

# **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

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## 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).

Lahore

Date: 09 October 2013

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



PAK KUWAIT

## 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:

	<b>30.06.2013</b>	<b>30.06.2012</b>
	(Rupees)	(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	<b>904,881,694</b>	<b>768,455,193</b>
Earnings per Share	<b>9.64</b>	<b>5.64</b>

### 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.

## **Pak Kuwait Textiles Limited**

**Head office:** 29 Shadman-II, Lahore, Pakistan. **Phone:** +92 42-111-888-600 **Fax:** +92 42-37575531, 37587977

**E-Mail:** yam@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

## 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**

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

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**ISO 9001 CERTIFIED**

Pak Kuwait Textiles Limited

Balance Sheet

As at 30 June 2013

SHARE CAPITAL AND LIABILITIES

Share capital and reserve

Authorised capital:

40,000,000 (2012: 40,000,000) ordinary shares  
of Rs. 10 each

Issued, subscribed and paid up capital

Accumulated profit

Non-current liabilities

Long term loans - secured

Liabilities against assets subject to finance lease

Deferred liabilities

Current liabilities

Current portion of long term liabilities

Short term borrowing - secured

Trade and other payables

Mark up accrued

Provision for taxation

Contingencies and commitments

Note

2013

Rupees

2012

Rupees

ASSETS

Non-current assets

Property, plant and equipment

Capital work in progress

Long term investments

Current assets

Stores, spares and loose tools

Stock in trade

Short term investments

Trade debts

Advances, deposits, prepayments

and other receivables

Cash and bank balances

Note

2013

Rupees

2012

Rupees

674,310,864

6,561,837

331,190,000

1,012,062,701

13

14

15

16

17

18

19

20

38,020,293

684,466,229

18,639,098

298,085,165

160,827,624

33,269,852

1,233,308,261

34,982,992

356,698,965

26,428,431

215,546,612

140,409,162

81,139,285

855,205,447

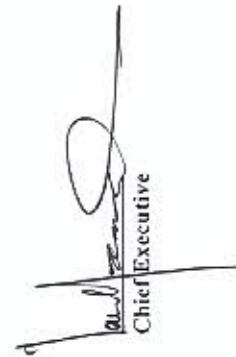
2,197,230,191

1,867,268,148

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

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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)
<b>Gross profit</b>		<b>587,703,703</b>	<b>506,480,135</b>
<b>Operating expenses</b>			
Administrative expenses	23	(41,638,836)	(47,481,423)
Distribution cost	24	(88,173,692)	(81,423,303)
		(129,812,528)	(128,904,726)
<b>Operating profit</b>		<b>457,891,175</b>	<b>377,575,409</b>
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)
<b>Profit before taxation</b>		<b>380,239,096</b>	<b>250,447,389</b>
Provision for taxation	28	(18,812,594)	(38,962,050)
<b>Profit after taxation</b>		<b>361,426,502</b>	<b>211,485,339</b>
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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Lahore

  
Chief Executive

  
Director


Pak Kuwait Textiles Limited  
Cash Flow Statement  
For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
<b>Cash flows from operating activities</b>			
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
<b>Profit before working capital changes</b>		563,475,198	460,104,323
<b>Effect on cash flow due to working capital changes</b>			
(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
<b>Cash generated from operations</b>		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)
<b>Net cash generated from operating activities</b>		(224,972,247)	527,849,363
<b>Cash flows from investing activities</b>			
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
<b>Net cash used in investing activities</b>		(12,877,799)	(60,111,343)
<b>Cash flows from financing activities</b>			
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
<b>Net cash used in/(realised from) financing activities</b>		189,980,613	(409,289,620)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(47,869,433)	58,448,401
<b>Cash and cash equivalents at the beginning of the year</b>		81,139,285	22,690,884
<b>Cash and cash equivalents at the end of the year</b>	20	33,269,852	81,139,285

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

RM/MSM

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	-	-
<b>Total comprehensive income for the year</b>	<u><u>361,426,502</u></u>	<u><u>211,485,339</u></u>

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	<u>375,000,000</u>	<u>904,881,695</u>	<u>1,279,881,695</u>

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**  
**Notes to the Financial Statements**  
*For the year ended 30 June 2013*

**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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