

**Al Nasr Textiles Limited**

Financial statements for the year ended  
30 June 2014



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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Servis House  
2-Main Gulberg Jail Road,  
Lahore Pakistan

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## Auditors' Report to the Members

We have audited the annexed balance sheet of **Al Nasar Textiles Limited** ("the Company") as at 30 June 2014 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


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- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) 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 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) 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).

Lahore

Date: 09 October 2014

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

**AL NASR TEXTILES LIMITED**  
Directors Report for the Year Ending 30<sup>th</sup> June, 2014



The Directors of **Al Nasr Textiles Limited** are pleased to present the Annual report along with Audited Financial Statements for the year ended 30<sup>th</sup> June, 2014.

**FINANCIAL HIGHLIGHTS**

Comparison of Audited result for the year ended June 30<sup>th</sup>, 2014 as against June 30<sup>th</sup>, 2013 is as follows:

	<b>30.06.2014</b>	<b>30.06.2013</b>
	(Rs.)	(Rs.)
Sales (Net)	3,468,642,494	3,384,448,094
Gross Profit	386,816,775	509,657,119
Profit before taxation	178,914,085	315,293,488
Taxation	(51,593,781)	(57,192,147)
Profit after taxation	127,320,304	258,101,341
Total Comprehensive Income for the year	135,761,545	260,030,468
Un-appropriated Profit/ (Loss) brought forward	740,003,342	478,560,339
Un-appropriated Profit carried forward	<b>875,764,887</b>	<b>740,003,342</b>
Earnings per Share	<b>3.72</b>	<b>7.56</b>

**COMPANY PERFORMANCE**

During the year, your Company earned a pre-tax Profit of Rs. 178,914,085 as against a pre-tax Profit of Rs. 315,293,448 in the last financial year representing 43% year on year decrease. The Gross Profit Margin decreased by 3.91% as compared to F/Y 2013. The major factor for this decrease was an increase in Raw Material Cost, a 12% Revaluation of the Pak Rupee, Increased Load Shedding, a mammoth increase in the energy cost and decreased Yarn Prices due to excessive supply in the market. Major components of conversion cost kept on increasing throughout the year owing to general inflationary trends. Partial increase in conversion cost was offset by achieving higher production efficiency and higher volume of sales. The financing cost increased by 20.98% as compared to previous year due to higher rates of raw material. Your Company's profit after tax is Rs. 127,320,304 as compared to last year profit after tax of Rs.258,101,341 which represents 50% year on year decrease.

**AL Nasr Textiles Limited**

Head office: 29 Shadman-II, Lahore, Pakistan. Phone: +92 42-111-888-600 Fax: +92 42-37421469  
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



#### BALANCING MODERNIZATION & REPLACEMENT (BMR)

Addition to Plant & Machinery for was made during the year ended 30<sup>th</sup> June, 2014. These additions will ensure the production of high quality yarn in the future. The details of the machines acquired are as follows:

- Vision Shied Jossi
- Compact Spinning Equipment for RX-240 Japanese
- Compact Spinning Equipment Chinese
- Carding Machines Rieter C-70
- Diesel Generator Cummins
- Weigh Bridge Platform

#### 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 will increase in the next year. The yarn rates have been depressed, which would adversely impact the profitability of the year 2014 / 2015.

#### PATTERN OF SHAREHOLDING

Pattern of shareholding as on 30 June 2014, as required under Section 236(2) (d) of the Companies Ordinance 1984, is annexed.

#### AUDITORS

M/S KPMG Taseer Hadi & Co., Chartered Accountants, retires and being eligible, offers themselves for reappointment as Company's auditors for the year ending 30 June 2015.

### **AL Nasr Textiles Limited**

**AL NASR TEXTILES LIMITED**  
Directors Report for the Year Ending 30<sup>th</sup> June, 2014

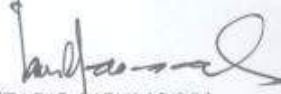


ACKNOWLEDGEMENT

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 2014

  
(TARIQ MEHMOOD)  
Chief Executive

**AL Nasr Textiles Limited**

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Head office: 29 Shadman-II, Lahore, Pakistan. Phone: +92 42-111-888-600 Fax: +92 42-37421469  
E-Mail: [yarn@pakkuwait.com](mailto:yarn@pakkuwait.com) Web Site: [www.pakkuwait.com](http://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 2014

