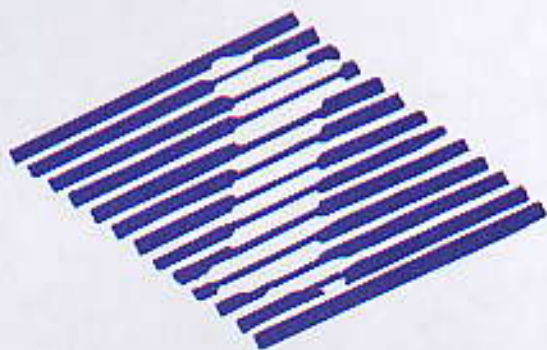


# A N N U A L   R E P O R T   2 0 1 3



International Knitwear Limited



# International Knitwear Limited

## CONTENTS

## Page No.

Company Information .....	2
Vision & Mission .....	3
Code of Conduct .....	4
Notice of Annual General Meeting .....	5
Directors' Report to the Shareholders .....	6 to 8
Statement of Compliance with Code of Corporate Governance .....	9 & 10
Review Report to the Members on Statement of Compliance with best Practices of Code of Corporate Governance .....	11
Auditors' Report to the Members .....	12
Balance Sheet .....	13
Profit & Loss Account .....	14
Statement of Comprehensive Income .....	15
Statement of Changes in Equity .....	16
Statement of Cash Flow .....	17
Notes to the Financial Statements .....	18 to 44
Key Operating and Financial Data .....	45
Pattern of Shareholding and Shareholders Information .....	46 to 48
Form of Proxy .....	





# International Knitwear Limited

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Naeem Shafi  
Mr. Waseem Shafi  
Mr. Javed Khan  
Mr. Muhammad Shafi  
Mr. Zahid Ali  
Mr. Muhammad Sajid Hussain  
Mr. Arshad Ahmed

Chief Executive

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Javed Khan

### AUDIT COMMITTEE

Mr. Waseem Shafi  
Mr. Arshad Ahmed  
Mr. Zahid Ali

Chairman  
Member  
Member

### AUDITORS

M/s Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants

### LEGAL ADVISOR

S. Akhtar & Company

### BANKERS

Bank AL-Habib Limited  
Habib Bank Limited

### REGISTERED OFFICE & FACTORY

F-2A/(L), S.I.T.E., Karachi-75730.

### REGISTRAR

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.  
Main Shahra-e-Faisal, Karachi-74400



# International Knitwear Limited

## VISION & MISSION

### VISION

Is to achieve and then remain as the most progressive and profitable Company offering a wide range of quality products and service provider in terms of industry standards and stakeholders interest.

### MISSION

The Company shall achieve its mission through a continuous process of having sourced, developed, implemented and managed the best leading edge technology, industry best practice, human resource and innovative of superior products, performance and service quality that fully meet the needs of our customers, better returns to our stakeholders and a better quality of life to the employees.





# International Knitwear Limited

## CODE OF CONDUCT

### **CODE OF CONDUCT**

International Knitwear Limited being engaged in the export of garments and providing dyeing facilities is:

- Committed to provide quality products and services to all its local and international customers.
- Further committed to comply with all applicable Regulatory and Customers' requirements, thereby ensuring achievement of customers' continuous satisfaction.
- An equal opportunity employer which does not differentiate between its employees on the basis of cast, creed, sex or religious affiliations.
- Always willing, through a liberal training policy, to educate, train and groom its employees to enhance their professionalism, commitment and personal growth leading to achievement of greater goals.

Committed to the well-being of its employees by adopting generous welfare policies and practices.

In return International Knitwear Limited expects from its employees that:

- As representatives of the Company they must at all times behave appropriately and strictly follow all rules and regulations of the Company.
- They must devote their time, attention, abilities and energy exclusively for the performance of their duties and must not engage themselves in any other occupation, business or employment whatsoever without prior written consent of the Company.
- They must not disclose any confidential information pertaining to the business of the Company to any person inside or outside the company.
- They must protect all records, reports and other published or unpublished documents of the Company and promptly hand over all these to the Company upon leaving, for whatever reason, the employment of the Company. They must not also remove any or all of the said records, reports and documents from the premises of the Company without appropriate authorization.





# International Knitwear Limited

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the shareholders of International Knitwear Limited will be held at 08:30 A.M on Friday, October 25, 2013 at registered office situated at F-2A/L, S.I.T.E, Karachi to transact the following business:

### ORDINARY BUSINESS:-

1. To confirm the minutes of the last Annual General Meeting held on Thursday October 18, 2012.
2. To receive, consider and adopt the audited financial statements for the year ended June 30, 2013 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year ending June 30, 2014 and to fix their remuneration. The present Auditors M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants being eligible have offered themselves for re-appointment.
4. To transact any other Ordinary business of the Company with the permission of the chair.

By Order of the Board.

Javed Khan  
Company Secretary

Karachi: October 04, 2013

### Notes:

1. Share Transfer Books will be closed from October 18, 2013 to October 25, 2013 ( both days inclusive )
2. A member of the Company entitled to attend, speak and vote at this meeting may appoint a proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be duly signed, witnessed and deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
3. CDC account holders will have to follow the under mentioned guidelines as laid down in Circular#1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.
  - a) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
  - b) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.
4. Shareholders are requested to notify change of their addresses, if any to Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S, Main Shahra-e-Faisal, Karachi-74400.





# International Knitwear Limited

## DIRECTORS' REPORT

The Directors of your Company are pleased to present the 23<sup>rd</sup> Annual Report with the audited financial statements of the Company for the year ended June 30, 2013.

The Directors' report is prepared under section 236 of the Companies Ordinance, 1984 and clause xix of the code of corporate Governance.

### FINANCIAL PERFORMANCE

The Company's overall sales for the year under review were Rs.133.52 million against Rs.158.34 million in the corresponding period last year. There has been gross loss of Rs 1.34 million during the period under review against gross profit of Rs. 18.27 million as compared to the previous year. After incorporating Administrative & Selling expenses operating loss before taxation for the period under review have been Rs. 13.19 million against profit of Rs.7.98 million in the corresponding period.

### DYEING SALES

The dyeing sales under review were Rs.28.08 million against Rs. 94.70 million in the corresponding period last year. There has been a net loss in (dyeing segment) of Rs.21.52 million against loss of Rs. 0.52 million in the previous year. Keeping in view the decrease in sales (of dyeing segment) mainly due to:-

1. Consistent interruption in supply of natural gas ( which was not available up to 70% of the working hours).
2. Frequent increase in utilities and raw material cost the management decided to shut down dyeing department for the time being effective January 01, 2013

EXPORT & LOCAL SALES (Continued Operations)	2013 Rupees	2012 Rupees
Net Sales	105,441,107	63,638,731
Gross Profit	16,802,873	11,661,367
Profit before taxation	8,206,646	7,745,082
Profit After taxation	7,580,994	7,352,968
Earnings per share	2.35	2.28

During the year,, The Company was faced multiple challenges but regardless the Company managed to achieve satisfactory results in terms of Export & Local garments sales which rose to Rs.105.44 million for the year ending June 30, 2013 as compared to Rs.63.63 million for the corresponding period last year thereby registering an Increase of 65.70%. This increase in sales reflects on the quality and acceptability of our finished goods. However estimated profitability could not be achieved as the Export & local prices have become highly competitive, pushing margins adversely when compared with the increase in sales. In the international market we had to face severe competition from neighboring countries, which are enjoying various concessions and incentives allowed by their government to boost their export. In domestic front ever increasing production cost, uncertainty about yarn supply and double digit inflation rate and persistent Law in order problem have adversely affected our gross margins.





# International Knitwear Limited

## DIRECTORS' REPORT

### FUTURE OUTLOOK

Efforts are being made to diversify our product range enhance production facilities. It is hoped that your company will be successful in achieving this objective. Your Company also making concentrated efforts to curtail expenses, to produce and market our products more efficiently. Whereas, the above It is also hoped that the New Governments was sworn in and presented its first national budget for the year 2013-14. Given the stagnant issues such as weakening Pak Rupee, Inflation, Worsening energy crises and poor law & order situation the government will need to take immediate steps to resolve these persistent issues otherwise they will continue to hurt the business environment in Pakistan.

### EARNINGS PER SHARE

The earnings per share for the period under review from the continuing operations is Rs. 2.35 as compared to Rs. 2.28 in the last year.

