Al Nasr Textiles Limited

Financial statements for the year ended
30 June 2013

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of **Al Nasr Textiles Limited ("the Company")** as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

KPMG TH

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

d) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

e) in our opinion no Zakat was deductible at source by the Company under Section 7 of the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Lahore

Date: 09 October 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

AL NASR

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of **Al Nasr Textiles Limited** are pleased to present the Annual report along with Audited Financial Statements for the year ended 30 June 2013.

FINANCIAL HIGHLIGHTS

Comparison of Audited result for the year ended June 30, 2013 as against June 30, 2012 is as follows:

	30.06.2013 (Rupees)	**30.06.2012** (Rupees)
Sales (Net)	3,384,448,094	3,080,424,417
Gross Profit	509,657,119	317,648,306
Profit before taxation	315,293,488	126,168,226
Taxation	(57,192,147)	(57,774,135)
Profit after taxation	258,101,341	68,394,091
Un-appropriated Profit/ (Loss) brought forward	478,560,339	410,166,248
Un-appropriated Profit carried forward	**736,661,680**	**478,560,339**
Earnings per Share	**7.55**	**2.00**

COMPANY PERFORMANCE

During the year, your Company earned a pretax Profit of Rs. 315,293,488 as against pretax Profit of Rs. 126,168,226 in the last financial year representing a growth of 150 %. The main factors towards high turnover were better yarn prices and product mix while maintaining high quality of the company's brand. The gross profit ratio was also higher than last year. The conversion cost kept on increasing throughout the year owing to general inflationary trends. The conversion cost increases were offset by achieving higher production efficiency and higher sale prices of the products. Therefore, your Company's was able to produce the result by earning profit after tax of Rs.258,101,341 as compared to last year profit after tax of Rs.68,394,091 which represents 277 % year on year increase.

The financing cost decreased by 10.76 % as compared to previous year due to lower markup rates.

Head office: 29 Shadman-II, Lahore, Pakistan. **Phone:** +92 42-111-888-600 **Fax:** +92 42-37575531, 37587977
E-Mail: yarn@pakkuwait.com **Web Site:** www.pakkuwait.com
Factory: 5 Km Raiwind - Manga Road, District Kasur. **Phone:** +92 42-35391141, 35392064 **Fax:** +92 42-35391140

AL NASR

BALANCING MODERNIZATION & REPLACEMENT (BMR)

During the year under review, our periodic BMR plan continued major improvements including two sets Drawing Frame SB-D22 & RSB-D45, two sets Roving Frame FL200, four sets C-70 Cards, two sets cards C-51, one Draw frame RSB-D22, two sets Rieter Blow room line and one set Jossi Vision Shield. These additions/replacements enhance production efficiency and are essential for maintaining consistency in quality of our yarn.

FUTURE PROSPECTS

Currently Cotton prices are extremely volatile efforts are being made to procure cotton at reasonable rates in order to maintain profitability to a reasonable level during the current year. Due to continuous increase in energy cost and minimum wage announced by the Government, the production cost of the Company would increase further. The yarn rates lately have depressed considerably which would adversely impact the profitability of the year 2013 / 2014.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on 30 June 2013, as required under Section 236(2) (d) of the Companies Ordinance 1984, is annexed.

AUDITORS

M/S KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment as Company's auditors for the year ending 30 June 2014.

ACKNOWLEDGEMENT

The directors acknowledge the efforts made by Company's employees at all levels during the year under review and expect continued endeavors for the achievement of improved results in the current year as well.

For and on behalf of the Board of Directors

Lahore
09 October 2013

(TARIQ MEHMOOD)
Chief Executive

Head office: 29 Shadman-II, Lahore, Pakistan. **Phone:** +92 42-111-888-600 **Fax:** +92 42-37575531, 37587977
E-Mail: yarn@pakkuwait.com **Web Site:** www.pakkuwait.com
Factory: 5 Km Raiwind - Manga Road, District Kasur. **Phone:** +92 42-35391141, 35392064 **Fax:** +92 42-35391140

Al Nasr Textiles Limited

Balance Sheet

As at 30 June 2013

LIABILITIES	Note	2013 Rupees	2012 Rupees
Authorised capital			
40,000,000 (2012: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid-up capital	4	342,000,000	342,000,000
Accumulated profit		736,661,680	478,560,339
		1,078,661,680	820,560,339
Non-current liabilities			
Long term loans - secured	5	174,943,654	173,805,869
Liabilities against assets subject to finance lease	6	1,341,669	2,062,147
Deferred liabilities	7	181,069,075	144,881,339
		357,354,398	320,749,355
Current liabilities			
Short term borrowing - secured	8	587,802,826	434,688,166
Current maturity of long term liabilities	9	119,098,793	135,939,442
Trade and other payables	10	143,966,726	139,170,242
Mark up payable on secured loans	11	26,507,077	26,009,045
Taxation		12,342,210	24,464,861
		889,717,632	760,271,756
Contingencies and commitments	12		
		2,325,733,710	1,901,581,450

ASSETS	Note	2013 Rupees	2012 Rupees
Non-Current assets			
Property, plant and equipment	13	1,075,579,035	976,265,077
Capital work in progress		2,860,128	7,283,002
		1,078,439,163	983,548,079
Current assets			
Stores, spares and loose tools	14	39,101,334	27,193,108
Stock in trade	15	775,276,279	449,476,241
Trade debts	16	279,479,687	313,578,645
Advances, deposits, prepayments and other receivables	17	108,478,278	90,240,388
Short term investments	18	13,347,818	2,343,578
Cash and bank balances	19	31,611,151	35,201,411
		1,247,294,547	918,033,371
		2,325,733,710	1,901,581,450

The attached notes 1 to 34 form an integral part of these financial statements.

