

ISHAQ

TEXTILE MILLS LIMITED

**1st Quarterly
Accounts**

**September 30, 2014
(UN-AUDITED)**

COMPANY INFORMATION

CHAIRMAN	Mr. Muhammad Arshad
CHIEF EXECUTIVE	Mr. Nisar Ahmad Sheikh (Executive)
DIRECTORS	Mr. Shahzad Ahmad Sheikh (Executive) Mr. Shehryar Arshad Mr. Aizad Amer Mrs. Zareen Akhtar Mrs. Memoona Waseem Mrs. Noureen Shahzad
AUDIT COMMITTEE	
CHAIRMAN	Mr. Shehryar Arshad
MEMBER	Mr. Aizad Amer
MEMBER	Mrs. Noureen Shahzad
HR & REMUNERATION COMMITTEE	
CHAIRMAN	Mr. Muhammad Arshad
MEMBER	Mr. Shahzad Ahmad 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, 4 th 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of the Company have pleasure in submitting their report together with the un-audited condensed interim financial information of the Company for the period ended 30 September 2014. Erratic trends in raw material prices and disproportionate yarn selling prices, adverse economic situation, increase in minimum wages, load shedding of electricity and gas and political uncertainty in the country have resulted in loss for the quarter to the Company. Keeping in view the consistent loss in the Weaving Section since more than a year, the management has decided to close down the Section temporarily till the replacement of air jet looms with power looms which is to be approved by the shareholders in forthcoming Annual General Meeting on 31 October 2014.

FINANCIAL HIGHLIGHTS	30 September 2014	30 September 2013
	(Rupees in thousand)	
SALES	484,292	967,245
GROSS (LOSS)/ PROFIT	(18,969)	103,986
(LOSS) / PROFIT FROM OPERATIONS	(32,851)	57,434
(LOSS) / PROFIT BEFORE TAXATION	(50,881)	23,122
(LOSS) / PROFIT AFTER TAXATION	(55,724)	13,468
(LOSS) / EARNINGS PER SHARE-BASIC AND DILUTED	(5.77)	1.39

Sales during the period have been decreased to Rupees 484,292 million as compared to Rupees 967,245 million of the corresponding period of last year resultantly the Company faced a huge loss during the period under review. This reduction is mainly due to high raw material prices in comparison to declining sales rates of yarn as well as fabric in the local and international markets.

FUTURE PROSPECTS

According to PCGA, cotton arrivals at ginning sector is about 5.3 million bales and it is expected that the cotton prices would be ranged bound between Rupees 5,200 to Rupees 5,700 per maund. Rupee parity against dollar is once again under pressure and is hovering around Rupees 103 per USD. Prices of polyester may ease out as petroleum prices are in declining mode. Sales phenomenon is a question mark as demand of yarn and fabric is still on sluggish side. Directors foresee that remaining period of the year would continue to be challenging.

The Directors wish to express their gratitude to our valued clients and bankers for the co-operation extended by them during the course of business activities. The Directors also wish to place on record their appreciation for the hard work and devoted services of the staff members and workers of the Company.



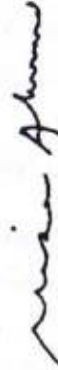
NISAR AHMED SHEIKH
Chief Executive Officer

Dated: 28 October 2014
Faisalabad

CONDENSED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2014

NOTE	UN-AUDITED 30 SEP 2014 (Rupees in thousand)	AUDITED 30 June 2014 (Rupees in thousand)	NOTE	UN-AUDITED 30 SEP 2014 (Rupees in thousand)	AUDITED 30 June 2014 (Rupees in thousand)
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Authorized share capital	100,000	100,000		911,556	920,427
10,000,000 (30 June 2014 - 10,000,000) ordinary shares of Rupees 10 each				7,694	7,359
Issued, subscribed & paid up share capital	96,600	96,600	7	3,905	3,741
Reserves				922,555	931,564
Total equity	421,182	476,234			
Surplus on revaluation of property, plant and equipment - net of deferred income tax	517,782	572,634			
LIABILITIES	236,911	237,592			
NON-CURRENT LIABILITIES					
Long term financing	104,490	154,056		38,543	49,396
Deferred income tax liability	64,944	64,944		327,336	503,512
Staff retirement gratuity	-	3,126		234,934	625,999
CURRENT LIABILITIES	169,324	222,026		46,418	35,295
Trade and other payables	194,949	121,520		5,620	852
Accrued mark-up	17,330	25,875		62,097	82,516
Short term borrowings	445,458	900,875		26,275	9,881
Current portion of non-current liabilities	42,562	116,879		747,625	1,307,361
Provision for taxation	46,276	43,514			
TOTAL LIABILITIES	756,583	1,205,483			
CONTINGENCIES AND COMMITMENTS:	915,887	1,428,509			
TOTAL EQUITY AND LIABILITIES	1,670,580	2,238,925		1,670,580	2,238,925

