



A part of
**YUNUS
BROTHERS
GROUP**

Third Quarterly Report
March 31, 2012



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
A Member of Deloitte Touche Tohmatsu
- Registered Office/Factory** : 200-201, Gadoon Amazai Industrial Estate,
Distt. Swabi, Khyber Pakhtunkhwa
Phone No. :0938-270212-13
Fax No. :0938-270311
E-mail Address :secretary@gtmfactory.com
- Liaison Office** : 7 Park Avenue Road University Town
Peshawar.
Phone No. :091-5701496
Fax No. :091-5702029
E-mail Address: secretary@gadoontextile.com
- Karachi Office** : 6-A, Muhammad Ali Housing Society,
Abdul Aziz Haji Hashim Tabba Street,
Karachi-75350.
Phone No. :021-34397701-03
Fax No. :021-34382436
E-mail Address: secretary@gadoonho.com
- Share Registrar/ Transfer Agent** : Central Depository Company of Pakistan Ltd
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi
(Toll Free) : 0800 23275
- Bankers** : Bank 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 Third quarter and Nine months ended March 31, 2012.

OVERVIEW

Alhamdulillah, By the Grace of Almighty Allah the hard time in the cotton yarn market is over now and the yarn market is gaining momentum, especially in the last quarter under review. The demand for yarn remained strong during the quarter, which has ultimately supported the overall results. In spite of other factors of grave concern, your company has posted a comparatively better result in this quarter and expect the continuity of the same in the last quarter of current financial year, provided the energy crisis and power outages remain under control.

In order to maintain its competitive position and enhance profitability, your Company has undertaken expansion project at Karachi, details of which are given in subsequent paragraphs in this report.

Although the figures, when we compare it with corresponding period are in brackets, for the very reason of one off and unprecedented situation last year, but in the present scenario are quite encouraging. A comparison of the key financial results of the Company for nine months ended March 31, 2012 with same period last year is as under:

Particulars	9M 2011-12	9M 2010-11	% Change
Sales revenue	9,835	11,355	(13.39)
Gross profit	598	2,217	(73.03)
Operating profit	492	1,909	(74.23)
Profit before tax	264	1,807	(85.39)
Net profit after tax	265	1,813	(85.38)
Earnings per share	11.33	77.34	

Rupees in Million except EPS

A comparison of 3rd quarter versus same quarter last year as under:

Particulars	3Q 2011-12	3Q 2010-11	% Change
Sales revenue	3,423	4,485	(23.70)
Gross profit	277	792	(65.03)
Operating profit	301	684	(55.99)
Profit before tax	244	623	(60.83)
Net profit after tax	248	622	(60.13)
Earnings per share	10.59	26.55	

Rupees in Million except EPS

BUSINESS PERFORMANCE

Despite the present difficult operating environment, your Company, by the Grace of Almighty Allah, has achieved reasonably satisfactory financial results. Sales revenue amounted to



Rs.9,835 million in the nine months under review as compared to Rs.11,355 million in the corresponding period last year---a decrease of Rs.1,520 million translating into 13.39%.

The Gross Profit dropped to Rs. 598 million during period under review (9M 2011: Rs. 2,217 million). The gross profit rate works out to 6.08% against (9M 2010-11: 19.52%). 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. 265 Million (9M 2010-11: Rs. 1,813 Million) which translates into earnings per share of Rs. 11.33 (9M 2010-11: Rs. 77.34).

PROGRESS ON PROJECTS

In order to maintain its competitiveness and profitability, your Company has embarked on putting upon additional production facility at Karachi.

The current status of the new project, erected at a total cost of Rs 1,897 Million, has gone into trial operation and will, Insha Allah, go into commercial production by the end of current financial year.

Further, your Company has entered in a deal to acquire assets of a textile mill located in Gadoon Amazai Industrial Estate, comprising 10 acres of land with building constructed thereon, plant and machinery, electrical installation, utility connections etc.

WIND POWER PROJECT

Your Company intends to participate in 50 Mega Watt wind power project proposed to be setup by an associated company in the wind corridor of Jhimpir area in Province of Sindh.