### MEETINGS OF THE BOARD OF DIRECTORS

The Board held four (4) meetings during the year. Attendance by each Director was as follows:

Name of Director	No of Meetings attended
Mr. Naeem Shafi	4
Mr. Waseem Shafi	4
Mr. Javed Khan	4
Mr. Zahid Ali	3
Mr. Muhammad Sajid Hussain	3
Mr. Arshad Ahmed	2
Mr. Muhammad Shafi	2

### AUDIT COMMITTEE

The audit committee held four meetings during the year. Attendance by each member was as follows:-

Mr. Waseem Shafi	Chairman	4
Mr. Arshad Ahmed	Member	4
Mr. Zahid Ali	Member	4

### INTERNAL AUDIT FUNCTION

The audit Committee is assisted by the Internal Audit function maintaining internal controls and best practices, function of the internal audit is to review controls and procedures.

### AUDITORS

The retiring auditors M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants retire and being eligible, offer themselves for re-appointment for the year ended June 30, 2014.





# International Knitwear Limited

## DIRECTORS' REPORT

### PATTERN OF SHAREHOLDING

A statement of showing pattern of shareholding of the company and additional information as at June 30, 2013 is included in the report.

### ACKNOWLEDGEMENT

We take pleasure in thanking members of the management, other employees and staff for their continued commitment to the success of the Company. We also value the support and cooperation of our customers, suppliers, bankers and all stakeholders and wish to record our thanks and gratitude.

Karachi; October 02, 2013

For and on behalf of the Board

**Naeem Shafi**  
Chief Executive





# International Knitwear Limited

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No.35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of non-executive directors on its board of directors. At present the board includes:

Category	Names
Executive Directors	Mr. Naeem Shafi
	Mr. Javed Khan
Non-Executive Directors	Mr. Waseem Shafi
	Mr. Arshad Ahmed
	Mr. Zahid Ali
	Mr. Sajid Hussain
	Mr. Muhammad Shafi

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board and was filled up by the directors on February 26, 2013.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.





# International Knitwear Limited

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

9. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance (CCG) and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the CCG.
14. The board has formed an Audit Committee. It comprises of three members, who are non-executive directors including the chairman of the committee.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The board has formed an HR and Remuneration Committee. It comprises of three members, all of whom are non-executive directors.
17. The board has set up an effective internal audit function.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the CCG have been complied with, except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

- Training programs for the members of the Board of Directors.

**Naeem Shafi**  
Chief Executive





# International Knitwear Limited

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **International Knitwear Limited** to comply with the Listing Regulations of the Karachi and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects that status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Stock Exchanges where the company is listed require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Director and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company of the year ended June 30, 2013.

**Engagement Partner: Mehmood. A. Razzak**

*Karachi.*

*Date: October 02, 2013*





# International Knitwear Limited

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of International Knitwear Limited as at June 30, 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, (*hereinafter referred to as financial statements*), 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 accounts 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 accounts, and are further in accordance with the 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 expenditures incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm 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 June 30, 2013, and of the loss, other comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deducted at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Engagement Partner: Mehmood A. Razzak

Karachi.

Date: October 02, 2013





# International Knitwear Limited

## BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	35,398,620	51,714,460
Long term deposits	4	1,607,669	1,607,669
Investments	5	560,118	397,617
		37,566,407	53,719,746
<b>Current Assets</b>			
Stock in trade	6	16,111,841	12,059,801
Trade debts - considered good	7	34,743,850	46,237,457
Advances, deposits, prepayments and other receivables	8	4,546,224	8,006,367
Taxation - net	14	411,547	-
Cash and bank balances	9	74,961	635,512
		55,888,423	66,939,136
<b>TOTAL ASSETS</b>		<b>93,454,830</b>	<b>120,658,882</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	10	32,250,000	32,250,000
Unappropriated profit		1,194,840	16,755,268
		33,444,840	49,005,268
Unrealized gain/(loss) on revaluation of investments-available for sale		136,472	(1,089)
		33,581,312	49,004,179
<b>Non-Current Liabilities</b>			
Medium term finance	11	-	833,334
<b>Current Liabilities</b>			
Short term finances under mark-up arrangements	12	8,582,326	11,045,091
Trade and other payables	13	51,291,192	57,849,546
Taxation	14	-	1,926,732
		59,873,518	70,821,369
<b>CONTINGENCIES AND COMMITMENTS</b>	15	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>93,454,830</b>	<b>120,658,882</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

Naeem Shafi  
Chief Executive

Waseem Shafi  
Director





# International Knitwear Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>Continuing Operations</b>			
Net sales	16	105,441,107	63,638,731
Cost of goods sold	17	(88,638,234)	(51,977,364)
<b>Gross profit</b>		<b>16,802,873</b>	<b>11,661,367</b>
Administrative and selling expenses	18	(7,173,084)	(3,276,051)
<b>Operating profit</b>		<b>9,629,789</b>	<b>8,385,316</b>
Other income	19	471,424	1,065,868
		<b>10,101,213</b>	<b>9,451,184</b>
Finance cost	20	(1,808,654)	(1,132,085)
Other charges	21	(85,911)	(574,018)
		(1,894,565)	(1,706,103)
<b>Profit before taxation from continuing operation</b>		<b>8,206,648</b>	<b>7,745,082</b>
<b>Taxation</b>			
- Current	14	(625,654)	(376,257)
- Prior	14	-	(15,857)
		(625,654)	(392,114)
<b>Profit after taxation from continuing operation</b>		<b>7,580,994</b>	<b>7,352,968</b>
<b>Discontinued Operations</b>			
(Loss) from discontinued operations	27	(21,528,922)	(527,080)
<b>(Loss)/ profit for the year</b>		<b>(13,947,928)</b>	<b>6,825,888</b>
<b>Earnings / (loss) per share-basic and diluted</b>			
From continuing operations	23	2.35	2.28
From discontinued operation	23	(6.68)	(0.16)

The annexed notes 1 to 33 form an integral part of these financial statements.

**Naeem Shafi**  
Chief Executive

**Waseem Shafi**  
Director





# International Knitwear Limited

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
(Loss) / profit after taxation for the year	(13,947,928)	6,825,888
<b>Reclassifiable to profit and loss account</b>		
Other comprehensive income / (loss)	137,560	(6,550)
<b>Total comprehensive (loss) / income for the year</b>	<b>(13,810,368)</b>	<b>6,819,338</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

**Naeem Shafi**  
Chief Executive

**Waseem Shafi**  
Director





# International Knitwear Limited

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Issued, Subscribed and Paid up Share Capital	Unrealized (loss)/gain on revaluation of investments available for sale	Unappropriated profit	Total
	Rupees			
Balance as at June 30, 2011	32,250,000	5,461	9,929,380	42,184,841
<b>Total comprehensive income:</b>				
Net profit for the year ended June 30, 2012	-	-	6,825,888	6,825,888
Unrealized (loss) on revaluation of investments - available for sale	-	(6,550)	-	(6,550)
Balance as at June 30, 2012	32,250,000	(1,089)	16,755,268	49,004,179
<b>Transaction with owners:</b>				
5% Cash dividend paid for the year ended June 30, 2012	-	-	(1,612,500)	(1,612,500)
<b>Total comprehensive (loss):</b>				
Net (loss) for the year ended June 30, 2013	-	-	(13,947,928)	(13,947,928)
Unrealized gain on revaluation of investments - available for sale	-	137,560	-	137,560
Balance as at June 30, 2013	32,250,000	136,472	1,194,840	33,581,312

The annexed notes 1 to 33 form an integral part of these financial statements.

