ISLAND TEXTILE MILLS LIMITED

Annual Report 2013

CONTENTS

Company Information	2
Vision & Mission Statement	3
Chairman's Review	5
Directors' Report to the Members	9
Key Operating & Financial Data	11
Pattern of Shareholding	16
Statement of Compliance with the Code of Corporate Governance	18
Notice of Annual General Meeting	20
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	21
Auditors' Report to the Members	22
Balance Sheet	24
Profit & Loss Account	26
Cash Flow Statement	27
Statement of Changes in Equity	29
Notes to the Financial Statements	30
Form of Proxy	59

TATA

COMPANY INFORMATION

BOARD OF DIRECTORS	
CHAIRMAN:	Mr. Anwar Ahmed Tata
CHIEF EXECUTIVE:	Mr. Adeel Shahid Anwar
DIRECTORS:	Mr. Shahid Anwar Tata Mr. Aijaz Ahmed Tariq Mr. Bilal Shahid Anwar Mr. Farooq Advani Mr. Kausar Ejaz
AUDIT COMMITTEE CHAIRMAN:	Mr. Anwar Ahmed Tata
MEMBERS:	Mr. Aijaz Ahmed Tariq Mr. Kausar Ejaz
HUMAN RESOURCE & REMUNERATION COMMITTEE CHAIRMAN:	Mr. Kausar Ejaz
MEMBERS:	Mr. Adeel Shahid Anwar Mr. Aijaz Ahmed
COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:	Mr. Farooq Advani
BANKERS:	Faysal Bank Limited Bank Alfalah Limited MCB Bank Limited National Bank of Pakistan Soneri Bank Limited JS Bank Limited The Bank of Punjab Meezan Bank Limited
AUDITORS:	M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants
LEGAL ADVISOR:	Faisal Mehmood Ghani Advocate.
SHARE REGISTRAR:	Central Depository Company of Pakistan Limited CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal Tel# (Toll Free) 0800-CDCPL (23275) Fax: (92-21) 34326053
REGISTERED OFFICE:	6th Floor Textile Plaza, M.A Jinnah Road Karachi. Tel#32412955-3 Lines 32426761-2-4 Fax#32417710
WEB SITE ADDRESS:	www.tatatex.com
E- MAIL ADDRESS:	itm.corporate@tatatex.com
MILLS:	A/12, S.I.T.E. Kotri District Jamshoro (Sindh)

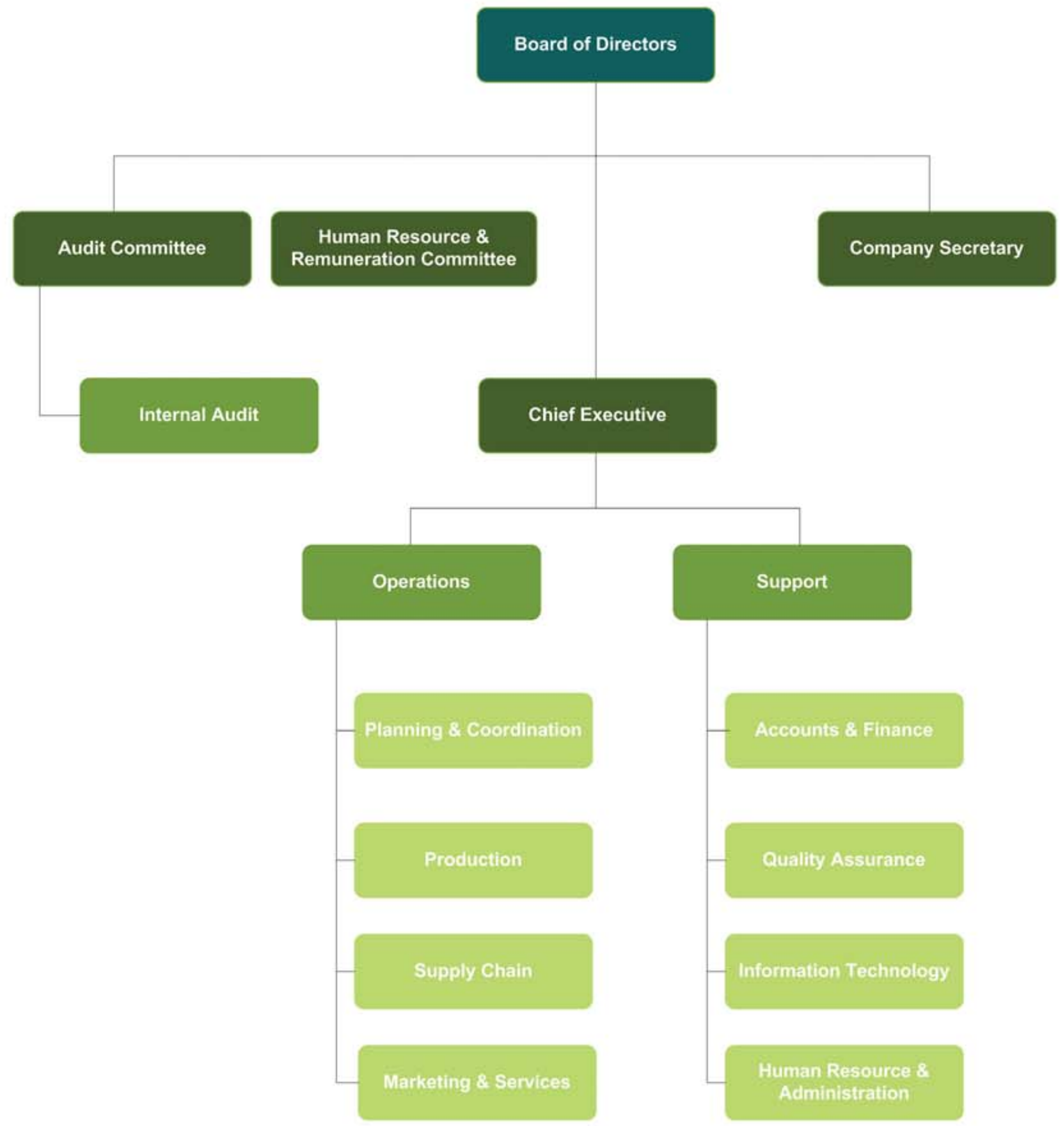
Vision Statement

We shall build upon our recognition as a socially and environmentally responsible organization known for its principled and honest business practices we shall remain committed to exceeding the highest expectations of our stakeholders by maintaining the highest quality standards and achieving sustained growth in our capacity.

Mission Statement

We are committed to the higher expectations of our customers. We strive for the production of best quality yarns for high value products.

Organization Chart



CHAIRMAN'S REVIEW

Assalam-o-Alaikum,

As Chairman of **Island Textile Mills Limited**, I feel pleasure to present the Annual Audited Accounts along with the auditor's report thereon for the year ended June 30, 2013. During the period under review, Alhamdulillah the company performed very well and has been able to make a pretax profit of Rs.385.573 million in the year ended June 30, 2013.

Although the year under review has been good, but the coming year seems little difficult.

INDIAN ROLE IN TEXTILE EXPORT

Indian role in textile exports will be the most significant factor. Substantial developments have taken place in India in recent months. Indian rupee has devaluated by more than 26%, they have large surplus of cotton crop and have already become the single largest exporter of yarn in the world. India is going to make inroads in Pakistan's traditional strong areas.

CHINA COTTON POLICY

China will be the second most significant factor this year as the country for the third consecutive year has announced the support policy for Chinese farmers. Needless to mention, that China at present is the single largest stock holder of cotton in the world. Further buying this year will further increase their stocks. They still have not yet announced the policy on release of stocks to the Chinese mills or allowing imports of cotton. Uncertainty is looming large due to this factor, and is going to be very critical in determining how the overall textile market will behave.

COTTON & FIBER SITUATION

Although the estimated area under the cotton cultivation has remained on the lower side and the weather was not good initially, but now the weather is favorable, and possibly if the weather remains good and no extra ordinary rains or any weather related issue occurred in the coming months, we will harvest the same number of bales hopefully as we did in the last year but taken long term position on cotton will remain very risky because of India and China. As we require quality cotton for our yarn products, so it will be very tricky situation concerning our cotton procurement policy. As a result of devaluation and rise in oil prices globally, the cost of fiber has also gone up which has impacted the overall cost of production.

COST PUSH INFLATION

The manufacturing costs have escalated due to the rapid devaluation of Pakistani currency (7%-8%) in the recent months and the resulting increase in raw material prices, wages and salaries.

POWER ISSUES

The Govt. has raised power tariffs by around 50% which will put extra financial burden. We are hopeful that the current government will take these power related issues very seriously and will rectify it.

INTERNAL AUDIT

We have already agreed for the arrangement of Internal Audit services to be provided by A. F. FERGUSON & CO. The objective of this exercise would be to assess areas like revenues & receivables, purchases & payables, treasury management, production and inventory management, fixed asset management, human resource management and financial accounting & reporting.

HUMAN RESOURCE MANAGEMENT

Human resource planning and management is one of the essential matters and is at the spotlight at the senior management level. The company has a Human Resource and Remuneration Committee that guides in the selection, evaluation, compensation and succession planning of key management personnel. Its responsibility entails recommending improvement in the Company's human resource policies and procedures and their periodic review. The Committee keeps abreast with industries "Best Practices" and ensures to discuss and implement these as and when the situation arises.

PLANNING & COORDINATION

The company has a philosophy of creating value for its stake holders through continuous improvement and our Planning and Coordination Department works to achieve this objective by synchronizing and planning activities of business departments concerned with production, quality, maintenance, human resource, sales and customer feedback. The purpose is to build synergy and coherence to ensure seamless operations, identify areas of improvement and potential cost reduction to maximize returns on investment. Evaluation of technical reports and data, analysis of competitive market strategies and communication with suppliers and professional organizations are some of the core functions performed by the Planning and Coordination to be aware of industry trends and to mould business operations accordingly.

PROJECTS

Our commitment to quality is very high; therefore most of our investments have remained in quality and product diversification. The company is financially well placed and we do plan for putting a new spinning unit in the coming year.

ENTERPRISE RESOURCE PLANNING (ERP)

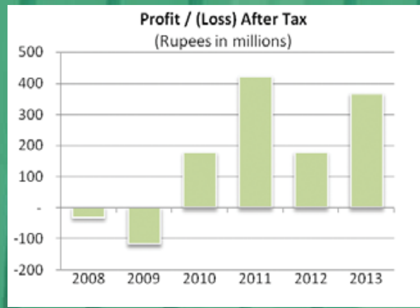
The implementation process of Oracle based Enterprise Resource Planning system which remains continued from the last two years is now completed. The new ERP system integrates the information coming from various departments of the company. It now serves as a central source of data for all departments. This ensures smooth flow of the same reliable information in real-time to all key managers, and will result in improved business processes management and decision-making.

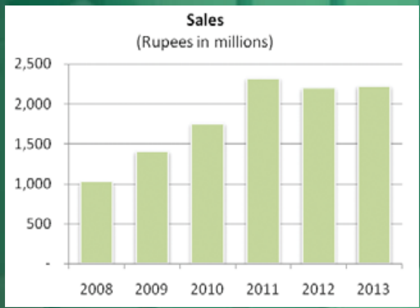
ACKNOWLEDGMENTS

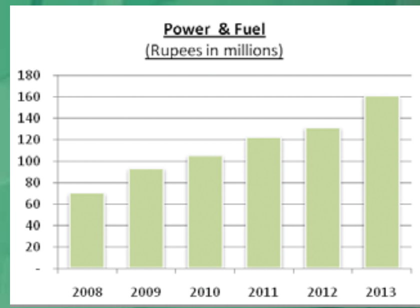
In the last, I would like to acknowledge the hard work put together by our team as without their untiring efforts and commitment, the company would not have been able to achieve so much. We owe our vendors, bankers, agents for their invariable support during all times. We are also thankful to our customers for their firm belief and trust on our quality products.

