



**ISLAND TEXTILE
MILLS LIMITED**

**Interim Report
For The 1st Quarter Ended September 30, 2008**

COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN: Mr. Anwar Ahmed Tata

CHIEF EXECUTIVE : Mr. Shahid Anwar Tata

DIRECTORS: Mr. Adeel Shahid Anwar Tata
Mr. Ajaz Ahmed Tariq
Mr. Farooq Advani
Mr. Javed Ahmed
Mr. Kausar Ejaz

AUDIT COMMITTEE
CHAIRMAN: Mr. Anwar Ahmed Tata

MEMBERS: Mr. Javed Ahmed
Mr. Kausar Ejaz

COMPANY SECRETARY &
CHIEF FINANCIAL OFFICER: Mr. Farooq Advani

BANKERS: The Royal Bank of Scotland Ltd.
Bank Al-Falah Limited
MCB Bank Limited
Soneri Bank Limited

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

LEGAL ADVISOR: Dr. Raees M. Mushtaq & Co.
Advocate.

SHARE REGISTRAR: Noble Computer Services (Pvt.) Ltd.
2nd Floor, Sohni Centre, BS 5 & 6, Main Karimabad
Block-4, Federal B. Area,
Karachi- 75950
Tel# 6801880, 6802326

REGISTERED OFFICE: 8,8th Floor Textile Plaza,
M.A Jinnah Road Karachi.
Tel#2412955-3 Lines 2426761-2-4
Fax#2417710

WEB SITE ADDRESS: www.tatatex.com

E- MAIL ADDRESS: finance@tatatex.com

MILLS: A/12, S.I.T.E. Kotri Distt. Jamshoro (Sindh)

DIRECTORS' REPORT

Assalam-o-Alaikum,

The un-audited Financial Statements of the company for the 1st quarter ended on September 30, 2008 is being presented before you with the following observations.

During the period under review the Company made a pre-tax profit of Rs. 3.223 million as compared to a pre-tax profit of Rs. 19.179 million during the corresponding period last year.

The first quarter has been a tumultuous one with unprecedented increase in the cost of production due to the high interest rates, non-guaranteed energy supplies, sharp rise in the price of natural gas and depreciation of Pak Rupee. There have been so many other factors governing the prices that it has become very risky to do business in this environment which continues to hamper country's export oriented industries ability to compete in the international markets.

Globally the situation is not very good; the failures of banks, the financial system and the turmoil which has resulted in low demand from foreign buyers like the USA. It has become equally burdensome for us to sell our yarns. We have a fairly good marketing strategy and team but in spite of that our yarn inventory has piled up. We are experiencing an unprecedented slow down in yarn demand since the industry is confronted with numerous problems due to increase in cost of inputs caused by the elevated price of petroleum products and natural gas, sudden increase in electricity tariffs, rising interest rates and financial charges and the political uncertainty. We have been living beyond our means and failed to do much to develop the industry.

Polyester fiber one of our major raw materials that we import has also been under direct influence of the deepening global crisis in finance, commodities and oil sectors. It has become risky to import polyester fibre due to the dollar fluctuation as well as high petrochemical prices. The deteriorating global economy has resulted in decline in demand for polyester fibre which may continue to remain depressed.

In the present operating environment we will continue our efforts and endeavour to tackle these problems. May Allah give us the strength for improvement in our operations. We would like to thank our Staff, Officers and Workers for their hard work and dedication

On behalf of the Board



SHAHID ANWAR TATA
Chief Executive

Karachi:
Dated: October 27, 2008

ISLAND TEXTILE MILLS LIMITED

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BALANCE SHEET
AS AT SEPTEMBER 30, 2008

	Notes	Un-Audited Sept 30, 2008	Audited June 30, 2008
.....Rupees in 000			
SHARE CAPITAL AND RESERVES			
Authorised			
1,000,000 Ordinary shares of Rs.10 each		10,000	10,000
Issued, subscribed and paid-up		5,000	5,000
Unappropriated profits		137,042	131,557
		142,042	136,557
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		210,573	213,296
NON-CURRENT LIABILITIES			
Long-term financing		202,976	203,767
Deferred liabilities		102,694	98,972
CURRENT LIABILITIES			
Trade and other payables		153,821	43,618
Accrued interest / mark-up on loans		20,538	12,368
Short-term borrowings		496,817	452,261
Current portion of			
long-term financing		31,520	32,072
liabilities against assets subject to finance lease		50	75
Taxation - income tax		57,773	57,559
		760,519	597,953
CONTINGENCIES AND COMMITMENTS			
	2	1,418,804	1,250,545
NON-CURRENT ASSETS			
Property, plant and equipment	3	588,255	594,736
Long-term investments		19,806	18,162
Long-term deposits		80	80
CURRENT ASSETS			
Stores, spares and loose tools		8,671	8,232
Stock-in-trade		543,020	327,042
Trade debts - considered good		125,650	164,083
Loans and advances		99,132	78,728
Trade deposits and short term prepayments		3,615	622
Other receivables		11,372	40,959
Sales tax refundable		3,454	2,685
Other financial assets		5,064	4,240
Cash and bank balances		10,685	10,976
		810,663	637,567
		1,418,804	1,250,545

