



A part of  
**YUNUS  
BROTHERS  
GROUP**

Half Yearly Report  
December 31, 2011



**GADOON TEXTILE MILLS LIMITED**



## CONTENTS

Company Profile	01
Directors' Report	02
Auditors' Review Report to the Members	05
Condensed Interim Balance Sheet	06
Condensed Interim Profit & Loss Account	07
Condensed Interim Statement Of Comprehensive Income	08
Condensed Interim Cash Flow Statement	09
Condensed Interim Statement of Changes in Equity	11
Notes to the Interim Condensed Financial Statements	12



## COMPANY PROFILE

<b>Board of Directors</b>	: Muhammad Yunus Tabba (Chairman) Muhammad Sohail Tabba (Chief Executive) Muhammad Ali Tabba Javed Yunus Tabba Mrs Marium Tabba Khan Ilyas Ismail Tariq Iqbal Khan
<b>Director Finance &amp; Company Secretary</b>	: Abdul Sattar Abdullah
<b>Audit Committee</b>	: Muhammad Ali Tabba Javed Yunus Tabba Ilyas Ismail
<b>Auditors</b>	: M. Yousuf Adil Saleem & Co. Chartered Accountants A Member of Deloitte Touche Tohmatsu
<b>Registered Office/Factory</b>	: 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
<b>Liaison Office</b>	: 7 Park Avenue Road University Town Peshawar. Phone No. : 091-5701496 Fax No. : 091-5702029 E-mail Address: secretary@gadoontextile.com
<b>Karachi Office</b>	: 6-A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi-75350. Phone No. : 021-34397701-03 Fax No. : 021-34382436 E-mail Address: secretary@gadoonho.com
<b>Share Registrar/ Transfer Agent</b>	: Central Depository Company of Pakistan Ltd CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi (Toll Free) : 0800 23275
<b>Bankers</b>	: Bank Al Habib Limited Bank Alfalah Limited (Islamic Banking) Barclays Bank PLC, Pakistan Citibank N.A. Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited HSBC Middle East Limited Meezan 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, 2011, duly reviewed by the auditors.

### OVERVIEW

After giving highly profitable results last year, the cotton spinning industry continues to be in doldrums due to depressed yarn market so much so that the yarn prices hardly breakeven the cost of production. The industry is confronted with numerous problems attributable to increase in cost of inputs, petroleum products and natural gas, increase in electricity tariffs, depreciation of Pak Rupee and the political uncertainty. There have been so many other factors governing the prices that it has become difficult to sell yarn in this environment which hampers country's export oriented industries' ability to compete in the international markets.

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, 2011 with same period last year is as under:

Particulars	HY 2011-12	HY 2010-11	% Change
Sales revenue	6,413	6,869	(6.64)
Gross profit	321	1,425	(77.50)
Operating profit	190	1,225	(84.46)
Profit before tax	20	1,184	(98.29)
Net profit after tax	17	1,190	(98.54)
Earnings per share	0.74	50.78	

*Rupees in Million except EPS*

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

Particulars	2Q 2011-12	1Q 2011-12	% Change
Sales revenue	3,246	3,166	2.53
Gross profit	258	62	316.13
Operating profit/(loss)	228	(38)	700.00
Profit/(loss) before tax	143	(123)	216.26
Net profit/(loss) after tax	139	(122)	213.93
Earnings/(loss) per share	5.93	(5.19)	

*Rupees in Million except EPS*



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

Particulars	2Q 2011-12	2Q 2010-11	% Change
Sales revenue	3246	3,727	(12.89)
Gross profit	258	756	(65.83)
Operating profit	228	692	(67.01)
Profit before tax	143	648	(77.96)
Net profit after tax	139	647	(78.52)
Earnings per share	5.93	27.60	

*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 2011-12	Half Year 2010-11	Increase/ (Decrease) %
Yarn Production	19,450,186.65 kgs	21,045,100.86 kgs	(7.58)

##### **(b) Financial Performance:**

Your Company, by the Grace of Almighty Allah, posted reasonably satisfactory financial results under the present gloomy environment. Sales revenue amounted to Rs. 6,413 million in the half year under review as compared to Rs. 6,869 million in the corresponding period last year--a decrease of Rs. 456 million translating into 6.64%.

