



# **ISLAND TEXTILE MILLS LIMITED**

**Condensed Interim Financial Information  
For The Nine - Month Period Ended March 31, 2016**

## **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 Tata  
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**SECRETARY:** Mr. Owais Ahmed Abbasi**HUMAN RESOURCE &  
REMUNERATION COMMITTEE****CHAIRMAN:** Mr. Muhammad Naseem**MEMBERS:** Mr. Shahid Anwar Tata  
Mr. Bilal Shahid Anwar**SECRETARY:** Mr. Umar Khawajah**COMPANY SECRETARY &  
CHIEF FINANCIAL OFFICER:** Mr. Farooq Advani**BANKERS:** Faysal Bank Limited  
Bank Alfalah Limited  
Meezan Bank Limited  
The Bank of Punjab  
MCB Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Summit Bank Limited  
Askari Bank Limited  
Pak Oman Investment Company Limited  
NIB Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Allied Bank Limited**AUDITORS:** M/s. Deloitte Yousuf Adil  
Chartered Accountants**LEGAL ADVISOR:** Ameen Bandukda & Co. Advocates**SHARE REGISTRAR:** Central Depository Company of Pakistan Ltd.  
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

The Financial Statements (un-audited) of the Company for the third quarter, ended on March 31, 2016 is being presented to you.

The Financial Results for the 3rd Quarter of the company continues to be disappointing. During the quarter under review, the Company incurred an after tax loss of Rs 102.172 million as compared to an after tax loss of Rs.17.464 million during the corresponding period of last year.

**Textile Industry**

During the Quarter under review, the Textile Industry is persistently facing severe liquidity crunch as major refunds are still unpaid and billions of Rupees are stuck up in Sales Tax, Duty Drawback and Income Tax Refunds. The country's share in the global market is on a constant decline due to rising production costs, rendering many Textile Industries incapable of competing in the International Market and this is only due to the unresponsive attitude of the incumbent Government.

Moreover, the exchange control policy adopted by the Government has seriously affected the country's exports which have declined drastically. During the last 5 years, our neighboring country and competitor has depreciated its currency by 55%, whereas, Pakistan has depreciated the Rupee by 24% only. Therefore, this big difference in the currency valuation cannot be covered by achieving any level of efficiency in production or cost.

The Textile Industry is a major sector for providing employment and earning of foreign exchange but the Government has failed to lift the country's export and the manufacturing sector continues to be neglected, as number of promises made by the Government in support of Textile Industry still remains unfulfilled.

**Cotton Situation**

Globally, the Cotton market was bearish, due to the uncertainty of Chinese Policy and secondly because of the speculators who were selling short in the New York (NY) Cotton Exchange which brought down the prices of Cotton. With this speculation of cotton, combined with the globally economic conditions, compounded with the Chinese doubtful situation, there was less demand for Textile products and thus, less demand for Yarn. Furthermore, the countries with greater availability of Cotton and better exchange rates were able to make inroads into our traditional market.

However, as things stand now, China has finally announced their Cotton Policy which has resulted into market sentiment being not so bearish and hence since then the NY has taken a reversal and Cotton prices have embarked upon a steady upward trend. Consequently, trading in cotton was done at high levels with supplies also shrinking. Our most significant competitor in Yarn, India, supposedly, might be facing some shortage of Cotton as their Cotton prices have also risen and they have also increased their Yarn prices. Hopefully, this will result in recapturing our domestic market as well as taking back some of the lost export markets.

We look forward to a good harvest of cotton crop in the coming months and hope it will be of a much better quality with enhanced yield production, as compared to last year's disastrous output.

**Power & Gas availability.**

We have started new Power House of 6.6 MW capacity to supply Electrical power to Island Textile Mills. However, due to less sanctioned gas capacity, we are unable to fully utilize it.

**Going Forward**

A plan is under way for the BMR of Island Mill 1, in which we are focusing to produce value added yarns like Core Spun, Chain, Slubs, Injection Slubs and mosaic yarns, in the Cotton Polyester blends.

**Acknowledgement**

It is most important to mention the untiring endeavors of all our team members who are engaged in up-holding their commitment for the company's success and growth. We also thank our Bankers, Vendors and Clients for their consistent trust and support.

On behalf of the Board of Directors



**SHAHID ANWAR TATA**  
Chief Executive

Karachi:  
Dated: April 30, 2016

**ISLAND TEXTILE MILLS LIMITED**
**03**
**CONDENSED INTERIM BALANCE SHEET  
AS AT MARCH 31, 2016**

Note	March 31, 2016 (Un-audited)	June 30, 2015 (Audited)
	.....Rupees in '000' .....	

