Pak Kuwait Textiles Limited

Financial Statements for the year ended
30 June 2013

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

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

Auditors' Report to the Members

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

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

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

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

b) in our opinion:

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

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

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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;

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

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

KPMG Taseer Hadi & Co.

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

Lahore

Date: 09 October 2013

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DIRECTORS' REPORT TO THE SHAREHOLDERS

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

FINANCIAL HIGHLIGHTS

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

	30.06.2013 (Rupees)	**30.06.2012** (Rupees)
Sales (Net)	3,619,908,220	3,799,066,939
Gross Profit	587,703,703	506,481,135
Profit before taxation	380,239,095	250,447,389
Taxation	(18,812,594)	(38,962,050)
Profit after taxation	361,426,501	211,485,339
Un-appropriated Profit brought forward	768,455,193	594,469,854
Dividend	225,000,000	37,500,000
Un-appropriated Profit carried forward	**904,881,694**	**768,455,193**
Earnings per Share	**9.64**	**5.64**

COMPANY PERFORMANCE

During the year, your Company earned a pretax Profit of Rs. 380,239,095 as against pretax Profit of Rs. 250,447,389 in the last financial year representing 51.82 % year on year increase. The main factors towards high turnover were better yarn prices and product mix while maintaining high quality of the company's brand. The gross profit ratio increased by 16 % as compared to Financial year 2012. The conversion cost kept on increasing throughout the year owing to general inflationary trends. The conversion cost increases were offset by achieving higher production efficiency and higher sale prices of the products. Your Company's profit after tax is Rs.361,426,501 as compared to last year profit after tax of Rs.211,485,339 which represents 71% year on year increase.

The financing cost decreased by 36.00% as compared to previous year due to lower markup rates.

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BALANCING MODERNIZATION & REPLACEMENT (BMR)

The final phase of BMR is nearing completion.

FUTURE PROSPECTS

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

PATTERN OF SHAREHOLDING

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

AUDITORS

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

Lahore
09 October 2013

(TARIQ MEHMOOD)
Chief Executive

Pak Kuwait Textiles Limited

Balance Sheet

As at 30 June 2013

SHARE CAPITAL AND LIABILITIES	*Note*	**2013 Rupees**	2012 Rupees
Share capital and reserve			
Authorised capital:			
40,000,000 (2012: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	*4*	375,000,000	375,000,000
Accumulated profit		904,881,695	768,455,193
		1,279,881,695	1,143,455,193
Non-current liabilities			
Long term loans - secured	*5*	52,413,250	106,336,830
Liabilities against assets subject to finance lease	*6*	2,609,532	3,286,507
Deferred liabilities	*7*	104,771,239	115,366,548
		159,794,021	224,989,885
Current liabilities			
Current portion of long term liabilities	*8*	56,021,689	56,073,956
Short term borrowing - secured	*9*	444,842,423	200,208,988
Trade and other payables	*10*	192,366,529	178,688,636
Mark up accrued	*11*	18,814,482	18,452,884
Provision for taxation		45,509,352	45,398,606
		757,554,475	498,823,070
Contingencies and commitments	*12*		
		2,197,230,191	1,867,268,148

ASSETS	*Note*	**2013 Rupees**	2012 Rupees
Non-current assets			
Property, plant and equipment	*13*	630,442,021	674,310,864
Capital work in progress		2,289,909	6,561,837
Long term investments	*14*	331,190,000	331,190,000
		963,921,930	1,012,062,701
Current assets			
Stores, spares and loose tools	*15*	38,020,293	34,982,992
Stock in trade	*16*	684,466,229	356,698,965
Short term investments	*17*	18,639,098	26,428,431
Trade debts	*18*	298,085,165	215,546,612
Advances, deposits, prepayments and other receivables	*19*	160,827,624	140,409,162
Cash and bank balances	*20*	33,269,852	81,139,285
		1,233,308,261	855,205,447
		2,197,230,191	1,867,268,148

The attached notes 1 to 35 form an integral part of these financial statements.

Lahore

Chief Executive

Director

Pak Kuwait Textiles Limited
Profit and Loss Account
For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Sales - net	21	3,619,908,220	3,799,066,939
Cost of sales	22	(3,032,204,517)	(3,292,586,804)
Gross profit		587,703,703	506,480,135
Operating expenses			
Administrative expenses	23	(41,638,836)	(47,481,423)
Distribution cost	24	(88,173,692)	(81,423,303)
		(129,812,528)	(128,904,726)
Operating profit		457,891,175	377,575,409
Finance cost	25	(75,194,132)	(117,053,503)
		382,697,043	260,521,906
Other operating income	26	24,056,625	6,460,220
Other operating expenses	27	(26,514,572)	(16,534,737)
Profit before taxation		380,239,096	250,447,389
Provision for taxation	28	(18,812,594)	(38,962,050)
Profit after taxation		361,426,502	211,485,339
Earnings per share - Basic and diluted	29	9.64	5.64

The attached notes 1 to 35 form an integral part of these financial statements.

