



International Knitwear Limited

**REVIEW OF FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED
DECEMBER 31, 2012**



International Knitwear Limited



DIRECTORS' REVIEW

FOR THE HALF YEAR ENDED DECEMBER 31, 2012

The Board of Directors of International Knitwear Limited (IKL) is pleased to present the un-audited financial statements of the Company for the half year ended December 31, 2012.

FINANCIAL PERFORMANCE

	31-Dec-2012 Rupees	31-Dec-2011 Rupees
Sales	58,511,831	76,560,098
Cost of goods Sold	(69,299,934)	(64,280,363)
Gross (Loss) / Profit	(10,788,103)	12,279,735
Taxation	(282,179)	(764,824)
(Loss) / Profit after taxation	(20,059,597)	5,630,289
(Loss) / Earning per share-basic and diluted	(6.22)	1.75

Over View

During the period under review Net sales for the six months was recorded at 58.51 Million dropping by 23.57 % over the previous half year. There has been gross loss of Rs. 10.78 Million against gross profit of Rs. 12.27 million as compared to the corresponding period last year. After incorporating administration & selling expenses, financial and other charges there is loss after taxation for the half year ended of Rs. 20.05 Million against Rs. 5.63 million profits in the corresponding period.

Economic managers are facing challenging circumstance such as shortage of energy, ongoing security concerns, increasing inflationary pressures due to rising international commodity process including utility and cotton.

Dyeing Business :

In these difficult circumstance, large scale manufacturing cost, rising inflation, energy deficit and law and order condition the management of the company has decided to suspend dyeing business for the time being.

Export / Local Sales

Globally raw material prices have been shooting up. We saw some dampening of the buying power of our major export destinations across the globe and there was tremendous resistance from our customers to absorb price increase.

The prices of cotton, energy resource and their availability are closely linked with the performance of the textile industry. The heated topic in the industry during the year were increase in prices of cotton yarn and cost of utilities (Electricity, Gas and fuel). Due to these reasons viability of business is at stake unless our government take some major decisions to save this sector from total collapse.

Future Prospects:

The Company has had to relook at its strategy of doing business and has made some bold decisions in order to recover the losses of the previous period. A significant reduction in expenses the cost of goods sold is expected to reduce and a focus on improving margins and profitability.

Acknowledgement:-

The management of your company remains committed to further investments in up-gradation of existing manufacturing facilities to cope with growing demand of the products.

On behalf of the Board

NAEEM SHAFI
Chief Executive

Karachi: February 26, 2013



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

FOT THE HALF YEAR ENDED DECEMBER, 31, 2012

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of International Knitwear Limited as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity for the half year then ended together with the notes forming part thereof (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

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 interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Engagement Partner: Mehmood A. Razzak

Karachi.

Dated: February 20, 2013

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2012**

		(Un-audited) December 2012 Rupees	(Audited) June 2012 Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	49,105,537	51,714,460
Long term deposits		1,607,669	1,607,669
Investments		431,949	397,617
		<u>51,145,155</u>	<u>53,719,746</u>
Current Assets			
Stock in trade		10,355,475	12,059,801
Trade debts - considered good	4	42,319,927	46,237,457
Loans and advances	5	1,674,941	892,924
Other receivables	6	3,377,318	7,113,443
Cash and bank balances		436,206	635,511
		<u>58,163,867</u>	<u>66,939,136</u>
TOTAL ASSETS		<u>109,309,022</u>	<u>120,658,882</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	7	32,250,000	32,250,000
Reserves		(4,916,829)	16,755,268
		27,333,171	49,005,268
Unrealized gain/(loss) on revaluation of investments- available for sale		33,243	(1,089)
		<u>27,366,413</u>	<u>49,004,179</u>
Non-Current Liabilities			
Medium term finance		833,334	833,334
Current Liabilities			
Short term finance under mark-up arrangement		11,622,922	11,045,091
Creditors, accrued and other payables		68,258,613	57,849,546
Taxation-net		1,227,739	1,926,732
		<u>81,109,274</u>	<u>70,821,369</u>
CONTINGENCIES AND COMMITMENTS			
		-	-
TOTAL EQUITY AND LIABILITIES		<u>109,309,022</u>	<u>120,658,882</u>

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

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director



International Knitwear Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2012 UN-AUDITED

	HALF YEAR ENDED		QUARTER ENDED	
	December 2012 Rupees	December 2011 Rupees	December 2012 Rupees	December 2011 Rupees
Sales - net	58,511,831	76,560,098	29,622,658	44,804,934
Cost of goods sold	(69,299,934)	(64,280,363)	(37,062,417)	(35,400,563)
Gross (loss)/ profit	(10,788,103)	12,279,735	(7,439,759)	9,404,371
Administrative and selling expenses	(7,517,895)	(4,437,155)	(5,200,213)	(2,443,693)
	(18,305,998)	7,842,580	(12,639,972)	6,960,678
Financial charges	(1,634,015)	(1,464,009)	(808,907)	(666,989)
Other income	209,405	490,509	131,416	14,265
Workers profit participation fund	-	(343,454)	-	(343,454)
Workers welfare fund	(46,809)	(130,513)	(23,698)	(105,109)
(Loss) / profit before taxation	(19,777,418)	6,395,113	(13,341,162)	5,859,391
Taxation	(282,179)	(764,824)	6,589	(447,456)
(Loss) / profit after taxation	(20,059,597)	5,630,289	(13,334,573)	5,411,935
(Loss) / earning per share	(6.22)	1.75	(4.13)	1.68

