

**Pak Kuwait Textiles Limited**

Financial Statements for the Period Ended  
30 June 2017

## PAK KUWAIT TEXTILES LIMITED

Directors Report for the Year Ending 30<sup>th</sup> June, 2017



PAK KUWAIT

The Directors of **Pak Kuwait Textiles Limited** are pleased to present the Annual report along with Audited Financial Statements for the year ended 30<sup>th</sup> June, 2017.

### FINANCIAL HIGHLIGHTS

Comparison of Audited result for the year ended June 30, 2017 as against June 30, 2016 is as follows:

	30.06.2017 (Rs.)	30.06.2016 (Rs.)
Sales (Net)	3,342,893,244	3,039,204,581
Gross Profit	210,673,594	135,691,366
Profit / (Loss) before Taxation	54,203,507	(12,946,283)
Taxation	(38,572,525)	(39,382,531)
Profit / (Loss) after Taxation	15,630,982	(52,328,814)
Total Comprehensive Income / (Loss) for the year	15,693,570	(52,358,406)
Un-appropriated Profit brought forward	819,901,584	872,259,990
Dividend	(28,125,000)	-
Un-appropriated Profit carried forward	807,470,154	819,901,584
Earnings / (Loss) per Share	0.42	(1.40)

### COMPANY PERFORMANCE

During the year, your company posted a pre-tax profit of Rs. 54,203,507 as against a pre-tax loss of Rs. 12,946,283 in the last financial year representing 519 % year on year increase. The Gross Profit Margin increased by 55 % as compared to F/Y 2016. The major factor for low profitability was an international slump in commodity prices due to a global decrease in the demand for yarn. The increased productivity and availability of subsidized imported yarn on competitive rates from India and the decreased demand abroad for local yarn further decreased the yarn prices locally. Major components of conversion cost kept on increasing throughout the year owing to general inflationary trends. Partial increase in conversion cost was offset in the year due to production of fine counts & increased efficiency. Your company posted a profit after tax of Rs. 15,693,570 as compared to last year's loss after tax of Rs. 52,328,814 (F/Y 2016).

## **Pak Kuwait Textiles Limited**

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: Hadali Town Jauharabad. Phone: +92 454-739181-3 Fax: +92 454-739184

**ISO 9001 CERTIFIED**

## PAK KUWAIT TEXTILES LIMITED

Directors Report for the Year Ending 30<sup>th</sup> June, 2017



PAK KUWAIT

### BALANCING MODERNIZATION & REPLACEMENT (BMR)

Addition to Plant & Machinery was made during the year ended 30<sup>th</sup> June, 2017. These additions will ensure the production of high quality yarn in the future. The details are as follows:

- 2 x Auto Leveller for MK5 Card (Crosrol)

### 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 minimum wage announced by the Government the production cost of the company will increase in the next year. Availability of Gas for electricity generation will be important to balance the increase in the cost of production. The yarn rates have been depressed, which would adversely impact the financial results of the year 2017 / 2018.

### PATTERN OF SHAREHOLDING

Pattern of shareholding as on 30 June 2017, 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 2018.

### 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  
9<sup>th</sup> October 2017

  
(TARIQ MEHMOOD)  
Chief Executive

## **Pak Kuwait Textiles Limited**

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

Telephone + 92 (42) 3579 0901-6  
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## **Auditor's Report to the Members**

We have audited the annexed unconsolidated balance sheet of **Pak Kuwait Textiles Limited ("the Company")** as at 30 June 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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.

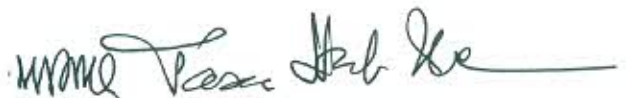
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, 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 unconsolidated balance sheet and unconsolidated 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

- 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 2017 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date 09 OCT 2017

Lahore



KPMG Taseer Hadi & Co.  
Chartered Accountants  
(M. Rehan Chughtai)

