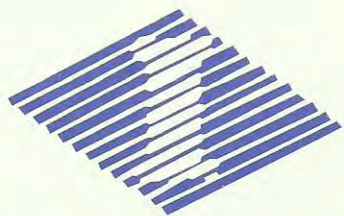


ANNUAL REPORT 2014



International Knitwear Limited



International Knitwear Limited

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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

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 Shakra-e-Faisal, Karachi-74400



International Knitwear Limited

VISION AND 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 Local and 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 24th Annual General meeting of the Shareholder of International knitwear limited will be held at 02:00 P.M on Friday, October 24, 2014 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 Friday, October 25, 2013.
2. To receive, consider and approve the Audited Financial Statement of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditor and fix their remuneration for the year 2014-2015. The present Auditors Baker Tilly Mehmood Idress Qamar , Chartered Accountants retire and being eligible , offer themselves for the re- appointment as auditors of the Company.

SPECIAL BUSINESS:

4. INCREASE IN THE AUTHORIZED SHARE CAPITAL SPECIAL- RESOULTION

To consider the increase of authorized share capital of the Company from Rs. 60 Million to Rs. 100 Million divided into 10,000,000 ordinary shares of Rs.10/- each and to consider and it thought fit to pass the following resolution as special resolution :

"RESOLVED that the authorized share capital of the Company be and is hereby increased from Rs.60,000,000 divided into 6,000,000 ordinary shares of Rs.10/ - each to Rs.100,000,000 divided into 10,000,000 ordinary shares of Rs. 10/- each, by the creation of 4,000,000 additional ordinary shares at nominal value of Rs.10/- each:

"FURTHER RESOLVED that the Memorandum and Articles of Association of the Company be and is hereby altered for increase in authorized share capital to read as follows:

Clause V of Memorandum of Association "The authorized capital of the Company is Rs.100,000,000/- divided into 10,000,000 ordinary shares of Rs. 10/- each"

Article 3 of Article of Association "The authorized capital of the Company is Rs.100, 000,000/- divided into 10,000,000/- ordinary shares of Rs.10/- each."



International Knitwear Limited

NOTICE OF ANNUAL GENERAL MEETING

FURTHER RESOLVED that Mr. Javed Khan, Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementation the aforesaid resolution.

5. To approve the remuneration of the Chief Executive and, if thought appropriate, to pass with or without modification(s) the following resolutions as an ordinary resolution:

"RESOLVED That approval be and is hereby granted for the holding of offices of profit in the Company by the Chief Executive, and the payment of remuneration to him for the respective periods of service in accordance with the service arrangements, contracts and the rules of the Company amounting, actual for the year 2013-14 Rs. 3.172 million approximately estimated for the year 2014-15 to Rs.4.170 million.

6. To consider and approve the disposal of Plant & machinery of the closed dyeing units.

"RESOLVED that approval be and is hereby granted for disposal of Plant and machinery of closed dyeing segment cost Rs.19.64 million.

7. To transact any other business with the permission of the Chair.

Karachi: October 03, 2014

By Order of the Board

Javed Khan
Company Secretary

Statement u/s 160(1) (b) of the Companies Ordinance 1984.

Item No 4 Increase in Authorized capital

The Company presently has an authorized Shares Capital of Rs. 60,000,000/ (Rupees Sixty Million) divided into 6,000,000 Ordinary Shares of Rs. 10/- each.

In order to facilitate further increase in the paid up capital the Board of Directors has recommended that the authorized share capital of the Company be raised to Rs.100,000,000 (Rupees One hundred Million) divided into 10,000,000 Ordinary shares of Rs. 10/- each by creation of 4,000,000 Ordinary Shares of Rs. 10/- each. For this purpose the Board of Directors has also recommended that the resolution be passed as Special resolution. The resolution increase the authorized Share Capital of the Company in the manner stated above and make the required consequential changes in the Memorandum and Articles of Association of the Company.



International Knitwear Limited

NOTICE OF ANNUAL GENERAL MEETING

Items No.5 Remuneration for the year 2013-14: Rs.3.172 million to the Chief Executive.

Estimated for the year 2014-15 Rs 4.170 Million to the Chief Executive as under:

	Chief Executive (Rs. In Million)	
	2014-15	2013-14
Managerial Remuneration & Allowance	3.720	2.820
Retirement Benefits	0.200	0.152
Medical	0.250	0.200
Total	4.170	3.172

Chief Executive is entitled to use Company maintained Car.

Approval of the Members is required for remuneration for holding their respective office of profit in respect of the CEO. For this purpose it is proposed that, the following resolution be passed as an ordinary resolution:

Notes:

1. Share Transfer Books will be closed from October 18, 2014 to October 24, 2014 (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.
4.
 - 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.
5. 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.
6. Members who have not yet submitted photocopies of their CNICs to the Company are requested once again to submit the same at the earliest to mention it on dividend warrants in compliance with the directive of the Securities and Exchange Commission of Pakistan vide SRO No. 831(1)/2012 dated 05 July 2012. It is mandatory for the listed companies to print the CNIC Numbers of the registered shareholder(s) or authorized persons on the Dividend Warrants.



International Knitwear Limited

DIRECTORS' REPORT

The Directors of your Company are pleased to present the 24th Annual Report with the audited financial statements of the Company for the year ended June 30,2014.

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

FINANCIAL PERFORMANCE

A comparison of the key Financial results of the Company for the year ended June 30,2014 with the last year as follows:-

EXPORT & LOCAL SALES

	2014 Rupees	2013 Rupees
Net Sales	145,538,825	105,441,107
Gross Profit	17,832,118	16,802,873
Profit before taxation	4,658,115	9,629,789
Profit After taxation	2,595,535	8,206,648
Net Earnings/(loss) per share	1.15	(4.33)

During the year under review, the net sales achieved by your Company were Rs. 145.538 million as compared to Rs.105.441 million during previous year representing a growth of Rs.40.097 million. The gross profit increased by 6.13% from 16.802 million to 17.832 million primarily due to cutting down inefficient operation and value addition in the garments division.

After incorporating Administrative and selling expenses operating profit before taxation for the period under review have been Rs. 4.658 million against Rs. 9.629 million in the corresponding period.

