



SAIF GROUP

Kohat Textile Mills Limited



53rd Annual Report 2019



ENTITY RATING OF KOHAT TEXTILE MILLS LIMITED

Long Term	A-
Short Term	A2

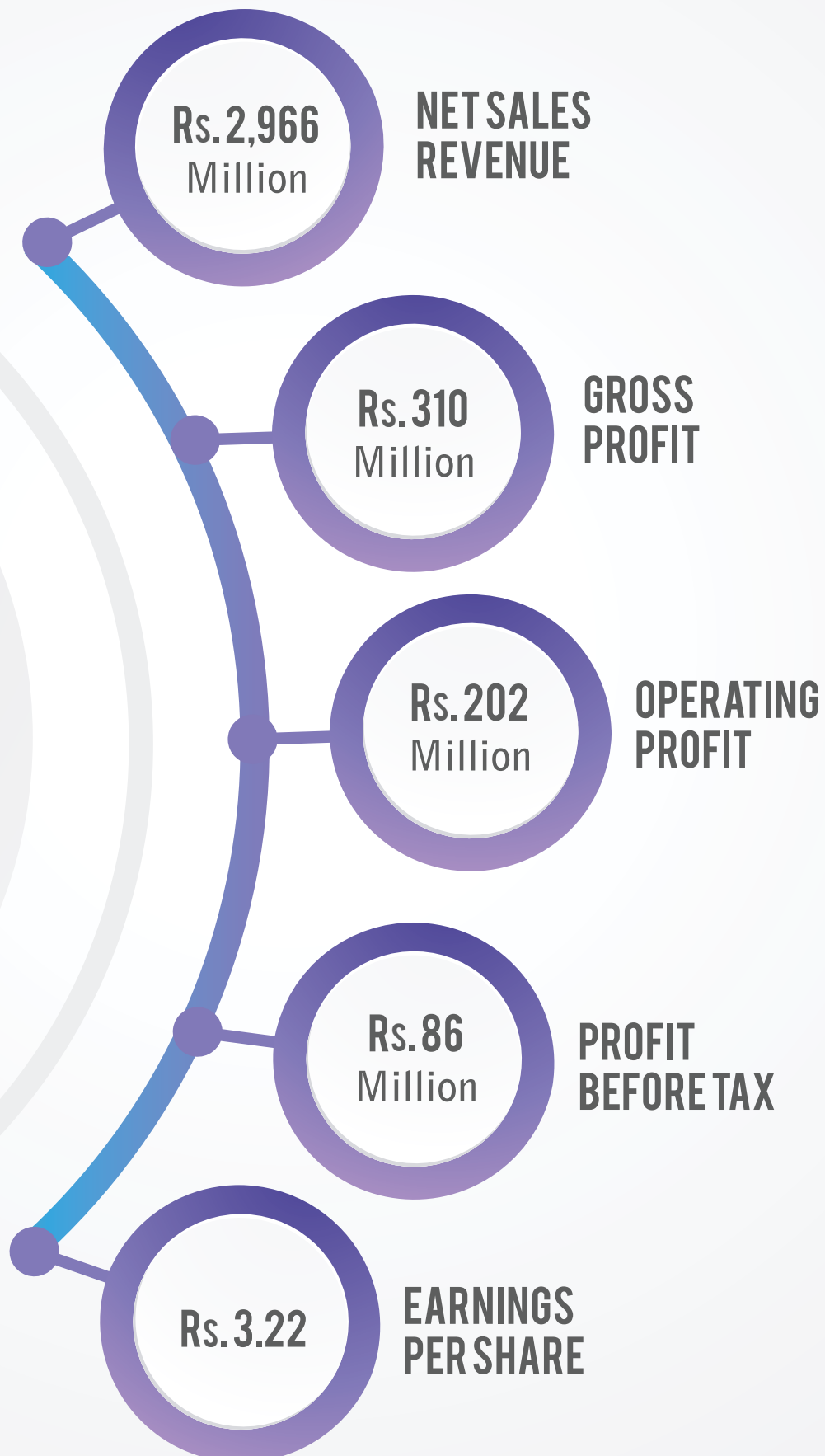
Stable outlook

CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

FINANCIAL HIGHLIGHTS



GEOGRAPHICAL SPREAD

OFFICES



MILLS / FACTORY



Head Office

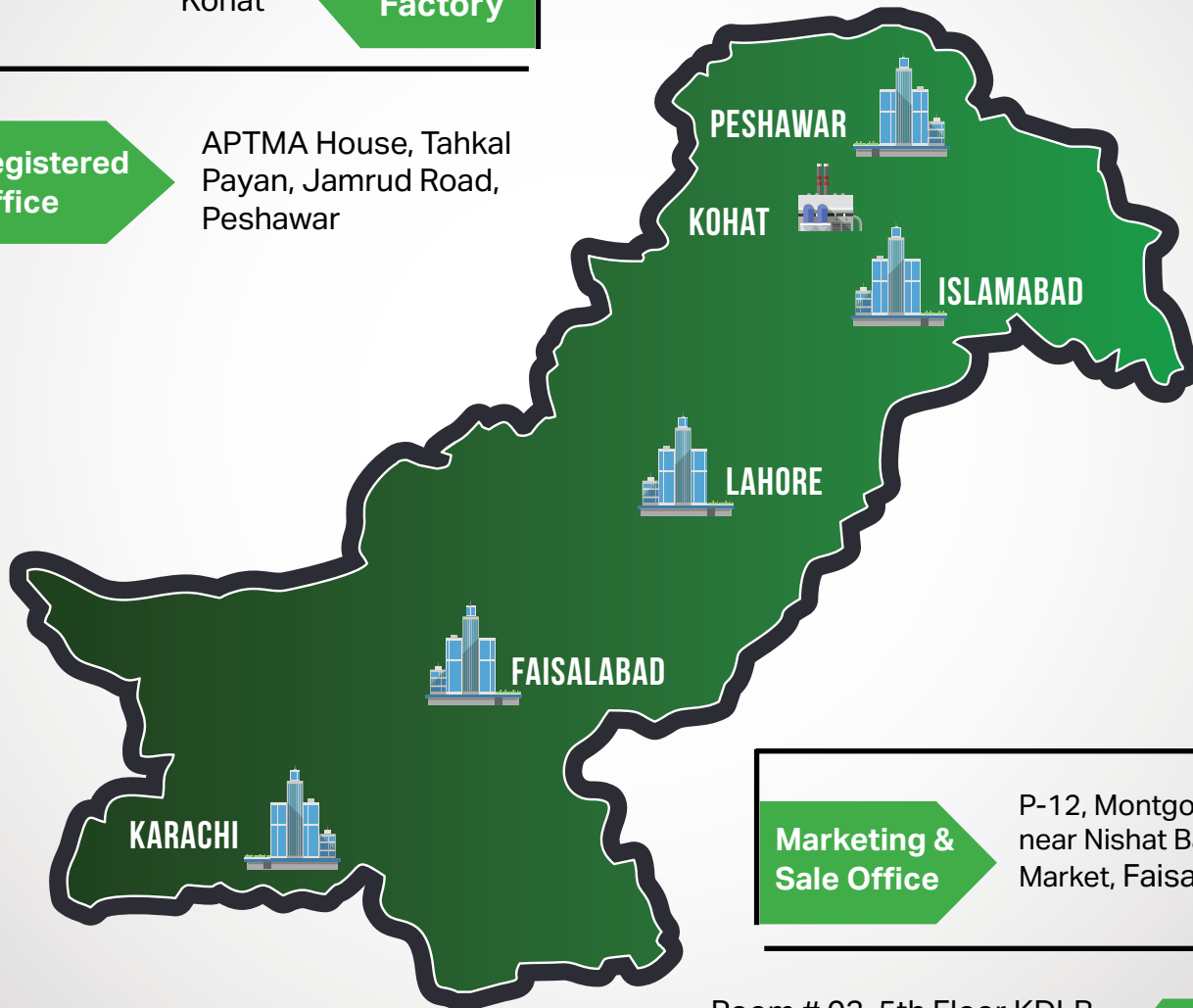
3rd Floor, City Centre, Main Bank Road, Saddar Cantt, Rawalpindi

Saifabad, Kohat

Mills / Factory

Registered Office

APTMA House, Tahkal Payan, Jamrud Road, Peshawar



Marketing & Sale Office

P-12, Montgomery Bazar near Nishat Bakery, Yarn Market, Faisalabad

Room # 03, 5th Floor KDLB Building 58-West Wharf Road Karachi

Marketing & Sale Office



CONTENTS

02	COMPANY INFORMATION	
03	VISION AND MISSION STATEMENT	
04	NOTICE OF 53 rd ANNUAL GENERAL MEETING	
07	CHAIRMAN'S REVIEW REPORT	
09	DIRECTORS' REPORT TO THE MEMBERS	
21	PATTERN OF SHAREHOLDINGS	
24	STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE), REGULATIONS, 2017	
26	INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE CONTAINED LISTED COMPANIES (CCG), REGULATIONS, 2017	
27	INDEPENDENT AUDITORS' REPORT TO THE MEMBERS	
34	STATEMENT OF FINANCIAL POSITION	
36	STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	
37	STATEMENT OF CASH FLOW	
38	STATEMENT OF CHANGES IN EQUITY	
39	NOTICE TO THE FINANCIAL STATEMENTS	
79	PROXY FORM	

COMPANY INFORMATION

BOARD OF DIRECTORS

Osman Saifullah Khan (Chairman)
Assad Saifullah Khan (Chief Executive Officer)
Hoor Yousafzai
Jehangir Saifullah Khan
Abdul Rehman Qureshi
Rana Muhammad Shafi
Zaheen Ud Din Qureshi