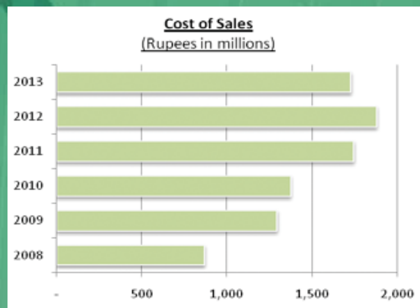
Karachi
Dated: September 16, 2013

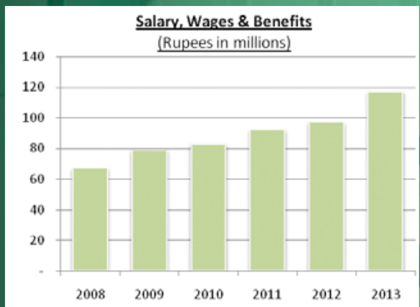
Anwar Ahmed Tata
Chairman

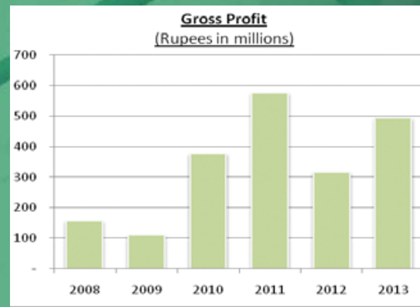

Profit / (Loss) After Tax
(Rupees in millions)
500
400
300
200
100
-
-100
-200
2008 2009 2010 2011 2012 2013

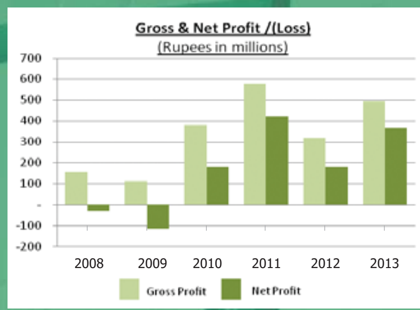

Sales
(Rupees in millions)
2,500
2,000
1,500
1,000
500
-
2008 2009 2010 2011 2012 2013

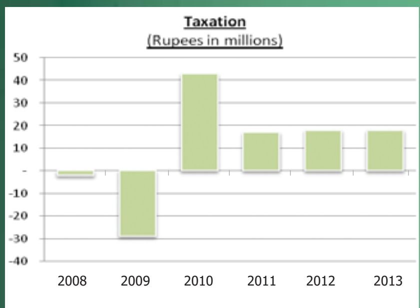

Power & Fuel
(Rupees in millions)
180
160
140
120
100
80
60
40
20
-
2008 2009 2010 2011 2012 2013

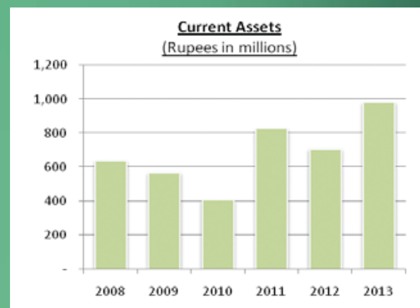

Cost of Sales
(Rupees in millions)
2013
2012
2011
2010
2009
2008
- 500 1,000 1,500 2,000

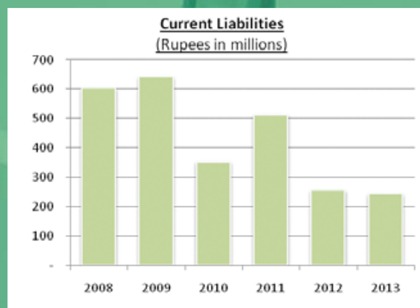

Salary, Wages & Benefits
(Rupees in millions)
140
120
100
80
60
40
20
-
2008 2009 2010 2011 2012 2013

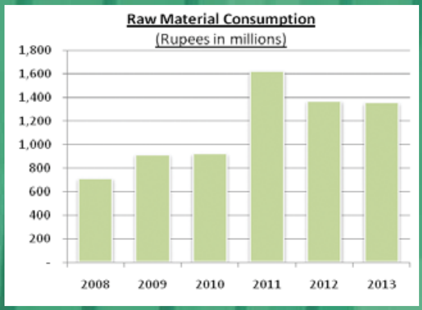

Gross Profit
(Rupees in millions)
700
600
500
400
300
200
100
-
2008 2009 2010 2011 2012 2013

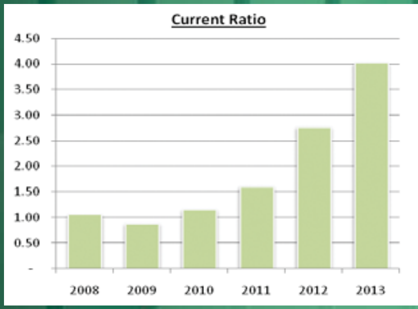

Gross & Net Profit /(Loss)
(Rupees in millions)
700
600
500
400
300
200
100
-
-100
-200
2008 2009 2010 2011 2012 2013
Gross Profit
Net Profit

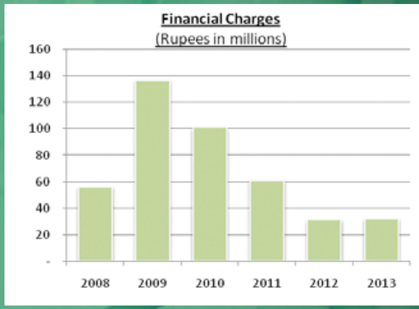

Taxation
(Rupees in millions)
50
40
30
20
10
-
-10
-20
-30
-40
2008 2009 2010 2011 2012 2013

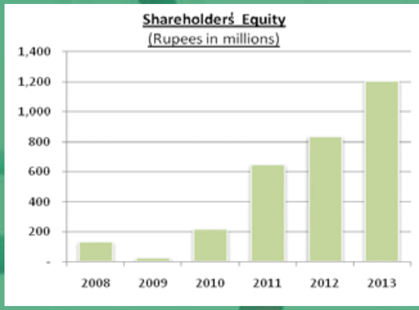

Current Assets
(Rupees in millions)
1,200
1,000
800
600
400
200
-
2008 2009 2010 2011 2012 2013

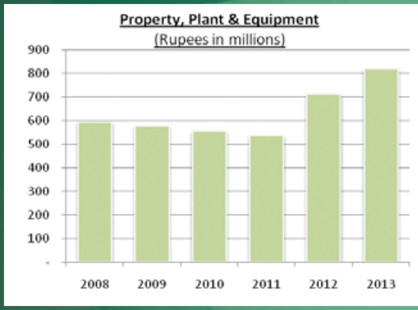

Current Liabilities
(Rupees in millions)
700
600
500
400
300
200
100
-
2008 2009 2010 2011 2012 2013

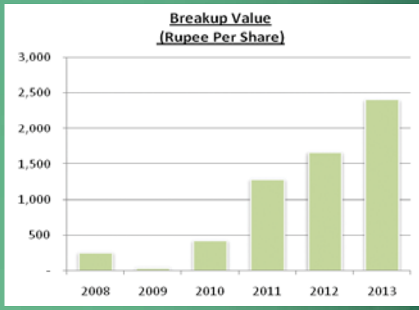

Raw Material Consumption
(Rupees in millions)
2008 2009 2010 2011 2012 2013

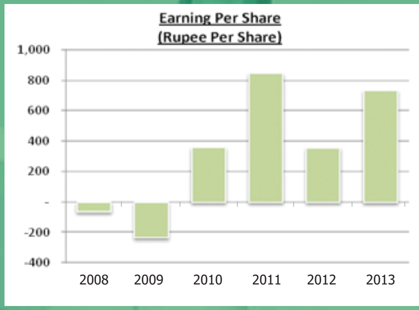

Current Ratio
2008 2009 2010 2011 2012 2013


Financial Charges
(Rupees in millions)
2008 2009 2010 2011 2012 2013


Shareholders' Equity
(Rupees in millions)
2008 2009 2010 2011 2012 2013


Property, Plant & Equipment
(Rupees in millions)
2008 2009 2010 2011 2012 2013


Breakup Value
(Rupee Per Share)
2008 2009 2010 2011 2012 2013


Earning Per Share
(Rupee Per Share)
2008 2009 2010 2011 2012 2013

DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting before you the 44th Annual Report together with the Audited Accounts for the year ended June 30, 2013.

FINANCIAL RESULTS

The Company made a pre-tax Profit of Rs.385.573 million after charging costs, expenses and depreciation for the year.

	(Rupees)
Pre-tax profit for the year	385,573,362
Taxation	(18,211,829)
Profit after taxation	367,361,533
Accumulated Profit Brought Forward	829,157,072
Less: Dividend Paid	(5,000,000)
	824,157,072
Transfer from Surplus on Revaluation of Property Plant & Equipment	16,360,736
Share of Associate's transfer from Surplus on Revaluation	9,307,003
Transfer to General Reserve	(900,000,000)
Loss due to derecognition of investment by associate	(33,165,759)
Accumulated Profit Carried Forward	284,020,585

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Directors' report.

DIVIDEND

The Directors of the Company are pleased to recommend cash dividend @ 50% for the Year ended June 30, 2013.

STATEMENT ON CORPORATE AND FINANCIAL REPROTING FRAME WORK

a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
b. Proper books of account of the Company have been maintained.
c. Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d. The International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
e. There are no significant doubts upon the Company's ability to continue as a going concern.
f. The system of internal control is sound in design and has been effectively implemented and monitored.
g. Key operating and financial data of last six years in a summarized form is annexed.
h. Outstanding duties, statutory charges and taxes if any have been adequately disclosed in the annexed audited financial statements.
i. During the year under review, four Board of Director Meetings, four Audit Committee Meetings and three Human Resource & Remuneration committee meeting were held. The attendance of the directors is as follow:

Name of Director	Number of Meeting Attended		
	Board Meeting	Audit Committee	Human Resource & Remuneration Committee
Mr. Anwar Ahmed Tata	2	2	N/A
Mr. Shahid Anwar Tata	4	N/A	N/A
Mr. Adeel Shahid Anwar	3	N/A	3
Mr. Bilal Shahid Anwar	2	N/A	N/A
Mr. Aijaz Ahmed Tariq	4	4	3
Mr. Kausar Ejaz	4	4	3
Mr. Farooq Advani	3	N/A	N/A

(However, leave of absence was granted to the Directors who could not attend the Meetings due to their pre-occupations)

j. During the year under review, Mr. Farooq Advani and Mr. Adeel Shahid Anwar have completed the Directors Training Program and become the certified director from Pakistan Institute of Corporate Governance. In addition, Mr. Anwar Ahmed Tata and Mr. Shahid Anwar Tata met the criteria of exemption under clause (xi) of Code of Corporate Governance and were accordingly exempted from directors' training program.

k. The statement of pattern of share holding of the Company as at June 30, 2013 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.

l. A part from the following transactions, the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the company during the year

	Opening Balance As on 01-07-2012	Purchase	Sales	Closing Balance As on 30-06-2013
Mr. Anwar Ahmed Tata	288,894	1,050	-	289,944

Abstract Under Section 218(1) of the Companies Ordinance, 1984

During the year under review, the Board of Directors in their meeting held on 27th February, 2013 has approved the amendment/variation in term of appointment of Mr. Adeel Shahid Anwar-Chief Executive and Mr. Bilal Shahid Anwar-Executive Director with effect from 1st February, 2013. The following resolution has already been circulated to shareholders under section 218(3) of the Companies Ordinance, 1984.

1. Chief Executive Mr. Adeel Shahid Anwar

"Resolved that the monthly remuneration of Mr. Adeel Shahid Anwar Chief Executive would be Rs.288,750/- (Rupees two hundred eighty eight thousand seven hundred and fifty only). The Other terms and conditions will remain unchanged."

2. Executive Director Mr. Bilal Shahid Anwar

"Resolved that the monthly remuneration of Mr. Bilal Shahid Anwar Executive Director would be Rs.174,500/- (Rupees one hundred seventy four thousand five hundred only). The Other terms and conditions will remain unchanged."

AUDITORS

The Auditors Messer M. Yousuf Adil Saleem & Co. Chartered Accountants retire at the conclusion of the Annual General Meeting and being eligible to offer themselves for reappointment for the financial year ending June 30, 2014.