Pak Kuwait Textiles Limited  
Unconsolidated Balance Sheet  
As at 30 June 2017

	Note	2017 Rupees	2016 Rupees
<b>EQUITY AND LIABILITIES</b>			
<u>Share capital and reserve</u>			
Authorized share capital 40,000,000 (2016: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid-up capital	4	375,000,000	375,000,000
Accumulated profit		807,470,154	819,901,584
		1,182,470,154	1,194,901,584
<u>Non-current liabilities</u>			
Long term financing - secured	5	82,488,421	115,059,832
Deferred liabilities	6	116,511,757	110,351,468
		199,000,178	225,411,300
<u>Current liabilities</u>			
Current portion of long term financing	7	48,519,244	52,795,319
Short term borrowings - secured	8	202,864,636	394,147,448
Trade and other payables	9	145,035,494	151,129,469
Accrued mark-up	10	7,012,617	9,810,760
		403,431,991	607,882,996
		1,784,902,323	2,028,195,880
<b>Contingencies and commitments</b>			
	11		
		1,784,902,323	2,028,195,880
<b>ASSETS</b>			
<u>Non-current assets</u>			
Property, plant and equipment	12	649,681,342	696,151,492
Intangibles	13	2,414,977	4,207,959
Long term deposits	14	5,792,530	5,792,530
Long term investment	15	331,190,000	331,190,000
		989,078,849	1,037,341,981
<u>Current assets</u>			
Stores, spare parts and loose tools	16	26,541,897	26,120,098
Stock-in-trade	17	384,276,428	619,471,835
Short term investments	18	-	10,348,560
Trade debts - considered good	19	176,424,189	113,947,837
Advances, deposits and prepayments	20	99,165,713	83,465,477
Other receivables		3,391,308	475,034
Advance tax - net		37,454,526	54,080,648
Cash and bank balances	21	68,569,413	82,944,410
		795,823,474	990,853,899
		1,784,902,323	2,028,195,880

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

  
Chief Executive

  
Director

Lahore

**Pak Kuwait Textiles Limited**  
**Unconsolidated Profit and Loss Account**  
*For the year ended 30 June 2017*

	Note	2017 Rupees	2016 Rupees
Sales - net	22	3,342,893,244	3,039,204,581
Cost of sales	23	(3,132,219,650)	(2,903,513,215)
<b>Gross profit</b>		<b>210,673,594</b>	<b>135,691,366</b>
Administrative expenses	24	(38,885,801)	(37,467,051)
Distribution cost	25	(59,518,180)	(54,337,672)
Other expenses	26	(4,203,355)	(1,306,746)
Other income	27	3,163,208	1,091,708
		<b>(99,444,128)</b>	<b>(92,019,761)</b>
<b>Operating profit</b>		<b>111,229,466</b>	<b>43,671,605</b>
Finance cost	28	(57,025,959)	(56,617,888)
<b>Profit / (loss) before taxation</b>		<b>54,203,507</b>	<b>(12,946,283)</b>
Taxation	29	(38,572,525)	(39,382,531)
<b>Profit / (loss) after taxation</b>		<b>15,630,982</b>	<b>(52,328,814)</b>

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The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore

  
**Chief Executive**

  
**Director**

Pak Kuwait Textiles Limited  
 Unconsolidated Statement of Comprehensive Income  
 For the year ended 30 June 2017

	2017 Rupees	2016 Rupees
Profit / (loss) after taxation	15,630,982	(52,328,814)
<b><u>Other comprehensive income</u></b>		
<i>Items that will never be reclassified to profit and loss account</i>		
Remeasurement of defined benefit obligation	83,855	(38,937)
Related deferred tax	(21,267)	9,345
	62,588	(29,592)
<b>Total comprehensive income for the year</b>	<b>15,693,570</b>	<b>(52,358,406)</b>

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The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore

  
 Chief Executive

  
 Director



**Pak Kuwait Textiles Limited**  
**Unconsolidated Cash Flow Statement**  
*For the year ended 30 June 2017*

	Note	2017 Rupees	2016 Rupees
<b><u>Cash flows from operating activities</u></b>			
Profit / (Loss) before taxation		54,203,507	(12,946,283)
<b><u>Adjustments for non-cash items:</u></b>			
Depreciation on property, plant and equipment	12	66,334,056	71,534,610
Amortization on intangibles	13	1,792,982	1,792,982
Finance cost		57,025,959	56,468,752
(Gain) / loss on disposal of property, plant and equipment		(706,633)	1,099,291
Unrealized gain on re-measurement of investments at fair value		-	(35,590)
Provision for doubtful debts		-	904,169
Provision for Worker's Profit Participation Fund		2,920,343	149,136
Provision for Worker's Welfare Fund		1,283,012	207,455
Provision for staff retirement benefits		19,585,764	19,494,434
		<b>148,235,483</b>	<b>151,615,239</b>
<b>Operating profit before working capital changes</b>		<b>202,438,990</b>	<b>138,668,956</b>
<b><u>Changes in working capital</u></b>			
<b><u>Decrease/(increase) in current assets:</u></b>			
Stores, spare parts and loose tools		(421,799)	4,084,780
Stock-in-trade		235,195,407	(105,499,078)
Trade debts		(62,476,352)	29,138,309
Advances, deposits and prepayments		(15,700,236)	27,375,199
Other receivables		(2,916,274)	9,470,790
		<b>153,680,746</b>	<b>(35,430,000)</b>
<b><u>Decrease in current liabilities:</u></b>			
Trade and other payables		(10,297,330)	(23,287,895)
		<b>143,383,416</b>	<b>(58,717,895)</b>
<b>Cash generated from operations</b>		<b>345,822,406</b>	<b>79,951,061</b>
<b><u>Finance cost paid</u></b>			
Finance cost paid		(59,824,102)	(56,134,809)
Staff retirement benefits paid		(20,561,536)	(16,860,483)
Payment made to Worker's Profit Participation Fund		-	(2,634,728)
Payment made to Worker's Welfare Fund		-	(1,125,193)
Income tax paid		(14,747,754)	(16,369,702)
Long term deposits		-	(109,430)
		<b>(95,133,392)</b>	<b>(93,234,345)</b>
<b>Net cash generated from / (used in) operating activities</b>		<b>250,689,014</b>	<b>(13,283,284)</b>
<b><u>Cash flows from investing activities</u></b>			
Acquisition of property, plant and equipment		(21,095,088)	(82,402,576)
Short term investments		10,348,560	-
Proceeds from disposal of property, plant and equipment		1,937,815	405,128
<b>Net cash used in investing activities</b>		<b>(8,808,713)</b>	<b>(81,997,448)</b>
<b><u>Cash flows from financing activities</u></b>			
Long term financing - net		(36,847,486)	25,654,581
Short term borrowings - net		(154,414,559)	(7,536,152)
Payment of finance lease liabilities		-	(401,455)
Dividend paid		(28,125,000)	-
<b>Net cash (used in) / generated from financing activities</b>		<b>(219,387,045)</b>	<b>17,716,974</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>22,493,256</b>	<b>(77,563,758)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>42,940,863</b>	<b>120,504,621</b>
<b>Cash and cash equivalents at end of the year</b>		<b>65,434,119</b>	<b>42,940,863</b>
Cash and cash equivalents comprise of the following:			
Cash and bank balances	21	68,569,413	82,944,410
Running finance	8	(3,135,294)	(40,003,547)
		<b>65,434,119</b>	<b>42,940,863</b>

The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore

  
**Chief Executive**

  
**Director**

Pak Kuwait Textiles Limited

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital	Accumulated profit	Total
	-----Rupees-----		
Balance as at 30 June 2015	375,000,000	872,259,990	1,247,259,990
<i>Total comprehensive income for the year</i>			
(Loss) for the year ended 30 June 2016	-	(52,328,814)	(52,328,814)
Other comprehensive income for the year ended 30 June 2016	-	(29,592)	(29,592)
	-	(52,358,406)	(52,358,406)
<b>Balance as at 30 June 2016</b>	<b>375,000,000</b>	<b>819,901,584</b>	<b>1,194,901,584</b>
<i>Total comprehensive income for the year</i>			
Profit for the year ended 30 June 2017	-	15,630,982	15,630,982
Other comprehensive income for the year ended 30 June 2017	-	62,588	62,588
	-	15,693,570	15,693,570
<i>Transactions with owners of the Company:</i>			
Interim cash dividend at Rs. 7.5 per share for the year ended 30 June 2017	-	(28,125,000)	(28,125,000)
<b>Balance as at 30 June 2017</b>	<b>375,000,000</b>	<b>807,470,154</b>	<b>1,182,470,154</b>

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The annexed notes from 1 to 34 form an integral part of these unconsolidated financial statements.

Lahore

  
Chief Executive

  
Director

**Pak Kuwait Textiles Limited**  
**Notes to the Unconsolidated Financial Statements**  
*For the year ended 30 June 2017*

**1 Reporting Entity**

Pak Kuwait Textiles Limited ("the Company") was incorporated in Pakistan in 1981 as an unquoted Public Limited Company. The principal activity of the Company is manufacturing and sale of cotton yarn and polyester blended yarn, 100% carded and combed yarn. The Company commenced its operations in September, 1981. The registered address of the Company is situated at 29-Shadman II, Lahore, Pakistan.

**2 Basis of preparation**

**2.1 Separate financial statements**

These financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared separately.

The Company has the following major investment:

Name of the Company	2017	2016
	(Shareholding)	
<u>Subsidiary</u>		
Al Nasr Textiles Limited	96.84%	96.84%

**2.2 Statement of compliance**

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

During the year on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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