AUDIT COMMITTEE

Abdul Rehman Qureshi (Chairman)
Hoor Yousafzai
Jehangir Saifullah Khan

HR & REMUNERATION COMMITTEE

Abdul Rehman Qureshi (Chairman)
Assad Saifullah Khan
Hoor Yousafzai

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sajjad Hussain

HEAD OF INTERNAL AUDIT

Meesam Habib Butt

AUDITORS

Shinewing Hameed Chaudhri & Co.,
Chartered Accountants

LEGAL ADVISORS

Salahuddin Saif & Aslam
(Attorneys at Law)

BANKERS

Askari Bank Limited
Dubai Islamic Bank
First Habib Modaraba
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
The Bank of Punjab
The Bank of Khyber
United Bank Limited

HEAD OFFICE

3rd Floor, City Center, Plot No. 40,
Main Bank Road, Saddar Cantt,
Rawalpindi
Phone : (051) 5700824-8
Fax : (051) 5700829
email : ktm@saifgroup.com

REGISTERED OFFICE

APTMA House, Tehkal Payan,
Jamrud Road, Peshawar
Phone : (091) 5843870, 5702941
Fax : (091) 5840273
email : Peshawar@saifgroup.com

SHARE REGISTRAR

Hameed Majeed Associates (Pvt.) Ltd.,
HM House, 7-Bank Square, Lahore
Phone : (042)-37235081
(042)-37325082
Fax : (042)-37358817
email : info@hmaconsultants.com

MILLS

Saifabad, Kohat
Phone : (0922) 862309,
862065, 862091
Fax : (0922) 862057-58
email : ktmkht@saifgroup.com

WEB SITE

www.kohattextile.com

Vision

To attain market leadership through unmatched quality, a diverse and unique product mix, empowered employees, world class systems, and the highest ethical and professional standards.

Mission

- Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.
- Earn and sustain the trust of our stakeholders through efficient resource management.
- Provide the highest quality products and services consistent with customer needs and continue to earn the respect, confidence and goodwill of our customers and suppliers.
- Foster a culture of trust and openness in order to make professional life at the Kohat Textile Mills Limited a stimulating and challenging experience for all our people
- Strive for the continuous development of Pakistan while adding value to the textile sector.

NOTICE OF 53rd ANNUAL GENERAL MEETING

NOTICE is hereby given that the 53rd Annual General Meeting of Kohat Textile Mills Limited will Insha'Allah be held on Saturday October 26, 2019 at 10:00 am at its registered office, APTMA House Tehkal Payan, Jamrud Road, Peshawar, to transact the following business:

- **ORDINARY BUSINESS:-**

1. To confirm minutes of the Annual General Meeting of the Company held on October 26, 2018.
2. To receive, consider and adopt the annual audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2019.
3. To approve cash dividend 10% i.e. Re. 1 - per share for the year ended June 30, 2019 as recommended by the Board of Directors.
4. To appoint auditors for the next term and to fix their remuneration. The Board on the recommendation of the Audit Committee has proposed the appointment of M/s Shinewing Hameed Chaudhri & Co, Chartered Accountants as external auditors. The retiring auditors being eligible, have offered themselves for re-appointment.

- **SPECIAL BUSINESS:-**

5. To consider and approve the following resolution(s), with or without modification, as special resolution to amend the Articles of Association of the Company, as recommended by the Board of Directors, in order to increase the remuneration of a director for attending meetings of the board or the committee of the board.

"RESOLVED THAT subject to obtaining the requisite approvals, Article no. 96 of the Articles of Association of the Company be and is hereby substituted as follows;

96. The remuneration of a Director for attending meetings of the Board or the Committees of the Directors shall be such amount as may be determined and approved by the Board of Directors from time to time.

FURTHER RESOLVED THAT Company Secretary of the Company be and is hereby authorized to do or cause to do all such necessary actions, deeds and things as may be required, deemed necessary or incidental to give effect to the above resolution."

6. To consider and approve the following resolution(s), with or without modification, as special resolution for sharing of common expenses, sale and purchase of goods with associated companies including M/s. Saif Textile Mills Limited.

"RESOLVED THAT the company be and is hereby authorized to share common expenses with its associated companies including M/s. Saif Textile Mills Limited. The common expenses may include but not limited to office rents, administrative salaries, utilities expenses, repair and maintenance and other miscellaneous expenses etc. (collectively the "Administrative Expenses"), in respect of its joint offices.

RESOLVED FURTHER THAT Chief Executive & Secretary of company be and are hereby authorized to take all legal and other corporate formalities with regard to these matters on behalf of the company and to do all such acts, deeds and things as may be deemed necessary and beneficial for the Company.

FURTHER RESOLVED THAT the Related Party Transactions of sale and purchase of goods to / from associated companies as disclosed in notes to the audited financial statements be and are hereby ratified, approved and confirmed.

NOTICE OF 53rd ANNUAL GENERAL MEETING

RESOLVED FURTHER THAT the Chief Executive of the company be and is hereby authorized to approve the Related Party Transactions regarding sale and purchase of goods to / from associated companies as disclosed in notes to the financial statements.

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

Attached to this Notice is a Statement of Material Facts covering the above-

mentioned special business, as required under Section 134(3) of the Companies Act, 2017.

By Order of the Board



Place: Peshawar,
Dated: October 4, 2019

Sajjad Hussain
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from October 20, 2019 to October 26, 2019 (both days inclusive) transfers received in order at the office of the Company's Shares Registrar. M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore by the close of business on dated October 19, 2019 will be treated in time.
2. A member entitled to attend and vote at the meeting, may appoint another person/ member as a proxy to attend, speak and vote on behalf of him/her. Forms duly stamped with Rs.50/- revenue stamp, signed and witnessed by two persons, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual beneficial owners of CDC, entitled to attend and vote at the meeting must bring his/her CNIC or passport to prove his/her identity and the proxy shall produce his/ her original CNIC or passport. In case of corporate members, the Boards' resolution or power of attorney with specimen signatures of the nominee shall require to be produced at the time of meeting.
4. For the convenience of Members, a Standard Request Form with appropriate details has

been uploaded on the Company's website www.kohattextile.com. Those Members who opt to receive the hard copies of the annual audited financial statements instead of sending the same through CD/DVD/USB at their registered addresses may apply to the Company Secretary at his postal address i.e. APTMA House Tehkal Payan, Jamrud Road, Peshawar or email address c.a@saifgroup.com.

5. Members are requested to submit an attested photocopy of their valid Computerized National Identity Cards (CNICs) as per SECP's direction, if not provided earlier.
6. Change in Address: Members are requested to promptly notify any change in their address.
7. Pursuant to Section 132(2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility, please fill the following form and submit to the registered address of the Company within seven (07) days before holding of annual general meeting.

NOTICE OF 53rd ANNUAL GENERAL MEETING

I/ We, _____
of _____, being
a member of Kohat Textile Mills Limited,
holder of _____ Ordinary
Shares as per Register Folio No./ CDC A/C
No., _____ hereby opt for Video
Conference Facility at _____

Signature of member

If the Company receives consent from members holding an aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through Video Conference at least 07 days prior to the date of meeting, the Company will arrange Video Conference facility in that city subject to availability of such facility in that city.

8. DIVIDEND PAYMENTS THROUGH ELECTRONIC MODE:

In order to receive the future dividends through electronic mode as per requirements of Section 242 of the Companies Act, 2017 shareholders are requested to provide the following detail to our share registrar M/s Hameed Majeed Associates (Pvt.) Limited

Name of Shareholder	
Folio / CDS Account No.	
CNIC	
Email	
Title of Bank of Account	
Bank Account (IBAN) Number (24-Digits)	
Bank's Name	
Branch Name and Address	
Contact No.	

STATEMENT OF MATERIAL FACTS U/S 134(3) OF THE COMPANIES ACT, 2017

Agenda no. 5:

In view of the prevailing regulatory environment, the overall role and responsibilities of the Board

have been enhanced significantly. The directors provide considerable time to demonstrate an effective role in the overall success of the Company. The Company, therefore, ensures that the Board members specifically non-executive directors are fairly rewarded with regard to the responsibilities undertaken, and get comparable remuneration in the textile industry. The Company also intends to attract and retain high-caliber, experienced directors by offering appropriate attendance fee.

The Board of Directors recommended the amendment in the articles of association of the Company in order to increase the remuneration of a director for attending meetings of the Board or the Committee of the Board. This is a special business and hence placed before the members for their approval.

The directors of the Company have no interest in the above business except to the extent of payment of remuneration for attending the Board and its Committee Meetings.

Agenda no. 6:

The transactions with associated companies regarding sharing of common expenses and sale and purchase of goods require approval of the Board on the recommendation of the audit committee on quarterly basis pursuant to clause (15) of the Listed Companies (Code of Corporate Governance) Regulations, 2017, however, the majority of company's directors being interested in the said transactions due to their common directorship and holding of shares in the associated companies, the quorum of the directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017, thus, these transactions are being placed before the members for their approval.

CHAIRMAN'S REVIEW REPORT

I hereby present my review on the overall performance of the Board of Kohat Textile Mills Ltd. (the Company) and its effectiveness in achieving the Company's objectives.

For the financial year ended June 30, 2019, an annual evaluation of the Board was carried out as per the directives of Listed Companies (Code of Corporate Governance) Regulations, 2017 and I am pleased to report that the overall performance of the Board was found satisfactory. That said, there is always room for further improvement. The overall assessment is based on evaluation of integral components, including vision, mission, and values; engagement level in strategic planning; formulation of policies; monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight and fair treatment of all employees.