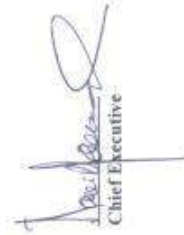
	Note	2014 Rupees	2013 Rupees <i>Restated</i>	2012 Rupees <i>Restated</i>
<b>LIABILITIES</b>				
<u>Authorized capital</u>				
40,000,000 (2013: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000	400,000,000
<b>Issued, subscribed and paid-up capital</b>	6	342,000,000	342,000,000	342,000,000
<b>Accumulated profit</b>		875,764,887	740,003,342	479,972,874
		1,217,764,887	1,082,003,342	821,972,874
<u>Non-current liabilities</u>				
Long term loans - secured	7	279,768,192	174,943,654	173,805,869
Liabilities against assets subject to finance lease	8	583,271	1,341,669	2,062,147
Deferred liabilities	9	179,581,678	177,727,413	143,468,804
		459,933,141	354,012,736	319,336,820
<u>Current liabilities</u>				
Short term borrowing - secured	10	500,048,594	587,802,826	434,688,166
Current maturity of long term liabilities	11	94,696,482	119,098,793	135,939,442
Trade and other payables	12	131,864,036	143,966,726	139,170,242
Mark up payable on secured loans	13	31,683,908	26,507,077	26,009,045
Taxation		34,686,425	12,342,210	24,464,861
		792,979,445	889,717,632	760,271,756
Contingencies and commitments	14			
		2,470,677,473	2,325,733,710	1,901,581,450
<b>ASSETS</b>				
<u>Non-Current assets</u>				
Property, plant and equipment	15	1,253,048,247	1,075,579,035	976,265,077
Intangibles	16	1,677,155	-	-
Capital work in progress	17	15,615,950	2,860,128	7,283,002
		1,270,341,352	1,078,439,163	983,548,079
<u>Current assets</u>				
Stores, spares and loose tools	18	37,958,193	39,101,334	27,193,108
Stock in trade	19	875,368,224	775,276,279	449,476,241
Trade debts	20	139,690,863	279,479,687	313,578,645
Advances, deposits, prepayments and other receivables	21	140,663,833	108,478,278	90,240,388
Short term investments	22	-	13,347,818	2,343,578
Cash and bank balances	23	6,655,008	31,611,151	35,201,411
		1,200,336,121	1,247,294,547	918,033,371
		2,470,677,473	2,325,733,710	1,901,581,450

The attached notes 1 to 38 form an integral part of these financial statements.

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Lahore

  
Chief Executive

  
Director

# Al Nasr Textiles Limited

## Profit and Loss Account

For the year ended 30 June 2014

	Note	2014 Rupees	2013 Rupees Restated
Sales - net	24	3,468,642,494	3,348,448,094
Cost of sales	25	(3,081,825,719)	(2,838,790,975)
Gross profit		<u>386,816,775</u>	<u>509,657,119</u>
<b>Operating expenses</b>			
Administrative expenses	26	(25,514,011)	(17,385,474)
Distribution cost	27	(46,618,669)	(54,969,806)
		<u>(72,132,680)</u>	<u>(72,355,280)</u>
<b>Operating profit</b>		<u>314,684,095</u>	<u>437,301,839</u>
Finance cost	28	(134,067,550)	(110,811,355)
		<u>180,616,545</u>	<u>326,490,484</u>
Other income	29	20,642,636	10,563,074
Other expenses	30	(22,345,096)	(21,383,890)
<b>Profit before taxation</b>		<u>178,914,085</u>	<u>315,669,668</u>
Provision for taxation	31	(51,593,781)	(57,192,147)
<b>Profit after taxation</b>		<u>127,320,304</u>	<u>258,477,521</u>
Earnings per share - Basic and diluted	32	<u>3.72</u>	<u>7.56</u>

The attached notes 1 to 38 form an integral part of these financial statements.

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10/06/2014

Lahore

  
Chief Executive

  
Director



Al Nasr Textiles Limited  
Statement of Comprehensive Income  
For the year ended 30 June 2014

	2014 Rupees	2013 Rupees <i>Restated</i>
Profit after taxation	127,320,304	258,477,521
<b><u>Other comprehensive income:</u></b>		
<i>Items that may be reclassified subsequently to profit and loss</i>	-	-
<i>Items that will not be reclassified to profit and loss</i>		
Remeasurement of post retirement benefits obligation	8,441,241	1,552,947
<b>Total comprehensive income for the year</b>	<b>135,761,545</b>	<b>260,030,468</b>

The attached notes 1 to 38 form an integral part of these financial statements.

10/9/2014

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Lahore

  
Chief Executive

  
Director

# Al Nasr Textiles Limited

## Cash Flow Statement

For the year ended 30 June 2014

	2014 Rupees	2013 Rupees <i>Restated</i>
<b>Cash flows from operating activities</b>		
Profit before taxation	178,914,085	315,669,668
Adjustments for non cash expense and other items:		
Depreciation	82,515,713	68,366,580
Amortization	295,967	-
Finance cost	132,355,069	110,140,601
Loss on disposal of property, plant and equipment	8,878,444	2,244,206
Provision for bad debts	5,285,845	2,800,678
Interest on worker's profit participation fund	1,712,481	670,756
Worker's profit participation fund	9,619,037	16,721,659
Worker's welfare fund	3,847,615	2,418,025
Staff retirement benefits	12,333,958	11,964,511
	<u>256,844,129</u>	<u>215,327,016</u>
<b>Profit before working capital changes</b>	<b>435,758,214</b>	<b>530,996,684</b>
<b>Effect on cash flow due to working capital changes</b>		
<i>(Increase)/decrease in current assets:</i>		
Trade debts	134,502,979	31,298,277
Stores and spares	1,143,141	(11,908,226)
Stock in trade	(100,091,945)	(325,800,038)
Advances deposits, prepayments and other receivables	(687,380)	(17,487,746)
<i>Increase in current liabilities:</i>		
Trade and other payables	(6,429,658)	(5,472,389)
	<u>28,437,137</u>	<u>(329,370,122)</u>
<b>Cash generated from operations</b>	<b>464,195,351</b>	<b>201,626,562</b>
Finance cost paid	(126,999,278)	(109,642,567)
Staff retirement benefits paid	(5,931,887)	(18,664,252)
Worker's profit participation fund paid	(18,434,140)	(7,422,708)
Worker's welfare fund paid	(2,418,025)	(2,118,862)
Taxes paid	(56,854,306)	(27,553,645)
	<u>(210,637,636)</u>	<u>(165,402,034)</u>
<b>Net cash generated from operating activities</b>	<b>253,557,715</b>	<b>36,224,528</b>
<b>Cash flows from investing activities</b>		
Capital expenditure incurred	(291,923,444)	(168,796,696)
Sale proceeds of property, plant and equipment	8,331,131	3,294,827
Short term investments	13,347,818	(11,004,240)
	<u>(270,244,495)</u>	<u>(176,506,109)</u>
<b>Net cash outflows from investing activities</b>	<b>(270,244,495)</b>	<b>(176,506,109)</b>
<b>Cash flows from financing activities</b>		
Long term loans - Net	82,406,168	(17,802,964)
Payment of finance lease liabilities	(2,921,299)	1,379,624
Net movement in short term borrowings - secured	(87,754,232)	153,114,661
<b>Net cash inflows/(outflows) from financing activities</b>	<b>(8,269,363)</b>	<b>136,691,321</b>
<b>Increase in cash and cash equivalents</b>	<b>(24,956,143)</b>	<b>(3,590,260)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>31,611,151</b>	<b>35,201,411</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>6,655,008</b>	<b>31,611,151</b>