The Gross Profit dropped to Rs. 321 million during period under review (HY 2010-11: Rs. 1,425 million). The gross profit rate works out to 5.00% against (HY 2010-11: 20.75%). The sharp decline in GP is due to decline in yarn prices and costly inventory carried from previous year when the lint prices had skyrocketed. The after tax profit moved down to Rs. 17.00 Million (HY 2010-11: Rs. 1,190 Million) which translates into earnings per share of Rs. 0.74 (HY 2010-11: Rs. 50.78).

##### **Selection of the Company as KSE Top 25 Companies**

We have pleasure in informing you that Karachi Stock Exchange has selected your Company as one of the Top 25 Companies for the year 2010, thereby acknowledging its performance in the relevant year.



## **PROGRESS ON PROJECTS**

In order to maintain sustained growth in profitability, the Company is setting up an additional production facility at Karachi. The road transportation cost to and from Gadoon Amzai is day by day becoming prohibitive and makes this decision economically viable as well as to capture southern market and to strengthen exports by reducing lead time. Import of raw material and export of yarn and easy access to port facilities also justify this project.

The current status of the project is that so far plant and machinery has been imported, installed and running on trial operation. The total outlay of the project, including miscellaneous expenses and mark-up capitalized, work out to Rs.1,818 million.

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

### **Future Outlook:**

The yarn prices at home and abroad hardly cover the cost of production. On the other hand, funds are blocked in inventories entailing higher finance cost. Other constraints such as electricity and gas and ocean and surface freight continue to impact our margins.

Gas cost increased from Rs. 382.37 to Rs. 494.86 per mmbtu which will have a direct negative impact on cost of production.

Nevertheless, your directors will do everything possible to strike a balance, so that reasonable profitability is achieved.

### **Acknowledgements:**

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

For and on behalf of the Board

**Muhammad Sohail Tabba**  
Chief Executive

Karachi: February 23, 2012.



## **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, 2011, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes to the forming part thereof for the half year then ended (here-in-after referred to as '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, 2011 and 2010 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2011.

### **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, 2011 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 10.1 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:** February 23, 2012.



## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2011

	Note	(Unaudited) December 31, 2011	(Audited) June 30, 2011
		----- (Rupees) -----	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	4,485,050,803	4,181,980,317
Long-term advance	5	-	-
Long-term loans		4,384,131	4,867,239
Long-term deposits		7,293,916	7,285,956
		<u>4,496,728,850</u>	<u>4,194,133,512</u>
<b>Current Assets</b>			
Stores, spares and loose tools		276,942,586	281,166,698
Stock-in-trade		4,095,830,269	2,104,434,377
Trade debts		1,852,879,806	3,147,275,019
Loans and advances		223,790,124	134,348,070
Short-term investments		24,684,602	28,936,901
Trade deposits and short-term prepayments		1,789,909	5,345,000
Other receivables		174,258,851	217,787,387
Income tax refundable due from the government		53,374,158	53,347,624
Cash and bank balances		422,348,812	831,123,648
		<u>7,125,899,117</u>	<u>6,803,764,724</u>
<b>Total Assets</b>		<u>11,622,627,967</u>	<u>10,997,898,236</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised			
50,000,000 (June 30, 2011: 50,000,000)			
ordinary shares of Rs. 10/- each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up			
23,437,500 (June 30, 2011: 23,437,500)			
ordinary shares of Rs. 10/- each		<u>234,375,000</u>	<u>234,375,000</u>
Capital reserve - share premium		<u>103,125,000</u>	<u>103,125,000</u>
<b>Revenue reserves</b>			
General reserve		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Unappropriated profit		<u>3,239,910,681</u>	<u>3,456,902,078</u>
		<u>4,239,910,681</u>	<u>4,456,902,078</u>
<b>Total Equity</b>		<u>4,577,410,681</u>	<u>4,794,402,078</u>
<b>Non-Current Liabilities</b>			
Long-term financing		<u>53,439,996</u>	<u>62,347,245</u>
Deferred liabilities		<u>334,295,897</u>	<u>312,471,571</u>
		<u>387,735,893</u>	<u>374,818,816</u>
<b>Current Liabilities</b>			
Trade and other payables		<u>1,565,988,430</u>	<u>1,302,769,127</u>
Accrued mark-up		<u>118,161,941</u>	<u>116,213,807</u>
Short-term borrowings		<u>4,393,748,598</u>	<u>3,828,958,203</u>
Current portion of long-term financing		<u>567,814,004</u>	<u>567,814,004</u>
Provision for taxation		<u>11,768,420</u>	<u>12,922,201</u>
		<u>6,657,481,393</u>	<u>5,828,677,342</u>
<b>Total Equity and Liabilities</b>		<u>11,622,627,967</u>	<u>10,997,898,236</u>
<b>Contingencies and commitments</b>			
	7		