EXPORT SALES

In spite of unprecedented prices in the international market we managed in increasing our Export Sales to Rs.51.908 million against 20.938 million last year. Gross profit increasing by 121.05% from Rs.3.648 million to Rs.8.064 million. This increase in Sales reflects on the quality and acceptably of finished goods by our customer. However due to non-conducive policies of our government most of the Textile Industry were effected from continued energy crisis, mounting tariff, worsening law and order condition and substantial rise in the cost of doing business.

LOCAL SALES

The continued focus on local sales and providing quality products to the renowned branded stores of Pakistan, the Company has achieved local sales of Rs.93.630 million against Rs.84.502 million when compared with last year. Showing an increase of Rs. 9.128 million or 10.76% over corresponding period.



International Knitwear Limited

DIRECTORS' REPORT

CAPITAL EXPENDITURE

In keeping with the Company's commitment to invest in expansion/ value addition of production facilities new stitching machines were added amounting to Rs.4.20 million.

DIVIDEND

The Directors proposed NIL dividend for the year ended June 30, 2014.

RIGHT SHARES

The Board of Directors of the Company in their meeting held on September 26, 2014 approved increase in paid up share capital of the company by way of further issuance of right shares at par value of Rs.10/- per share in the ratio of 1(one) share for every 1(one) share held i.e 100% right.

(The main purpose of this issue is to increase the Company's existing equity to utilize the additional funds for working capital required to achieve the business objectives set out by the management.)

FUTURE OUTLOOK

Despite the significant challenges to the Industry and our business the management of the Company is confident in maintaining gradual and sustained growth in sales and profitability

It is expected that Company's production facilities to succeed in achieving optimum level of production during the ensuing quarters. This is due to adopting effective marketing and sales strategies in order to obtain maximum possible business considering emerging demands of our products

GSP plus status since January 2014 will hopefully result in considerable boost in Export of Textile related goods in Pakistan.

The Company is also in process of developing new product range which will Insha Allah enable us to develop new markets and catering the existing customer for sustained growth.

EARNINGS PER SHARE

The net earnings per share for the period under review is Rs.1.15 as compared to Rs. (4.33) 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:

<u>Name of Director</u>	<u>No of Meetings attended</u>
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



International Knitwear Limited

DIRECTORS' REPORT

AUDIT COMMITTEE

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

	<u>No of Meetings attended</u>
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, 2015.

PATTERN OF SHAREHOLDING

A statement of showing pattern of shareholding of the company and additional information as at June 30, 2014 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.

For and on behalf of the Board

Karachi: September 26, 2014

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 & Islamabad 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. Mohammad 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. No casual vacancy occurring on the board during the period.
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.
9. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.



International Knitwear Limited

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

Karachi: September 26, 2014



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, 2014.

Engagement Partner: Mehmood. A. Razzak

Karachi.

Date: September 26, 2014



International Knitwear Limited

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **INTERNATIONAL KNITWEAR LIMITED** as at **June 30, 2014** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, (*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, 2014, and of the profit, other comprehensive income, 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: September 26, 2014



International Knitwear Limited

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	23,271,594	35,398,620
Long term deposits	4	1,607,669	1,607,669
Investments	5	1,054,415	560,118
		25,933,678	37,566,407
Current Assets			
Stock in trade	6	25,479,584	16,111,841
Trade debts - considered good	7	25,770,417	34,743,850
Advances, deposits, prepayments and other receivables	8	2,145,167	4,546,224
Taxation - net	14	3,693,045	411,547
Cash and bank balances	9	124,646	74,961
		57,212,859	55,888,423
TOTAL ASSETS		83,146,537	93,454,830
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	10	32,250,000	32,250,000
Unappropriated profit		4,914,664	1,194,840
		37,164,664	33,444,840
Unrealized gain on revaluation of investments-available for sale		458,172	136,471
		37,622,836	33,581,312
Current Liabilities			
Short term finances under mark-up arrangements	12	4,511,029	8,582,326
Trade and other payables	13	41,012,672	51,291,192
		45,523,701	59,873,518
Contingencies and Commitments	15	-	-
TOTAL EQUITY AND LIABILITIES		83,146,537	93,454,830

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, 2014

	Note	2014 Rupees	2013 Rupees
Continuing Operations			
Net sales	16	145,538,825	105,441,107
Cost of goods sold	17	(127,706,707)	(88,638,234)
Gross profit		17,832,118	16,802,873
Administrative and selling expenses	18	(13,174,003)	(7,173,084)
Operating profit		4,658,115	9,629,789
Other income	19	181,042	472,004
		4,839,157	10,101,793
Finance cost	20	(1,895,586)	(1,809,234)
Other charges	21	(348,035)	(85,911)
		(2,243,621)	(1,895,145)
Profit before taxation from continuing operation		2,595,535	8,206,648
Taxation	14	(976,131)	(625,654)
Profit after taxation from continuing operation		1,619,404	7,580,994
Discontinued Operations			
Profit/(loss) from discontinued operations	27	2,100,420	(21,528,922)
Profit/(loss) for the year		3,719,824	(13,947,928)
Earnings / (loss) per share-basic and diluted			
From continuing operations	23	0.50	2.35
From discontinued operation	23	0.65	(6.68)

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, 2014

	2014 Rupees	2013 Rupees
Profit / (loss) after taxation for the year	3,719,824	(13,947,928)
<u>Reclassifiable to profit and loss account</u>		
Unrealized profit on remeasurement of investment	321,701	137,560
Total comprehensive income / (loss) for the year	<u>4,041,525</u>	<u>(13,810,368)</u>

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, 2014

	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, 2012	32,250,000	(1,089)	16,755,268	49,004,179
Transaction with owners:				
5% Cash dividend paid for the year ended June 30, 2012	-	-	(1,612,500)	(1,612,500)
Total comprehensive income:				
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	136,471	1,194,840	33,581,311
Total comprehensive income:				
Net profit for the year ended June 30, 2014	-	-	3,719,824	3,719,824
Unrealized gain on revaluation of investments - available for sale	-	321,701	-	321,701
Balance as at June 30, 2014	32,250,000	458,172	4,914,664	37,622,836