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Chief Executive

Director

Pak Kuwait Textiles Limited

Cash Flow Statement

For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Cash flows from operating activities			
Profit before taxation		380,239,096	250,447,389
Adjustments for non cash items and other charges:			
Depreciation		63,508,463	63,509,574
Finance cost		73,874,858	115,024,481
Loss on disposal of property, plant and equipment		5,299,439	583,088
Provision for bad debts		2,204,399	728,173
Interest on worker's profit participation fund		1,319,274	2,029,022
Worker's profit participation fund		20,072,711	13,280,065
Worker's welfare fund		1,142,422	1,873,849
Staff retirement benefits		15,814,536	12,628,682
		183,236,102	209,656,934
Profit before working capital changes		563,475,198	460,104,323
Effect on cash flow due to working capital changes			
(Increase)/decrease in current assets:			
Stores and spares		(3,037,301)	4,356,087
Stock in trade		(327,767,264)	250,698,008
Trade debts		(84,742,953)	12,700,993
Advances, deposits, prepayments and other receivables		(104,434)	(7,968,413)
Increase in current liabilities			
Trade and other payables		7,616,674	57,609,496
		(408,035,278)	317,396,171
Cash generated from operations		155,439,920	777,500,494
Finance cost paid		(73,513,260)	(136,774,631)
Staff retirement benefits paid		(8,924,406)	(9,605,653)
Worker's profit participation fund paid		(14,599,337)	(24,343,388)
Worker's welfare fund paid		(1,873,849)	(8,479,459)
Dividend paid		(225,000,000)	(37,500,000)
Taxes paid		(56,501,315)	(32,948,000)
		(380,412,167)	(249,651,131)
Net cash generated from operating activities		(224,972,247)	527,849,363
Cash flows from investing activities			
Capital expenditure incurred		(23,106,786)	(104,991,827)
Short term Investments		7,789,333	43,377,034
Sale proceeds from sale of property, plant & equipment		2,439,654	1,503,450
Net cash used in investing activities		(12,877,799)	(60,111,343)
Cash flows from financing activities			
Proceeds from long term loans		-	36,989,000
Repayment of long term loans		(51,454,110)	(59,874,559)
Repayment of short term loans		244,633,435	(390,451,243)
Payment of finance lease liabilities		(3,198,712)	4,047,182
Net cash used in/(realised from) financing activities		189,980,613	(409,289,620)
Net (decrease)/increase in cash and cash equivalents		(47,869,433)	58,448,401
Cash and cash equivalents at the beginning of the year		81,139,285	22,690,884
Cash and cash equivalents at the end of the year	20	33,269,852	81,139,285

The attached notes 1 to 35 form an integral part of these financial statements.

Lahore

Chief Executive

Director

Pak Kuwait Textiles Limited
Statement of Comprehensive Income
For the year ended 30 June 2013

	2013 Rupees	2012 Rupees
Profit after taxation	**361,426,502**	211,485,339
Other comprehensive income	-	-
Total comprehensive income for the year	361,426,502	211,485,339

The attached notes 1 to 35 form an integral part of these financial statements.

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

Pak Kuwait Textiles Limited
Statement of Changes in Equity
For the year ended 30 June 2013

	Share capital	Accumulated profit	Total
	-----------------------------	Rupees	-----------------------------
Balance as at 30 June 2011	375,000,000	594,469,854	969,469,854
Cash dividend @ Rs. 1 per share for the year ended 30 June 2011	-	(37,500,000)	(37,500,000)
Total comprehensive income for the year	-	211,485,339	211,485,339
Balance as at 30 June 2012	375,000,000	768,455,193	1,143,455,193
Cash dividend @ Rs. 6 per share for the year ended 30 June 2012	-	(225,000,000)	(225,000,000)
Total comprehensive income for the year	-	361,426,502	361,426,502
Balance as at 30 June 2013	375,000,000	904,881,695	1,279,881,695

The attached notes 1 to 35 form an integral part of these financial statements.

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

1 Nature and status of the Company

Pak Kuwait Textiles Limited ("the Company") was incorporated in Pakistan in 1981 as a Public Limited Company (unquoted) under Companies Act, 1913 (now Companies Ordinance, 1984).The principal activity of the Company is the manufacture and sale of cotton polyester blended yarn, 100% carded and combed yarn and manufacturing and export of finished garments. The Company commenced its operations from September 1981. The registered address of the Company is 29- Shaman II, Lahore, Pakistan.

2 Statement of compliance

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

3 Significant accounting policies

3.1 Accounting convention and basis of preparation

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

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

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

- Residual value and useful life of depreciable assets (note 3.7 & 13)

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- Provision for taxation (note 3.3 & 28)
- Staff retirement benefits (note 3.4 & 7)

3.2 Standards, Interpretations and amendments to published approved accounting standards

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

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2013). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

IAS 19 Employee Benefits (amended 2012) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains amounting to Rs. 6.902 million at 30 June 2013 would need to be recognized in other comprehensive income.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2013). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

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

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

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Annual Improvements 2009–2012 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:

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

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

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

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

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

3.3 Taxation

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred

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

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

3.4 Staff retirement benefits

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

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

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

3.5 Financial instruments

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

Financial assets are de-recognized when the Company looses 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

3.6 Trade and other payables

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

3.7 Property, plant and equipment

Owned

Operating assets except freehold land is stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Depreciation is charged to income by applying the reducing balance method at rates indicated in note 13 to these financial statements.

Depreciation on additions to fixed assets is charged on full month basis from the month asset is capitalized, while no depreciation is charged in the month of disposal.

