ISHAQ

TEXTILE MILLS LIMITED

ARSHAD GROUP

1st QUARTERLY REPORT

SEPTEMBER 30, 2013
(UN-AUDITED)

COMPANY INFORMATION

CHAIRMAN	Mr.Muhammad Arshad
CHIEF EXECUTIVE	Mr.Nisar Ahmad Sheikh
DIRECTORS	Mr.Muhammad Saeed Sheikh Mr.Amjad Saeed Mr.Shahzad Ahmad Sheikh Mr.Shehryar Arshad Mr.Aizad Amer Mrs.Zareen Akhtar
AUDIT COMMITTEE	
CHAIRMAN	Mr. Shehryar Arshad
MEMBER	Mr.Muhammad Saeed Sheikh
MEMBER	Mr.Amjad Saeed
HR & REMUNERATION COMMITTEE	
CHAIRMAN	Mr.Muhammad Arshad
MEMBER	Mr.Muhammad Saeed Sheikh
MEMBER	Mr.Shehryar Arshad
CHIEF FINANCIAL OFFICER	Mian Muhammad Tariq Iqbal
COMPANY SECRETARY	Mr.Muhammad Ikram Elahi
AUDITORS	Riaz Ahmad & Co. Chartered Accountants
BANKERS	Habib Bank Limited United Bank Limited Bank Alfalah Limited Faysal Bank Limited Bank Al-Habib Limited Al-Baraka Bank (Pakistan) Limited Habib Metropolitan Bank Limited
REGISTERED OFFICE	404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. Tel. 021-32412814 Web: www.arshadgroup.com
SHARES REGISTRAR	Consulting One (Pvt) Limited, 478-D, Peoples Colony No.1, Faisalabad.
FACTORY	Sheikhupura Road, Tehsil Jaranwala, District Faisalabad.

1ST QUARTER REPORT

DIRECTORS' REVIEW TO THE SHARE HOLDERS

The Directors of your Company feel pleasure in submitting un-audited accounts of your Company for the period ended September 30, 2013.

FINANCIAL RESULTS

	Quarter Jul-Sep 13	Quarter Jul-Sep 12
	(Rupees in Thousand)	
Sales	967,245	856,901
Cost of sales	(863,259)	(757,707)
Gross profit	103,986	99,194
Operating and financial expenses	81,883	68,938
Net profit for the period after taxation	13,468	26,264
Earnings per share - basic (Rupees)	1.39	2.72

REVIEW OF OPERATING RESULTS

During the period under review sales were increased by 12.88% to Rs.967.245 Million from Rs.856.901 Million of corresponding period. Cost of sales was increased by 13.93% to Rs.863.259 Million as compared to Rs.757.707 Million of corresponding period. Gross profit was 10.75% for the period ended September 30, 2013 as compared to 11.58% in the corresponding period of the last year.

FUTURE OUTLOOK

Prices of raw material are on higher side as compared to previous year. There is increase in minimum wages and power rates. Cut of gas supply is expected from December 2013 to February 2014, which will badly disturb production and earning of industry.

In the light of facts mentioned above, Management of your Company has an opinion that earnings will not remain same as for the period under review.

The Board places on record its appreciation for the loyalty and devotion to work by staff and workers of the Company.

On behalf of the Board

(Nisar Ahmad Sheikh)
Chief Executive

FAISALABAD.
Dated: October 29, 2013

ISHAQ TEXTILE MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET

	NOTE	UN-AUDITED 30 SEP 2013	AUDITED 30 June 2013
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10 000 000 (2012: 10 000 000) ordinary shares of Rupees 10 each		100,000	100,000
Issued, subscribed & paid up share capital		96,600	96,600
Reserves		481,306	467,013
Total equity		577,906	563,613
Surplus on revaluation of operating fixed assets - net of deferred tax		239,444	240,269
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	173,222	186,278
Deferred income tax liability		85,391	85,391
Staff retirement gratuity		17,992	19,681
		276,605	291,350
CURRENT LIABILITIES			
Trade and other payables		245,811	177,040
Accrued mark-up		23,053	27,709
Short term borrowings		1,148,775	1,009,879
Current portion of long term financing		75,104	66,961
Provision for taxation		36,997	27,342
		1,529,740	1,308,931
TOTAL LIABILITIES		1,806,345	1,600,281
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		2,623,695	2,404,163

The annexed notes form an integral part of this condensed interim financial information.