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The attached notes 1 to 38 form an integral part of these financial statements.

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10<sup>9</sup> OCT 2014

Lahore

  
Chief Executive

  
Director

Al Nasr Textiles Limited  
 Statement of Changes in Equity  
 For the year ended 30 June 2014

	Share capital	Accumulated profit	Total
	-----Rupees-----		
Balance as at 30 June 2012 - as previously reported	342,000,000	478,560,339	820,560,339
Effect of change in accounting policy as referred to note 5	-	1,412,535	1,412,535
Balance as at 30 June 2012 - restated	342,000,000	479,972,874	821,972,874
Total comprehensive income for the year - restated	-	260,030,468	260,030,468
Balance as at 30 June 2013 - restated	342,000,000	740,003,342	1,082,003,342
Total comprehensive income for the year	-	135,761,545	135,761,545
Balance as at 30 June 2014	342,000,000	875,764,887	1,217,764,887

The attached notes 1 to 38 form an integral part of these financial statements.

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10:9 OCT 2014

Lahore

  
 Chief Executive

  
 Director

# Al Nasr Textiles Limited

## Notes to the Financial Statements

For the year ended 30 June 2014

### 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

2.1 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 Basis of measurement

#### 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.

#### 3.2 Use of estimates and judgments

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:

	<i>Note</i>
- Residual value and useful life of depreciable assets	4.5 & 15
- Provision for taxation	4.1 & 31
- Staff retirement benefits	4.2 & 9.1

### 3.3 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 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- 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.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

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- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.
  
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
  
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.
  
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
  
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

Conclusion

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

These amendments are not likely to have no significant impact on financial statements of the Company.

#### 4 Significant accounting policies

##### 4.1 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, alternate corporate tax or minimum tax, whichever is higher

###### 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.

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#### 4.2 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 2014, using the "Projected Unit Credit Method".

As stated in note 5, during the year the Company has changed its accounting policy. Now the remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in SOCI. The Company determines the net interest expense on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### 4.3 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.

#### 4.4 Trade and other payables

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

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#### 4.5 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 profit and loss by applying the reducing balance method at rates indicated in note 15 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 enhances 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 leased 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 15. The finance cost is calculated at the interest rates implicit in the lease and are charged to profit and loss.

#### 4.6 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.

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#### 4.7 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 moving 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.

#### 4.8 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.

#### 4.9 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.

#### 4.10 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.

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.

#### 4.11 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.

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#### 4.12 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.

#### 4.13 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.

#### 4.14 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.

### 5 Change in accounting policy

#### 5.1 Adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

As a result of IAS 19 (Revised) 'Employee benefits', the Company has changed its accounting policies with respect to the basis for determining the income or expense related to the defined benefit and recognition of actuarial gain/loss.

The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income with no subsequent recycling to profit and loss account; to immediately recognize all past service costs in profit and loss account; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. This change has now eliminated the corridor approach and calculates finance costs on a net funding basis.

The Company has applied this change in accounting policy retrospectively in accordance with International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and recorded un-recognized actuarial losses associated with this retirement benefit plan by adjusting the opening balance of accumulated profit and retirement benefit (gratuity) for the prior period presented.

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The following table summarize the material impacts resulting from the above changes in accounting policies on the balance sheet, profit and loss account, statement of comprehensive income and statement of changes in equity.

		30 June 2013		
		Previously reported	Restatement	Restated amounts
		----- Rupees -----		
(a)	<b>Balance sheet</b>			
	Retirement benefits	21,600,082	(3,341,662)	18,258,420
(b)	<b>Profit and loss account</b>			
	Administrative, selling and general expenses	12,340,691	(376,180)	11,964,511
(c)	<b>Statement of comprehensive income</b>			
	Remeasurement of defined benefit obligation	-	1,552,947	1,552,947
		----- Rupees -----		
		30 June 2012		
		Previously reported	Restatement	Restated amounts
		----- Rupees -----		
(a)	<b>Balance sheet</b>			
	Retirement benefits	27,923,643	(1,412,535)	26,511,108
(b)	<b>Statement of changes in equity</b>			
	Unappropriated profit	478,560,339	1,412,535	479,972,874
			<b>2014</b>	<b>2013</b>
			<b>Rupees</b>	<b>Rupees</b>
6	<b>Issued, subscribed and paid-up capital</b>			
	34,200,000 (2013: 34,200,000) ordinary shares of Rs. 10 each fully paid in cash		<b>342,000,000</b>	<b>342,000,000</b>
6.1	Pak Kuwait Textiles Limited is the parent company which holds 96.84% (2013 : 96.84%) equity in the Company.			