Naeem Shafi  
Chief Executive

Waseem Shafi  
Director





# International Knitwear Limited

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(13,191,582)	7,983,858
Adjustment for non cash items:			
Depreciation		4,859,890	4,368,271
(Gain) on sale of property, plant and equipment		(1,619,969)	(2,790,625)
Finance cost		2,691,105	2,844,446
		5,931,026	4,422,091
<b>(Loss) / profit before changes in working capital</b>		<b>(7,260,556)</b>	<b>12,405,950</b>
(Increase) / decrease in current assets			
Stock in trade		(4,052,040)	(6,011,342)
Trade debts		11,493,607	(214,045)
Advances, deposits, prepayments and other receivables		3,460,143	11,209,121
		10,901,710	4,983,734
Increase / (decrease) in current liabilities			
Short term finances under mark-up arrangements		(2,224,999)	2,629,000
Trade and other payables		(6,895,793)	2,040,950
		(9,120,792)	4,669,950
Financial charges paid		(2,691,105)	(2,844,445)
Taxes paid		(3,094,625)	(2,404,793)
<b>Net cash (used in) / inflow from operating activities</b>		<b>(11,265,368)</b>	<b>16,810,395</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Medium term finance		(833,334)	(833,333)
Dividend paid		(1,275,062)	(183,952)
<b>Net cash (used in) financing activities</b>		<b>(2,108,396)</b>	<b>(1,017,285)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(1,151,142)	(25,144,638)
Proceeds from sale of property, plant and equipment		14,227,061	2,880,000
Investments		(24,940)	(49,368)
<b>Net cash inflow from / (used in) investing activities</b>		<b>13,050,979</b>	<b>(22,314,006)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(322,785)</b>	<b>(6,520,896)</b>
Cash and cash equivalents at the beginning of the year		(4,351,246)	2,169,650
<b>Cash and cash equivalents at the end of the year</b>	24	<b>(4,674,031)</b>	<b>(4,351,246)</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

**Naeem Shafi**  
Chief Executive

**Waseem Shafi**  
Director





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 1. STATUS AND NATURE OF BUSINESS

International Knitwear Limited (hereinafter referred as the Company or IKL) is a public limited company listed on Karachi and Islamabad stock exchanges. The Registered office of the Company is located at Plot # F-2A/L, SITE, Karachi. Its principal activities are knitting, dyeing, stitching, export of garments and providing dyeing facilities.

### 2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of Preparation

##### Statement of compliance

These financial statements have been prepared in accordance with the accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or the directive issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

##### Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- Provision for impairment of trade debts;
- Provision for obsolete inventory;
- Taxation; and
- Valuation of Work in Process.

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### **New or Revised Standards, amendments and interpretations which became effective during the period:**

There were certain new standards and amendments to the approved accounting standards and new interpretations which became effective during the year but are considered not to be relevant or have no material effect on the company's operations or did not have any material impact on the company's accounting policies and are, therefore, not disclosed in these financial statements.

### **New or Revised Standards, amendments and interpretations issued but not yet effective:**

	<b>Effective For Periods Beginning</b>
IFRS 1 First time adoption of financial reporting standards (amendments)	January 1, 2013
IFRS 7 Financial instruments: Disclosures (amendments)	January 1, 2013
IFRS 9 Financial instruments	January 1, 2015
IFRS 10 Consolidated financial statements	January 1, 2013
IFRS 11 Joint arrangements	January 1, 2013
IFRS 12 Disclosure of interests in other entities	January 1, 2013
IFRS 13 Fair value measurement	January 1, 2013
IAS 16 Property, plant and equipment (amendments)	January 1, 2013
IAS 19 Employee benefits (amendments)	January 1, 2013
IAS 27 Separate financial statements (amendments)	January 1, 2013
IAS 28 Investments in associates and joint ventures (amendments)	January 1, 2013
IAS 32 Financial instruments - Presentation (amendments)	January 1, 2014
IAS 34 Interim financial reporting (amendments)	January 1, 2013
IAS 39 Financial instruments - Recognition and measurement (amendments)	January 1, 2013
IFRIC 20 Stripping costs in the production phase of a surface mine	January 1, 2013
IFRIC 21 Levies - an interpretation on the accounting for levies imposed by Government	January 1, 2013

### **2.2 Accounting Convention**

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 2.3 Property, Plant and Equipment

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method. In respect of additions, depreciation is charged from the month in which assets is put to use to the month prior to disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Gain and loss arising on disposal of property, plant and equipment is included in income in the year of disposal.

#### Assets subject to finance lease

The Company accounts for fixed assets acquired under finance lease by recording the asset and the corresponding liability. These amounts are based on discounting value of minimum lease payments. Financial charges are allocated to the income in the period.

#### Capital work in progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date and represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets start operation.

### 2.4 Stock-in-Trade

- a) Raw, Packing and other materials are valued at the lower of cost calculated on a first-in-first-out basis and net realizable value.
- b) Work in Process is valued at material cost plus estimated conversion cost.
- c) Finished Goods are valued at lower of cost and net realizable value (NRV). NRV signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.
- d) Stock-in-transit is valued at cost comprising invoice value plus other charges incurred thereon.

### 2.5 Trade Debts

Trade debts are carried at nominal values less provisions for doubtful debts. Known bad debts, if any, are written off and provision is made against debts considered doubtful. Provision for doubtful debts is based on management's assessment of customer's creditworthiness.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 2.6 Staff Retirement Benefits

The Company operates an approved defined contributory provident fund scheme for eligible employees. Equal contributions are made to the fund by the Company and the employees at the rate of 8.33 % of basic salary.

### 2.7 Compensated Absences

The company has a policy to provide for compensated absences for all employees in accordance with the rules of the company.

### 2.8 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation in accordance with the final tax regime, of the Income Tax Ordinance, 2001. Income not covered under final tax regime is taxed under normal regime.

#### Deferred

Deferred tax is provided using the 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 tax rates enacted at the balance sheet date. However due to application of final tax basis of taxation, deferred taxation would not arise.

### 2.9 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are directly attributable to the construction of a qualifying asset in which case they are capitalized as part of the cost of that particular asset.

### 2.10 Provisions

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

### 2.11 Foreign Currencies Translation

Transactions in foreign currencies are accounted for in Pak Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies as at the balance sheet date are expressed in rupees at rates of exchange prevailing on that date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange gains and losses are included in income currently.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 2.12 Revenue Recognition

Revenue from export sales is recognized upon transfer of risks and rewards which coincides with shipment of goods.

Revenue from dyeing, knitting and local sales is recognized on completion of services and delivery of goods.

Dividend income is recognized when the company's right to receive is established.

Bank profit and commission income is recognized on accrual basis.

### 2.13 Financial Instruments

#### Financial Assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivable and cash and bank balances in the balance sheet.

#### c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. These comprise investment in shares.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified as held to maturity.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

### Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

Financial liabilities carried on the balance sheet include Medium term finances, short term finances under markup arrangements and trade and other payables.

### 2.14 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash balances, current and deposit account balances with banks, and Running finance facilities availed by the company, which form an integral part of company's cash management and are included as part of cash and cash equivalents for the purpose of statement of cash flow.

### 2.15 Off - Setting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

### 2.16 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 2.17 Related Party Transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances, where subject to the approval of the Board of Directors, it is in the interest of the company to do so.

### 2.18 Impairment of Assets

The carrying value of fixed assets is reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists and the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount.

### 2.19 Segments Reporting

#### Identification of segments

Export division  
Local division

A new segment has been classified during the period, which is named "Local division".

Dyeing segment has been discontinued during the period.

#### Method of pricing inter-segment transfer:

These are transferred on the basis of actual cost.

#### Basis for allocation for revenue and expenses:

Revenue in respect of each segment is separately identifiable and expenses are allocated on the basis of revenue. However, depreciation is allocated on the following basis.