KAMGTH

Lahore | **Chief Executive** | Director

Al Nasr Textiles Limited

Profit and Loss Account

For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Sales - net	20	**3,348,448,094**	3,080,424,417
Cost of sales	21	**(2,838,790,975)**	(2,762,776,111)
Gross profit		**509,657,119**	317,648,306
Operating expenses			
Administrative expenses	22	**(17,761,654)**	(14,801,063)
Distribution cost	23	**(54,969,806)**	(46,811,675)
		(72,731,460)	(61,612,738)
Operating profit		**436,925,659**	256,035,568
Finance cost	24	**(110,811,355)**	(124,176,490)
		326,114,304	131,859,078
Other operating income	25	**10,563,074**	4,635,932
Other operating expenses	26	**(21,383,890)**	(10,326,784)
Profit before taxation		**315,293,488**	126,168,226
Provision for taxation	27	**(57,192,147)**	(57,774,135)
Profit after taxation		**258,101,341**	68,394,091
Earnings per share - Basic and diluted	28	**7.55**	2.00

The attached notes 1 to 34 form an integral part of these financial statements.

KMGin

Lahore **Chief Executive** **Director**

Al Nasr Textiles Limited
Statement of Comprehensive Income
For the year ended 30 June 2013

	2013 Rupees	2012 Rupees
Profit after taxation	**258,101,341**	68,394,091
Other comprehensive income	-	-
Total comprehensive income for the year	**258,101,341**	68,394,091

The attached notes 1 to 34 form an integral part of these financial statements.

KMS/TN

Lahore

Chief Executive

Director

Al Nasr Textiles Limited

Cash Flow Statement

For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Cash flows from operating activities			
Profit before taxation		315,293,488	126,168,226
Adjustments for non cash expense and other items:			
Depreciation		68,366,580	63,346,053
Finance cost		110,140,601	122,285,689
Loss on disposal of property, plant and equipment		2,244,206	1,455,970
Provision for bad debts		2,800,678	-
Interest on worker's profit participation fund		670,756	1,890,801
Worker's profit participation fund		16,721,659	6,751,952
Worker's welfare fund		2,418,025	2,118,862
Staff retirement benefits		12,340,691	8,806,914
		215,703,196	206,656,241
Profit before working capital changes		530,996,684	332,824,467
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Trade debts		31,298,277	(136,531,861)
Stores and spares		(11,908,226)	2,532,753
Stock in trade		(325,800,038)	(21,629,965)
Advances deposits, prepayments and other receivables		(17,487,746)	(6,215,181)
Increase in current liabilities:			
Trade and other payables		(5,472,389)	703,380
		(329,370,122)	(161,140,874)
Cash generated from operations		201,626,562	171,683,593
Finance cost paid		(109,642,567)	(125,731,592)
Staff retirement benefits paid		(18,664,252)	(3,297,396)
Worker's profit participation fund paid		(7,422,708)	(22,682,005)
Worker's welfare fund paid		(2,118,862)	(7,900,658)
Taxes paid		(27,553,645)	(16,634,053)
		(165,402,034)	(176,245,704)
Net cash (outflows)/inflows from operating activities		36,224,528	(4,562,111)
Cash flows from investing activities			
Capital expenditure incurred		(168,796,696)	(70,138,180)
Sale proceeds of property, plant and equipment		3,294,827	754,310
Short term investments		(11,004,240)	(2,343,578)
Net cash outflows from investing activities		(176,506,109)	(71,727,448)
Cash flows from financing activities			
Repayment of long term loans		(157,825,220)	(142,933,546)
Proceeds from long term loans		140,022,256	51,500,000
Payment of finance lease liabilities		1,379,624	(527,705)
Net movement in short term borrowings - secured		153,114,661	185,859,945
Net cash inflows/(outflows) from financing activities		136,691,321	93,898,694
Increase in cash and cash equivalents		(3,590,260)	17,609,135
Cash and cash equivalents at the beginning of the year		35,201,411	17,592,276
Cash and cash equivalents at the end of the year	19	31,611,151	35,201,411

The attached notes 1 to 34 form an integral part of these financial statements.

KPMG TH

Lahore | **Chief Executive** | **Director**

Al Nasr Textiles Limited
Statement of Changes in Equity
For the year ended 30 June 2013

	Share capital	Accumulated profit	Total
	---------------	Rupees	---------------
Balance as at 30 June 2011	342,000,000	410,166,248	**752,166,248**
Total comprehensive income for the year	-	68,394,091	**68,394,091**
Balance as at 30 June 2012	342,000,000	478,560,339	**820,560,339**
Total comprehensive income for the year	-	258,101,341	**258,101,341**
Balance as at 30 June 2013	342,000,000	736,661,680	1,078,661,680

The attached notes 1 to 34 form an integral part of these financial statements.

KPMG

Lahore **Chief Executive** **Director**

1 Status and nature of business

Al Nasr Textiles Limited ("the Company") was incorporated in Pakistan in July 2001 as a public limited company (unquoted) under Companies Ordinance, 1984. The Company is a subsidiary of Pak Kuwait Textiles Limited, which holds 96.84% of equity. The principal activity of the Company is manufacturing and sale of 100% cotton yarn. The registered address of the Company is 29-Shadman II, Lahore, Pakistan.

