



# **ISLAND TEXTILE MILLS LIMITED**

**Condensed Interim Financial Information  
For The Six - Month Period Ended December 31, 2013**

## **ISLAND TEXTILE MILLS LIMITED**

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## ISLAND TEXTILE MILLS LIMITED

01

### 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  
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 Alfalah Limited  
The Bank of Punjab  
Meezan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
JS Bank Limited  
Allied Bank Limited

#### AUDITORS:

M/s. M. Yousuf Adil Saleem & Co.  
Chartered Accountants

#### SHARE REGISTRAR:

Central Depository Company of Pakistan Limited  
CDC House, 99 – B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal, Karachi.  
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](http://www.tatatex.com)

#### E- MAIL ADDRESS:

[itm.corporate@tatatex.com](mailto:itm.corporate@tatatex.com)

#### MILLS:

A/12, S.I.T.E. Kotri  
District Jamshoro (Sindh)

**DIRECTORS' REPORT**

It is a source of immense pleasure for us to present to you the half yearly financial information (un-audited) of the company for the period ended on 31st December 2013.

Alhamdulillah, the company has remained profitable during the period under review despite several problems faced and has made a pre-tax profit Rs.118.916 million of in comparison to a pre-tax profit of Rs. 132.563 million during the corresponding period of last year.

The major contributing factor to the profitability is that we had good opening inventory of cotton available to us at reasonable prices; however it seems that the coming six months will not be easy.

Local fiber availability has become better nowadays, so an edge we used to have of improving our fiber cost through imports is no more.

Power availability is still an unresolved issue in this part of the country and in total our mills was faced with 179 hrs in which no power was available to us.

The unprecedented hike in power tariffs during the last six months has also become a serious issue for the industry, as it has significantly added to the cost of production.

Increase in salary, wages and other benefits plus various Inflationary pressures will also contribute to the low profitability. In addition to that, poor law and order situation is also one of the impediments.

Uncertainty exists about the China's future cotton policy leading to uncertain cotton prices in the world. China strategy on disposal of large cotton inventory and China's decision about the cotton procurement plan will be a major factor in deciding the prices of cotton.

Besides that, China remains the only major buyer of yarn in the world, However, China has its own large cotton reserves; the country is buying yarn from other countries up till now but in future, if there is any change in policies of cotton yarn imports or domestic sales of cotton by China, it will greatly affect the cotton yarn industry.

Overcapacity is apparent in the spinning sector in the world specially India. India has been giving us tough competition in yarn from quite some time and the competition has now somewhat increased more, since Indian government is providing quite a large number of subsidies to its farmers and Indian yarn has been imported locally according to SAFTA (South Asian Free Trade Area) trade agreement. Due to tough competition in cotton from India, a lot of mills have converted to PC yarn, thus increasing the competition for PC yarn in the market, which has impacted the overall performance of the industry.

GSP Plus (Generalized System of Preferences) status given by European Union at this crucial time would speed up the economic development in the country and hopefully textile industry will also have a positive impact, the results of which should be evident at the end of this year. In the coming six months, we may face some tough times, due to huge built up of inventories, slow down in global economy, price wars, and the China factor, since it no more remains an aggressive buyer.

We are adding a new fully automatic, state of the art and most modern spinning unit (100% Cotton Yarn) at Island Textile Mills with a total investment outlay of approximately 3.0 Billion rupees. Financial arrangements have been agreed with the banks. The unit is expected to become operational in the first quarter of 2015.

It will be completely unjustified if we do not acknowledge the role of our hard working team members, they are our real assets and we value the commitment they have shown over all these years. We sincerely thank our bankers, brokers, suppliers, agents and specially our customers for their unshakable trust and confidence in our products thus paving the way for the organization's growth.

On behalf of the Board of Directors



Karachi:  
Date: February 22, 2014

**ADEEL SHAHID ANWAR**  
Director

**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 34546494-7  
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Web: www.deloitte.com

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION****Introduction**

We have reviewed the accompanying condensed interim balance sheet of **ISLAND TEXTILE MILLS LIMITED** (the Company) as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the accounts for the six-month period then ended (here-in-after referred to as "condensed interim financial information"). Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2013.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six-month period ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**Chartered Accountants**

