

**(REVIEWED)**

**INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
December 31, 2011**



**I C C Textiles Limited**

## I C C Textiles Limited

### DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I hereby present the financial statements of the company for the half year ended on December 31, 2011.

The Sales decreased, mainly due to reduced fabric prices, by 11.37% to Rs. 908.767 million during the half year as compared to Rs. 1,024.046 million for the corresponding period of the previous year. The company incurred a after tax loss of Rs. 0.548 million as against a after tax loss of Rs. 72.871 million in the corresponding period.

The continued uncertain international and domestic market condition kept the fabric prices at low level, while indirect input costs continued to rise thus adversely affecting the financial viability of the period. On the other hand, yarn prices also came under pressure, however, the external demand and production capacity shortage due to excessive gas load shedding kept prices at a high level.

The results are after absorbing increase in our energy cost by Rs. 18.742 million (22%), due to hike in electricity tariff and oil prices. The numerous production hours lost due to abnormally high scheduled and unscheduled electricity interruptions have taken a huge toll both, in the shape of production loss and heavy diesel generation cost. The rate of furnace oil consumed to generate steam rose by 46% from Rs. 42.13 / litre to Rs. 61.43 / litre.

To reduce our steam cost in the future, the company is presently installing a wood fired boiler, which should start functioning in Apr 2012 and will result in a saving of about Rs. 30 million per year.

The long term loans obtained from an associated company amounting to Rs. 109.150 million have been converted into interest free loans w.e.f. July 14, 2011, thereby reducing our loss. The loans have been stated at amortized cost in accordance with International Accounting Standard 39 as mentioned in note 7 to the financial statements.

As always, our dedicated work force deserves appreciation for good work.

For and on behalf of the Board of Directors

Lahore  
Dated: February 29, 2012

SHAFIQ A. SIDDIQI  
Chief Executive

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## INDEPENDENT AUDITORS' REPORT TO MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of ICC Textiles Limited ("the Company") as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (herein after referred to as "interim financial information"), for the six-month period then ended. 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 for three-month periods ended December 31, 2011 and December 31, 2010 in the interim financial information have not been reviewed as we are required to review only the cumulative figures for the six-month period ended December 31, 2011.

### 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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of Matter

We draw attention to note 1.1 to the interim financial information, which states that the Company has incurred loss of Rs. 0.548 million during the period and has accumulated losses of Rs. 482.023 million as of December 31, 2011 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 420.684 million. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

CHARTERED ACCOUNTANTS  
Engagement Partner: Asim Iftikhar  
Date: February 29, 2012  
Lahore

CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2011

		Un-audited	Audited
	Note	Dec 31, 2011 Rupees	June 30, 2011 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	6	300,011,200	300,011,200
Accumulated loss		(482,023,326)	(489,971,155)
		<u>(182,012,126)</u>	<u>(189,959,955)</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		452,925,878	461,422,017
<b>NON CURRENT LIABILITIES</b>			
Long term financing from associated company	7	23,974,317	109,150,000
Long term financing from commercial banks	8	47,688,310	63,584,414
Liabilities against assets subject to finance lease	9	-	105,407
Deferred liabilities		47,179,471	42,027,090
Deferred taxation		122,058,323	126,633,167
		<u>240,900,421</u>	<u>341,500,078</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		143,801,717	157,700,693
Mark-up accrued		21,316,716	22,230,032
Short term borrowings		634,060,565	551,025,895
Current portion of long term liabilities	10	31,997,292	32,254,266
Provision for taxation		2,572,813	2,159,055
		<u>833,749,103</u>	<u>765,369,941</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	11	-	-
		<u>1,345,563,276</u>	<u>1,378,332,081</u>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>PROPERTY PLANT AND EQUIPMENT</b>			
Operating fixed assets	12	929,805,191	951,591,808
Assets subject to finance lease	12	943,824	1,048,693
		<u>930,749,015</u>	<u>952,640,501</u>
<b>LONG TERM LOANS AND ADVANCES</b>		120,000	130,000
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>		1,629,034	1,699,434
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		38,030,463	34,843,864
Stock in trade		237,822,205	241,482,851
Trade debts		89,063,247	95,613,299
Loans and advances		15,245,368	4,252,931
Trade deposits and short term prepayments		3,706,536	1,679,239
Other receivables		15,067,825	13,305,755
Cash and bank balances		14,129,583	32,684,207
		<u>413,065,227</u>	<u>423,862,146</u>
		<u>1,345,563,276</u>	<u>1,378,332,081</u>

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.