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Sohail Tabba**  
Chief Executive





## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

	Note	Half year ended		Quarter ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
----- Rupees -----					
Sales - net		<b>6,412,743,980</b>	6,869,166,594	<b>3,246,305,332</b>	3,726,785,388
Cost of sales	8	<b>(6,092,105,855)</b>	(5,444,059,149)	<b>(2,988,021,705)</b>	(2,970,886,878)
Gross profit		<b>320,638,125</b>	1,425,107,445	<b>258,283,627</b>	755,898,510
Other operating income		<b>32,620,436</b>	69,087,005	<b>4,463,011</b>	53,878,643
		<b>353,258,561</b>	1,494,194,450	<b>262,746,638</b>	809,777,153
Distribution cost		<b>(106,845,665)</b>	(144,857,508)	<b>(49,348,170)</b>	(65,533,082)
Administrative expenses		<b>(44,170,836)</b>	(27,558,191)	<b>(21,953,856)</b>	(11,671,581)
Other operating expenses		<b>(11,866,968)</b>	(96,513,551)	<b>37,024,788</b>	(40,009,467)
		<b>(162,883,469)</b>	(268,929,250)	<b>(34,277,238)</b>	(117,214,130)
		<b>190,375,092</b>	1,225,265,200	<b>228,469,400</b>	692,563,023
Finance cost	9	<b>(170,161,578)</b>	(40,961,383)	<b>(85,737,163)</b>	(45,083,723)
Profit before taxation		<b>20,213,514</b>	1,184,303,817	<b>142,732,237</b>	647,479,300
Taxation					
For the period					
Current	10	-	-	-	-
Deferred		<b>(4,010,226)</b>	5,926,860	<b>4,928,402</b>	(553,210)
Prior year		<b>1,180,315</b>	-	<b>(1,180,315)</b>	-
		<b>(2,829,911)</b>	5,926,860	<b>(3,748,087)</b>	(553,210)
Profit for the period		<b>17,383,603</b>	1,190,230,677	<b>138,984,150</b>	646,926,090
Earnings per share - basic and diluted		<b>0.74</b>	50.78	<b>5.93</b>	27.60

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Sohail Tabba**  
Chief Executive



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	----- Rupees -----			
Profit for the period	17,383,603	1,190,230,677	138,984,150	646,926,090
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>17,383,603</u>	<u>1,190,230,677</u>	<u>138,984,150</u>	<u>646,926,090</u>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.



**CONDENSED INTERIM CASH FLOW STATEMENT**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

	Half year ended	
	December 31, 2011	December 31, 2010
	----- (Rupees) -----	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	20,213,514	1,184,303,817
<b>Adjustments for :</b>		
Depreciation	131,502,225	135,357,706
Loss / (gain) on disposal of property, plant and equipment	3,014,810	(2,493,301)
(Profit) on deposits	(30,959,714)	(65,743,396)
Interest / mark-up expense	265,945,753	39,592,357
Unrealised loss on short-term investment	4,252,299	-
Provision for gratuity	28,300,000	17,000,000
	<b>402,055,373</b>	<b>123,713,366</b>
<b>Operating cash flows before working capital changes</b>	<b>422,268,887</b>	<b>1,308,017,183</b>
<b>Decrease / (Increase) in current assets</b>		
Stores, spares and loose tools	4,224,112	(26,931,695)
Stock-in-trade	(1,991,395,892)	(138,720,572)
Trade debts	1,294,395,213	(1,570,778,201)
Loans and advances	(5,955,414)	(452,497,753)
Trade deposits and short-term prepayments	3,555,091	(4,569,233)
Other receivables	43,750,911	(139,114,018)
	<b>(651,425,979)</b>	<b>(2,332,611,472)</b>
<b>Increase in current liabilities</b>		
Trade and other payables	260,521,179	14,514,276
<b>Changes in working capital</b>	<b>(390,904,800)</b>	<b>(2,318,097,196)</b>
<b>Cash generated from / (used in) operations</b>	<b>31,364,087</b>	<b>(1,010,080,013)</b>
Interest / mark-up paid	(263,997,619)	23,049,397
Taxes (paid) / refunded	(85,748,704)	4,698,064
Gratuity paid	(10,485,900)	(7,152,595)
	<b>(360,232,223)</b>	<b>20,594,866</b>
<b>Net cash used in operating activities</b> A	<b>(328,868,136)</b>	<b>(989,485,147)</b>