ON BEHALF OF THE BOARD OF DIRECTORS

ADEEL SHAHID ANWAR
CHIEF EXECUTIVE

Karachi
Date: September 16, 2013

KEY OPERATING AND FINANCIAL DATA

Particulars		2013	2012	2011	2010	2009	2008
OPERATING DATA							
Sales	Rs.'000'	2,218,984	2,193,794	2,319,040	1,750,820	1,403,698	1,024,957
Cost of Goods Sold	Rs.'000'	1,725,208	1,876,110	1,742,481	1,372,136	1,292,376	868,055
Gross Profit	Rs.'000'	493,776	317,684	576,559	378,684	111,322	156,902
Profit / (Loss) Before Taxation	Rs.'000'	385,573	195,922	440,541	221,515	(145,761)	(33,166)
Profit / (Loss) After Taxation	Rs.'000'	367,362	177,551	423,378	178,436	(116,985)	(31,151)
FINANCIAL DATA							
Equity Balance	Rs.'000'	1,205,132	834,962	647,094	214,363	24,883	130,548
Property, Plant & Equipment	Rs.'000'	818,636	715,945	537,076	556,789	578,084	594,736
Current Assets	Rs.'000'	984,270	708,077	825,552	406,777	569,665	637,568
Current Liabilities	Rs.'000'	244,745	255,832	513,189	352,572	643,220	604,586
RATIOS							
PROFITABILITY RATIOS							
Gross Profit Margin	%	22.25	14.48	24.86	21.63	7.93	15.31
Operating Profit Margin	%	13.47	7.72	17.12	10.62	(9.63)	(4.17)
Net Profit Margin	%	17.38	8.93	19.00	12.65	(10.38)	(3.24)
LIQUIDITY RATIOS							
Current Ratio	Times	4.02	2.77	1.61	1.15	0.89	1.05
Quick Ratio	Times	2.53	1.61	0.74	0.41	0.29	0.50
ACTIVITY / TURNOVER RATIOS							
Days in Receivables	Days	28.11	26.32	12.97	14.63	30.72	57.63
Accounts Receivable Turnover	Times	12.81	13.68	27.76	24.61	11.72	6.25
Inventory Turnover	Times	4.92	6.92	4.08	5.46	3.49	2.65
Working Capital Turnover	Times	3.00	4.85	7.42	32.30	(19.08)	31.08
Total Assets Turnover	Times	1.06	1.31	1.46	1.55	1.10	0.74
Return on Total Assets	%	17.50	10.62	26.73	15.83	(9.17)	(2.26)
Return on Equity	%	21.83	13.41	43.03	33.52	(34.08)	(6.77)
LEVERAGE RATIOS							
Long Term Debt to Equity Ratio	%	10.21	6.93	8.84	45.51	84.43	68.63
Total Debt to Equity Ratio	%	24.75	26.26	61.00	111.75	271.80	200.05
Long Term Debt to Total Assets	Times	0.08	0.05	0.05	0.21	0.23	0.23
Total Debt to Total Assets	Times	0.20	0.21	0.38	0.53	0.73	0.67
Equity to Total Assets	Times	0.80	0.79	0.62	0.47	0.27	0.33
Interest Coverage Ratio	Times	13.10	7.29	8.26	3.20	(0.06)	0.41
OTHERS							
Earning per Shares	Rs	734.72	355.10	846.76	356.87	(233.97)	(62.30)
Breakup Value of Shares w/o Revaluation Surplus	Rs	2,410.26	1,669.92	1,294.19	428.73	49.77	261.10
Breakup Value of Shares with Revaluation Surplus	Rs	3,365.16	2,648.12	1,967.67	1,064.57	686.56	920.08
Cash Dividend	%	50.00	100.00	50.00	50.00	-	-

ANALYSIS OF THE FINANCIAL STATEMENT BALANCE SHEET

Particulars	2013	2012	2011	2010	2009	2008
Assets	.... Rupees in '000'					
Non Current Assets						
Property, plant and equipment	818,636	715,945	537,076	556,789	578,084	594,736
Intangible asset	4,194	3,999	2,552	-	-	-
Long-term investment	290,999	243,363	218,701	163,470	128,496	147,960
Long-term deposit	1,001	325	75	70	80	80
Total Non current Assets	**1,114,830**	**963,631**	**758,405**	**720,329**	**706,661**	**742,776**
Current Assets						
Stores, spares and loose tools	14,262	23,776	17,513	11,800	10,119	8,232
Stock-in-trade	350,374	271,047	427,256	251,194	370,786	327,042
Trade debts	173,251	160,360	83,553	71,139	119,791	164,083
Loans and advances	66,475	55,965	71,355	36,037	19,267	78,728
Short-term prepayments	742	709	1,098	284	379	622
Other receivables	335	5,006	41	41	29,454	40,959
Other financial assets	285,789	158,318	206,941	5,541	5,541	4,240
Sales tax refundable	7,815	11,272	5,891	4,482	3,655	2,685
Cash and bank balances	85,227	21,624	11,904	26,260	10,674	10,976
Total current Assets	**984,270**	**708,077**	**825,552**	**406,777**	**569,665**	**637,568**
Total Assets	**2,099,100**	**1,671,708**	**1,583,957**	**1,127,106**	**1,276,326**	**1,380,344**
Share Capital & Reserves						
Share Capital	5,000	5,000	5,000	5,000	5,000	5,000
Reserves	916,111	804	549	558	569	691
Unappropriated profit	284,021	829,157	641,545	208,805	19,314	124,857
Total Share Capital & Reserves	**1,205,132**	**834,962**	**647,094**	**214,363**	**24,883**	**130,548**
Surplus on Revaluation of Property, Plant and Equipment - net of tax	**477,447**	**489,100**	**336,742**	**317,923**	**318,395**	**329,492**
Non Current Liabilities						
Deferred Liabilities	87,143	91,814	86,932	104,830	84,820	111,952
Long term financing	84,633	-	-	137,418	205,006	203,767
Total Non Current Liabilities	**171,776**	**91,814**	**86,932**	**242,248**	**289,826**	**315,719**
Current Liabilities						
Trade & other payable	200,733	216,422	181,237	141,537	152,530	50,251
Accrued interest / mark-up on borrowings	2,916	116	9,329	14,633	23,428	12,369
Short-term borrowings	-	16,584	280,415	153,355	449,023	452,261
Current portion of long term finance	19,531	-	-	26,990	14,760	32,072
Current portion of lease	-	-	-	-	-	75
Taxation - income tax	21,566	22,711	42,208	16,056	3,480	57,559
Total Current Liabilities	**244,745**	**255,832**	**513,189**	**352,572**	**643,220**	**604,586**
Total Equity and Liabilities	**2,099,100**	**1,671,708**	**1,583,957**	**1,127,106**	**1,276,326**	**1,380,344**

ANALYSIS OF THE FINANCIAL STATEMENT
BALANCE SHEET VERTICAL ANALYSIS

Particulars	2013	2012	2011	2010	2009	2008
Assets	%	%	%	%	%	%
Non Current Assets						
Property, plant and equipment	39.00	42.83	33.91	49.40	45.29	43.09
Intangible asset	0.20	0.24	0.16	-	-	-
Long-term investment	13.86	14.56	13.81	14.50	10.07	10.72
Long-term deposit	0.05	0.02	-	0.01	0.01	0.01
Total Non current Assets	53.11	57.64	47.88	63.91	55.37	53.81
Current Assets						
Stores, spares and loose tools	0.68	1.42	1.11	1.05	0.79	0.60
Stock-in-trade	16.69	16.21	26.97	22.29	29.05	23.69
Trade debts	8.25	9.59	5.27	6.31	9.39	11.89
Loans and advances	3.17	3.35	4.50	3.20	1.51	5.70
Short-term prepayments	0.04	0.04	0.07	0.03	0.03	0.05
Other receivables	0.02	0.30	-	-	2.31	2.97
Other financial assets	13.61	9.47	13.06	0.49	0.43	0.31
Sales tax refundable	0.37	0.67	0.37	0.40	0.29	0.19
Cash and bank balances	4.06	1.29	0.75	2.33	0.84	0.80
Total current Assets	46.89	42.36	52.12	36.09	44.63	46.19
Total Assets	100.00	100.00	100.00	100.00	100.00	100.00
Share Capital & Reserves						
Share Capital	0.24	0.30	0.32	0.44	0.39	0.36
Reserves	43.64	0.05	0.03	0.05	0.04	0.05
Unappropriated profit	13.53	49.60	40.50	18.53	1.51	9.05
Total Share Capital & Reserves	57.41	49.95	40.85	19.02	1.95	9.46
Surplus on Revaluation of Property, Plant and Equipment - net of tax	22.75	29.26	21.26	28.21	24.95	23.87
Non Current Liabilities						
Deferred Liabilities	4.15	5.49	5.49	9.30	6.65	8.11
Long term financing	4.03	-	-	12.19	16.06	14.76
Total Non Current Liabilities	8.18	5.49	5.49	21.49	22.71	22.87
Current Liabilities						
Trade & other payable	9.56	12.95	11.44	12.56	11.95	3.64
Accrued interest / mark-up on borrowings	0.14	0.01	0.59	1.30	1.84	0.90
Short-term borrowings	-	0.99	17.70	13.61	35.18	32.76
Current portion of long term finance	0.93	-	-	2.39	1.16	2.32
Current portion of lease	-	-	-	-	-	0.01
Taxation - income tax	1.03	1.36	2.66	1.42	0.27	4.17
Total Current Liabilities	11.66	15.30	32.40	31.28	50.40	43.80
Total Equity and Liabilities	100.00	100.00	100.00	100.00	100.00	100.00

ANALYSIS OF THE FINANCIAL STATEMENT
PROFIT & LOSS ACCOUNT

Particulars	2013	2012	2011	2010	2009	2008
	....	....	Rupees in '000'	....	....	....
Sales	2,218,984	2,193,794	2,319,040	1,750,820	1,403,698	1,024,957
Cost of goods sold	1,725,208	1,876,110	1,742,481	1,372,136	1,292,376	868,055
Gross Profit	**493,776**	**317,684**	**576,559**	**378,684**	**111,322**	**156,902**
Distribution cost	82,809	54,578	58,593	51,114	48,440	66,344
Administrative expenses	52,173	39,762	28,840	23,799	25,634	31,455
Other operating expenses	28,003	22,923	31,278	17,348	35,310	45,381
Financial Cost	31,873	31,130	60,713	100,568	137,146	56,479
	194,858	148,392	179,424	192,829	246,530	199,659
Share of Profit from Associate						
- net of tax	76,099	17,199	36,445	33,530	(19,714)	396
Other Income	10,556	9,431	6,960	2,130	9,161	9,196
Profit / (Loss) before taxation	**385,573**	**195,922**	**440,541**	**221,515**	**(145,761)**	**(33,166)**
Taxation	18,212	18,372	17,163	43,079	(28,775)	(2,015)
Profit / (Loss) for the year	**367,362**	**177,551**	**423,378**	**178,436**	**(116,985)**	**(31,151)**

ANALYSIS OF THE FINANCIAL STATEMENT
PROFIT & LOSS VERTICAL ANALYSIS

Particulars	2013 %	2012 %	2011 %	2010 %	2009 %	2008 %
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of goods sold	77.75	85.52	75.14	78.37	92.07	84.69
Gross Profit	22.25	14.48	24.86	21.63	7.93	15.31
Distribution cost	3.73	2.49	2.53	2.92	3.45	6.47
Administrative expenses	2.35	1.81	1.24	1.36	1.83	3.07
Other operating expenses	1.26	1.04	1.35	0.99	2.52	4.43
Financial Cost	1.44	1.42	2.62	5.74	9.77	5.51
	8.78	6.76	7.74	11.01	17.56	19.48
Share of Profit from Associate						
- net of tax	3.43	0.78	1.57	1.92	(1.40)	0.04
Other Income	0.48	0.43	0.30	0.12	0.65	0.90
Profit / (Loss) before taxation	17.38	8.93	19.00	12.65	(10.38)	(3.24)
Taxation	0.82	0.84	0.74	2.46	(2.05)	(0.20)
Profit / (Loss) for the year	16.56	8.09	18.26	10.19	(8.33)	(3.04)

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
358	1	100	17,830
43	101	500	10,651
10	501	1000	7,810
13	1001	5000	29,215
1	20001	25000	22,500
1	30001	35000	30,200
1	35001	40000	38,300
1	50001	55000	53,550
1	285001	290000	289,944
429			500,000

CATEGORIES OF SHAREHOLDERS
As at June 30, 2013

CATEGORIES OF SHAREHOLDERS	NUMBER OF	SHARES HELD SHAREHOLDERS	PERCENTAGE
Directors, their Spouse(s) and Minor Children	9	383,141	76.63
Public Sector companies & Corporations	2	150	0.03
Mutual Funds	2	68,500	13.70
Others	5	2,035	0.41
General Public	411	46,174	9.23
	429	500,000	100.00

Detail of Categories of Shareholders
As at June 30, 2013

		No. of Shareholders	Shares Held
DIRECTORS, THEIR SPOUSE(S) & MINOR CHILDREN			
Mr. Anwar Ahmed Tata	(Chairman)	1	289,944
Mr. Adeel Shahid Anwar	(Chief Executive)	1	3,447
Mr. Shahid Anwar Ahmed Tata	(Director)	1	22,500
Mr. Kausar Ejaz	(Director)	1	2,500
Mr. Bilal Shahid Anwar	(Director)	1	2,500
Mr. Aijaz Ahmed Tariq	(Director)	1	2,500
Mr. Farooq Advani	(Director)	1	2,500
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)		1	53,550
Mrs. Saiqa Shahid (W/o of Mr. Shahid Anwar Tata)		1	3,700
		9	**383,141**
PUBLIC SECTOR COMPANIES AND CORPORATIONS			
Investment Corporation of Pakistan		**2**	**150**
MUTUAL FUNDS			
Golden Arrow Selected Stocks Fund Limited		1	38,300
CDC-Trustee AKD Opportunity Fund		1	30,200
		2	**68,500**
OTHERS			
Fateh Textile Mills Ltd.		1	50
Treet Corporation Ltd.		1	1,200
Yasir Mahmood Securities (Pvt) Ltd.		1	35
Adeel Zafar Securities (Pvt.) Ltd.		1	50
Fikree's (SMC-Pvt) Ltd.		1	700
		5	**2,035**
GENERAL PUBLIC			
Local		**411**	**46,174**
Grand Total		**429**	**500,000**

Shareholders Holding 5% or more		**Shares Held**	**Percentage**
Mr. Anwar Ahmed Tata	(Chairman)	289,944	57.99
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)		53,550	10.71
Golden Arrow selected Stock Fund Ltd.		38,300	7.66
CDC - Trustee AKD Opportunity Fund		30,200	6.04

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (”CCG”) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Ltd. for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The company has applied the principles contained in the CCG in the following manner.

