

ISLAND TEXTILE MILLS LIMITED

Financial Statements

(Unaudited)

For The 1st Quarter Ended September 30, 2013

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COMPANY INFORMATION

BOARD OF DIRECTORS **CHAIRMAN:**	Mr. Anwar Ahmed Tata
CHIEF EXECUTIVE:	Mr. Shahid Anwar Tata
DIRECTORS:	Mr. Adeel Shahid Anwar Mr. Aijaz Ahmed Tariq Mr. Bilal Shahid Anwar Mr. Muhammad Naseem Mr. Sheikh Kausar Ejaz
AUDIT COMMITTEE CHAIRMAN:	Mr. Muhammad Naseem
MEMBERS:	Mr. Bilal Shahid Anwar Sheikh Kausar Ejaz
HUMAN RESOURCE & REMMUNERATION COMMITTEE CHAIRMAN:	Mr. Muhammad Naseem
MEMBERS:	Mr. Shahid Anwar Tata Mr. Bilal Shahid Anwar
COMPANY SECRETARY & **CHIEF FINANCIAL OFFICER:**	Mr. Farooq Advani
BANKERS:	Faysal Bank Limited Bank Al-Falah Limited The Bank of Punjab Meezan Bank MCB Bank Limited National Bank of Pakistan Soneri Bank Limited JS 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)

DIRECTORS' REPORT

Assalam-o-Alaikum,

It is with great pleasure we present to you the financial statements (un-audited) of the company for the 1st Quarter ended on 30th September 2013.

Alhamdulillah, this quarter has passed quite well for the company and the company has made a pre-tax profit of Rs. 67.374 million in comparison to a pre-tax profit of Rs. 57.928 million during the corresponding period last year. However, next three quarters look difficult and profitability can shrink owing to the following factors.

Power Availability:
Power availability has also become a major problem in Kotri as no gas is available to the mills on Sundays, so practically the mill remains shut down for 4 days in a month.

Competition:
During good times, overcapacity is generated in many countries of the world. The overcapacity in the spinning sector of India is giving tough competition to Pakistan in yarn sales, since nowadays, China is the only major market left in the world, India is giving tough time to us and they are aggressively marketing and selling even in the domains in which Pakistan used to lead like coarser counts and medium course counts.

Cotton & Fiber Prices:
Another major factor is world cotton prices. On paper the world has very large carry over inventory which is creating bearish sentiment but approximately 60% of this inventory is with China, hence physically that cotton is not available and is not having any impact on the physical prices, on the yarn side people remain apprehensive and they want to carry little inventory, therefore yarn buyers remain generally bearish. Uncertainty looms large about China's future cotton policy, leading to the uncertainty in the world cotton prices. Two things will be of significant importance:

1) China's strategy on disposal of the large inventory that they are carrying.

2) China's next year crop procurement policy (policy about subsidies to their farmers).

For the above mentioned reasons Chinese buyers are not very bullish with yarn and cotton but since physically cotton is not available hence cotton price remains high.

Locally, Pakistan would yet be a net importer of million and a half bales or more according to latest cotton estimates, as prices have remained generally tight. Although in the initial period of the season the weather was very friendly, but somehow since then weather has turned unfavorable resulting in some problems cropping up in cotton crop. It seems that the crop would be lower than last year and that would put further pressure on the prices.

Fiber prices have also remained very volatile, they went up and now again they have come down putting us in a very difficult situation.

Increase in Power Tariffs:
We have seen an unprecedented increase in the power tariffs in the country during the last three months which will push the cost further and lessen the profits for the company.

Wage Rate Increase:
Increase in salaries and wages is going to put extra financial burden on the company thereby increasing the manufacturing costs.

Inflationary Pressures:
High prices of raw materials, services and other non absorbent cost push inflationary factors will further contribute to low profitability.

Textile Sector Conditions:
In Textile sector, yet again towel, air jet and home textiles seems to be doing well, however knitting and garment sectors are not performing well. These are the two areas that can generate a lot of employment and can significantly contribute to our exports, therefore a consorted effort and policy is required on this side.

In the end, we feel it would be unjustified not to mention the efforts and the hard work put together by our team members for the company's success and growth. Our vendors, bankers, agents, and clients also need a mention here for their continued trust and invariable support throughout these years.