Half year ended  
December 31, 2011      December 31, 2010  
 -----(Rupees)-----

**B. CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property, plant and equipment	<b>(443,578,131)</b>	(1,281,469,921)
Sale proceeds from disposal of property, plant and equipment	<b>5,990,610</b>	4,681,330
Profit received on deposit account	<b>30,737,339</b>	63,602,690
Long-term loans recovered	<b>2,745,182</b>	6,923,557
Long-term deposits paid	<b>(7,960)</b>	(12,998)
<b>Net cash used in investing activities</b>	<b>B (404,112,960)</b>	<u>(1,206,275,342)</u>

**C. CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of long-term finance	<b>(8,907,249)</b>	(8,906,751)
Dividend paid	<b>(231,676,886)</b>	(162,676,911)
<b>Net cash used in financing activities</b>	<b>C (240,584,135)</b>	<u>(171,583,662)</u>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(973,565,231)</b>	(2,367,344,151)

<b>Cash and cash equivalents at beginning of the period</b>	<b>(2,997,834,555)</b>	(1,417,566,754)
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<b>Cash and cash equivalents at end of the period</b>	<b><u>(3,971,399,786)</u></b>	<u>(3,784,910,905)</u>
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**CASH AND CASH EQUIVALENTS**

Cash and bank balances	<b>422,348,812</b>	1,067,855,038
Short-term running finances under markup arrangements	<b>(4,393,748,598)</b>	(4,852,765,943)
	<b><u>(3,971,399,786)</u></b>	<u>(3,784,910,905)</u>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Sohail Tabba**  
Chief Executive



## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

	Capital reserve		<----- Revenue reserves ----->			Grand total
	Issued, subscribed and paid-up share capital	Share premium	General reserves	Unappropriated profit	Sub Total	
----- Rupees -----						
Balance 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
<b>Comprehensive income</b>						
Profit for the period	-	-	-	1,190,230,677	1,190,230,677	1,190,230,677
Other comprehensive income	-	-	-	-	-	-
	-	-	-	1,190,230,677	1,190,230,677	1,190,230,677
<b>Transactions with owners recorded directly in equity</b>						
Final dividend for the year ended June 30, 2010 @ Rs.7/- per share	-	-	-	(164,062,500)	(164,062,500)	(164,062,500)
Balance 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
Balance at June 30, 2011	234,375,000	103,125,000	1,000,000,000	3,456,902,078	4,456,902,078	4,794,402,078
<b>Comprehensive income</b>						
Profit for the period	-	-	-	17,383,603	17,383,603	17,383,603
Other comprehensive income	-	-	-	-	-	-
	-	-	-	17,383,603	17,383,603	17,383,603
<b>Transactions with owners recorded directly in equity</b>						
Final dividend for the year ended June 30, 2011 @ Rs.10/- per share	-	-	-	(234,375,000)	(234,375,000)	(234,375,000)
Balance as at December 31, 2011	234,375,000	103,125,000	1,000,000,000	3,239,910,681	4,239,910,681	4,577,410,681

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Sohail Tabba**  
Chief Executive



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2011

### 1. THE COMPANY AND ITS OPERATIONS

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

### 2. STATEMENT OF COMPLIANCE

2.1 The condensed interim financial information of the Company for the half year ended December 31, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984. A limited scope review of this condensed interim financial information has been performed by the external auditors of the Company in accordance with the requirement of the Code of Corporate Governance.

2.3 This interim financial information is in condensed form and does not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2011.

2.4 The accounting convention, policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2011.

### 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty are consistent as those that were applied to the annual financial statements as at and for the year ended June 30, 2011.



