loans and advances	(452,497,753)	(3,632,750)
Trade deposits and short-term prepayments	(4,569,233)	409,755
Other receivables	(139,114,018)	1,996,206
	(2,332,611,472)	(1,836,240,956)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	14,514,276	989,962,950
Changes in working capital	(2,318,097,196)	(846,278,006)
Cash used in operations	(1,010,080,013)	(316,412,679)
Finance cost refunded / (paid) - net	23,049,397	(155,859,941)
Income taxes refunded - net	4,698,064	39,216,815
Gratuity paid	(7,152,595)	(5,609,150)
	20,594,866	(122,252,276)
<b>Net cash used in operating activities</b>	<b>A (989,485,147)</b>	(438,664,955)



	Half year ended	
	December 31, 2010	December 31, 2009
	(Rupees)	
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(1,281,469,921)	(103,452,473)
Sale proceeds from disposal of operating fixed assets	4,681,330	244,977
Profit on deposits received	63,602,690	236,238
Long-term loans recovered	6,923,557	4,207,662
Long-term deposits paid	(12,998)	(2,000)
<b>Net cash used in investing activities</b>	<b>B (1,206,275,342)</b>	<b>(98,765,596)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term finance	(8,906,751)	(250,000,000)
Short term borrowings - net	-	303,010,148
Dividend paid	(162,676,911)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>C (171,583,662)</b>	<b>53,010,148</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(2,367,344,151)</b>	<b>(484,420,403)</b>
Cash and cash equivalents at beginning of the period	(1,417,566,754)	(647,940,923)
Cash and cash equivalents at end of the period	<u>(3,784,910,905)</u>	<u>(1,132,361,326)</u>
Cash and bank balances	1,067,855,038	186,073,280
Short-term running finances under markup arrangements	(4,852,765,943)	(1,318,434,606)
	<u>(3,784,910,905)</u>	<u>(1,132,361,326)</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Ali Tabba**  
Director



## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

	< ---- Capital reserves ---- >		< ----- Revenue reserves ----- >			Grand total
	Issued, subscribed and paid-up share capital	Share premium	General reserves	Unappropriated profit	Sub Total	
----- Rupees -----						
Balance as at June 30, 2009	234,375,000	103,125,000	1,000,000,000	636,519,294	1,636,519,294	1,974,019,294
Total comprehensive income for the period	-	-	-	171,947,940	171,947,940	171,947,940
Balance as at December 31, 2009	234,375,000	103,125,000	1,000,000,000	808,467,234	1,808,467,234	2,145,967,234
Balance as at June 30, 2010	234,375,000	103,125,000	1,000,000,000	1,464,709,963	2,464,709,963	2,802,209,963
Total comprehensive income for the period	-	-	-	1,190,230,677	1,190,230,677	1,190,230,677
Final dividend for the year ended June 30, 2010 - Rs. 7/= per share				(164,062,500)	(164,062,500)	(164,062,500)
Balance as at December 31, 2010	234,375,000	103,125,000	1,000,000,000	2,490,878,140	3,490,878,140	3,828,378,140

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Ali Tabba**  
Director



## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2010

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

### 2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984. A limited scope review of these condensed interim financial statements has been performed by the external auditors of the Company in accordance with the requirement of the Code of Corporate Governance.
- 2.2 These interim financial statements are in condensed form and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2010.
- 2.3 The accounting convention, policies and methods of computation followed in the preparation of these condensed interim financial statements are the same as those of the annual financial statements for the year ended June 30, 2010.

		(Unaudited) December 31, 2010	(Audited) June 30, 2010
Note		(Rupees)	
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	3.1	2,651,532,500	2,695,556,675
Capital work in progress	3.2	<u>1,217,075,295</u>	<u>29,126,932</u>
		<u><b>3,868,607,795</b></u>	<u><b>2,724,683,607</b></u>

#### 3.1 Details of additions and disposals to operating fixed assets are as under:

	----- (Unaudited) -----			
	Half year ended December 31, 2010		Half year ended December 31, 2009	
	----- Rupees '-----		----- Rupees '-----	
	Additions/ transfers	Disposals at Book value	Additions/ transfers	Disposals at Book value
Plant and machinery	81,612,425	1,547,150	98,634,547	-
Electric installation	-	-	8,500,000	-
Computer equipment	174,094	-	102,267	-
Office equipment	42,850	-	18,000	-
Tools and equipment	142,000	-	-	-
Vehicles	11,550,202	682,553	149,800	244,977
	<u>93,521,571</u>	<u>2,229,703</u>	<u>107,404,614</u>	<u>244,977</u>



	----- (Unaudited) -----			
	Half year ended December 31, 2010 Rupees '-----		Half year ended December 31, 2009 Rupees '-----	
	Additions	Transfers	Additions	Transfers
<b>3.2 Details of additions and transfers are as under</b>				
Civil works	3,683,999	-	2,612,859	-
Plant and machinery	62,510,272	81,612,425	98,634,547	98,634,547
Electric installation	-	-	2,020,000	8,500,000
Vehicles	164,892	5,801,892	-	-
<b>Karachi Project</b>				
- Plant and Machinery	1,026,136,705	-	-	-
- Civil works	139,628,780	-	-	-
- Advance to contractor for electric installation	20,000,000	-	-	-
- Borrowing cost capitalised	23,237,721	-	-	-
	<u>1,275,362,369</u>	<u>87,414,317</u>	<u>103,267,406</u>	<u>107,134,547</u>

	(Unaudited) December 31, 2010	(Audited) June 30, 2010
Note	(Rupees)	
<b>4. SHORT TERM BORROWINGS</b>		
From banking companies		
- Running finances under markup arrangements	4.1 <b>1,321,896,184</b>	589,787,427
- Short-term finances	4.1 <b>1,240,000,000</b>	90,428,496
Foreign currency loan against		
- Import finance	4.1 <b>2,290,869,759</b>	649,708,211
- Export finance	-	213,152,289
	<u><b>2,290,869,759</b></u>	<u>862,860,500</u>
	<u><b>4,852,765,943</b></u>	<u>1,543,076,423</u>

4.1 Facilities for running finance, import finance and short term finance are available from various banks upto Rs. 7.14 billion (June 2010: Rs. 6.39 billion). The terms and conditions of the short term borrowings including markup rates and securities have not changed materially from June 30, 2010.