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

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

Leased

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

3.8 Liabilities against assets subject to finance lease

Leases of property, plant and equipment are classified as finance leases, if these transfer substantially all the risks and rewards incidental to ownership. Assets subject to finance lease are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of lease obligation so to achieve a constant rate of interest on the remaining liability. The interest element of rental is charged to profit over the lease term.

3.9 Capital work in progress

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

3.10 Long term investments

Available for sale

The Company recognizes and measures its long term investments in accordance with IAS-39 "Financial Instruments: Recognition and Measurement". The investments are classified for the purpose of measurement as "available for sale".

Investments classified as "available for sale" are initially measured at cost, being the fair value of consideration given. At the subsequent reporting dates, these investments are measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which quoted price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from changes in fair value are taken to equity through the statement of changes in equity until the financial asset is derecognized.

At subsequent reporting dates, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the decline in the fair value of asset is recognized directly in the equity. The cumulative gain or loss that had been recognized in the equity shall be removed from the equity and recognized in profit and loss account even though the financial asset has not been derecognized.

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Investments at fair value through profit and loss account

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

3.11 Stores, spares and Stock in trade

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 monthly 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.

3.12 Trade debts and other receivables

Trade debts and other receivables are stated at their nominal value as reduced by appropriate allowance for doubtful debts. Bad debts are written off as and when identified.

3.13 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

3.14 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 and bank balances.

3.15 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.

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

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

3.16 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pak Rupees, which is the Company's functional currency, at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Exchange differences on conversion are charged to income.

3.17 Borrowing costs

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

3.18 Provisions

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

3.19 Impairment losses

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

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

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

	2013 Rupees	2012 Rupees
4 Issued, subscribed and paid-up capital		
2,500,000 (2012: 2,500,000) ordinary shares of Rs. 10 each fully paid in cash	**25,000,000**	25,000,000
35,000,000 (2012: 35,000,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**350,000,000**	350,000,000
	375,000,000	375,000,000

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5 Long term loans - secured

Banking Companies	Note	2013 Rupees	2012 Rupees	Rate Per annum	Number of remaining installments	Security
National Bank of Pakistan						
Demand Finance-I		**43,582,136**	72,637,136	3 M Kibor + 2%	06 quarterly installments ending on 31 December 2014.	These loan facilities are secured by way of first pari passu charge on fixed assets with 25% margin and specific charge on machinery of Rs. 53.334 million.
Demand Finance-II		**-**	5,000,000	6 M Kibor + 2.5%	This facility has been repaid during the year.	
Demand Finance-III		**20,000,000**	30,000,000	3 M Kibor + 2%	08 quarterly installments ending on 31 May 2015.	These loan facilities are secured by way of first pari passu charge on fixed assets with 25% margin and specific charge on machinery of Rs. 53.334 million.
Bank Al-Habib Limited						
Term Finance		**36,989,000**	36,989,000	6 M Kibor + 2%	16 quarterly installments ending on 03 May 2017	Joint Pari pasu charge registered with SECP over fixed assets of company for Rs. 164.2 miliion.
Term Finance (Car Finance)		**456,000**	744,000	6 M Kibor + 3%	31 monthly installments ending on 31 December 2014	The facility is secured by the hypothecation charge on vehciles amounting Rs. 2.0 million and joint registration with BAH.
Term Finance		**5,333,333**	12,444,443	6 M Kibor + 1.5%	16 quarterly installments ending on 16 January 2014	Joint Pari pasu charge registered with SECP over fixed assets of company for Rs. 164.2 million.
		106,360,469	157,814,579			
Less: Current maturity	8	(53,947,219)	(51,477,749)			
		52,413,250	106,336,830			

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	Note	2013 Rupees	2012 Rupees
6 Liabilities against assets subject to finance lease			
Present value of minimum lease payments	6.1	4,684,002	7,882,714
Less: Current portion shown under current liabilies	8	(2,074,470)	(4,596,207)
		2,609,532	3,286,507

The minimum lease payments have been discounted at an implicit interest rate of 6 month KIBOR plus 7% to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

	2013		2012	
	Not later than one year	**Later than one year but not later than five**	Not later than one year	Later than one year but not later than five years
	Rupees			
Minimum lease payments	2,452,293	2,735,518	5,181,452	3,654,214
Future finance cost	377,823	125,986	585,245	367,707
Present value of lease liability	2,074,470	2,609,532	4,596,207	3,286,507

	Note	2013 Rupees	2012 Rupees
7 Deferred liabilities			
Staff retirement benefits	7.1	41,898,905	35,008,775
Deferred taxation		62,872,334	80,357,773
		104,771,239	115,366,548

7.1 Staff retirement benefits

	2013	2012
Balance as at 01 July	35,008,775	31,985,746
Add: Provision for the year	15,814,536	12,628,682
	50,823,311	44,614,428
Less: Payments made during the year	(8,924,406)	(9,605,653)
Balance as at 30 June	41,898,905	35,008,775

7.1.1 Changes in present value of defined benefit obligation

	2013	2012
Present value of defined benefit obligation as at 01 July	30,531,147	22,916,722
Current service cost	12,048,989	10,388,534
Interest cost for the period	3,969,049	3,208,341
Benefits paid during the year	(8,924,406)	(9,605,653)
Actuarial loss on present value of defined benefit obligation	(2,627,913)	3,623,203
Present value of defined benefit obligation as at 30 June	34,996,866	30,531,147