**Engagement partner**  
Mushtaq Ali Hirani

**Dated:** February 22, 2014  
**Karachi**

Member of  
**Deloitte Touche Tohmatsu Ltd.**

**ISLAND TEXTILE MILLS LIMITED****CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2013**

	Note	December 31, 2013 (Unaudited) .....Rupees in '000' .....	June 30, 2013 Restated (Audited)
<b>SHARE CAPITAL AND RESERVES</b>	6	1,307,044	1,200,545
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		468,442	477,446
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities		92,955	91,730
Long term finance	7	71,612	84,633
		164,567	176,363
<b>CURRENT LIABILITIES</b>			
Trade and other payables		222,079	200,733
Interest / mark-up accrued		5,397	2,916
Short-term running finance		169,741	-
Current portion of long term finance		26,041	19,531
Taxation		13,524	21,566
		436,782	244,746
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
		2,376,835	2,099,100
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	823,421	818,636
Intangible assets		3,791	4,194
Long-term investment		306,740	290,999
Long-term deposits		1,001	1,001
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		17,349	14,262
Stock-in-trade		890,530	350,374
Trade debts		192,082	173,251
Loans and advances		77,826	66,475
Short-term prepayments		2,481	742
Other receivables		793	335
Other financial assets		22,341	285,789
Sales tax refundable		6,948	7,815
Cash and bank balances		31,532	85,227
		1,241,882	984,270
		2,376,835	2,099,100

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

Note: As required under section 241(2) of the Companies Ordinance, 1984, the condensed interim financial information has been signed by two Directors of the Company in the absence of the Chief Executive of the Company, who is for the time being out of Pakistan.

  
**ADEEL SHAHID ANWAR**  
Director


  
**ANWAR AHMED TATA**  
Chairman/Director

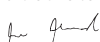
**ISLAND TEXTILE MILLS LIMITED**
**05**
**CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

Note	Six-month period ended		Three-month period ended	
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2013	December 31, 2012
.....Rupees in '000'.....				
Sales	970,225	955,442	511,430	549,474
Cost of goods sold	(802,476)	(751,081)	(440,926)	(432,129)
<b>Gross profit</b>	<b>167,749</b>	<b>204,361</b>	<b>70,504</b>	<b>117,345</b>
Distribution cost	(39,571)	(30,865)	(20,063)	(17,715)
Administrative expenses	(26,942)	(24,590)	(13,982)	(12,925)
Other operating expenses	(9,138)	(15,155)	(4,872)	(9,143)
Other income	25,171	886	23,023	481
Finance cost	(16,401)	(17,554)	(8,876)	(12,756)
Share of profit of associates - net of tax	18,048	15,480	5,808	9,348
<b>Profit before taxation</b>	<b>118,916</b>	<b>132,563</b>	<b>51,542</b>	<b>74,635</b>
Provision for taxation	(2,740)	(17,189)	5,429	(9,288)
<b>Profit for the period</b>	<b>116,176</b>	<b>115,374</b>	<b>56,971</b>	<b>65,347</b>
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to profit or loss account				
Unrealised gain / (loss) on remeasurement of investment				
- available-for-sale	-	13,807	(5,795)	6,795
- Held by the Company	(15,548)	-	-	-
- Held by the Company - disposal	-	-	-	-
- Held by an associate	-	-	-	-
- proportionate share of investment	2	11	3	-
	(15,546)	13,818	(5,792)	6,795
Items that will not be reclassified to profit or loss account				
Remeasurements of defined benefit plan	-	(534)	-	-
Recognition of deferred tax	-	(15)	-	-
Associates' share - recognition of unrecognized actuarial losses	(707)	-	-	-
Associates' share - recognition of deferred tax on actuarial losses	71	-	-	-
	(636)	(549)	-	-
Other comprehensive income - net of tax	(16,182)	13,269	(5,792)	6,795
<b>Total comprehensive income for the period</b>	<b>99,994</b>	<b>128,643</b>	<b>51,179</b>	<b>72,142</b>
<b>Earning per share</b>				
- Basic and diluted (Rupees)	232.35	230.75	113.94	130.69

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

Note: As required under section 241(2) of the Companies Ordinance, 1984, the condensed interim financial information has been signed by two Directors of the Company in the absence of the Chief Executive of the Company, who is for the time being out of Pakistan.