**ASSETS**
**NON-CURRENT ASSETS**

Property, plant and equipment	3	3,995,948	3,719,483
Intangible assets		1,500	2,347
Long term investments		305,222	339,339
Long term deposits		1,001	1,001
Deferred Tax Assets		116,122	-
		<b>4,419,793</b>	<b>4,062,170</b>

**CURRENT ASSETS**

Stores, spares and loose tools		27,812	22,940
Stock-in-trade		1,527,358	1,198,742
Trade debts		425,082	125,106
Loans and advances		252,474	148,217
Short term prepayments		4,919	903
Other receivables		400	402
Other financial assets		21,036	17,186
Sales tax refundable		189,809	162,980
Cash and bank balances		87,054	152,324
		<b>2,535,944</b>	<b>1,828,800</b>

**TOTAL ASSETS**

	<b><u>6,955,737</u></b>	<b><u>5,890,970</u></b>
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**EQUITY AND LIABILITIES**
**EQUITY**

Share capital		5,000	5,000
Reserves		900,592	899,579
Unappropriated profit		290,663	351,968
		<b>1,196,255</b>	<b>1,256,547</b>
Surplus on revaluation of property, plant and equipment		461,255	474,181

**NON-CURRENT LIABILITIES**

Deferred liabilities		40,679	140,802
Long term finance		2,934,342	2,636,568
		<b>2,975,021</b>	<b>2,777,370</b>

**CURRENT LIABILITIES**

Trade and other payables		430,683	304,850
Short term borrowings		1,829,895	974,482
Interest / mark-up accrued on borrowings		62,628	82,236
Provision income tax		-	21,304
		<b>2,323,206</b>	<b>1,382,872</b>

**CONTINGENCIES AND COMMITMENTS**

2

**TOTAL EQUITY AND LIABILITIES**

	<b><u>6,955,737</u></b>	<b><u>5,890,970</u></b>
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The annexed notes form an integral part of these statements

  
**SHAHID ANWAR TATA**  
 Chief Executive

  
**ANWAR AHMED TATA**  
 Chairman/Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2016

Note	Nine-month period ended		Three-month period ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
.....Rupees in '000'.....				
Sales - net	2,905,972	1,564,926	1,256,490	451,343
Cost of goods sold	4 (2,803,545)	(1,502,931)	(1,194,755)	(430,821)
<b>Gross profit</b>	<b>102,426</b>	<b>61,995</b>	<b>61,734</b>	<b>20,522</b>
Distribution cost	(73,263)	(43,017)	(31,559)	(13,567)
Administrative expenses	(39,720)	(36,278)	(13,685)	(12,461)
Other operating expenses	(32,669)	(1,866)	(20,846)	(1,395)
Finance cost	(220,802)	(11,068)	(88,703)	(4,987)
	(366,455)	(92,229)	(154,794)	(32,410)
Share of loss from associates - net of tax	(33,698)	(7,521)	(14,456)	(1,457)
Other income	889	7,262	71	186
	(32,809)	(259)	(14,385)	(1,271)
<b>Loss before taxation</b>	<b>(296,838)</b>	<b>(30,493)</b>	<b>(107,445)</b>	<b>(13,159)</b>
Provision for taxation	223,606	(8,864)	5,272	(4,305)
<b>Loss for the period</b>	<b>(73,231)</b>	<b>(39,357)</b>	<b>(102,172)</b>	<b>(17,464)</b>
<b>Other comprehensive income</b>				
Items that will be reclassified subsequently to profit or loss				
Unrealized gain / (loss) on remeasurement of investment - available-for-sale:				
- Held by the Company	-	4,890	-	4,465
- Held by the Company - disposal	-	(4,330)	-	(4,330)
- Held by an associate - proportionate share of investment	15	(7)	9	(10)
Other comprehensive income - net of tax	15	553	9	125
<b>Total comprehensive income for the period</b>	<b>(73,216)</b>	<b>(38,804)</b>	<b>(102,163)</b>	<b>(17,339)</b>
<b>Earnings per share</b>				
- Basic and diluted (Rupees)	(146.46)	(78.71)	(204.34)	(34.93)