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		2013 Rupees	2012 Rupees
7.1.2	**Expense recognised in profit and loss account are as follows:**		
	Charge for the year has been allocated as follows:		
	Current service cost	12,048,989	10,388,534
	Interest cost for the year	3,969,049	3,208,341
	Recognized actuarial (gains)/losses	(203,502)	(968,193)
		15,814,536	12,628,682

		2013 Rupees	2012 Rupees
7.1.3	**Amounts recognized in the balance sheet are as follows:**		
	Present value of defined benefit obligation	34,996,866	30,531,147
	Unrecognized transitional liability	-	-
	Unrecognized actuarial gain	6,902,039	4,477,628
	Liability as at 30 June	41,898,905	35,008,775

7.1.4 Estimated provision during 2014 is expected to be Rs. 18.369 million.

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

		2013	2012
Discount rate	Per annum	10.5%	13%
Expected rate of increase in salary	Per annum	9.5%	12%
Average expected remaining working life time of employees	Number of years	7	7

		Note	2013 Rupees	2012 Rupees
8	**Current portion of long term liabilities**			
	Long term loans - secured	*5.1*	53,947,219	51,477,749
	Liabilities against assets subject to finance lease	*6*	2,074,470	4,596,207
			56,021,689	56,073,956
9	**Short term financing - secured**			
	From banking companies:			
	Short term cash finance	*9.1*	444,842,423	195,961,829
	Short term running finance		-	4,247,159
			444,842,423	200,208,988

9.1 Finance limits available from banks are of Rs.2,930 million (2012:Rs.2,360 million). These are secured by way of joint pari passu charge on current assets of the Company amounting to Rs.1,202 million (2012: Rs.1,202 million), pledge of raw material, lien on import documents and personal guarantees of directors. Mark up has been charged at rates ranging from 10.53% to 14.20% per annum during the year (2012:13.37 % to 15.79% per annum).

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		Note	2013 Rupees	2012 Rupees
10	**Trade and other payables**			
	Trade creditors		23,717,159	31,393,618
	Accrued expenses		58,263,166	63,439,020
	Refundable security	*10.1*	214,688	208,688
	Advances from customers		63,548,595	47,575,037
	Withholding tax payable		379,271	163,763
	Workers' profit participation fund	*10.2*	20,072,711	13,280,065
	Workers' welfare fund		1,142,422	1,873,849
	Payable to commission agent		20,293,522	17,355,144
	Payable to clearing agent		632,334	168,169
	Other payables		4,102,661	3,231,283
			192,366,529	178,688,636

10.1 These interest free security deposits are held by the company against packing material contractor and Loading/unloading contractor. These are repayable on demand subject to clearance of dues.

		Note	2013 Rupees	2012 Rupees
10.2	**Workers' profit participation fund**			
	Balance as at 01 July		13,280,065	22,314,366
	Provision for the year	*27*	20,072,711	13,280,065
	Interest for the year	*25*	1,319,274	2,029,022
			34,672,050	37,623,453
	Less: Payments made during the year		(14,599,339)	(24,343,388)
	Balance as at 30 June		20,072,711	13,280,065

		2013	2012
11	**Mark up accrued**		
	Long term loan - secured	3,313,852	6,543,628
	Short term borrowings - secured	15,500,630	11,909,256
		18,814,482	18,452,884

12 Contingencies and commitments

12.1 Contingencies

The Company has issued bank guarantee amounting to Rs. 13.758 million in favour of Exice and Taxation Officer, Sea Due, Karachi in pursuance of the order of Honorable High Court of Sindh passed on 31st May 2011 regarding infrastructure cess. In May 2011 the Supreme Court disposed off the appeal with the joint statement of the parties that, during pendency of the appeal, another law i.e. the Fifth Version, came into existence which was not the subject matter of the appeal. Hence the case was referred back to the high court with the right to appeal to Supreme Court. On 31 May 2011, the High Court granted an interim relief on application of petitioner on certain terms including discharge and return of bank guarantees/security furnished on assignment released up to 27 December 2006 and any bank guarantee/security furnished for consignment released after 27 December 2006 shall be in cash to extent of 50% of the guaranteed of secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner.

12.2 Commitments

12.2.1 Aggregate amount of bank guarantees issued by banks outstanding as at balance sheet date amounted to Rs. 52.937 million (2012: Rs. 49.937 million)

12.2.2 Letter of credit for import of plant and machinery, raw material and spares outstanding as at balance sheet date amounted to Rs. 2.000 million (2012: Rs. 2.152 million) and Rs. Nil million (2012: 127.167 million) and Rs. 2.667 million (2012: Rs. 4.539 million) respectively.