2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3 Significant accounting policies

3.1 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention except of certain retirement benefits which are stated at present value and short term investment which are stated at fair value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Residual value and useful life of depreciable assets (note 3.7 & 13)
- Provision for taxation (note 3.3 & 27)
- Staff retirement benefits (note 3.4 & 7.1)

3.2 Standards, Interpretations and amendments to published approved accounting standards

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

KPMG-TH

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains amounting to Rs. 3.717 million at 30 June 2013 would need to be recognized in other comprehensive income.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

Umcin

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3.3 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates, if any.

Deferred

Deferred tax is recognized using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Company recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

3.4 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Provision is made annually on the basis of actuarial recommendation to cover obligation under the scheme. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2013, using the "Projected Unit Credit Method".

The amount recognized in balance sheet represents the present value of the defined benefit obligation as on 30 June 2013 as adjusted for unrecognized actuarial gains and losses.

KPMG

Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company obligations are amortized over the expected average working lives of the participating employees.

3.5 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instruments.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets.

Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is extinguished, cancelled, or expired. The particular measurement methods adopted for various financial instruments are disclosed in the individual policy statements associated with each item.

3.6 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

3.7 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work in progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Depreciation is charged to income by applying the reducing balance method at rates indicated in note 13 to these financial statements.

Depreciation on additions to property, plant and equipment is charged on full month basis when asset is capitalized, while no depreciation is charged in the month of disposal.

Major repairs and maintenance, which enhance the production capacity, quality of the premium products and increase the life of machinery, are capitalized, whereas, normal repairs and maintenance are charged to income as and when incurred.

Gain or loss arising on disposal of assets is included in the other income currently.

Capital work in progress

Capital work in progress are stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

Leased

Assets subject to finance lease are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreements and the fair value of lease assets acquired. Depreciation is provided on reducing balance method, on full month basis starting from the month of capitalization, by using the rates specified in note 13. The finance cost is calculated at the interest rates implicit in the lease and are charged to income.

KPMG in

3.8 **Investments**

Investments at fair value through profit and loss account

Short term investments in listed securities are classified as investments at fair value through profit and loss account and are initially recognized at cost. Subsequent to initial recognition these investments are remeasured to fair value. Fair value represents quoted bid price of the securities. Any resulting gain or loss in respect of these investments is recognized in the profit and loss account in the period in which such gain/loss arises.

3.9 **Stores, spares and stocks**

These are valued at lower of cost or net realizable value.

Cost has been determined as follows:

Stores and spares	At moving average cost.
Raw material	At weighted average cost.
Work in process	At average manufacturing cost.
Finished goods	At average manufacturing cost.

Items in transit, are valued at cost comprising invoiced value and related expenses.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

3.10 **Receivables**

Receivables are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.11 **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

3.12 **Revenue recognition**

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax.

Revenue is recognized when the risks and rewards of ownership are transferred i.e. on dispatch in case of local sales and on preparation of bill of lading in case of exports and when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Kmsin

Mark up income is accrued on a time basis, by reference to the principal outstanding and at the agreed mark up rate applicable.

Dividend income is recognized when the right to receive payment is established.

3.13 Foreign currencies

Foreign currency transactions are converted into Pak Rupees using the exchange rates prevailing on the date of transaction while monetary assets and liabilities are converted into Pak Rupees using the exchange rates prevailing at the balance sheet date. All exchange differences are charged to profit and loss account.

3.14 Borrowing costs

Borrowings and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.15 Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.16 Impairment losses

The carrying amount of the Company's assets except for, inventories, investment property and deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

	2013 **Rupees**	2012 Rupees
4 Issued, subscribed and paid-up capital		
34,200,000 (2012: 34,200,000) ordinary shares of Rs. 10 each fully paid in cash	**342,000,000**	342,000,000

4.1 Pak Kuwait Textiles Limited is the parent company which holds 96.84% (2012 : 96.84%) equity in the Company.

KPMG TH

5 Long term loans - secured

Banking Companies	2013 Rupees	2012 Rupees	Rate Per annum	Number of remaining installments	Security
Faysal Bank Limited					
Facility No. 4-EOP	-	1,472,102	7%	04 equal quarterly installments paid during the year.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company.
Facility No. 8	**44,072,367**	88,144,739	KIBOR plus 2.5%	04 quarterly installments ending on 01 May 2014.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company.
FBL LTF	**4,972,500**	-	KIBOR plus 2.5%	16 equal quarterly installments ending on 23 August 2017.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company.
FBL LTF (20.718 - Million)	**20,718,090**	-	KIBOR plus 2.5%	16 equal quarterly installments ending on 26 August 2017.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company.
FBL LTF (21.934 - Million)	**21,934,802**	-	KIBOR plus 2.5%	16 equal quarterly installments ending on 07 October 2017.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company.
FBL LTF (2.37 - Million)	**2,374,608**	-	KIBOR plus 2.5%	16 equal quarterly installments ending on 11 October 2017.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company.
FBL DMF (8.9 - Million)	**8,989,763**	-	KIBOR plus 2.5%	17 equal quarterly installments ending on 30 January 2018.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company and personal guarantees of directors.
FBL DMF (23.8 - Million)	**23,888,493**	-	KIBOR plus 2.5%	16 equal quarterly installments ending on 08 May 2018.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company and personal guarantees of directors.
FBL DMF (23.8 - Million)	**19,144,000**	-	KIBOR plus 2.5%	16 equal quarterly installments ending on 02 November 2017.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 425 Million over Present and future fixed assets of the company and personal guarantees of directors.
National Bank of Pakistan					
Demand Finance I	-	10,613,781	KIBOR plus 2%	01 equal semi annual installment paid during the year.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 581 Million over Present and future fixed assets of the company.
Demand Finance II	**21,797,790**	65,393,370	KIBOR plus 2%	02 quarterly installments ending on 22 October 2013.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 581 Million over Present and future fixed assets of the company.
Demand Finance II-EOP	-	1,702,210	7%	02 quarterly installments paid during the year.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 581 Million over Present and future fixed assets of the company.