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7 Long term loans - secured

Banking Companies	2014 Rupees	2013 Rupees	Rate Per annum	Number of remaining installments	Security
<b>Faysal Bank Limited</b>					
Facility No. 8	-	44,072,367	KIBOR plus 2.5%	This loan is repaid 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.
FBL LTF	4,040,154	4,972,500	KIBOR plus 2.5%	13 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)	16,833,447	20,718,090	KIBOR plus 2.5%	13 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)	19,192,950	21,934,802	KIBOR plus 2.5%	14 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)	2,077,782	2,374,608	KIBOR plus 2.5%	14 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)	8,460,953	8,989,763	KIBOR plus 2.5%	16 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	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 LTF (19 144 - Million)	16,751,000	19,144,000	KIBOR plus 2.5%	14 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.
FBL DMF (56 814 - Million)	56,814,762	-	KIBOR plus 2.5%	16 equal quarterly installments ending on 17 September 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 (17 773 - Million)	17,773,415	-	KIBOR plus 1.5%	16 equal quarterly installments ending on 23 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.
<b>National Bank of Pakistan</b>					
Demand Finance II	-	21,797,790	KIBOR plus 2%	This loan is repaid during the year.	These loan facilities are secured by way of first pari passu charge to the extent of Rs 381 Million over Present and future fixed assets of the company.
Demand Finance III	23,750,000	33,250,000	KIBOR plus 2.5%	10 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 381 Million over Present and future fixed assets of the company.
<b>Bank Al-Habib Limited</b>					
Term Finance-I	4,687,500	8,437,500	KIBOR plus 2%	15 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 220 Million over Present and future fixed assets of the company.

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Banking Companies	2014 Rupees	2013 Rupees	Rate Per annum	Number of remaining installments	Security
Term Finance-II	4,063,500	5,079,575	KIBOR plus 2%	12 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. 220 Million over Present and future fixed assets of the company.
Term Finance-II	6,618,000	8,824,000	KIBOR plus 2%	12 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. 220 Million over Present and future fixed assets of the company.
Term Finance-II	27,943,500	37,258,000	KIBOR plus 2%	12 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. 220 Million over Present and future fixed assets of the company.
Term Finance-III	56,000,000	-	KIBOR plus 1.5%	16 equal quarterly installments ending on 25 June 2018.	These loan facilities are secured by way of first pari passu charge to the extent of Rs. 220 Million over Present and future fixed assets of the company.
Term Finance-IV	50,000,000	-	KIBOR plus 1.5%	16 equal quarterly installments ending on 31 October 2018.	These loan facilities are secured by way of first pari passu charge to the extent of Rs. 220 Million over Present and future fixed assets of the company.
<b>Bank of Punjab</b>					
Term Finance I	17,832,000	-	KIBOR plus 1.5%	16 equal quarterly installments ending on 31 March 2019.	These loan facilities are secured by way of ranking charge over present and future fixed assets of the company Rs. 134 Million.
<b>MCB Bank Limited</b>					
Term Finance-I	16,975,000	30,555,000	KIBOR plus 2%	5 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.
	373,702,456	291,296,288			
Less: Current maturity	11	(116,352,634)			
	279,768,192	174,943,654			

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

Present value of minimum lease payments  
Less: Current portion shown under current liabilities

	2014 Rupees	2013 Rupees
	1,345,489	4,087,828
	(762,218)	(2,746,159)
	583,271	1,341,669

The minimum lease payments have been discounted at an implicit interest rate of 11.56% & 12.61% (2013: 16.36% & 19%) 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

	2014		2013	
	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
Minimum lease payments	852,804	593,635	2,931,549	1,446,363
Future finance cost	90,586	10,364	185,390	104,694
Present value of lease liability	762,218	583,271	2,746,159	1,341,669

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	Note	2014 Rupees	2013 Rupees <i>Restated</i>
<b>9 Deferred liabilities</b>			
Staff retirement benefits	9.1	16,219,250	18,258,420
Deferred tax liability	9.2	163,362,428	159,468,993
		<u>179,581,678</u>	<u>177,727,413</u>

#### 9.1 Staff gratuity

9.1.1 The latest actuarial valuation of gratuity scheme was carried out as at 30 June 2014 under the Projected Unit Credit Method as per the requirements of approved accounting standard - International Accounting Standard 19, the details of which are as follows:

	2014 Rupees	2013 Rupees <i>Restated</i>
<b>9.1.2 Changes in present value of defined benefit obligation</b>		
Present value of defined benefit obligation at beginning of the year	18,258,420	26,511,108
Current service cost	10,728,248	8,518,067
Interest cost	1,605,710	3,446,444
Benefits paid	(5,931,887)	(18,664,252)
Remeasurement (gain) / loss on obligation	(8,441,241)	(1,552,947)
<b>Present value of defined benefit obligation at the end of the year</b>	<u>16,219,250</u>	<u>18,258,420</u>

#### 9.1.3 Amounts recognized in the profit and loss account

Current service cost	10,728,248	8,518,067
Interest cost	1,605,710	3,446,444
	<u>12,333,958</u>	<u>11,964,511</u>

#### 9.1.4 Actuarial assumptions

Valuation discount rate	10.50%	13.00%
Expected rate of increase in salaries	12.25%	9.50%
Average expected remaining working lifetime of employees	5 years	5 years

2014	2013	2012	2011	2010
		<i>Restated</i>		

#### 9.1.5 Available historical information

Present value of defined benefit obligation	16,219,250	18,258,420	27,923,643	21,898,924	17,031,565
Experience adjustment arising on plan liabilities loss / (gain)	(8,441,241)	(1,552,947)	(1,412,535)	(1,470,026)	(1,331,005)