#### Segment Allocation

Basis of allocation	Export	Local
Depreciation on all assets	19.86%	80.14%

3. PROPERTY, PLANT AND EQUIPMENT	Note	2013 Rupees	2012 Rupees
Operating owned assets	3.1	34,895,493	40,447,483
Capital work in progress:			
- Building development charges		163,190	163,190
- Plant and machinery	3.4	339,937	11,103,787
		503,127	11,266,977
		<u>35,398,620</u>	<u>51,714,460</u>





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 3.1 Operating Owned Assets

	Leasehold Land	Factory Building	Plant and Machinery	Furniture and Fittings	Office Equipments	Motor Vehicle	Computers	Total
	(RUPEES)							
<b>Year ended June 30, 2012</b>								
Opening net book amount	4,108,715	2,958,817	15,952,408	271,250	409,113	1,569,253	294,505	25,564,061
Additions	12,000,000	360,000	4,885,008	132,000	-	1,955,000	9,060	19,341,068
Disposals	-	-	(16,906,055)	-	-	-	-	(16,906,055)
Depreciation charge	(167,177)	(356,904)	(3,086,472)	(56,727)	(75,329)	(545,517)	(80,145)	(4,368,270)
Adjustment	-	-	15,816,680	-	-	-	-	16,816,680
<b>Closing net book amount</b>	<b>15,941,538</b>	<b>2,961,913</b>	<b>17,661,569</b>	<b>346,523</b>	<b>333,784</b>	<b>2,978,736</b>	<b>223,420</b>	<b>40,447,483</b>
<b>At June 30, 2012</b>								
Cost	16,717,652	7,408,073	37,758,239	666,005	794,330	5,935,090	433,100	69,712,489
Accumulated depreciation	(776,114)	(4,446,160)	(20,096,670)	(319,482)	(460,546)	(2,956,354)	(209,680)	(29,265,005)
<b>Net book amount</b>	<b>15,941,538</b>	<b>2,961,913</b>	<b>17,661,569</b>	<b>346,523</b>	<b>333,784</b>	<b>2,978,736</b>	<b>223,420</b>	<b>40,447,483</b>
<b>Year ended June 30, 2013</b>								
Opening net book amount	15,941,538	2,961,913	17,661,569	346,523	333,784	2,978,736	223,420	40,447,483
Additions	-	1,064,235	10,689,657	30,000	-	-	131,100	11,914,992
Disposals	(12,000,000)	-	(7,229,331)	-	(290,295)	-	(112,750)	(19,632,376)
Depreciation charge	(167,177)	(377,617)	(3,372,602)	(58,067)	(58,799)	(741,018)	(84,611)	(4,859,890)
Adjustment	240,000	-	6,414,965	-	281,511	-	88,808	7,025,284
<b>Closing net book amount</b>	<b>4,014,362</b>	<b>3,648,531</b>	<b>24,164,258</b>	<b>318,456</b>	<b>266,201</b>	<b>2,237,718</b>	<b>245,967</b>	<b>34,895,493</b>
<b>At June 30, 2013</b>								
Cost	4,717,652	8,472,308	41,218,565	696,005	504,035	5,935,090	451,650	61,995,305
Accumulated depreciation	(703,990)	(4,823,777)	(17,054,307)	(377,549)	(237,834)	(3,697,372)	(205,483)	(27,099,612)
<b>Net book amount</b>	<b>4,014,362</b>	<b>3,648,531</b>	<b>24,164,258</b>	<b>318,456</b>	<b>266,201</b>	<b>2,237,718</b>	<b>245,967</b>	<b>34,895,493</b>
<b>Rate of depreciation</b>	<b>1%</b>	<b>5%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>20%</b>	<b>20%</b>	





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 3.2 DETAIL OF DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Book Value	Sale proceeds	Gain	Mode of disposal	Particulars of Purchaser
	(Rupees)						
Plant and machinery	7,229,331	(6,414,965)	814,366	2,068,640	1,254,274	Negotiation	Miscellaneous
leasehold Land	12,000,000	(240,000)	11,760,000	12,000,000	240,000	Negotiation	IBL Operation
Office equipment	290,295	(281,511)	8,784	118,421	109,637	Negotiation	Miscellaneous
Computer	112,750	(88,808)	23,942	40,000	16,058	Negotiation	Miscellaneous
<b>Total</b>	<b>19,632,376</b>	<b>(7,025,284)</b>	<b>12,607,092</b>	<b>14,227,061</b>	<b>1,619,969</b>		

### 3.3 SEGMENT WISE ALLOCATION OF DEPRECIATION CHARGE FOR THE YEAR

Allocation criteria	2013			2012		
	EXPORT	LOCAL	TOTAL	EXPORT	LOCAL	TOTAL
	(Rupees)					
Lease hold land	19.86 : 80.14	9,959	40,193	50,153	-	50,153
Factory building	19.86 : 80.14	22,496	90,789	113,285	-	113,285
Plant and machinery	19.86 : 80.14	33,486	135,144	168,630	-	168,630
<b>Cost of goods sold</b>		<b>65,941</b>	<b>266,127</b>	<b>311,548</b>	<b>-</b>	<b>311,548</b>
Furniture and fittings	19.86 : 80.14	7,582	30,599	38,181	-	38,181
Office equipments	19.86 : 80.14	7,272	29,349	36,622	-	36,622
Motor vehicles	19.86 : 80.14	95,647	386,014	481,662	-	481,662
Computers	19.86 : 80.14	11,174	45,097	56,272	-	56,272
<b>Admin and selling expenses</b>		<b>121,677</b>	<b>491,061</b>	<b>612,736</b>	<b>-</b>	<b>612,736</b>
		<b>187,618</b>	<b>757,188</b>	<b>538,864</b>	<b>-</b>	<b>538,864</b>

Depreciation charge to dyeing segment (Cost of good sold) was Rs. 3,585,328 (2012: 3,299,005).

Depreciation charge to dyeing segment (Admin and selling expenses) was Rs. 329,759 (2012: 540,403).

### 3.4 MOVEMENT IN CAPITAL WORK IN PROGRESS

	2013 Rupees	2012 Rupees
Opening balance	11,266,977	5,463,406
Add: Addition during the year	145,746	6,379,079
Less: Transfer to operating assets	(10,909,596)	(575,508)
	<b>503,127</b>	<b>11,266,977</b>

### 4. LONG TERM DEPOSITS

Security deposits	<b>1,607,669</b>	<b>1,607,669</b>
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4.1 These represent guarantees given to Sui Southern Gas Company Limited, Karachi Electric Supply Company and Mobilink.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 5. INVESTMENT Quoted Companies

Number of Shares			Opening Balance	Addition/ (Disposal)	Fair Value Adjustment	2013	2012
2013	2012					Rupees	Rupees
600	330	The Scarle Company Limited	15,609	11,202	21,525	48,336	15,609
450	437	Shell Pakistan Limited	56,373	2,067	7,710	66,150	56,373
450	450	Fauji Fertilizer Company Limited	51,525	-	(2,327)	49,199	51,525
140	140	Attock Petroleum Limited	68,306	-	8,694	77,000	68,306
140	130	Engro Corporation Limited	13,364	1,220	2,987	17,571	13,364
110	110	Oil and Gas Development Company Limited	17,943	-	7,537	25,480	17,943
160	150	Pakistan Oilfields Limited	55,800	5,060	19,940	80,800	55,800
500	385	Pakistan Petroleum Limited	74,297	4,187	30,511	108,995	74,297
270	185	Pakistan State Oil Company Limited	44,400	1,204	40,982	86,586	44,400
			<u>397,617</u>	<u>24,940</u>	<u>137,560</u>	<u>560,118</u>	<u>397,617</u>

6. STOCK IN TRADE	Note	2013 Rupees	2012 Rupees
Raw material		2,037,665	6,003,935
Work-in-process		12,899,745	5,842,968
Finished goods		1,174,431	627,721
		16,111,841	12,474,624
Less: Provision for obsolescence	6.1	-	(414,823)
		<u>16,111,841</u>	<u>12,059,801</u>

#### 6.1 Reconciliation of provision for impairment of obsolescence stock

Opening provision	414,823	414,823
Charged for the year	558,853	-
Written off during the year	(973,676)	-
	<u>-</u>	<u>414,823</u>





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>7. TRADE DEBTS - CONSIDERED GOOD</b>			
Export - secured, considered good		12,375,148	2,421,682
Local - unsecured			
- Considered good		22,368,702	43,815,775
- Considered doubtful		4,706,536	1,423,270
		27,075,238	45,239,045
Less: Provision for bad debts	7.1	(4,706,536)	(1,423,270)
		<u>34,743,850</u>	<u>46,237,457</u>
<b>7.1 Reconciliation of provision for impairment of trade debts</b>			
Opening provision		1,423,270	1,423,270
Charged for the year		3,728,514	-
Written off during the year		(445,248)	-
		<u>4,706,536</u>	<u>1,423,270</u>
<b>8. Advances, Deposits, Prepayments And Other Receivables</b>			
<b>LOAN - unsecured, considered good</b>			
Loan to employees	8.1	215,992	440,577
<b>ADVANCES - unsecured, considered good</b>			
Advance to contractor, employees and supplier		934,812	452,347
<b>OTHER RECEIVABLES</b>			
Sales tax refundable	8.2	1,689,166	5,319,097
Export rebate receivables		220,941	309,033
Research and development receivable		1,485,313	1,485,313
		3,395,420	7,113,443
		<u>4,546,224</u>	<u>8,006,367</u>

**8.1** The unsecured loans to employees are granted in accordance with the terms of employment. Loans are recoverable in monthly installments over a period ranging between 3 to 5 years and are interest free. The outstanding balance as at June 30, 2012 pertains to a period between 1 - 2 years.