  
**ADEEL SHAHID ANWAR**  
Director

  
**ANWAR AHMED TATA**  
Chairman/Director

## ISLAND TEXTILE MILLS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

	December 31, 2013	December 31, 2012
	.....Rupees in '000'.....	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	118,916	132,563
Adjustments for:		
Depreciation of property, plant and equipment	20,373	17,549
Amortization of intangible assets	536	502
Provision for staff gratuity and compensated absences	4,370	5,083
Finance cost	16,401	17,554
Loss on disposal of property, plant and equipment	-	103
Share of profit from an associate - net of tax	(18,048)	(15,480)
Unrealized loss on forward contracts	2,846	3,181
Realized gain on disposal of financial assets	(24,656)	-
Operating cash flows before working capital changes	120,738	161,055
(Increase) / decrease in current assets		
Stores, spares and loose tools	(3,087)	1,277
Stock-in-trade	(540,156)	(228,292)
Trade debts	(18,831)	(7,539)
Loans and advances	(10,209)	1,973
Short-term prepayments	(1,739)	(1,645)
Other receivables	(458)	4,965
Sales tax refundable	867	(676)
Increase / (decrease) in current liabilities		
Trade and other payables	18,368	(21,347)
Net cash used in operations	(434,507)	(90,229)
Finance cost paid	(13,920)	(11,412)
Employees' benefits paid	(5,083)	(4,965)
Income tax paid	(9,914)	(15,098)
Net cash used in operating activities	(463,424)	(121,704)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	1,602	1,099
Purchase of other financial assets	(134,100)	(149,769)
Proceeds from disposal of other financial assets	406,656	
Additions to property, plant and equipment and capital work-in-progress	(25,158)	(138,323)
Proceeds from disposal of property, plant and equipment	-	2,405
Purchase of intangible assets	(133)	(1,000)
Long-term deposits	-	(676)
Net cash generated from / (used in) investing activities	248,867	(286,264)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term finance obtained	-	104,164
Long-term finance repaid	(6,511)	-
Short term borrowings	-	104,923
Dividend paid	(2,368)	(4,864)
Net cash (used in) /generated from financing activities	(8,879)	204,223
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(223,436)</b>	<b>(203,745)</b>
<b>Cash and cash equivalents at July 01</b>	<b>85,227</b>	<b>21,624</b>
<b>Cash and cash equivalents at December 31</b>	<b>(138,209)</b>	<b>(182,121)</b>
<b>CASH AND CASH EQUIVALENT</b>		
Cash and bank balances	31,532	62,090
Short term running finance	(169,741)	(244,211)
	(138,209)	(182,121)

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

Note: As required under section 241(2) of the Companies Ordinance, 1984, the condensed interim financial information has been signed by two Directors of the Company in the absence of the Chief Executive of the Company, who is for the time being out of Pakistan.

  
**ADEEL SHAHID ANWAR**  
 Director

  
**ANWAR AHMED TATA**  
 Chairman/Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

	Reserve				
	Capital	General reserve	Other reserve	Unrealized (loss)/gain on remeasurement of securities available for-sale	Revenue
Issued, subscribed and paid-up Capital					
Balance at July 01, 2012 as previously reported	5,000	-	591	213	829,157
Impact of change in accounting policy - note 3.1	-	-	-	-	(3,489)
Balance at July 01, 2012 - restated	5,000	-	591	213	825,668
Comprehensive income					
Profit after taxation for the six-month period ended December 31, 2012	-	-	-	-	115,374
Other comprehensive income - net of tax	-	-	-	13,818	(549)
Total other comprehensive income for the period - restated	-	-	-	13,818	114,825
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	-	7,712
Share of surplus on revaluation of property, plant and equipment from associate on account of incremental depreciation - net of deferred tax	-	-	-	-	2,070
Transactions with owners:	-	-	-	-	9,782
Final cash dividend for the year ended June 30, 2012 - @ Rs 10 per share	-	-	-	-	(5,000)
Balance at December 31, 2012 - restated	5,000	-	591	14,031	945,275
					964,897