The Board members have the appropriate range of skills, knowledge and experience, as well as the degree of diversity, necessary to enable it to provide effective oversight to the business. The Board committees remained active and provided necessary support in decision making. Individual Board members appear to be hard-working and demonstrate a strong commitment towards overall performance of the company. Their behaviour in the Board meetings was seen to be professional and constructive. Time was suitably apportioned to both strategic and operational level discussions and suggesting appropriate resolutions.

During the year, four board meetings were conducted. All the Board members received agendas and supporting material, including follow up materials, well in time before the Board and committee meetings. Attendance of members in meetings was always proper and regular. There was no code of conduct violation observed. Performance objectives

were reviewed against actual results and were found reasonably satisfactory given the overall volatility in our business.

The role of the Board has been pivotal in achieving the company's objectives. The Board has developed short, medium and long-term plans to achieve its strategic objectives. Independent and Non-Executive Directors provided depth of expertise and support for effective decision making.

Overall, I feel that the strategic direction of the company for the long-term is clear and appropriate. Moreover, the processes adopted in developing and reviewing the corporate strategy and execution are commendable, which are truly reflected by the improving financial results of the company. Major decisions were referred to the Board which were decided timely and prudently.

I remain firmly committed to ensuring that the company complies with all the relevant codes, rules, regulations and ensuring that our management team continues to make decisions that will create value for shareholders.

I would also like to recognize the role and efforts of the executive management team for their strong and insightful leadership during the past year and also their flexibility and willingness to receive feedback. I would also like to express my gratitude for the efforts of all our workers for their dedication and all stakeholders for reposing their trust in us.



(Osman Saifullah Khan)

Chairman

Place: Islamabad

Dated: October 02, 2019

چیئر مین کی جائزہ رپورٹ

میں، کوہاٹ ٹیکسٹائل ملز لمیٹڈ (کمپنی ہذا) کے بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول پر اپنا جائزہ پیش کرتا ہوں۔

مالی سال 30 جون 2019 کے اختتام پر سالانہ تشخیص کی گئی جو فہرست کمپنیوں (کارپوریٹ گورننس کا ضابطہ) ریگولیشنز 2017 کی ہدایت کے مطابق، مجھے یہ خوشی ہوئی کہ بورڈ کی مجموعی کارکردگی اطمینان بخش رہی۔ اور اسکے ساتھ ساتھ مزید بہتری کی گنجائش موجود ہے۔ مجموعی طور پر تشخیص بشمول وٹن، مشن اور اقدار، اسٹریٹجک منصوبہ بندی میں مصروفیت کی سطح، پالیسیوں کی تشکیل، کاروباری سرگرمیوں کی نگرانی، مالی وسائل کے انتظام کی نگرانی، مالی ملازمت کی نگرانی اور تمام ملازمین کے ساتھ منصفانہ سلوک لازمی اجزاء کی تشخیص پر مبنی ہیں۔

بورڈ ممبران کے پاس اعلیٰ علم، مہارت اور تجربہ، مختلف شعبوں میں حامل اسناد جو کاروباری امور کو چلانے کے لئے ضروری اور موثر ہیں۔ بورڈ کمیٹی نگرانی کے لیے کارآمد ثابت ہو گئے۔ بورڈ ممبران انفرادی طور پر سخت محنت کرنے والے نظر آتے ہیں اور کمپنی کی مجموعی کارکردگی کے سلسلہ میں انہوں نے مضبوط عہد و پیا کا مظاہرہ کیا ہے۔ بورڈ کے اجلاسوں میں انکار و یہ زیادہ تر پیشہ وارانہ اور معیاری دیکھا گیا ہے۔ بورڈ ہذا کی قدر اور مشن کے لیے اپنی توجہ کو مرکوز کیے ہوئے ہیں۔ کاروباری امور چلانے اور حکمت عملی دونوں کی سطح پر بحث و مباحثہ کے لیے مخصوص اوقات کا روضہ کیے گئے ہیں۔

دوران سال، بورڈ کے چار اجلاس ہوئے۔ بورڈ اور کمیٹی کے اجلاسوں سے پہلے تمام بورڈ کے ممبران نے ایجنڈے اور مواد حاصل کیے جن میں فالو اپ مواد بھی شامل تھا۔ بورڈ ممبران کی بورڈ اور کمیٹی اجلاسوں میں حاضری بہت بہتر رہی ہے۔ جبکہ کسی قسم کے ضابطہ اخلاق کی خلاف ورزی نہیں کی گئی۔ اصل نتائج کی کارکردگی کے اہداف کے حصول کے مطابق جانچ پڑتال کی گئی جو کہ ہماری انڈسٹری کی اتار چڑھاؤ کے برعکس تسلی بخش رہی۔

بورڈ ہذا کا کردار کمپنی کے اہداف کو حاصل کرنے میں بہت اہم ہے۔ بورڈ نے اپنی حکمت عملی کے اہداف کے حصول کے لیے مختصر، درمیانے اور لمبی مدت کے منصوبے تشکیل دیے ہیں۔ خود مختار اور غیر ایگزیکٹو ڈائریکٹرز نے موثر فیصلے کرنے کے سلسلے میں وسیع تجربہ اور معاونت فراہم کی ہیں۔

مجموعی طور پر، میں یقین کرتا ہوں کہ لمبی مدت کے لئے کمپنی ہذا کی حکمت عملی کی سمت بالکل واضح اور مناسب ہے۔ مزید برآں مجموعی انتظامی نظم و ضبط اور کمپنی کے اہداف کے حصول کو ترقی دینے اور اس کا جائزہ لینے کے لئے جو طریقہ کار اختیار کیا گیا وہ قابل تعریف ہیں جسکی واضح عکاسی کمپنی ہذا کی مالیاتی نتائج میں بہتری سے ہوتی ہے۔

میں آپ کو یقین دلاتا ہوں کہ آپ کی کمپنی تمام متعلقہ قوانین، اصول و ضوابط، قواعد کی پابندی کرے گی اور اس بات کو یقینی بنائے گی کہ ہماری انتظامیہ ایسے فیصلے کرتی رہے گی جو شیئر ہولڈرز کے لئے فائدہ مند ہو۔

میں گزشتہ سالوں کے دوران ایگزیکٹو انتظامیہ ٹیم کے شاندار اور بصیرت انداز قیادت کے لیے اگلے کردار اور کوششوں کو تسلیم کرتا ہوں اور انکی اپنے بارے میں رائے لینے پر رضامندی کو بھی سراہتا ہوں۔ میں اپنے تمام کارکنان کی محنت و کوششوں اور اسٹیک ہولڈرز کے ہم پر اعتماد کو بھی خراج تحسین پیش کرتا ہوں۔

0 ے 5 ۱

عثمان سیف اللہ خان

چیئر مین

بہ مقام: اسلام آباد

تاریخ: 02 اکتوبر 2019

DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

The Directors of your Company take pleasure in presenting before you the performance review together with audited financial statements and auditor's report thereon for the year ended June 30, 2019.

Overview and operating results

The principal activity of your Company is the manufacturing of yarn. The current fiscal year has showed an improved performance compared to the previous year. Company's turnover has increased by 32% and reached Rs. 3 billion which reflects a record high achievement in sales in the previous 5 years. The increase in sales was also reflected in improved gross profit margin of 10.5%. Similarly, the EBITDA grew to Rs.276 million (9.3%) from last year's Rs.190 million (8.5%). The increase in profit margins is mainly on account of better product mix, optimum operational efficiencies and increased sales price. The Company posted a pretax profit of Rs.86 million - depicting a 34% growth over last year. However, the net profitability of the Company was dampened due to increase in borrowing cost owing to higher financing rates.

Earnings per Share

The basic and diluted earnings per share were Rs.3.24 (2018: Rs.0.50).

Dividend and Appropriation Policy

The Board of Directors is pleased to propose cash dividend @ 10% for the year ended June 30, 2019.

Holding company

Saif Holdings Limited, incorporated in Pakistan, is the holding company of Kohat Textile Mills Limited with 77.98% shareholding.

ISO Certifications

The Company is certified by ISO in 9001:2015 (Quality Management System) and 45001:2018 (Occupational Health & Safety Management System).

Credit Rating Certification

During the year The Pakistan Credit Rating Agency Limited (PACRA) assigned initial entity ratings to the Company as A with stable outlook.

Debt repayment

The Company has adopted an effective cash flow strategy whereby cash inflows and outflows are monitored vigilantly. Efficient financing management has enabled the Company to meet its financial commitments.

Future Outlook

The economy has initiated its way towards stability. State Bank of Pakistan has reported significant decline of 55% in current account deficit in the first two months of the fiscal year (July – August) [2018: \$2.85 billion Vs 2019: \$1.29 billion]. Government's priority to reduce imports also resulted in a 23% decline in two months [2019: \$ 7.7 billion Vs 2018: \$10.1 billion].

However, while domestic stabilization efforts are underway, the global and local demand contraction is expected to have a bearing on sales growth going forward. Similarly, on the cost side, imported inflation (especially energy costs) and higher borrowing costs may continue to put Company's profitability under pressure.

The management of the Company continues its BMR strategy to replace old machines with new technological advanced machines. The management is also evaluating options to have solar power in the generation mix, so as to not only reduce the power costs but also to bring energy resilience and sustainability in the business. With the dual aim of reducing operational expenses and improving quality of company's products, the Board has approved further capital expenditure for the next financial year.

Chairman's review

The Chairman review is annexed to the annual audited financials, briefly explaining the overall performance of the Board of Directors along with performance of the Board members and its committees and their effective role in meeting

DIRECTORS' REPORT TO THE MEMBERS

the challenges being faced.

Corporate governance and Financial Reporting Framework

The Directors of your Company are pleased to state that the Company is in compliance with the provisions of Code of Corporate Governance as required by the Securities and Exchange Commission of Pakistan.

