



International Knitwear Limited

**REVIEW OF FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED
DECEMBER 31, 2013**



International Knitwear Limited



COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Naeem Sahfi	CHIEF EXECUTIVE
Mr. Waseem Shafi	
Mr. Javed Khan	
Mr. Muhammad Shafi	
Mr. Zahid Ali	
Mr. Muhammad Sajid Hussain	
Mr. Arshad Ahmed	

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Javed Khan

AUDIT COMMITTEE

Mr. Waseem Shafi	Chairman
Mr. Arshad Ahmed	Member
Mr. Zahid Ali	Member

AUDITORS

Baker Tilly Mehmoos Idrees Qamar
Chartered Accountants

LEGAL ADVISOR

S. Akhtar & Company

BANKERS

Bank Al-Habib Limited
Habib Bank Limited

REGISTERED OFFICE & FACTORY

F-2A/(L), S.I.T.E., Karachi-75730.

REGISTRAR

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block "B", S.M.C.H.S.,
Main Shahr -e- Faisal, Karachi-74400



Directors' Review

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, 2013.

The Directors' Review is prepared under section 236 of the Companies Ordinance, 1984 and Clause xix of the Code of Corporate Governance.

FINANCIAL PERFORMANCE

	July-December 2013	July-December 2012
	Rupees	Rupees
Continuing Operation		
Sales	64,270,768	30,611,672
Cost of goods sold	(54,763,122)	(29,180,001)
Gross profit	9,507,646	1,431,671
Operating Profit/ (Loss)	3,083,773	(73,698)
Taxation	(868,481)	(162,638)
Profit/ (Loss) after taxation	1,719,027	(905,365)
Profit/ (Loss)/Earnings per share -basic and diluted	0.53	(0.28)

OVERVIEW

The period under review Net sales for the six months was recorded at 64.27 Million growing by 109.95% compared to the same period last year. There has been gross profit of 9.50 Million against 1.43 Million as compared to the corresponding period last year.

The operating profit for the period under review recorded at Rs. 3.08 Million as compared to the losses of Rs. 0.07 Million for the same period last year.

However, due to increasing production cost, raw material, utilities and accessories resulted in squeezed selling margins obstructing our efforts to stretch the margin to the desired level.

After incorporating administrative & selling expenses, financial charges and other charges, profit after taxation for the period under review have amounted to Rs.1.71 Million against loss of Rs. 0.90 Million in the corresponding period.

Export Sales

Export sales volume increased to Rs. 13.30 Million against Rs.6.34 Million compared to the corresponding period last year showing an increase by 109.77%.

Local Sales

Local Sales increased to Rs. 50.97 Million against Rs. 24.27 Million when compared with corresponding period last year. This increase in sales reflects on the quality and acceptability of our finished goods in local markets.

Future Prospects:

In 2014, Pakistan gaining a GSP Plus status for European Markets which resulting in duty free imports to Europe. The Management of the Company will be focusing enhance sales with associate business partner abroad and to liaison with new customers for new business opportunities.

Acknowledgement

The Directors would like to express their gratitude to the Customer, Bankers and other Stakeholders for their continued support and encouragement and also place on record the appreciation of the valuable services rendered by the employees of the Company.

On behalf of the Board

NAEEM SHAFI



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

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of **International Knitwear Limited** as at December 31, 2013 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, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

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, 2013 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 14, 2014



CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2013

		(Un-Audited) December 2013 Rupees	(Audited) June 2013 Rupees
ASSETS	Note		
Non-Current Assets			
Property, plant and equipment	3	24,927,275	35,398,620
Long term deposits		1,607,669	1,607,669
Investments		823,755	560,118
		27,358,699	37,566,407
Current Assets			
Stock in trade		16,039,421	16,111,841
Trade debts - considered good	4	31,625,573	34,743,850
Loans and advances	5	1,943,242	1,150,804
Other receivables	6	3,385,929	3,395,420
Taxation - net		1,260,700	411,547
Cash and bank balances		255,980	74,961
		54,510,845	55,888,423
TOTAL ASSETS		81,869,544	93,454,830
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	7	32,250,000	32,250,000
Reserves		3,274,783	1,194,840
		35,524,783	33,444,840
Unrealized gain on revaluation of investments- available for sale		261,973	136,472
		35,786,756	33,581,312
Current Liabilities			
Short term finance under mark-up arrangement		8,933,756	8,582,326
Creditors, accrued and other payables		37,149,032	51,291,192
		46,082,788	59,873,518
CONTINGENCIES AND COMMITMENTS		-	-
TOTAL EQUITY AND LIABILITIES		81,869,544	93,454,830