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

	Reserve				
	Capital	General reserve	Other reserve	Revenue	
Issued subscribed and paid-up Capital				Unrealized (loss)/gain on remeasurement of securities available for-sale	Unappropriated profit (Restated)
.....Rupees in '000' .....					Total
<b>Comprehensive income</b>					
Profit after taxation for the six month period ended June 30, 2013	-	-	-	-	251,988
Other comprehensive income - net of tax	-	-	-	1,489	(549)
Total other comprehensive income for the period - restated	-	-	-	1,489	251,439
Transfer from surplus on revaluation of property, plant and equipment on account of - incremental depreciation - net of deferred tax	-	-	-	-	6,956
- disposal - net of deferred tax	-	-	-	-	1,693
Share of surplus on revaluation of property, plant and equipment from associate on account of incremental depreciation - net of deferred tax	-	-	-	-	7,237
Transfer from unappropriated profit to general reserves	-	900,000	-	-	(900,000)
Loss due to derecognition of investment by associate	-	-	-	-	(33,166)
	-	900,000	-	-	(917,280)
<b>Balance at June 30, 2013 - restated</b>	<b>5,000</b>	<b>900,000</b>	<b>591</b>	<b>15,520</b>	<b>279,434</b>
<b>Comprehensive income</b>					
Profit after taxation for the six month period ended December 31, 2013	-	-	-	-	116,176
Other comprehensive income - net of tax	-	-	-	2	-
Gain transferred to profit and loss on derecognition of invest - AFS	-	-	-	(15,548)	-
Total other comprehensive income for the period	-	-	-	(15,548)	116,176
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	-	7,068
Share of surplus on revaluation of property, plant and equipment from associate on account of incremental depreciation - net of deferred tax	-	-	-	-	1,937
Share of recognition of unrecognized actuarial losses - net of tax	-	-	-	-	(636)
	-	-	-	-	8,369
<b>Transactions with owners:</b>					
Final cash dividend for the year ended June 30, 2013 - @ Rs 5 per share	-	-	-	-	(2,500)
<b>Balance at December 31, 2013</b>	<b>5,000</b>	<b>900,000</b>	<b>5,91</b>	<b>(26)</b>	<b>401,479</b>
The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.					

*for good*

*for good*

**ANWAR AHMED TATA**  
Chairman/Director

**ADEEL SHAHID ANWAR**  
Director

Note: As required under section 241(2) of the Companies Ordinance, 1984, the condensed interim financial information has been signed by two Directors of the Company in the absence of the Chief Executive of the Company, who is for the time being out of Pakistan.

**SELECTED EXPLANATORY NOTES TO THE  
CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013****1. STATUS AND NATURE OF BUSINESS**

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 6<sup>th</sup> 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.

**2. BASIS OF PREPARATION**

- 2.1** This condensed interim financial information of the Company for the six-month period ended December 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all of the information required for the full financial information and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2013.
- 2.2** This condensed interim financial information has been prepared under 'historical cost convention' modified by:
- certain items of property, plant and equipment which have been included at the revalued amounts
  - investment in associate under equity method
  - financial instruments at fair value.
  - recognition of certain staff retirement benefits at present value
- 2.3** This condensed interim financial information are presented in Pak Rupees which is also the Company's functional currency and figures presented in this condensed interim financial information has been rounded off to the nearest thousand rupee.
- 2.4** This condensed interim financial information is unaudited. However, a limited scope review of this condensed interim financial information has been performed by the external auditors of the Company in accordance with the requirements of clause (xix) of the Code of Corporate Governance and they have issued their review report thereon.
- 2.5** The comparative balance sheet presented has been extracted from annual financial statement for the year ended June 30, 2013, whereas comparative condensed profit and loss account, condensed cash flow statement and condensed statement of changes in equity are stated from unaudited condensed interim financial information for the six-month ended December 31, 2012.
- 3. SIGNIFICANT ACCOUNTING POLICIES**
- The accounting policies, estimates, judgments and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published annual audited financial statements for the year ended June 30, 2013 except for adoption of IAS 19, as described in note 3.1 below.
- 3.1 Change in accounting policy for employee benefits - defined benefit plan**
- IAS 19 (revised) 'Employee benefits' amends the accounting for employment benefits which became effective to the Company from July 1, 2013. The changes introduced by the IAS 19 (revised) are as follows:

- (a) The standard requires past service cost to be recognised immediately in profit and loss account;
- (b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;
- (c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
- (d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The management believes that the effects of these changes would not have significant effect on this condensed interim financial information except for the changes referred to in ( d ) above that has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods.

As a result of the above mentioned changes, the cumulative balance for un-recognised actuarial losses that existed as at July 1, 2012 has been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income is re-stated and disclosed as part of the profit and loss account. The Balance sheet also presents the prior year numbers as restated, due to the above said change.