KPMG Th

Banking Companies		2013 Rupees	2012 Rupees	Rate Per annum	Number of remaining installments	Security
Demand Finance III		**33,250,000**	-	KIBOR plus 2.5%	14 equal quarterly installments ending on 22 October 2016.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 581 Million over Present and future fixed assets of the company.
Bank Al-Habib Limited						
Term Finance-I		**8,437,500**	12,187,500	KIBOR plus 2%	27 equal monthly installments ending on 13 September 2015.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 160. Million over Present and future fixed assets of the company.
Term Finance-II		**5,079,375**	5,418,000	KIBOR plus 2%	15 equal quarterly installments ending on 31 March 2017.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 160. Million over Present and future fixed assets of the company.
Term Finance-II		**8,824,000**	8,824,000	KIBOR plus 2%	16 equal quarterly installments ending on 01 April 2017.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 160. Million over Present and future fixed assets of the company.
Term Finance-II		**37,258,000**	37,258,000	KIBOR plus 2%	16 equal quarterly installments ending on 03 May 2017.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 160. Million over Present and future fixed assets of the company.
Habib Bank Limited						
Demand Finance		-	30,555,552	KIBOR plus 2.75%	10 equal quarterly installments paid during the year.	Ranking charge registered at PKR 75 M over fixed assets of the company.
MCB Bank Limited						
Term Finance-I		**30,555,000**	47,530,000	KIBOR plus 2%	9 equal quarterly installments ending on 28 September 2015.	These loan facilities are secured by way of first joint pari passu charge to the extent of Rs. 80 Million over present and future fixed assets of the company.
		291,296,288	309,099,254			
Less: Current maturity	9	**(116,352,634)**	(135,293,385)			
		174,943,654	173,805,869			

6 **Liabilities against assets subject to finance lease**

	Note	2013 Rupees	2012 Rupees
Present value of minimum lease payments		**4,087,828**	2,708,204
Less: Current portion shown under current liabilies	9	**(2,746,159)**	(646,057)
		1,341,669	2,062,147

The minimum lease payments have been discounted at an implicit interest rate of 16.36% & 19% (2012: 18.95% & 20.80%) to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

	2013		2012	
	Not later than one year	**Later than one year but not later than five years**	Not later than one year	Later than one year but not later than five years
	Rupees			
Minimum lease payments	**2,931,549**	**1,446,363**	746,256	2,068,876
Future finance cost	**185,390**	**104,694**	100,199	6,729
Present value of lease liability	**2,746,159**	**1,341,669**	646,057	2,062,147

KPMG

		Note	2013 Rupees	2012 Rupees
7	**Deferred liabilities**			
	Deferred tax liability		**159,468,993**	116,957,696
	Staff retirement benefits	*7.1*	**21,600,082**	27,923,643
			181,069,075	144,881,339

7.1 Staff retirement benefits

	2013	2012
Balance as at 01 July	**27,923,643**	22,414,125
Provision for the year	**12,340,691**	8,806,914
	40,264,334	31,221,039
Payments made during the year	**(18,664,252)**	(3,297,396)
Balance as at 30 June	**21,600,082**	27,923,643

7.1.1 Changes in present value of defined benefit obligation

	2013	2012
Present value of defined benefit obligation as at 01 July	**26,511,108**	21,898,924
Current service cost	**8,518,067**	5,364,885
Interest cost for the period	**3,446,444**	3,065,849
Benefits paid during the year	**(18,664,252)**	(3,297,396)
Actuarial gain on present value of defined benefit obligation	**(1,552,947)**	(521,154)
Present value of defined benefit obligation as at 30 June	**18,258,420**	26,511,108

7.1.2 Expense recognised in profit and loss account are as follows

	2013	2012
Charge for the year has been allocated as follows:		
Current service cost	**8,518,067**	5,364,885
Interest cost for the year	**3,446,444**	3,065,849
Liability charged due to application of IAS - 19	**376,180**	376,180
	12,340,691	8,806,914

7.1.3 Amounts recognized in the balance sheet are as follows:

	2013	2012
Present value of defined benefit obligation	**18,258,420**	26,511,108
Unrecognized transitional liability	**(376,181)**	(752,362)
Unrecognized actuarial gain	**3,717,844**	2,164,897
Liability as at 30 June	**21,600,083**	27,923,643

7.1.4 Estimated provision during 2014 is expected to be Rs. 13.022 million.

7.1.5 Assumptions used for valuation of the defined benefit scheme for management and non-management staff are as under:

		2013	2012
Discount rate	Per annum	**10.5%**	13%
Expected rate of increase in salary	Per annum	**9.5%**	12%
Average expected remaining working life time of employees	Number of years	**5**	5

KMu iy

		Note	2013 Rupees	2012 Rupees
8	**Short term borrowing - secured**			
	From banking companies:			
	Short term cash finance		**507,379,155**	347,456,383
	Short term running finance		**16,621,480**	65,998,783
	Finance against imported merchandise		**63,802,191**	-
	Finance against foreign bill purchase		**-**	21,233,000
			587,802,826	434,688,166

Currently finance limits available from banks are of Rs. 1,785 million (2012:Rs. 1,685 million). These are secured against hypothecation of current assets of the Company amounting to Rs. 462 million (2012.Rs. 489 million), pledge of stocks and personal guarantees of all the sponsoring directors. Mark up is charged ranging from 10.51 % to 13.99 % per annum (2012: 13.36 % to 15.37 % per annum.)