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, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ (loss) before taxation		4,695,955	(13,191,582)
Adjustment for non cash items:			
Depreciation		4,387,663	4,859,890
(Gain) on sale of property, plant and equipment		(5,290,983)	(1,619,969)
Finance cost		1,895,586	2,691,105
		992,266	5,931,026
Profit / (loss) before changes in working capital		5,688,221	(7,260,556)
(Increase) / decrease in current assets			
Stock in trade		(9,367,743)	(4,052,040)
Trade debts		8,973,433	11,493,607
Advances, deposits, prepayments and other receivables		2,401,057	3,460,143
		2,006,747	10,901,710
Increase / (decrease) in current liabilities			
Short term finances under mark-up arrangements		16,666	(2,224,999)
Trade and other payables		(10,277,976)	(6,895,793)
		(10,261,310)	(9,120,792)
Financial charges paid		(1,895,586)	(2,691,105)
Taxes paid		(4,257,628)	(3,094,625)
Net cash (used in) / inflow from operating activities		(8,719,555)	(11,265,368)
CASH FLOW FROM FINANCING ACTIVITIES			
Medium term finance		-	(833,334)
Dividend paid		(545)	(1,275,062)
Net cash (used in) financing activities		(545)	(2,108,396)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(3,992,967)	(1,151,142)
Proceeds from sale of property, plant and equipment		17,023,313	14,227,061
Investments		(172,598)	(24,940)
Net cash inflow from / (used in) investing activities		12,857,748	13,050,979
Net (decrease) in cash and cash equivalents		4,137,647	(322,785)
Cash and cash equivalents at the beginning of the year		(4,674,031)	(4,351,246)
Cash and cash equivalents at the end of the year	24	(536,384)	(4,674,031)

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, 2014

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.

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.



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

		Effective For Periods Beginning
IAS 32	Financial instruments - Presentation (amendments)	January 1, 2014
IAS 39	Financial instruments - Recognition and measurement	January 1, 2014
IFRIC 21	Levies - an interpretation on the accounting for levies imposed by Government	January 1, 2014
IAS 36	Impairment of assets' recoverable amount disclosures for non-financial assets - amendment	January 1, 2014
IFRS 13	Fair value measurement	July 1, 2014
IFRS 2	Share base payments (amendments)	July 1, 2014
IFRS 3	Business combination (amendments)	July 1, 2014
IAS 24	Related party disclosure (amendments)	July 1, 2014
IFRS 8	Operating segments (amendments)	July 1, 2014
IAS 40	Investment properties (amendments)	July 1, 2014
IAS 19	Employee benefits' Employee contribution (amendments)	July 1, 2014
IFRS 11	Joint arrangements	January 1, 2016
IAS 38	Intangible assets (amendments)	January 1, 2016
IAS 16	Property, plant and equipment (amendments)	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
IFRS 15	Revenue from contracts with customers	January 1, 2017
IFRS 9	Financial instruments	January 1, 2018

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, 2014

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, 2014

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, 2014

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, 2014

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 recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets are derecognized 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 recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized 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 recognized 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, 2014

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 was classified last year, which was named "Local division".

Dyeing segment was discontinued last year.

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. Expenses against Knitting charges, Dyeing and Other charges, Embroidery charges, stitching charges, clearing and forwarding charges, Freight octroi and cartrage expenses are allocated on actual basis. However, depreciation and all other general expenses are allocated on the following basis.

Basis of allocation	Segment Allocation	
	Export	Local
Depreciation on all assets	35.67%	64.33%

3. PROPERTY, PLANT AND EQUIPMENT

Operating owned assets

Capital work in progress:

- Building development charges
- Plant and machinery

Note	2014 Rupees	2013 Rupees
3.1	23,005,914	34,895,493
3.4	265,680	163,190
	-	339,937
	265,680	503,127
	23,271,594	35,398,620



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

3.1 Operating Owned Assets

	Leasehold Land	Factory Building	Plant and Machinery	Furniture and Fittings	Office Equipments	Motor Vehicles	Computers	Total
	Rupees							
Year ended June 30, 2013								
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
Closing net book amount	4,014,362	3,648,531	24,164,258	318,456	266,202	2,237,718	245,967	34,895,493
At June 30, 2013								
Cost	4,717,652	8,472,308	41,218,565	696,005	504,035	5,935,090	451,450	61,995,105
Accumulated depreciation	(703,290)	(4,823,777)	(17,054,307)	(377,549)	(237,834)	(3,697,372)	(205,483)	(27,099,612)
Net book amount	4,014,362	3,648,531	24,164,258	318,456	266,201	2,237,718	245,967	34,895,493
Year ended June 30, 2014								
Opening net book amount	4,014,362	3,648,531	24,164,258	318,456	266,201	2,237,718	245,967	34,895,493
Additions	-	1,442,562	2,401,820	249,682	-	-	136,350	4,230,414
Disposals	-	-	(16,722,462)	-	-	-	(32,400)	(16,754,862)
Depreciation charge	(47,177)	(471,701)	(2,929,737)	(67,298)	(50,404)	(723,518)	(97,830)	(4,387,663)
Adjustment	-	-	4,990,132	-	-	-	32,400	5,022,532
Closing net book amount	3,967,185	4,619,393	11,904,011	500,840	215,797	1,514,201	284,487	23,005,914
At June 30, 2014								
Cost	4,717,652	9,914,870	26,897,923	945,687	504,035	5,935,090	555,400	49,470,657
Accumulated depreciation	(750,467)	(5,295,477)	(14,993,912)	(444,847)	(288,237)	(4,420,890)	(270,913)	(26,464,743)
Net book amount	3,967,185	4,619,393	11,904,011	500,840	215,797	1,514,201	284,487	23,005,914
Rate of depreciation	1%	5%	10%	10%	10%	20%	20%	



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

3.2 Detail of Disposal of Property, Plant and Equipment

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particular of Purchaser
	----- Rupees -----						
Plant and machinery	16,722,462	(4,990,132)	11,732,330	17,015,313	5,282,983	Negotiation	Miscellaneous
Computer	32,400	(32,400)	-	8,000	8,000	Negotiation	Miscellaneous
Total	16,754,862	(5,022,532)	11,732,330	17,023,313	5,290,983		

3.3 Segment wise Allocation of Depreciation charge for the year

Allocation criteria		2014			2013		
		Export	Local	Total	Export	Local	Total
		----- Rupees -----					
Lease hold land	35.67 : 64.33	5,048	9,105	14,153	9,959	40,193	50,153
Factory building	35.67 : 64.33	50,476	91,033	141,509	22,496	90,789	113,285
Plant and machinery	35.67 : 64.33	52,252	94,235	146,487	33,486	135,144	168,630
Cost of goods sold		107,776	194,373	302,149	65,941	266,126	332,068
Furniture and fittings	35.67 : 64.33	24,005	43,293	67,298	7,582	30,599	38,181
Office equipments	35.67 : 64.33	17,979	32,425	50,404	7,272	29,349	36,622
Motor vehicles	35.67 : 64.33	258,079	465,439	723,518	95,647	386,014	481,662
Computers	35.67 : 64.33	34,896	62,934	97,830	11,174	45,097	56,272
Admin and selling expenses		334,959	604,091	939,050	121,677	491,061	612,736
		442,736	798,463	1,241,198	187,618	757,188	944,804

Depreciation charge to dyeing segment (Cost of good sold) Rs. 3,146,464 (2013: 3,585,328).

