



Half Yearly Report December 31, 2013



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COMPANY INFORMATION

- Board of Directors** : Mr. Muhammad Yunus Tabba (Chairman)
Mr. Muhammad Sohail Tabba (Chief Executive)
Mr. Muhammad Ali Tabba
Mr. Javed Yunus Tabba
Mrs. Rahila Aleem
Mrs. Marium Tabba Khan
Mr. Moin M. Fudda
- Audit Committee** : Mr. Moin M. Fudda (Chairman)
Mr. Muhammad Ali Tabba (Member)
Mr. Javed Yunus Tabba (Member)
- Human Resources and Remuneration Committee** : Mr. Javed Yunus Tabba (Chairman)
Mrs. Rahila Aleem (Member)
Mrs. Marium Tabba Khan (Member)
- Executive Director Finance and Company Secretary** : Mr. Abdul Sattar Abdullah
- Chief Internal Auditor** : Mr. Haji Muhammad Mundia
- 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@gadoontextile.com
- Liaison Office** : 3rd Floor, Sayed's Tower, Opp. Custom House,
Jamrud Road, 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@gadoontextile.com
- Factory Locations** : 200-201, Gadoon Amazai Industrial Estate,
Distt: Swabi, Khyber Pakhtunkhwa
and 57 K.M on Super Highway near Karachi.
- 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 Metro Bank Limited |
| Bank Al-Falah Limited (Islamic Banking) | HSBC Bank Middle East Limited |
| Bank Al-Habib Limited | Meezan Bank Limited |
| Bank Islami Pakistan Limited | National Bank of Pakistan |
| Barclays Bank PLC, Pakistan | Standard Chartered Bank Pakistan Limited |
| Dubai Islamic Bank Pakistan Limited | The Bank of Punjab |
| Faysal Bank Limited | United Bank Limited |
| Habib 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, 2013, duly reviewed by the auditors.

A comparison of the key financial results of the Company for the half year ended December 31, 2013 with the same period last year is as under:

	DECEMBER		Percentage
	2013	2012	Change
	(Rupees in '000)		
Export	4,795,531	4,014,357	19.46
Local	5,671,947	4,881,737	16.19
Sales (net)	10,467,478	8,896,094	17.66
Gross Profit	1,329,521	852,621	55.93
Finance Cost	326,260	109,780	(197.19)
Profit Before Tax	668,603	418,776	59.66
Profit After Tax	592,291	354,290	67.18
Earnings per share (Rupees)	25.27	15.12	

Your Company, by the Grace of Almighty Allah, turned out another good result despite lesser margins in fine counts during the period. Sales revenue amounted to Rs.10,467 million in the half year under review as compared to Rs. 8,896 million in the corresponding period last year---an increase of Rs.1,571 million that is 17.66% change over the same period last year.

The Gross Profit climbed to Rs.1,329 million during the period under review as against Rs.853 million in the same period last year. The gross profit rate works out to 12.70% which stands impressive against 9.58% 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 exceptional increase in Finance cost of 197% over the same period last year can be defended by large build-up of Stock-in-Trade i.e. twice as much as last year to meet operational requirements.

The after tax profit moved up to Rs.592.29 million which compares fairly well against Rs.354.29 Million in the corresponding period last year which translates into earnings per share of Rs.25.27 outperforming last year's EPS of Rs. 15.12.



Future Outlook:

The size of cotton crop is reportedly short of domestic consumption. As a result, the prices of lint cotton are a little high adding to cost of production. At the same time the yarn market seems a little bit under pressure, which may affect the future 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 Yunus Tabba
Chairman / Director

Karachi: February 24, 2014



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, 2013 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 to 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, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

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, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

M. Yousuf Adil Saleem & Company
Chartered Accountants

Engagement Partner
Asad Ali Shah

Karachi
Date : February 24, 2014



CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2013 (UN-AUDITED)

	Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited) (Restated)
		— (Rupees in '000) —	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	5,769,226	5,502,528
Long-term advance	5	-	-
Long-term loans		9,623	6,985
Long-term deposits		20,973	20,973
Long-term investments	6	1,279,467	1,230,711
		7,079,289	6,761,197
Current Assets			
Stores, spares and loose tools		373,829	358,092
Stock-in-trade		8,212,803	4,149,820
Trade debts		1,071,965	1,172,120
Loans and advances		636,567	295,264
Short-term investment		36,612	37,612
Trade deposits and short-term prepayments		17,918	8,513
Other receivables		154,697	216,657
Income tax refundable due from the government		284,287	284,287
Cash and bank balances		516,404	480,240
		11,305,082	7,002,605
TOTAL ASSETS		18,384,371	13,763,802
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized			
50,000,000 (June 30, 2013: 50,000,000) ordinary shares of Rs.10/- each		500,000	500,000
Issued, subscribed and paid-up			
23,437,500 (June 30, 2013: 23,437,500) ordinary shares of Rs. 10/- each		234,375	234,375
Capital reserve - share premium		103,125	103,125
Revenue reserves			
General reserve		1,000,000	1,000,000
Unappropriated profit		5,146,659	4,847,337
		6,146,659	5,847,337
TOTAL EQUITY		6,484,159	6,184,837
Non-Current Liabilities			
Long-term financing		17,812	26,719
Deferred liabilities		602,015	502,697
		619,827	529,416
Current Liabilities			
Trade and other payables		1,480,052	1,130,831
Accrued mark-up		164,449	68,166
Short-term borrowings	7	9,618,069	5,832,738
Current portion of long-term financing		17,815	17,814
		11,280,385	7,049,549
TOTAL LIABILITIES		11,900,212	7,578,965
TOTAL EQUITY AND LIABILITIES		18,384,371	13,763,802

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 12 form an integral part of this condensed interim financial information. Pursuant to Section 214(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

Note	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	--(Rupees in '000)--			
Sales - net	10,467,478	8,896,094	5,082,973	4,633,192
Cost of sales	(9,137,957)	(8,043,473)	(4,442,122)	(4,110,101)
Gross profit	1,329,521	852,621	640,851	523,091
Distribution cost	(158,266)	(171,609)	(66,594)	(98,077)
Administrative expenses	(55,983)	(52,690)	(30,516)	(27,241)
	(214,249)	(224,299)	(97,110)	(125,318)
	1,115,272	628,322	543,741	397,773
Finance cost	(326,260)	(109,780)	(205,582)	(62,114)
Other operating charges	(172,260)	(105,343)	(23,122)	(74,209)
	616,752	413,199	315,037	261,450
Other income	3,095	5,577	1,915	(2,818)
Share of profit from associates - net of tax	48,756	-	28,892	-
Profit before taxation	668,603	418,776	345,844	258,632
Taxation				
For the period				
Current tax	-	(58,316)	-	(28,195)
Deferred tax	(76,312)	(6,170)	(58,543)	(6,170)
Prior year	-	-	-	-
	(76,312)	(64,486)	(58,543)	(34,365)
Profit for the period	592,291	354,290	287,301	224,267
Earnings per share				
- basic and diluted (Rupees)	25.27	15.12	12.26	9.57

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

Pursuant to Section 214(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees in '000)			
Profit for the period	592,291	354,290	287,301	224,267
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>592,291</u>	<u>354,290</u>	<u>287,301</u>	<u>224,267</u>

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

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Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Director



CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

	Half year ended	
	December 31, 2013	December 31, 2012
	--- (Rupees in '000) ---	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	668,603	418,776
Adjustments for :		
Depreciation	274,285	243,079
Gain on disposal of property, plant and equipment	(1,676)	(463)
Profit on deposits	-	(3,524)
Interest / mark-up expense	316,734	92,889
Share of profit from associate - net of tax	(48,756)	-
Unrealized loss / (gain) on short-term investment	1,000	(297)
Provision for gratuity	48,670	34,000
	<u>590,257</u>	<u>365,684</u>
Operating cash flows before working capital changes	<u>1,258,860</u>	<u>784,460</u>
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(15,737)	62,894
Stock-in-trade	(4,062,983)	(1,647,130)
Trade debts	100,155	(634,024)
Loans and advances	(249,194)	(117,889)
Trade deposits and short-term prepayments	(9,405)	(8,544)
Other receivables	61,960	(41,367)
	<u>(4,175,204)</u>	<u>(2,386,060)</u>
Increase in current liabilities		
Trade and other payables	<u>346,400</u>	<u>163,667</u>
Changes in working capital	<u>(3,828,804)</u>	<u>(2,222,393)</u>
Cash used in operations	<u>(2,569,944)</u>	<u>(1,437,933)</u>
Interest / mark-up paid	(220,451)	(94,914)
Income tax paid	(92,109)	(73,026)
Gratuity paid	(25,664)	(12,579)
	<u>(338,224)</u>	<u>(180,519)</u>
Net cash used in operating activities	<u>(2,908,168)</u>	<u>(1,618,452)</u>