**8.2** Sales tax refundable amounting to Rs. 3.6 million has been written off during the year.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>9. CASH AND BANK BALANCES</b>			
Cash in hand		-	-
With banks in:			
- Treasures call accounts		56,102	498,351
- Current accounts		18,859	137,161
		<u>74,961</u>	<u>635,512</u>
		<b>74,961</b>	<b>635,512</b>

## 10. SHARE CAPITAL

Authorized share capital			
Number of Shares			
<u>2013</u>	<u>2012</u>		
6,000,000	6,000,000	Ordinary Shares of Rs. 10/- each	60,000,000
			<u>60,000,000</u>
Issued, subscribed and paid-up share capital			
Number of Shares			
<u>2013</u>	<u>2012</u>		
3,000,000	3,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	30,000,000
225,000	225,000	Ordinary shares of Rs. 10 each issued as bonus shares	2,250,000
<u>3,225,000</u>	<u>3,225,000</u>		<u>32,250,000</u>
			<b>32,250,000</b>

## 11. MEDIUM TERM FINANCE

Loan for generator		833,334	1,666,667
Less: Current Maturity	12	(833,334)	(833,333)
		<u>-</u>	<u>833,334</u>

This represents medium term finance obtained from Bank Al-Habib Limited for a tenure of 3 years payable in 36 equal monthly installments @ of mark-up equal to 1 year KIBOR + 3% (2012: Mark-up equal to 1 year KIBOR + 3% ). Secured against hypothecation charge over stocks and equitable mortgage over factory property at Plot # F-2A/L, SITE, Karachi amounting to Rs. 64.7 million (with 60% margin), and lien over export documents and personal guarantees of Directors of the Company.

## 12. SHORT TERM FINANCE UNDER MARK-UP ARRANGEMENTS

Running finance facility	12.1	4,748,992	4,986,758
Export refinance facility	12.2	3,000,000	5,225,000
Current maturity of Medium term finance	11	833,334	833,333
		<u>8,582,326</u>	<u>11,045,091</u>





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 12.1 Limit Rs. 5 million

Secured against hypothecation charge over stocks and equitable mortgage over factory property at Plot # F-2A/L, SITE, Karachi amounting to Rs. 64.7 million (with 60% margin), and lien over export documents and personal guarantees of Directors of the Company. The rate of mark-up is equal to 3 Months KIBOR + 2.5% with a floor of 12% p.a (2012: 3 Months KIBOR + 2.5% with a floor of 12% p.a). The facility is renewable and is valid till June 30, 2013.

### 12.2 Limit Rs. 12.5 million.

Secured against hypothecation charge over stocks and equitable mortgage over factory property at Plot # F-2A/L, SITE, Karachi amounting to Rs. 64.7 million (with 60% margin), and lien over export documents and personal guarantees of Directors of the Company. The finance carry mark up equals to SBP export refinance rate +1% (2012: SBP export refinance rate +1%). The facility is renewable and is valid till June 30, 2013.

13. TRADE AND OTHER PAYABLES		2013 Rupees	2012 Rupees
Creditors		31,473,044	35,709,213
Accrued expenses		4,313,013	5,771,418
Compensated absences payable		1,657,905	1,918,794
Other fund payable	13.1	2,463,012	5,935,062
Workers' profit participation fund	13.2	3,610,424	3,749,104
Workers' welfare fund		822,402	1,158,030
Advance from customers		52,240	2,252,623
Advance for sale of machine		6,000,000	-
Unclaimed dividend		817,580	480,141
Others		81,572	875,161
		<u>51,291,192</u>	<u>57,849,546</u>

### 13.1 Other Fund Payable

Provident fund	13.1.1	2,425,452	5,927,802
EOBI payable		37,560	7,260
		<u>2,463,012</u>	<u>5,935,062</u>

13.1.1 This represents loan acquired from provident fund which carries mark-up @ 18% p.a.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
<b>13.2 Workers' Profit Participation Fund</b>		
Opening balance	3,749,104	3,189,653
Provision for the year	-	428,758
Interest on workers' profit participation fund payable	154,990	130,693
	<u>3,904,094</u>	<u>3,749,104</u>
Less: Payments made during the year	(293,670)	-
	<u>3,610,424</u>	<u>3,749,104</u>

## 14. TAXATION

### Provision for taxation

Opening Balance	1,926,732	3,173,555
Add: Charge for the year	756,346	1,124,232
Charge for prior year	-	33,738
	<u>756,346</u>	<u>1,157,970</u>
Less: Payments made during the year	(3,094,625)	(2,404,793)
	<u>(411,547)</u>	<u>1,926,732</u>

Relationship between tax expense and accounting profit has been not presented as tax has been computed under section 113 of Income Tax Ordinance, 2001 i.e. Minimum tax and final tax regime.

## 15. CONTINGENCIES AND COMMITMENTS

### Contingencies

Bank Al-Habib Limited has issued bank guarantees of Rs. 3 million (2012: Rs. 3 million) on behalf of the Company.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

16. NET SALES	Note	EXPORT		LOCAL		TOTAL	
		2013	2012	2013	2012	2013	2012
		Rupees					
Export		19,611,485	37,893,728	-	-	19,611,485	37,893,728
Local sale of export quality goods		-	28,078,780	-	-	-	28,078,780
Sales local		-	-	86,135,392	-	86,135,392	-
Sales discount		-	(69,195)	(71,731)	-	(71,731)	(69,195)
Export rebates		78,446	268,039	-	-	78,446	268,039
Other sales		1,635,114	1,443,398	-	-	1,635,114	1,443,398
Transferred to dyeing segment		(386,751)	(3,976,019)	(1,560,848)	-	(1,947,599)	(3,976,019)
		20,938,294	63,638,731	84,502,813	-	105,441,107	63,638,731
17. COST OF GOODS SOLD							
Raw and packing material consumed							
Opening stock		2,383,983	751,203	-	-	2,383,983	751,203
Purchases		2,458,551	33,703,249	51,737,852	-	54,196,403	33,703,249
Closing stock		(514,318)	(2,383,983)	(1,523,347)	-	(2,037,665)	(2,383,983)
		4,328,216	32,070,469	50,214,505	-	54,542,721	32,070,469
Salaries, allowances and benefits		1,186,926	4,869,652	4,790,200	-	5,977,126	4,869,652
Provident fund contribution		44,333	177,971	178,921	-	223,254	177,971
Knitting charges		307,505	1,447,216	2,230,474	-	2,537,979	1,447,216
Dyeing and other charges		2,070,845	3,181,070	8,470,396	-	10,541,241	3,181,070
Embroidery/ Printing charges		951,878	2,554,100	5,367,443	-	6,319,321	2,554,100
Stitching charges		1,857,965	5,864,925	7,970,945	-	9,828,910	5,864,925
Fuel and power		405,635	1,459,062	1,637,061	-	2,042,696	1,459,062
Communication		19,147	100,873	77,273	-	96,420	100,873
Postage & telegrams		16,662	125,724	67,244	-	83,906	125,724
Repairs and maintenance		184,956	345,104	746,447	-	931,403	345,104
Staff welfare and medical expenses		11,632	6,134	46,945	-	58,577	6,134
Motor vehicle and conveyance		137,749	445,818	555,928	-	693,677	445,818
Insurance		16,250	57,266	65,582	-	81,832	57,266
Depreciation	3.3	65,941	311,548	266,127	-	332,068	311,548
Clearing and forwarding		198,479	336,470	-	-	198,479	336,470
Freight, octroi and cartage		356,641	935,111	850,573	-	1,207,214	935,111
Export Development Charges		9,518	98,898	38,413	-	47,931	98,898
Reversal of GST refundable		219,667	-	886,533	-	1,106,200	-
Others		75,086	606,950	303,032	-	378,118	606,950
		8,136,816	22,923,892	34,549,535	-	42,686,352	22,923,892
Work-in-process							
Opening stock		4,855,616	1,956,160	-	-	4,855,616	1,956,160
Closing stock		(302,230)	(4,855,616)	(12,597,515)	-	(12,899,745)	(4,855,616)
		4,553,386	(2,899,456)	(12,597,515)	-	(8,044,129)	(2,899,456)
Cost of goods manufactured		17,018,418	52,094,905	72,166,525	-	89,184,944	52,094,905
Finished goods							
Opening stock		627,721	510,180	-	-	627,721	510,180
Closing stock		(356,081)	(627,721)	(818,350)	-	(1,174,431)	(627,721)
		271,640	(117,541)	(818,350)	-	(546,710)	(117,541)
COST OF GOODS SOLD		17,290,058	51,977,364	71,348,175	-	88,638,234	51,977,364