1. The Company encourages the representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board of the Company includes:

Category	Names
Executive Directors	Mr. Shahid Anwar Tata Mr. Adeel Shahid Anwar Mr. Bilal Shahid Anwar Mr. Farooq Advani
Non-Executive Directors	Mr. Anwar Ahmed Tata Mr. Aijaz Ahmed Tariq Mr. Kausar Ejaz

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchang has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred on the board during the year under review.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and condition of employment of the Chief Executive and other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged internally an orientation/training programs for its directors during the year. The Board had also initiated the training of directors for certification program and two of the directors, Mr. Farooq Advani and Mr. Adeel Shahid Anwar has completed the Director’s Training Program and become the certified director from Pakistan Institute of Corporate Governance (PICG) and the remaining directors will acquire the required directors training certification within the time specified in Code, unless exempt there under.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.
11. The directors’ report for the year ended June 30, 2013 has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by Chief Executive and Chief Financial Officer before approval of the Board.
13. The directors, chief cxecutive and executives do not hold any interest in the share of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises three members, who are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two including the chairman of the committee, are non-executive directors.
18. The board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other applicable material principles enshrined in the CCG have been complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

ADEEL SHAHID ANWAR
CHIEF EXECUTIVE

Karachi
Dated : September 16, 2013

NOTICE
of Annual General Meeting

Notice is hereby given that the **44th Annual General Meeting** of the Shareholders of **Island Textile Mills Limited** will be held on **Monday** the **October 21, 2013 at 09:00 A.M.** at **5th Floor Textile Plaza M.A. Jinnah Road Karachi,** to transact the following business: -

1. To confirm the minutes of the 43rd Annual General Meeting held on October 19, 2012.
2. To receive, consider and adopt the report of the Directors and Auditors and Audited Accounts of the Company for the year ended June 30, 2013.
3. To appoint Auditors for the year 2013-14 and fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible to offer themselves for reappointment.
4. To approve the payment of cash dividend @ 50% (i.e. Rs.5.00 per share), for the year ended June 30, 2013 as recommended by the Board of Directors.
5. To elect Seven Directors of the Company as fixed by the Board for a term of three years in accordance with the provision of Section 178(1) of the Companies Ordinance 1984. Retiring Directors are;

(i) Mr. Anwar Ahmed Tata
(ii) Mr. Shahid Anwar Tata
(iii) Mr. Adeel Shahid Anwar
(iv) Mr. Aijaz Ahmed Tariq
(v) Mr. Bilal Shahid Anwar
(vi) Mr. Farooq Advani
(vii) Mr. Kausar Ejaz

By order of the Board of Directors

Farooq Advani
Company Secretary

Karachi
Dated: September 28, 2013

Notes:

1. The Share Transfer Books of the Company will remain closed from October 12, 2013 to October 21, 2013 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint proxy. Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Any member who seeks to contest the election of the office of Director shall, file with the Company, not later than 14 days before the meeting at which elections are to be held a notice of his/her intention to offer him / herself for election as a Director. Declaration in accordance with the Listing Regulations along with consent to act as Director under section 184 of the Companies Ordinance, 1984 shall also be filed.
5. Shareholders are requested to notify the change of address, if any, immediately.
6. Members who have not yet submitted photocopies of their CNIC to the Company's Share Registrar, are requested to send the same at earliest.

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 prepared by the Board of Directors of **Island Textile Mills Limited** (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, sub regulation (x) of Listing Regulations 35 notified by The Karachi Stock Exchange Limited require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before audit committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

KARACHI
DATED: September 16, 2013

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

Phone: +92 (0) 21- 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ISLAND TEXTILE MILLS LIMITED** (the Company) as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

- **i.** the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- **ii.** the expenditure incurred during the year was for the purpose of the Company's business; and
- **iii.** the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

KARACHI
DATED: September 16, 2013

Member of
Deloitte Touche Tohmatsu Limited

Financial Statements

for the Year Ended June 30, 2013

BALANCE SHEET

	Note	2013	2012
		.... Rupees	
SHARE CAPITAL AND RESERVES			
Share capital	3	**5,000,000**	5,000,000
Reserves		**916,111,087**	804,456
Unappropriated profit		**284,020,585**	829,157,072
		1,205,131,672	834,961,528
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	**477,446,567**	489,100,280
NON-CURRENT LIABILITIES			
Deferred liabilities	5	**87,143,417**	91,814,027
Long term finance	6	**84,632,858**	-
		171,776,275	91,814,027
CURRENT LIABILITIES			
Trade and other payables	7	**200,732,643**	216,421,572
Accrued interest / mark-up on borrowings	8	**2,915,664**	115,761
Short-term borrowings	9	**-**	16,584,187
Current portion of:			
-Long term finance	6	**19,530,660**	-
Taxation - income tax		**21,566,341**	22,710,608
		244,745,308	255,832,128
Contingencies and commitments	10		
		2,099,099,822	1,671,707,963

The annexed notes from 1 to 41 form an integral part of this financial statements.

AS AT JUNE 30, 2013

	Note	2013	2012
		.... Rupees	
NON-CURRENT ASSETS			
Property, plant and equipment	11	**818,635,612**	715,944,799
Intangible assets	12	**4,194,429**	3,998,916
Long-term investments	13	**290,999,224**	243,362,517
Long-term deposits		**1,000,610**	324,610
CURRENT ASSETS			
Stores, spares and loose tools	14	**14,262,051**	23,775,655
Stock-in-trade	15	**350,373,840**	271,047,119
Trade debts	16	**173,250,504**	160,360,432
Loans and advances	17	**66,475,126**	55,965,221
Short-term prepayments		**741,716**	708,711
Other receivables	18	**335,261**	5,005,646
Other financial assets	19	**285,789,133**	158,317,821
Sales tax refundable		**7,814,896**	11,272,329
Cash and bank balances	20	**85,227,420**	21,624,187
		984,269,947	708,077,121
		2,099,099,822	1,671,707,963

ADEEL SHAHID ANWAR
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		.... Rupees	....
Sales	21	**2,218,984,081**	2,193,794,136
Cost of goods sold	22	**(1,725,208,183)**	(1,876,109,717)
Gross profit		**493,775,898**	317,684,419
Distribution cost	23	**(82,809,064)**	(56,355,320)
Administrative expenses	24	**(52,173,440)**	(37,983,970)
Other operating expenses	25	**(28,002,722)**	(22,922,731)
Finance cost	26	**(31,872,783)**	(31,130,100)
		(194,858,009)	(148,392,121)
Share of profit from associate - net of tax	13	**76,099,237**	17,198,606
Other income	27	**10,556,236**	9,431,449
		86,655,473	26,630,055
Profit before taxation		**385,573,362**	195,922,353
Taxation	28	**(18,211,829)**	(18,371,824)
Profit for the year		**367,361,533**	177,550,529
Other comprehensive income for the year:			
Unrealised gain on remeasurement of investment available-for-sale			
- Held by the company	19.2.1	**15,302,312**	245,796
- Company's share of investment in associates	13	**4,799**	10,593
Deferred tax relating to component of other comprehensive income	5.2	**(480)**	(1,049)
Other comprehensive income - net of tax		**15,306,631**	255,340
Total comprehensive income for the year		**382,668,164**	177,805,869
Earnings per share - basic and diluted	29	**734.72**	355.10

The annexed notes from 1 to 41 form an integral part of this financial statements.

ADEEL SHAHID ANWAR
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		.... Rupees	....
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**385,573,362**	195,922,353
Adjustments for :			
Depreciation of property, plant and equipment	11.2	**39,112,376**	26,636,937
Amortisation of intangible assets	24	**1,054,487**	23,518
Net realisable value charges on stock-in-trade	15.2	**203,867**	-
Provision for staff gratuity		**8,751,361**	8,309,099
Provision for compensated absences		**3,007,380**	2,563,374
Finance cost	26	**31,872,783**	31,130,100
Gain on sale of property, plant and equipment	27	**(613,593)**	(776,283)
Share of profit from an associate	13	**(76,099,237)**	(17,198,606)
Unrealized gain / (loss) on forward contracts		**531,000**	(531,000)
Operating cash flows before movement in working capital		**393,393,786**	246,079,492
(Increase) / decrease in current assets			
Stores, spares and loose tools		**9,513,604**	(6,262,431)
Stock-in-trade		**(79,530,588)**	156,208,436
Trade debts		**(12,890,072)**	(76,807,258)
Loans and advances		**(2,214,706)**	(1,575,141)
Short-term prepayments		**(33,005)**	389,489
Other receivables		**4,670,385**	(4,964,558)
Sales tax refundable		**3,457,433**	(5,381,674)
(Decrease) / Increase in current liabilities			
Trade and other payables		**(15,814,946)**	35,127,804
Cash generated from operations		**300,551,891**	342,814,159
Finance cost paid		**(29,072,880)**	(40,343,381)
Staff gratuity paid		**(6,075,640)**	(4,043,733)
Compensated absences paid		**(2,931,079)**	(2,530,373)
Income taxes paid		**(26,857,384)**	(22,560,194)
Net cash generated from operating activities		**235,614,908**	273,336,478

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

		Note	2013	2012
			.... Rupees	
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Dividend received from an associated company	13	**1,098,900**	1,098,900
	Purchase of other financial assets		**(290,700,000)**	-
	Proceeds from disposal of other financial assets		**178,000,000**	49,399,864
	Purchase of plant and equipment		**(153,130,720)**	(47,637,309)
	Proceeds from disposal of plant and equipment	11.4	**11,941,124**	1,515,406
	Purchase of intangible assets		**(1,250,000)**	(1,470,350)
	Long-term deposit		**(676,000)**	(249,186)
	Net cash (used in) / generated from investing activities		**(254,716,696)**	2,657,325
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Long-term financing obtained		**104,163,518**	-
	Short-term borrowings		**(16,584,187)**	(57,750,889)
	Dividend paid		**(4,874,310)**	(2,442,844)
	Net cash generated from / (used in) financing activities		**82,705,021**	(60,193,733)
	Net increase in cash and cash equivalents (A+B+C)		**63,603,233**	215,800,070
Cash and cash equivalents at July 01			**21,624,187**	(194,175,883)
Cash and cash equivalents at June 30			**85,227,420**	21,624,187

The annexed notes from 1 to 41 form an integral part of this financial statements.

ADEEL SHAHID ANWAR
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Note	Issued Subscribed and paid up Share capital	Reserves: General Reserve	Reserves: Unrealised (Loss)/Gain in value of investment available for sale	Reserves: Other Reserve	Unappropriated profit	Total
		-----	-----	Rupees	-----	-----	-----
Balance as at July 01, 2011		5,000,000	-	(42,365)	591,481	641,544,752	647,093,868
Comprehensive income							
Profit after taxation for the year ended June 30, 2012		-	-	-	-	177,550,529	177,550,529
Other comprehensive income - net of tax		-	-	255,340	-	-	255,340
		-	-	255,340	-	177,550,529	177,805,869
Transferred from surplus on revaluation of property, plant and equipment on account of :							
-incremental depreciation - net of deferred tax		-	-	-	-	8,362,753	8,362,753
-disposal - net of deferred tax		-	-	-	-	250,580	250,580
	4	-	-	-	-	8,613,333	8,613,333
Associate's share of surplus on revaluation of property, plant and equipment on account of incremental depreciation and disposal - net of deferred tax		-	-	-	-	3,948,458	3,948,458
Transactions with owners							
Final cash dividend for the year ended June 30, 2011 @ Rs. 5 per share		-	-	-	-	(2,500,000)	(2,500,000)
Balance as at June 30, 2012		**5,000,000**	**-**	**212,975**	**591,481**	**829,157,072**	**834,961,528**
Comprehensive income							
Profit after taxation for the year ended June 30, 2013		-	-	-	-	367,361,533	367,361,533
Other comprehensive income - net of tax		-	-	15,306,631	-	-	15,306,631
		-	-	15,306,631	-	367,361,533	382,668,164
Transferred from surplus on revaluation of property, plant and equipment on account of :							
-incremental depreciation - net of deferred tax		-	-	-	-	14,667,581	14,667,581
-disposal - net of deferred tax		-	-	-	-	1,693,155	1,693,155
	4	-	-	-	-	16,360,736	16,360,736
Associate's share of surplus on revaluation of property, plant and equipment on account of incremental depreciation and disposal - net of deferred tax		-	-	-	-	9,307,003	9,307,003
Transfer from unappropriated profit to general reserve		-	900,000,000	-	-	(900,000,000)	-
Loss due to derecognition of investment by associate		-	-	-	-	(33,165,759)	(33,165,759)
Transactions with owners							
Final cash dividend for the year ended June 30, 2012 @ Rs. 10 per share		-	-	-	-	(5,000,000)	(5,000,000)
Balance as at June 30, 2013		**5,000,000**	**900,000,000**	**15,519,606**	**591,481**	**284,020,585**	**1,205,131,672**

The annexed notes from 1 to 41 form an integral part of this financial statements.