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13 Property, plant and equipment

	Cost						Depreciation					Net book
	As at 01 July 2012	Additions	Transfer from leased assets	(Disposals)	As at 30 June 2013	Rate	As at 01 July 2012	For the year	Adjustments On transfer	Adjustments on disposal	As at 30 June 2013	value as at 30 June 2013
	Rupees					%	Rupees					
Owned												
Land freehold	1,609,826	-	-	-	1,609,826	-	-	-	-	-	-	1,609,826
Building on freehold land	197,578,140	12,262,479	-	-	209,840,619	5	79,316,394	6,313,341	-	-	85,629,735	124,210,884
Plant and machinery	1,155,414,732	2,912,554	-	(38,530,346)	1,119,796,940	10	659,394,797	49,116,791	-	(31,451,253)	677,060,335	442,736,605
Electric installation	89,254,506	6,172,830	-	-	95,427,336	10	55,878,822	3,711,447	-	-	59,590,269	35,837,067
Tools and equipment	6,746,240	-	-	-	6,746,240	10	5,655,663	109,058	-	-	5,764,721	981,519
Furniture and fixture	3,966,780	836,400	-	-	4,803,180	10	2,609,969	161,409	-	-	2,771,378	2,031,802
Office equipment	13,725,819	2,307,956	-	-	16,033,775	10	6,467,965	786,919	-	-	7,254,884	8,778,891
Vehicles	19,389,230	1,247,495	4,449,000	(2,084,400)	23,001,325	20	11,354,028	1,875,281	2,115,596	(1,424,398)	13,920,507	9,080,818
	1,487,685,273	25,739,714	4,449,000	(40,614,746)	1,477,259,241		820,677,638	62,074,246	2,115,596	(32,875,651)	851,991,829	625,267,412
Leased												
Vehicles	9,591,300	1,639,000	(4,449,000)	-	6,781,300	20	2,288,070	1,434,217	(2,115,596)	-	1,606,691	5,174,609
2013	1,497,276,573	27,378,714	— -	(40,614,746)	1,484,040,541		822,965,708	63,508,463	-	(32,875,651)	853,598,520	630,442,021

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13 Property, plant and equipment

	Cost					Depreciation				Net book
	As at 01 July 2011	Additions	(Disposals)	As at 30 June 2012	Rate	As at 01 July 2011	For the year	Adjustments on disposal	As at 30 June 2012	value as at 30 June 2012
	Rupees				%	Rupees				
Owned										
Land freehold	1,609,826		-	1,609,826	-	-	-	-	-	1,609,826
Building on freehold land	194,431,097	3,147,043	-	197,578,140	5	73,133,500	6,182,894	-	79,316,394	118,261,746
Plant and machinery	1,077,391,163	84,779,323	(6,755,754)	1,155,414,732	10	614,917,406	49,615,299	5,137,908	659,394,797	496,019,935
Electric installation	87,469,768	1,784,738	-	89,254,506	10	52,327,905	3,550,917	-	55,878,822	33,375,684
Tools and equipment	6,746,240	-	-	6,746,240	10	5,534,487	121,176	-	5,655,663	1,090,577
Furniture and fixture	3,918,380	48,400	-	3,966,780	10	2,463,720	146,249	-	2,609,969	1,356,811
Office equipment	11,665,287	2,060,532	-	13,725,819	10	5,709,949	758,016	-	6,467,965	7,257,854
Vehicles	18,154,965	3,139,665	(1,905,400)	19,389,230	20	10,959,533	1,831,203	1,436,708	11,354,028	8,035,202
	1,401,386,726	94,959,701	(8,661,154)	1,487,685,273		765,046,500	62,205,754	6,574,616	820,677,638	667,007,634
Leased										
Vehicles	4,449,000	5,142,300	-	9,591,300	20	984,250	1,303,820	-	2,288,070	7,303,230
2012	1,405,835,726	100,102,001	(8,661,154)	1,497,276,573		766,030,750	63,509,574	6,574,616	822,965,708	674,310,864

13.1 Depreciation has been allocated as follows:

	2013	2012
	Rupees	Rupees
Cost of sales	62,577,349	62,576,488
Administrative expenses	931,114	933,086
	63,508,463	63,509,574

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	Note	2013 Rupees	2012 Rupees
14 Long term investments			
Al Nasr Textiles Limited - unquoted 33,119,000 (2012: 33,119,000) ordinary shares of Rs. 10 each Equity held 96.84% (2012: 96.84%)		331,190,000	331,190,000
		331,190,000	331,190,000
15 Stores, spares and loose tools			
Stores		23,799,649	20,308,398
Spares and loose tools		14,220,644	14,674,594
		38,020,293	34,982,992
16 Stock in trade			
Raw material - Yarn	16.1	519,588,085	302,908,590
Raw material - Fabric		5,197,766	2,343,500
		524,785,851	305,252,090
Work in process - Yarn		25,430,769	20,454,681
Work in process - Garments		17,654,713	-
		43,085,482	20,454,681
Finished goods - Yarn		54,727,116	22,131,263
Finished goods - Garments		61,867,780	8,860,931
		116,594,896	30,992,194
		684,466,229	356,698,965

16.1 This includes raw material in transit of Rs. Nil (2012: Rs. 44.72 million).

17 Short term investments

Short term investments consist of the following:

	Note	2013 Rupees	2012 Rupees
Investment in FBL Saving Growth Fund - Held to maturity	17.1	5,697,537	1,730,711
Investment in listed companies - Investments at fair value through profit and loss	17.2	12,941,561	24,697,720
		18,639,098	26,428,431

17.1 These securities are held in Faysal Islamic Saving Growth Fund number of units 55,574.8867 (2012: 16,760.7122) at Rs. market value 5,697.5 million (2012: 1,730.711 million).