On behalf of the Board of Directors

Shahid Anwar Tata
Chief Executive

Karachi:
Dated: October 30, 2013

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2013

	Notes	Sept 30, 2013 Un-Audited	June 30, 2013 Audited
		.....Rupees in 000	
SHARE CAPITAL AND RESERVES			
Authorised			
1,000,000 Ordinary shares of Rs.10 each		10,000	10,000
Share Capital		5,000	5,000
Reserves		921,905	916,111
Unappropriated profit		347,662	284,021
		1,274,567	1,205,132
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-net of tax		473,010	477,446
NON-CURRENT LIABILITIES			
Deferred liabilities		88,647	87,143
Long-term financing		78,123	84,633
CURRENT LIABILITIES			
Trade and other payables		218,644	200,733
Accrued interest / mark-up on loans		5,163	2,916
Short-term borrowings		223,587	-
Current portion of Long Term Finance		26,041	19,531
Taxation - income tax		28,868	21,566
		502,303	244,746
CONTINGENCIES AND COMMITMENTS	2		
		2,416,650	2,099,100
NON-CURRENT ASSETS			
Property, plant and equipment	3	812,044	818,636
Intangible Assets		4,061	4,194
Long-term investments		303,238	290,999
Long-term deposits		1,001	1,001
CURRENT ASSETS			
Stores, spares and loose tools		16,466	14,262
Stock-in-trade		539,657	350,374
Trade debts		145,453	173,251
Loans and advances		84,597	66,475
Short term prepayments		2,486	742
Other receivables		41	335
Other financial assets		426,184	285,789
Sales tax refundable		11,242	7,815
Cash and bank balances		70,180	85,227
		1,296,306	984,270
		2,416,650	2,099,100

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

SHAHID ANWAR TATA
Chief Executive

ADEEL SHAHID ANWAR
Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED) FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2013

	Notes	Sept 30, 2013	Sept 30, 2012
		.....Rupees in 000	
Sales		458,795	405,968
Cost of goods sold	4	(361,550)	(318,952)
Gross profit		97,245	87,016
Distribution cost		(19,508)	(13,150)
Administrative expenses		(12,960)	(11,665)
Other operating expenses		(4,266)	(6,012)
Finance cost		(7,525)	(4,798)
		(44,259)	(35,625)
Share of profit from associate-net of tax		12,240	6,132
Other operating income		2,148	405
		14,388	6,537
Profit before taxation		67,374	57,928
Taxation		(8,169)	(7,901)
Profit for the period		59,205	50,027
Other comprehensive income			
Unrealised gain / (loss) on remeasurement of investment - available-for-sale			
- Held by the Company		5,795	7,012
- Share held by the associate		(1)	2
Other comprehensive income-net of tax		5,794	7,014
Total comprehensive income for the period		64,999	57,041
Earnings per share - Basic and diluted		118.41	100.05

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

SHAHID ANWAR TATA
Chief Executive

ADEEL SHAHID ANWAR
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2013

	Sept 30, 2013	Sept 30, 2012
	.....Rupees in 000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	67,374	57,928
Adjustments for :		
Depreciation of property, plant and equipment	10,099	8,430
Amortization of intangible assets	133	24
Provision for staff gratuity	1,963	1,235
Provision for compensated absences	24	81
Finance cost	7,525	4,798
Loss on sale of property, plant and equipment	-	160
Share of profit from associate	(12,240)	(6,132)
Unrealized loss on forward contracts	-	531
Operating cash flows before movements in working capital	74,878	67,055
(Increase) / decrease in current assets		
Stores, spares and loose tools	(2,204)	930
Stock-in-trade	(189,284)	(164,933)
Trade debts	27,699	8,069
Loans and advances	(12,578)	(14)
Short term prepayments	(1,744)	(773)
Other receivables	294	4,202
Sales tax refundable	(3,427)	(511)
Increase in current liabilities		
Trade and other payables	17,911	23,240
Cash used in operations	(88,455)	(62,735)
Finance cost paid	(5,278)	(3,283)
Staff gratuity paid	(1,350)	(1,194)
Income taxes paid	(5,444)	(3,742)
Long-term deposit	-	(676)
Net cash used in operating activities	(100,527)	(71,630)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,507)	(9,562)
Proceeds on disposal of property, plant and equipment	-	1,930
Purchased of Other financial assets	(134,600)	(150,100)
Net cash (used in)/generated from investing activities	(138,107)	(157,732)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long - term financing	-	1,947
Repayment of short -term borrowing-import/export	60,010	100,980
Net cash generated from financing activities	60,010	102,927
Net decrease in cash and cash equivalents	(178,624)	(126,435)
Cash and cash equivalents at July 1	85,227	21,624
Cash and cash equivalents at Sept 30	(93,397)	(104,811)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	70,180	32,226
Short - term running finance	(163,577)	(137,037)
	(93,397)	(104,811)