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2012 UN-AUDITED

	HALF YEAR ENDED		QUARTER ENDED	
	December 2012 Rupees	December 2011 Rupees	December 2012 Rupees	December 2011 Rupees
Profit/ (loss) for the period	(20,059,597)	5,630,289	(13,334,573)	5,411,935
Other comprehensive income:				
(Realized) / (loss) / gain on resolution of investment	34,332	(33,667)	38,814	-
Total comprehensive income/ (loss) for the period	(20,025,266)	5,596,622	(13,295,760)	5,411,935

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

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director



International Knitwear Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2012 UN-AUDITED

	Issued, Subscribed and Paid-up Share Capital	Unrealized gain/ (loss) on revaluation of investment	Unappropriated Profit	Total
	Rupees			
Balance as at June 30, 2011	32,250,000	5,461	9,929,379	42,184,840
Total comprehensive income for the period				
Profit for the half year ended December 31, 2011	-	-	5,630,289	5,630,289
(Loss) on revaluation of investment	-	(33,667)	-	(33,667)
		(33,667)	5,630,289	5,596,622
Cash dividend declared	-	-	-	-
Balance as at December 31, 2011	<u>32,250,000</u>	<u>(28,206)</u>	<u>15,559,668</u>	<u>47,781,463</u>
Balance as at June 30, 2012	32,250,000	(1,089)	16,755,268	49,004,179
Total comprehensive income for the period				
Profit for the half year ended December 31, 2012	-	-	(20,059,597)	(20,059,597)
(Loss) on revaluation of investment	-	34,332	-	34,332
		34,332	(20,059,597)	(20,025,266)
Cash dividend declared			(1,612,500)	(1,612,500)
Balance as at December 31, 2012	<u>32,250,000</u>	<u>33,243</u>	<u>(4,916,829)</u>	<u>27,366,413</u>

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

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director



International Knitwear Limited

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2012 UN-AUDITED

	December 2012	December 2011
	Note Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(19,777,418)	6,395,113
Adjustment for non cash items:		
Depreciation	2,322,732	2,026,543
Gain on sale of property, plant and equipment	(80,061)	(255,625)
Financial charges	1,634,015	1,464,009
	3,876,686	3,234,927
Profit before changes in working capital	(15,900,732)	9,630,040
(Increase) / decrease in current assets		
Stock in trade	1,704,326	(3,915,354)
Trade debts	3,917,530	(1,877,714)
Loans and advances	(782,017)	(945,002)
Other receivables	3,736,125	(158,524)
	8,575,964	(6,896,594)
Increase / (decrease) in current liabilities		
Short term financing under markup arrangements	1,177,778	2,404,000
Creditors, accrued and other payables	8,804,990	(2,556,993)
	9,982,768	(152,993)
Financial charges paid	(1,634,015)	(1,464,009)
Taxes paid	(981,171)	(669,173)
Dividend paid	(8,422)	(183,952)
Net cash (used in) /inflow from operating activities	15,935,123	(9,366,721)
CASH FLOW FROM FINANCING ACTIVITIES		
Medium term finance	-	(347,221)
Net cash (used in) financing activities	-	(347,221)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(53,748)	(5,898,268)
Proceeds from sale of property, plant and equipment	420,000	345,000
Investments	-	(49,367)
Net cash (used in) / inflow from investing activities	366,252	(5,602,635)
Net (decrease) / increase in cash and cash equivalents	400,643	(5,686,537)
Cash and cash equivalent at the beginning of the period	(4,351,246)	2,169,650
Cash and cash equivalent at the end of the period	8 (3,950,604)	(3,516,887)

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

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director



International Knitwear Limited

SEGMENT INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2012

EXPORT GARMENTS		DYEING & LOCAL		TOTAL	
Dec-12	Dec-11	Dec-12	Dec-11	Dec-12	Dec-11

Rupees

OPERATING RESULTS:

Sales and services

Export sales	6,343,764	15,539,935	-	-	6,343,764	15,539,935
Local sales	25,357,189	7,038,492	27,346,433	50,075,027	52,703,622	57,113,519
Sales discount	(56,856)	(7,125)	(1,897,495)	(223,019)	(1,954,351)	(230,144)
Commission	-	-	(211,115)	(82,972)	(211,115)	(82,972)
Export rebates	31,719	77,700	-	-	31,719	77,700
Other sales (Fabric, Garments & etc.)	883,455	550,565	714,737	3,591,495	1,598,192	4,142,060
	32,539,271	23,199,567	25,952,560	53,360,531	58,511,831	76,560,098
Inter-segment transfer	(1,947,599)	(1,405,989)	1,947,599	1,405,989	-	-
	30,611,672	21,793,578	27,900,159	54,766,520	58,511,831	76,560,098
Cost of good sold	(29,180,001)	(18,534,883)	(40,119,933)	(45,745,480)	(69,299,934)	(64,280,363)
Gross (loss)/ profit	1,431,671	3,258,695	(2,219,774)	9,021,040	(10,788,103)	12,279,735
Administrative and selling expenses	(1,505,369)	(1,354,051)	(6,012,527)	(3,043,104)	(7,517,895)	(4,437,155)
Operating (loss) / profit	(73,697)	1,864,644	(8,232,301)	5,977,936	(18,305,998)	7,842,580

Segment assets

Fixed Assets	7,614,046	3,730,780	41,481,491	31,079,038	49,105,537	34,809,818
Current Assets	14,877,084	11,785,409	42,877,094	51,487,908	57,754,178	63,273,317
Others unallocated					2,449,307	18,363,379
					109,309,022	116,446,515
Segment Liabilities	31,872,308	20,423,500	33,828,544	34,681,191	65,700,852	55,104,691
Unallocated					16,241,757	12,240,916
					81,942,609	67,345,607
Capital Expenditure	26,874	2,610,130	26,874	2,610,130	53,784	5,220,260

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director



International Knitwear Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2012 UN-AUDITED

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on May 21, 1990 as an unlisted public limited company and was listed on the Karachi Stock Exchange on February 08, 1994. Its principal activities are knitting, stitching, dyeing, marketing of garments and providing dyeing facilities. The registered office of the company is situated at F-2A/L, S.I.T.E. Karachi.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi Stock Exchange. This condensed interim financial information comprise of the balance sheet as at December 31, 2012 and the profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement for the half year ended December 31, 2012.

2.2 The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial information of the Company for the year ended June 30, 2012.

There are no IFRSs or IFRIC interpretations becoming effective during the period that would be expected to have a material impact on the company's condensed interim financial information.

3. PROPERTY, PLANT AND EQUIPMENT

	Additions (At cost)		Deletions (At cost)	
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
	December 31, 2012	June 30, 2012	December 31, 2012	June 30, 2012
	Rupees			
Leasehold Land	-	12,000,000	-	-
Factory Building	-	360,000	-	-
Plant and machinery	3,925,963	4,885,008	(990,000)	(16,906,055)
Computers	-	9,060	-	-
Furniture and fixture	-	132,000	-	-
Motor vehicles	-	1,955,000	-	-
	<u>3,925,963</u>	<u>19,341,068</u>	<u>(990,000)</u>	<u>(16,906,055)</u>
		(Un-Audited)		(Audited)
		December 2012		June 2012
		Rupees		Rupees

4. TRADE DEBTS - CONSIDERED GOOD

Export - secured, considered good	3,371,699	2,421,682
Local (dyeing) - unsecured		
- Considered good	38,948,228	43,815,775
- Considered doubtful	4,378,890	1,423,270
	43,327,118	45,239,045
Less: Provision for doubtful debts	(4,378,890)	(1,423,270)
	<u>42,319,927</u>	<u>46,237,457</u>



International Knitwear Limited

5. LOANS AND ADVANCES	(Un-Audited)	(Audited)
	December 31,	June 30,
	2012	2012
Loans - unsecured, considered good		
- Loan to employees	299,567	440,577
Advances - unsecured, considered good		
- Advance to contractors, employees and suppliers	1,375,374	452,347
	<u>1,674,941</u>	<u>892,924</u>

6. OTHER RECEIVABLES

Sales tax refundable	1,717,791	5,319,097
Export rebate receivables	174,214	309,033
Research and development receivable	1,485,313	1,485,313
	<u>3,377,318</u>	<u>7,113,443</u>

7. SHARE CAPITAL

Authorized share capital
Number of Shares

December	June			
2012	2012			
<u>6,000,000</u>	<u>6,000,000</u>	Ordinary Shares of Rs. 10/- each	<u>60,000,000</u>	<u>60,000,000</u>

Issued, subscribed and paid-up share capital

Number of Shares				
December	June			
2012	2012			
<u>3,225,000</u>	<u>3,225,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash.	<u>32,250,000</u>	<u>32,250,000</u>

8. CASH AND CASH EQUIVALENT

Cash and bank balances	436,206	635,512
Less: Short term running finance	(4,386,811)	(4,986,758)
	<u>(3,950,605)</u>	<u>(4,351,246)</u>

9. CORRESPONDING FIGURES

Corresponding figures' have been reclassified / rearranged, wherever necessary.

10. DATE OF AUTHORIZATION FOR ISSUE

This financial information was authorized for issue on February 26, 2013 by the Board of Directors of the Company.

11. GENERAL

Figures have been rounded off to nearest rupees.

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director