Depreciation charge to dyeing segment (Admin and selling expenses) Rs. nil (2013: 329,759).

3.4 Movement in Capital Work in Progress

	2014 Rupees	2013 Rupees
Opening balance	503,127	11,266,977
Add: Addition during the year	1,545,052	145,746
Less: Transfer to operating assets	(1,782,499)	(10,909,596)
	265,680	503,127

4. LONG TERM DEPOSITS

Security deposits	1,607,669	1,607,669
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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, 2014

5. INVESTMENTS	Note	Opening Balance	Addition/ (Disposal)	Fair Value Adjustment	2014 Rupees	2013 Rupees
Investment quoted companies	5.1	560,118	148,568	321,696	1,030,380	560,118
Other investments	5.2	-	24,030	5	24,035	-
		560,118	172,598	321,701	1,054,415	560,118

5.1 Investment Quoted Companies

Number of Shares			Opening Balance	Addition/ (Disposal)	Fair Value Adjustment	2014 Rupees	2013 Rupees
2014	2013						
910	600	The Searle Company Limited	48,336	9,400	109,031	166,767	48,336
562	450	Shell Pakistan Limited	66,150	-	91,547	157,697	66,150
550	450	Fauji Fertilizer Company Limited	49,199	11,020	2,014	62,233	49,199
275	140	Attock Petroleum Limited	77,000	53,332	31,918	162,250	77,000
140	140	Engro Corporation Limited	17,571	-	6,754	24,325	17,571
110	110	Oil and Gas Development Company Limited	25,480	-	3,505	28,985	25,480
300	160	Pakistan Oilfields Limited	80,800	70,370	20,940	172,110	80,800
600	500	Pakistan Petroleum Limited	108,995	-	25,765	134,760	108,995
300	270	Pakistan State Oil Company Limited	86,586	1,227	30,072	117,885	86,586
60	-	Engro fertilizer Limited	-	3,219	150	3,368	-
			560,118	148,568	321,696	1,030,380	560,118

5.2 Other Investments

Number of Units			Opening Balance	Addition/ (Disposal)	Fair Value Adjustment	2014 Rupees	2013 Rupees
2014	2013						
480.6	-	Al Meezan MCPRFII	-	24,030	5	24,035	-

6. STOCK IN TRADE

	Note	2014 Rupees	2013 Rupees
Raw material		3,584,650	2,037,665
Work-in-process		20,164,604	12,899,745
Finished goods		1,730,330	1,174,431
		25,479,584	16,111,841
Less: Provision for obsolescence	6.1	-	-
		25,479,584	16,111,841

6.1 Reconciliation of provision for impairment of obsolescence stock

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



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

7. TRADE DEBTS - CONSIDERED GOOD

Export - secured, considered good

Note	2014 Rupees	2013 Rupees
	7,305,602	12,375,148

Local - unsecured

- Considered good
- Considered doubtful

18,464,815	22,368,702
4,687,728	4,706,536
23,152,543	27,075,238

Less: Provision for bad debts

7.1 (4,687,728) (4,706,536)

25,770,417 34,743,850

7.1 Reconciliation of provision for impairment of trade debts

Opening provision

4,706,536 1,423,270

Charged for the year

- 3,728,514

Written off during the year

(18,808) (445,248)

4,687,728 4,706,536

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

LOAN - unsecured, considered good

Loan to employees

8.1 205,750 215,992

ADVANCES - unsecured, considered good

Advance to contractor, employees and supplier

1,004,995 934,812

OTHER RECEIVABLES

Sales tax refundable

8.2 53,775 1,689,166

Export rebate receivables

356,940 220,941

Research and development receivable

1,485,313 1,485,313

Other Receivable

523,707 -

2,419,735 3,395,420

Research and development written off

(1,485,313) -

2,145,167 4,546,224

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, 2014 pertains to a period between 1 - 2 years.

8.2 Sales tax refundable amounting to Rs.1.589 million has been written off during the year.



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

9.	CASH AND BANK BALANCES	Note	2014 Rupees	2013 Rupees	
	Cash in hand		-	-	
	With banks in:				
	- Treasures call accounts		101,451	56,102	
	- Current accounts		23,195	18,859	
			124,646	74,961	
			<u>124,646</u>	<u>74,961</u>	
10.	SHARE CAPITAL				
	Authorized share capital				
	<u>Number of Shares</u>				
	2014	2013			
	6,000,000	6,000,000	Ordinary Shares of Rs. 10/- each	60,000,000	60,000,000
	Issued, subscribed and paid-up share capital				
	<u>Number of Shares</u>				
	2014	2013			
	3,000,000	3,000,000	Ordinary shares of Rs.10 each fully paid in cash	30,000,000	30,000,000
	225,000	225,000	Ordinary shares of Rs.10 each issued as bonus shares	2,250,000	2,250,000
	3,225,000	3,225,000		32,250,000	32,250,000
11.	MEDIUM TERM FINANCE				
	Loan for generator		-	833,334	
	Less: Current maturity	12	-	(833,334)	
			-	-	
<p>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% (2013: 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. 74.95 million (with 60% margin), and lien over export documents and personal guarantees of Directors of the Company.</p>					
12.	SHORT TERM FINANCES UNDER MARK-UP ARRANGEMENTS				
	Running finance facility	12.1	661,029	4,748,992	
	Export refinance facility	12.2	3,850,000	3,000,000	
	Current maturity of medium term finance	11	-	833,334	
			<u>4,511,029</u>	<u>8,582,326</u>	



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. 74.95 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% p.a (2013: 3 Months KIBOR + 2.5% p.a). The facility is renewable and is valid till June 30, 2014.