Lahore

Dated: February 29, 2012

Chief Executive

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2011

	Note	Half Year Ended		Quarter Ended	
		December 31, 2011 Rupees	December 31, 2010 Rupees	December 31, 2011 Rupees	December 31, 2010 Rupees
SALES - NET		908,767,045	1,024,045,694	429,568,013	499,365,810
COST OF GOODS SOLD	13	(917,769,038)	(1,015,202,112)	(438,926,851)	(508,475,679)
GROSS PROFIT / (LOSS)		(9,001,993)	8,843,582	(9,358,838)	(9,109,869)
Administrative expenses		(16,340,262)	(13,982,419)	(8,754,979)	(7,266,925)
Distribution cost		(9,612,568)	(6,935,684)	(3,756,528)	(3,678,664)
Other operating expenses		(405,855)	(401,652)	(211,205)	(209,568)
		(26,358,685)	(21,319,755)	(12,722,712)	(11,155,157)
OPERATING LOSS		(35,360,678)	(12,476,173)	(22,081,551)	(20,265,026)
FINANCE COST		(47,314,253)	(54,632,435)	(23,086,821)	(25,551,679)
		(82,674,931)	(67,108,608)	(45,168,372)	(45,816,705)
OTHER OPERATING INCOME		86,774,798	2,650	65,077,889	263
PROFIT / (LOSS) BEFORE TAXATION		4,099,867	(67,105,958)	19,909,517	(45,816,442)
TAXATION		(4,648,177)	(5,765,517)	(2,060,916)	(2,757,119)
PROFIT / (LOSS) AFTER TAXATION		(548,310)	(72,871,475)	17,848,601	(48,573,561)
EARNING / (LOSS) PER SHARE - BASIC AND DILUTED		(0.02)	(7.29)	0.59	(4.86)

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2011

Description	Paid-up Capital Rupees	Accumulated (Loss) Rupees	Sub - Total Rupees	Revaluation Surplus Rupees	Total Rupees
Balance as at July 01, 2010	100,008,000	(408,027,287)	(308,019,287)	478,414,294	170,395,007
Total comprehensive loss for the period - net of tax	-	(72,871,475)	(72,871,475)	-	(72,871,475)
Transfer from surplus on revaluation of property, plant and equipment-net of tax	-	8,496,139	8,496,139	(8,496,139)	-
Balance as at December 31, 2010	100,008,000	(472,402,623)	(372,394,623)	469,918,155	97,523,532
Balance as at July 01, 2011	300,011,200	(489,971,155)	(189,959,955)	461,422,017	271,462,062
Total comprehensive loss for the period - net of tax	-	(548,310)	(548,310)	-	(548,310)
Transfer from surplus on revaluation of property, plant and equipment-net of tax	-	8,496,139	8,496,139	(8,496,139)	-
Balance as at December 31, 2011	300,011,200	(482,023,326)	(182,012,126)	452,925,878	270,913,752

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2011

	Half Year Ended		Quarter Ended	
	December 31, 2011 Rupees	December 31, 2010 Rupees	December 31, 2011 Rupees	December 31, 2010 Rupees
PROFIT / (LOSS) AFTER TAXATION	(548,310)	(72,871,475)	17,848,601	(48,573,561)
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	(548,310)	(72,871,475)	17,848,601	(48,573,561)

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR  
ENDED DECEMBER 31, 2011**

	Note	December 31, 2011 Rupees	December 31, 2010 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit / (Loss) for the period before taxation		4,099,867	(67,105,958)
Adjustments for:			
Depreciation on own assets		25,180,220	24,962,970
Depreciation on leased assets		104,869	184,963
Amortization of interest free loans		(86,755,608)	-
Unwinding of discount		1,579,925	-
Staff gratuity		6,721,366	5,284,261
Finance cost		47,314,253	54,632,435
		(5,854,975)	85,064,629
		(1,755,108)	17,958,671
<b>(Increase) / decrease in current assets</b>			
Stores, spares and loose tools		(3,186,599)	(3,394,309)
Stock in trade		3,660,646	(15,417,483)
Trade debts		6,550,052	(56,298,677)
Loans and advances		(10,992,438)	(14,484,074)
Trade deposits and short term prepayments		(2,027,297)	179,565
Other receivables		(1,762,070)	(7,613,454)
		(7,757,706)	(97,028,432)
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payable		(13,898,976)	32,729,633
<b>Cash generated from operations</b>		(23,411,790)	(46,340,127)
Finance costs paid		(48,227,570)	(54,412,756)
Income taxes paid		(8,809,263)	(4,190,810)
Gratuity paid		(1,568,984)	(677,975)
		(58,605,817)	(59,281,541)
<b>Net cash used in operating activities</b>	(A)	(82,017,607)	(105,621,669)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Long term advances and deposits		10,000	15,000
Long term deposits and prepayments		70,400	(1,250)
Purchase of property, plant and equipment		(3,393,603)	(1,951,807)
<b>Net cash used in investing activities</b>	(B)	(3,313,203)	(1,938,057)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Short term borrowings		83,034,670	54,883,900
Long term financings from commercial banks		(15,896,104)	(15,896,104)
Long term loans from associated co.		-	75,000,000
Liabilities against assets subject to finance lease		(362,380)	(1,982,479)
<b>Net cash flow from financing activities</b>	(C)	66,776,186	112,005,317
<b>Net increase/(decrease) in cash and cash equivalents</b>	(A+ B+ C)	(18,554,624)	4,445,592
Cash and cash equivalents at the beginning of the period		32,684,207	6,112,997
<b>Cash and cash equivalents at the end of the period</b>		14,129,583	10,558,589