NISAR AHMAD SHEIKH
Chief Executive Officer

AS AT 30 SEPTEMBER 2013

	NOTE	UN-AUDITED 30 SEP 2013	AUDITED 30 June 2013
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	952,033	947,230
Long term investments		6,965	6,831
Long term deposits		3,721	3,956
Long term loans		13	59
		962,732	958,076
CURRENT ASSETS			
Stores, spare parts and loose tools		52,886	61,045
Stock-in-trade		691,702	679,963
Trade debts		776,692	542,722
Loans and advances		69,163	54,336
Short term deposits and prepayments		9,926	378
Other receivables		52,185	51,986
Cash and bank balances		8,409	55,657
		1,660,963	1,446,087
TOTAL ASSETS		2,623,695	2,404,163

MUHAMMAD ARSHAD
Director

ISHAQ TEXTILE MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2013

	NOTE	QUARTER ENDED	
		30-Sep-13	30-Sep-12
		(Rupees in Thousand)	
Sales		967,245	856,901
Cost of sales	8	(863,259)	(757,707)
Gross profit		103,986	99,194
Distribution cost		(31,408)	(24,865)
Administrative expenses		(14,991)	(13,203)
Other expenses		(1,172)	(1,683)
		(47,571)	(39,751)
Other income		1,019	1,571
Profit from operations		57,434	61,014
Finance cost		(34,312)	(29,187)
Profit before taxation		23,122	31,827
Taxation		(9,654)	(5,563)
Profit after taxation		13,468	26,264
Earnings per share - basic and diluted (Rupees)		1.39	2.72

The annexed notes form an integral part of this condensed interim financial information.

NISAR AHMAD SHEIKH
Chief Executive Officer

MUHAMMAD ARSHAD
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME ((UN-AUDITED)

FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2013

	1st Quarter ended	
	30 Sep 2013	30 Sep 2012
	(Rupees in thousand)	
Profit after taxation	13,468	26,264
Other comprehensive income		
Items that will not be reclassified susequently to profit or loss	-	-
Items that may be reclassified susequently to profit or loss	-	-
	-	-
Total comprehensive profit for the period	13,468	26,264

The annexed notes form an integral part of this condensed interim financial information.

NISAR AHMAD SHEIKH
Chief Executive Officer

MUHAMMAD ARSHAD
Director

ISHAQ TEXTILE MILLS LIMITED

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

	NOTE	1st Quarter ended	
		30 Sep 2013	30 Sep 2012
		Rupees in thousand	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	9	(112,243)	133,325
Finance cost paid		(38,968)	(34,862)
Income tax paid		(8,339)	(6,302)
Staff retirement gratuity paid		(1,689)	(1,549)
Net decrease in long term deposits		235	122
Net decrease in long term loans		46	11
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES		(160,958)	90,745
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		87	6,000
Investments made		(134)	(5,472)
Purchase of property, plant & equipment		(20,226)	(2,541)
NET CASH USED IN INVESTING ACTIVITIES		(20,273)	(2,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		2,000	-
Repayment of long term financing		(6,913)	(6,697)
Short term borrowings - net		138,896	(77,394)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		133,983	(84,091)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(47,248)	4,641
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		55,657	9,388
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		8,409	14,029

The annexed notes form an integral part of this condensed interim financial information.

NISAR AHMAD SHEIKH
Chief Executive Officer

MUHAMMAD ARSHAD
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2013

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL RESERVES	REVENUE RESERVES	SUB TOTAL	
		Share premium	Unappropriated Profit		
	(Rupees in thousand)				
Balance as at 01 July 2012 (audited)	96,600	17,250	374,224	391,474	488,074
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	437	437	437
Profit after taxation for the period	-	-	26,264	26,264	26,264
Other comprehensiv income for the period	-	-	-	-	-
Total comprehensiv income for the period	-	-	26,264	26,264	26,264
Balance as at 30 September 2012 (un-audited)	96,600	17,250	400,925	418,175	514,775
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	3,039	3,039	3,039
Profit after taxation for the period	-	-	45,799	45,799	45,799
Other comprehensiv income for the period	-	-	-	-	-
Total comprehensiv income for the period	-	-	45,799	45,799	45,799
Balance as at 30 June 2013 (Audited)	96,600	17,250	449,763	467,013	563,613
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	825	825	825
Profit after taxation for the period	-	-	13,468	13,468	13,468
Other comprehensiv income for the period	-	-	-	-	-
Total comprehensiv income for the period	-	-	13,468	13,468	13,468
Balance as at 30 September 2013 (un-audited)	96,600	17,250	464,056	481,306	577,906

The annexed notes form an integral part of this condensed interim financial information.