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9.1.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(789,385)	905,832
Salary growth rate	1%	961,332	(854,828)

9.1.7 The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

	2014 Rupees	2013 Rupees
<b>9.2 Deferred tax liability</b>		
Deferred tax liability comprise of taxable temporary differences arising due to:		
Accelerated tax depreciation	167,235,453	160,490,327
Deferred tax asset comprise of deductible temporary differences arising due to:		
Staff retirement benefits	(3,576,345)	(673,142)
Others	(296,680)	(348,192)
Net deferred tax liability at the year end	<u>163,362,428</u>	<u>159,468,993</u>

#### 10 Short term borrowing - secured

*From banking companies:*

Short term cash finance	470,565,144	507,379,155
Short term running finance	29,483,450	16,621,480
Finance against imported merchandise	-	63,802,191
	<u>500,048,594</u>	<u>587,802,826</u>

Currently finance limits available from banks are of Rs. 3,065 million (2013:Rs. 1,785 million). These are secured against hypothecation of current assets of the Company amounting to Rs. 462 million (2013:Rs. 462 million), pledge of stocks and personal guarantees of all the sponsoring directors. Mark up is charged ranging from 10.33 % to 11.68 % per annum (2013: 10.51 % to 13.99 % per annum.)

	Note	2014 Rupees	2013 Rupees
<b>11 Current portion of long term liabilities</b>			
Long term loans	7	93,934,264	116,352,634
Liabilities against assets subject to finance lease	8	762,218	2,746,159
		<u>94,696,482</u>	<u>119,098,793</u>

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	Note	2014 Rupees	2013 Rupees
<b>12 Trade and other payables</b>			
Trade creditors		53,270,500	42,738,680
Accrued expenses		52,555,666	68,962,284
Advances from customers		7,467,370	7,987,301
Workers' profit participation fund		9,619,037	16,721,659
Worker welfare fund		3,847,615	2,418,025
Withholding tax payable		56,313	138,777
Security Refundable		5,047,535	5,000,000
		<u>131,864,036</u>	<u>143,966,726</u>
<b>12.1 Workers' profit participation fund</b>			
Balance as at 01 July		16,721,659	6,751,952
Provision for the year	30	9,619,037	16,721,659
Interest for the year	28	1,712,481	670,756
		<u>28,053,177</u>	<u>24,144,367</u>
Less: Payments made during the year		<u>18,434,140</u>	<u>7,422,708</u>
Balance as at 30 June		<u>9,619,037</u>	<u>16,721,659</u>
<b>13 Mark up payable on secured loans</b>			
Long term loan - secured		9,447,296	7,134,861
Short term borrowings - secured		22,236,612	19,372,216
		<u>31,683,908</u>	<u>26,507,077</u>
<b>14 Contingencies and commitments</b>			
<b>14.1 Contingencies</b>			
<p>The Company has issued bank guarantee amounting to Rs. 5.072 million in favor of Excise 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 and 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.</p>			
<b>14.2 Commitments</b>			
<b>14.2.1</b>	Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 32.876 million (2013: Rs. 31.576 million)		
<b>14.2.2</b>	Letter of credit for import of plant and machinery, raw material and spares outstanding as at balance sheet date amounted to Rs. 7.340 million (2013: Rs. 242.845 million).		

15 Property, plant and equipment

2014

	Cost				Depreciation				Net book value as at 30 June 2014
	As at 01 July 2013	Additions/ *Transfers during the year	Disposals/ **Adjustments during the year	As at 30 June 2014	Rate %	As at 01 July 2013	*Transfers for the year	Disposals/ **Adjustments during the year	
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
<b>Owned</b>									
Land	34,857,369	-	-	34,857,369		-	-	-	34,857,369
Building	208,244,343	532,774	-	208,777,117	5	67,410,899	7,043,895	-	74,454,794
Plant and machinery	1,306,396,895	189,819,780	(48,148,152)	1,425,933,523	10	493,408,116	60,662,159	(30,962,993)	508,122,778
		*(22,135,000)	-				*(14,984,504)	-	
Power house	112,009,094	81,701,575	-	203,774,169	10	63,821,264	9,863,041	-	80,328,161
		*10,063,500	-				*6,643,856	-	
Vehicles	1,039,004	-	(103,500)	4,254,754	10	705,726	318,215	(79,084)	2,360,374
		*3,630,000	** (310,750)				*1,726,267	** (310,750)	
Furniture and fixture	3,076,431	-	-	3,076,431	20	1,722,087	135,434	-	1,857,521
Electric installation	56,426,859	2,138,290	-	71,546,049	10	29,869,143	3,251,926	-	42,088,324
		*12,980,900	-				*8,967,255	-	
Tools and equipment	9,881,776	31,624	-	9,004,000	10	5,600,558	400,108	-	5,374,059
		*(909,400)	-				*(626,607)	-	
Office equipment	4,057,047	2,275,457	-	6,332,504	20	1,873,257	343,489	-	2,216,746
Tube well	-	695,000	-	695,000	10	-	52,126	-	52,126
	1,735,988,818	280,824,500	(48,562,402)	1,968,250,916		664,411,050	83,796,660	(31,352,827)	716,854,883
<b>Leased</b>									
Vehicles	6,013,000	-	-	2,383,000	20	2,011,733	445,320	-	730,786
		*(3,630,000)	-				*(1,726,267)	-	
	1,742,001,818	277,194,500	(48,562,402)	1,970,633,916		666,422,783	82,515,713	(31,352,827)	717,585,669
									1,251,396,033
									1,652,214