	Shares		Carrying value		Fair Value	
	2013 Number	2012 Number	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
17.2 Investments at fair value through profit and loss						
Name of investee company						
Adamjee Insurance Company Limitec	-	10,000	-	570,098	-	582,500
Al Ghazi Limited	3,700	4,000	759,758	916,800	756,650	821,360
Byco Petroleum Pakistan	24,000	-	310,195	-	250,800	-
Shell Pakistan Limited	1,000	-	140,000	-	143,300	-
Sui Northern Gas Pipelines	9,000	-	151,970	-	180,450	-
D.G.Khan Cement Company Limited	-	24,000	-	551,760	-	945,120
Engro Corporation Limited	22,800	72,800	2,329,936	9,142,000	2,771,340	7,413,952
Engro Foods Limited	-	16,000	-	655,044	-	1,031,200
Fatima Fertilzer Company Limited	-	10,000	-	254,685	-	246,700
Fatima Fertilzer Limited	24,000	-	592,670	-	600,000	-
Fauji Fertilizer Company Limited	14,000	-	1,560,925	-	1,501,500	-
Faysal Bank Limited	131,562	112,500	1,275,455	926,000	1,224,843	1,230,750
MCB Bank Limited	-	7,170	-	1,263,235	-	1,191,941
Millat Tractors Limited	1,295	1,450	555,278	872,480	679,862	700,133
National Bank of Pakistan Limited	-	5,000	-	126,050	-	217,700
Nishat Mills Limited	-	39,000	-	1,965,560	-	1,855,620
Nishat Power Limited	-	10,000	-	155,400	-	147,000
Packages Limited	21,104	46,104	2,104,069	4,832,363	4,832,816	4,596,568
Pakistan Petroleum Limited	-	4,400	-	828,280	-	828,476
Pakistan Telecommunication Limited	-	30,000	-	426,600	-	410,700
Silk Bank Limited	-	60,000	-	151,800	-	126,600
United Bank Limited	-	30,000	-	1,857,300	-	2,351,400
	252,461	482,424	9,780,256	25,495,455	12,941,561	24,697,720

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	Note	2013 Rupees	2012 Rupees
18 Trade debts			
Foreign debtors - secured considered good		193,948,800	116,882,656
Local debtors - unsecured considered good		104,136,365	98,663,956
Considered doubtful		2,204,399	728,173
Provision for doubtful debts	*18.1*	(2,204,399)	(728,173)
		104,136,365	98,663,956
		298,085,165	215,546,612
18.1 Provision for doubtful debts			
Balance as at 01 July		728,173	-
Add: provision for the year		2,204,399	728,173
Less: written off during the year		(728,173)	-
Balance as at 30 June		2,204,399	728,173
19 Advances, deposits, prepayments and other receivables			
Advances to employees		3,927,020	3,079,310
Advances to suppliers - considered good		3,361,343	2,574,332
Security deposits		6,901,108	8,908,358
Advance income tax		99,033,806	78,719,778
Margin on bank guarantees		15,912,490	12,912,490
Advance against letters of credit		1,726,029	8,184,023
Sales tax receivable		25,862,076	16,841,715
Others		4,103,752	9,189,156
		160,827,624	140,409,162
20 Cash and bank balances			
Cash in hand		77,382	110,834
Cash at bank			
- Current accounts		33,022,356	80,850,229
- Saving account	*20.1*	170,114	178,222
		33,269,852	81,139,285

20.1 The balance of saving account has a markup at the rate of 6% (2012: 6%) per annum.

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		Note	2013 Rupees	2012 Rupees
21	**Sales - net**			
	Local			
	Cotton polyester yarn		576,825,620	940,274,484
	Cotton yarn		291,821,919	486,512,214
			868,647,539	1,426,786,698
	Export			
	Cotton and polyester yarn	*21.1*	2,614,340,793	2,247,539,897
	Garments		109,560,287	58,787,138
			2,723,901,080	2,306,327,035
	Waste sales		74,364,811	97,084,885
			3,666,913,430	3,830,198,618
	Less: Sales tax		(19,045,899)	(656,373)
	Commission		(27,959,311)	(30,475,306)
			3,619,908,220	3,799,066,939

21.1 These include indirect exports, taxable under Section 154 (3) of the Income Tax Ordinance, 2001, amounting to Rs. 2,018.449 million (2012 : Rs. 1,735.525 million).

		Note	2013 Rupees	2012 Rupees
22	**Cost of sales**			
22.1	**Cost of goods manufactured**			
	Raw material consumed - Yarn	*22.2*	2,280,493,070	2,439,845,635
	Raw material consumed - Fabric	*22.3*	77,401,526	66,358,024
	Salaries, wages and other benefits		223,975,401	152,785,922
	Workers' welfare		17,542,764	15,286,228
	Power and fuel		291,395,955	261,945,154
	Store and spare consumed		43,740,197	40,755,600
	Packing material consumed		61,642,006	55,898,969
	Repair and maintenance		40,662,987	23,540,175
	Vehicles running and maintenance		4,662,843	4,187,901
	Insurance		8,015,455	6,433,897
	Staff retirement benefits		13,604,928	10,883,546
	Depreciation	*13*	62,577,349	62,576,488
	Other expenses		12,380,039	7,187,878
			3,138,094,520	3,147,685,417
	Work in process			
	Opening balance		31,659,112	36,913,145
	Closing balance		(43,085,482)	(31,659,112)
			(11,426,370)	5,254,033
			3,126,668,150	3,152,939,450
	Finished goods			
	Opening balance		22,131,263	161,778,617
	Closing balance		(116,594,896)	(22,131,263)
			(94,463,633)	139,647,354
			3,032,204,517	3,292,586,804