The annexed notes from 1 to 16 forms an integral part of these condensed interim financial statements.

Chief Executive

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL  
STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

**1 THE COMPANY AND ITS OPERATIONS**

ICC Textiles Limited ( the "Company" ) was incorporated in Pakistan on May 25, 1989 as a public limited Company under the Companies Ordinance, 1984. The shares of the Company are listed on the Lahore and Karachi Stock Exchanges of Pakistan. The principal activity of the Company is manufacturing and sale of grey fabric. The registered office of the Company is situated at 242-A, Anand Road, Upper Mall, Lahore.

1.1 During the period the Company incurred loss amounting to Rs. 0.548 million and has accumulated losses amounting to Rs. 482.023 million at the period end. In addition the Company's current liabilities exceeded its current assets by Rs. 420.683 million at the period end. Continuation of the company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by brining its liabilities to serviceable levels and availability of adequate working capital through continuous support from:

- (a) Principal lenders of the Company ; and
- (b) the sponsors of the Company.

These condensed interim financial statments have been prepared on going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and brining its liabilities to serviceable levels and availability of adequate working capital from its lenders and sponsors.

These condensed interim financial statments consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

**2 BASIS OF PREPARATION**

This condensed interim financial report is un-audited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial report of the Company for the half year ended December 31, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial report does not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2011.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statments are consistent with those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2011.

The new standards, amendments to the approved accounting standards and interpretation that are mandatory for accounting periods beginning on or after July 1, 2011, were either considered not to be relevant to the Company's operations or did not have significant effect on the accounting policies of the Company.

**4 ACCOUNTING ESTIMATES AND JUDGMENTS**

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the proceeding annual published financial statements of the Company for the year ended June 30, 2011.

**5 FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended June 30, 2011.



	Un-audited	Audited
	Dec 31, 2011	June 30, 2011
	Rupees	Rupees
<b>6 SHARE CAPITAL</b>		
Authorized share capital 32,000,000 (June 2011: 32,000,000) ordinary shares of Rs.10 each	320,000,000	320,000,000
Issued, Subscribed & Paid up share capital 30,001,120 (June 2011: 30,001,120) ordinary shares of Rs.10 each fully paid in cash	300,011,200	300,011,200
<b>7 LONG TERM FINANCING FROM ASSOCIATED COMPANY- Unsecured</b>		
Carrying value of interest free loan (June 2011: interest bearing)	109,150,000	109,150,000
Less: present value adjustment	(86,755,608)	-
	22,394,392	109,150,000
Interest charged to profit and loss account	1,579,925	-
	23,974,317	109,150,000
<p>Previously loans from ICC (Private) Limited were carrying interest at rates ranging from 13.51% to 15.90% per annum. From July 14, 2011 these have been converted into an interest free loan. These interest free loans have been measured at amortized cost in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement and has been discounted using the weighted average interest rate of 14.11%.</p>		
<b>8 LONG TERM FINANCING FROM COMMERCIAL BANKS - Secured</b>		
Opening balance	95,376,622	127,168,830
Repayments during the period	(15,896,104)	(31,792,208)
Closing balance	79,480,518	95,376,622
Less: Current portion shown under current liabilities	31,792,208	31,792,208
Non-current portion	47,688,310	63,584,414
<b>9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Opening balance	567,465	2,909,445
Repayments during the period	(362,381)	(2,341,980)
Closing balance	205,084	567,465
Less: Current portion shown under current liabilities	205,084	462,058
Non-current portion	-	105,407
<b>10 CURRENT PORTION OF LONG TERM BORROWINGS</b>		
Long term financing from commercial banks	31,792,208	31,792,208
Liabilities against assets subject to finance lease	205,084	462,058
	31,997,292	32,254,266
<b>11 CONTINGENCIES AND COMMITMENTS</b>		
11.1 Contingencies		
There have been no change in contingencies since the last audited financial statement.		

