



**GADOON TEXTILE MILLS LIMITED**



A part of  
**YUNUS  
BROTHERS  
GROUP**



**Half Yearly Report**  
**December 31, 2012**

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## COMPANY PROFILE

- Board of Directors** : Mr. Muhammad Yunus Tabba (Chairman)  
Mr. Muhammad Sohail Tabba (Chief Executive)  
Mr. Muhammad Ali Tabba  
Mr. Javed Yunus Tabba  
Mrs. Marium Tabba Khan  
Mr. Ilyas Ismail  
Mr. Tariq Iqbal Khan
- Audit Committee** : Mr. Tariq Iqbal Khan (Chairman)  
Mr. Muhammad Ali Tabba (Member)  
Mr. Javed Yunus Tabba (Member)
- Human Resources and Remuneration Committee** : Mr. Javed Yunus Tabba (Chairman)  
Mrs. Marium Tabba Khan (Member)  
Mr. Ilyas Ismail (Member)
- Director Finance and Company Secretary** : Mr. Abdul Sattar Abdullah
- Auditors** : M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
A Member of Deloitte Touche Tohmatsu
- Registered Office** : 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. 021-35205479-80  
Fax No. 021-34382436  
E-mail Address :secretary@gadoonho.com
- Factory Locations** : 200-201, Gadoon Amazai Industrial Estate,  
and 57 K.M on Super Highway.
- Share Registrar / Transfer Agent** : Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S.,  
Main Shahrah-e-Faisal, Karachi.  
(Toll Free) : 0800 23275

### Bankers:

Allied Bank Limited	Habib Bank Limited
Bank Al-Falah Limited (Islamic Banking)	Habib Metropolitan Bank Limited
Bank Al-Habib Limited	HSBC Bank Middle East Limited
Bank Islami Pakistan Limited	Meezan Bank Limited
Barclays Bank PLC, Pakistan	National Bank of Pakistan
Citibank N.A. Pakistan	Standard Chartered Bank Pakistan Limited
Dubai Islamic Bank Pakistan Limited	The Bank of Punjab
Faysal 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, 2012, duly reviewed by the auditors.

A comparison of the key financial results of the Company for the half year ended December 31, 2012 with same period last year is as under:

	DECEMBER		Percentage
	2012	2011	Change
	(Rupees in '000)		
Export	4,014,357	2,970,062	35.16
Local	4,881,737	3,442,682	41.80
Sales (net)	8,896,094	6,412,744	38.73
Gross Profit	852,621	320,638	165.91
Finance	109,780	170,162	35.49
Profit Before Tax	418,776	20,213	1,971.82
Profit After Tax	354,290	17,384	1,938.02
Earnings per share (Rupees)	15.12	0.74	

Your Company, by the Grace of Almighty Allah, posted highly encouraging financial results, despite lesser margins in fine counts during the period. Sales revenue amounted to Rs.8,896 million in the half year under review as compared to Rs. 6,413 million in the corresponding period last year—an increase of Rs.2,483 million representing a whopping 38.73% increase over the same period last year.

The Gross Profit climbed to Rs.853 million during period under review as against Rs. 321 million in the same period last year. The gross profit rate works out to 9.58% which stands stalwart against 5.00% GP achieved in the corresponding half year. The sharp rise in GP is attributable to sustainable demand of yarn and availability of lint at reasonable prices. The after tax profit moved up to Rs.354 million which compares fairly well against Rs. 17 Million in the corresponding period last year which translates into earnings per share of Rs. 15.12 outperforming last year's EPS of Rs. 0.74.

### PROGRESS ON PROJECTS

As stated in the Director's Report for the previous quarter, the Company's Karachi Plant is making reasonable contribution to the profitability.



**Future Outlook:**

The size of cotton crop has so far helped in maintaining the prices of lint cotton at a reasonable level. On the other hand, demand for yarn is firm and there should be no problem in selling yarn at prices which yields good margin to close the current financial year with good bottom line.