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Property, plant and equipment

	2013										
	Cost					Depreciation					Net book value as at 30 June 2013
	As at 01 July 2012	Additions/ *Transfers during the year	Disposals during the year	As at 30 June 2013	Rate %	As at 01 July 2012	Charge/ *Transfers for the year	Disposals during the year	As at 30 June 2013	Net book value as at 30 June 2013	
Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<i>Owned</i>											
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	
Tube well	1,579,075,066	170,836,570	(13,922,818)	1,735,988,818	10	605,108,989	67,685,847	(8,383,786)	664,411,050	1,071,577,768	
<i>Leased</i>											
Vehicles	3,630,000	2,383,000	-	6,013,000	20	1,331,000	680,733	-	2,011,733	4,001,267	
	3,630,000	2,383,000	-	6,013,000		1,331,000	680,733	-	2,011,733	4,001,267	
	1,582,705,066	175,219,570	(13,922,818)	1,742,001,818		606,439,989	68,366,580	(8,383,786)	666,422,783	1,075,579,035	

15.1 The depreciation charge for the year has been allocated as follows:

	2014	2013
	Rupees	Rupees
Cost of goods manufactured	81,284,922	67,351,292
Administrative expenses	1,230,791	1,015,288
	<u>82,515,713</u>	<u>68,366,580</u>

16/4/13

16 Intangible assets

		2014					2013										
		(Rupees)					(Rupees)										
Cost as at 1 July 2013	Additions/ (transfers/ deletions)	Cost as at 30 June 2014	Accumulated amortization 1 July 2013	Amortization charge for the year	Accumulated amortization 30 June 2014	Book value as at 30 June 2014	Rate of amortization %	Cost as at 1 July 2012	Additions/ (transfers/ deletions)	Cost as at 30 June 2013	Accumulated amortization 1 July 2012	Amortization charge for the year	Accumulated amortization 30 June 2013	Book value as at 30 June 2013	Rate of amortization %		
-	1,973,122	1,973,122	-	295,967	295,967	1,677,155	20	-	-	-	-	-	-	-	-	-	
-	1,973,122	1,973,122	-	295,967	295,967	1,677,155		-	-	-	-	-	-	-	-	-	
Oracle software - acquired																	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oracle software - acquired																	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

16.1 The amortization charge for the year has been allocated to cost of sales as referred to in note 25.1.

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	<i>Note</i>	2014 Rupees	2013 Rupees
<b>17 Capital work in progress</b>			
Civil works		12,647,450	2,860,128
Plant & Machinery		2,968,500	-
		<u>15,615,950</u>	<u>2,860,128</u>
<b>18 Stores, spares and loose tools</b>			
Stores		24,775,831	16,342,671
Spares and loose tools		13,182,362	22,758,663
		<u>37,958,193</u>	<u>39,101,334</u>
<b>19 Stock in trade</b>			
Raw material		719,465,616	673,611,721
Work in process		20,369,173	18,519,485
Finished goods		135,533,435	83,145,073
		<u>875,368,224</u>	<u>775,276,279</u>
<b>20 Trade debts</b>			
Foreign debtors - secured considered good		-	190,545,820
Local debtors - unsecured considered good		139,690,863	88,933,867
Considered doubtful		5,285,845	2,800,678
Provision for doubtful debts	26	(5,285,845)	(2,800,678)
		<u>139,690,863</u>	<u>88,933,867</u>
		<u>139,690,863</u>	<u>279,479,687</u>
<b>21 Advances, deposits, prepayments and other receivables</b>			
Advances to employees	21.1	334,176	385,555
Advances to suppliers - considered good		419,584	1,009,536
Security deposits		6,926,300	9,792,300
Sales tax receivable		33,446,821	33,397,886
Advance against letters of credit		1,029,234	1,347,941
Advance income tax		87,408,539	55,910,364
Margin on bank guarantees		5,996,427	3,772,427
Other receivable		5,102,752	2,862,269
		<u>140,663,833</u>	<u>108,478,278</u>

21.1 The advances to employees are interest free. Chief Executive and directors have not taken any advances from the Company (2013: Rs. Nil).

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	Note	2014 Rupees	2013 Rupees
<b>22 Short term investments</b>			
Investment at fair value through profit or loss			
Investments at fair value through profit and loss account		13,347,818	12,839,512
Fair value adjustment	29	295,489	508,306
		13,643,307	13,347,818
Investments sold during the period		(13,643,307)	-
		-	13,347,818

22.1 The securities were held in Faysal Islamic Saving Growth Fund and were disposed off during the year.

<b>23 Cash and bank balances</b>			
Cash in hand		1,157,456	416,776
Cash at bank:			
Current accounts		5,488,324	31,185,675
Saving account		9,228	8,700
		6,655,008	31,611,151

23.1 The markup on savings account is 6% to 7% (2013: 6%) per annum.

	Note	2014 Rupees	2013 Rupees
<b>24 Sales - Net</b>			
<u>Local</u>			
Cotton yarn		2,257,561,959	1,627,156,899
Waste sales		140,164,017	152,196,627
<u>Export</u>			
Cotton yarn	24.1	1,150,859,734	1,605,237,497
		3,548,585,710	3,384,591,023
Less: Sales tax		(58,965,922)	(17,259,352)
Commission		(20,977,294)	(18,883,577)
		3,468,642,494	3,348,448,094

24.1 These include indirect exports, taxable under Section 154 (3) of the Income Tax Ordinance, 2001, amounting to Rs. 651.046 million (2013 : Rs. 758.630 million ).