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 18. ADMINISTRATIVE AND SELLING EXPENSES

Note	EXPORT		LOCAL		TOTAL	
	2013	2012	2013	2012	2013	2012
	Rupees					
Salaries, allowances and benefits	780,540	1,674,775	3,150,106	-	3,930,646	1,674,775
Provident fund contribution	36,298	73,837	146,491	-	182,789	73,837
Communication	25,546	26,863	103,097	-	128,643	26,863
Postage & telegrams	5,932	42,675	23,940	-	29,872	42,675
Staff welfare and medical expenses	19,350	77,629	78,092	-	97,442	77,629
Traveling and conveyance	207,910	542,613	839,083	-	1,046,993	542,613
Repair and maintenance	15,905	27,801	64,188	-	80,093	27,801
Legal and professional charges	34,827	152,268	140,555	-	175,382	152,268
Auditors' remuneration	18.1	37,108	86,250	-	186,868	86,250
Depreciation	3.3	121,676	227,316	-	612,736	227,316
Printing and stationery	18,247	37,742	73,640	-	91,886	37,742
Advertisement and publicity	3,647	17,090	14,719	-	18,366	17,090
Fee, subscription and periodicals	83,715	206,368	337,858	-	421,574	206,368
Rent, rate and taxes	18,843	9,000	76,045	-	94,888	9,000
Insurance	7,207	68,116	29,085	-	36,292	68,116
Others	7,669	5,708	30,948	-	38,616	5,708
	1,424,418	3,276,051	5,748,667	-	7,173,084	3,276,051

#### 18.1 Auditors' Remuneration

	2013 Rupees	2012 Rupees
Annual audit	187,500	187,500
Half yearly review	75,000	75,000
Out of pocket expenses	25,000	25,000
	<u>287,500</u>	<u>287,500</u>

### 19. OTHER INCOME

	EXPORT		LOCAL		TOTAL	
	2013	2012	2013	2012	2013	2012
	Rupees					
<b>Income From Financial Assets</b>						
Exchange (loss) / gain - net	(580)	105,686	-	-	(580)	105,686
Profit on bank accounts	16,888	107,763	68,159	-	85,047	107,763
Dividend income	4,891	24,225	19,738	-	24,629	24,225
Other income	-	54,913	-	-	-	54,913
<b>Income From Non-Financial Assets</b>						
Gain on disposal of property, plant and equipment	362,328	773,281	-	-	362,328	773,281
	383,527	1,065,868	87,895	-	471,424	1,065,868





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 20. FINANCE COSTS

	EXPORT		LOCAL		TOTAL	
	2013	2012	2013	2012	2013	2012
	Rupees					
Mark-up on export refinance	90,229	445,392	364,147	-	454,376	445,392
Mark-up on running finance	44,620	-	180,076	-	224,695	-
Bank charges on export remittances	23,153	100,741	93,441	-	116,594	100,741
Mark-up on P.F. Loan	103,825	246,715	419,018	-	522,844	246,715
Mark-up on W.P.P.F	19,475	39,208	78,596	-	98,070	39,208
Bank charges	40,694	194,120	164,233	-	204,927	194,120
Long Term Loan (Generator)	21,454	105,909	86,585	-	108,039	105,909
Mark-up on SPL Loan	15,710	-	63,400	-	79,110	-
	359,159	1,132,085	1,449,495	-	1,808,654	1,132,085

### 21. OTHER CHARGES

Workers' Profit Participation Fund	-	415,955	-	-	-	415,955
Workers' Welfare Fund	17,060	158,063	68,851	-	85,911	158,063
	17,060	574,018	68,851	-	85,911	574,018

### 22. SEGMENT INFORMATION

A segment is a distinguishable component of the company that is engaged in business activities from which the Company earns revenues and incur expenses and its results are regularly reviewed by the Company's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure and products produced and sold, the Company is organized into the following two operating segments:

- Export
- Dyeing

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Dyeing segment has been discontinued during the period.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

23. EARNINGS / (LOSS) PER SHARE-BASIC AND DILUTED	Note	2013 Rupees	2012 Rupees
<b>From continuing operations</b>			
Profit after taxation		7,580,993	7,352,968
Number of ordinary shares		3,225,000	3,225,000
<b>Earnings per share</b>		<b>2.35</b>	<b>2.28</b>
<b>From discontinued operation</b>			
(Loss) for the year		(21,528,922)	(527,080)
Number of ordinary shares		3,225,000	3,225,000
<b>(Loss) per share</b>		<b>(6.68)</b>	<b>(0.16)</b>

## 24. CASH AND CASH EQUIVALENTS

Cash and bank balances	9	74,961	635,512
Running finance facility	12.1	(4,748,992)	(4,986,758)
		<b>(4,674,031)</b>	<b>(4,351,246)</b>

## 25. REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits to the Chief executive and Other Executives of the Company are as follows:

	2013		2012	
	CHIEF EXECUTIVE	OTHER EXECUTIVES	CHIEF EXECUTIVE	OTHER EXECUTIVES
	Rupees			
Basic salary	1,383,871	1,496,774	1,238,710	1,470,968
Allowances	761,129	823,226	681,290	809,032
Company's contribution to provident fund	115,320	124,732	103,224	122,556
	<b>2,260,320</b>	<b>2,444,732</b>	<b>2,023,224</b>	<b>2,402,556</b>
Number of person(s)	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>

25.1 A sum of Rs. 43,000 (2012: Rs. 37,500) was paid being fee for attending the Board of Directors' meeting.

25.2 Chief executive and Other Executives are provided with free use of Company maintained cars. They are also entitled for medical facility to the extent of reimbursement of actual expenditure and other benefits in accordance with their terms of employment.

25.3 Executive means an employee other than Chief Executive and Director whose basic salary exceeds five hundred thousand rupees in the financial year.

25.4 No remuneration was paid to the Directors.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 26. DISCONTIUED OPERATIONS

In December 2012 the company decided to discontinue its dyeing segment. However, the criteria for classifying the assets as held for sale under IFRS 5 could not be met by the company so the assets are not classified as held for sale. The assets pertaining to dyeing segment cost 17.9 million.

### 27. SEGMENT INFORMATION

A segment is a distinguishable component of the company that is engaged in business activities from which the Company earns revenues and incur expenses and its results are regularly reviewed by the Company's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure and products produced and sold, the Company is organized into the following two operating segments:

- Export
- Local sales

Dyeing segment has been discontinued during the period.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Segment revenue and segment result for the year are as follows:

	Note	2013 Rupees	2012 Rupees
Gross sales	27.1	26,138,382	90,726,147
Inter-segment transfer		1,947,599	3,976,019
<b>Net Sales</b>		<b>28,085,981</b>	<b>94,702,166</b>
Cost of goods sold	27.2	(46,236,021)	(88,091,562)
<b>Gross (loss) / profit</b>		<b>(18,150,040)</b>	<b>6,610,604</b>
Administrative and selling expenses	27.3	(3,512,527)	(6,787,272)
<b>Segment results</b>		<b>(21,662,567)</b>	<b>(176,668)</b>
Other income	27.4	1,167,699	2,145,473
Finance cost	27.5	(882,451)	(1,712,360)
Other charges	27.6	(20,911)	(17,668)
<b>(Loss) / profit before taxation</b>		<b>(21,398,230)</b>	<b>238,777</b>
<b>Taxation</b>			
- Current		(130,692)	(747,975)
- Prior		-	(17,881)
		(130,692)	(765,856)
<b>(Loss) from discontinued operation</b>		<b>(21,528,922)</b>	<b>(527,080)</b>