The annexed notes form an integral part of these financial statements

  
SHAHID ANWAR TATA  
Chief Executive

  
ANWAR AHMED TATA  
Chairman/Director

**ISLAND TEXTILE MILLS LIMITED**
**05**
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2016**

	March 31, 2016	March 31, 2015
	.....Rupees in '000'.....	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(296,838)	(30,493)
Adjustments for :		
Depreciation on property, plant and equipment	135,414	31,781
Amortisation	846	842
Provision for staff gratuity & compensated absences	16,105	11,836
Finance cost	220,802	11,068
Gain on sale of property, plant and equipment	-	(1,794)
Share of loss from associate	33,698	7,521
Realized gain on disposal of financial assets	-	(4,330)
Operating cash flows before movement in working capital	<u>110,027</u>	<u>26,431</u>
(Increase) / decrease in current assets		
Stores, spares and loose tools	(4,872)	411
Stock-in-trade	(328,616)	67,790
Trade debts	(299,976)	(34,505)
Loans and advances	(82,232)	(432,103)
Short-term prepayments	(4,016)	(2,559)
Other receivables	2	5,053
Sales tax refundable	(26,829)	(118,608)
Increase in current liabilities		
Trade and other payables	<u>125,834</u>	<u>93,267</u>
Net Cash used in Operations	<u>(510,677)</u>	<u>(394,823)</u>
Finance cost paid	(267,930)	(7,187)
Staff gratuity paid & compensated absences paid	(9,654)	(8,024)
Income taxes paid	(42,423)	(23,564)
<b>Net cash used in operating activities</b>	<u>(830,683)</u>	<u>(433,598)</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	435	984
Purchase of other financial assets	(3,850)	(141,967)
Proceeds from disposal of property, plant and equipment	-	2,404
Additions to property, plant and equipment	(384,360)	(2,473,949)
Purchase of intangible assets	-	(37)
Proceed from other financial asset	-	140,000
Net cash used in investing activities	<u>(387,775)</u>	<u>(2,472,565)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financing obtained	-	1,995,050
Long-term finance obtained	297,774	-
Dividend paid	1	(2,379)
Short term borrowings obtained	556,502	566,115
Net cash generated from financing activities	<u>854,277</u>	<u>2,558,786</u>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<u>(364,181)</u>	<u>(347,377)</u>
<b>Cash and cash equivalents at July 01</b>	<u>(134,929)</u>	<u>64,323</u>
<b>Cash and cash equivalents at March 31</b>	<u>(499,110)</u>	<u>(283,054)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	87,057	27,766
Short - term running finance	<u>(586,167)</u>	<u>(310,820)</u>
	<u>(499,110)</u>	<u>(283,054)</u>

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

  
**SHAHID ANWAR TATA**  
Chief Executive

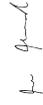
  
**ANWAR AHMED TATA**  
Chairman/Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2016**

	Reserve					Total
	Issued subscribed and paid-up share Capital	General reserve	Other reserve	Unrealized (loss) / gain in value of investment available for sale	Company's share in other comprehensive income of associates	
Balance at July 01, 2014	5,000	900,000	591	298	(889)	1,300,876
Comprehensive income	-	-	-	-	-	-
Less after taxation for nine-month period ended March 31, 2015	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	(39,357)
Transfer from surplus on revaluation of property, plant and equipment on account of:	-	-	560	560	(7)	563
- incremental depreciation - net of deferred tax	-	-	-	-	-	-
Associate's share of surplus on revaluation of property, plant and equipment on account of:	-	-	-	-	-	-
- incremental depreciation - net of deferred tax and disposal	-	-	-	-	-	9,651
Transaction with owners	-	-	-	-	-	-
Final cash dividend for the year ended June, 30 2013 - @ Rs.5 per share	-	-	-	-	-	4,043
Balance at March 31, 2015	5,000	900,000	591	858	(976)	1,273,288
Less after taxation for three-month period ended June 30, 2015	-	-	-	-	-	(17,960)
Other comprehensive income / (loss) - net of tax	-	-	-	(650)	(37)	(767)
Transfer from surplus on revaluation of property, plant and equipment on account of:	-	-	-	-	-	-
- incremental depreciation - net of deferred tax	-	-	-	-	-	2,874
Associate's share of surplus on revaluation of property, plant and equipment on account of:	-	-	-	-	-	-
- incremental depreciation - net of deferred tax and disposal	-	-	-	-	-	358
Impact of Change in deferred tax rate	-	-	-	-	-	(331)
Balance at June 30, 2015	5,000	900,000	591	-	(1,013)	1,256,547
Comprehensive income for the nine-month period ended March 31, 2016	-	-	-	-	-	(73,231)
Less after taxation for nine-month period ended March 31, 2016	-	-	-	-	-	-
Other comprehensive income-net of tax	-	-	-	-	15	15
Transfer from surplus on revaluation of property, plant and equipment on account of:	-	-	-	-	-	-
- incremental depreciation - net of deferred tax	-	-	-	-	-	8,922
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	-	-	-	-	-	4,002
Balance at March 31, 2016	5,000	900,000	591	-	(899)	1,196,255

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

  
**SHAHID ANWAR TATA**  
Chief Executive

  
**ANWAR AHMED TATA**  
Chairman/Director

**SELECTED EXPLANATORY NOTES TO THE  
CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2016**

**1. LEGAL STATUS AND BASIS OF PREPARATION**

- 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 Pakistan Stock Exchange Limited (formerly 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** This condensed interim financial information has 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 Rule Book of the Pakistan Stock Exchange.
- 1.4** The accounting policies and methods of computation followed in the preparation of the 3rd Quarterly financial statements are the same as those of the published annual financial statements for the period ended June 30, 2015.

