



YUNUS
BROTHERS
GROUP

Quarterly Report
September 30, 2011



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, 34536229
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
Meezan Bank Limited
National Bank of Pakistan
United Bank Limited



DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company are pleased to present before you the financial statements of the Company for the quarter ended September 30, 2011.

Overview

Following a year of impressive growth both in local and export sales resulting in robust profitability, the quarter ended September 30, 2011 is marked by depression in yarn market when the selling prices even do not cover the cost of lint cotton. Unless this scenario turns to normalcy, the cotton spinning industry will not be able to maintain satisfactory profitability.

In order to optimize profitability of its operations, your Company has undertaken a new project at Karachi, details of which are given elsewhere in this report.

Financial Performance:

A comparison of the key financial results of the Company for the quarter ended on September 30, 2011 with the same period last is as under:

	September		%
	2011	2010	Change
	(Rs in '000')		
Export	1,600,159	1,563,550	2.34
Local	1,566,279	1,578,831	(0.80)
Sales (net)	3,166,439	3,142,381	0.77
Gross Profit	62,354	669,209	(90.68)
Finance	84,424	(4,122)	(2,148.13)
(Loss)/Profit Before Tax	(122,519)	536,825	(122.82)
(Loss)/Profit After Tax	(121,601)	543,304	(122.38)
(Loss)/Earnings per share	(5.19)	23.18	

As will be observed, the quarter under review, presented an utterly discouraging performance due to chaotic conditions in the cotton and yarn market. After going through the violent fluctuations in domestic cotton prices last year with a record high average of Rs.13,301 per 40 kg to fall to Rs.9,157 in June, the market saw run down in prices. Meanwhile, international cotton prices came down from US\$2.20 per lb. to \$1.1 and consequently your Company which was carrying inventory, as per policy to meet future requirements, could not breakeven on the ruling yarn prices.

Due to above mentioned unexpected development, while sales stagnated at last year's level, i.e. Rs.3,166 million (1Q 2010: Rs.3,142 million) cost of sales escalated so much so that your Company booked a sharp decline in gross profit from Rs.62.354 million last year to Rs.669.209 million in the quarter under review.

Owing to high bank borrowings required for inventory purchase at high prices and to some extent to meet the financing of the Karachi project, the finance cost of the Company rose to Rs.84.424 million as against gain of Rs.4.122 million in the corresponding period last year. This, together with minor effect of deferred taxation, further dragged down the negative bottom-line to Rs. 121.601 million as compared to net profit of Rs.543.304 million in the same period last year.

Expansion and Modernization Projects:

The Company's Karachi plant has entered testing phase. After coming into commercial production, it will make valuable contribution to the Company's profitability.

Future Outlook:

In view of erratic yarn and cotton market, the textile industry is faced with a dire situation. In addition, the rising cost of fuel & power, other overheads and intermittent gas supply make operating economics unviable. Your company will however, spare no efforts to achieve reasonable results.

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 / Director

Karachi: October 28, 2011

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CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2011 (UNAUDITED)

	Note	(Unaudited) SEPTEMBER 30, 2011	(Audited) JUNE 30, 2011
		(Rupees)	
ASSETS			
Non Current Assets			
Property, plant and equipment	3	4,257,030,882	4,181,980,317
Long term loans		4,463,655	4,867,239
Long term deposits		7,293,916	7,285,956
		4,268,788,453	4,194,133,512
Current Assets			
Stores, spares & loose tools		264,805,757	281,166,698
Stock in trade		2,183,510,434	2,104,434,377
Trade debts		2,407,343,853	3,147,275,019
Loans & advances		228,070,843	134,348,070
Trade deposits and short term prepayments		6,315,935	5,345,000
Short term investment		26,151,645	28,936,901
Other receivables		137,141,217	217,787,387
Income tax refundable due from the government		53,347,624	53,347,624
Cash and bank balances		315,957,030	831,123,648
		5,622,644,338	6,803,764,724
Total Assets		9,891,432,791	10,997,898,236
EQUITY AND LIABILITIES			
Share Capital And Reserves			
Authorised			
50,000,000 ordinary shares of Rs. 10/- each		500,000,000	500,000,000
Capital & Reserves			
Issued, subscribed and paid up		234,375,000	234,375,000
Capital reserves-share premium		103,125,000	103,125,000
Revenue reserves			
General reserve		1,000,000,000	1,000,000,000
Un-appropriated profit		3,335,301,531	3,456,902,078
		4,335,301,531	4,456,902,078
		4,672,801,531	4,794,402,078
Non Current Liabilities			
Long term financing		62,347,245	62,347,245
Deferred liabilities		321,701,195	312,471,571
		384,048,440	374,818,816
Current Liabilities			
Current portion of Long term financing		567,814,004	567,814,004
Short term borrowings		2,737,595,134	3,828,958,203
Trade and other payables		1,419,269,858	1,302,769,127
Provision for taxation		12,922,201	12,922,201
Accrued mark up		96,981,624	116,213,807
		4,834,582,821	5,828,677,341
Contingencies And Commitments	4		
Total Equity and Liabilities		9,891,432,791	10,997,898,235

The annexed notes form an integral part of these condensed interim financial statements.