## 5. CONTINGENCIES AND COMMITMENTS

### 5.1 Contingencies

5.1.1 Outstanding guarantees given on behalf of the Company by banks in normal course of business amounts to Rs. 328.24 million (June 2010: Rs. 255.24 million).

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



	(Unaudited) December 31, 2010	(Audited) June 30, 2010
	(Rupees)	
<b>5.1.3 Others</b>		
Export bills discounted with recourse arrangement	-	787,524,928
Indemnity bond in favour of Collector of Customs against imports	2,845,000	2,590,000
Post dated cheques in favour of Collector of Customs against imports	62,915,786	58,029,703
<b>5.2 Commitments</b>		
Letters of credit opened by banks for:		
- Plant and machinery	134,728,739	62,318,997
- Raw materials	734,187,847	221,332,736
- Stores and spares	37,323,016	12,142,023
Foreign currency forward contracts	978,257,467	1,072,185,087
Karachi Project	104,876,620	-

	----- (Unaudited) -----			
	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	----- Rupees -----			
<b>6. COST OF SALES</b>				
Opening stock - finished goods	221,944,458	318,497,166	189,718,678	212,664,898
Cost of goods manufactured (Note 6.1)	5,599,630,808	3,836,344,385	3,158,684,317	1,984,709,164
	5,821,575,266	4,154,841,551	3,348,402,995	2,197,374,062
Closing stock - finished goods	(377,516,117)	(177,636,880)	(377,516,117)	(177,636,880)
	<u>5,444,059,149</u>	<u>3,977,204,671</u>	<u>2,970,886,878</u>	<u>2,019,737,182</u>
<b>6.1 Cost of goods manufactured</b>				
Opening stock - work in process	67,697,694	56,917,990	79,719,677	55,888,017
Raw and packing material consumed	4,523,747,983	2,837,010,472	2,646,947,267	1,473,887,323
Other manufacturing expenses	1,150,319,819	1,001,758,855	574,152,061	514,276,756
	5,674,067,802	3,838,769,327	3,221,099,328	1,988,164,079
	5,741,765,496	3,895,687,317	3,300,819,005	2,044,052,096
Closing stock - work in process	(142,134,688)	(59,342,932)	(142,134,688)	(59,342,932)
	<u>5,599,630,808</u>	<u>3,836,344,385</u>	<u>3,158,684,317</u>	<u>1,984,709,164</u>

## 7. FINANCE COST

The amount for the current period is net of markup relief of Rs. 100.91 million received / claimed from the banks. The relief has been provided by the Government of Pakistan to rehabilitate the economic life in Khyber Pakhtunkhwa.





## 8. TAXATION

- 8.1 The Finance Act, 2010 had introduced clause 126F in Part I of Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) exempting the tax on profits and gains derived by a tax payer located in the war on terror affected areas of Khyber Pakhtunkhwa. As a result of this change, the income of the Company including tax on export proceeds for tax year 2010 to 2012 is exempt. However, the said clause does not specifically address the exemption of turnover tax under section 113. Management, based on an advice from the tax advisor, believes that the Company will not be subject to turnover tax under section 113 of the Ordinance and hence, has not made a provision of Rs. 40.08 million (year ended June 30, 2010: Rs. 26.04 million) on account of turnover tax on local sales for the period ended December 31, 2010.
- 8.2 The charge for the current tax for the half year ended December 31, 2009 was reversed in June 2010 due to change in the Ordinance through Finance Act 2010.

## 9. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises associated companies, directors and key management personnel. Transactions with related parties are as follows:

Name of Related Parties	Nature of Transaction	------(Unaudited)----- Half year ended	
		December 31, 2010	December 31, 2009
<b>(Rupees)</b>			
<b>a. Associated companies</b>			
Lucky Cement Limited	Purchase of cement	<b>5,465,537</b>	239,500
Fazal Textile Mills Limited	Sale of yarn	<b>170,189,944</b>	150,297,320
	Sale of waste	<b>5,177,475</b>	-
	Doubling charges paid	-	576,000
Yunus Textile Mills Limited	Sale of yarn	<b>362,349,390</b>	130,015,255
Lucky Knits (Pvt) Limited	Sale of yarn	<b>242,990,030</b>	178,240,388
Feroze1888 Mills Limited [Formerly Naksbandi Industries Limited]	Sale of yarn	<b>132,797,500</b>	92,600
<b>b. Other associated undertakings</b>			
Lucky Textile Mills	Sale of yarn	<b>92,840,903</b>	233,946,600
	Grey cotton cloth purchase	<b>1,053,287</b>	-
<b>c. Benefits to key management personnel</b>			
		<b>2,801,000</b>	2,437,000

## 10. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issue on February 22, 2011.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Ali Tabba**  
Director

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