As a part of the compliance with the requirements of Code of Corporate Governance and the Companies Act, 2017, we confirm the following;

- The Financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of the accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- The Board understands its responsibility to ensure that adequate and effective internal controls are in place. It evaluates the compliance of internal control by reviewing

the internal audit reports of the internal audit department, which regularly reviews the design and effectiveness of control. Deficiencies, if any, are reported to the board and corrective actions are taken.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- There is no significant doubt about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- We have an Audit Committee, and HR & Remuneration Committee the members of which are from the Board of Directors and the Chairman both committee is an independent director.
- Information about liability of taxes and levies at year end is disclose in the notes to these financial statements.
- The Board has adopted a Vision, Mission and a Statement of Overall Corporate Strategy.
- The key operating and financial data of the Company for last six years is given below;

	30 June					
Year ended	2019	2018	2017	2016	2015	2014
Property, plant & equipment (Rs. 000)	2,348,712	1,474,298	1,270,674	1,332,206	1,121,135	1,060,402
Net worth (Rs. 000)	467,507	389,864	390,992	341,318	362,676	364,501
Production (Kgs. 000)	7,696	6,975	7,122	7,284	7,274	6,838
Sales (Rs. 000)	2,966,457	2,243,619	2,229,999	2,227,640	2,405,277	2,298,760
Gross Profit (Rs. 000)	310,150	214,959	180,116	132,131	209,505	260,336
Profit from Operations (Rs. 000)	202,191	126,945	110,975	51,330	119,207	188,980
Profit / (loss) before tax (Rs. 000)	86,234	64,283	59,420	(17,721)	39,432	114,891
Earnings / (loss) per share (Rs.)	3.22	0.50	1.68	(0.93)	1.00	3.53
No. of Spindles installed	35,280	35,280	35,280	35,280	35,280	35,280

DIRECTORS' REPORT TO THE MEMBERS

Composition of the Board

The Board of Directors as at June 30, 2019 consist of;

Directors	Numbers	Composition	Numbers
a) Male	6	a) Independent Director	1
b) Female	1	b) Other Non-Executive Directors	5
		c) Executive Director	1

Attendance of Board meetings

During the year four meetings of the Board of Directors, four meetings of the Board Audit Committee and one meeting of the HR & remuneration Committee were held. Attendance of the Director is as under:

Sr. #	Director	Committees		Attendance		
		Board Audit Committee	HR & Remuneration Committee	Board Of Directors	Board Audit Committee	HR & Remuneration Committee
1.	Osman Saifullah Khan	-	-	2/4	-	-
2.	Assad Saifullah Khan	-	✓	4/4	-	-
3.	Hoor Yousafzai	✓	✓	2/4	1/4	1/1
4.	Jehangir Saifullah Khan	✓	-	1/4	4/4	-
5.	Abdul Rehman Qureshi	✓	✓	4/4	4/4	1/1
6.	Rana Muhammad Shafi	-	-	2/4	-	-
7.	Zaheen Ud Din Qureshi	-	-	4/4	-	-

Leave of absence was granted to the Directors who were unable to attend Board meetings.

Performance evaluation of Directors on the Board

The Board of Directors of your Company comprises of highly professional individuals. All members possess reasonable qualifications, high caliber and diversified experience. Furthermore, they have in-depth knowledge of business processes and strategic vision. The Board comprises of seven members including an independent director having professional experience in various business disciplines.

The board has adopted a highly structured process to evaluate its own performance, as well as individual performances of every member. Comprehensive questionnaires are developed in this regard to ensure the growth targets of the Company. The responses to

these questionnaires are discussed in detail after being complied at different board meetings. The foremost role of the board is to ensure its performance in fulfillment of its fiduciary responsibilities, providing strategic guidance and vision through target setting of the management ultimately complying the statutory requirements relating with policies, international standards and best practices.

While developing respective committees, the Board has established specific roles, guidelines and responsibilities through some terms of references for each committee. The overall performance of the board remained satisfactory.

Review of CEO's performance

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values.

DIRECTORS' REPORT TO THE MEMBERS

It includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

Efforts for sustainable financial growth, increased customer base and stronger human capital are some of key stones of success of CEO in current year.

Director's training

The directors of the Company are adequately trained to perform their duties, and are aware of their powers and responsibilities under the Companies Act 2017.

Directors' Remuneration

The remuneration of the Board members is approved by Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his/her remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. Please refer note 42 of the Financial Statements for information on remuneration of Chief Executive Officer and Directors for the year ended June 30, 2019.

Safeguarding of Records

The Company puts great emphasis for storage and safe custody of its financial records. The Company is using Microsoft Dynamics-ERP for recording its financial information. The access to electronic documentation has been secured through implementation of a comprehensive password protected authorization system.

Human Resource Management

Human resource planning and management is one of the most important considerations with senior management. The Company has established HR& R Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending in the human resource policies and procedures and their periodic review.

Corporate Social Responsibility

We strongly feel the importance in service to humanity and try to ensure that best possible benefits should pass on to the deserving. Company has provided free land for Social Security dispensary and also free building to school. We also encourage our team members to dedicate their time and to take active participation in such activities. The Company was also presented Corporate Philanthropy Award 2016.

Health, Safety and Environment

We feel our responsibility in maintaining best possible standards towards health and safety of not only of our dedicated employees but also the people near our factory premises. Proper first aid medical assistance is provided in factory in case of any injury. A dedicated social security dispensary is also located in front of our factory premises. We also ensure the compliance of our production facility with ISO health and safety standards. Our production facility does not discharge any harmful material. However, we have strict compliance towards wastage and disposal.

Risk Management and Adequacy of Internal Control

The Company's risk management policy involves is to continually assess the control environment to prevent and build resilience against any internal and external threats, both anticipated and unforeseen.

The Board has effectively implemented and monitored internal control framework through an independent internal audit function which is completely independent from External Audit Function.

Customer Focusing

Company believes that its valued customers are the foundation of its business success. Company policies are fully customers focused. A continuous liaison with the market and customers has always enabled your Company to best understand the needs to offer best

DIRECTORS' REPORT TO THE MEMBERS

suitable products and service level to the customers to remain the first choice.

Pattern of Shareholding

The pattern of shareholdings of the Company as at June 30, 2019 is annexed to this report.

Communication

The Company focuses on the importance of the communication with the shareholders. The annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Act, 2017. The activities are updated on its website at www.kohattextile.com, on timely basis.

Material changes

There has been no material financial event took place subsequently to close of the financial year 2018-19, having any adverse impact over financial position of the Company.

Auditors

The present auditors, Shinewing Hameed Chaudhri & Co. Chartered Accountants, will

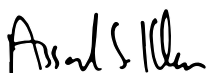
retire on the conclusion of the Annual General Meeting of the Company and being eligible; have offered themselves for reappointment. As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending June 30, 2020.

Acknowledgement

The Board records its appreciation of the performance of the Company's workers, staff and executives. Also, the Board appreciates for the support of our bankers and our valued customers. We look forward to the same dedication and cooperation in the days ahead.

In line with the tradition of Saif Group, the management hosted a ceremony during March, 2019 to celebrate the 50th anniversary of Kohat Textile Mills. The event, which had participation from all our major partners, bankers, vendors and stakeholders, provided us an opportunity to cherish our achievement together.

For and on Behalf of the Board



Assad Saifullah Khan

Chief Executive Officer



Zaheen Ud Qureshi

Director

Place: Islamabad

Dated: October 02, 2019

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

موصلاات / روابط (کیپکشن)

کمپنی ہڈا شیئر ہولڈرز کے ساتھ باہم روابط کی اہمیت پر توجہ مرکوز رکھتی ہے۔ کمپنیز ایکٹ 2017 میں درج وقت کے اندر اندر سالانہ، نصف سالانہ اور سہ ماہی رپورٹیں انہیں تقسیم کی جاتی ہیں۔ یہ تمام سرگرمیاں اس ویب سائٹ www.kohattextile.com پر وقتاً فوقتاً تائی جاتی ہیں۔

بڑی تبدیلیاں

مالیاتی سال 2018-2019 کے اختتام پر کسی قسم کا کوئی واقعہ نہیں ہوا جس سے کمپنی ہڈا کی مالیاتی حیثیت پر برے اثرات مرتب ہوئے ہوں۔

اڈیز

موجودہ آڈیٹرز، شائن ونگ حمید چوہدری اینڈ کوچارٹڈ اکاؤنٹنٹس، کمپنی ہڈا کی سالانہ جزل میٹنگ کے نتیجے پر ریٹائرڈ ہو گئے اور اس امر کے اہل ہوں گے کہ خود کو دوبارہ تعیناتی کیلئے پیش کر سکیں جیسا کہ آڈٹ کمیٹی نے رائے دی ہے کہ کمپنی ہڈا نے انہیں باحیثیت آڈیٹرز برائے سال 30 جون 2020 تعیناتی کی سفارش کی ہے۔

اعظما تشکر

بورڈ کمپنی کے کارکنوں، عملے اور ایگزیکٹو کی کارکردگی کو سراہتے ہیں۔ اور بورڈ ہڈا ہمارے بینکرز اور معزز صارفین کی معاونت کو خراج تحسین پیش کرتا ہے۔ آئندہ ان سے اسی محنت اور تعاون کی امید کرتے ہیں۔

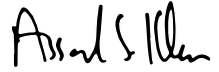
سیف گروپ کی روایت کے مطابق، انتظامیہ نے مارچ 2019 کے دوران کوہاٹ ٹیکسٹائل ملز کی 50 ویں سالگرہ منانے کے لیے ایک تقریب کا انعقاد کیا۔ اس تقریب میں ہمارے شراکت داروں، بینکروں، کاروباری حضرات اور سٹیک ہولڈرز شامل تھے، نے ہمیں ایک ساتھ ملکر اپنی کامیابیوں کا احترام کرنے کا ایک موقع فراہم کیا۔