		Note	2013 Rupees	2012 Rupees
9	**Current portion of long term liabilities**			
	Long term loans	*5*	**116,352,634**	135,293,385
	Liabilities against assets subject to finance lease	*6*	**2,746,159**	646,057
			119,098,793	135,939,442
10	**Trade and other payables**			
	Trade creditors		**42,738,680**	52,314,254
	Accrued expenses		**68,962,284**	62,087,144
	Advances from customers		**12,987,301**	15,574,027
	Workers' profit participation fund	*10.1*	**16,721,659**	6,751,952
	Worker welfare fund		**2,418,025**	2,118,862
	Withholding tax payable		**138,777**	324,003
			143,966,726	139,170,242
	10.1 Workers' profit participation fund			
	Balance as at 01 July		**6,751,952**	20,791,204
	Provision for the year	*26*	**16,721,659**	6,751,952
	Interest for the year	*24*	**670,756**	1,890,801
			24,144,367	29,433,957
	Less: Payments made during the year		**7,422,708**	22,682,005
	Balance as at 30 June		**16,721,659**	6,751,952
11	**Mark up payable on secured loans**			
	Long term loan - secured		**7,134,861**	7,908,120
	Short term borrowings - secured		**19,372,216**	18,100,925
			26,507,077	26,009,045

12 Contingencies and commitments

12.1 Contingencies

The Company has issued bank guarantee amounting to Rs. 3.77 million in favour of Exice and Taxation Officer, Sea Due, Karachi in pursuance of the order of Honorable High Court of Sindh passed on 31st May 2011 regarding infrastructure cess. In May 2011 the Supreme Court disposed off the appeal with the joint statement of the parties that during pendency of the appeal. Hence the case was referred back to the high court with the right to appeal to Supreme Court. On 31 May 2011, the High Court granted an interim relief on application of petitioner on certain terms including discharge and return of bank guarantees/security furnished on assignment released up to 27 December 2006 and any bank guarantee/security furnished for consignment released after 27 December 2006 shall be in cash to extent of 50% of the guaranteed of secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner.

12.2 Commitments

12.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 31.576 million (2012: Rs. 30.176 million)

12.2.2 Letter of credit for import of plant and machinery, raw material and spares outstanding as at balance sheet date amounted to Rs. 242.845 million (2012: Rs. 186.868 million).

KMYTh

13 Property, plant and equipment

	Cost					Depreciation				Net book value as at
	As at 01 July 2012	Additions	(Disposals)	As at 30 June 2013	Rate	As at 01 July 2012	For the year	Adjustments on disposals	As at 30 June 2013	30 June 2013
	Rupees				%	Rupees				
Owned										
Land	34,857,369	-	-	34,857,369	-	-	-	-	-	34,857,369
Building	196,758,882	11,485,461	-	208,244,343	5	60,174,068	7,236,831	-	67,410,899	140,833,444
Plant and machinery	1,161,389,004	158,930,709	(13,922,818)	1,306,396,895	10 & 5	450,576,338	51,215,564	(8,383,786)	493,408,116	812,988,779
Power house	112,009,094	-	-	112,009,094	10	58,467,057	5,354,207	-	63,821,264	48,187,830
Vehicles	1,039,004	-	-	1,039,004	20	622,407	83,319	-	705,726	333,278
Furniture and fixture	3,076,431	-	-	3,076,431	10	1,571,602	150,485	-	1,722,087	1,354,344
Electric installation	56,426,859	-	-	56,426,859	10	26,918,285	2,950,858	-	29,869,143	26,557,716
Tools and equipment	9,881,776	-	-	9,881,776	10	5,124,867	475,691	-	5,600,558	4,281,218
Office equipment	3,636,647	420,400	-	4,057,047	10	1,654,365	218,892	-	1,873,257	2,183,790
	1,579,075,066	170,836,570	(13,922,818)	1,735,988,818		605,108,989	67,685,847	(8,383,786)	664,411,050	1,071,577,768
Leased										
Vehicles	3,630,000	2,383,000	-	6,013,000	20	1,331,000	680,733	-	2,011,733	4,001,267
2013	1,582,705,066	173,219,570	(13,922,818)	1,742,001,818		606,439,989	68,366,580	(8,383,786)	666,422,783	1,075,579,035