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



NISAR AHMAD SHEIKH
Chief Executive Officer



KH. AIZAD AMER
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

	NOTE	QUARTER ENDED	
		30-Sep-14	30-Sep-13
(Rupees in Thousand)			
Sales		484,292	967,245
Cost of sales	8	(503,261)	(863,259)
Gross (loss) / profit		(18,969)	103,986
Distribution cost		(846)	(31,408)
Administrative expenses		(14,259)	(14,991)
Other expenses		-	(1,172)
		(15,105)	(47,571)
Other income		1,223	1,019
(Loss) / profit from operations		(32,851)	57,434
Finance cost		(18,030)	(34,312)
(Loss) / profit before taxation		(50,881)	23,122
Taxation		(4,843)	(9,654)
(Loss) / profit after taxation		(55,724)	13,468
(Loss) / earnings per share - basic and diluted (Rupees)		(5.77)	1.39

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



NISAR AHMAD SHEIKH
Chief Executive Office,



KH. AIZAD AMER
Director


CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME ((UN-AUDITED))
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

1st Quarter ended	
30 Sep 2014	30 Sep 2013

(Rupees in thousand)

(Loss) / profit after taxation	(55,724)	13,468
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 (loss) / profit for the period	<u>(55,724)</u>	<u>13,468</u>

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



NISAR AHMAD SHEIKH
Chief Executive Officer



KH. AIZAD AMER
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

	NOTE	1st Quarter ended	
		30 Sep 2014	30 Sep 2013
Rupees in thousand			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	9	635,616	(112,243)
Finance cost paid		(26,575)	(38,968)
Income tax paid		(6,515)	(8,339)
Staff retirement gratuity paid		(6,624)	(1,689)
Net increase in long term deposits		(164)	235
Net decrease in long term loans		37	46
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES		595,775	(160,958)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		1,669	87
Investments made		(135)	(134)
Purchase of property, plant & equipment		(10,524)	(20,226)
NET CASH USED IN INVESTING ACTIVITIES		(8,990)	(20,273)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		37,105	2,000
Repayment of long term financing		(158,511)	(6,913)
Short term borrowings - net		(455,219)	138,896
NET CASH (USED IN) / FROM FINANCING ACTIVITIES		(576,625)	133,983
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		10,160	(47,248)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		9,991	55,657
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		20,151	8,409

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



NISAR AHMAD SHEIKH
 Chief Executive Officer


KH. AIZAD AMER
 Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014

	RESERVES			SUB TOTAL	TOTAL EQUITY
	CAPITAL RESERVES	REVENUE RESERVES			
	Share premium	Unappropri- ated Profit			
------(Rupees in thousand)-----					
Balance as at 01 July 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 income tax	-	-	825	825	825
Profit after taxation for the period	-	-	13,468	13,468	13,468
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive 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
Transactions with owners- Final dividend for the year ended 30 June 2013 @ 1 Rupee per share			(1,622)	(1,622)	(1,622)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	1,862	1,862	1,862
Loss after taxation for the period	-	-	(5,312)	(5,312)	(5,312)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	(5,312)	(5,312)	(5,312)
Balance as at 30 June 2014 (Audited)	96,600	17,250	458,984	476,234	572,834
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	672	672	672
Loss after taxation for the period	-	-	(55,724)	(55,724)	(55,724)
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	(55,724)	(55,724)	(55,724)
Balance as at 30 September 2014 (un-audited)	96,600	17,250	403,932	421,182	517,782

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


NISAR AHMAD SHEIKH
Chief Executive Officer


KH. AIZAD AMER
Director

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2014**

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 2014.