Future Outlook:

The country is poised to achieve bumper cotton crop this year. According to indications the season will close at 14.5 million bales which augurs well for the textile industry.

We foresee the demand for yarn will remain strong in the next quarter, but other constraints such as electricity, gas, ocean and surface freight may impact our margins.

Nevertheless, your directors are determined to put best of their efforts to achieve satisfactory profitability.

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: April 21, 2012.



CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2012

	Note	(Unaudited) March 31, 2012	(Audited) June 30, 2011
—————(Rupees)—————			
ASSETS			
Non Current Assets			
Property, plant and equipment	3	4,618,348,157	4,181,980,317
Long term loans		6,867,111	4,867,239
Long term deposits		7,293,916	7,285,956
		<u>4,632,509,184</u>	<u>4,194,133,512</u>
Current Assets			
Stores, spares & loose tools		349,537,876	281,166,698
Stock in trade		4,835,558,405	2,104,434,377
Trade debts		1,680,442,149	3,147,275,019
Loans & advances		330,287,038	134,348,070
Trade deposits and short term prepayments		3,861,434	5,345,000
Short term Investment		22,324,576	28,936,901
Other receivables		170,746,640	217,787,387
Income tax refundable due from the government		53,374,158	53,347,624
Cash and bank balances		199,162,294	831,123,648
		<u>7,645,294,570</u>	<u>6,803,764,724</u>
Total Assets		<u>12,277,803,754</u>	<u>10,997,898,236</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised			
50,000,000 ordinary shares of Rs. 10/- each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up		<u>234,375,000</u>	<u>234,375,000</u>
Capital reserves - share premium		<u>103,125,000</u>	<u>103,125,000</u>
Revenue reserves			
General reserve		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Unappropriated profit		<u>3,488,007,601</u>	<u>3,456,902,078</u>
		<u>4,488,007,601</u>	<u>4,456,902,078</u>
Total Equity		<u>4,825,507,601</u>	<u>4,794,402,078</u>
Non Current Liabilities			
Long term financing		<u>53,439,996</u>	<u>62,347,245</u>
Deferred liabilities		<u>331,090,345</u>	<u>312,471,571</u>
		<u>384,530,341</u>	<u>374,818,816</u>
Current Liabilities			
Current portion of long term financing		<u>17,814,004</u>	<u>567,814,004</u>
Short term borrowings		<u>5,382,295,586</u>	<u>3,828,958,203</u>
Trade and other payables		<u>1,562,562,882</u>	<u>1,302,769,127</u>
Provision for taxation		<u>11,768,420</u>	<u>12,922,201</u>
Accrued mark up		<u>93,324,920</u>	<u>116,213,807</u>
		<u>7,067,765,812</u>	<u>5,828,677,342</u>
Total Equity and Liabilities		<u>12,277,803,754</u>	<u>10,997,898,236</u>
Contingencies and Commitments	4		

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE THIRD QUARTER ENDED MARCH 31, 2012 (UNAUDITED)

	Note	Nine Months Ended		Quarter ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Rupees					
Sales-net		9,834,635,892	11,354,541,095	3,421,891,915	4,485,374,503
Cost of sales	5	9,236,682,168	9,137,388,438	3,144,576,315	3,693,329,288
Gross profit		597,953,724	2,217,152,657	277,315,600	792,045,215
Other operating income		161,073,209	104,232,979	128,452,774	42,220,980
		<u>759,026,933</u>	<u>2,321,385,636</u>	<u>405,768,374</u>	<u>834,266,195</u>
Distribution cost		177,360,607	232,245,818	70,514,942	87,388,310
Administrative expenses		65,574,951	45,553,398	21,404,115	17,995,207
Other operating expenses		24,469,508	134,602,043	12,602,540	45,163,500
		<u>267,405,066</u>	<u>412,401,259</u>	<u>104,521,597</u>	<u>150,547,017</u>
		<u>491,621,867</u>	<u>1,908,984,377</u>	<u>301,246,777</u>	<u>683,719,178</u>
Finance cost		227,527,079	101,710,026	57,365,513	60,748,644
Profit before taxation		264,094,788	1,807,274,351	243,881,264	622,970,534
Taxation					
Deferred		(205,414)	(5,312,145)	(4,215,640)	614,715
Prior year		(1,180,315)	-	-	-
		<u>(1,385,729)</u>	<u>(5,312,145)</u>	<u>(4,215,640)</u>	<u>614,715</u>
Profit for the period		<u>265,480,517</u>	<u>1,812,586,496</u>	<u>248,096,904</u>	<u>622,355,819</u>
Earning per share -basic and diluted		<u>11.33</u>	<u>77.34</u>	<u>10.59</u>	<u>26.55</u>