KPMG TH

Property, plant and equipment

	Cost					Depreciation				Net book
	As at 01 July 2011	Additions	(Disposals)	As at 30 June 2012	Rate	As at 01 July 2011	For the year	Adjustments on disposals	As at 30 June 2012	value as at 30 June 2012
	Rupees				%	Rupees				
Owned										
Land	33,957,369	900,000	-	34,857,369	-	-	-	-	-	34,857,369
Building	195,142,010	1,616,872	-	196,758,882	5	53,063,401	7,110,667	-	60,174,068	136,584,814
Plant and machinery	1,107,954,063	60,101,607	(6,666,666)	1,161,389,004	10 & 5	409,759,752	45,272,972	4,456,386	450,576,338	710,812,666
Power house	112,009,094	-	-	112,009,094	10	52,517,942	5,949,115	-	58,467,057	53,542,037
Vehicles	1,039,004	-	-	1,039,004	20	518,258	104,149	-	622,407	416,597
Furniture and fixture	3,076,431	-	-	3,076,431	10	1,404,399	167,203	-	1,571,602	1,504,829
Electric installation	56,426,859	-	-	56,426,859	10	23,639,555	3,278,730	-	26,918,285	29,508,574
Tools and equipment	9,823,776	58,000	-	9,881,776	10	4,601,692	523,175	-	5,124,867	4,756,909
Office equipment	3,457,950	178,697	-	3,636,647	10	1,440,325	214,040	-	1,654,365	1,982,282
	1,522,886,556	62,855,176	(6,666,666)	1,579,075,066		546,945,324	62,620,053	4,456,386	605,108,989	973,966,077
Leased										
Vehicles	3,630,000	-	-	3,630,000	20	605,000	726,000	-	1,331,000	2,299,000
2012	1,526,516,556	62,855,176	(6,666,666)	1,582,705,066		547,550,324	63,346,053	4,456,386	606,439,989	976,265,077

13.1 Depreciation has been allocated as follows:

	2013 Rupees	2012 Rupees
Cost of sales	**67,351,292**	62,406,752
Administrative expenses	**1,015,288**	939,301
	68,366,580	63,346,053

Kumain

14 Stores, spares and loose tools

	Note	2013 Rupees	2012 Rupees
Stores		**16,342,671**	15,766,858
Spares and loose tools		**22,758,663**	11,426,250
		39,101,334	27,193,108

15 Stock in trade

Raw material	**673,611,721**	376,854,821
Work in process	**18,519,485**	20,287,797
Finished goods	**83,145,073**	52,333,623
	775,276,279	449,476,241

16 Trade debts

Foreign debtors - secured considered good	**190,545,820**	221,898,793
Local debtors - unsecured considered good	**88,933,867**	91,679,852
Considered doubtful	**2,800,678**	-
Provision for doubtful debts	**(2,800,678)**	-
	88,933,867	91,679,852
	279,479,687	313,578,645

17 Advances, deposits, prepayments and other receivables

	Note		
Advances to employees - secured, considered good	*17.1*	**385,555**	1,176,432
Advances to suppliers - considered good		**1,009,536**	32,249
Security deposits		**9,792,300**	9,554,000
Sales tax receivable		**33,397,886**	18,742,872
Advance against letters of credit		**1,347,941**	2,146,873
Advance income tax		**55,910,364**	55,160,220
Margin on bank guarantees		**3,772,427**	2,372,427
Other receivable		**2,862,269**	1,055,315
		108,478,278	90,240,388

17.1 The advances to employees are interest free. Chief Executive and directors have not taken any advances from the Company (2012: Rs.Nil).

18 Short term investments

Investment at fair value through profit or loss

	Note	2013 Rupees	2012 Rupees
Investments at fair value through profit and loss account		**12,839,512**	2,260,053
Fair value adjustment	*25*	**508,306**	83,525
		13,347,818	2,343,578

18.1 These securities are held in Faysal Islamic Saving Growth Fund number of units 130,197.215 (2012: 22,695.8946) at Rs. market value 13,347,818 (2012: 2,343,578).

Mumin

	Note	2013 Rupees	2012 Rupees
19 Cash and bank balances			
Cash in hand		**416,776**	176,716
Cash at bank:			
Current accounts		**31,185,675**	35,016,448
Saving account		**8,700**	8,247
		31,611,151	35,201,411

19.1 The markup on savings account is 6% (2012: 6%) per annum.

	Note	2013 Rupees	2012 Rupees
20 Sales - Net			
Local			
Cotton yarn - local		**1,627,156,899**	2,021,697,446
Raw cotton - local		**-**	4,006,592
		1,627,156,899	2,025,704,038
Export			
Cotton yarn	*20.1*	**1,605,237,497**	882,898,915
Waste sales		**152,196,627**	190,808,413
		3,384,591,023	3,099,411,366
Less: Sales tax		**(17,259,352)**	(319,159)
Commission		**(18,883,577)**	(18,667,790)
		3,348,448,094	3,080,424,417

20.1 These include indirect exports, taxable under Section 154 (3) of the Income Tax Ordinance, 2001, amounting to Rs. 758.630 million (2012 : Rs. 316.260 million).