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. 74.95 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% (2013: SBP export refinance rate +1%). The facility is renewable and is valid till June 30, 2014.

13. TRADE AND OTHER PAYABLES	Note	2014 Rupees	2013 Rupees
Creditors		29,688,504	31,473,044
Accrued expenses		4,769,186	4,313,013
Compensated absences payable		1,349,091	1,657,905
Other fund payable	13.1	176,030	2,463,012
Workers' profit participation fund	13.2	2,855,939	3,610,424
Workers' welfare fund		918,238	822,402
Advance from customers		61,448	52,240
Advance for sale of machine		200,000	6,000,000
Unclaimed dividend		817,035	817,580
Others		177,201	81,572
		41,012,672	51,291,192
13.1 Other Fund Payable			
Provident fund		121,110	2,425,452
EOBI payable		54,920	37,560
		176,030	2,463,012



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
13.2 Workers' Profit Participation Fund		
Opening balance	3,610,424	3,749,104
Provision for the year	252,200	-
Interest on workers' profit participation fund payable	76,315	154,990
	3,938,939	3,904,094
Less: Payments made during the year	(1,083,000)	(293,670)
	2,855,939	3,610,424

14. TAXATION

Provision for taxation

Opening balance	(411,547)	1,926,732
Add: Charged for the year	976,131	756,346
Charged for prior year	-	-
	976,131	756,346
Less: Payments made during the year	(4,257,629)	(3,094,625)
	(3,693,045)	(411,547)

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 (2013: Rs. 3 million) on behalf of the Company.



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

16. NET SALES

	EXPORT		LOCAL		TOTAL	
	2014	2013	2014	2013	2014	2013
Note	----- Rupees -----					
Export	50,797,887	19,611,485	-	-	50,797,887	19,611,485
Commission	(112,043)	-	-	-	(112,043)	-
Sales local	-	-	93,630,443	86,135,392	93,630,443	86,135,392
Sales discount	-	-	-	(71,731)	-	(71,731)
Export rebates	203,192	78,446	-	-	203,192	78,446
Other sales	1,019,346	1,635,114	-	-	1,019,346	1,635,114
Transferred to dyeing segment	-	(386,751)	-	(1,560,848)	-	(1,947,599)
	51,908,382	20,938,294	93,630,443	84,502,813	145,538,825	105,441,107

17. COST OF GOODS SOLD

Raw and packing material consumed

Opening stock	514,318	2,383,983	1,523,347	-	2,037,665	2,383,983
Purchases	23,746,486	2,458,551	45,462,897	51,737,852	69,209,383	54,196,403
Closing stock	-	(514,318)	(3,584,650)	(1,523,347)	(3,584,650)	(2,037,665)
	24,260,804	4,328,216	43,401,594	50,214,505	67,662,398	54,542,721

Salaries, allowances and benefits	3,817,447	1,186,926	6,885,772	4,790,200	10,703,219	5,977,126
Provident fund contribution	122,263	44,333	220,534	178,921	342,797	223,254
Knitting charges	1,055,554	307,505	1,844,497	2,230,474	2,900,051	2,537,979
Dyeing and other charges	6,195,968	2,070,845	13,271,517	8,470,396	19,467,485	10,541,241
Embroidery/ Printing charges	1,197,318	951,878	5,767,478	5,367,443	6,964,796	6,319,321
Stitching charges	4,603,787	1,857,965	12,763,117	7,970,945	17,366,904	9,828,910
Fuel and power	802,739	405,635	1,447,950	1,637,061	2,250,689	2,042,696
Communication	76,866	19,147	138,647	77,273	215,513	96,420
Postage & telegrams	89,946	16,662	162,242	67,244	252,188	83,906
Repairs and maintenance	282,275	184,956	509,156	746,447	791,431	931,403
Staff welfare and medical expenses	45,597	11,632	82,247	46,945	127,844	58,577
Motor vehicle and conveyance	329,080	137,749	593,582	555,928	922,662	693,677
Insurance	85,854	16,250	154,859	65,582	240,713	81,832
Depreciation	107,766	65,941	194,384	266,127	302,150	332,068
Clearing and forwarding	512,500	198,479	-	-	512,500	198,479
Freight, octroi and cartage	1,228,529	356,641	771,439	850,573	1,999,968	1,207,214
Export Development Charges	41,854	9,518	75,495	38,413	117,349	47,931
Reversal of GST refundable	566,753	219,667	1,022,288	886,533	1,589,041	1,106,200
Others	284,535	75,086	513,233	303,032	797,768	378,118
	21,446,629	8,136,816	46,418,438	34,549,535	67,865,068	42,686,352

Work-in-process

Opening stock	302,230	4,855,616	12,597,515	-	12,899,745	4,855,616
Closing stock	(1,904,246)	(302,230)	(18,260,358)	(12,597,515)	(20,164,604)	(12,899,745)
	(1,602,016)	4,553,386	(5,662,843)	(12,597,515)	(7,264,859)	(8,044,129)

Cost of goods manufactured

	44,105,417	17,018,418	84,157,189	72,166,525	128,262,606	89,184,944
Finished goods						
Opening stock	356,081	627,721	818,350	-	1,174,431	627,721
Closing stock	(617,145)	(356,081)	(1,113,185)	(818,350)	(1,730,330)	(1,174,431)
	(261,064)	271,640	(294,835)	(818,350)	(555,899)	(546,710)

COST OF GOODS SOLD

	43,844,353	17,290,058	83,862,354	71,348,175	127,706,707	88,638,234
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International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