The effect of the change in accounting policy has been demonstrated below:

	June 30, 2013	July 1, 2012
	...Rupees in '000'...	
<b>Effect on balance sheet</b>		
<i>Unappropriated profit</i>		
As previously reported	284,021	829,157
Effect of change in accounting policy	(4,587)	(3,489)
As restated	<u>279,434</u>	<u>825,668</u>
<i>Staff gratuity</i>		
As previously reported	20,227	17,551
Effect of change in accounting policy	4,933	3,866
As restated	<u>25,160</u>	<u>21,417</u>
<i>Deferred taxation</i>		
As previously reported	66,093	73,515
Effect of change in accounting policy	(346)	(377)
As restated	<u>65,747</u>	<u>73,138</u>
	Six month period ended December 31, 2012	Prior to July 1, 2012
<b>Effect on Other comprehensive income</b>	...Rupees in '000'...	
Remeasurement of defined benefit liability recognised in other comprehensive income (decrease)	(534)	(3,866)
Recognition of deferred tax	(15)	377
	<u>(549)</u>	<u>(3,489)</u>

The effect on respective expenditure account due to lapse of corridor approach in the current and prior period being immaterial has not been presented. After carrying out actuarial valuation for the whole year, management will determine the effect of this change, if any, to the amount to be recognised through comprehensive income for the year ending June 30, 2014.

**4. FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended June 30, 2013.

**5. TAXATION**

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. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

		December 31, 2013	June 30, 2013 Restated (Audited)
	Note	(Un-audited)	(Audited)
<b>6. SHARE CAPITAL AND RESERVES</b>			
Authorised			
1,000,000 Ordinary shares of Rs. 10 each			
		<b>10,000</b>	10,000
Issued, subscribed and paid-up			
500,000 ordinary shares of Rs.10 each			
		<b>5,000</b>	5,000
Capital reserves			
-General reserve		<b>900,000</b>	900,000
-Other reserve		<b>591</b>	591
-Unrealized (loss)/ gain in value of securities available for sale		<b>(26)</b>	15,520
-Unappropriated profit		<b>401,479</b>	279,434
		<b>1,307,044</b>	1,200,545

**7. LONG TERM FINANCE****From banking company - secured**

Term finance	7.1	<b>97,653</b>	104,164
Less: Current portion		<b>(26,041)</b>	(19,531)
		<b>71,612</b>	84,633

- 7.1** This facility was obtained from a banking company which is secured against first exclusive charge on entire fixed assets of the Company. It is subject to mark-up at the rates of 6 months' KIBOR plus 1 % per annum. This facility is repayable in five years, including one year grace period for principal repayment. Markup is to be paid on quarterly basis during grace period and principal is payable in equal quarterly installments.

		December 31, 2013	June 30, 2013 (Audited)
	Note	(Un-audited)	(Audited)
<b>8. CONTINGENCIES AND COMMITMENTS</b>			
<b>8.1 Contingencies</b>			
Labour and workmen compensation cases			
		<b>874,124</b>	1,447,124
<b>8.2 Commitments</b>			
Letters of credit for			
- plant and machinery		<b>13,785</b>	-
- raw material		<b>67,529</b>	56,215
- stores and spares		<b>1,642</b>	2,661
Bank guarantees	8.2.1	<b>52,254</b>	38,171
Bills discounted		<b>79,990</b>	109,425
Outstanding sales contracts		<b>59,604</b>	8,934

- 8.2.1** This includes bank guarantee related to infrastructure cess amounting to Rs. 38 million (June 30, 2013: Rs. 37.5 million) for which provision amounting to Rs. 31.08 million (June 30, 2013: 30.48 million) has been made.

<b>9. PROPERTY, PLANT AND EQUIPMENT</b>	<b>Note</b>	<b>December 31, 2013 (Un-audited)</b>	<b>June 30, 2013 (Audited)</b>
<b>...Rupees in '000'...</b>			
Operating fixed assets	9.1	<b>782,860</b>	776,805
Capital work-in-progress		<b>40,561</b>	41,831
		<b>823,421</b>	818,636

- 9.1** Following additions, transfers and disposals in operating fixed assets were made:

<b>During the period ended December 31, 2013 (Unaudited)</b>	<b>Additions/ Transfer from CWIP .....Rupees in '000'.....</b>	<b>Disposal (W.D.V) .....Rupees in '000'.....</b>	<b>Sales Proceeds .....Rupees in '000'.....</b>
Building	17,514	-	-
Plant and machinery	4,823	-	-
Mills equipment	2,338	-	-
Computer equipment	119	-	-
Office equipment	1,091	-	-
Furniture and fixtures	543	-	-
	<b>26,428</b>	<b>-</b>	<b>-</b>
<b>During the year ended June 30, 2013 (Audited)</b>			
Plant and machinery	112,906	11,328	11,941
Computer equipment	1,674	-	-
Furniture and fixtures	793	-	-
Vehicles	18,285	-	-
	<b>133,658</b>	<b>11,328</b>	<b>11,941</b>