	Note	2013 Rupees	2012 Rupees
21 Cost of sales			
21.1 Cost of goods manufactured			
Raw material consumed	*21.2*	**2,128,202,854**	2,063,945,904
Cost of raw cotton		**-**	3,940,521
Salaries, wages and benefits		**132,416,124**	105,158,371
Workers welfare		**11,592,197**	9,737,829
Power and fuel		**343,192,491**	289,151,822
Stores and spares consumed		**64,535,727**	46,126,614
Packing material consumed		**52,857,134**	45,283,204
Repair and maintenance		**36,022,249**	24,064,516
Vehicles running and maintenance		**1,875,588**	1,757,198
Insurance		**8,466,404**	8,016,410
Staff retirement benefits		**11,291,504**	8,220,374
Rent, rates, taxes and telephone charges		**835,475**	1,561,271
Freight charges		**329,746**	448,930
Entertainment		**516,959**	380,774
Depreciation	*13.1*	**67,351,292**	62,406,752
Other expenses		**8,348,369**	5,645,480
		2,867,834,113	2,675,845,970
Opening stock of work in process		**20,287,797**	17,402,731
Closing stock of work in process		**(18,519,485)**	(20,287,797)
Cost of goods manufactured		**2,869,602,425**	2,672,960,904
Opening stock of finished goods		**52,333,623**	142,148,830
Closing stock of finished goods		**(83,145,073)**	(52,333,623)
		2,838,790,975	2,762,776,111

KHMIN

	Note	2013 Rupees	2012 Rupees
21.2 Raw material consumed			
Opening stock		**376,854,821**	268,294,715
Purchases		**2,424,959,754**	2,176,446,531
		2,801,814,575	2,444,741,246
Less: cost of raw cotton		**-**	(3,940,521)
Available for consumption		**2,801,814,575**	2,440,800,725
Closing stock		**(673,611,721)**	(376,854,821)
		2,128,202,854	2,063,945,904

22 Administrative expenses

	Note	2013 Rupees	2012 Rupees
Salaries and other benefits		**6,634,286**	4,816,257
Traveling expenses		**164,095**	103,508
Telephone, postage and telegrams		**296,369**	318,865
Rent, rates and taxes		**51,140**	2,115,217
Power and fuel		**901,224**	643,563
Printing and stationery		**268,029**	284,931
Staff welfare		**407,876**	560,871
Entertainment		**70,340**	64,570
Insurance		**105,109**	139,558
Repair and maintenance		**395,637**	323,006
Legal and professional charges		**600,500**	2,010,500
Auditors' remuneration	*22.1*	**289,965**	236,700
Vehicle running and maintenance		**1,332,788**	1,002,480
Charity & donation		**800,000**	200,000
Subscription fees		**309,247**	226,023
Staff retirement benefits		**1,049,187**	586,540
Provision for doubtful debts		**2,800,678**	-
Depreciation	*13.1*	**1,015,288**	939,301
Other expenses		**269,896**	229,173
		17,761,654	14,801,063

22.1 Auditors' remuneration

	Note	2013 Rupees	2012 Rupees
Audit fee		**200,000**	175,500
Out of pocket expense		**89,965**	61,200
		289,965	236,700

23 Distribution cost

	Note	2013 Rupees	2012 Rupees
Freight and other expenses - export		**36,449,094**	28,938,757
Freight and other expenses - local		**13,904,050**	13,977,379
Loading and other expenses		**4,616,662**	3,895,539
		54,969,806	46,811,675

24 Finance cost

	Note	2013 Rupees	2012 Rupees
Interest and mark-up on			
- long term loans		**38,436,916**	49,148,891
- Finance lease		**234,599**	211,639
- short term borrowing		**70,926,684**	72,433,040
Interest on worker's profit participation fund	*10.1*	**670,756**	1,890,801
Bank charges		**542,400**	492,119
		110,811,355	124,176,490

KPMG-TH

	Note	2013 Rupees	2012 Rupees
25 Other operating income			
Gain on sale of scrap/store items		**206,814**	205,431
Bailing		**489,958**	589,246
Gain on Saving Growth Fund	*18*	**508,306**	83,525
Profit on saving account		**67,570**	43,145
Exchange gain		**9,290,426**	3,714,585
		10,563,074	4,635,932

26 Other operating expenses

	Note	2013 Rupees	2012 Rupees
Worker's profit participation fund	*10.1*	**16,721,659**	6,751,952
Worker's welfare fund		**2,418,025**	2,118,862
Loss on disposal of property, plant and equipment		**2,244,206**	1,455,970
		21,383,890	10,326,784

27 Provision for taxation

	2013 Rupees	2012 Rupees
Current	**12,342,210**	24,464,861
Prior year	**2,338,640**	(6,690,726)
	14,680,850	17,774,135
Deferred	**42,511,297**	40,000,000
	57,192,147	57,774,135

27.1 Since the Company is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001, therefore tax charge reconciliation has not been prepared.

28 Earnings per share - basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

		2013	2012
Profit for the year after taxation	*Rupees*	**258,101,341**	68,394,091
Weighted average number of ordinary shares	*Number of shares*	**34,200,000**	34,200,000
Earnings per share	*Rupees*	**7.55**	2.00

29 Transactions with related party

Related parties comprise Pak Kuwait Textiles Limited (the Parent Company). Amounts due to/from related parties have been disclosed in the respective receivables and payables.

Transactions with Pak Kuwait Textiles Limited during the year are as follow:

	2013 Rupees	2012 Rupees
Purchase of stores items	-	3,503,200
Sale of stores items	-	684,400
Receipts	-	-
Payments	**2,417,024**	-
Sale of yarn	**11,568,111**	8,836,950
Others	-	-

All transactions with related party have been carried out on commercial terms and conditions.

KMMin

30 Financial Instruments

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

30.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables and investment in debt securities. Out of the total financial assets of Rs. 362.311 million (2012: Rs. 383.860 million), the financial assets which are subject to credit risk amounted to Rs. 329.458 million (2012: Rs. 363.764 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit. Management expects to recover local and export debts within a maximum time period of 120 days.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2013 Rupees	2012 Rupees
Trade debts	**279,479,687**	313,578,645
Advances, deposit and other receivables	**18,784,473**	15,160,864
Bank balances	**31,194,375**	35,024,695
	329,458,535	363,764,204

The trade debts as at the balance sheet date are classified as follows:

Trade debtors at the balance sheet date represent both domestic parties and export parties.