Puruant 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

Javed Yunus Tabba
Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Note	QUARTER ENDED	
		September 30, 2011	September 30, 2010
		(Rupees)	
Sales-net		3,166,438,648	3,142,381,206
Cost of sales	5	3,104,084,150	2,473,172,271
Gross profit		62,354,498	669,208,935
Other operating income		28,157,425	15,208,362
		90,511,923	684,417,297
Selling & distribution cost		57,497,495	79,324,426
Administrative expenses		22,216,980	15,886,610
Other operating expenses		48,891,756	56,504,084
		128,606,231	151,715,120
		(38,094,308)	532,702,177
Finance cost		84,424,415	(4,122,340)
(Loss) / profit before taxation		(122,518,723)	536,824,517
Taxation			
Current			
Deferred		(918,176)	(6,480,070)
		(918,176)	(6,480,070)
Net (Loss) / profit for the period		(121,600,547)	543,304,587
Basic and diluted (loss) / earning per share			
before taxation		(5.23)	22.90
after taxation		(5.19)	23.18

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Muhammad Yunus Tabba
Chairman / Director

Javed Yunus Tabba
Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	QUARTER ENDED	
	September 30, 2011	September 30, 2010
	(Rupees)	
(Loss) / profit for the period	(121,600,547)	543,304,587
Other comprehensive income	-	-
Total comprehensive income for the period	<u>(121,600,547)</u>	<u>543,304,587</u>

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Muhammad Yunus Tabba
Chairman / Director

Javed Yunus Tabba
Director



CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	September 30, 2011	September 30, 2010
	(Rupees)	
A) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation	(122,518,723)	536,824,517
Adjustments for		
Depreciation	65,590,716	67,437,478
(Gain) / Loss on disposal of fixed assets	461,576	(463,827)
(Profit) on deposits	(27,581,217)	(14,463,367)
Provision for gratuity	11,000,000	8,000,000
Finance cost	123,510,837	25,180,683
	<u>172,981,912</u>	<u>85,690,967</u>
Operating cash flow before working capital changes	50,463,189	622,515,484
(Increase) / decrease in current assets		
Stores, spares & loose tools	16,360,940	7,414,352
Stock in trade	(79,076,057)	1,359,515,803
Trade debts	739,931,166	(1,145,486,938)
Loans and advances	(57,077,132)	(82,273,000)
Trade deposits and short term prepayments	(970,935)	(3,836,351)
Other receivables	80,646,170	(50,951,442)
	<u>699,814,152</u>	<u>84,382,424</u>
(Increase) / decrease in creditors, accruals & other liabilities		
Trade and other payables	116,505,463	390,850,848
Changes in working capital	816,319,615	475,233,272
Cash (used in) / generated from operation	866,782,804	1,097,748,756
Gratuity paid	(852,200)	(951,600)
Taxes paid (including tax deducted at source)	(32,412,497)	(2,990,397)
Finance cost paid	(142,743,019)	(46,466,215)
	<u>(176,007,716)</u>	<u>(50,408,212)</u>
Net Cash (used in) / generated from operating activities	690,775,088	1,047,340,544



	September 30, 2011	September 30, 2010
B) CASH FLOWS FROM INVESTING ACTIVITIES		
	(Rupees)	
(Addition) in property, plant and equipment	(142,780,457)	(393,999,320)
Long term loans recovered / (paid)	2,889,407	4,818,443
Short Term Investment	2,785,256	(5,000)
Long term deposits	(7,960)	
Profit received from bank deposits	20,862,250	8,611,515
Sale proceeds of fixed assets	1,677,600	1,600,000
Net cash generated from / (used in) investing activities	B (114,573,904)	(378,974,362)
C) CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(4,733)	(7,194)
Net cash generated from / (used in) financing activities	C (4,733)	(7,194)
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	576,196,451	668,358,989
(A+B+C)		
Cash & cash equivalent at the beginning of the period	(2,997,834,555)	(1,417,566,754)
Cash & cash equivalent at the end of the period	<u>(2,421,638,104)</u>	<u>(749,207,765)</u>
Cash & cash equivalent		
Cash and bank balances	315,957,030	862,204,950
Short term borrowings	(2,737,595,134)	(1,611,412,714)
	<u>(2,421,638,104)</u>	<u>(749,207,764)</u>

The annexed notes form an integral part of these condensed interim financial statements.
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Muhammad Yunus Tabba
Chairman / Director

Javed Yunus Tabba
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	<----- Capital reserves ----->			<----- Revenue reserves ----->			Grand total
	Issued, subscribed and paid-up share capital	Share premium	Sub Total	General reserves	Unappropriated profit	Sub Total	
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					543,304,587	543,304,587	543,304,587
Balance as at September 30, 2010	234,375,000	103,125,000	103,125,000	1,000,000,000	2,008,014,550	3,008,014,550	3,345,514,550
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
Total comprehensive (loss) for the period					(121,600,547)	(121,600,547)	(121,600,547)
Balance as at September 30, 2011	234,375,000	103,125,000	103,125,000	1,000,000,000	3,335,301,531	4,335,301,531	4,672,801,531

The annexed notes form an integral part of these condensed interim financial statements.
Puruant 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

Javed Yunus Tabba
Director



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011 (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.