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED MARCH 31, 2012 (UNAUDITED)

	Nine Months Ended		Quarter ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	----- Rupees -----			
Profit for the period	265,480,517	1,812,586,496	248,096,904	622,355,819
Other comprehensive income				
Total comprehensive income for the period	<u>265,480,517</u>	<u>1,812,586,496</u>	<u>248,096,904</u>	<u>622,355,819</u>

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE THIRD QUARTER ENDED MARCH 31, 2012 (UNAUDITED)

	Nine Months Ended	
	March 31, 2012	March 31, 2011
	Rupees	
A) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	264,094,788	1,807,274,351
Adjustments for		
Depreciation	198,518,855	204,910,082
Loss / (Gain) on disposal of fixed assets	2,576,706	(5,084,461)
(Profit) on deposits	(33,016,586)	(87,643,677)
Provision for gratuity	42,000,000	39,000,000
Unrealised loss on short term investment	6,612,325	
Finance cost	416,568,664	99,480,603
	<u>633,259,964</u>	<u>250,662,547</u>
Operating cash flow before working capital changes	897,354,752	2,057,936,898
(Increase) / decrease in current assets		
Stores, spares and loose tools	(68,371,178)	(33,022,541)
Stock in trade	(2,731,124,028)	(1,972,875,639)
Trade debts	1,466,832,870	(2,052,797,550)
Loans and advances	(72,350,906)	(49,909,612)
Trade deposits and short term prepayments	1,483,566	(10,437,424)
Other receivables	47,040,748	(160,203,110)
	<u>(1,356,488,928)</u>	<u>(4,279,245,876)</u>
(Increase) / decrease in creditors, accruals & other liabilities		
Trade and other payables	257,844,075	286,240,577
Changes in working capital	(1,098,644,853)	(3,993,005,299)
Cash (used in) / generated from operation	(201,290,101)	(1,935,068,401)
Gratuity paid	(23,175,812)	(22,191,721)
Taxes paid (including tax deducted at source)	(117,936,682)	875,043
Interest/mark-up paid	(439,457,551)	(37,078,897)
	<u>(580,570,045)</u>	<u>(58,395,575)</u>
Net Cash (used in)/generated from operating activities A	(781,860,146)	(1,993,463,976)



		Nine Months Ended	
		March 31, 2012	March 31, 2011
		Rupees	
B) CASH FLOWS FROM INVESTING ACTIVITIES			
(Addition) in property, plant and equipment		(644,020,511)	(1,504,723,563)
Long term loans recovered / (paid)		(6,675,424)	4,289,570
Long term deposits		(7,960)	(12,998)
Profit received from bank deposits		32,040,759	83,902,637
Sale proceeds of fixed assets		6,557,110	9,873,330
Net cash (used in) / generated from investing activities	B	(612,106,026)	(1,406,671,024)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(232,425,315)	(163,064,877)
Repayment of long term financing		(558,907,249)	(8,906,749)
Net cash (used in) / generated from financing activities	C	(791,332,564)	(171,971,626)
Net (decrease) / increase in cash and cash equivalents (A+B+C)		(2,185,298,736)	(3,572,106,626)
Cash and cash equivalent at the beginning of the period		(2,997,834,555)	(1,417,566,754)
Cash and cash equivalent at the end of the period		(5,183,133,291)	(4,989,673,380)
Cash and cash equivalent			
Cash and bank balances		199,162,295	374,324,918
Short term borrowings		(5,382,295,586)	(5,363,998,298)
		(5,183,133,291)	(4,989,673,380)