The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by type of customer was:

	2013 Rupees	2012 Rupees
Receivables export	**190,545,820**	221,898,793
Receivables local	**86,768,791**	83,986,571
Waste receivables	**4,965,754**	7,693,281
	282,280,365	313,578,645
Less: Provision for doubtful debts	**(2,800,678)**	-
	279,479,687	313,578,645

The aging of trade receivable at the reporting date is:

	2013 Rupees	2012 Rupees
Past due 1-30 days	**155,590,695**	113,259,331
Past due 30-180 days	**111,065,402**	187,530,461
Past due 180 days -365 days	**12,823,590**	12,788,853
Past due 366 & above	**2,800,678**	-
	282,280,365	313,578,645

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as there are reasonable grounds to believe that the amounts will be recovered in due course of time.

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	**Rating** Short term	Long term	**Rating Agency**	**2013 Rupees**	2012 Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	1,706,921	4,914,869
Faysal Bank Limited	A1+	AA	PACRA	23,302,953	10,964,951
Faysal Bank Barkat Islamic Banking	A1+	AA	PACRA	1,863,959	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	2,419,509	14,878,819
Bank Alfalah Limited	A1+	AA	PACRA	659	10,648
Bank Alfalah Limited Islamic Banking	A1+	AA	PACRA	10,000	-
United Bank Limited	A-1+	AA+	JCR-VIS	5,544	5,544
MCB Bank Limited	A1+	AA+	PACRA	331,894	3,982,974
Habib Metropolitian Bank Limited	A1+	AA+	PACRA	1,552,936	266,889
				31,194,375	35,024,694

KPMGTH

30.2 **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

30.3 **Market risk**

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

30.3.1 **Currency risk**

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2013 **Rupees**	2012 Rupees
Foreign debtors	**190,545,820**	221,898,793
Gross balance sheet exposure	**190,545,820**	221,898,793
Outstanding letters of credit	**(1,347,941)**	(2,146,873)
Net exposure	**189,197,879**	219,751,920

The following significant exchange rate has been applied:
Average rate Reporting date rate

	Average rate		**Reporting date rate**	
	2013 **Rupees**	2012 Rupees	**2013** **Rupees**	2012 Rupees
USD to PKR	**96.4**	90.5	**98.6**	94.2

Sensitivity analysis

At reporting date, if the PKR had weakened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

	2013 **Rupees**	2012 Rupees
No foreign creditor		
Effect on profit or loss	**(178,421)**	(220,672)

US Dollars

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

KMGTU

30.3.2 **Interest rate risk**

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate		Carrying amount	
	2013	2012	2013	2012
Financial assets	%	%	Rupees	Rupees
Financial liabilities				
Variable rate instruments				
Long term loans - secured	11.31 - 14.81	13.91 - 16.53	291,296,288	309,099,254
Short term borrowing - secured	10.51 - 13.99	13.36 - 15.37	587,802,826	413,455,166
Export Refinance	-	13.37 - 13.40	-	21,233,000

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit and loss 100 bp	
	Increase Rupees	Decrease Rupees
As at 30 June 2013		
Cash flow sensitivity-Variable rate financial liabilities	8,790,991	(8,790,991)
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial liabilities	7,437,874	(7,437,874)

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

30.4 **Capital management**

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) To provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

	2013 Rupees	2012 Rupees
Total debt	295,384,116	311,807,458
Total equity and debt	1,374,045,796	1,132,367,797
Debt-to-equity ratio	21%	28%

The decrease in the debt-to-equity ratio in 2013 resulted primarily due to repayment of borrowings obtained by the Company.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

KPMG Ta

31 Remuneration of chief executive, directors and executives

The aggregate amounts charged in the financial statements for the remuneration, including all benefits, to the executives of the Company were as follows:

	Chief Executive		Non- Executive Directors		Executive Directors		Executives	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(Rupees in thousand)							
Managerial remunerations	-	-	-	-	-	-	**1,680,000**	1,680,000
Retirement benefits	-	-	-	-	-	-	**110,000**	110,000
Utilities	-	-	-	-	-	-	**120,000**	120,000
Medical expenses	-	-	-	-	-	-	**60,936**	106,485
	-	-	-	-	-	-	**1,970,936**	2,016,485
Number of persons	-	-	-	-	-	-	**1**	1

31.1 The total average number of employees during the year and as at 30 June are as follows:

	2013	2012
	(Number of persons)	
- As at 30 June	**897**	858
- Average number of employees	**878**	882

KPMG-ic

32 Plant capacity and actual production

Spinning	*Unit*	**2013**	2012
Number of spindles installed	*No.*	**41,376**	41,376
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**15,156,199**	15,156,199
Actual production converted into 20s count	*Kgs*	**15,726,915**	16,754,806

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw material used, spindle speed and twist, picks etc. It would also vary accordingly to the pattern of production adopted in a particular year.

33 Date of authorization for issue

These financial statements were authorized for issue on ________________ by the Directors of the Company.

34 General

34.1 Figures have been rounded off to the nearest rupees.

34.2 Corresponding figures have been re-arranged, where necessary for the purpose of comparison.

KPMG TH

Lahore

Chief Executive

Director