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

SHAHID ANWAR TATA
Chief Executive

ADEEL SHAHID ANWAR
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2013

	Issued, subscribed and paid-up capital	RESERVE					
		CAPITAL			REVENUE		
		Associate's share of					
		General Reserve	Unrealized Loss /gain in value investment available for Sale	Other Reserve	Unappro-priated profit	Total
	Rupees in '000'					
Balance at July 01, 2012	5,000	-	213	591	829,157	834,961
Comprehensive income						
Profit after taxation for the quarter	-	-	-	-	50,027	50,027
Other comprehensive income-net of tax	-	-	7,014	-	-	7,014
	-	-	7,014	-	50,027	57,041
Transfer from surplus on revaluation of property, plant andequipment on account of: -incremental depreciation - net of deferred tax	-	-	-	-	4,279	4,279
Associate's share of surplus on revaluation of property, plant and equipment on account of: -incremental depreciation - net of deferred tax and disposal	-	-	-	-	938	938
Balance as at September 30, 2012	**5,000**	**-**	**7,227**	**591**	**884,401**	**897,219**
Balance at July 01, 2013	5,000	900,000	15,520	591	284,021	1,205,132
Comprehensive income						
Profit after taxation for the quarter	-	-	-	-	59,205	59,205
Other comprehensive income-net of tax	-	-	5,794	-	-	5,794
	-	-	5,794		59,205	64,999
Transfer from surplus on revaluation of property, plant and equipment on account of : -incremental depreciation - net of deferred tax	-	-	-	-	3,534	3,534
Share of associate's transfer from surplus on revaluation of property, plant and equipment on account of -incremental depreciation - net of deferred tax and disposal	-	-	-	-	902	902
Balance as at September 30, 2013	**5,000**	**900,000**	**21,314**	**591**	**347,662**	**1,274,567**

The annexed notes form an integral part of these financial statements

SHAHID ANWAR TATA
Chief Executive

ADEEL SHAHID ANWAR
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UN-AUDITED) FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2013

1. SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1.1 Island Textile Mills Limited (the company) was incorporated in Pakistan on May 20, 1970 as a public limited company under 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. 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 condensed interim financial statements have been prepared under 'historical cost convention' modified by:

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

1.3 These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standard (IAS) 34: Interim Financial Reporting and in compliance with the requirement of section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi Stock Exchange.

1.4 The accounting policies and methods of computation followed in the preparation of the 1st Quarterly financial statements are the same as those of the published annual financial statements for the period ended June 30, 2013.

	Sept 30, 2013	June 30, 2013
	——Rupees in 000——	

2. CONTINGENCIES & COMMITMENTS

2.1 Contingencies

There is no change in contingencies disclosed in Note 10 of the annual audited financial statements for the year ended June 30, 2013

2.2 Commitments

Letter of credit		
- Raw Material	15,818	56,215
- Stores and Spares	4,348	2,661
Bank guarantees	38,671	38,171
Bill Discounted	56,480	109,425
Outstanding Sales Contracts	55,528	8,934
Forward Contracts	15,818	-

3. ACQUISITIONS TRANSFER AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

	For the 1st Quarter Ended September 30, 2013		
	Acquistions/ transfers from CWIP	Disposal (W.D.V)	Sale Proceeds
	——Rupees in 000——		
Factory Equipment	120	-	-
Office Equipment	100	-	-
Computer	44	-	-
Furnitures & Fixtures	171	-	-
September 30, 2013	435	-	-

	Notes	Sept 30, 2013	Sept 30, 2012
		——Rupees in 000——	
4. COST OF GOODS SOLD			
Cost of goods manufactured	(4.2)	465,934	420,934
Finished goods	(4.1)		
Opening stock		47,594	24,195
Closing stock		(151,978)	(126,177)
		(104,384)	(101,982)
Cost of goods sold		361,550	318,952

4.1 Finished goods stock also includes waste stock carried at net realizable value.

4.2 ***Cost of goods manufactured***			
Raw material consumed	(4.2.1)	357,614	330,418
Stores and spares consumed		7,777	7,746
Packing material consumed		6,468	6,073
Fuel and power		47,288	38,453
Salaries, wages and benefits		30,651	26,953
Depreciation		8,589	7,711
Insurance		1,589	1,211
Repairs and maintenance		1,007	520
Other overheads		1,673	2,265
		462,656	421,350
Work-in-process			
Opening stock		16,060	10,484
Closing stock		(12,782)	(10,900)
		3,278	(416)
		465,934	420,934
4.2.1 ***Raw material consumed***			
Opening stock		286,721	209,367
Purchases - net		445,790	419,954
		732,511	629,321
Closing stock		(374,897)	(298,903)
		357,614	**330,418**

5. TRANSACTIONS WITH RELATED PARTIES		
5.1 Associates		
Purchase of electricity	44,699	38,172
Share of expense received	851	1
Share of expense paid	1,852	127
5.2 Transactions with key management personnel		
Short-term benefits	5,788	4,475
Rent	866	866

6. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on October 30, 2013 by the Board of Directors of the Company.

7. Figures have been rounded off to nearest thousand rupee.

SHAHID ANWAR TATA
Chief Executive

ADEEL SHAHID ANWAR
Director

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