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, 2013

UN-AUDITED

	HALF YEAR ENDED		QUARTER ENDED	
	December 2013	December 2012	December 2013	December 2012
Note	Rupees	Rupees	Rupees	Rupees
Sales - net	64,270,768	30,611,672	35,076,405	17,298,926
Cost of goods sold	(54,763,122)	(29,180,001)	(30,623,703)	(16,232,124)
Gross profit	9,507,646	1,431,671	4,452,702	1,066,802
Administrative and selling expenses	(6,423,873)	(1,505,369)	(3,624,941)	(810,061)
Operating profit/(loss)	3,083,773	(73,698)	827,761	256,741
Financial charges	(564,853)	(751,564)	(181,649)	(374,941)
Other income	287,397	129,344	204,446	51,355
Workers profit participation fund	(158,362)	-	(98,179)	-
Workers welfare fund	(60,447)	(46,809)	(34,960)	(23,698)
Profit / (loss) before taxation from continuing operation	2,587,508	(742,727)	717,419	(90,543)
Taxation	(868,481)	(162,638)	(215,102)	(22,323)
Profit / (loss) after taxation from continuing operation	1,719,027	(905,365)	502,317	(112,866)
Discontinued Operations				
Profit / (loss) from discontinued operations	9 360,916	(19,154,231)	1,113,010	(13,221,707)
Profit / (loss) for the period	2,079,943	(20,059,596)	1,615,327	(13,334,573)
Earnings / (loss) per share-basic and diluted				
From continuing operations	0.53	(0.28)	0.16	(0.03)
From discontinued operation	0.11	(5.94)	0.35	(4.10)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2013 UN-AUDITED

	HALF YEAR ENDED		QUARTER ENDED	
	December 2013	December 2012	December 2013	December 2012
	Rupees			
Profit / (loss) for the period	2,079,943	(20,059,596)	1,615,327	(13,334,573)
Other comprehensive income:				
Unrealized gain on revaluation of investment	125,501	34,332	183,932	38,814
Total comprehensive income/ (loss) for the period	2,205,444	(20,025,264)	1,799,259	(13,295,759)

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

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director



**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2013
UN-AUDITED**

	December 2013 Rupees	December 2012 Rupees
	Note	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	2,948,424	(19,777,418)
Adjustment for non cash items:		
Depreciation	2,242,715	2,322,732
(Gain) on sale of property, plant and equipment	(1,990,050)	(80,061)
Financial charges	564,853	1,634,015
	817,518	3,876,686
Profit / (loss) before changes in working capital	3,765,942	(15,900,732)
Decrease in current assets		
Stock in trade	72,420	1,704,326
Trade debts	3,118,277	3,917,530
Loans and advances	(792,438)	(782,017)
Other receivables	9,491	3,736,125
	2,407,750	8,575,964
(Decrease) / increase in current liabilities		
Short term financing under markup arrangements	2,166,666	1,177,778
Creditors, accrued and other payables	(14,141,953)	8,804,989
	(11,975,287)	9,982,767
Financial charges paid	(564,853)	(1,634,015)
Taxes paid	(1,717,632)	(981,171)
Dividend paid	(207)	(8,422)
Net cash (used in) / inflow from operating activities	(8,084,287)	34,390
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(2,009,322)	(53,748)
Proceeds from sale of property, plant and equipment	12,228,000	420,000
Investments	(138,136)	-
Net cash inflow from investing activities	10,080,542	366,252
Net increase cash and cash equivalents	1,996,255	400,642
Cash and cash equivalent at the beginning of the period	(4,674,031)	(4,351,246)
Cash and cash equivalent at the end of the period	8 (2,677,776)	(3,950,605)

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, 2013
UN-AUDITED**

	Issued, Subscribed and Paid-up Share Capital	Unrealized Gain/ (Loss) on Revaluation of Investment	Accumulated Profit / (Loss)	Total
----- Rupees -----				
Balance as at June 30, 2012	32,250,000	(1,089)	16,755,268	49,004,179
Total comprehensive income for the period				
(Loss) for the half year ended December 31, 2012	-	-	(20,059,596)	(20,059,596)
Gain on revaluation of investment	-	34,332	-	34,332
		34,332	(20,059,596)	(20,025,264)
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>(4,916,828)</u>	<u>(27,366,415)</u>
Balance as at June 30, 2013	32,250,000	136,472	1,194,840	33,581,312
Total comprehensive income for the period				
Profit for the half year ended December 31, 2013	-	-	2,079,943	2,079,943
Gain on revaluation of investment	-	125,501	-	125,501
		125,501	2,079,943	2,205,444
Balance as at December 31, 2013	<u>32,250,000</u>	<u>261,973</u>	<u>3,274,783</u>	<u>35,786,756</u>

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

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2013 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 sheets at December 31, 2013 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, 2013.