18. ADMINISTRATIVE AND SELLING EXPENSES

Note	EXPORT		LOCAL		TOTAL	
	2014	2013	2014	2013	2014	2013
	Rupees					
Salaries, allowances and benefits	2,204,561	780,540	3,976,507	3,150,106	6,181,068	3,930,646
Provident fund contribution	117,776	36,298	212,440	146,491	330,216	182,789
Communication	60,329	25,546	108,819	103,097	169,148	128,643
Postage & telegrams	21,791	5,932	39,305	23,940	61,096	29,872
Staff welfare and medical expenses	57,121	19,350	103,033	78,092	160,154	97,442
Traveling and conveyance	653,587	207,910	1,178,915	839,083	1,832,502	1,046,993
Repair and maintenance	94,021	15,905	169,591	64,188	263,612	80,093
Legal and professional charges	105,224	34,827	189,798	140,555	295,022	175,382
Auditors' remuneration 18.1	106,214	37,108	191,586	149,760	297,800	186,868
Depreciation 3.3	334,924	121,676	604,125	491,060	939,049	612,736
Printing and stationery	41,535	18,247	74,920	73,640	116,455	91,886
Advertisement and publicity	15,455	3,647	27,877	14,719	43,332	18,366
Fee, subscription and periodicals	273,149	83,715	492,696	337,858	765,845	421,574
R&D Receivable written off	1,485,313	-	-	-	1,485,313	-
Rent, rate and taxes	16,799	18,843	30,301	76,045	47,100	94,888
Insurance	30,082	7,207	54,261	29,085	84,343	36,292
Others	36,361	7,669	65,587	30,948	101,948	38,616
	5,654,242	1,424,418	7,519,761	5,748,667	13,174,003	7,173,084

18.1 Auditors' Remuneration	2014 Rupees	2013 Rupees
Annual audit	195,000	187,500
Half yearly review	77,800	75,000
Out of pocket expenses	25,000	25,000
	297,800	287,500

19. OTHER INCOME

	EXPORT		LOCAL		TOTAL	
	2014	2013	2014	2013	2014	2013
	Rupees					
Income From Financial Assets						
Profit on bank accounts	32,287	16,888	58,237	68,159	90,524	85,047
Dividend income	16,556	4,891	29,862	19,738	46,418	24,629
Income From Non-Financial Assets						
Gain on disposal of property, plant and equipment	44,100	362,328	-	-	44,100	362,328
	92,943	384,107	88,099	87,897	181,042	472,004



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

20. FINANCE COST

	EXPORT		LOCAL		TOTAL	
	2014	2013	2014	2013	2014	2013
	Rupees					
Mark-up on export refinance	132,996	90,229	239,894	364,147	372,890	454,376
Mark-up on running finance	132,826	44,620	239,587	180,076	372,413	224,695
Bank charges on export remittances	224,095	23,153	-	93,441	224,095	116,594
Mark-up on P.F. Loan	27,731	103,825	50,019	419,018	77,750	522,844
Mark-up on W.P.P.F	27,219	19,475	49,096	78,596	76,315	98,070
Bank charges	120,321	40,694	217,031	164,233	337,352	204,927
Long term loan (Generator)	7,636	21,454	13,775	86,585	21,411	108,039
Exchange (loss) / gain - net	413,360	580	-	-	413,360	580
Mark-up on SPL Loan	-	15,710	-	63,400	-	79,110
	1,086,184	359,739	809,402	1,449,495	1,895,586	1,809,234

21. OTHER CHARGES

Workers' Profit Participation Fund	70,827	-	181,373	-	252,200	-
Workers' Welfare Fund	26,914	17,060	68,922	68,851	95,836	85,911
	97,741	17,060	250,294	68,851	348,035	85,911

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
- Local

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 since December 31, 2012.

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

	EXPORT		LOCAL		TOTAL	
	2014	2013	2014	2013	2014	2013
	Rupees					
Gross sales	51,908,382	21,325,045	93,630,443	86,063,661	145,538,825	107,388,706
Inter-segment transfer	-	(386,751)	-	(1,560,848)	-	(1,947,599)
Net Sales	51,908,382	20,938,294	93,630,443	84,502,813	145,538,825	105,441,107
Cost of goods sold	(43,844,353)	(17,290,058)	(83,862,354)	(71,348,175)	(127,706,707)	(88,638,234)
Gross profit	8,064,029	3,648,236	9,768,089	13,154,637	17,832,118	16,802,873
Administrative and selling expenses	(5,654,242)	(1,424,418)	(7,519,761)	(5,748,667)	(13,174,003)	(7,173,084)
Segment results	2,409,787	2,223,818	2,248,327	7,405,970	4,658,115	9,629,789
Other income	92,943	384,107	88,099	87,897	181,042	472,004
Finance cost	(1,086,184)	(359,739)	(809,402)	(1,449,495)	(1,895,586)	(1,809,234)
Other charges	(97,741)	(17,060)	(250,294)	(68,851)	(348,035)	(85,911)
profit before taxation from continuing operation	1,318,805	2,231,126	1,276,730	5,975,520	2,595,536	8,206,648
Taxation						
- Current	(507,979)	(196,899)	(468,152)	(428,755)	(976,131)	(625,654)
Profit after taxation from continuing operation	810,826	2,034,227	808,578	5,546,765	1,619,405	7,580,994



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

23. EARNINGS / (LOSS) PER SHARE-BASIC AND DILUTED	Note	2014 Rupees	2013 Rupees
From continuing operations			
Profit after taxation		1,619,404	7,580,994
Number of ordinary shares		3,225,000	3,225,000
Earnings per share		0.50	2.35
From discontinued operation			
Profit / (loss) for the year		2,100,420	(21,528,922)
Number of ordinary shares		3,225,000	3,225,000
Earnings / (Loss) per share		0.65	(6.68)
24. CASH AND CASH EQUIVALENTS			
Cash and bank balances	9	124,646	74,961
Running finance facility	12.1	(661,029)	(4,748,992)
		(536,383)	(4,674,031)

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees			
Basic salary	1,819,355	1,615,484	1,383,871	1,496,774
Allowances	1,000,645	888,516	761,129	823,226
Company's contribution to provident fund	151,608	134,626	115,320	124,732
	2,971,608	2,638,626	2,260,320	2,444,732
Number of person(s)	1	2	1	2

25.1 A sum of Rs. 75,000 (2013: Rs. 43,000) 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, 2014

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 19.64 million.