بورڈ ہڈا کی جانب سے



ذہین الدین قریشی

ڈائریکٹر



اسد سیف اللہ خان

چیف ایگزیکٹو آفیسر

بمقام: اسلام آباد

تاریخ: 02 اکتوبر 2019

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

ڈائریکٹر کا معاوضہ

بورڈ ممبران کا معاوضہ بورڈ ہذا خود منظور کرتا ہے، تاہم کوئی بھی ڈائریکٹر اپنے معاوضے کے بارے میں حصہ نہیں لیتا۔ کمپنی اجلاس میں شرکت کی فیس کے علاوہ کسی بھی غیر ایگزیکٹو ڈائریکٹر کو تنخواہ کی ادائیگی نہیں کرتا۔ برائے کرم 30 جون 2019 کے ختم ہوئے سال میں ڈائریکٹرز اور سی ای او کی تنخواہ کے سلسلے میں مالیاتی گوشوارے کے نوٹس 42 ملاحظہ فرمائیں۔

ریکارڈ کا تحفظ

کمپنی ہذا اپنے مالیاتی ریکارڈز کو محفوظ طریقے سے رکھنے میں بہت زور دیتا ہے۔ کمپنی اپنی مالیاتی معلومات کو ریکارڈ کرنے کے لیے مائیکروسافٹ ڈائنامکس ای آر پی کا استعمال کرتا ہے۔ پاس ورڈ کی حفاظتی نظام پر عمل درآمد کے ذریعے سے الیکٹرونک دستاویزات کی رسائی کو محفوظ بنایا ہے۔

ہیومن ریسورسز مینجمنٹ

سینئر نظام کے سب سے اہم پہلوؤں میں سے ایک نظام ہیومن ریسورسز مینجمنٹ ہے۔ کمپنی ہذا نے اس سلسلہ میں HR&R کمیٹی قائم کی ہے جو اہم انتظامی اشخاص / سٹاف کا انتخاب کرنے، تجزیہ کرنے، معاوضہ ادا کرنے اور ان کی جانشینی کی منصوبہ بندی کرتا ہے۔ یہ انسانی وسائل کی پالیسیوں اور طریقہ کار کا واضح کرنے اور ان کا جائزہ لینے میں بھی اپنی سفارشات و اقفا کو قیام دیتا ہے۔

انضمامی سماجی ذمہ داری

ہم نے انسانیت کی خدمت کو بہت اہم گردانہ ہے اور اس احساس کو اہمیت دیتے ہوئے یہ کوشش کی ہے کہ مستحق افراد کو زیادہ سے زیادہ فائدہ پہنچا کر سکیں۔ کمپنی ہذا نے سوشل سیوریٹی ڈسپنری کے لئے مفت اراضی فراہم کی ہے اور سکول کے لیے بھی مفت عمارت دی ہے۔ ہم اپنے ممبران کو اپنے قیمتی وقت میں ان سرگرمیوں میں بھرپور شرکت کرنے پر حوصلہ افزائی کرتے ہیں۔ کمپنی کو کارپوریٹ ایوارڈ فار فائٹنگ روپی 2016 سے بھی نوازا گیا۔

صحت، حفاظت اور ماحول

ہم نہ صرف اپنے ملازمین کی معیاری صحت اور تحفظ کی ذمہ داری بلکہ فیکٹری سے منسلک احاطے میں بسنے والے تمام لوگوں کی اس ذمہ داری کا احساس ہے۔ فیکٹری میں زخمی ہونے کی صورت میں معیاری طبی امداد کی سہولت فراہم کی گئی ہے۔ ہماری فیکٹری کے حدود میں ایک سوشل سیوریٹی ڈسپنری بھی واقع ہے۔ ہم نے آئی ایس او (ISO) کی صحت اور تحفظ سے متعلق معیارات کے تحت اپنی پیداواری سہولیات کو یقینی بنایا ہے۔ ہماری پیداواری سہولیات (فیکٹری) کسی قسم کے مضر مواد کا اخراج نہیں کرتیں۔ تاہم فضلہ تلف کرنے کے سلسلہ میں سختی سے قوانین کی پابندی کرتے ہیں۔

نظم و نسق برائے خطرہ اور داخلی کنٹرول (ریسک مینجمنٹ اینڈ انٹرنل کنٹرول)

کمپنی ہذا کی ریسک مینجمنٹ پالیسی ماحول کو کنٹرول کرنے کے لئے مسلسل مصروف کار ہے تاکہ کسی بھی اندرونی اور بیرونی خطرات درپیش یا غیر متوقع ہونے کی صورت میں دونوں کو روکا جاسکے اور ان کے خلاف حفاظتی اقدامات کی جاسکیں۔ بورڈ ہذا نے ایک خود مختار (آزاد) انٹرنل آڈٹ نظام کے ذریعے سے انٹرنل کنٹرول فریم ورک پر موثر طریقے سے عمل درآمد اور نگرانی کر رہا ہے جو کہ مکمل طور پر بیرونی آڈٹ نظام سے آزاد ہے۔

کسٹمر پروجیکٹس

کمپنی کا یقین ہے کہ اسکے قابل قدر کسٹمرز (صارفین) ہی ان کی کامیابی کی بنیاد ہیں۔ کمپنی کی پالیسیاں مکمل طور پر صارفین پر مرکوز ہیں۔ مارکیٹ اور صارفین کے ساتھ مستقل روابط نے کمپنی کو ہمیشہ بہترین مصنوعات اور خدمات کی سطح پیش کرنے کی ضروریات کو بہتر طور پر سمجھنے کے لیے اہل بنایا تاکہ وہ پہلی پسند رہیں۔

حصص رکھنے کا نمونہ (پیٹرن آف شیئر ہولڈنگ)

کمپنی ہذا کا 30 جون 2019 سے حصص رکھنے کا نمونہ اس رپورٹ سے منسلک ہے۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

بورڈ ہذا کی جدول

مورخہ 30 جون 2019 تک بورڈ آف ڈائریکٹرز درج ذیل پر مشتمل ہیں:-

ڈائریکٹرز	تعداد	تفصیل	تعداد
(ا) مرد	6	(ا) خود مختار ڈائریکٹر	1
(ب) عورت	1	(ب) دیگر غیر ایگزیکٹو ڈائریکٹرز	5
		(ج) ایگزیکٹو ڈائریکٹر	1

بورڈ اجلاس میں حاضری

حالیہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس، بورڈ آف آڈٹ کمیٹی کے چار اجلاس اور ایچ آر اینڈ ریمونیویشن کمیٹی کا ایک اجلاس منعقد ہوا۔ ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے:-

نمبر شمار	ڈائریکٹر	کمیٹی		حاضری	
		بورڈ آڈٹ کمیٹی	ایچ آر اینڈ ریمونیویشن کمیٹی	بورڈ آڈٹ کمیٹی	ایچ آر اینڈ ریمونیویشن کمیٹی
(ا)	عثمان سیف اللہ خان	-	-	-	-
(ب)	اسد سیف اللہ خان	-	-	-	-
(ج)	حور یوسف زئی	-	-	2/4	1/4
(د)	جہانگیر سیف اللہ خان	-	-	4/4	1/4
(ر)	عبدالرحمن قریشی	-	-	4/4	1/4
(ع)	رانامہ شفیع	-	-	2/4	-
(ف)	ذہین الدین قریشی	-	-	4/4	-

وہ ڈائریکٹر حضرات جو بورڈ اجلاس میں حاضر نہیں ہو سکتے تھے انکو غیر حاضری کی اجازت دی گئی۔

بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ

کمپنی ہذا کے بورڈ آف ڈائریکٹرز انتہائی پیشہ وارانہ قابلیت کے حامل اشخاص ہیں۔ تمام ممبران معقول قابلیت، اعلیٰ صلاحیت اور وسیع تجربہ رکھتے ہیں۔ مزید برآں، وہ کاروباری طور پر یقینی اور حکمت عملی کے لحاظ سے گہرے علم کے حامل ہیں۔ بورڈ ہذا اساس ڈائریکٹرز پر مشتمل ہے جس میں ایک خود مختار ڈائریکٹر ہے اور وہ مختلف کاروباری شعبہ میں پیشہ وارانہ تجربہ رکھتا ہے۔ بورڈ ہذا نے اپنی کارکردگی اور مزید برآں ہر ممبر کی انفرادی کارکردگی کے تجزیے کے لیے ایک انتہائی مفصل طریقہ کار اختیار کیا ہوا ہے۔ کمپنی ہذا کی ترقیاتی اہداف کو یقینی بنانے کے لئے جامع سوالنامے تشکیل دیے گئے ہیں۔ بورڈ کے مختلف اجلاسوں میں عمل درآمد کے بعد ان سوالناموں کے جوابات پر تفصیل سے تبادلہ خیال کیا گیا ہے۔ مذکورہ بورڈ کا اولین کردار یہ ہے کہ وہ اپنی اعتمادی ذمہ داریوں کی تکمیل کے لیے اپنی کارکردگی کو یقینی بنائیں اور انتظامیہ کی جانب سے دیئے گئے اہداف کے ذریعے سے اسٹریٹجک راہنمائی اور نقطہ نظر پیش کرے تاکہ وہ پالیسیوں، انٹرنیشنل معیارات اور بہترین عمل سے متعلق قانونی تقاضوں کو تکمیل کرتا ہے۔