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	Note	2013 Rupees	2012 Rupees
22.2 Raw material consumed - Yarn			
Opening stock		**302,908,590**	363,983,964
Purchases		**2,497,172,565**	2,378,785,861
		2,800,081,155	2,742,769,825
Sold during the year		-	(15,600)
Available for consumption		**2,800,081,155**	2,742,754,225
Closing stock		**(519,588,085)**	(302,908,590)
Raw material consumed		**2,280,493,070**	2,439,845,635
22.3 Raw material consumed - Fabric			
Opening stock		**2,343,500**	-
Purchases		**80,255,792**	68,701,524
Available for consumption		**82,599,292**	68,701,524
Closing stock		**(5,197,766)**	(2,343,500)
Raw material consumed		**77,401,526**	66,358,024

23 Administrative expenses

	Note	2013 Rupees	2012 Rupees
Salaries and other benefits		**14,897,288**	14,006,174
Directors' salaries and other benefits		**2,297,003**	2,107,307
Staff welfare		**1,670,363**	1,469,827
Traveling expenses		**679,372**	1,582,823
Telephone, postage and telegrams		**1,372,582**	1,264,452
Rent, rates and taxes		**445,940**	8,188,650
Power and fuel		**1,605,181**	1,448,906
Printing and stationery		**372,123**	343,545
Entertainment		**580,174**	484,360
Insurance		**544,770**	554,381
Repair and maintenance		**1,731,641**	1,772,406
Advertisement expenses		**33,750**	73,040
Legal and professional charges		**1,168,800**	2,423,800
Auditors' remuneration	*23.1*	**267,500**	311,500
Vehicle running and maintenance		**2,924,370**	2,988,550
Charity and donations	*23.2*	**4,285,000**	4,035,000
Subscription fees		**550,169**	524,745
Staff retirement benefits		**2,209,608**	1,745,136
Shares expenses		**413,882**	309,932
Provision for doubtful debts	*18.1*	**2,204,399**	728,173
Depreciation	*13.1*	**931,114**	933,086
Other expenses		**453,807**	185,630
		41,638,836	47,481,423

23.1 Auditors' remuneration

		2013 Rupees	2012 Rupees
Audit fee		**250,500**	250,500
Out of pocket expenses		**17,000**	61,000
		267,500	311,500

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23.2 These donations have been paid to the Chaudhery Nasur Ulla Family Trust and Pak Pur foundation fund. None of the directors or their spouses have any interest in the donee funds to which these donations were made.

		Note	2013 Rupees	2012 Rupees
24	**Distribution cost**			
	Salaries and other benefits		2,118,232	2,095,200
	Freight and other expenses - export		44,685,033	43,417,102
	Freight and other expenses - local		36,689,089	31,466,810
	Loading and other expenses		4,681,338	4,444,191
			88,173,692	81,423,303
25	**Finance cost**			
	Interest and mark-up on:			
	- long term loans - secured		15,397,615	24,039,978
	- short term borrowings - secured		56,779,607	89,656,760
	- finance lease		664,296	471,507
	Interest on workers' profit participation fund	10.2	1,319,274	2,029,022
	Bank charges		1,033,340	856,236
			75,194,132	117,053,503
26	**Other operating income**			
	Profit on saving account		259,420	96,618
	Bailing		313,572	362,278
	Income on sale of scrap		94,495	71,930
	Dividend income		1,181,518	2,417,648
	Rebate claim on export sale		-	-
	Gain on sale of shares		16,229,883	239,495
	Profit on sale of store items		-	14,023
	Foreign exchange gain		5,977,737	3,258,228
			24,056,625	6,460,220
27	**Other operating expenses**			
	Workers' profit participation fund	10.2	20,072,711	13,280,065
	Workers' welfare fund		1,142,422	1,873,849
	Deficit on remeasurement of short term investments		-	797,735
	Loss on disposal of property, plant and equipment		5,299,439	583,088
			26,514,572	16,534,737
28	**Provision for taxation**			
	Current		45,509,352	45,398,606
	Prior period		(26,696,758)	(6,436,556)
			18,812,594	38,962,050
	Deferred tax		-	-
			18,812,594	38,962,050

29 Earnings per share - basic and diluted

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

		2013	2012
Profit for the year after taxation	*Rupees*	361,426,502	211,485,339
Weighted average number of ordinary shares	*Number of shares*	37,500,000	37,500,000
Earnings per share	*Rupees*	9.64	5.64

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30 Remuneration of Chief Executive and executives

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

	Chief Executive		Non- Executive Directors		Executive Directors		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Rupees									
Managerial remuneration	1,680,000	1,680,000	-	-	-	-	5,320,000	6,024,508	7,000,000	7,704,508
Retirement benefits	-	-	-	-	-	-	500,667	282,333	500,667	282,333
Leave encashment	150,000	150,000	-	-	-	-	438,332	-	588,332	150,000
Utilities	120,000	120,000	-	-	-	-	380,000	430,322	500,000	550,322
Medical expenses	347,003	157,307	-	-	-	-	247,033	867,100	594,036	1,024,407
	2,297,003	2,107,307	-	-	-	-	6,886,032	7,604,263	9,183,035	9,711,570
Number of persons	1	1	-	-	-	-	4	4	5	5

The Chief Executive and executives are provided with free use of Company maintained cars and mobile phones.