The company has established letters of credit for the import of new electric generators based on natural gas, to add in the capacity and expected to be arrived in March, 2013. This would help in reducing cost of electricity available for consumption.

**Acknowledgements:**

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

For and on behalf of the Board

Karachi: February 23, 2013

**Muhammad Sohail Tabba**  
Chief Executive / Director



## 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, 2012 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 forming part thereof for the half year then ended (herein-after referred to as the "interim financial information"). Management is responsible for the preparation and fair 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, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

### 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, 2012 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 for not recording the provision for turnover tax on local sales under section 113 of the Income Tax Ordinance, 2001 for the financial / tax years from 2010 to 2012. Our conclusion is not qualified in respect of this matter.

**M. Yousuf Adil Saleem & Company**  
Chartered Accountants

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

Karachi  
Date : February 23, 2013



## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2012 (UN-AUDITED)

	Note	(Un-Audited) December 31, 2012	(Audited) June 30, 2012
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	5,164,023	4,882,569
Long-term advance	5	-	-
Long-term loans		6,307	8,373
Long-term deposits		20,963	7,294
Long-term investments	6	1,189,883	-
		<u>6,381,176</u>	<u>4,898,236</u>
Current Assets			
Stores, spares and loose tools		330,397	393,291
Stock-in-trade		4,944,416	3,297,286
Trade debts		1,536,958	902,934
Loans and advances		432,344	242,412
Short-term investment		25,726	25,429
Trade deposits and short-term prepayments		12,147	3,603
Other receivables		179,836	139,044
Income tax refundable due from the government		121,372	121,372
Cash and bank balances		322,535	255,211
		<u>7,905,731</u>	<u>5,380,582</u>
<b>Total Assets</b>		<u><b>14,286,907</b></u>	<u><b>10,278,818</b></u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised			
50,000,000 (June 30, 2012: 50,000,000) ordinary shares of Rs.10/- each		<u>500,000</u>	<u>500,000</u>
Issued, subscribed and paid-up			
23,437,500 (June 30, 2012: 23,437,500) ordinary shares of Rs. 10/- each		<u>234,375</u>	<u>234,375</u>
Capital reserve - share premium		<u>103,125</u>	<u>103,125</u>
Revenue reserves			
General reserve		1,000,000	1,000,000
Unappropriated profit		4,049,849	3,871,340
		<u>5,049,849</u>	<u>4,871,340</u>
<b>Total Equity</b>		<u><b>5,387,349</b></u>	<u><b>5,208,840</b></u>
Non-Current Liabilities			
Long-term financing		35,626	44,533
Deferred liabilities		379,844	352,253
		<u>415,470</u>	<u>396,786</u>
Current Liabilities			
Trade and other payables		1,350,008	1,094,098
Accrued mark-up		42,738	44,763
Short-term borrowings	7	7,015,211	3,516,517
Current portion of long-term financing		17,815	17,814
Provision for taxation		58,316	-
		<u>8,484,088</u>	<u>4,673,192</u>
<b>Total Equity and Liabilities</b>		<u><b>14,286,907</b></u>	<u><b>10,278,818</b></u>
Contingencies and commitments			
	8		

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, 2012 (UN-AUDITED)

Note	Half year ended		Quarter ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Rupees in '000				
Sales - net	8,896,094	6,412,744	4,633,192	3,246,305
Cost of sales	(8,043,473)	(6,092,106)	(4,110,101)	(2,988,022)
Gross profit	852,621	320,638	523,091	258,283
Distribution cost	(171,609)	(106,846)	(98,077)	(49,348)
Administrative expenses	(52,690)	(44,171)	(27,241)	(21,954)
	(224,299)	(151,017)	(125,318)	(71,302)
	628,322	169,621	397,773	186,981
Finance cost	(109,780)	(170,161)	(62,114)	(85,737)
Other operating charges	(105,343)	(11,867)	(74,209)	37,025
	413,199	(12,407)	261,450	138,269
Other operating income	5,577	32,621	(2,818)	4,463
Profit before taxation	418,776	20,214	258,632	142,732
Taxation				
For the period				
Current tax	(58,316)	-	(28,195)	-
Deferred tax	(6,170)	(4,010)	(6,170)	(4,928)
Prior year	-	1,180	-	1,180
	(64,486)	(2,830)	(34,365)	(3,748)
Profit for the period	354,290	17,384	224,267	138,984
Earnings per share - basic and diluted (Rupees)	15.12	0.74	9.57	5.93