متعلقہ کمیٹیوں کو بناتے وقت بورڈ ہذا نے ہر کمیٹی کے لئے کچھ حوالہ جات کی شرائط کے ذریعے سے مخصوص کردار، راہنمائی اور ذمہ داریاں مقرر کی ہیں۔ بورڈ ہذا کی مجموعی کارکردگی تسلی بخش رہی ہے۔

سی ای او کی کارکردگی کا جائزہ

سی ای او کی کارکردگی کا باقاعدہ جائزہ/ جانچ پڑتال کے نظام کے تحت کیا جاتا ہے جس کی معیاری اور انفرادی اقدار پر مبنی ہے۔ اس میں بشمول کاروباری کارکردگی، منافع کے متعلق مقاصد کی تکمیل، تنظیم سازی، جانشینی کی منصوبہ بندی اور منظم کامیابی شامل ہے۔

حالیہ سال میں سی ای او کی کامیابی میں شامل دیرپا مالیاتی نظام، صارفین کی ضرورتوں کو مد نظر رکھنا اور مضبوط سرمایہ کاری شامل ہیں۔

ڈائریکٹری تربیت

کمپنی ہذا کے ڈائریکٹر کو اپنے فرائض کی انجام دہی کے لئے مناسب تربیت یافتہ ہیں اور وہ کمپنیز ایکٹ 2017 کے تحت اپنے اختیارات اور ذمہ داریوں سے آگاہ ہیں۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

چیئرمین کی جائزہ رپورٹ

چیئرمین کا جائزہ مکرر سالانہ آڈٹ شدہ مالیاتی گوشوارے کے منسلک کیا گیا ہے، جس میں بورڈ ممبران اور اسکی کمیٹیوں کی کارکردگی کے ساتھ ساتھ بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی اور درپیش چیلنجوں سے نمٹنے میں انکے موثر کردار کو مفصل بیان کیا گیا ہے۔

انظامی نظم و ضبط اور مالیاتی احوال بیان کرنے کا ڈھانچہ

آپ کی کمپنی کے ڈائریکٹرز کے لیے یہ پیش کرنا بھی خوشی کا امر ہے کہ کمپنی ہڈا سکیو ریٹز اینڈ ایکسچینج کمیشن آف پاکستان کے شرائط کے مطابق انظامی نظم و ضبط کے قوانین کی شرائط کے ساتھ عمل پیرا ہے۔

انظامی نظم و ضبط کے قوانین اوکیمینز ایکٹ 2017 کے قوانین پر تعمیل کرتے ہوئے، ہم درج ذیل امور کی توثیق کرتے ہیں:-

- * کمپنی ہڈا کی انظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، معاملات، کاروباری امور کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتا ہے۔
- * کمپنی ہڈا نے بکس آف اکاؤنٹس کا باقاعدہ ریکارڈ رکھا ہے۔
- * مالیاتی گوشوارے تیار کرنے کے لیے مناسب اکاؤنٹنگ پالیسیوں کا مستقل طور پر اطلاق کیا جاتا ہے اور اکاؤنٹنگ تخمینے موزوں اور محتاط فیصلوں پر مبنی ہیں۔
- * بورڈ ہڈا اپنی اس ذمہ داری کو سمجھتا ہے کہ مناسب اور موثر انٹرئل کنٹرول کو یقینی بنایا جائے۔ انٹرئل آڈٹ ڈیپارٹمنٹ کی انٹرئل آڈٹ رپورٹس کے جائزے سے انٹرئل کنٹرول پر عمل دارآمد کا امر واضح ہوتا ہے۔ جوڈیزائن اور کنٹرول کے موثر ہونے کا باقاعدگی سے جائزہ لیتا ہے۔ کسی بھی خرابی / کمی کی صورت میں بورڈ کو اطلاع دی جاتی ہے اور اصلاحی اقدامات اٹھائے جاتے ہیں۔
- * انٹرینٹل مالیاتی احوال کا بیان کا معیار جیسا کہ پاکستان میں لاگو ہے، مالیاتی گوشوارے تیار کرنے کے سلسلہ میں اس کی پیروی کی جاتی ہے۔
- * موجودہ صورتحال میں کمپنی ہڈا کی صلاحیت کے بارے میں کسی قسم کا کوئی شک وشبہ نہیں ہے۔
- * انظامی نظم و ضبط کے بہترین عوامل میں کسی بھی امر کو چھوڑا نہیں جاتا۔
- * ہمارے پاس ایک آڈٹ کمیٹی اور ایک ایچ آر اینڈ ریونیویشن کمیٹی ہے جس کے ممبران کا تعلق بورڈ آف ڈائریکٹرز سے ہے اور دونوں کمیٹیوں کا چیئرمین ایک خود مختار ڈائریکٹر ہوتا ہے۔
- * سال کا اختتام پر ٹیکس اور محصول کے بقایا جات کے بارے میں معلومات ان مالیات گوشواروں کے نوٹس پر ظاہر کیا جاتا ہے۔
- * بورڈ ہڈا نے ایک وٹن، مشن سٹیٹمنٹ اور مجموعی انظامی حکمت عملی کا ایک سٹیٹمنٹ اختیار کیا ہوا ہے۔
- * کمپنی ہڈا کی گزشتہ چھ سالوں کے اہم کاروباری امور اور مالیاتی اعداد و شمار درج ذیل ہیں:-

30 June						اختتامی سال
2014	2015	2016	2017	2018	2019	
1,060,402	1,121,135	1,332,206	1,270,674	1,474,298	2,348,712	جائیداد، پلاٹ اور سامان (مبلغ روپے 000 میں)
364,501	362,676	341,318	390,992	389,864	467,507	کل مالیت (مبلغ روپے 000 میں)
6,838	7,274	7,284	7,122	6,975	7,696	پیداوار (کلوگرامز 000 میں)
2,298,760	2,405,277	2,227,640	2,229,999	2,243,619	2,966,457	فروخت (مبلغ روپے 000 میں)
260,336	209,505	132,131	180,116	214,959	310,150	کل منافع (مبلغ روپے 000 میں)
188,980	119,207	51,330	110,975	126,945	202,191	کاروباری امور سے منافع (مبلغ روپے 000 میں)
114,891	39,432	(17,721)	59,420	64,283	86,234	منافع / نقصان پہلے ٹیکس (مبلغ روپے 000 میں)
3.53	1.00	(0.93)	1.68	0.50	3.22	آمدنی / نقصان فی حصص (مبلغ روپے)
35,280	35,280	35,280	35,280	35,280	35,280	تنصیب شدہ اسپنڈلز کی تعداد

ڈائریکٹر رپورٹ برائے شیئر ہولڈرز

محترم شیئر ہولڈرز

آپ کی کمپنی کے ڈائریکٹر کو لیے خوشی کا امر ہے کہ وہ مشترکہ جائزہ کی کارکردگی بشمول اختتامی سال 30 جون 2019 کے مالیاتی گوشوارے واؤٹ رپورٹس آپ کے سامنے پیش کر رہے ہیں۔

سرسری جائزہ اور جاری کاروبار کے نتائج

آپ کی کمپنی کا بنیادی کام دھاگہ کی تیاری ہے۔ حالیہ سال کے دوران کمپنی کی کارکردگی پچھلے سال سے بڑھی۔ حالیہ سال کے دوران کمپنی کا کاروبار 32% بڑھا جو 3 بلین روپے تک پہنچا جو پچھلے 5 سالوں کے تمام سبزریکارڈ سے بہتر رہا۔ اس بڑھتی ہوئی فروخت نے مجموعی منافع میں 10.5% کا اضافہ ہوا۔ اسی طرح اس سال گراس منافع مبلغ 276 ملین یعنی 9.3% کا اضافہ ہو جو گزشتہ سال کی نسبت 190 ملین روپے یعنی 8.5% تھے۔ اس منافع کے مارجن میں اضافہ بنیادی طور پر مصنوعات کی آمیزش میں بہتری، انتظامی امور کی بہتری اور فروخت کی قیمت میں اضافہ ہے۔ کمپنی نے گزشتہ سال کی نسبت اس سال ٹیکس کی کٹوتی سے قبل مبلغ 86 ملین یعنی 34% کا اضافہ ہوا۔ تاہم اعلیٰ بہتر فنانسنگ ریٹ کی وجہ سے ادھار لاگت میں اضافے کی وجہ سے کمپنی کا خالص منافع بڑھا۔

فی حصص آمدنی

گزشتہ سال کی فی حصص آمدنی مبلغ 0.50 روپے کی نسبت اس سال فی حصص آمدنی مبلغ 3.24 روپے ہے۔

حصہ داروں کو منافع کی ادائیگی اور اختصاص کی پالیسی

بورڈ آف ڈائریکٹرز کے لیے خوشی کا امر ہے کہ اختتام سال 30 جون 2019 کے لیے نقد منافع مبلغ 10% پیش کرنے کی تجویز دے رہے ہیں۔

ہولڈنگ کمپنی

سیف ہولڈنگ کمپنی پاکستان میں تشکیل دی گئی جو کوہاٹ ٹیکسٹائل ملز لمیٹڈ کمپنی کی 77.98% شیئر ہولڈنگ کے ساتھ ملکیتی کمپنی ہے۔

آئی ایس او سرٹیفیکیشن

کمپنی ہذا ISO9001:2015 (نظام برائے کوالٹی مینجمنٹ) اور 45000:2018 (پیشہ ورانہ صحت و حفاظتی نظام) میں آئی ایس او کے ذریعے تصدیق شدہ ہے۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پی اے سی آر اے) نے حالیہ سال کے دوران کمپنی ہذا کو ابتدائی حیثیت میں کارکردگی کو A ریٹنگ ہے جو کہ استحکام ظاہر کرتی ہے۔