2.3 The accounting convention, policies and methods of computation followed in the preparation of these financial statements are the same as those of the published annual financial statements for the year ended June 30, 2011.

	Note	(Unaudited) September 30, 2011 (Rupees)	(Audited) June 30, 2011
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	2,524,377,216	2,569,241,052
Capital work in progress	3.2	1,732,653,666	1,612,739,265
		<u>4,257,030,882</u>	<u>4,181,980,317</u>

3.1 Details of additions and disposals are as under

	Quarter Ended			
	September 30, 2011 ---- Rupees ----		September 30, 2010 ---- Rupees ----	
	Additions/ transfers	Disposals at Book value	Additions/ transfers	Disposals at Book value
Plant and machinery	19,092,212	2,139,176	19,376,499	634,280
Electrical installation	1,510,500	-	-	-
Tools & equipment	-	-	142,000	-
Computer equipment	763,341	-	77,044	-
Vehicles	1,500,000	-	11,362,401	501,893
	<u>22,866,053</u>	<u>2,139,176</u>	<u>30,957,944</u>	<u>1,136,173</u>



3.2 Details of additions and transfers are as under

	September 30, 2011 ---- Rupees ----		September 30, 2010 ---- Rupees ----	
	Additions	Transfers	Additions	Transfers
Civil works	3,433,900	-	2,788,002	-
Plant and machinery	26,379,173	19,092,212	384,109,244	19,101,857
Vehicle	1,500,000	1,500,000	883,000	5,637,000
Karachi Project				
Plant and machinery	17,070,456	-	-	-
Civil works	42,660,603	-	-	-
Electric installation	49,311,428	-	-	-
Preliminary expenses	151,050	-	-	-
	140,506,610	20,592,212	387,780,246	24,738,857

4 CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

4.1.1 Guarantees given on behalf of the company by banks outstanding as at September 30, 2011, were Rs. 388.743 million (June 2011 - Rs. 378.74 million)

	(Unaudited) September 30, 2011	(Audited) June 30, 2011
	(Rupees)	

4.1.2 Others

Indemnity bonds against imported plant & machinery	2,845,000	2,845,000
Post dated cheques	89,469,786	85,693,786

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



	(Unaudited) September 30, 2011	(Audited) June 30, 2011
4.2 Commitments		
4.2.1 Letters of credit opened by banks for:		
Plant and machinery	267,487,860	198,477,400
Raw material	259,605,758	930,620,498
Stores and spares	36,004,964	28,185,948
Foreign currency forward contracts	1,970,850,000	2,674,048,432
	Quarter Ended	
	September 30, 2011	September 30, 2010
5. Cost of sales	(Rupees)	
Opening stock- finished goods	380,461,308	221,944,458
Cost of goods manufactured	(5.1) 3,126,720,577	2,440,946,492
	<u>3,507,181,885</u>	<u>2,662,890,950</u>
Closing stock-finished goods	(403,097,735)	(189,718,678)
	<u><u>3,104,084,150</u></u>	<u><u>2,473,172,272</u></u>
5.1 Cost of goods manufactured		
Work in process at beginning of the period	169,704,689	67,697,690
Raw and packing material consumed	2,562,469,514	1,876,800,721
Other manufacturing expenses	611,804,352	576,167,758
	<u>3,174,273,866</u>	<u>2,452,968,479</u>
	<u>3,343,978,555</u>	<u>2,520,666,169</u>
Work in process at end of the period	(217,257,978)	(79,719,677)
	<u><u>3,126,720,577</u></u>	<u><u>2,440,946,492</u></u>



6 TRANSACTIONS WITH RELATED PARTIES

Name of Related Parties	Nature of Transaction	Quarter Ended	
		September 30, 2011	September 30, 2010
(Rupees)			
a. Associated companies			
Lucky Cement Limited (Common Directorship)	Purchase of cement	5,922,067	126,152
Fazal Textile Mills Limited (Common Directorship)	Sale of yarn	79,060,604	56,985,903
	Sale of waste	-	5,177,475
Yunus Textile Mills Limited (Common Directorship)	Sale of yarn	27,409,050	158,327,640
Lucky Knits (Pvt) Limited (Common Directorship)	Sale of yarn	26,407,625	91,930,150
Nakshbandi Industries Limited (Common Directorship)	Sale of yarn		83,369,500
b. Associated Firms			
Lucky Textile Mills	Sale of yarn	247,382,320	21,745,753
	Grey cotton cloth purchased	-	482,310
c. Benefits to key management personnels		1,122,750	1,098,000

7 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company and authorized for issue on October 28, 2011.

8 FIGURES

Have been rounded off nearest to Rupee.

Purant 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

Javed Yunus Tabba
Director

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6-A, Muhammad Ali Housing Society,
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CORPORATE