The annexed notes form an integral
part of these financial statements



Shahid Anwar Tata
Chief Executive



Anwar Ahmed Tata
Chairman/Director

PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2008

	Notes	Sept 30, 2008	Sept 30, 2007
	Rupees in 000	
Sales		319,573	257,625
Cost of goods sold	4	(267,132)	(210,381)
Gross profit		52,441	47,244
Distribution cost		(11,796)	(16,439)
Administrative expenses		(7,391)	(6,708)
Other operating expenses		(9,799)	(1,216)
Other operating income		8,252	6,879
Finance cost		(28,593)	(11,000)
Share of profit from associate - net of tax		109	419
		(49,218)	(28,065)
Profit before taxation		3,223	19,179
Taxation		(1,842)	(5,232)
Profit for the period		1,381	13,947
Earnings per share - Basic and diluted		2.76	27.89

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part of these financial statements



Shahid Anwar Tata
Chief Executive



Anwar Ahmed Tata
Chairman/Director

CASH FLOW STATEMENT (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2008

	Sept 30, 2008	Sept 30, 2007
Rupees in 000	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,223	19,179
Adjustments for :		
Depreciation of property, plant and equipment	9,835	6,202
Provision for staff gratuity	3,932	2,464
Provision for compensated absences	(71)	203
Finance cost	28,593	11,000
Gain on sale of property, plant and equipment	(1,303)	(94)
Share of profit from associate	(109)	(419)
Operating cash flows before movement in working capital	<u>44,100</u>	<u>38,535</u>
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(439)	(121)
Stock-in-trade	(215,978)	58,217
Trade debts	38,433	25,294
Loans and advances	(17,766)	(31,489)
Trade deposits and short term prepayments	(2,993)	(2,297)
Other receivables	29,587	(379)
Sales tax refundable	(769)	(705)
Other financial assets	(824)	-
Increase in current liabilities		
Trade and other payables	<u>110,204</u>	<u>6,794</u>
Cash generated (used in)/ from operations	<u>(16,445)</u>	<u>93,849</u>
Finance cost paid	(20,423)	(14,683)
Income taxes paid	(2,638)	(2,660)
Staff gratuity paid	(1,921)	(410)
Net cash (used in)/ from operating activities	<u>(41,427)</u>	<u>76,096</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,051)	(2,184)
Proceeds on disposal of property, plant and equipment	<u>2,000</u>	<u>504</u>
Net cash used in investing activities	<u>(2,051)</u>	<u>(1,680)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long - term financing	(1,343)	(7,540)
Repayment of finance lease	(25)	(160)
Short term-borrowings-import/export finance	(157,177)	(65,801)
Dividend paid	(1)	-
Net cash used in financing activities	<u>(158,546)</u>	<u>(73,501)</u>
Net (decrease)/increase finance in cash and cash equivalents (A+B+C)	(202,024)	915
Cash and cash equivalents at July 1	<u>(227,989)</u>	<u>(31,874)</u>
Cash and cash equivalents at Sept 30	<u>(430,013)</u>	<u>(30,959)</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	10,685	10,603
Short - term running finance under markup arrangements	<u>(440,698)</u>	<u>(41,562)</u>
	<u>(430,013)</u>	<u>(30,959)</u>

The annexed notes form an integral part of these financial statements


Shahid Anwar Tata
Chief Executive



Anwar Ahmed Tata
Chairman/Director

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2008

	<u>Revenue reserve</u>		Total
	Share Capital	Unappropriated Profit	
Rupees in 000.....		
Balance at July 01, 2007	5,000	151,802	156,802
Changes in equity for the Quarter ended September 30, 2007			
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		179	179
Share of unrealized Loss in value of securities available sale		(52)	(52)
Transfer from surplus on revaluation of property, plant and equipment on account of : -incremental depreciation - net of deferred tax		1,018	1,018
Profit for the Period	-	13,947	13,947
Total recognised income and expense for the Quarter	-	15,092	15,092
Balance as at September 30, 2007	<u>5,000</u>	<u>166,894</u>	<u>171,894</u>
Balance at July 01, 2008	5,000	131,557	136,557
Changes in equity for the Quarter ended September 30, 2008			
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		1,384	1,384
Share of unrealized Loss in value of securities available sale		(3)	(3)
Transfer from surplus on revaluation of property, plant and equipment on account of : -incremental depreciation & disposal - net of deferred tax		2,723	2,723
Profit for the Period	-	1,381	1,381
Total recognised income and expense for the Quarter	-	5,485	5,485
Balance as at September 30, 2008	<u>5,000</u>	<u>137,042</u>	<u>142,042</u>