ADEEL SHAHID ANWAR
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. GENERAL INFORMATION

1.1 Island Textile Mills Limited (the Company) was incorporated in Pakistan on May 20, 1970 as a public limited company under the Companies Act 1913 as repealed by the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange. The registered office of the Company is situated at 6th floor Textile Plaza, M.A. Jinnah Road, Karachi in the province of sindh. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at Kotri Industrial Estate in the province of Sindh.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention modified by:-

- revaluation of certain property, plant and equipment
- recognition of certain staff retirement benefits at present value
- financial instruments at fair value
- investment in associate under equity method

2.3 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standard or Interpretation	Effective for periods beginning on or after
IAS 1 - Presentation of Financial Statements (Amendment)	July 01, 2012
IFRS 7 - Financial Instruments Disclosures on transfer of assets	April 01, 2012

2.3.1 Standards, interpretations and amendments to the published approved accounting standards not yet effective

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation		Effective for periods beginning on or after
IAS 1	- Presentation of Financial Statements – Clarification of Requirements for Comparative information (Amendment)	January 01, 2013
IAS 16	- Property, Plant and Equipment Classification of servicing equipment (Amendment)	January 01, 2013
IAS 19	- Employee Benefits	January 01, 2013

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. However, management has not performed detailed analysis of the impact of the application of the amendments and hence not yet quantified the extent of the impact.

IAS 32	- Financial Instruments: Presentation Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2014
IAS 32	- Financial Instruments: Presentation Offsetting financial assets and financial liabilities	January 01, 2014
IAS 34	- Interim Financial Reporting Interim reporting of segment information for total assets and total liabilities (Amendment)	January 01, 2013
IFRS 7	- Financial Instruments Disclosures - Offsetting financial assets and financial liabilities (Amendment)	January 01, 2013
IFRIC 20	- Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 (Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

2.4 The principal accounting policies adopted are set out below.

2.4.1 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance Lease

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Operating lease

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

2.4.2 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are occurred.

2.4.3 Staff retirement benefits

The Company has categorized its employees into workmen and non-workmen for post-employment benefits that comprise both the defined benefit plan and other staff retirement benefits. Both plans are un-funded. The details of plans are as follows:

Defined benefit plan

The Company operates a gratuity scheme for all its employees under workmen category who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial assumptions and are charged to income. The most recent valuation was carried out as at June 30, 2013 using "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceeds 10% of the present value of the Company's obligation is amortised over the average expected remaining working lives of the employees.

Details of the schemes are given in note 5.1.1 to these financial statements.

Other staff retirement benefits

The Company also maintains a retirement plan for all its employees under non-workmen category. Under this plan, every employee is entitled to receive benefit of one month salary based on last month of each year's service. The Company accounts for liability of each employee at year end and such liability is treated as full and final of that year. In future years, the liability amount is not revised for any increase or decrease in salary of any employees.

Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.4.4 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at rate of 0.5% of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.4.5 Property, plant and equipment

Company owned

Property, plant and equipment except lease hold land, building, plant and machinery, electric installations and capital work-in-progress are stated at cost less accumulated depreciation and impairment, if any.

Lease hold land, building, plant and machinery and electric installations are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses, if any. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the balance sheet date. Any revaluation increase arising on the revaluation of such assets is credited in 'Surplus on Revaluation of Property, Plant and Equipment'. A decrease in the carrying amount arising on revaluation is charged to profit and loss account to the extent that it exceeds the balance, if any, held in the surplus on revaluation of property, plant and equipment relating to a previous revaluation of that asset.

The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profit.

Depreciation is charged to income applying the reducing balance method at the rates specified in the note 11. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month of disposal.

Assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account during the financial year in which they are incurred.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Capital work-in-progress

Capital work-in-progress (CWIP) is stated at cost less any impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. Expenditures include borrowing costs as referred to in note 2.4.2. These are transferred to specific assets as and when assets are ready for their intended use.

2.4.6 Intangibles assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

Intangible asset with a finite useful life is amortised on a straight line basis over its useful life. Amortisation charge on all additions in intangible assets is recognised in profit and loss account from the month in which the asset is available for use and on disposals upto the month of disposal.

2.4.7 Investments

Regular way purchase or sale of investments

All purchases and sales of investments are recognised using settlement date accounting. Settlement date is the date that the investments are delivered to or by the Company.

Available for sale

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised directly in the equity under fair value reserve until sold or otherwise disposed off or determined to be impaired at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account for the period.

The fair value is determined on the basis of year-end market rates quoted in Karachi Stock Exchange on last working day of the accounting year.

Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction cost and are subsequently carried at amortized cost using effective interest rate method, less any impairment losses.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.4.8 Investment in associates

Associates are entities over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investment in associates is accounted for using equity basis of accounting, under which the investment in associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of net assets of the associate after the date of acquisition.

The Company's share of profit or loss of the associate is recognised in the Company's profit or loss. Distributions received from associate received reduce the carrying amount of the investment. Adjustment to the carrying amount are also made for changes in the Company's proportionate interest in the associate arising from changes in the associates' other comprehensive income or equity that have not been recognised in the associate's profit or loss. The Company's share of those changes is recognised in other comprehensive income or equity of the Company as appropriate.

2.4.9 Stores, spares and loose tools

These are valued at cost. The cost is determined on moving average basis less allowance for obsolete and slow moving items. Stores and spares in transit are stated at invoice values plus other charges incurred thereon upto balance sheet date.

2.4.10 Stock-in-trade

These are valued at lower of cost and net realizable value applying the following basis:

- Raw material - at moving average cost.
- Material in transit - at cost accumulated upto the date of balance sheet.
- Work-in-process - at average manufacturing cost.
- Finished goods - at average manufacturing cost.
- Waste - at net realizable value.

Upto June 30, 2012, the Company used to value stock in trade - raw material on weighted average cost. Had there been no change in the accounting policy, the closing value of stock in trade as at year end would have been higher by Rs. 1.39 million.

Average manufacturing cost signifies, in relation to work in process and finished goods, the monthly average cost which consist of prime cost and appropriate manufacturing overheads.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the estimated costs necessary to make the sale.

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognised. A reversal of NRV is recognised in profit and loss account.

2.4.11 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of the past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.4.12 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

2.4.13 Foreign currencies

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are included in profit and loss account.

2.4.14 Financial Instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

2.4.15 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.4.16 Impairment

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principle payments, the probability that they will enter bankruptcy or other financial reorganization and where observable that indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and inventories may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customers' orders where risks and rewards are transferred to a customer.
- Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the applicable effective interest rate.
- Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.4.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value, and short-term running finance.

2.4.19 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to Company or not.

2.4.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved for distribution to shareholders.

2.4.21 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

2.4.22 Critical judgments and accounting estimates in applying the accounting policies

In the process of applying the Company's accounting policies, the management has not identified any area where significant judgments have been exercised which have material impact on the financial statements, except as mentioned below. Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year. The Company has used significant judgment and estimates in the following areas:

- Impairment in property, plant and equipment.
- Useful life of property, plant and equipment
- Useful life of intangible assets.
- Provision for tax and deferred tax.
- Net realisable value of stock-in-trade.
- Staff retirement benefits

3. SHARE CAPITAL

2013	2012		2013	2012
Number of Shares			.... Rupees	
		Authorised		
1,000,000	1,000,000	Ordinary shares of Rs.10/- each	**10,000,000**	10,000,000
		Issued, subscribed and paid-up capital		
500,000	500,000	Ordinary shares of Rs. 10 each fully paid in cash	**5,000,000**	5,000,000
500,000	500,000		**5,000,000**	5,000,000

3.1 There were no movements during the reporting year.

3.2 The Company has one class of ordinary shares which carry no right to fixed income. The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets

3.3 The Company has no reserved shares for issuance under options and sales contracts.

4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

This represents surplus over book value resulting from the revaluation of free hold land, buildings, plant and machinery and electric installations of both own assets and company's share in investment in associates.

	Note	Own assets	Company's share in investment in associate's	2013 Total	2012
				.... Rupees	
Balance at July 1, 2012		**388,643,078**	**137,883,892**	**526,526,970**	381,851,728
Increase arising on revaluation of property, plant and equipment carried out at year end		**-**	**-**	**-**	158,607,454
Initial recognition of Tata shares		**-**	**23,817,494**	**23,817,494**	
Transferred to unappropriated profit on account of:					
- incremental depreciation		**(14,667,581)**	**(3,768,673)**	**(18,436,254)**	(12,149,778)
- disposal of property, plant and equipment		**(1,693,155)**	**(5,538,655)**	**(7,231,810)**	(412,119)
Related deferred tax liability		**(1,235,238)**	**(1,034,148)**	**(2,269,386)**	(1,370,314)
		(17,595,974)	**(10,341,476)**	**(27,937,450)**	(13,932,212)
Balance at June 30, 2013		**371,047,104**	**151,359,910**	**522,407,014**	526,526,970
Related deferred tax liability					
Opening balance		**31,334,389**	**6,092,302**	**37,426,691**	45,109,961
Adjustment due to income subject to FTR	4.1	**(7,897,807)**	**(2,737,341)**	**(10,635,148)**	(19,441,371)
Change in tax rate		**(898,938)**	**(335,452)**	**(1,234,390)**	
On initial recognition of Tata shares		**-**	**2,381,749**	**2,381,739**	
Transferred to profit and loss account on account of:					
- incremental depreciation		**(1,107,403)**	**(418,741)**	**(1,526,144)**	(1,305,521)
- disposal		**(127,835)**	**(615,406)**	**(743,241)**	(64,795)
Surplus arising on revaluation of property, plant and equipment		**-**	**-**	**-**	13,128,416
Closing balance		**(21,302,406)**	**(4,367,111)**	**(25,669,507)**	(37,426,690)
Derecognition of associate's share of surplus on revaluation of property, plant and equipment		**-**	**(19,290,940)**	**(19,290,940)**	-
- net of deferred tax		**349,744,698**	**127,701,859**	**477,446,567**	489,100,280

4.1 This represents the reversal of opening deferred tax liability balance due to the revision of deferred tax rate from 9.76 % to 7.02% to incorporate the effect of charge in proportion of export sales and local sales which fall under Final Tax Regime (FTR).

		Note	2013	2012
			.... Rupees	
5.	**DEFERRED LIABILITIES**			
	Staff gratuity	5.1	**20,227,270**	17,551,549
	Compensated absences		**823,599**	747,298
	Deferred taxation	5.2	**66,092,548**	73,515,180
			87,143,417	91,814,027
5.1	**Staff gratuity**			
	Workmen - Defined benefit plan	5.1.1	**4,065,077**	4,387,767
	Non-workmen - Other staff retirement benefits	5.1.2	**16,162,193**	13,163,782
			20,227,270	17,551,549
5.1.1	**Workmen - Defined benefit plan**			
	Liability recognised in the balance sheet			
	Present value of defined benefit obligation		**8,998,070**	8,253,855
	Unrecognised actuarial loss		**(4,932,993)**	(3,866,088)
			4,065,077	4,387,767
	Expense recognised in the profit and loss account			
	Current service cost		**3,636,053**	2,840,251
	Interest cost		**718,301**	778,443
	Actuarial loss recognised		**337,856**	272,450
			4,692,210	3,891,144
	Present value of the defined benefit obligation			
	Opening defined benefit obligation		**8,253,855**	7,181,359
	Current service cost		**3,636,053**	2,840,251
	Interest cost		**718,301**	778,443
	Actuarial losses		**1,404,761**	695,902
	Benefits paid		**(5,014,900)**	(3,242,100)
	Closing defined benefit obligation		**8,998,070**	8,253,855
	Movement in defined benefit plan			
	Opening balance		**4,387,767**	3,738,723
	Charge for the year		**4,692,210**	3,891,144
	Paid during the year		**(5,014,900)**	(3,242,100)
	Closing Balance		**4,065,077**	4,387,767
	The principal assumptions used in the valuation of gratuity (Workmen - Defined benefit plan) are as follows:		**2013**	2012
	Discount rate (% per annum)		**11.5**	12.5
	Expected rate of salary increase (% per annum)		**11.5**	12.5

Amounts for the current and previous four years are as follows:

	2013	2012	2011	2010	2009
	...... Rupees				
Defined benefit obligation	4,065,077	4,387,767	3,738,723	2,595,247	2,106,541
Experience adjustments on obligation and plan assets					
Present value of obligation	8,998,070	8,253,855	7,181,359	5,446,984	4,909,992
Actuarial losses on obligation	1,404,761	695,902	800,630	240,990	1,113,631

5.1.2 There is no plan assets against defined benefit obligation.

	Note	2013	2012
		...... Rupees	
5.1.3 Non-workmen - Other staff retirement benefits			
Opening balance		**13,163,782**	9,547,460
Charge for the year		**4,059,151**	4,417,955
Paid during the year		**(1,060,740)**	(801,633)
		16,162,193	13,163,782