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	Note	2014 Rupees	2013 Rupees <i>Restated</i>
<b>25 Cost of sales</b>			
<b>25.1 Cost of goods manufactured</b>			
Raw material consumed	25.2	2,311,617,525	2,128,202,854
Salaries, wages and benefits		144,252,555	132,416,124
Workers welfare		11,884,719	11,592,197
Power and fuel		422,053,307	343,192,491
Stores and spares consumed		56,277,287	64,535,727
Packing material consumed		51,946,858	52,857,134
Repair and maintenance		21,385,625	36,022,249
Vehicles running and maintenance		1,984,292	1,875,588
Insurance		11,071,834	8,466,404
Staff retirement benefits		11,655,676	11,291,504
Rent, rates, taxes and telephone charges		680,068	835,475
Freight charges		324,832	329,746
Entertainment		538,899	516,959
Depreciation	15.1	81,284,922	67,351,292
Amortization	16.1	295,967	-
Other expenses		8,809,403	8,348,369
		<u>3,136,063,769</u>	<u>2,867,834,113</u>
Opening stock of work in process		18,519,485	20,287,797
Closing stock of work in process		(20,369,173)	(18,519,485)
Cost of goods manufactured		<u>3,134,214,081</u>	<u>2,869,602,425</u>
Opening stock of finished goods		83,145,073	52,333,623
Closing stock of finished goods		(135,533,435)	(83,145,073)
		<u>3,081,825,719</u>	<u>2,838,790,975</u>
<b>25.2 Raw material consumed</b>			
Opening stock		673,611,721	376,854,821
Purchases		2,357,471,423	2,424,959,754
Available for consumption		<u>3,031,083,144</u>	<u>2,801,814,575</u>
Closing stock		(719,465,616)	(673,611,721)
		<u>2,311,617,528</u>	<u>2,128,202,854</u>

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	Note	2014 Rupees	2013 Rupees Restated
<b>26 Administrative expenses</b>			
Salaries and other benefits		9,385,439	6,634,286
Traveling expenses		62,037	164,095
Telephone, postage and telegrams		182,751	296,369
Rent, rates and taxes		1,223,340	51,140
Power and fuel		1,218,237	901,224
Printing and stationery		278,240	268,029
Staff welfare		423,183	407,876
Entertainment		95,778	70,340
Insurance		154,083	105,109
Repair and maintenance		758,933	395,637
Legal and professional charges		790,000	600,500
Auditors' remuneration	26.1	250,501	289,965
Vehicle running and maintenance		1,053,381	1,332,788
Charity & donation	26.2	900,000	800,000
Subscription fees		564,283	309,247
Staff retirement benefits		1,060,501	673,007
Provision for doubtful debts	20	5,285,845	2,800,678
Depreciation	15.1	1,230,791	1,015,288
Other expenses		596,688	269,896
		<u>25,514,011</u>	<u>17,385,474</u>
<b>26.1 Auditors' remuneration</b>			
Audit fee		200,000	200,000
Out of pocket expense		50,501	89,965
		<u>250,501</u>	<u>289,965</u>
<b>26.2</b>	This represents donation to different associations and trusts. None of the directors or their spouses or relatives have any interest in them.		
<b>27 Distribution cost</b>			
Freight and other expenses - export			
<i>Ocean freight</i>		5,209,402	7,420,728
<i>Others</i>		19,372,069	29,028,366
		<u>24,581,471</u>	<u>36,449,094</u>
Freight and other expenses - local		17,094,673	13,904,050
Loading and other expenses		4,942,525	4,616,662
		<u>46,618,669</u>	<u>54,969,806</u>
<b>28 Finance cost</b>			
Interest and mark-up on			
- long term loans		41,417,965	38,436,916
- Finance lease		178,960	234,599
- short term borrowing		90,320,727	70,926,684
Interest on worker's profit participation fund	12.1	1,712,481	670,756
Bank charges		437,417	542,400
		<u>134,067,550</u>	<u>110,811,355</u>

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	Note	2014 Rupees	2013 Rupees
<b>29 Other income</b>			
Sale of scrap/store items		203,623	206,814
Bailing		-	489,958
Gain on Saving Growth Fund	22	295,489	508,306
Profit on saving account		93,511	67,570
Exchange gain		20,050,013	9,290,426
		<u>20,642,636</u>	<u>10,563,074</u>
<b>30 Other expenses</b>			
Worker's profit participation fund	12.1	9,619,037	16,721,659
Worker's welfare fund		3,847,615	2,418,025
Loss on disposal of property, plant and equipment		8,878,444	2,244,206
		<u>22,345,096</u>	<u>21,383,890</u>
<b>31 Provision for taxation</b>			
Current		34,686,425	12,342,210
Prior year		13,013,921	2,338,640
		<u>47,700,346</u>	<u>14,680,850</u>
Deferred		3,893,435	42,511,297
		<u>51,593,781</u>	<u>57,192,147</u>

31.1 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.

### 32 Earnings per share - basic and diluted

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

		2014	2013 <i>Restated</i>
Profit for the year after taxation	<i>Rupees</i>	<u>127,320,304</u>	<u>258,477,521</u>
Weighted average number of ordinary shares	<i>Number of shares</i>	<u>34,200,000</u>	<u>34,200,000</u>
Earnings per share	<i>Rupee</i>	<u>3.72</u>	<u>7.56</u>

### 33 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:

	2014 Rupees	2013 Rupees
Purchase of stores items	-	-
Sale of stores items	-	-
Receipts	-	-
Payments	1,327,070	2,417,024
Sale of yarn	-	11,568,111
Reimbursable expenses	1,327,070	-
Others	-	-

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

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### 34 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.