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, 2012 (UN-AUDITED)

	Half year ended		Quarter ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	Rupees in '000			
Profit for the period	354,290	17,384	224,267	138,984
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>354,290</u>	<u>17,384</u>	<u>224,267</u>	<u>138,984</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 CASH FLOW STATEMENT**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

	Half year ended	
	December 31, 2012	December 31, 2011
	--- (Rupees in '000) ---	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	418,776	20,214
Adjustments for :		
Depreciation	243,079	131,502
(Gain) / loss on disposal of property, plant and equipment	(463)	3,015
Profit on deposits	(3,524)	(30,960)
Interest / mark-up expense	92,889	265,946
Unrealised (gain) / loss on short-term investment	(297)	4,252
Provision for gratuity	34,000	28,300
	<b>365,684</b>	<b>402,055</b>
<b>Operating cash flows before working capital changes</b>	<b>784,460</b>	<b>422,269</b>
<b>Decrease / (Increase) in current assets</b>		
Stores, spares and loose tools	62,894	4,224
Stock-in-trade	(1,647,130)	(1,991,396)
Trade debts	(634,024)	1,294,395
Loans and advances	(117,889)	(5,955)
Trade deposits and short-term prepayments	(8,544)	3,555
Other receivables	(41,367)	43,752
	<b>(2,386,060)</b>	<b>(651,425)</b>
<b>Increase in current liabilities</b>		
Trade and other payables	163,667	260,521
	<b>163,667</b>	<b>260,521</b>
<b>Changes in working capital</b>	<b>(2,222,393)</b>	<b>(390,904)</b>
<b>Cash (used in) / generated from operations</b>	<b>(1,437,933)</b>	<b>31,365</b>
Interest / mark-up paid	(94,914)	(263,998)
Income tax paid	(73,026)	(85,749)
Gratuity paid	(12,579)	(10,486)
	<b>(180,519)</b>	<b>(360,233)</b>
<b>Net cash used in operating activities</b>	<b>(1,618,452)</b>	<b>(328,868)</b>
	A	



		Half year ended	
		December 31, 2012	December 31, 2011
		———— (Rupees in '000) ————	
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(537,384)	(443,578)
Sale proceeds from disposal of property, plant and equipment		13,314	5,991
Profit received on deposit account		4,101	30,737
Long-term loans recovered		3,047	2,745
Long-term investment		(1,189,883)	-
Long-term deposits paid		(13,669)	(8)
<b>Net cash used in investing activities</b>	<b>B</b>	<b>(1,720,474)</b>	<b>(404,113)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term finance		(8,907)	(8,907)
Dividend paid		(83,537)	(231,677)
<b>Net cash used in financing activities</b>	<b>C</b>	<b>(92,444)</b>	<b>(240,584)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>		<b>(3,431,370)</b>	<b>(973,565)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(3,261,306)</b>	<b>(2,997,835)</b>
<b>Cash and cash equivalents at end of the period</b>		<b>(6,692,676)</b>	<b>(3,971,400)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		322,535	422,349
Short-term borrowings		(7,015,211)	(4,393,749)
		<b>(6,692,676)</b>	<b>(3,971,400)</b>

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, 2012 (UN-AUDITED)