قرض کی ادائیگی

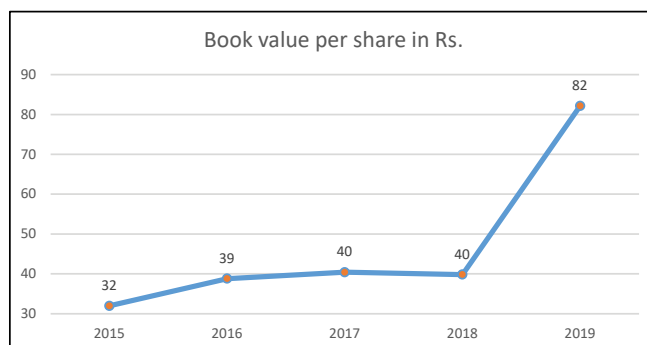
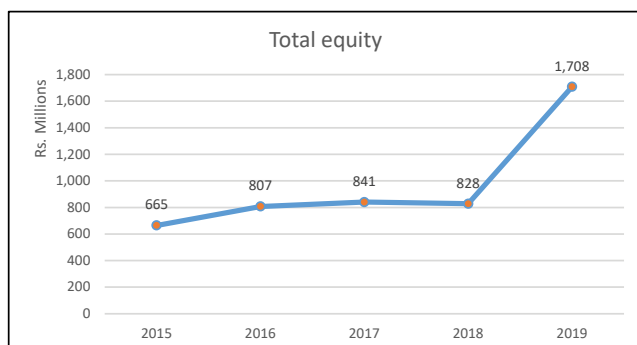
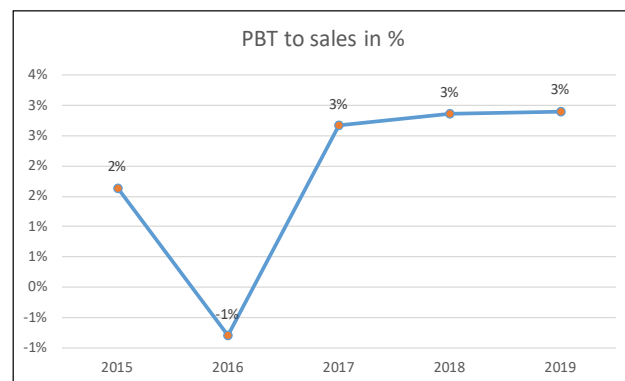
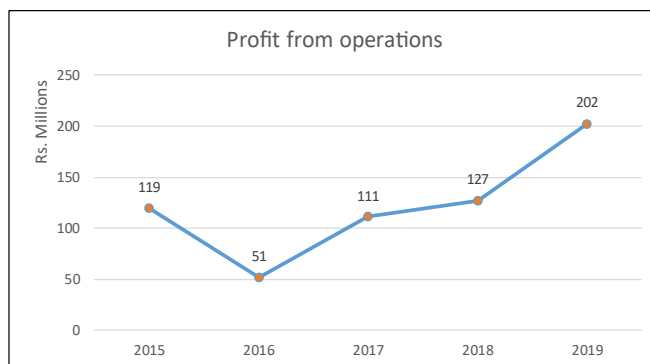
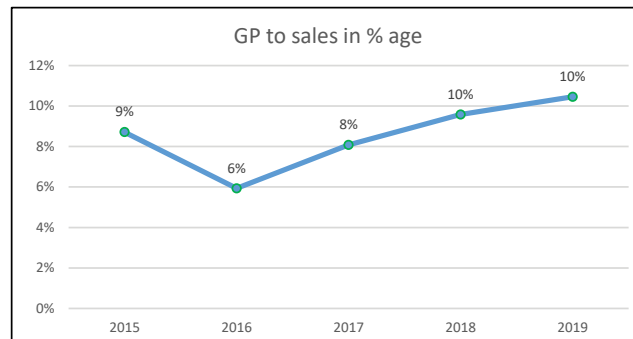
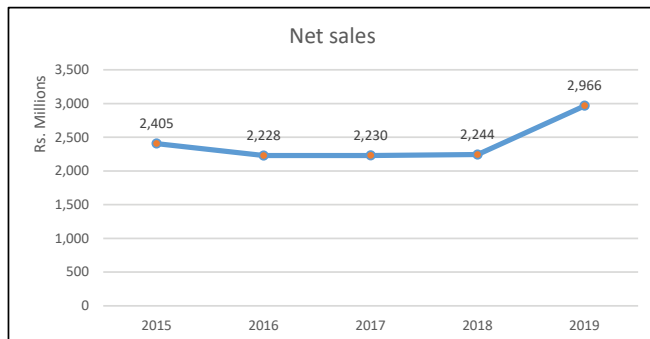
کمپنی ہذا نے نقد رقم کی ترسیل کی ایک موثر حکمت عملی اپنائی ہے جس کے تحت نقد آمد اور اخراج کو نگرانی کے ساتھ کیا جاتا ہے۔ فنانسنگ کی موثر انتظامیہ نے کمپنی ہذا کو اپنے مالی وعدوں کو پورا کرنے کے قابل بنادیا ہے۔

مستقبل کا نقطہ نظر

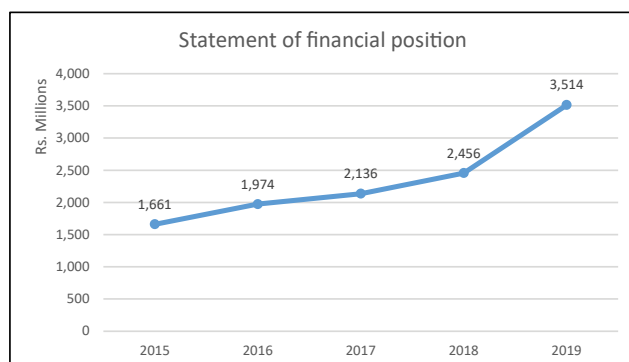
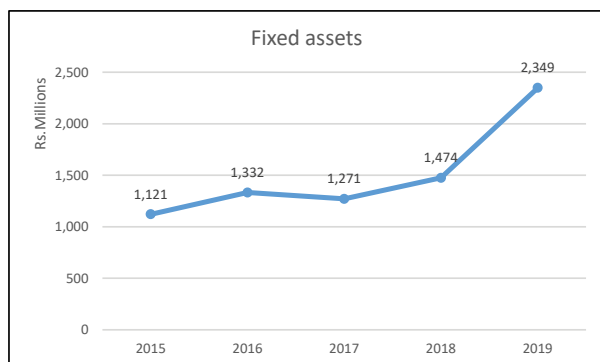
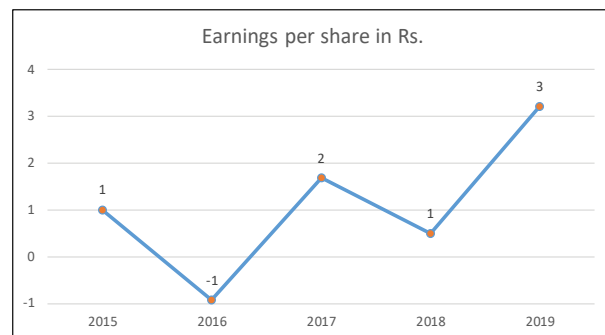
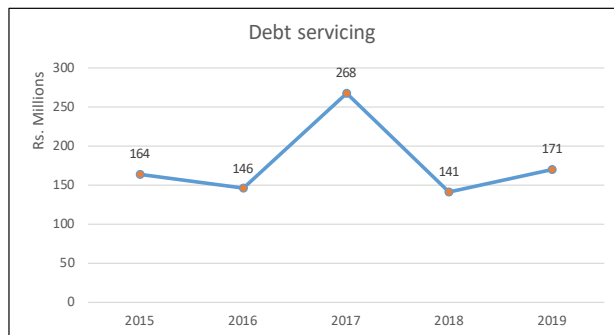
معیشت نے استحکام کی طرف اپنا سفر شروع کیا ہے۔ اسٹیٹ بینک آف پاکستان نے مالی سال کے پہلے دو ماہ (جولائی - اگست) میں جاری کھاتوں کے خسارے میں 55% کی نمایاں کمی کی اطلاع دے ہے (2018: 2.85 بلین ڈالر بمقابلہ 2019: 1.29 بلین ڈالر)۔ حکومت کی درآمدات کو کم کرنے کی ترجیح کا نتیجہ بھی دو مہینوں میں 23% کمی (2019: 7.7 بلین ڈالر بمقابلہ 2018: 10.1 بلین ڈالر)۔

تاہم جب ملکی معاشی استحکام کی کوششیں جاری ہیں، توقع کی جارہی ہے کہ عالمی اور مقامی ڈیمانڈ میں کمی کا اثر فروخت پر بھی ہوگا۔ اسی طرح، قیمت کے معاملے میں، درآمد شدہ افراط زر (خاص طور پر توانائی کے اخراجات) اور قرض لینے کے زیادہ اخراجات کمپنی کے منافع کو دباؤ میں ڈال سکتے ہیں۔ کمپنی انتظامیہ پرانی ٹیکنالوجی کی مشینوں کو جدید ٹیکنالوجی سے تبدیل کرنے میں اپنی کوشش جاری رکھے ہوئے ہے۔ انتظامیہ جزییشن کس میں سبھی توانائی کی شمولیت کا بھی جائزہ لے رہی ہے، تاکہ نہ صرف بجلی کے اخراجات کو کم کیا جاسکے بلکہ کاروبار میں توانائی کی پیک اور استحکام بھی لاسکے۔ آپریشنل اخراجات کو کم کرنے اور کمپنی کی مصنوعات کے معیار کو بہتر بنانے کے دونوں مقاصد کے ساتھ، بورڈ نے اگلے مالی سال کے لیے مزید سرمایہ کاری کی منظوری دے دی ہے۔