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED MARCH 31, 2012 (UNAUDITED)

	Capital reserve			----- Revenue reserves -----			Grand total
	Issued, subscribed and paid-up share capital	Share premium	Sub Total	General reserves	Unappropriated profit	Sub Total	
	----- Rupees -----						
Balance as at June 30, 2010	234,375,000	103,125,000	103,125,000	1,000,000,000	1,464,709,963	2,464,709,963	2,802,209,963
Total comprehensive income for the period					1,812,586,496	1,812,586,496	1,812,586,496
Final dividend for the period ended June 30, 2010 @ Rs. 7/= per share					(164,104,715)	(164,104,715)	(164,104,715)
Balance as at March 31, 2011	<u>234,375,000</u>	<u>103,125,000</u>	<u>103,125,000</u>	<u>1,000,000,000</u>	<u>3,113,191,744</u>	<u>4,113,191,744</u>	<u>4,450,691,744</u>
Balance as at June 30, 2011	234,375,000	103,125,000	103,125,000	1,000,000,000	3,456,902,078	4,456,902,078	4,794,402,078
Final dividend for the period ended June 30, 2011 @ Rs. 10/= per share					(234,375,000)	(234,375,000)	(234,375,000)
Total comprehensive income for the period					265,480,517	265,480,517	265,480,517
Balance as at March 31, 2012	<u>234,375,000</u>	<u>103,125,000</u>	<u>103,125,000</u>	<u>1,000,000,000</u>	<u>3,488,007,595</u>	<u>4,488,007,595</u>	<u>4,825,507,595</u>

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED MARCH 31, 2012 (UNAUDITED)

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 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. Principal activity of the Company is manufacturing and sale of yarn.

1.2 The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2. STATEMENT OF COMPLIANCE

2.1 These unaudited interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and in compliance with requirement of Section 245 of the Companies Ordinance, 1984 and presented as per the requirement of the listing regulations of the Stock Exchanges.

2.2 These interim financial statements are in condensed form and should be read in conjunction with the annual financial statements of the Company.

(Unaudited) (Audited)
March 31, June 30,
2012 2011
----- (Rupees) -----

3. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	3.1	2,552,224,505	2,569,241,052
Capital work in progress	3.2	2,066,123,652	1,612,739,265
		<u>4,618,348,157</u>	<u>4,181,980,317</u>

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

	(Unaudited)			
	Nine Months Ended			
	March 31, 2012 ----- Rupees -----		March 31, 2011 ----- Rupees -----	
	Additions/ transfers	Disposals at Book value	Additions/ transfers	Disposals at Book value
Plant and machinery	175,050,857	8,954,603	124,022,134	3,454,670
Electrical installation	1,510,500	-		
Tools & Equipment	-		142,000	
Office Equipment	1,137,470		42,850	
Computer equipment	1,998,985	-	250,094	
Fork Lifter	6,282,134			
Vehicles	4,659,500	179,213	13,008,265	1,334,199
	<u>190,639,446</u>	<u>9,133,816</u>	<u>137,465,343</u>	<u>4,788,869</u>



	(Unaudited)			
	Nine Months Ended			
	March 31, 2012		March 31, 2011	
	----- Rupees -----		----- Rupees -----	
	Additions	Transfers	Additions	Transfers
3.2 Details of additions and transfers are as under				
Civil works	10,186,760		22,700,749	
Plant and machinery	252,898,737	175,050,857	112,832,149	124,022,134
Vehicle/Machinery	4,703,028	4,659,503	164,892	5,801,892
Karachi Project				
Plant and machinery	133,213,803		1,121,234,947	
Civil works	111,565,375		193,051,727	
Fixed Assets	12,802,941			
Electric Installation	85,109,150			
Advance to Contractor			22,484,600	
Borrowing cost capitalized			24,613,423	
Preliminary Expenses	22,614,955			
	<u>633,094,749</u>	<u>179,710,360</u>	<u>1,497,082,487</u>	<u>129,824,026</u>

4. CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

4.1.1 Guarantees given on behalf of the company by banks outstanding as at March 31, 2012 were Rs. 394.743 million (June 2011 - Rs. 378.74 million).