	----- Capital Reserve -----			----- Revenue Reserves -----			Grand total
	Issued, subscribed and paid-up share capital	Share premium	Sub Total	General reserves	Unappropriated profit	Sub Total	
----- Rupees in '000 -----							
Balance at June 30, 2011	234,375	103,125	103,125	1,000,000	3,456,902	4,456,902	4,794,402
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	17,384	17,384	17,384
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	17,384	17,384	17,384
<b>Transactions with owners recorded directly in equity</b>							
Final dividend for the year ended June 30, 2011 @ Rs.10/- per share	-	-	-	-	(234,375)	(234,375)	(234,375)
Balance at December 31, 2011	234,375	103,125	103,125	1,000,000	3,239,911	4,239,911	4,577,411
Balance at June 30, 2012	234,375	103,125	103,125	1,000,000	3,871,340	4,871,340	5,208,840
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	354,290	354,290	354,290
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	354,290	354,290	354,290
<b>Transactions with owners recorded directly in equity</b>							
Final dividend for the year ended June 30, 2012 @ Rs. 7.5/- per share	-	-	-	-	(175,781)	(175,781)	(175,781)
Balance as at December 31, 2012	234,375	103,125	103,125	1,000,000	4,049,849	5,049,849	5,387,349

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 FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

### 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 is located at Gadoon Amazai Industrial Estate, Gadoon, District Swabi, Khyber Pakhtunkhwa. Its manufacturing facilities are located at Gadoon and Nooriabad near Karachi. 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, 2012 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, 2012.
- 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, 2012.

### 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 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, 2012.



	Note	(Un-Audited) December 31, 2012 — (Rupees in '000) —	(Audited) June 30, 2012
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	<b>4,960,358</b>	4,678,100
Capital work-in-progress	4.2	<b>203,665</b>	204,469
		<u><b>5,164,023</b></u>	<u>4,882,569</u>

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

	(Un-Audited)			
	Half year ended			
	December 31, 2012		December 31, 2011	
	----- Rupees in '000 -----			
	Additions/ transfers	Disposals at Book value	Additions/ transfers	Disposals at Book value
Building	34,824	-	-	-
Plant and machinery	467,778	12,675	173,151	8,955
Electric installation	28,626	-	1,511	-
Computer equipment	978	-	1,769	-
Office equipment	229	-	902	-
Vehicles	3,970	176	1,593	50
Fork lifter and tractor	-	-	6,272	-
Fire Fighting Equipment	1,783	-	-	-
	<u>538,188</u>	<u>12,851</u>	<u>185,198</u>	<u>9,005</u>

**4.2 Details of additions and transfers to / from Capital work-in-progress are as under:**

	(Un-Audited)			
	Half year ended			
	December 31, 2012		December 31, 2011	
	----- Rupees in '000 -----			
	Additions	Transfers	Additions	Transfers
Civil works	31,085	25,160	3,434	-
Plant and machinery	470,969	466,394	140,466	173,151
Vehicles	2,975	3,970	3,562	1,593
<b>Karachi Project</b>				
Plant and machinery	3,644	1,383	88,146	-
Spare parts	-	-	25,072	-
Civil works	18,376	9,664	89,967	-
Vehicles	-	-	472	-
Electric installation / Advance to contractor for electric installation	535	21,817	68,836	-
Others	-	-	108	-
Loss on trial production	-	-	13,062	-
	<u>527,584</u>	<u>528,388</u>	<u>433,125</u>	<u>174,744</u>



	Note	(Un-Audited) December 31, 2012 —(Rupees in '000)—	(Audited) June 30, 2012
<b>5. LONG - TERM ADVANCE</b>			
<b>- Considered doubtful</b>			
Investment in joint venture	5.1	66,667	66,667
Less: Provision against advance		(66,667)	(66,667)
		<u>-</u>	<u>-</u>

- 5.1 This represents first and second tranche of advance for a Joint Venture project amounting to Rs. 4,250 million. The principal activity of the Joint Venture Project is acquisition and development of certain land in Karachi through a Joint Venture Company. The Company's share in this Joint Venture project is ten percent. Currently, the future of this project is not certain and the recovery of this amount is considered doubtful. Accordingly, management has made full provision against such advance on prudent basis.