5.2 Deferred taxation

Movement for the year ended June 30, 2013

	Opening Balance	Deferred tax recognised in Profit & Loss Account	Deferred tax recognised in Other Comprehensive Income	Deferred tax recognised in Surplus on revaluation of Assets	Closing Balance
	...... Rupees				
Deferred tax liabilities on taxable temporary differences arising in respect of :					
- Property, plant and equipment	**19,705,314**	**(2,381,731)**	**-**	**-**	**17,323,583**
- Investment in associate	**24,136,437**	**4,183,457**	**480**	**579,732**	**28,900,106**
- Surplus on revaluation of property, plant and equipment	**31,334,389**	**(1,235,238)**	**-**	**(8,796,745)**	**21,302,406**
- Unrealised gain on forward contracts	**51,818**	**(51,818)**	**-**	**-**	**-**
	75,227,958	**514,670**	**480**	**(8,217,013)**	**67,526,095**
Deferred tax assets on deductible temporary differences arising in respect of :					
- Staff gratuity	**(1,712,778)**	**293,535**	**-**	**-**	**(1,419,243)**
- Stock-in-trade NRV write down	**-**	**(14,304)**	**-**	**-**	**(14,304)**
	73,515,180	**793,901**	**480**	**(8,217,013)**	**66,092,548**
Movement for the year ended June 30, 2012	72,931,943	(1,656,065)	1,049	2,238,253	73,515,180

	Note	2013	2012
		.... Rupees	
6. LONG TERM FINANCES			
From banking company - secured			
Term finance	6.1	**104,163,518**	-
Less: Current portion		**(19,530,660)**	-
		84,632,858	-

6.1 This finance was obtained from a banking company which is secured against first exclusive charge on entire fixed assets (Land, building, plant and machinery) of the Company. It is subject to mark-up at the rate of 6 months' KIBOR plus 1 % per annum. The finance is repayable in 05 years, including 01 year grace period for principal repayment. Markup is to be paid on quarterly basis during grace period and principal shall be paid in equal quarterly installments. It is obtained to finance balancing, modernisation, rehabilitation and expansion of existing setup and the unavailed facility as at June 30, 2013 is Rs. 0.836 million.

	Note	2013	2012
		.... Rupees	
7. TRADE AND OTHER PAYABLES			
Creditors		**7,394,888**	23,114,427
Accrued liabilities	7.1 & 7.2	**150,733,143**	155,620,012
Advance from customers		**43,508**	8,068,396
Workers' Profit Participation Fund	7.3	**16,378,661**	9,938,937
Workers' Welfare Fund	7.4	**25,011,841**	18,460,377
Unclaimed dividend		**815,100**	689,083
Withholding income tax		**353,143**	362,928
Other liabilities		**2,359**	167,412
		200,732,643	216,421,572

7.1 This includes Rs. 65.65 million and Rs. Nil (2012: Rs. 47.02 million and Rs. 11.27 million) payable to associated undertakings in respect of power charges and capital expenditure respectively.

7.2 This include Rs. 30.48 million provision for Sindh Development and Infrastructure Fee and Duty which was levied by the Excise and Tax Department on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was initially challenged by the Company along with other companies in the High Court of Sindh after which several proceedings were held. Currently the petition is filed in the High Court and through the interim order passed on May 31, 2011 the High Court of Sindh has ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure fee should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. The management is confident for a favorable outcome however, as a matter of prudence Company has paid Rs. 30.48 million (50%) of the value of infrastructure fee in cash and recorded liability for the remaining amount which is supported by a bank guarantee.

		Note	2013	2012
			.... Rupees	
7.3	**Workers' Profit Participation Fund**			
	Opening balance		**9,938,937**	21,841,178
	Allocation during the year		**16,378,661**	9,938,937
	Interest on funds utilized in the Company's business	7.3.1	**3,533,088**	6,691,099
			29,850,686	38,471,214
	Amount paid to the fund		**(13,472,025)**	(28,532,277)
	Closing balance		**16,378,661**	9,938,937

7.3.1 Interest on funds is charged @ 75%

7.4 Workers' Welfare Fund

The amendments introduced in the Worker's Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) was challenged by the Company with several other companies in the Sindh High Court (the Court). During the year, the Court has decided the said petitions and held that the amendments do not suffer from any constitutional or legal infirmity.

		Note	2013	2012
			.... Rupees	
8.	**ACCRUED INTEREST / MARK-UP ON BORROWINGS**			
	Long-term finance		**2,810,071**	-
	Short-term borrowings		**105,593**	115,761
			2,915,664	115,761
9.	**SHORT-TERM BORROWINGS**			
	From banking companies- secured			
	Finance against import / export		**-**	16,584,187

9.1 The unavailed short term finance facility amounted to Rs. 1,890 million (2012: Rs. 928 million). The finance carry markup at the rate of 3 month average 3% inclusive of LIBOR.

		Note	2013	2012
10.	**CONTINGENCIES AND COMMITMENTS**			
	Contingencies			
	Labour and workmen compensation cases in court of law		**1,447,124**	1,257,084
	Commitments			
	Letters of credit			
	-Raw material		**56,214,936**	101,812,629
	-Stores and spares		**2,661,284**	-
	Bank guarantees	10.1	**38,171,100**	34,671,100
	Bills discounted		**109,424,583**	295,294,572
	Outstanding sales contracts		**8,933,834**	45,723,930
	Forward contracts		**-**	52,231,000

10.1 This include bank guarantee related infrastructure cess amounting to Rs. 30.485 million (2012: Rs. 25.87 million).

11. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		---- Rupees ----	
Operating assets	11.1	776,805,190	693,588,059
Capital work-in-progress	11.5	41,830,422	22,356,740
		818,635,612	715,944,799

11.1 Operating assets

Particulars	Cost / revaluation at July 01, 2012	Additions during the year	Disposals during the year	Cost / revaluation at June 30, 2013	Accumulated depreciation and impairment at July 01, 2012	Depreciation for the year	Accumulated depreciation on disposals	Accumulated depreciation and impairment at June 30, 2013	Written down value at June 30, 2013	Rate %
	----Rupees----									
Land - leasehold	68,650,000	-	-	68,650,000	-	-	-	-	68,650,000	-
Building on leasehold land										
Mills	104,458,532	-	-	104,458,532	-	5,222,927	-	5,222,927	99,235,605	5
Other	65,071,890	-	-	65,071,890	-	3,253,594	-	3,253,594	61,818,296	5
Office premises	791,365	-	-	791,365	561,653	22,971	-	584,624	206,741	10
Plant and machinery	421,124,437	112,905,727	(11,655,407)	522,374,757	-	23,915,591	(327,876)	23,587,715	498,787,042	5
Electric installations	17,867,908	-	-	17,867,908	13,353,686	457,211	-	13,810,897	4,057,011	10
Mills equipment	6,526,467	-	-	6,526,467	2,430,864	481,491	-	2,912,355	3,614,112	10
Computer equipment	4,435,164	1,673,775	-	6,108,939	2,512,392	823,556	-	3,335,948	2,772,991	30
Furniture and fixtures	5,185,786	792,889	-	5,978,675	683,738	491,394	-	1,175,132	4,803,543	10
Office equipment	3,339,485	-	-	3,339,485	63,946	328,542	-	392,488	2,946,997	10
Leasehold improvements	11,266,700	-	-	11,266,700	93,889	1,117,295	-	1,211,184	10,055,516	10
Vehicles	11,339,026	18,284,647	-	29,623,673	6,768,533	2,997,804	-	9,766,337	19,857,336	20
June 30, 2013	720,056,760	133,657,038	(11,655,407)	842,058,391	26,468,701	39,112,376	(327,876)	65,253,201	776,805,190	

For comparative period

Particulars	Cost/ revaluation at July 01, 2011	Additions during the year	Disposals during the year	Adjustment of accumulated depreciation	Revaluation surplus during the year	Cost/ revaluation at June 30, 2012	Accumulated depreciation and impairment at July 01, 2011	Depreciation for the year	Accumulated depreciation on disposals	Adjustment of accumulated depreciation	Accumulated depreciation and impairment at June 30, 2012	Written down value at June 30, 2012	Rate %
	Rupees												
Land - leasehold	44,555,000	-	-	-	24,095,000	68,650,000	-	-	-	-	-	68,650,000	-
Building on leasehold land													
Mills	124,244,869	-	-	(22,120,258)	2,333,921	104,458,532	16,745,279	5,374,979	-	(22,120,258)	-	104,458,532	5
Other	47,800,281	-	-	(8,361,400)	25,633,009	65,071,890	6,285,669	2,075,731	-	(8,361,400)	-	65,071,890	5
Office premises	791,365	-	-	-	-	791,365	536,129	25,524	-	-	561,653	229,712	10
Plant and machinery	377,147,263	7,924,892	(277,267)	(70,215,975)	106,545,524	421,124,437	54,054,308	16,297,882	(136,215)	(70,215,975)	-	421,124,437	5
Electric installations	18,243,088	-	(375,180)	-	-	17,867,908	13,227,286	501,580	(375,180)	-	13,353,686	4,514,222	10
Mills equipment	8,475,726	141,747	(2,091,006)	-	-	6,526,467	4,024,771	464,077	(2,057,984)	-	2,430,864	4,095,603	10
Computer equipment	4,584,099	1,215,671	(1,364,606)	-	-	4,435,164	3,321,991	555,007	(1,364,606)	-	2,512,392	1,922,772	30
Furniture and fixtures	2,278,241	3,956,065	(1,048,520)	-	-	5,185,786	1,634,963	97,295	(1,048,520)	-	683,738	4,502,048	10
Office equipment	780,020	3,184,585	(625,120)	-	-	3,339,485	661,666	27,400	(625,120)	-	63,946	3,275,539	10
Leasehold improvements	783,577	11,266,700	(783,577)	-	-	11,266,700	783,577	93,889	(783,577)	-	93,889	11,172,811	10
Vehicles	11,702,036	1,546,015	(1,909,025)	-	-	11,339,026	6,988,936	1,123,573	(1,343,976)	-	6,768,533	4,570,493	20
June 30, 2012	641,385,565	29,235,675	(8,474,301)	(100,697,633)	158,607,454	720,056,760	108,264,575	26,636,937	(7,735,178)	(100,697,633)	26,468,701	693,588,059	

		Note	2013	2012
			.... Rupees	
11.2	**Depreciation for the year has been allocated as under:**			
	Cost of goods manufactured	22.1	**34,638,606**	25,442,737
	Administration expenses	24	**4,473,770**	1,194,200
			39,112,376	26,636,937

11.3 Had there been no revaluation the related figures of freehold land, buildings on freehold land, plant and machinery and electric installations at June 30, 2013 would have been as follows :

	2013			2012		
	Cost	Accumulated Depreciation	Writen down value	Cost	Accumulated Depreciation	Writen down value
	.... Rupees					
Land - leasehold	**1,056,000**	**-**	**1,056,000**	1,056,000	-	1,056,000
Building on leasehold land						
Mills	**62,835,158**	**30,469,971**	**32,365,187**	62,835,158	28,766,540	34,068,618
Others	**28,796,427**	**10,402,145**	**18,394,282**	28,796,427	9,434,025	19,362,402
Plant and machinery	**508,230,340**	**202,008,930**	**306,221,410**	411,907,405	195,067,283	216,840,122
Electric installations	**16,051,961**	**12,587,989**	**3,463,972**	16,051,961	12,203,103	3,848,858
	616,969,886	**255,469,035**	**361,500,851**	520,646,951	245,470,951	275,176,000

Revaluation of free hold land, building and plant and machinery had been carried out on September 30, 2003, June 30, 2008 and June 30, 2012 while revaluation of electric installations had been carried out on September 30, 2003.Revaluations were conducted by the independent professional valuers M/s. Iqbal A. Nanjee & Co. on the basis of market value or depreciated replacement values as applicable. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment account to comply with the requirement of Section 235 of the Companies Ordinance, 1984.