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

27.1	GROSS SALES	Note	2013 Rupees	2012 Rupees
	Dyeing		27,346,434	85,828,389
	Sales discount		(1,711,674)	(1,109,129)
	Commission		(211,115)	-
	Other sales		714,737	6,006,887
			<u>26,138,382</u>	<u>90,726,147</u>
27.2	COST OF GOODS SOLD			
	Raw and packing material consumed			
	Opening stock		3,619,953	2,173,018
	Purchases		10,343,610	34,823,363
	Closing stock		-	(3,619,953)
			13,963,563	33,376,428
	Salaries, allowances and benefits		3,405,693	8,798,851
	Provident fund contribution		93,898	255,031
	Dyeing and other charges		1,920,483	3,296,948
	Fuel and power		13,234,510	33,042,348
	Communication		77,315	186,696
	Postage & telegrams		-	1,291
	Repairs and maintenance		1,365,738	2,778,186
	Staff welfare and medical expenses		6,198	14,447
	Motor vehicle and conveyance		288,031	335,326
	Insurance		115,349	86,125
	Depreciation	3.3	3,585,328	3,299,005
	Freight, octroi and cartage		834,880	1,796,722
	Bad debts expenses		3,728,514	-
	Reversal of GST refundable		2,581,132	-
	Others		48,038	738,789
			31,285,107	54,629,765
	Work-in-process			
	Opening stock		987,352	1,072,721
	Closing stock		-	(987,352)
			987,352	85,369
	COST OF GOODS SOLD		<u>46,236,021</u>	<u>88,091,562</u>





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>27.3 ADMINISTRATIVE AND SELLING EXPENSES</b>			
Salaries, allowances and benefits		2,024,294	3,907,802
Provident fund contribution		87,943	171,904
Communication		65,564	62,681
Postage & telegrams		16,559	35,234
Staff welfare and medical expenses		27,203	181,132
Traveling and conveyance		351,186	602,442
Repair and maintenance		38,087	64,869
Legal and professional charges		102,453	355,293
Auditors' remuneration	18.1	100,632	201,250
Depreciation	3.3	329,759	530,403
Printing and stationery		69,751	88,067
Advertisement and publicity		35,270	39,876
Fee, subscription and periodicals		132,843	319,166
Rent, rate and taxes		-	54,900
Insurance		84,680	158,935
Others		46,304	13,318
		<u>3,512,527</u>	<u>6,787,272</u>
<b>27.4 OTHER INCOME</b>			
Income From Financial Assets			
Other income		-	128,129
Income From Non-Financial Assets			
Gain on disposal of property, plant and equipment		1,167,699	2,017,344
		<u>1,167,699</u>	<u>2,145,473</u>
<b>27.5 FINANCE COST</b>			
Mark-up on running finance		330,217	718,969
Mark-up on P.F Loan		362,209	575,667
Mark-up on W.P.P.F		56,920	91,485
Bank charges		51,583	79,117
Long term loan (Generator)		81,522	247,122
		<u>882,451</u>	<u>1,712,360</u>
<b>27.6 OTHER CHARGES</b>			
Workers' Profit Participation Fund		-	12,803
Workers' Welfare Fund		20,911	4,865
		<u>20,911</u>	<u>17,668</u>





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 28. TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions. The related parties comprise staff retirement funds, directors and key management personnel. Transactions with related parties, other than those disclosed elsewhere in these financial statements, are follows:

Balances:	2013 Rupees	2012 Rupees
Provident Fund - outstanding balance	2,425,452	5,927,802
Transactions:		
Contribution to staff retirement benefit plans	587,884	678,743
Key management personnel's remuneration and other benefits	2,444,732	2,402,556

### 29. FINANCIAL INSTRUMENTS

#### Financial risk management objective and policies

The Board of Directors of the company 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.

The Company's activities expose it to a variety of liquidity risk, credit risk, financial risk, and market risk (including currency risk, interest rate risk and price risk). Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

#### 29.1 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and cash equivalents. The following are the contractual maturities of financial assets and financial liabilities.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### (i) On balance sheet assets and liabilities:

2013								
Effective rate of interest %	INTEREST/MARK-UP BEARING			NON INTEREST/MARK-UP BEARING			Total	
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total		
Rupees								
<b>Financial assets:</b>								
Long term deposits	-	-	-	-	1,607,669	1,607,669	1,607,669	
Investments	-	-	-	-	560,118	560,118	560,118	
Trade debts	-	-	-	34,743,850	-	34,743,850	34,743,850	
Advances, deposits, prepayments and other receivables	-	-	-	3,611,412	-	3,611,412	3,611,412	
Cash and bank balances	5%	56,102	-	56,102	18,859	-	18,859	74,961
		56,102	-	56,102	38,374,121	2,167,787	40,541,907	40,598,009
<b>Financial liabilities:</b>								
Medium term finance	1 Year KIBOR + 3%	833,334	833,334	-	-	-	833,334	
Short term finances under mark-up arrangements	3 Months KIBOR + 2 & 2.5% & SBP rate	7,748,992	7,748,992	-	-	-	7,748,992	
Trade and other payables		6,035,876	6,035,876	45,255,316	-	45,255,316	51,291,192	
		14,618,202	14,618,202	45,255,316	-	45,255,316	59,873,518	
Sensitivity gap		(14,562,100)	(14,562,100)	(6,881,195)	2,167,787	(4,713,409)	(19,275,509)	

### (ii) Off balance sheet liabilities as stated in note 15 amounts to Rs. 3 million.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### (i) On balance sheet assets and liabilities:

2012							
Effective rate of interest %	INTEREST/MARK-UP BEARING			NON INTEREST/MARK-UP BEARING			Total
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	
Rupees							

#### Financial assets:

Long term deposits	-	-	-	-	1,607,669	1,607,669	1,607,669
Investments	-	-	-	-	397,617	397,617	397,617
Trade debts	-	-	-	46,237,457	-	46,237,457	46,237,457
Advances, deposits, prepayments and other receivables	-	-	-	7,554,020	-	7,554,020	7,554,020
Cash and bank balances	5%	498,351	-	498,351	137,160	-	137,160
		498,351	-	498,351	53,928,637	2,005,286	55,933,924
							56,432,275

#### Financial liabilities:

Medium term finance	1 Year KIBOR + 3%	833,333	833,334	1,666,667	-	-	-	1,666,667
Short term finances under mark-up arrangements	3 Months KIBOR + 1 & 2.5% & SBP rate	10,211,758	-	10,211,758	-	-	-	10,211,758
Trade and other payables		9,676,906	-	9,676,906	48,172,640	-	48,172,640	57,849,546
		20,721,997	833,334	21,555,331	48,172,640	-	48,172,640	69,727,971
Sensitivity gap		(20,223,646)	(833,334)	(21,056,980)	5,755,998	2,005,286	7,761,284	(13,295,696)

### (ii) Off balance sheet liabilities as stated in note 15 amounts to Rs. 3 million.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 29.2 Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its trade debts and balances at banks. Credit sales are essentially to Khaadi (2012:Bari Textile Mills (Private) Limited ). Receivable from export sales are secured against letter of credit. The credit risk on liquid funds is limited because counter parties are banks with reasonably high credit ratings.

#### i) Exposure to credit risk

The carrying amount of financial assets represents maximum credit exposure. The maximum exposure to credit risk at the date of reporting is as follows:

	2013 Rupees	2012 Rupees
<b>Financial assets:</b>		
Trade debts	34,743,850	46,237,457
Advances, deposits, prepayments and other receivables	3,611,412	7,554,020
	<u>38,355,262</u>	<u>53,791,477</u>

As on June 30, 2013, trade debts of Rs. 34,743,850 (2012: 46,237,457) were past due but not impaired. The aging analysis of these trade receivables is as follows.

Up to 3 months	11,841,700	18,941,617
3 to 6 months	533,448	8,355,464
6 to 12 months	3,638,387	17,821,154
Above 12 months	18,730,315	1,119,222
	<u>34,743,850</u>	<u>46,237,457</u>

Naeem Shafi  
Chief Executive

Waseem Shafi  
Director





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 29.3 Market Risk

#### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Financial assets include Rs. 3,471,429 (2012 : Rs. 2,421,682) which are subject to currency risk.

#### (ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no long term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

However, company do possess short term interest bearing financial liabilities which includes Rs. 8,582,326 (2012: Rs. 11,878,425) which are subject to interest rate risk. Applicable interest rate for financial instruments have been indicated in respective notes.

#### (iii) Other price risk

Price risk represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

### 29.4 Capital Risk Management

The Company's objective when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the company may adjust the amount of dividends paid to shareholders, issue new share and take other measures commensurate to the circumstances.