	Note	(Un-Audited) December 31, 2012 —(Rupees in '000)—	(Audited) June 30, 2012
<b>6. LONG TERM INVESTMENTS</b>			
<b>- Investments in associated undertakings</b>			
ICI Pakistan Limited		1,114,963	-
Lucky Holdings Limited		74,920	-
		<u>1,189,883</u>	<u>-</u>

- 6.1 During the period, the Company along with other associated companies in Yunus Brothers Group (the Group) jointly signed a Share Purchase Agreement with ICI Omicron B.V., a wholly owned subsidiary of Akzo Nobel N. V., Netherlands, for the acquisition of 75.81% shareholding of ICI Pakistan Limited (ICIP). Subsequently, it was also decided that the Group will purchase 12.1% shareholding of ICIP, being 50% of the remaining shares of ICIP, through public offer, in accordance with the requirements of The Listed Companies (Substantial Acquisition of Voting Shares and Take Overs) Ordinance, 2002 and The Listed Companies (Substantial Acquisition of Voting Shares and Take Overs) Regulations, 2008. The Group decided to purchase 75.81% shares through a special purpose entity, Lucky Holdings Limited (LHL), an unlisted public limited company incorporated in Pakistan and the remainder 12.1% shares through Group entities including the Company. As a result of this:

- The Company purchased 1,500,000 (1%) shares of LHL. As at December 31, 2012, LHL held 75.93% shares of ICIP. The investment in LHL was approved by the shareholders through special resolution as per the requirements of Section 208 of the Companies Ordinance, 1984.

- The Company purchased 5,980,917 (6.47%) shares of ICIP directly through public offer. At the time of purchase of these shares, ICIP was not an associated company; however, subsequently ICIP became an associated company after the whole transaction of share purchase was completed.



(Un-Audited)      (Audited)  
December 31,      June 30,  
2012                      2012  
— (Rupees in '000) —

**7. SHORT TERM BORROWINGS - SECURED**

From banking companies

Running finances under mark-up arrangements	1,677,063	527,180
Short term finance	4,975,800	1,200,000

Foreign currency loan against

Import finance	-	1,324,903
Export finance	362,348	464,434
	362,348	1,789,337
	7,015,211	3,516,517

7.1 Facilities for running finance, import finance, export finance and short term finance are available from various banks upto Rs. 13.63 billion (June 30 2012: Rs. 13.68 billion). The terms and conditions of the short term borrowings including markup rates and securities have not materially changed from June 30, 2012.

**8. CONTINGENCIES AND COMMITMENTS**

**8.1 Contingencies**

8.1.1 Outstanding guarantees given on behalf of the Company by banks in normal course of business amounts to Rs. 412.743 million (June 30, 2012: Rs. 400.74 million).

8.1.2 As a result of the decision of Lahore High Court dated June 3, 2011 declaring the amendments of Finance Act 2006 and Finance Act 2008 unconstitutional and the decision of the Appellate Tribunal Inland Revenue (ATIR) dated December 13, 2011 in favour of the Company in respect of non-payment of WWF for the tax year 2009, the Company has not recorded provision for Workers Welfare Fund (WWF) in the current period and in previous financial year amounting to Rs. 8.3 million and Rs. 13 million respectively.

Management, based on the aforementioned decisions, believes that the Company will not be subject to WWF and hence, has not recorded provision for WWF subsequent to financial year ended June 30, 2011.

(Un-Audited)      (Audited)  
December 31,      June 30,  
2012                      2012  
— (Rupees in '000) —

**8.1.3 Others**

Export bills discounted with recourse arrangement	1,303,980	1,672,710
Indemnity bond in favour of Collector of Customs		
against imports	2,845	2,845
Post dated cheques in favour of Collector of Customs		
against imports	158,468	111,255





8.1.4 There has been no change in status of other contingencies as disclosed in notes 19.1.2 and 19.1.3 to the annual Financial Statements for the year ended June 30, 2012.