The annexed notes form an integral
part of these financial statements


Shahid Anwar Tata
Chief Executive


Anwar Ahmed Tata
Chairman/Director

NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2008

1. SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

- 1.1 Island Textile Mills Limited (the company) was incorporated in Pakistan on May 20, 1970 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi stock exchange. The registered office of the company is situated at 8, 8th floor Textile Plaza, M.A. Jinnah Road, Karachi. The principal activity of the company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at Kotri Industrial Estate in the province of Sindh.
- 1.2 These financial statements have been prepared under 'historical cost convention' modified by:
- revaluation of certain property, plant and equipment
- recognition of certain employee retirement benefits at present value
- investment in associate under equity method
- 1.3 These accounts are unaudited and submitted to shareholders as required by SRO. No. 764 (I)/2001 Dated November 5, 2001 of S.E.C.P
- 1.4 The accounting policies and methods of computation followed in the preparation of the 1st Quarterly financial statements are the same as those of the published annual financial statements for the period ended June 30, 2008.

Sept 30, June 30,
2008 2008
—Rupees in 000—

2. CONTINGENCIES & COMMITMENTS

Contingencies

Labour and workmen compensation cases in court of law	906	897
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Commitments

Letter of credit	22,859	172,045
Bank guarantees	23,778	23,778
Export Bill Discounted	42,423	99,477

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

	For the 1st Quarter Ended September 30, 2008		
	Acquisitions/ transfers from CWIP	Disposal (W.D.V)	Sale Proceeds
Plant and Machinery	1,025	697	2,000
Electric Installation & Equipment	636	-	-
Vehicle	633	-	-
	2,294	697	2,000

4. COST OF GOODS SOLD

Opening stock - finished goods	45,487	8,224
Cost of goods manufactured (4.2)	311,078	215,960
	356,565	224,184
Closing stock - finished goods	(89,432)	(13,803)
	267,133	210,381

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

	Sept 30, 2008	Sept 30, 2008
	—Rupees in 000—	
4.2 Cost of goods manufactured		
Raw material consumed (4.2.1)	250,144	163,393
Packing material consumed	4,768	4,302
Stores and spares consumed	3,409	3,840
Salaries, wages and benefits	21,379	17,881
Fuel and power	22,672	17,477
Insurance	1,311	440
Repairs and maintenance	1,734	312
Depreciation	9,771	6,128
Other overheads	748	340
	<u>315,936</u>	<u>214,113</u>
Work-in-process		
Opening stock	11,144	8,984
Closing stock	(16,002)	(7,138)
	<u>(4,858)</u>	<u>1,846</u>
	<u>311,078</u>	<u>215,959</u>
4.2.1 Raw material consumed		
Opening stock	270,411	224,994
Purchases - net	417,320	101,445
	<u>687,731</u>	<u>326,439</u>
Closing stock	(437,587)	(163,045)
	<u>250,144</u>	<u>163,394</u>

5. TRANSACTIONS WITH RELATED PARTIES

5.1 Associates

Purchase of electricity	22,326	17,206
Sale of Goods	38,258	48,025
Share of expense received	164	338
Share of expense paid	260	300
Mark-up on long term financing	1,970	1,160
	<u>Sept 30, 2008</u>	<u>June 30, 2008</u>
	—Rupees in 000—	

Amount owed to

59,209 58,217

Sept 30,
2008 Sept 30,
2007

—Rupees in 000—

5.2 Transactions with key management personnel

Short-term benefits	2,921	3,448
Directors meetings fee	-	10
Rent	150	150

6. GENERAL

Figures have been rounded off to nearest thousand rupee.



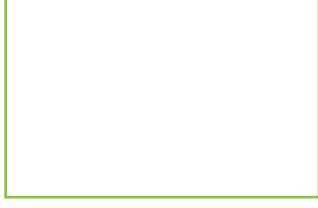
Shahid Anwar Tata
Chief Executive



Anwar Ahmed Tata
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