27. PROFIT /(LOSS) FROM DISCONTINUED OPERATION

	Note	2014 Rupees	2013 Rupees
Gross sales	27.1	-	26,138,382
Inter-segment transfer		-	1,947,599
Net Sales		-	28,085,981
Cost of goods sold	27.2	(3,146,464)	(46,236,021)
Gross (loss)		(3,146,464)	(18,150,040)
Administrative and selling expenses	27.3	-	(3,512,527)
Segment results		(3,146,464)	(21,662,567)
Other income	27.4	5,246,884	1,167,699
Finance cost	27.5	-	(882,451)
Other charges	27.6	-	(20,911)
Profit / (loss) before taxation		2,100,420	(21,398,230)
Taxation			
- Current		-	(130,692)
Profit /(loss) from discontinued operation		2,100,420	(21,528,922)



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

		2014	2013
	Note	Rupees	Rupees
27.1 GROSS SALES			
Dyeing		-	27,346,434
Sales discount		-	(1,711,674)
Commission		-	(211,115)
Other sales		-	714,737
		<u>-</u>	<u>26,138,382</u>
27.2 COST OF GOODS SOLD			
Raw and packing material consumed			
Opening stock		-	3,619,953
Purchases		-	10,343,610
Closing stock		-	-
		-	13,963,563
Salaries, allowances and benefits		-	3,405,693
Provident fund contribution		-	93,898
Dyeing and other charges		-	1,920,483
Fuel and power		-	13,234,510
Communication		-	77,315
Repairs and maintenance		-	1,365,738
Staff welfare and medical expenses		-	6,198
Motor vehicle and conveyance		-	288,031
Insurance		-	115,349
Depreciation	3.3	3,146,464	3,585,328
Freight, octroi and cartage		-	834,880
Bad debts expenses		-	3,728,514
Reversal of GST refundable		-	2,581,132
Others		-	48,038
		3,146,464	31,285,107
Work-in-process			
Opening stock		-	987,352
Closing stock		-	-
		-	987,352
COST OF GOODS SOLD		<u>3,146,464</u>	<u>46,236,021</u>



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

27.3 ADMINISTRATIVE AND SELLING EXPENSES	Note	2014 Rupees	2013 Rupees
Salaries, allowances and benefits		-	2,024,294
Provident fund contribution		-	87,943
Communication		-	65,564
Postage & telegrams		-	16,559
Staff welfare and medical expenses		-	27,203
Traveling and conveyance		-	351,186
Repair and maintenance		-	38,087
Legal and professional charges		-	102,453
Auditors' remuneration	18.1	-	100,632
Depreciation	3.3	-	329,759
Printing and stationery		-	69,751
Advertisement and publicity		-	35,270
Fee, subscription and periodicals		-	132,843
Rent, rate and taxes		-	-
Insurance		-	84,680
Others		-	46,304
		<u>-</u>	<u>3,512,527</u>
27.4 OTHER INCOME			
Income From Financial Assets			
Other income		-	-
Income From Non-Financial Assets			
Gain on disposal of property, plant and equipment		5,246,884	1,167,699
		<u>5,246,884</u>	<u>1,167,699</u>
27.5 FINANCE COST			
Mark-up on running finance		-	330,217
Mark-up on P.F Loan		-	362,209
Mark-up on workers' profit participation fund		-	56,920
Bank charges		-	51,583
Long term loan (Generator)		-	81,522
		<u>-</u>	<u>882,451</u>
27.6 OTHER CHARGES			
Workers' profit participation fund		-	-
Workers' welfare fund		-	20,911
		<u>-</u>	<u>20,911</u>



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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:

	2014 Rupees	2013 Rupees
Balances:		
Provident Fund - outstanding balance	121,110	2,425,452
Transactions:		
Contribution to staff retirement benefit plans	673,013	587,884
Key management personnel's remuneration and other benefits	2,638,626	2,444,732

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, 2014

(i) On balance sheet assets and liabilities:

2014							
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	-	-	-	-	1,054,415	1,054,415	1,054,415
Trade debts	-	-	-	25,770,417	-	25,770,417	25,770,417
Advances, deposits, prepayments and other receivables	-	-	-	2,145,167	-	2,145,167	2,145,167
Cash and bank balances	5%	101,451	-	101,451	23,195	-	23,195
		<u>101,451</u>	<u>-</u>	<u>101,451</u>	<u>27,938,779</u>	<u>2,662,084</u>	<u>30,600,863</u>
							<u>30,702,313</u>

Financial liabilities:

Medium term finance	1 year KIBOR+ 3%	-	-	-	-	-	-
Short term finances under mark-up arrangements	3 Months KIBOR +2.5% & SBP rate +1%	4,511,029	-	4,511,029	-	-	4,511,029
Trade and other payables		2,977,049	-	2,977,049	38,035,623	-	38,035,623
		<u>7,488,078</u>	<u>-</u>	<u>7,488,079</u>	<u>38,035,623</u>	<u>-</u>	<u>45,523,701</u>
Sensitivity gap		<u>(7,386,627)</u>	<u>-</u>	<u>(7,386,627)</u>	<u>(10,096,843)</u>	<u>2,662,084</u>	<u>(7,434,760)</u>
							<u>(14,821,388)</u>

(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, 2014

(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						

Financial assets:

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
		<u>56,102</u>	<u>-</u>	<u>56,102</u>	<u>38,374,121</u>	<u>2,167,787</u>	<u>40,541,907</u>	<u>40,598,009</u>

Financial liabilities:

Medium term finance	1 year KIBOR+ 3%	833,334	-	833,334	-	-	-	833,334
Short term finances under mark-up arrangements	3 Months KIBOR +2.5% & SBP rate +1%	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
		<u>14,618,202</u>	<u>-</u>	<u>14,618,202</u>	<u>45,255,316</u>	<u>-</u>	<u>45,255,316</u>	<u>59,873,518</u>
Sensitivity gap		<u>(14,562,100)</u>	<u>-</u>	<u>(14,562,100)</u>	<u>(6,881,195)</u>	<u>2,167,787</u>	<u>(4,713,409)</u>	<u>(19,275,509)</u>

(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, 2014

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:

	2014 Rupees	2013 Rupees
Financial assets:		
Trade debts	25,770,417	34,743,850
Advances, deposits, prepayments and other receivables	2,145,167	3,611,412
	<u>27,915,584</u>	<u>38,355,262</u>

As on June 30, 2014, trade debts of Rs. 25,770,417 (2013: 34,743,850) were past due but not impaired. The aging analysis of these trade receivables is as follows.

	2014 Rupees	2013 Rupees
Up to 3 months	13,066,866	11,841,700
3 to 6 months	-	533,448
6 to 12 months	-	3,638,387
Above 12 months	12,703,551	18,730,315
	<u>25,770,417</u>	<u>34,743,850</u>



International Knitwear Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. 7,305,602 (2013 : Rs. 3,471,429) which are subject to currency risk.