NISAR AHMAD SHEIKH
Chief Executive Officer

MUHAMMAD ARSHAD
Director

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

1. THE COMPANY AND ITS OPERATIONS

Ishaq Textile Mills Limited (the Company) is incorporated in Pakistan as a public limited Company under the Companies Ordinance, 1984 and is listed on the stock exchanges in Pakistan. The principal activity of the Company is manufacturing, sale and trading of yarn and cloth. The registered office of the Company is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. The mills is located at Tehsil Jaranwala, District Faisalabad, in the province of Punjab.

2. BASIS OF PREPARATION

This condensed interim financial information is unaudited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the three months period ended 30 September 2013 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984 as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements for the year ended 30 June 2013.

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the company for the year ended 30 June 2013.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2013.

	Un-audited 30 Sep 2013	Audited 30 June 2013
	Rupees in thousand	
5. LONG TERM FINANCING		
Opening balance	253,239	221,250
Add: Obtained during the period / year	2,000	100,000
Less: Repaid during the period / year	(6,913)	(68,011)
Closing balance	248,326	253,239
Less: Current portion shown under current liabilities	(75,104)	(66,961)
	173,222	186,278

	UNIT		Un-Audited	Audited
	SPINNING	WEAVING	30 Sep 2013	30 June 2013
	---------- Rupees in thousand ----------			
7. PROPERTY, PLANT AND EQUIPMENT				
Operating fixed assets (Note 7.1)	663,695	288,338	952,033	945,960
7.1 Operating Fixed Assets				
Opening book value	650,507	295,453	945,960	699,155
Add: Cost of additions during the period/year (Note 7.1.1)	21,165	331	21,496	148,719
Add: Effect of revaluation as at 28 June 2013	-	-	-	161,888
Less: Book value of deletions during the period/year (Note 7.1.2)	(74)	-	(74)	(12,314)
Less: Depreciation charged for the period/year	(7,903)	(7,446)	(15,349)	(51,488)
	663,695	288,338	952,033	945,960
7.1.1 Cost of additions during the period/year				
Plant and machinery	10,211	260	10,471	142,694
Electric installations / appliances	-	-	-	1,624
Factory equipment	-	-	-	44
Generators	1,270	-	1,270	958
Office equipment	-	-	-	59
Computers	-	-	-	75
Vehicles	9,684	71	9,755	3,265
	21,165	331	21,496	148,719
7.1.2 Book value of deletions during the period / year				
Plant and machinery	-	-	-	(12,314)
Vehicles	(74)	-	(74)	-
	(74)	-	(74)	(12,314)

	1st QUARTER ENDED	
	30 Sep 2013	30 Sep 2012
	(Rupees in Thousand)	
8. COST OF SALES		
Raw material consumed (Note 8.1)	658,410	596,590
Cloth purchases	113,509	20,254
Processing charges	81,428	49,601
Sizing and beam filling	9,381	8,471
Loading and unloading	1,802	1,503
Salaries, wages and other benefits	42,600	38,882
Staff retirement benefits	1,206	2,169
Stores, spares and loose tools	15,268	13,283
Packing material	6,698	5,916
Repairs and maintenance	1,082	1,055
Fuel and power	88,412	70,862
Insurance	1,019	907
Conversion charges	970	-
Other factory overheads	721	367
Depreciation	14,332	12,109
	1,036,838	821,969
Work in process		
Opening stock	53,192	31,214
Closing stock	(45,142)	(28,529)
	8,050	2,685
Cost of goods manufactured	1,044,888	824,654
Transferred to weaving section	(73,116)	(15,873)
	971,772	808,781
Finished goods		
Opening stock	378,574	510,935
Closing stock	(487,087)	(562,009)
	(108,513)	(51,074)
	863,259	757,707
8.1 Raw material consumed		
Opening stock	248,201	179,700
Add: Purchases during the period	496,566	512,785
Add: Transferred from spinning section	73,116	15,873
	817,883	708,358
Less: Closing stock	(159,473)	(111,768)
	658,410	596,590