The capital structure of the Company is equity based. It has financed all its projects and business expansion through equity financing and never resorted on debt financing. Company has availed short-term borrowing for working capital purposes only.

#### Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair value.





# International Knitwear Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 30. CAPACITY AND PRODUCTION

	Installed Capacity	Actual Production	
		2013	2012
Export & Local (Pcs.)	400,000	287,056	120,164
Dyeing (Kgs.)	1,800,000	452,304	1,514,892

The dyeing segment has been discontinued during the year.

### 31. NUMBER OF EMPLOYEES

The permanent employees of the company at the balance sheet date are 52 (2012: 80).

### 32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the board of directors of the Company and authorized for issue on October 02, 2013.

### 33. FIGURES

33.1 Figures have been rounded off to the nearest of rupees.

33.2 Some of the previous year figures have been reclassified and re-arranged to facilitate better presentation in the current year.

**Naeem Shafi**  
Chief Executive

**Waseem Shafi**  
Director





# International Knitwear Limited

## KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS

Particulars	June 2013	June 2012	June 2011	June 2010	June 2009	June 2008
	Rupees					
Sale-Net	133,527,088	158,340,897	134,539,702	144,087,304	158,531,833	180,260,286
Cost of sales	(134,874,256)	(140,068,926)	(132,923,420)	(128,589,767)	(137,103,397)	(154,243,006)
Gross Profit	(1,347,167)	18,271,971	1,616,282	15,497,537	21,428,436	26,017,280
Administrative and selling expenses	(10,685,611)	(10,063,323)	(8,815,172)	(7,240,073)	(6,494,516)	(7,051,847)
Operating Profit /(loss)	(12,032,778)	8,208,648	(7,198,890)	8,257,464	14,933,920	18,965,433
Other income	1,639,123	3,211,342	537,777	616,123	2,830,233	781,279
Finance cost	(2,691,105)	(2,844,446)	(3,487,116)	(1,584,808)	(4,872,700)	(2,283,954)
Other charges	(106,822)	(591,686)	(107,632)	(517,000)	(882,649)	(1,198,425)
Profit/(loss) before taxation	(13,191,582)	7,983,858	(10,255,861)	6,771,779	12,008,804	16,264,333
Provision						
- prior	-	(33,738)	-	-	801,889	-
- current	(756,346)	(1,124,232)	(919,762)	(911,000)	(1,700,000)	(1,800,000)
Net profit/(loss) after taxation	(13,947,928)	6,825,888	(11,175,623)	5,860,779	11,110,693	14,464,333





# International Knitwear Limited

## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS AS AT JUNE 30, 2013

Number of Shareholders	Shareholdings' Slab			Total Share Held
179	1	to	100	5,557
215	101	to	500	54,611
670	501	to	1000	369,708
73	1001	to	5000	159,348
12	5001	to	10000	78,680
11	10001	to	15000	127,961
2	15001	to	20000	35,100
3	20001	to	25000	68,489
2	25001	to	30000	51,807
2	30001	to	35000	68,970
1	50001	to	55000	52,352
1	60001	to	65000	60,716
1	85001	to	90000	88,150
1	90001	to	95000	93,525
1	100001	to	105000	100,382
1	115001	to	120000	119,144
1	135001	to	140000	135,772
1	165001	to	170000	165,550
3	210001	to	215000	645,000
1	215001	to	220000	218,800
1	240001	to	245000	240,801
1	280001	to	285000	284,577
<b>1183</b>				<b>3,225,000</b>





# International Knitwear Limited

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
NAEEM AHMED SHAFI	3	139,346	4.32
WASEEM SHAFI	2	28,812	0.89
MUHAMMAD SHAFI	1	5,375	0.17
JAVED KHAN	1	500	0.02
ARSHAD AHMED	1	500	0.02
MOHAMMAD SAJID HUSSAIN	1	500	0.02
ZAHID ALI	1	537	0.02
HUMAIRA SHAFI	3	340,754	10.57
SALSABIL SHAFI	1	5,375	0.17
NOOR SHAFI	1	5,375	0.17
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	3	86,278	2.68
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	2	251,694	7.80
Mutual Funds			
National Bank Of Pakistan-Trustee Department NI(U)T Fund	1	119,144	3.69
General Public			
a. Local	1158	2,238,391	69.41
b. Foreign	-	-	-
Others	4	2,419	0.08
<b>Totals</b>	<b>1183</b>	<b>3,225,000</b>	<b>100.00</b>

Shareholders holding 5% or more	Shares Held	Percentage
HUMAIRA SHAFI	340,754	10.57
FIRST UDL MODARABA	240,801	7.47
FAISAL ABDULLA	215,000	6.67
KHALID MALIK	234,288	7.26
MUSHTAQ ABDULLA	215,000	6.67
RASHID ABDULLA	218,800	6.78
SHAHID ABDULLA	215,000	6.67





# International Knitwear Limited

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

S.No.	Folio #	Name of shareholder	Number of shares	Percentage	
<b>Directors and their spouse(s) and minor children</b>					
1	520	NAEEM AHMED SHAFI	574	0.02	
2	01826-52175	NAEEM AHMED SHAFI	3,000	0.09	
3	2	NAEEM SHAFI	135,772	4.21	
4	1	WASEEM SHAFI	26,312	0.82	
5	11387-8493	WASEEM SHAFI	2,500	0.08	
6	2911	MUHAMMAD SHAFI	5,375	0.17	
7	2982	JAVED KHAN	500	0.02	
8	2983	ARSHAD AHMED	500	0.02	
9	2981	MOHAMMAD SAJID HUSSAIN	500	0.02	
10	2883	ZAHID ALI	537	0.02	
11	19	HUMAIRA SHAFI	284,577	8.82	
12	2910	HUMAIRA SHAFI	21,177	0.66	
13	01826-12062	HUMAIRA SHAFI	35,000	1.09	
14	2912	SALSABIL SHAFI	5,375	0.17	
15	2913	NOOR SHAFI	5,375	0.17	
15			527,074	16.34	
<b>Public sector companies and corporations</b>					
1	03889-28	NATIONAL BANK OF PAKISTAN	67	0.00	
2	03889-44	NATIONAL BANK OF PAKISTAN	60,716	1.88	
3	07088-39	THE BANK OF PUNJAB, TREASURY DIVISION	25,495	0.79	
3			86,278	2.86	
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas</b>					
1	03277-1651	FIRST UDL MODARABA	240,801	7.47	
2	03277-78335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	10,893	0.34	
2			251,694	7.80	
<b>Mutual Funds</b>					
1	02154-27	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(UT) FUND	119,144	3.69	
1			119,144	3.69	
<b>Others</b>					
1	03277-82127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	382	0.01	
2	03939-12703	EXCEL SECURITIES (PRIVATE) LIMITED	1,000	0.03	
3	05728-24	STOCK STREET (PRIVATE) LIMITED	537	0.02	
4	06445-28	DARSON SECURITIES (PVT) LIMITED	500	0.02	
4			2,419	0.08	
<b>General Public Local</b>			1158	2,238,391	69.41
<b>Total</b>			1183	3,225,000	100.00





# International Knitwear Limited

## FORM OF PROXY

I/We \_\_\_\_\_ son/daughter/wife/husband of \_\_\_\_\_, Shareholder of International Knitwear Limited, holding \_\_\_\_\_ ordinary shares hereby appoint \_\_\_\_\_ who is my \_\_\_\_\_ [state relationship (if any) with the proxy; required by Government regulations] and the son / daughter / wife / husband of \_\_\_\_\_, (holding \_\_\_\_\_ ordinary shares in the Company under Folio No. \_\_\_\_\_) [required by Government] as my / our proxy, to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on October 25th, 2013 and / or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of Shares held	Signature over Revenue Stamp

### Witness 1

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

### Witness 2

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

### NOTES:

- The member is requested:
  - To affix Revenue Stamp of Rs. 5/- at the place indicated above.
  - To sign across the revenue Stamp in the same style of signature as is registered with the Company
  - To write down his folio Number.
- In order to be valid, this proxy must be received at the registered office of the Company at least 48 hours before the time fixed for the meeting, duly completed in all respects.
- CDC Shareholders or their proxies should bring their original Computerized National Identity Card or Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the Notes to the Notice of AGM.





## International Knitwear Limited

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