	Note	(Unaudited) December 31, 2011 ------(Rupees)-----	(Audited) June 30, 2011
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	<b>2,613,931,367</b>	2,569,241,052
Capital work-in-progress	4.2	<b>1,871,119,436</b>	1,612,739,265
		<u><b>4,485,050,803</b></u>	<u>4,181,980,317</u>

**4.1 Details of additions and disposals to operating fixed assets are as under:**

	----- (Unaudited) -----			
	Half year ended December 31, 2011 ----- Rupees '-----		Half year ended December 31, 2010 ----- Rupees '-----	
	Additions/ transfers	Disposals at Book value	Additions/ transfers	Disposals at Book value
Plant and machinery	173,150,857	8,954,603	81,612,425	1,547,150
Electric installation	1,510,500	-	-	-
Computer equipment	1,768,719	-	174,094	-
Office equipment	902,520	-	42,850	-
Tools and Equipment	-	-	142,000	-
Vehicles	1,593,103	50,817	11,550,202	682,553
Fork Lifter and Tractor	6,272,261	-	-	-
	<u>185,197,960</u>	<u>9,005,420</u>	<u>93,521,571</u>	<u>2,229,703</u>

	----- (Unaudited) -----			
	Half year ended December 31, 2011 ----- Rupees '-----		Half year ended December 31, 2010 ----- Rupees '-----	
	Additions	Transfers	Additions	Transfers

**4.2 Details of additions and transfers are as under**

Civil works	3,433,900	-	3,683,999	-
Plant and machinery	140,465,578	173,150,857	62,510,272	81,612,425
Vehicles	3,562,222	1,593,103	164,892	5,801,892
<b>Karachi Project</b>				
-Plant and machinery	88,146,323	-	1,026,136,705	-
-Spare parts	25,072,366	-	-	-
-Civil works	89,966,935	-	139,628,780	-
-Vehicles	471,525	-	-	-
-Electric installation / Advance to contractor for electric installation	68,835,672	-	20,000,000	-
-Borrowing cost capitalised	107,778	-	23,237,721	-
-Testing and trial production cost	13,061,832	-	-	-
	<u>285,662,431</u>		<u>1,209,003,206</u>	
	<u>433,124,131</u>	<u>174,743,960</u>	<u>1,275,362,369</u>	<u>87,414,317</u>



		(Unaudited) December 31, 2011	(Audited) June 30, 2011
		----- (Rupees) -----	
<b>5</b>	<b>LONG- TERM ADVANCE - Considered doubtful</b>		
	Investment in joint venture	66,666,667	66,666,667
	Less: Provision against advance	(66,666,667)	(66,666,667)
		<u>                    -</u>	<u>                    -</u>
<b>5.1</b>	This represents the Company's share in a Joint Venture. Currently the future of this project is not certain and the recovery of this amount is considered doubtful. Accordingly, management has made full provision against such advance.		
		(Unaudited) December 31, 2011	(Audited) June 30, 2011
		----- (Rupees) -----	
<b>6.</b>	<b>SHORT TERM BORROWINGS - SECURED</b>		
	From banking companies		
	- Running finances under markup arrangements	2,548,778,848	1,299,672,568
	- Short-term finance	1,844,969,750	1,374,999,854
	Foreign currency loan against import finance	-	1,154,285,781
		<u>4,393,748,598</u>	<u>3,828,958,203</u>
<b>6.1</b>	Facilities for running finance, import finance, export finance and short term finance are available from various banks upto Rs. 7.52 billion (June 30 2011: Rs. 6.07 billion). The terms and conditions of the short term borrowings including markup rates and securities have not changed materially from June 30, 2011.		
<b>7.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>7.1</b>	<b>Contingencies</b>		
<b>7.1.1</b>	Outstanding guarantees given on behalf of the Company by banks in normal course of business amounts to Rs. 390.74 million (June 2011: 378.74 million).		
<b>7.1.2</b>	In 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. However, the Company has already paid Rs. 113.63 million in previous periods. Subsequent to the decision of the Authority, both the Company (to claim additional relief) and SNGPL (against the relief provided) have filed appeals with higher authorities against the decisions. Management is of the view that no further liability in this regard will arise as it is expected that the final outcome of this case will be in its favour.		