A



		Half year ended	
		December 31, 2013	December 31, 2012
		—— (Rupees in '000) ——	
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(547,304)	(537,384)
Sale proceeds from disposal of property, plant and equipment		7,997	13,314
Profit received on deposit account		-	4,101
Long-term loans (paid) / recovered		(2,638)	3,047
Long-term investment		-	(1,189,883)
Long-term deposits paid		-	(13,669)
Net cash used in investing activities	B	(541,945)	(1,720,474)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term finance		(8,907)	(8,907)
Dividend paid		(290,147)	(83,537)
Net cash used in financing activities	C	(299,054)	(92,444)
Net decrease in cash and cash equivalents (A+B+C)		(3,749,167)	(3,431,370)
Cash and cash equivalents at beginning of the period		(5,352,498)	(3,261,306)
Cash and cash equivalents at end of the period		(9,101,665)	(6,692,676)
CASH AND CASH EQUIVALENTS			
Cash and bank balances		516,404	322,535
Short-term borrowings		(9,618,069)	(7,015,211)
		(9,101,665)	(6,692,676)

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

Pursuant to Section 214(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

Note	Issued, subscribed and paid-up share capital	-- Capital Reserve --		----- Revenue Reserves -----			Grand total
		Share premium	Sub Total	General reserves	Unappropriated profit	Sub Total	
----- (Rupees in '000) -----							
Balance as at July 01, 2012 - as previously reported	234,375	103,125	103,125	1,000,000	3,871,340	4,871,340	5,208,840
Effect of remeasurement of defined benefit obligations - net of tax 3.1	-	-	-	-	19,893	19,893	19,893
Balance as at July 01, 2012 - Restated	234,375	103,125	103,125	1,000,000	3,891,233	4,891,233	5,228,733
Total comprehensive income for the period							
Profit for the period	-	-	-	-	354,290	354,290	354,290
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	354,290	354,290	354,290
Transactions with owners recorded directly in equity							
Final dividend for the year ended June 30, 2012 @ Rs.7.5/- per share	-	-	-	-	(175,781)	(175,781)	(175,781)
Balance at December 31, 2012 - Restated	<u>234,375</u>	<u>103,125</u>	<u>103,125</u>	<u>1,000,000</u>	<u>4,069,742</u>	<u>5,069,742</u>	<u>5,407,242</u>
Balance as at July 01, 2013 - as previously reported	234,375	103,125	103,125	1,000,000	4,830,384	5,830,384	6,167,884
Effect of remeasurement of defined benefit obligations - net of tax 3.1	-	-	-	-	16,953	16,953	16,953
Balance as at July 01, 2013 - Restated	<u>234,375</u>	<u>103,125</u>	<u>103,125</u>	<u>1,000,000</u>	<u>4,847,337</u>	<u>5,847,337</u>	<u>6,184,837</u>
Total comprehensive income for the period							
Profit for the period	-	-	-	-	592,291	592,291	592,291
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	592,291	592,291	592,291
Transactions with owners recorded directly in equity							
Final dividend for the year ended June 30, 2013 @ Rs.12.5/- per share	-	-	-	-	(292,969)	(292,969)	(292,969)
Balance as at December 31, 2013	<u>234,375</u>	<u>103,125</u>	<u>103,125</u>	<u>1,000,000</u>	<u>5,146,659</u>	<u>6,146,659</u>	<u>6,484,159</u>

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

Pursuant to Section 214(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Director



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (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. BASIS OF PREPARATION

- 2.1 This condensed interim financial information of the Company for the half year ended December 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and the provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2 This condensed interim financial information is un-audited and 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 condensed interim financial information does not include all the information and disclosures required for annual financial statements, and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgments and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual audited financial statements of the Company for the year ended June 30, 2013, except as follows:

3.1 Change in accounting policies

IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has adopted IAS 19 Employees Benefits (as revised in 2011) and the related consequential amendments for the first time.



IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension and gratuity assets or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19, which is calculated by applying the discount rate to the net defined benefit liability or assets. These changes have had an impact on the amounts recognized in the profit and loss and other comprehensive income in prior years. In addition, IAS 19 introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparatives on the retrospective basis in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Effect of retrospective application of change in accounting policy is as follows:

	Balance as reported earlier	Effect of change in accounting policy --- (Rupees in '000) ---	Restated balance
Effect on balance sheet			
June 30, 2013			
Deferred liabilities			
- Provision for gratuity	(189,093)	20,571	(168,522)
- Deferred tax liability	(330,557)	(3,618)	(334,175)
Unappropriated profit	4,830,384	16,953	4,847,337

The effect of change in accounting policy, due to adoption of IAS 19 (Revised), does not have material impact on the profit and loss account and other comprehensive income for the period ended December 31, 2012.

The effect of change in accounting policy for year ended June 30, 2012 was not material, therefore, third balance sheet for the year 2012 has not been presented. During the period, actuarial gain / loss has not arisen as the Company has not carried out actuarial valuation as at period end.

	Note	December 31, 2013 (Un-Audited) --- (Rupees in '000) ---	June 30, 2013 (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	5,254,747	5,356,683
Capital work-in-progress	4.2	514,479	145,845
		<u>5,769,226</u>	<u>5,502,528</u>



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

	Half year ended December 31, 2013 (Un-Audited)		Half year ended December 31, 2012 (Un-Audited)	
	Additions/ transfers	Disposals at Book value	Additions/ transfers	Disposals at Book value
----- (Rupees in '000) -----				
Building	995	-	34,824	-
Plant and machinery	159,664	6,032	467,778	12,675
Electric installation	2,575	-	28,626	-
Computer equipment	129	-	978	-
Office equipment and installations	-	-	229	-
Vehicles	15,307	289	3,970	176
Fire fighting equipment	-	-	1,783	-
	<u>178,670</u>	<u>6,321</u>	<u>538,188</u>	<u>12,851</u>

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

	Half year ended December 31, 2013 (Un-Audited)		Half year ended December 31, 2012 (Un-Audited)	
	Additions	Transfers	Additions	Transfers
----- (Rupees in '000) -----				
Civil works	24,675	995	31,085	25,160
Plant and machinery	191,964	124,240	470,969	466,394
Advances for vehicles	14,330	12,528	2,975	3,970
Electric Installation	2,575	2,575	-	-
Others	129	129	-	-
Karachi Project				
Plant and machinery	240,185	35,424	3,644	1,383
Civil works	59,026	-	18,376	9,664
Advances for vehicles	2,779	2,779	-	-
Electric installation	11,641	-	535	21,817
	<u>547,304</u>	<u>178,670</u>	<u>527,584</u>	<u>528,388</u>

Note **December 31,
2013
(Un-Audited)** **June 30,
2013
(Audited)**
----- (Rupees in '000) -----

**5. LONG - TERM ADVANCE
- Considered doubtful**

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.

December 31, 2013 (Un-Audited)	June 30, 2013 (Audited)
— (Rupees in '000) —	

6. LONG TERM INVESTMENTS

- Investments in associated undertakings

ICI Pakistan Limited	1,197,450	1,152,903
Lucky Holdings Limited	82,017	77,808
	<u>1,279,467</u>	<u>1,230,711</u>

7. SHORT - TERM BORROWINGS - SECURED

From banking companies

Running finance under mark-up arrangements	5,843,874	287,803
Short term finance	3,565,595	2,551,574

Foreign currency loan against

Import finance	189,222	1,505,531
Export finance	19,378	1,487,830
	<u>208,600</u>	<u>2,993,361</u>
	<u>9,618,069</u>	<u>5,832,738</u>

7.1 Facilities for running finance, import finance, export finance and short term finance are available from various banks upto Rs. 12.43 billion (June 30, 2013: Rs. 14.48 billion). The terms and conditions of the short-term borrowings including markup rates and securities have not materially changed from June 30, 2013.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 There has been no material change in the status of contingencies as disclosed in notes 20.1.1 to 20.1.4 to the annual financial statements for the year ended June 30, 2013 except as follows:

In respect of the matter disclosed in note 20.1.3 to the annual financial statements for the year ended June 30, 2013, National Electric Power Regulatory Authority (NEPRA) has issued generation license to the Company on September 26, 2013 for a period of twenty three years.

8.1.2 Under the Gas Infrastructure Development Cess Act, 2011, Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. In the month of June 2012, the Federal Government revised GID Cess rate from Rs. 13 per MMBTU to Rs. 100 per MMBTU.