	Note	Un-audited	Audited
		Dec 31, 2011 Rupees	June 30, 2011 Rupees
11.2 Commitments			
Commitments against irrevocable letters of credit for imports of stores		994,867	-
		<u>994,867</u>	<u>-</u>
12 PROPERTY, PLANT AND EQUIPMENT			
12.1 OPERATING FIXED ASSETS			
Written down value - opening		951,591,808	992,440,514
Add: Cost of additions during the period	12.1.1	3,393,603	5,871,868
WDV of assets transferred from leased assets	12.2.2	-	3,358,143
		<u>954,985,411</u>	<u>1,001,670,525</u>
Disposals during the period ( W.D.V.)	12.1.2	-	28,867
Depreciation charge for the period		<u>25,180,220</u>	<u>50,049,850</u>
		<u>25,180,220</u>	<u>50,078,717</u>
Written down value - closing		<u>929,805,191</u>	<u>951,591,808</u>
12.1.1 Cost of additions to owned assets			
Plant and machinery		3,151,711	4,778,941
Office equipment		69,650	964,523
Furniture and fittings		2,100	14,900
Vehicles		131,800	-
Electric appliances		38,342	113,504
		<u>3,393,603</u>	<u>5,871,868</u>
12.1.2 Book value of disposals during the period			
Office equipment		-	28,867
		<u>-</u>	<u>28,867</u>
12.2 ASSETS SUBJECT TO FINANCE LEASE			
Written down value - opening		1,048,693	5,218,846
Disposals during the period ( W.D.V.)	12.2.1	-	465,248
WDV of assets transferred to owned assets	12.2.2	-	3,358,143
Depreciation charge for the period		<u>104,869</u>	<u>346,762</u>
		<u>104,869</u>	<u>4,170,153</u>
Written down value - closing		<u>943,824</u>	<u>1,048,693</u>
12.2.1 WDV of disposals during the period			
Vehicles		-	465,248
		<u>-</u>	<u>465,248</u>
12.2.2 WDV of assets transferred to owned assets			
Plant and machinery		-	2,223,176
Vehicles		-	1,134,967
		<u>-</u>	<u>3,358,143</u>

	Half Year Ended		Quarter Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	Rupees	Rupees	Rupees	Rupees
<b>13 COST OF GOODS SOLD</b>				
Raw Materials Consumed	709,990,176	839,361,784	373,432,373	472,876,993
Salaries,wages and other benefits	43,617,838	42,019,413	22,606,633	23,193,405
Factory overheads	175,999,998	155,771,003	84,781,723	71,905,505
	<u>929,608,012</u>	<u>1,037,152,200</u>	<u>480,820,729</u>	<u>567,975,903</u>
(Increase) / Decrease in work in Process				
Opening work in process	64,266,249	45,563,327	55,363,824	57,434,551
Closing work in process	(79,113,018)	(65,938,101)	(79,113,018)	(65,938,101)
Adjustment of work in process	(14,846,769)	(20,374,774)	(23,749,194)	(8,503,550)
Cost of goods manufactured	<u>914,761,243</u>	<u>1,016,777,426</u>	<u>457,071,535</u>	<u>559,472,353</u>
(Increase) / Decrease in Finished goods				
Opening Stock	135,576,452	123,682,949	114,423,973	74,445,983
Finished goods purchased	(132,568,657)	184,395	-	(125,442,658)
Closing Stock		(125,442,658)	(132,568,657)	
Adjustment of finished goods	3,007,795	(1,575,314)	(18,144,684)	(50,996,675)
	<u>917,769,038</u>	<u>1,015,202,112</u>	<u>438,926,851</u>	<u>508,475,678</u>

**14 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of associated companies, directors and their close family members, executive and major shareholders of the company. Remuneration and benefits to executives of the company are in accordance with the terms of their employment. Transactions with related parties during the year other than disclosed elsewhere in the financial statements were as follow;

	Note	Un-audited	Un-audited
		Dec 31, 2011 Rupees	Dec 31, 2010 Rupees
Long term borrowing obtained from ICC (Private) Limited		-	75,000,000
Short term borrowing obtained from ICC (Private) Limited		24,300,000	-
Interest on loan debited by ICC (Private) Limited	14.1	1,730,011	12,000,023
Short term borrowing repaid to director		1,460,000	-
Interest on loan obtained from sponsor member / director		3,353,683	1,725,146
Reimbursable expenses incurred on behalf of ICC (Private) Limited		3,477,988	3,028,830
Shareable expenses debited to ICC (Private) Limited		1,700,042	1,755,343

14.1 Interest on long term loan and short term borrowing is charged at the same rates which is charged by the bank to the associated Company.

14.2 The Companies are associated due to common directorship.

**15 GENERAL**

These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency, figures have been rounded off to the nearest rupee.

**16 DATE OF AUTHORIZATION**

These condensed interim financial statements were authorised for issue on February 29, 2012 by the Board of directors of the Company .

Chief Executive

Director

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## BOOK POST

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