(Unaudited) March 31, 2012	(Audited) June 30, 2011
----- (Rupees) -----	

4.1.2 Others

Export bills discounted	1,047,793,185	
Indemnity bonds against imported plant & machinery	6,265,000	2,845,000
Post dated cheques	141,107,786	85,693,786

4.1.3 Status of contingencies other than mentioned above are same as disclosed in the last published annual financial statements for the year ended June 30, 2011.

4.2 Commitments

Letters of credit opened by banks for:		
Plant and machinery	100,094,782	198,477,400
Raw material	535,629,668	930,620,498
Stores and spares	28,490,294	28,185,948
Foreign currency forward contracts	854,768,466	2,674,048,432



	Nine Months Ended		Nine Months Ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	----- Rupees -----		----- Rupees -----	
5. COST OF SALES				
Opening stock- finished goods	380,461,308	221,944,458	451,807,482	377,516,117
Cost of goods manufactured (5.1)	9,121,540,620	9,336,942,254	2,958,088,593	3,737,311,444
	<u>9,502,001,928</u>	<u>9,558,886,712</u>	<u>3,409,896,075</u>	<u>4,114,827,561</u>
Closing stock-finished goods	(265,319,760)	(421,498,273)	(265,319,760)	(421,498,273)
	<u>9,236,682,168</u>	<u>9,137,388,439</u>	<u>3,144,576,315</u>	<u>3,693,329,288</u>
5.1 Cost of goods manufactured				
Opening stock- work in process	169,704,689	67,697,690	147,205,325	142,134,688
Raw and packing material consumed	7,142,582,066	7,563,318,563	2,243,823,735	3,039,570,575
Other manufacturing expenses	1,929,213,017	1,863,502,245	687,018,685	713,182,425
	<u>9,071,795,083</u>	<u>9,426,820,808</u>	<u>2,930,842,420</u>	<u>3,752,753,000</u>
	<u>9,241,499,772</u>	<u>9,494,518,498</u>	<u>3,078,047,745</u>	<u>3,894,887,688</u>
Closing stock-work in process	(119,959,152)	(157,576,244)	(119,959,152)	(157,576,244)
	<u>9,121,540,620</u>	<u>9,336,942,254</u>	<u>2,958,088,593</u>	<u>3,737,311,444</u>
6. OTHER INCOME				
	Other income includes a partial reversal of electricity provision of Rs. 110 million.			
7. TRANSACTIONS WITH RELATED PARTIES				
			(Unaudited) Nine Months Ended	
Name of Related Parties	Nature of Transaction	March 31, 2012	March 31, 2011	
a. Associated companies				
Lucky Cement Limited (Common Directorship)	Purchase of cement	16,876,454	16,033,137	
Fazal Textile Mills Limited (Common Directorship)	Sale of yarn	145,812,582	316,248,351	
	Sale of waste	-	5,177,475	
	Sale of raw material		2,022,030	
	Sale of machinery		3,600,000	
	Purchase of machinery		1,000,000	
Yunus Textile Mills Limited (Common Directorship)	Sale of yarn	113,047,150	475,091,840	
Lucky Knits (Pvt) Limited (Common Directorship)	Sale of yarn	101,190,367	405,012,740	
	Sale of machinery		750,000	
Feroze 1888 Mills Limited (Common Directorship)	Sale of yarn	47,507,397	149,547,500	
Lucky Textile Mills (Common Directorship)	Sale of yarn	727,056,217	233,735,103	
	Grey cotton cloth purchased	2,860,031	1,053,287	
Lucky Energy (Pvt) Limited	Purchase Electricity	29,765,946		
b. Benefits to key management personnels		5,744,250	4,208,750	



8. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the Board of Directors of the Company and authorized for issue on April 21, 2012.

9. FIGURES

Have been rounded off nearest to Rupee.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Sohail Tabba
Chief Executive

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