The Company filed a suit before the Honorable High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act 2011. The Sindh High Court has restrained the Federation and gas companies from recovering GID Cess over and above Rs. 13 per MMBTU. Management is hopeful for favorable outcome of the said case.



	December 31, 2013 (Un-Audited)	June 30, 2013 (Audited)
	—(Rupees in '000)—	
8.1.3 Others		
Export bills discounted with recourse arrangement	1,272,427	1,409,273
Indemnity bond in favor of Collector of Customs against imports	4,105	4,105
Post dated cheques in favor of Collector of Customs against imports	204,872	187,925

8.2 Commitments

Letters of credit opened by banks for:

Plant and machinery	338,890	153,777
Raw materials	404,921	220,691
Stores and spares	54,347	31,514

	Half yearly ended		Quarter ended	
Note	December 31, 2013 (Un-audited)	December 31, 2012 (Un-audited)	December 31, 2013 (Un-audited)	December 31, 2012 (Un-audited)
	----- (Rupees in '000) -----			

9. COST OF SALES

Opening stock - finished goods	524,451	285,714	518,055	313,880
Cost of goods manufactured 9.1	9,307,949	8,102,950	4,618,510	4,141,412
	<u>9,832,400</u>	<u>8,388,664</u>	<u>5,136,565</u>	<u>4,455,292</u>
Closing stock - finished goods	(694,443)	(345,191)	(694,443)	(345,191)
	<u>9,137,957</u>	<u>8,043,473</u>	<u>4,442,122</u>	<u>4,110,101</u>

9.1 Cost of goods manufactured

Opening stock- work in process	130,569	118,533	154,766	122,893
Raw and packing material consumed	7,135,676	6,037,993	3,551,645	3,083,260
Other manufacturing expenses	2,199,660	2,065,983	1,070,055	1,054,818
	<u>9,335,336</u>	<u>8,103,976</u>	<u>4,621,700</u>	<u>4,138,078</u>
	<u>9,465,905</u>	<u>8,222,509</u>	<u>4,776,466</u>	<u>4,260,971</u>
Closing stock - work in process	(157,956)	(119,559)	(157,956)	(119,559)
	<u>9,307,949</u>	<u>8,102,950</u>	<u>4,618,510</u>	<u>4,141,412</u>

10. TAXATION

10.1 The current period charge for taxation amounting to Rs. 107.769 million has been adjusted against tax credit availed in respect of Balancing, Modernization and Replacement (BMR) of plant and machinery.



10.2 There have been no change in the tax contingencies as disclosed in note number 17.2.1 and 28.1 to the annual audited financial statements for the year ended June 30, 2013.

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	Half year ended	
		December 31, 2013 (Un-audited)	December 31, 2012 (Un-audited)
----- (Rupees in '000) -----			
a. Associated companies			
Lucky Cement Limited (Common Directorship)	Purchase of cement	6,134	4,072
Fazal Textile Mills Limited (Common Directorship)	Sale of yarn	74,548	156,678
	Sale of waste	-	21,402
	Services charges	10,931	220
	Purchase of machinery	1,800	-
Yunus Textile Mills Limited (Common Directorship)	Sale of yarn	74,879	127,020
Lucky Knits (Private) Limited (Common Directorship)	Sale of yarn	192,666	102,173
	Purchase of machinery	-	350
Feroze1888 Mills Limited (Common Directorship)	Sale of yarn	150,241	81,148
Lucky Textile Mills Limited (Common Directorship)	Sale of yarn	546,782	589,883
	Grey cotton cloth purchased	214	1,320
Lucky Energy (Private) Limited (Common Directorship)	Purchase of electricity	163,807	124,409
Yunus Energy Limited (Common Directorship)	Expenses charged to Advance against shares	-	4,495
		15,601	-
ICI Pakistan Limited (Common Directorship & Shareholding)	Purchase of fiber	481,056	15,612
	Share of profit	44,547	-
Lucky Holdings Limited (Common Directorship)	Investment in shares	-	74,920
	Share of profit	4,209	-
b. Benefits to key management personnel		6,465	4,465

12. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 24, 2014 by the Board of Directors of the Company.

Pursuant to Section 214(2) of the Companies Ordinance, 1984, these condensed interim financial statements have been signed by two Directors in the absence of the Chief Executive who for the time being is not in the country.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Director

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CERTIFICATE



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