(Un-Audited)      (Audited)  
December 31,      June 30,  
2012                      2012  
---(Rupees in '000)---

## 8.2 Commitments

Letters of credit opened by banks for:

Plant and machinery	449,434	232,720
Raw materials	1,225,756	43,487
Stores and spares	31,032	20,584
Foreign currency forward contracts	1,197,463	1,743,241

----- (Un-Audited) -----			
Half yearly ended		Quarter ended	
December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
----- Rupees in '000 -----			

## 9. COST OF SALES

Opening stock - finished goods	285,714	380,461	313,880	403,098
Cost of goods manufactured (Note 9.1)	8,102,950	6,163,452	4,141,412	3,036,731
	8,388,664	6,543,913	4,455,292	3,439,829
Closing stock - finished goods	(345,191)	(451,807)	(345,191)	(451,807)
	<u>8,043,473</u>	<u>6,092,106</u>	<u>4,110,101</u>	<u>2,988,022</u>

## 9.1 Cost of goods manufactured

Opening stock- work in process	118,533	169,705	122,893	217,258
Raw and packing material consumed	6,037,993	4,898,758	3,083,260	2,336,289
Other manufacturing expenses	2,065,983	1,242,194	1,054,818	630,390
	8,103,976	6,140,952	4,138,078	2,966,679
	8,222,509	6,310,657	4,260,971	3,183,937
Closing stock - work in process	(119,559)	(147,205)	(119,559)	(147,206)
	<u>8,102,950</u>	<u>6,163,452</u>	<u>4,141,412</u>	<u>3,036,731</u>

## 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 years 2010 to 2012 was exempt. However, the said clause does not specifically address the exemption of turnover tax under section 113. In this regard, some companies located in the affected areas filed a petition in Peshawar High Court against the recovery of turnover tax seeking a declaration regarding section 113 and 159 as discriminatory and contrary to the constitution and the Court granted an interim relief restraining the recovery of turnover tax. The Company along with other companies in the affected areas also filed the petition on the same grounds. The Peshawar High Court in its order dated July 19, 2012, directed the Respondents to extend the benefit of the said clause to the Company. Subsequent to the current period, the Chief Commissioner Inland Revenue filed an appeal in the Supreme Court of Pakistan against the Company and other tax payers of the affected areas, which is pending adjudication.



Management, based on the judgement of the Peshawar High Court, believes that the Company will not be subject to turnover tax under section 113 of the Ordinance and hence, has not made aggregate provision of Rs. 134.464 million on account of turnover tax on local sales for the years ended June 30, 2010, 2011 and 2012.

## 11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, other associated undertakings, directors and key management personnel. Transactions between the Company and the related parties are carried out as per agreed terms. Transactions with related parties are as follows:

Name of Related Parties	Nature of Transaction	(Un-Audited) Half year ended	
		December 31, 2012	December 31, 2011
		----- (Rupees in '000) -----	
<b>a. Associated companies</b>			
Lucky Cement Limited (Common Directorship)	Purchase of cement	4,072	13,648
Fazal Textile Mills Limited (Common Directorship)	Sale of yarn	156,678	113,706
	Sale of waste	21,402	-
	Doubling charges	220	-
Yunus Textile Mills Limited (Common Directorship)	Sale of yarn	127,020	81,423
Lucky Knits (Private) Limited (Common Directorship)	Sale of yarn	102,173	88,356
	Purchase of machinery	350	-
Feroze1888 Mills Limited (Common Directorship)	Sale of yarn	81,148	29,740
Lucky Textile Mills Limited (Common Directorship)	Sale of yarn	589,883	458,329
	Grey cotton cloth purchased	1,320	1,320
Lucky Energy (Private) Limited (Common Directorship)	Purchase of electricity	124,409	-
Yunus Energy Limited (Common Directorship)	Expenses charged to	4,495	2,624
ICI Pakistan Limited (Common Directorship & Shareholding)	Purchase of fibre	15,612	-
Lucky Holdings Limited (Common Directorship)	Investment made during the period	74,920	-
<b>b. Benefits to key management personnel</b>		4,465	3,446

## 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, 2013.

**Muhammad Yunus Tabba**  
Chairman / Director

**Muhammad Sohail Tabba**  
Chief Executive

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