	<b>March 31, 2016</b>	June 30, 2015
	<b>(Un-audited)</b>	(Audited)
<b>Note</b>	<b>.....Rupees in 000.....</b>	

**2. CONTINGENCIES AND COMMITMENTS**

**2.1 Contingencies**

Estimated financial impact of labour and workmen compensation cases in court of law	<b>998</b>	1,236
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**2.2 Commitments**

Letters of credit for		
-raw material	<b>530,496</b>	23,126
-spares and machinery	<b>89,593</b>	91,938
Bank guarantees	2.2.1 <b>79,384</b>	65,676
Bills discounted	<b>522,566</b>	39,028
Outstanding sales contracts	<b>1,056</b>	8,534

- 2.2.1** This includes bank guarantee related to infrastructure cess for an amount of Rs. 52.97 million (June 30, 2015: Rs. 49.63 million).

**3. PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets	<b>3,883,054</b>	782,879
Capital work-in-progress	<b>112,894</b>	2,936,604
	<b><u>3,995,948</u></b>	<b><u>3,719,483</u></b>

Note	Nine-month period ended		Three-month period ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	Un-audited			
	Rupees in '000'			
<b>4. COST OF GOODS SOLD</b>				
Opening finished goods	148,123	257,986	469,597	133,522
Cost of goods manufactured	4.2 3,053,708	1,308,984	1,123,444	405,539
	<u>3,201,830</u>	<u>1,566,970</u>	<u>1,593,041</u>	<u>539,061</u>
Closing finished goods	(398,286)	(108,239)	(398,286)	(108,239)
Cost of manufactured goods sold	<u>2,803,544</u>	<u>1,458,731</u>	<u>1,194,755</u>	<u>430,822</u>
Cost of raw material sold	-	44,200	-	-
Cost of goods sold	<u>2,803,545</u>	<u>1,502,931</u>	<u>1,194,755</u>	<u>430,821</u>
<b>4.1 Finished goods stock also includes waste stock carried at net realizable value.</b>				
<b>4.2 Cost of goods manufactured</b>				
Raw material	4.2.1 2,256,113	904,302	838,260	273,089
Stores and spares	43,872	37,297	20,202	9,682
Packing material	56,877	20,586	19,810	6,619
Fuel and power	348,749	185,603	111,616	59,766
Salaries, wages and benefits	203,906	113,875	70,333	41,417
Depreciation	132,744	27,996	49,831	9,416
Insurance	9,785	3,984	3,844	1,951
Repairs and maintenance	9,743	5,286	2,414	1,788
Other overheads	13,494	7,775	4,920	3,293
	<u>3,075,283</u>	<u>1,306,704</u>	<u>1,121,230</u>	<u>407,021</u>
<b>Work-in-process</b>				
Opening stock	10,802	12,260	34,591	8,498
Closing stock	(32,377)	(9,980)	(32,377)	(9,980)
	<u>(21,575)</u>	<u>2,280</u>	<u>2,214</u>	<u>(1,482)</u>
	<u>3,053,708</u>	<u>1,308,984</u>	<u>1,123,444</u>	<u>405,539</u>
<b>4.2.1 Raw material consumed</b>				
Opening stock	1,039,817	293,342	691,461	337,124
Purchases - net	2,312,991	988,538	1,243,494	313,543
	<u>3,352,808</u>	<u>1,281,880</u>	<u>1,934,955</u>	<u>650,667</u>
Closing stock	(1,096,695)	(377,578)	(1,096,695)	(377,578)
	<u>2,256,113</u>	<u>904,302</u>	<u>838,260</u>	<u>273,089</u>

#### 5. 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:

Three-month period ended  
**March 31, 2016**      March 31, 2015  
 .....(Un-audited).....  
 ...Rupees in '000'...

Relationship with the party	Nature of transactions		
Associated undertakings	Share of expense received	132	224
	Share of expense paid	682	747
	Purchase of electricity	55,909	50,725
	Purchase of cotton	21,381	-
	Rent expense	150	-
Key management personnel	Short-term benefits	10,175	8,781
Directors	Short-term benefits	1,063	875
	Directors meeting fee	35	30
	Rent	866	866

**6. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on April 30, 2016 by the Board of Directors of the Company.



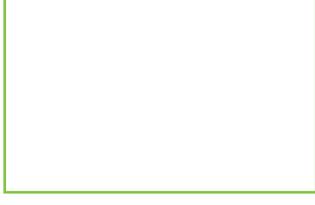
**SHAHID ANWAR TATA**  
Chief Executive



**ANWAR AHMED TATA**  
Chairman/Director

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