11.4 **Disposal of property, plant and equipment - by negotiation**
Following assets were disposed off during the year:

Particulars	Cost / Revalued	Accumulated Depreciation	Written down Value	Sale Proceeds	Particulars of buyers
	.... Rupees				
Plant & Machinery	7,075,000	206,355	6,868,645	6,961,211	Javed Enterprises P-1024, St No. 13, Bazar 30 Feet, Nishatabad, Faisalabad.
Plant & Machinery	1,400,000	40,833	1,359,167	1,700,000	Fag Textiles 245-Rb, Abbaspur, New Green Market, Faisalabad
Plant & Machinery	1,360,407	68,020	1,292,387	1,350,000	Salfi Textile Mills Limited 6th floor Textile Plaza, M.A Jinnah Road Karachi.
Plant & Machinery	1,220,000	10,167	1,209,833	1,300,000	Stallion Textiles (Private) Limited Suit No. 4 Plot # 41-C Badar Commercial Street 7A Ph-V DHA, Karachi.
Plant &Machinery	225,000	938	224,062	214,957	Rastgar & Company (Private) Limited 10-A, Hasan Homes, Block 5, Kehkashan, Clifton , Karachi.
Plant & Machinery	225,000	938	224,062	214,956	Rastgar & Company (Private) Limited 10-A, Hasan Homes, Block 5, Kehkashan, Clifton , Karachi.
Plant & Machinery	150,000	625	149,375	200,000	Al-Ahmed Textile Mills Limited Room # 305 3rd floor Anum empire Zcc-1 Block 7/8 KCHS Karachi.
June 30, 2013	**11,655,407**	**327,876**	**11,327,531**	**11,941,124**	
June 30, 2012	8,474,301	7,735,178	739,123	1,515,406	

	Note	2013	2012
		.... Rupees	
11.5 Capital work-in-progress			
Civil work		**39,710,570**	19,032,672
Capital inventory items		**2,119,852**	3,324,068
		41,830,422	22,356,740

	Note	2013	2012
12. INTANGIBLES ASSETS			
License Fee	12.1	352,762	446,832
ERP software	12.1	3,841,667	-
Capital work in progress		-	3,552,084
		4,194,429	3,998,916

12.1 License fee & ERP software

	COST			AMORTIZATION				
	As at July 01, 2012	Addtions	As at June 30, 2013	As at July 01, 2012	Charge for the year	As at June 30, 2013	Book value ast at June 30, 2013	Rate of Amorization
	....	....	....	....	Rupees	....	....	....
License fee	470,350	-	470,350	23,518	94,070	117,588	352,762	20%
ERP software	-	4,802,084	4,802,084	-	960,417	960,417	3,841,667	20%
	470,350	**4,802,084**	**5,272,434**	**23,518**	**1,054,487**	**1,078,005**	**4,194,429**	

For comparative period

	COST			AMORTIZATION				
	As at July 01, 2011	Addtions	As at June 30, 2012	As at July 01, 2011	Charge for the year	As at June 30, 2012	Book value ast at June 30, 2012	Rate of Amorization
	....	....	....	....	Rupees	....	....	....
License fee	-	470,350	470,350	-	23,518	23,518	446,832	20%

13. LONG-TERM INVESTMENTS

Investment in associates - on equity method.

	Salfi Textile Mills Limited 2013	Tata Textile Mills Limited 2013	Total 2013	2012
Opening balance	**243,362,517**	**-**	**243,362,517**	218,701,010
Share of profit of associate - net of tax	**39,444,234**	**2,745,669**	**42,189,903**	17,198,606
Dividend received	**(1,098,900)**	**-**	**(1,098,900)**	(1,098,900)
Share of unrealized loss on remeasurement of investment available-for-sale - net of tax	**4,799**	**-**	**4,799**	10,593
Share of adjustment in deferred tax due to income subject to FTR	**2,898,590**	**142,900**	**3,041,490**	5,305,211
Normal tax rate	**361,383**	**11,341**	**372,724**	-
Derecognition of investment as specie dividend	**(54,600,137)**	**-**	**(54,600,137)**	-
Initial investment				
- Share of Surplus on revaluation	**-**	**23,817,494**	**23,817,494**	-
- Share of equity excluding Surplus on revaluation	**-**	**33,909,334**	**33,909,334**	-
Share of revaluation surplus - net of tax	**-**	-	-	3,245,997
	(12,990,031)	**60,626,738**	**47,636,707**	24,661,507
Closing balance	**230,372,486**	**60,626,738**	**290,999,224**	243,362,517

13.1 During the year, Salfi Textile Mills Limited (STML) an associated undertaking has distributed it investment in Tata Textile Mills Limited (TTML) as a specie dividend. The Company has received 434,798 shares of TTML on June 19, 2013 in the ratio of 1,187 shares of TTML against 1,000 shares in STML which is recognized as investment in associate on equity method.

	2013	2012
Salfi Textile Mills Limited		
Number of shares held	**366,300**	366,300
Cost of investment (Rupees)	**1,998,000**	1,998,000
Ownership interest	**10.96%**	10.96%
Market value of investment (Rupees)	**62,029,242**	67,270,000
Tata Textile Mills Limited		
Number of shares held	**434,798**	-
Cost of investment (Rupees)	**-**	-
Ownership interest	**2.51%**	-
Market value of investment (Rupees)	**13,478,738**	-

		Note	2013	2012
			.... Rupees	
13.2	Summarized financial highlights are as follows:			
	Salfi Textile Mills Limited			
	Total assets		**3,901,454,201**	3,543,198,374
	Total liabilities		**1,805,608,897**	1,700,044,398
	Sales		**3,925,774,310**	3,927,483,179
	Profit for the year		**359,892,649**	156,921,640
	Tata Textile Mills Limited			
	Total assets		**4,429,902,674**	-
	Total liabilities		**2,014,494,739**	-
	Sales		**4,615,713,114**	-
	Profit for the year		**328,504,223**	-
14.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores and spares		**14,227,618**	23,664,231
	Loose tools		**34,433**	111,424
			14,262,051	23,775,655
15.	**STOCK-IN-TRADE**			
	Raw material	15.1	**286,720,592**	236,368,562
	Work-in-process		**16,059,655**	10,483,522
	Finished goods		**43,699,244**	18,293,724
	Waste		**3,894,349**	5,901,311
		15.2	**350,373,840**	271,047,119

15.1 It includes raw material in transit amounting to Rs. Nil (2012: 27 million).

15.2 Net realizable values of finished goods were lower than its cost, which resulted in write-downs of Rs. 203,867 (2012: Rs. Nil) and were charged to cost of sales.

		Note	2013	2012
			.... Rupees	
16.	**TRADE DEBTS - considered good**			
	Local - unsecured		166,870,420	153,534,562
	Export - secured	16.1	6,380,084	6,825,870
			173,250,504	160,360,432

16.1 These are secured against letters of credit in favour of the Company.

16.2 Trade debts are non-interest bearing and are generally on 7 to 120 days terms.

16.3 Trade debts include debtors with a carrying amount of Rs. 160.2 million (2012: Rs. 116.13 million) which are past due at the reporting date for which the Company has not made any provision for doubtful recovery as there has not been a significant change in credit quality and the amounts are still considered recoverable.

		Note	2013	2012
			.... Rupees	
16.4	**Ageing of past due but not impaired**			
	1-30 days		**124,357,169**	87,737,194
	31-90 days		**25,365,124**	20,824,342
	91-120 days		**1,279,623**	1,466,108
	121 days and above		**9,213,157**	6,103,236
			160,215,073	116,130,880
17.	**LOANS AND ADVANCES**			
	Due from employees		**3,331,958**	2,982,580
	Advance to suppliers		**3,119,037**	1,144,627
	Advance income tax		**59,692,579**	51,397,380
	Advance against letters of credit		**331,552**	440,634
			66,475,126	55,965,221
18.	**OTHER RECEIVABLES - considered good**			
	Insurance claim receivable		**-**	4,022,017
	Others		**335,261**	983,629
			335,261	5,005,646
19.	**OTHER FINANCIAL ASSETS**			
	Investment			
	- Available for sale	19.1	**277,548,108**	150,245,796
	- Held-to-maturity	19.2	**8,241,025**	7,541,025
	Unrealised gain on revaluation of forward contract		**-**	531,000
			285,789,133	158,317,821

19.1 Available for sale

Unless stated otherwise, the holdings are in the fully paid units of Rs 10 each.

2013	2012			
Number of units		Name of fund		
13,689,498	14,987,560	ABL Cash Fund	**137,000,391**	150,245,796
14,049,573	-	ABL Government Securities Fund-B	**140,547,717**	-
			277,548,108	150,245,796

19.2.1 Unrealized gain on changes in fair value of available for sale investments

Weighted average cost of investments	**262,000,000**	150,000,000
Change in fair value of available for sale investments	**15,548,108**	245,796
Market value of investments	**277,548,108**	150,245,796

19.2 This represent term deposit receipts held for a period of 6 months carry a return ranging from of 6.5% to 9.5% per annum (2012: 11% per annum).

	Note	2013	2012
		.... Rupees	
20. CASH AND BANK BALANCES			
Cash at bank			
In current accounts		**51,547,292**	18,917,833
In savings accounts	20.1	**33,393,126**	2,073,732
		84,940,418	20,991,565
Cash in hand		**287,002**	632,622
		85,227,420	21,624,187

20.1 This represents the amount held in savings accounts with the banks carry the markup rate ranges between 6% to 7% (2012: 5% to 7%) per annum.

	Note	2013	2012
		.... Rupees	
21. SALES - net			
Export			
-Yarn		**432,764,873**	487,451,418
-Yarn (indirect export)		**1,236,887,652**	1,139,962,335
		1,669,652,525	1,627,413,753
Local			
- Yarn		**527,907,754**	556,394,955
- Raw material		**9,909,096**	181,650
- Waste		**11,514,706**	9,815,178
		549,331,556	566,391,783
		2,218,984,081	2,193,805,536
Less: Discount		**-**	(11,400)
		2,218,984,081	2,193,794,136
22. COST OF GOODS SOLD			
Cost of goods manufactured	22.1	**1,740,593,229**	1,690,979,952
Finished goods			
Opening stock		**24,195,035**	209,162,582
Closing stock		**(47,593,593)**	(24,195,035)
		(23,398,558)	184,967,547
Cost of manufactured goods		**1,717,194,671**	**1,875,947,499**
Cost of raw material sold		**8,013,512**	162,218
		1,725,208,183	1,876,109,717

		Note	2013	2012
			.... Rupees	
22.1	**Cost of goods manufactured**			
	Raw material consumed	22.1.1	**1,355,552,085**	1,364,438,669
	Stores and spares consumed		**37,363,503**	30,149,077
	Packing material consumed		**25,289,095**	24,797,091
	Fuel and power		**160,680,822**	130,670,892
	Salaries, wages and benefits	22.1.2	**117,111,864**	96,729,706
	Depreciation	11.2	**34,638,606**	25,442,737
	Insurance		**4,527,603**	3,677,342
	Repairs and maintenance		**2,910,900**	1,636,413
	Other overheads		**8,094,884**	5,527,508
			1,746,169,362	1,683,069,435
	Work-in-process			
	Opening stock		**10,483,522**	22,416,056
	Stock destroyed by fire		**-**	(4,022,017)
	Closing stock	15	**(16,059,655)**	(10,483,522)
			(5,576,133)	7,910,517
			1,740,593,229	1,690,979,952

		Note	2013	2012
22.1.1	**Raw material consumed**			
	Opening stock		**209,367,030**	195,676,917
	Purchases - net		**1,432,905,647**	1,378,128,782
			1,642,272,677	1,573,805,699
	Closing stock	15	**(286,720,592)**	(209,367,030)
			1,355,552,085	1,364,438,669

22.1.2 Salaries, wages and benefits include Rs. 7.0 million (2012: Rs. 6.68 million) in respect of staff retirement benefits.

		Note	2013	2012
23.	**DISTRIBUTION COST**			
	Brokerage and commission		**51,879,111**	25,453,648
	Export expenses		**15,476,468**	15,883,567
	Local freight and handling		**8,560,209**	6,945,754
	Sea freight		**4,082,756**	6,294,620
	Salaries and benefits	23.1	**2,810,520**	1,777,731
			82,809,064	56,355,320

23.1 Salaries & benefits include Rs. 0.219 million (2012: Rs. 0.136 million) in respect of the staff retirement benefits.

		Note	2013	2012
			.... Rupees	
24.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits	24.1	**20,265,908**	15,941,583
	Travelling and conveyance		**5,288,373**	4,774,979
	Directors' remuneration		**4,801,250**	4,260,000
	Depreciation	11.2	**4,473,770**	1,194,200
	Rent		**2,863,140**	-
	Electricity and gas		**2,515,551**	1,874,129
	Charity and donation	24.3	**2,460,500**	1,645,000
	Fees and subscription		**2,379,222**	2,173,317
	Auditors' remuneration	24.2	**1,200,000**	840,000
	Printing and stationery		**1,186,444**	654,292
	Amortisation	12.1	**1,054,487**	23,518
	Vehicles running and maintenance		**788,919**	273,000
	Postage and telephone		**784,163**	877,994
	Legal and professional		**733,489**	1,701,840
	Repairs and maintenance		**515,869**	664,054
	Insurance		**419,069**	279,607
	Entertainment		**233,565**	713,090
	Advertisement		**48,000**	12,000
	Others		**161,721**	81,367
			52,173,440	37,983,970

24.1 Salaries and benefits include Rs. 1.53 million (2012: Rs. 1.48 million) in respect of the staff retirement benefits.