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 2014.

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 2014.

5. LONG TERM FINANCING

	Un-audited	Audited
	30 Sep	30 June
	2014	2014
	Rupees in thousand	
Opening balance	261,814	253,239
Add: Obtained during the period / year	37,105	45,000
Less: Repaid during the period / year	<u>(158,511)</u>	<u>(36,425)</u>
Closing balance	140,408	261,814
Less: Current portion shown under current liabilities	<u>(35,928)</u>	<u>(107,758)</u>
	<u>104,480</u>	<u>154,056</u>

6. CONTINGENCIES AND COMMITMENTS**a) Contingencies**

- i) The Company is contingently liable for Rupees 2.400 million (30 June 2014: Rupees 2.400 million) to Director Excise and Taxation on account of import duty.
- ii) Guarantees of Rupees 34.442 million (30 June 2014: Rupees 34.442 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and Faisalabad Electric Supply Company (FESCO) against electricity connection.
- iii) Post dated cheques of Rupees 1.476 million (30 June 2014: Rupees 1.776 million) are issued to custom authorities in respect of duties on imported material availed on the basis of consumption and export plans. If documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- iv) The Company is contingently liable for Rupees 1.88 million (30 June 2014: Rupees Nil) to Water and Power Development Authority (WAPDA) on account of difference in tariff with NEPRA determined tariff for the financial year 2013-14.

b) Commitments

- i) Letters of credit for capital expenditure are of Rupees Nil (30 June 2014: Rupees Nil).

UNIT		Un-Audited	Audited
SPINNING	WEAVING	30 Sep 2014	30 June 2014

----- Rupees in thousand -----

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 7.1)	646,145	265,411	911,556	915,760
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7.1 Operating Fixed Assets

Opening book value	643,865	271,895	915,760	945,960
Add: Cost of additions during the period / year (Note 7.1.1)	10,174	350	10,524	33,110
Less: Book value of deletions during the period / year (Note 7.1.2)	(446)	-	(446)	(1,831)
Less: Depreciation charged for the period / year	(7,448)	(6,834)	(14,282)	(61,479)
	646,145	265,411	911,556	915,760

7.1.1 Cost of additions during the period / year

Plant and machinery	8,334	350	8,684	20,515
Factory building	98	-	98	-
Electric installations / appliances	1,159	-	1,159	-
Factory equipment	-	-	-	74
Generators	-	-	-	2,573
Furniture and fixture	511	-	511	-
Computers	-	-	-	48
Vehicles	72	-	72	9,900
	10,174	350	10,524	33,110

7.1.2 Book value of deletions during the period / year

Vehicles	(446)	-	(446)	(1,831)
	(446)	-	(446)	(1,831)

	1st QUARTER ENDED	
	30 Sep 2014	30 Sep 2013
	(Rupees in Thousand)	
8. COST OF SALES		
Raw material consumed (Note 8.1)	225,824	596,590
Cloth purchases	-	20,254
Processing charges	-	49,601
Sizing and beam filling	2,842	8,471
Loading and unloading	1,313	1,503
Salaries, wages and other benefits	36,461	38,882
Staff retirement benefits	1,129	2,169
Stores, spares and loose tools	9,135	13,283
Packing material	4,600	5,916
Repairs and maintenance	814	1,055
Fuel and power	65,382	70,862
Insurance	1,107	907
Other factory overheads	336	367
Depreciation	13,447	12,109
	<u>362,390</u>	<u>821,969</u>
Work-in-process		
Opening stock	10,428	31,214
Closing stock	(10,031)	(28,529)
	<u>397</u>	<u>2,685</u>
Cost of goods manufactured	362,787	824,654
Finished goods		
Opening stock	368,956	510,935
Closing stock	(228,482)	(562,009)
	<u>140,474</u>	<u>(51,074)</u>
	<u>503,261</u>	<u>773,580</u>
8.1 Raw material consumed		
Opening stock	124,127	179,700
Add: Purchased during the period	<u>190,522</u>	<u>512,785</u>
	314,649	692,485
Less: Closing stock	<u>(88,825)</u>	<u>(111,768)</u>
	<u>225,824</u>	<u>580,717</u>