(ii) Interest rate risk

Interest rate risk represents the risk that are 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. 4,511,029 (2013: Rs. 8,582,326) 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 commensurating 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, 2014

30. CAPACITY AND PRODUCTION

Export and local (Pcs.)
Dyeing (Kgs.)

Installed capacity	Actual production	
	2014	2013
600,000	369,548	287,056
1,500,000	-	452,304

The dyeing segment has been discontinued since December 31, 2012.

31. NUMBER OF EMPLOYEES

The permanent employees of the company at the balance sheet date are 60 (2013: 52).

32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the board of directors of the Company and authorized for issue on *September 26, 2014*

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	Jun-14	Jun-13	Jun-12	Jun-11	Jun-10	Jun-09
Sale-Net	145,538,825	105,441,107	158,340,897	134,539,702	144,087,304	158,531,833
Cost of sales	(127,706,707)	(88,638,234)	(140,068,926)	(132,923,420)	(128,589,767)	(137,103,397)
Gross Profit	17,832,118	16,802,873	18,271,971	1,616,282	15,497,537	21,428,436
Administrative and selling expenses	(13,174,003)	(7,173,084)	(10,063,323)	(8,815,172)	(7,240,073)	(6,494,516)
Operating Profit /(loss)	4,658,115	9,629,789	8,208,648	(7,198,890)	8,257,464	14,933,920
Other income	181,042	471,422	3,211,342	537,777	616,123	2,830,233
Finance cost	(1,895,586)	(1,808,654)	(2,844,446)	(3,487,116)	(1,584,808)	(4,872,700)
Other charges	(348,035)	(85,911)	(591,686)	(107,632)	(517,000)	(882,649)
Profit/(loss) before taxation	2,595,535	8,206,646	7,983,858	(10,255,861)	6,771,779	12,008,804
Provision						
- prior	-	-	(33,738)			801,889
- current	(976,131)	(625,654)	(1,124,232)	(919,762)	(911,000)	(1,700,000)
Net profit/(loss) after taxation from continuing operation	1,619,404	7,580,992	6,825,888	(11,175,623)	5,860,779	11,110,693



International Knitwear Limited

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

Nos. Of Shareholders	Shareholdings' Slab			Total Shares Held
205	1	to	100	5,931
208	101	to	500	52,908
645	501	to	1000	354,069
73	1001	to	5000	150,955
13	5001	to	10000	89,180
10	10001	to	15000	114,632
6	15001	to	20000	105,600
3	20001	to	25000	67,989
2	25001	to	30000	52,141
1	30001	to	35000	33,970
2	35001	to	40000	75,000
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	135001	to	140000	135,772
1	185001	to	190000	188,050
3	210001	to	215000	645,000
1	215001	to	220000	218,800
1	255001	to	260000	255,301
1	280001	to	285000	284,577
1181				3,225,000



International Knitwear Limited

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

Categories of Shareholders

S.No	Folio #	Name of shareholder	No. of Shareholder	Number of Shares	Percentage
1	520	NAEEM SHAFI	3	139,346	4.32
2	11387-8493	WASEEM SHAFI	2	28,822	0.89
3	2911	MOHAMMAD SHAFI	1	5,375	0.17
4	2982	JAVED KHAN	1	500	0.02
5	2983	ARSHAD AHMED	1	500	0.02
6	2981	MOHD. SAJID HUSSAIN	1	500	0.02
7	2883	ZAHID ALI	1	537	0.02
8	19	HUMAIRA SHAFI	3	341,754	10.60
9	2912	SALSABIL SHAFI	1	5,375	0.17
10	2913	NOOR SHAFI	1	5,375	0.17
			15	528,084	16.37

Associated Companies , Undertakings and related parties.

-

-

Executives

-

-

Public Sector Companies and Corporations

2

60,783

1.885

Banks , development Finance Institutions, Non banking Finance Companies,
Insurance Companies, Takaful , Modarabas

2

266,194

8.2541

Mutual Funds

TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST

1

382

0.0118

STOCK STREET (PRIVATE) LIMITED

1

537

0.0167

General Public

1160

2,369,020

73.4580

Total

1181

3,225,000

100

Shareholders Holding 5% or more

Shares Held

Percentage

1 HUMAIRA SHAFI	341,754	10.60
2 FIRST UDL MODARABA	255,301	7.92
3 KHALID MALIK	256,459	7.95
4 RASHID ABDULLA	218,800	6.78
5 SHAHID ABDULLA	215,000	6.67
6 FAISAL ABDULLA	215,000	6.67
7 MUSHTAQ ABDULLA	215,000	6.67



International Knitwear Limited

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

S.No	Folio #	Name of shareholder	number of Shares	Percentage
1	520	NAEEM SHAFI	574	0.02
2	01826-52175	NAEEM SHAFI	3,000	0.09
3	2	NAEEM SHAFI	135,772	4.21
4	11387-8493	WASEEM SHAFI	2,510	0.08
5	1	WASEEM SHAFI	26,312	0.82
6	2911	MOHAMMAD SHAFI	5,375	0.17
7	2982	JAVED KHAN	500	0.02
8	2983	ARSHAD AHMED	500	0.02
9	2981	MOHD. SAJID HUSSAIN	500	0.02
10	2883	ZAHD 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	36,000	1.12
14	2912	SALSABIL SHAFI	5,375	0.17
15	2913	NOOR SHAFI	5,375	0.17
15			528,084	16.37

Public Sector Companies and Corporations

1	03889-28	NATIONAL BANK OF PAKISTAN	67	0.0021
2	03889-44	NATIONAL BANK OF PAKISTAN	60,716	1.8827
2			60,783	1.8847

Banks , development Finance Institutions, Non banking Finance Companies, Insurance Companies, Takaful , Modarabas

1	03277-1651	FIRST UDL MODARABA	255,301	7.9163
2	03277-78335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	10,893	0.3378
2			266,194	8.2541

Mutual Funds

NIL NIL NIL NIL

Others

1	03277-82127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	382	0.0118
2	05728-24	STOCK STREET (PRIVATE) LIMITED	537	0.0167
2			919	0.0285

General Public Local

1160	2,369,020	73.4580
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Total	1181	3,225,000	100
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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 24th, 2014 and / or any adjournment thereof.

Signed this _____ day of _____ 2014.

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 _____

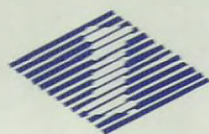
Name _____

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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