		2013	2012
24.2	**Auditors' remuneration**		
	Audit fee	**650,000**	500,000
	Other remuneration as auditor		
	- Half yearly review fee	**75,000**	40,000
	- Other services	**430,000**	300,000
	- COGC review	**25,000**	-
	- CDC certification fee	**20,000**	-
		1,200,000	840,000

24.3 None of the directors and their spouses had any interest in the donee's fund.

		2013	2012
25.	**OTHER OPERATING EXPENSES**		
	Workers' Welfare Fund	**6,551,464**	4,201,251
	Workers' Profit Participation Fund	**16,378,661**	9,938,937
	Exchange loss - net	**5,072,597**	8,782,543
		28,002,722	22,922,731

		Note	2013	2012
			.... Rupees	
26.	**FINANCE COST**			
	Interest / Mark-up on:			
	Long-term finance		**10,526,726**	-
	Short-term borrowings		**11,453,898**	14,688,385
	Workers' Profit Participation Fund	7.3	**3,533,088**	6,691,099
	Letters of credit discounting charges		**5,165,837**	8,747,870
	Bank charges and commission		**1,193,234**	1,002,746
			31,872,783	31,130,100
27.	**OTHER INCOME**			
	Income from financial assets			
	Profit on saving accounts		**790,418**	1,923,417
	Profit on term deposits		**788,100**	6,200,749
	Unrealized gain on forward contracts		**-**	531,000
	Gain on sale of investments		**8,364,125**	-
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment	27.1	**613,593**	776,283
			10,556,236	9,431,449
28.	**TAXATION**			
	Current			
	- for the year		**21,566,341**	22,710,608
	- for prior year		**(4,148,413)**	(2,682,719)
	Deferred			
	- for the year	5.2	**793,901**	(7,564,685)
	- for prior year		**-**	5,908,620
			18,211,829	18,371,824
28.1	**Relationship between tax expense and accounting profit**			
	Accounting profit - before tax		**385,573,362**	195,922,353
	Tax @ 35% (2012: 35%)		**134,950,677**	68,572,824
	Effect of:			
	Income subject to final tax regime / minimum tax		**(69,484,546)**	(35,713,126)
	Income chargeable to tax at reduced rates		**(26,744,623)**	(5,909,623)
	Effect of expenses that are not deductible		**(5,070,734)**	(5,895,532)
	Income tax for prior years		**(4,148,413)**	(2,682,719)
	Tax credit		**(11,290,573)**	-
			18,211,788	18,371,824

29. EARNINGS PER SHARE - BASIC AND DILUTED

		2013	2012
There is no dilutive effect on the basic earnings per share of the Company which is based on:			
Profit for the year	**Rs.**	**367,361,533**	177,550,529
Weighted average number of ordinary shares outstanding during the year		**500,000**	500,000
Earnings per share	**Rs.**	**734.72**	355.10

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013				2012			
	Chief Executive	Directors Executive	Directors Non-Executive	Executives	Chief Executive	Directors Executive	Directors Non-Executive	Executives
	Rupees							
Meeting fee	**20,000**	**25,000**	**80,000**	**-**	9,000	24,000	29,000	-
Managerial remuneration	**3,018,250**	**1,783,000**	**-**	**11,908,101**	2,700,000	1,560,000	-	10,738,944
Bonus / Ex-gratia	**251,521**	**148,583**	**-**	**990,691**	225,000	130,000	-	697,561
Retirement benefits	**251,521**	**148,583**	**-**	**917,691**	225,000	130,000	-	807,364
Leave encashment	**-**	**-**	**-**	**495,346**	-	-	-	440,182
	3,541,292	**2,105,167**	**80,000**	**14,311,829**	3,159,000	1,844,000	29,000	12,684,051
No. of persons	**1**	**2**	**4**	**8**	1	3	3	9

30.1 The Chief Executive, Executive Directors, and Executive are also entitled for use of car owned and maintained by the Company.

31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables. Remuneration of key management personnel is disclosed in note 30 and amount due in respect of staff retirement benefits is disclosed in note 5. Other significant transactions with related parties are as follows:

Relationship with party	Nature of transactions	Note	2013	2012
			Rupees	
Associated undertakings	Purchase of power		**155,439,985**	129,685,034
	Share of expenses received		**818,442**	2,502,580
	Share of expenses paid		**1,393,076**	1,045,055
	Dividend received			
	-Cash		**1,098,900**	1,098,900
	-Specie	13	**57,726,828**	-
	Share of capital expenditure			
	- Office renovation		**-**	11,266,685
	Sale of property, plant and equipment		**1,350,000**	-
Directors	Godown rent		**600,000**	600,000
	Office rent		**2,863,140**	-
Other	Workers' Profit Participation Fund paid			
	-Island Textile Mills Limited, Workers' Participation Fund		**13,472,025**	28,532,277

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
Total number of spindles installed	**19,200**	19,200
Total number of spindles worked	**19,200**	19,200
Number of shifts per day	**3**	3
Installed capacity after conversion into 20/s count-kgs	**5,372,403**	5,372,403
Actual production of yarn after conversion into 20/s count-kgs	**7,723,906**	7,508,705

33. NUMBER OF EMPLOYEES	2013	2012
The total average number of employees during the year and as at June 30, 2013 and 2012 respectively are as follows:		
Average number of employees during the year	**710**	698
Number of employees as at June 30	**718**	702

34. FINANCIAL RISK MANAGMENT

34.1 The Company's principal financial liabilities, comprise long term financing, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade debts, loans and advances, other receivables, cash and bank balances and deposits that arrive directly from its operations. The Company also holds investment in associates.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

34.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 549.2 million (2012 : Rs. 348.6 million), the financial assets which are subject to credit risk amounted to Rs. 548.9 million (2012 : Rs. 348 million).

The Company is exposed to credit risk from its operating activities (primarily for trade debts and loans and advances) and from its investing activities, including deposits with banks and financial institutions and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows:

	Credit rating	
Name of bank	**Short-term**	**Long-term**
National Bank of Pakistan	A-1+	AAA
Soneri Bank Limited	A1+	AA-
Meezan Bank Limited	A1+	AA

34.2.1 Credit risk related to receivables

The Company has adopted a policy of only dealing with creditworthy counter parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

34.3 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. 18.8% of the Company's debt will mature in less than one year at June 30, 2013 (2012: 100%) based on the carrying value of borrowings reflected in the financial statements.

34.3.1 Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Interest rate %	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
		.... Rupees					
2013							
Trade and other payables		**-**	**158,988,998**	**-**	**-**	**-**	**158,988,998**
Short term borrowings		**-**	**-**	**-**		**-**	**-**
Accrued interest / mark-up on loans		**105,593**	**-**	**2,810,071**	**-**	**-**	**2,915,664**
Long term finance	3 months KIBOR plus 1% p.a	**-**	**6,510,220**	**13,020,440**	**84,632,858**	**-**	**104,163,518**
		105,593	**165,499,218**	**15,830,511**	**84,632,858**	**-**	**266,068,180**
2012							
Trade and other payables		-	187,659,330	-	-	-	187,659,330
Short term borrowings	3 months average 3% inclusive of LIBOR	-	16,584,187	-	-	-	16,584,187
Accrued interest / mark-up on loans		-	115,761	-	-	-	115,761
		-	204,359,278	-	-	-	204,359,278

34.4 Market risk management

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

34.4.1 Interest rate risk management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will effect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the company has to manage the related finance cost which exposes it to the risk of KIBOR. Since the impact on interest rate exposure is significant to the Company, management analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account other financing options available.

34.4.2 Interest rate sensitivity

If interest rates had been 100 basis points lower / higher and all other variables were held constant, the Company's profit for the year ended June 30, 2013 would increase / decrease by Rs. 0.428 million (2012: Rs. 0.17 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

34.4.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. Company is not exposed to foreign currency risk on assets and liabilities. As at June 30, 2013, financial assets include Rs. 13.84 million (2012: Rs. 15.16 million) and financial liabilities include Rs. 12.03 million (2012: Rs. 27.60 million) which are subject to foreign currency risk against US Dollars.

34.4.4 Foreign currency sensitivity analysis

At June 30, 2013, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs. 0.181 million (2012 : Rs. 1.24 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency bank balance, foreign currency trade debtors and US Dollar denominated borrowings.

34.4.5 Equity price risk management

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

34.5 Determination of fair value

Fair values of financials instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

34.6 Financial instruments by category

The accounting policies for financial instruments have been applied for line items below:

	Loans and Receivable	Held to maturity	Available for sale	Total
	....................Rupees....................			
Assets as per balance sheet - June 30, 2013				
Long-term deposits	**1,000,610**	**-**	**-**	**1,000,610**
Trade debts	**173,250,504**	**-**	**-**	**173,250,504**
Loans and advances	**3,331,958**	**-**	**-**	**3,331,958**
Other receivables	**335,261**	**-**	**-**	**335,261**
Cash and bank balances	**85,227,420**	**-**	**-**	**85,227,420**
Other financial assets	**-**	**8,241,025**	**277,548,108**	**285,789,133**
	263,145,753	**8,241,025**	**277,548,108**	**548,934,886**
Assets as per balance sheet - June 30, 2012				
Long-term deposits	324,610	-	-	324,610
Trade debts	160,360,432	-	-	160,360,432
Loans and advances	2,982,580	-	-	2,982,580
Other receivables	5,005,646	-	-	5,005,646
Cash and bank balances	21,624,187	-	-	21,624,187
Other financial assets	-	7,541,025	150,245,796	157,786,821
	190,297,455	7,541,025	150,245,796	348,084,276

	Financial Liabilities measured at Amortised cost	
	2013	2012
	.... Rupees	
Liabilities as per balance sheet		
Long term finance	**104,163,518**	-
Short-term borrowings	**-**	16,584,187
Trade and other payables	**158,988,998**	187,659,330
Accrued interest / mark-up on borrowings	**2,915,664**	115,761
	266,068,180	204,359,278

34.7 Fair value hierarchy

The fair values of the financial instruments have been analysed in various fair value levels as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Quoted equity securities	**277,548,108**	**-**	**8,241,025**	**285,789,133**
2013	**277,548,108**	**-**	**8,241,025**	**285,789,133**
Available-for-sale financial assets				
Quoted equity securities	150,245,796	-	7,541,025	157,786,821
2012	150,245,796	-	7,541,025	157,786,821

35. CAPITAL DISCLOSURE

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of shareholders' equity and surplus on revaluation of property, plant and equipment. Shareholders' equity consist of share capital, capital reserve and unappropriated profit. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged from 2012.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company's target is to achieve a normal return on capital.

The Company is not subject to any externally imposed capital requirements.

36. OPERATING SEGMENTS

Chief Executive considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis.

37. SUBSEQUENT EVENTS

The Board of Directors at their meeting held on September 16, 2013 have proposed a dividend of Rs.5 per share (2012: Rs. 10 per share) for the year ended June 30, 2013, amounting to Rs. 2.5 million (2012: Rs. 5 million), subject to the approval of members at the annual general meeting to be held on October 21, 2013.

38. NON CASH TRANSACTIONS

During the year, Salfi Textile Mills Limited (STML) an associated undertaking has distributed it investment in Tata Textile Mills Limited (TTML) as a specie dividend. The Company has received the shares of TTML in the ratio of 1,187 shares of TTML against 1,000 shares in STML.

39 RECLASSIFICATION

The corresponding figures have been reclassified for the purpose of better presentation.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on September 16, 2013.

41. GENERAL

Figures have been rounded off to the nearest rupee.

ADEEL SHAHID ANWAR
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

FORM OF PROXY
ISLAND TEXTILE MILLS LIMITED

I / We ____________________

of ____________________ being a member(s) of ISLAND TEXTILE MILLS LIMITED registered

at Folio No. ____________________ holder of ____________________

ordinary shares hereby appoint Mr./Mrs./Miss. ____________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 44th Annual General Meeting of the Company at 5th Floor Textile Plaza, M.A. Jinnah Road, Karachi on Monday, October 21, 2013 at 9:00 am or at any adjournment thereof.

As witness my/our hand this ____________________ day of 2013

signed by the said ____________________ in the presence of

1. Witness:

Signature ____________________

Name ____________________

Address ____________________

Affix Revenue Stamps of Rs.5/-

____
Signature of Member

2. Witness:

Signature ____________________

Name ____________________

Address ____________________

Shareholder's Folio No. ____________________

CDC Participant I.D/Sub A/c # ____________________

CNIC No. | | | | | | | | | | | | | | |

NOTES:

1. Proxies, in order to be effective, must be receives at the Company's Registered Office 6th Floor Textile Plaza, M.A. Jinnah Road, Karachi, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2. Signature must agree with the specimen signature registered with the Company.

3. An individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC/Passport to prove his/her identity, and in case of proxy must enclose additionally an attested copy of his/her CNIC/Passport. Representative of corporate members should bring the original usual documents required of such purpose.

4. No person shall act as proxy unless he is a member of the Company.

2013

TATA

ISLAND TEXTILE MILLS LIMITED

HEAD OFFICE :
6th Floor, Textile Plaza,
M.A. Jinnah Road, Karachi-74000
Ph : 3241-2955-3 Lines, 3242-6761-2-4 Fax : (92-21) 3241-7710
E-Mail : itm.corporate@tatatex.com

MILLS :
A/12. S.I.T.E. Kotri,
Distt. Jamshoro, Pakistan.

www.tatatex.com