Un-audited	
1st Quarter ended	
30 Sep	30 Sep
2014	2013
Rupees in thousand	

9. CASH GENERATED FROM/(USED IN) OPERATIONS

(Loss) / profit before taxation	(50,881)	23,122
Adjustments for non-cash charges and other items:		
Depreciation	14,282	15,349
Gain on sale of property, plant and equipment	(1,223)	(13)
Provision for staff retirement benefits	3,498	-
Finance cost	18,030	34,312
Provision of workers' profit participation fund	-	1,172
Working capital changes (9.1)	651,910	(186,185)
	<u>635,616</u>	<u>(112,243)</u>

9.1 Working capital changes

(Increase) / decrease in current assets:

Stores, spare parts and loose tools	10,853	8,159
Stock in trade	176,174	(11,739)
Trade debts	391,065	(233,970)
Loans and advances	(7,991)	(6,488)
Short term deposits and prepayments	(4,968)	(9,548)
Other receivables	14,519	(199)
	<u>579,652</u>	<u>(253,785)</u>
Increase in trade and other payables	72,258	67,600
	<u>651,910</u>	<u>(186,185)</u>

10. SEGMENT INFORMATION

10.1

	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)	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	(Rupees in thousand)							
Sales	315,098	377,753	169,195	862,578	(21,966)	(73,118)	462,327	967,245
Cost of sales	(313,207)	(271,278)	(190,555)	(665,097)	21,966	73,118	(481,296)	(863,259)
Gross profit / (loss)	1,891	106,005	(20,860)	(2,519)	-	-	18,989	103,986
Distribution cost	(819)	(2,511)	(27)	(28,897)	-	-	(846)	(31,408)
Administrative expenses	(9,195)	(7,657)	(5,064)	(7,324)	-	-	(14,259)	(14,991)
Other expenses	-	(800)	-	(372)	-	-	-	(1,172)
	(10,014)	(10,978)	(5,091)	(36,593)	-	-	(15,105)	(47,571)
Other income	(8,129)	95,527	(25,551)	(39,112)	-	-	(34,074)	56,415
Finance cost	924	13	299	1,006	-	-	1,223	1,019
	(2,255)	(7,302)	(15,775)	(26,932)	-	-	(18,030)	(34,312)
(Loss) / profit before taxation	(9,454)	88,220	(41,427)	(65,096)	-	-	(50,881)	23,122
Taxation	-	-	-	-	-	-	(4,843)	(9,654)
(Loss) / profit after taxation	-	-	-	-	-	-	(55,724)	13,468

10.2 Reconciliation of reportable segment assets and liabilities:

	Spinning		Weaving		Total - Company	
	Quarter ended (Un-audited)		Quarter ended (Un-audited)		Quarter ended (Un-audited)	
	30 September 2014	30 June 2013	30 September 2014	30 June 2013	30 September 2014	30 June 2013
	----- (Rupees in thousand) -----					
Total assets for reportable segments	1,006,761	1,055,263	663,829	1,153,662	1,670,590	2,336,925
Total liabilities for reportable segments	430,278	534,476	420,765	829,187	851,043	1,363,865
Unallocated liabilities:						
Deferred income tax liability					64,844	64,844
Total liabilities as per balance sheet					<u>915,887</u>	<u>1,428,709</u>

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 2014	30 Sep 2013
---- Rupees in thousand ----	

Associated companies / undertakings:

Purchase of goods	761	355,829
Fuel and power purchased	805	7,838
Processing, packing and doubling charges paid	-	61,941
Sale of goods	151,201	280,490

Other related parties

Loans obtained from directors	37,105	2,000
Loan repaid to director	65,500	-
Company's contribution to Employees' Provident Fund Trust	1,773	1,446

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 2014.

13. DATE OF AUTHORIZATION

This condensed interim financial information was approved by the Board of Directors and authorised for issue on 28 October 2014.

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



KH. AIZAD AMER
Director