	1st Quarter ended	
	30 Sep 2013	30 Sep 2012
	Rupees in thousand	
9. CASH GENERATED FROM /(USED IN) OPERATIONS		
Profit before taxation	23,122	31,827
Adjustments for non-cash charges and other items:		
Depreciation	15,349	12,593
Gain on sale of property, plant and equipment	(13)	(1,002)
Provision for staff retirement benefits	-	2,970
Finance cost	34,312	29,187
Workers' profit participation fund	1,172	1,683
Working capital changes (9.1)	(186,185)	47,761
	(112,243)	125,019
9.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	8,159	21,993
Stock in trade	(11,739)	(22,345)
Trade debts	(233,970)	(190)
Loans and advances	(6,488)	6,346
Short term deposits and prepayments	(9,548)	(4,701)
Other receivables	(199)	1,038
	(253,785)	2,141
Increase in trade and other payables	67,600	45,620
	(186,185)	47,761

10. SEGMENT INFORMATION

10.1 The company has two reportable business segments. The following summary describes the operation in each of the company's reportable segments:

Spinning: Producing different quality of yarn using natural and artificial fibers.

Weaving: Producing different quality of greige fabric using yarn.

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purcheses are eliminated from the total.

10.2

	Spinning		Weaving		Elimination of inter-segment transactions		Total - Company	
	Quarter ended (Un-audited)		Quarter ended (Un-audited)		Quarter ended (Un-audited)		Quarter ended (Un-audited)	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Rupees in thousand)							
Sales	377,783	365,922	662,578	506,852	(73,116)	(15,873)	967,245	856,901
Cost of sales	(271,279)	(313,270)	(665,097)	(460,310)	73,116	15,873	(863,260)	(757,707)
Gross profit	106,504	52,652	(2,519)	46,542	-	-	103,985	99,194
Distribution cost	(2,511)	(2,187)	(28,897)	(22,678)	-	-	(31,408)	(24,865)
Administrative expenses	(7,867)	(6,735)	(7,324)	(6,468)	-	-	(14,991)	(13,203)
Other expenses	(800)	(1,180)	(372)	(503)	-	-	(1,172)	(1,683)
	(10,978)	(10,102)	(36,593)	(29,649)	-	-	(47,571)	(39,751)
	95,526	42,550	(39,112)	16,893	-	-	56,414	59,443
Other income	13	1,002	1,006	569	-	-	1,019	1,571
Finance cost	(7,320)	(5,455)	(26,992)	(23,732)	-	-	(34,312)	(29,187)
Profit before taxation	88,219	38,097	(65,098)	(6,270)	-	-	23,121	31,827
Taxation							(9,654)	(5,563)
Profit after taxation							13,467	26,264

10.3 **Reconciliation of reportable segment assets and liabilities:**

	Spinning		Weaving		Total - Company	
	Quarter ended (Un-audited)		Quarter ended (Un-audited)		Quarter ended (Un-audited)	
	September 30, 2013	June 30, 2013	September 30, 2013	June 30, 2013	September 30, 2013	June 30, 2013
	(Rupees in thousand)					
Total assets for reportable segments	1,419,381	1,069,178	1,204,314	1,334,985	2,623,695	2,404,163
Total liabilities for reportable segments	518,051	532,819	1,202,902	982,071	1,720,953	1,514,890
Unallocated liabilities:						
Deferred tax					85,391	85,391
Total liabilities as per balance sheet					1,806,344	1,600,281

11. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follows:

	(Un-Audited) QUARTER ENDED	
	30 Sep 2013	30 June 2013
	---- Rupees in thousand ----	
Associated companies / undertakings:		
Purchase of goods	355,829	259,578
Fuel and power purchased	7,838	31,679
Processing, packing and doubling charges paid	61,941	190,438
Sale of goods	280,490	918,117
Doubling and coversion income	-	560
Sale of operating fixed assets	-	6,000
Other related parties		
Loans obtained from directors	2,000	-
Loan repaid to director	-	1,833
Company's contribution to Employees' Provident Fund Trust	1,446	3,935

12. FINANCIAL RISK MANAGEMENT

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

13. DATE OF AUTHORIZATION

This condensed interim financial information was approved by the Board of Directors and authorised for issue on 29 October 2013.

14. CORRESPONDING FIGURES

Corresponding figures have been rearranged / reclassified wherever necessary for the purpose of comparison. However, no significant reclassifications / rearrangements have been made.

15. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

NISAR AHMAD SHEIKH
Chief Executive Officer

MUHAMMAD ARSHAD
Director

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