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

	2013	2012
	(Number of persons)	
- As at 30 June	1,356	1,313
- Average number of employees	1,334	1,376

[illegible]

31 Transactions with related parties

Related parties comprise associated undertakings, subsidiaries, other related companies, directors of the Company and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due to/from related parties have been disclosed in the respective receivables and payables. Other significant transactions with related parties are as follows:

	2013 Rupees	2012 Rupees
Relationship with the Company		
Associated company		
Unigohar Homes (Private) Limited		
Rent	**300,000**	300,000
Subsidiary		
Al Nasr Textiles Limited		
Sale of stores items	**-**	3,503,200
Reciepts	**2,417,024**	-
Purchase of store items	**-**	684,400
Purchase of yarn	**11,568,111**	8,836,950

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

32 Plant capacity and actual production

	Unit	2013	2012
Spinning			
Number of spindles installed	*No.*	**42,240**	42,240
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**15,472,686**	15,472,686
Actual production converted into 20s count	*Kgs*	**15,706,684**	17,057,227

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 perticular year.

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33 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.

33.1 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 . Out of the total financial assets of Rs. 510.821 million (2012: Rs.463.523 million), the financial assets which are subject to credit risk amounted to Rs. 363.282 million (2012: Rs. 338.343 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. The management has set a maximum credit period of 15 days in respect of yarn to reduce the credit risk.

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

	2013 Rupees	2012 Rupees
Trade debts	298,085,165	215,546,612
Advances, deposits and other receivables	32,004,722	41,768,359
Bank balances	33,192,470	81,028,451
	363,282,357	338,343,422

Investments comprise of Ordinary shares of non listed public company Al-Nasr Textiles Limited. The fair value or credit rating of the Company is not available as at 30 June 2013 due to non listing.

The trade debts as at the balance sheet date are classified as follows:
All the trade debtors at the balance sheet date represent domestic parties and export parties.
The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by type of customer was:

	2013 Rupees	2012 Rupees
Receivables export	193,948,800	116,882,656
Receivables local	95,545,037	94,602,464
Waste receivables	10,795,727	4,061,492
	300,289,564	215,546,612
Less: Provision for doubtful debts	(2,204,399)	(728,173)
	298,085,165	214,818,439

The aging of trade receivable at the reporting date is:

	2013	2012
Past due 1-30 days	159,293,590	151,301,791
Past due 30-180 days	122,775,063	62,995,994
Past due 180-365 days	15,945,527	520,654
Past due 366 & above	2,275,384	728,173
	300,289,564	215,546,612

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	2013	2012
	Short term	Long term	Agency	Rupees	Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	585,837	1,823,122
Faysal Bank Limited	A1+	AA	PACRA	15,653,072	53,553,713
Bank Alfalah Limited	A1+	AA	PACRA	23,709	306,227
Habib Bank Limited	A-1+	AA+	JCR-VIS	6,811,943	21,185,658
Bank Alfalah Limited Islamic Banking	A1+	AA	PACRA	10,000	-
MCB Bank Limited	A1+	AA+	PACRA	9,496,922	1,063,217
Habib Metropolitian Bank Limited	A1+	AA+	PACRA	156,924	35,911
Bank Al Habib Limited	A1+	AA+	PACRA	381,536	2,988,086
NIB Bank	A1+	AA-	PACRA	26,117	26,117
Bank Of Punjab	A1+	AA-	PACRA	46,410	46,400
				33,192,470	81,028,451

33.2 **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.

33.3 **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.

33.3.1 **Currency risk**

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

	2013 Rupees	2012 Rupees
Foreign debtors	193,948,800	116,882,656
Export finances	-	-
Gross balance sheet exposure	193,948,800	116,882,656
Outstanding letters of credit	(1,726,029)	(8,184,023)
Net exposure	192,222,771	108,698,633

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

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

Sensitivity analysis

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

	2013 Rupees	2012 Rupees
No foreign creditor		
Effect on profit or loss		
US Dollars	(181,274)	(109,154)

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The strengthening 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.

33.3.2 Interest rate risk

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

	Effective rate		Carrying amount	
	2013	2012	2013	2012
	%	%	Rupees	Rupees
Financial liabilities				
Variable rate instruments				
Long term loans - secured	10.92 - 15.04	13.51 - 16.79	106,360,469	157,814,579
Short term borrowing - secured	10.53 - 14.02	13.37 - 15.79	444,842,423	200,208,988

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 (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit and loss 100 bp	
	Increase	Decrease
	Rupees	Rupees
As at 30 June 2013		
Cash flow sensitivity-Variable rate financial liabilities	5,512,029	(5,512,029)
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial liabilities	3,580,236	(3,580,236)

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

33.4 Capital management

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

The Company's objectives when managing capital are;

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

(ii) To provide an adequate return to shareholders.

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

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

	2013	2012
	Rupees	Rupees
Total debt	111,044,471	165,697,293
Total equity and debt	1,390,926,166	1,309,152,486
Debt-to-equity ratio	8%	13%

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

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

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34 Date of authorization for issue

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

35 General

35.1 Figures have been rounded off to the nearest rupee.

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

Lahore

Chief Executive

Director