	(Unaudited) December 31, 2011	(Audited) June 30, 2011
	----- (Rupees) -----	
<b>7.1.3 Others</b>		
Export bills discounted with recourse arrangement	219,139,428	-
Indemnity bond in favour of Collector of Customs against imports	6,265,000	2,845,000
Post dated cheques in favour of Collector of Customs against imports	118,764,786	85,693,786
<b>7.2 Commitments</b>		
Letters of credit opened by banks for:		
-Plant and machinery	110,231,600	198,477,400
-Raw materials	469,309,868	930,620,498
-Stores and spares	58,829,222	28,185,948
-Foreign currency forward contracts	1,605,211,137	2,674,048,432

	----- (Unaudited) -----			
	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	----- Rupees -----			
<b>8. COST OF SALES</b>				
Opening stock - finished goods	380,461,308	221,944,458	403,097,735	189,718,678
Cost of goods manufactured (Note 8.1)	6,163,452,029	5,599,630,808	3,036,731,452	3,158,684,317
	6,543,913,337	5,821,575,266	3,439,829,187	3,348,402,995
Closing stock - finished goods	(451,807,482)	(377,516,117)	(451,807,482)	(377,516,117)
	<u>6,092,105,855</u>	<u>5,444,059,149</u>	<u>2,988,021,705</u>	<u>2,970,886,878</u>

#### 8.1 Cost of goods manufactured

Opening stock- work in process	169,704,695	67,697,694	217,257,984	79,719,677
Raw and packing material consumed	4,898,758,330	4,523,747,983	2,336,288,816	2,646,947,267
Other manufacturing expenses	1,242,194,329	1,150,319,819	630,389,977	574,152,061
	<u>6,140,952,659</u>	<u>5,674,067,802</u>	<u>2,966,678,793</u>	<u>3,221,099,328</u>
	6,310,657,354	5,741,765,496	3,183,936,777	3,300,819,005
Closing stock - work in process	(147,205,325)	(142,134,688)	(147,205,325)	(142,134,688)
	<u>6,163,452,029</u>	<u>5,599,630,808</u>	<u>3,036,731,452</u>	<u>3,158,684,317</u>

#### 9. FINANCE COST

The amount for the current period is net of markup relief of Rs.126.56 million (December 31, 2010: 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.



## 10. TAXATION

**10.1** The Finance Act 2010 had introduced clause 126F in Part I of Second Schedule of Income Tax Ordinance, 2001 (the Ordinance) exempting the tax on profits and gains derived by a tax payer located in the war on terror affected areas of Khyber Pakhtunkhwa. As a result of this change, the income of the Company including tax on export proceeds for tax year 2010 to 2012 is exempt. However, the said clause does not specifically address the exemption of turnover tax under section 113. In this regard, some companies located in the affected areas filed a petition in Honorable Peshawar High Court against the recovery of turnover tax seeking a declaration regarding section 113 and 159 as discriminatory and contrary to the constitution and the Court has granted an interim relief restraining the recovery of turnover tax. The Company, along with other companies in the affected area, has also filed the petition on the same grounds which is pending in Honorable Peshawar High Court. Management, based on an advice from the tax advisor, believes that the Company will not be subject to turnover tax under section 113 of the Ordinance and hence, has not made a provision of Rs. 35.023 million (June 30, 2011: Rs. 72.266 million) on account of turnover tax on local sales for the period ended December 31, 2011. The aggregate unrecognised amount of provision as at December 31, 2011 is Rs. 133.327 million.

## 11. TRANSACTIONS WITH RELATED PARTIES

The related parties comprised of 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, 2011	December 31, 2010
		----- (Rupees) -----	
<b>a. Associated companies</b>			
Lucky Cement Limited (Common Directorship)	Purchase of cement	<b>13,648,318</b>	5,465,537
Fazal Textile Mills Limited (Common Directorship)	Sale of yarn Sale of waste	<b>113,705,670</b> -	170,189,944 5,177,475
Yunus Textile Mills Limited (Common Directorship)	Sale of yarn	<b>81,422,900</b>	362,349,390
Lucky Knits (Private) Limited (Common Directorship)	Sale of yarn	<b>88,356,339</b>	242,990,030
Feroze1888 Mills Limited (Common Directorship)	Sale of yarn	<b>29,739,900</b>	132,797,500
Lucky Textile Mills Limited (Common Directorship)	Sale of yarn Grey cotton cloth purchased	<b>458,329,170</b> <b>1,319,951</b>	92,840,903 1,053,287
<b>b. Benefits to key management personnel</b>		<b>3,445,500</b>	<b>2,801,000</b>

## 12. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors of the Company and authorized for issue on February 23, 2012

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Sohail Tabba**  
Chief Executive

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