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, 2013.

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) December 31, 2013	(Audited) June 30, 2013	(Un-Audited) December 31, 2013	(Audited) June 30, 2013
	----- Rupees -----			
Leasehold Land	-	-	-	(12,000,000)
Factory Building	1,442,562	1,064,235	-	-
Plant and machinery	608,500	10,689,657	(11,919,767)	(7,229,331)
Office equipment	-	-	-	(290,295)
Computers	121,450	131,100	(32,400)	(112,750)
Furniture and fixture	-	30,000	-	-
	2,172,512	11,914,992	(11,952,167)	(19,632,376)

4. TRADE DEBTS - CONSIDERED GOOD

	(Un-Audited) December 2013 Rupees	(Audited) June 2013 Rupees
Export - secured, considered good	799,406	12,375,148
Local - unsecured		
- Considered good	30,826,167	22,368,702
- Considered doubtful	4,700,134	4,706,536
	35,526,301	27,075,238
Less: Provision for doubtful debts	(4,700,134)	(4,706,536)
	31,625,573	34,743,850



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2013
UN-AUDITED**

	(Un-Audited) December 2013 Rupees	(Audited) June 2013 Rupees
5. LOANS AND ADVANCES		
Loans - unsecured, considered good		
- Loan to employees	213,012	215,992
Advances - unsecured, considered good		
- Advance to contractors, employees and suppliers	1,730,230	934,812
	<u>1,943,242</u>	<u>1,150,804</u>
6. OTHER RECEIVABLES		
Sales tax refundable	1,675,093	1,689,166
Export rebate receivables	225,523	220,941
Research and development receivable	1,485,313	1,485,313
	<u>3,385,929</u>	<u>3,395,420</u>
7. SHARE CAPITAL		
Authorized share capital		
Number of Shares		
December 2013	<u>6,000,000</u>	<u>6,000,000</u>
June 2013	<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 2013	<u>3,000,000</u>	<u>3,000,000</u>
June 2013	<u>3,000,000</u>	<u>3,000,000</u>
Ordinary shares of Rs. 10/- each fully paid in cash.	30,000,000	30,000,000
Ordinary shares of Rs. 10/- each issued as bonus shares	2,250,000	2,250,000
	<u>32,250,000</u>	<u>32,250,000</u>
8. CASH AND CASH EQUIVALENT		
Cash and bank balances	255,980	74,961
Less: Short term running finance	(2,933,756)	(4,748,992)
	<u>(2,677,776)</u>	<u>(4,674,031)</u>



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2013 UN-AUDITED

9. DISCONTINUED OPERATIONS

In December 2012 the company decided to discontinue its dyeing segment. However, the criteria for classifying the assets as held for sale under IFRS 5 could not be met by the company so the assets are not classified as held for sale.

	HALF YEAR ENDED		QUARTER ENDED	
	December 2013 Rupees	December 2012 Rupees	December 2013 Rupees	December 2012 Rupees
Gross sales	-	25,952,560	-	11,754,926
Inter-segment transfer	-	1,947,599	-	1,216,553
Net sales	-	27,900,159	-	12,971,479
Cost of goods sold	(1,621,134)	(40,119,933)	(624,610)	(21,478,044)
Gross (loss)	(1,621,134)	(12,219,774)	(624,610)	(8,506,565)
Administrative and selling expenses	-	(6,012,526)	-	(4,390,149)
Operating (loss)	(1,621,134)	(18,232,300)	(624,610)	(12,896,715)
Financial charges	-	(882,451)	-	(433,966)
Other income	1,982,050	80,061	1,737,620	80,061
Profit / (loss) before taxation	360,916	(19,034,690)	1,113,010	(13,250,619)
Taxation				
- Current	-	-	-	-
- Prior	-	(119,541)	-	28,913
	-	(119,541)	-	28,913
Profit / (loss) after taxation	360,916	(19,154,231)	1,113,010	(13,221,707)

10. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged, wherever necessary.

11. DATE OF AUTHORIZATION FOR ISSUE

This financial information was authorized for issue on **February 21, 2014** by the Board of Directors of the Company.

12. GENERAL

Figures have been rounded off to nearest rupees.

NAEEM SHAFI
Chief Executive

WASEEM SHAFI
Director



International Knitwear Limited

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International Knitwear Limited
F-2A/(L), S.I.T.E., Karachi**