#### 34.1 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. 280,355 million (2013: Rs. 401,306 million), the financial assets which are subject to credit risk amounted to Rs. 164,663 million (2013: Rs. 329,459 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:

	2014 Rupees	2013 Rupees
Trade debts	139,690,863	279,479,687
Advances, deposit and other receivables	19,474,297	18,784,473
Bank balances	5,497,552	31,194,375
	<u>164,662,712</u>	<u>329,458,535</u>

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:

	2014 Rupees	2013 Rupees
Receivables export	-	190,545,820
Receivables local	137,693,442	86,768,791
Waste receivables	7,283,266	4,965,754
	<u>144,976,708</u>	<u>282,280,365</u>
Less: Provision for doubtful debts	<u>(5,285,845)</u>	<u>(2,800,678)</u>
	<u>139,690,863</u>	<u>279,479,687</u>

The aging of trade receivable at the reporting date is:

	2014	2013
Past due 1-30 days	81,734,053	155,590,695
Past due 31-180 days	52,945,769	111,065,402
Past due 181 days -365 days	120,473	12,823,590
Past due 366 & above	10,176,413	2,800,678
	<u>144,976,708</u>	<u>282,280,365</u>

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.

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(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		Rating Agency	2014	2013
	Short term	Long term		Rupees	Rupees
National Bank of Pakistan	A1+	AAA	JCR-VIS	143,395	1,706,921
Faysal Bank Limited	A1+	AA	PACRA	24,144	23,302,953
Faysal Bank Barkat Islamic Banking	A1+	AA	PACRA	3,838,960	1,863,959
Habib Bank Limited	A1+	AAA	JCR-VIS	986,833	2,419,509
Bank Alfalah Limited	A1+	AA	PACRA	369	659
Bank Alfalah Limited Islamic Banking	A1+	AA	PACRA	38,430	10,000
United Bank Limited	A1+	AA+	JCR-VIS	5,544	5,544
MCB Bank Limited	A1+	AA+	PACRA	2,097	331,894
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	616	1,552,936
Bank Al Habib Limited	A1+	AA+	PACRA	11,024	-
Bank of Punjab	A1+	AA-	PACRA	446,140	-
				<u>5,497,552</u>	<u>31,194,375</u>

34.2 **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.

34.3 **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.

34.3.1 **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:

	2014 Rupees	2013 Rupees
Foreign debtors	-	190,545,820
Gross balance sheet exposure	-	190,545,820
Outstanding letters of credit	(1,029,234)	(1,347,941)
Net exposure	<u>(1,029,234)</u>	<u>189,197,879</u>

The following significant exchange rate has been applied:

Average rate Reporting date rate

	Average rate		Reporting date rate	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
USD to PKR	102.7	96.4	98.5	98.6

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.

	2014 Rupees	2013 Rupees
No foreign creditor		
<u>Effect on profit or loss</u>	911	(178,421)

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.

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### 34.3.2 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	
	2014	2013	2014	2013
Financial assets	%	%	Rupees	Rupees
<b>Financial liabilities</b>				
<i>Variable rate instruments:</i>				
Long term loans - secured	11.31 - 14.81	11.31 - 14.81	373,702,456	291,296,288
Short term borrowing - secured	10.51 - 13.99	10.51 - 13.99	500,048,594	587,802,826

#### 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 2014.

	Profit and loss 100 bp	
	Increase Rupees	Decrease Rupees
<b>As at 30 June 2014</b>		
Cash flow sensitivity-Variable rate financial liabilities	8,737,511	(8,737,511)
<b>As at 30 June 2013</b>		
Cash flow sensitivity-Variable rate financial liabilities	8,790,991	(8,790,991)

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

### 34.4 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.

	2014 Rupees	2013 Rupees <i>Restated</i>
Total debt	375,047,945	295,384,116
Total equity and debt	1,592,812,832	1,377,387,458
Debt-to-equity ratio	24%	21%

The increase in the debt-to-equity ratio in 2014 resulted primarily due to further 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.

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35 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	
	2014	2013	2014	2013
	----- (Rupees) -----			
Managerial remunerations	-	-	-	-
Retirement benefits	-	-	-	-
Utilities	-	-	-	-
Medical expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	Executive Directors		Executives	
	2014	2013	2014	2013
	----- (Rupees) -----			
Managerial remunerations	1,680,000	1,680,000	4,891,606	3,488,800
Retirement benefits	110,000	110,000	320,284	228,433
Utilities	120,000	120,000	349,400	249,200
Medical expenses	54,270	60,936	79,161	22,452
	<u>1,964,270</u>	<u>1,970,936</u>	<u>5,640,451</u>	<u>3,988,885</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>5</u>

35.1 No remuneration or any other benefits are being paid to the CEO of the Company.

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

	2014	2013
	(Number of persons)	
- As at 30 June	744	897
- Average number of employees	<u>854</u>	<u>878</u>

36 Plant capacity and actual production

<u>Spinning</u>	<u>Unit</u>	<u>2014</u>	<u>2013</u>
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	17,592,077	15,726,915

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.

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37 Date of authorization for issue

These financial statements were authorized for issue on 09.OCT 2014 by the Directors of the Company.

38 General

38.1 Figures have been rounded off to the nearest rupees.

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

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09.OCT 2014

Lahore

  
Chief Executive

  
Director