#### 10. COST OF GOODS SOLD

		Six-month period ended		Three-month period ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Note		Un-audited			
		Rupees in '000'			
Opening finished goods		47,594	24,195	151,978	126,177
Cost of goods manufactured	10.2	935,416	836,960	469,482	416,026
		983,010	861,155	621,460	542,203
Closing finished goods		(180,534)	(110,074)	(180,534)	(110,074)
Cost of goods sold		802,476	751,081	440,926	432,129

- 10.1** Net realisable value of finished goods was lower than its cost resulted in write down of 0.35 million (December 31, 2012: Rs. 0.184 million) charged to cost of goods sold.

**ISLAND TEXTILE MILLS LIMITED**
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		Six-month period ended		Three-month period ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Note		.....Un-audited.....			
		.....Rupees in '000'.....			
<b>10.2 Cost of goods manufactured</b>					
Raw material	10.2.1	<b>716,792</b>	652,289	<b>359,178</b>	321,871
Stores and spares		<b>13,199</b>	15,397	<b>5,422</b>	7,651
Packing material		<b>13,270</b>	12,092	<b>6,802</b>	6,019
Fuel and power		<b>106,803</b>	77,807	<b>59,515</b>	39,354
Salaries, wages and benefits		<b>60,786</b>	57,265	<b>30,135</b>	30,312
Depreciation		<b>17,342</b>	15,732	<b>8,753</b>	8,021
Insurance		<b>2,475</b>	2,451	<b>886</b>	1,240
Repairs and maintenance		<b>3,028</b>	1,706	<b>2,021</b>	1,186
Other overheads		<b>4,001</b>	4,463	<b>2,328</b>	2,198
		<b>937,696</b>	839,202	<b>475,040</b>	417,852
<b>Work-in-process</b>					
Opening stock		<b>16,060</b>	10,484	<b>12,782</b>	10,900
Closing stock		<b>(18,340)</b>	(12,725)	<b>(18,340)</b>	(12,725)
		<b>(2,280)</b>	(2,242)	<b>(5,558)</b>	(1,826)
		<b>935,416</b>	836,960	<b>469,482</b>	416,026
<b>10.2.1 Raw Material Consumed</b>					
Opening stock		<b>286,721</b>	209,367	<b>374,897</b>	298,903
Purchases - net		<b>1,121,727</b>	819,462	<b>675,937</b>	399,508
		<b>1,408,448</b>	1,028,829	<b>1,050,834</b>	698,411
Closing stock		<b>(691,656)</b>	(376,540)	<b>(691,656)</b>	(376,540)
		<b>716,792</b>	652,289	<b>359,178</b>	321,871

**11. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies / undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Significant transactions with related parties are as follows:

		Six-month period ended	
		December 31, 2013	December 31, 2012
		(Un-audited)	(Un-audited)
		...Rupees in '000'...	
Relationship with the party	Nature of transactions		
Associated undertakings	Share of expense received	2,141	712
	Share of expense paid	4,899	1,154
	Purchase of electricity	98,522	76,928
	Dividend received	1,602	1,099
Key management personnel			
	Short-term benefits	8,352	7,456
Directors	Short-term benefits	2,574	2485
	Directors meeting fee	55	55
	Rent expense	1,732	1,732

**12. APPROVAL OF CONDENSED INTERIM FINANCIAL INFORMATION**

This condensed interim financial information was authorized for issue on February 22, 2014 by the Board of Directors of the Company.

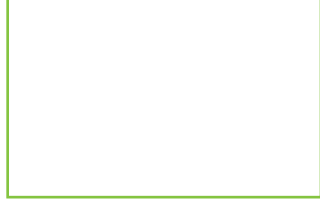
Note: As required under section 241(2) of the Companies Ordinance, 1984, the condensed interim financial information has been signed by two Directors of the Company in the absence of the Chief Executive of the Company, who is for the time being out of Pakistan.

  
**ADEEL SHAHID ANWAR**  
Director

  
**ANWAR AHMED TATA**  
Chairman/Director

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