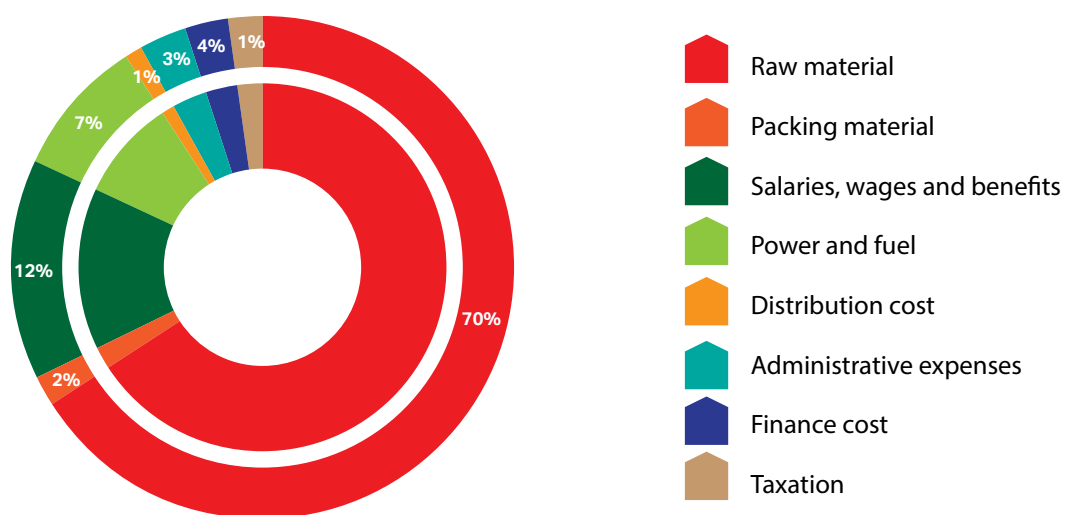
GRAPHICAL PRESENTATION



GRAPHICAL PRESENTATION



Revenue Distribution



PATTERN OF SHAREHOLDINGS

As at June 30, 2019

NUMBER OF SHARE HOLDERS	----- SHARE HOLDING ----- FROM	TO	TOTAL NO OF SHARES HELD
460	1	100	25,945
150	101	500	47,728
53	501	1,000	48,500
58	1001	5,000	155,108
13	5001	10,000	105,324
5	10001	15,000	67,873
1	15001	20,000	20,000
3	20001	25,000	69,000
1	25001	30,000	29,304
1	30001	35,000	31,500
1	35001	40,000	38,000
1	45001	50,000	50,000
3	55001	60,000	174,500
2	95001	100,000	196,500
1	115001	120,000	116,704
1	145001	150,000	148,950
1	195001	200,000	200,000
1	975001	980,000	976,500
1	2075001	2,080,000	2,078,554
1	16220001	16,225,000	16,220,010
758	TOTAL = >		20,800,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	%AGE OF CAPITAL
Directors and Chief Executive Officer and their spouses and minor children	8	180,204	0.87
Associated Company	1	16,220,010	77.98
NIT & ICP	2	5,100	0.02
Banks, Development Financial Institutions, Non Banking Financial Institutions	6	2,081,126	10.01
Joint Stock Companies	5	201,059	0.97
Insurance Company	1	200	0.00
Funds	2	3,650	0.02
General Public (local)	726	2,105,151	10.12
Others	7	3,500	0.02
Total	758	20,800,000	100.00

PATTERN OF SHAREHOLDINGS

As at June 30, 2019

S. NO	NAME OF SHAREHOLDERS	SHARE HELD	Percentage	
Directors, Chief Executive Officer, and their Spouse and Minor Children				
1	Osman Saifullah Khan	55,500	0.267	
2	Assad Saifullah Khan	500	0.002	
3	Hoor Yousafzai	500	0.002	
4	Jehangir Saifullah Khan	116,704	0.561	
5	Shereen Saifullah Khan	5,000	0.024	
6	Abdul Rehman Qureshi	900	0.004	
7	Rana Muhammad Shafi	600	0.003	
8	Zaheen-ud-Din Qureshi	500	0.002	
Total		180,204	0.87	
Associated Company				
1	Saif Holdings Limited	Total	16,220,010	77.98
NIT & ICP				
1	Investment Corporation of Pakistan	4,350	0.02	
2	National Bank of Pakistan	750	0.00	
Total		5,100	0.02	
Banks, Development Financial Institutions, Non Banking Financial Institutions				
1	IDBL (ICP Unit)	400	0.00	
2	Muslim Commercial Bank Ltd.	2,000	0.01	
3	Habib Bank Limited	100	0.00	
4	Bank of Bahawalpur Limited	50	0.00	
5	National Bank of Pakistan	22	0.00	
6	National Bank of Pakistan	2,078,554	9.99	
Total		2,081,126	10.01	
Joint Stock Companies				
1	Fateh Textile Mills Limited.	50	0.00	
2	Maple Leaf Capital Limited.	1	0.00	
3	Seven Star Securities (Pvt.) Limited.	1,000	0.00	
4	Adeel Zafar Securities (Pvt) Limited.	200,000	0.96	
5	Sultan Textile Mills (Karachi) Limited.	8	0.00	
Total		201,059	0.97	

PATTERN OF SHAREHOLDINGS

As at June 30, 2019

S. NO	NAME OF SHAREHOLDERS	SHARE HELD	Percentage	
Insurance Company				
1	E.F.U. Ins. Co. Ltd.	Total	200	0.00
Funds				
1	Trustee National Bank Of Pakistan Employees Pension Fund	3,526	0.02	
2	Trustee National Bank Of Pakistan Emp Benevolent Fund	124	0.00	
	Total	3,650	0.02	
	General Public (Local)	Total	2,105,151	10.12
OTHERS				
1	The Pak Ismailia Cooperative	350	0.00	
2	Naseer Shaheed Ltd	300	0.00	
3	Mollasses Export Co. Ltd.	100	0.00	
4	Murree Brewery Co. Ltd.	50	0.00	
5	United Executors & Trustee	2,200	0.01	
6	Ambreen Silk Mills	400	0.00	
7	Azeem Services (Pvt) Ltd,	100	0.00	
	Total	3,500	0.02	
		20,800,000	100	

The Company has complied with the requirements of the regulations in the following manners;

1. Total number of the directors are seven as per the following;

Directors	Numbers
a) Male	06
b) Female	01

2. The composition of the board is as follows:

S.No	Directors	Numbers
a.	Executive Director	Assad Saifullah Khan
b.	Non-executive Directors	Osman Saifullah Khan
		Hoor Yousafzai
		Jehangir Saifullah Khan
		Rana Muhammad Shafi
		Zaheen Ud Din Qureshi
	Independent Director	Abdul Rehman Qureshi

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. 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.

6. All the powers of the board have been duly exercised and decisions on relevant matters were taken by Board and members as entrusted to them under the relevant provisions of the Companies Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director duly elected by the board's members. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulation of the minutes of the respective meetings.
8. The board of directors has a formal policy and transparent procedures for the fixation and approval of remuneration of directors in light of the provisions of Act and these Regulations.
9. Assad Saifullah Khan, Hoor Yousafzai, Jehangir Saifullah Khan and Rana Muhammad Shafi being the Directors of the Company have completed the Directors' Training program till June 30, 2019.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and the other terms and conditions of employment and complied with the relevant requirements of the regulation.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

12. The Board has formed the following Committees comprising its members named below:

Audit Committee	Abdul Rehman Qureshi – Chairman
	Hoor Yousafzai – Member
	Jehangir Saifullah Khan – Member
HR and Remuneration Committee	Abdul Rehman Qureshi – Chairman
	Assad Saifullah Khan – Member
	Hoor Yousafzai – Member

13. The terms of reference of the aforesaid Committees have been formulated, documented for their compliance.
14. Frequency of the meeting of the Committees were as per following:
- Audit committee 4 quarterly meetings
 - HR and Remuneration Committee 1 annual meeting
15. The Board has also set up an effective internal audit function and the persons assigned the responsibilities are considered suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the company.

16. 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 and are registered with Audit Oversight Board of Pakistan, that they or any of their partners, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are fully compliant with the International Federation of Accountants (IFAC) guidelines and the Code of ethics as adopted by the ICAP.

17. 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.

18. We confirm that all other requirements of the Regulations have been complied with.

For and on Behalf of the Board



OSMAN SAIFULLAH KHAN

Chairman

INDEPENDENT AUDITORS' REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of KOHAT TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review

and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out procedures to assess and determine the Company's process for identification of related parties and that 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 Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Shine Wing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Audit Engagement Partner: Nafees ud din

Place: Lahore

Dated: 02 October 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **KOHAT TEXTILE MILLS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion, and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 18.1.2 to these financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.526.134 million. Our report is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<p>First time adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. IFRS 9 is effective to the financial statements of the Company for the first time during the current year and replaces the IAS 39 'Financial Instruments: Recognition and Measurement'.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs is complex and involves a number of judgemental assumptions.</p> <p>IFRS 9 also introduces new classification of financial assets based on the Company's business model for managing the financial assets and the contractual terms of the cash flows.</p> <p>IFRS 15 is effective to the financial statements of the Company for the first time during the current year and changes the revenue recognition criteria. IFRS 15 introduces a single five-steps model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers.</p>	<p>For IFRS 9, we reviewed and understood the requirements. Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Considered the management's process to assess the impact of adoption of IFRS 9 on the Company's financial statements; - Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. Reviewed the working of management for ECL provision; and - Reviewed the new classification of financial assets and financial liabilities of the Company based on the revised criteria of IFRS 9. <p>For IFRS 15 our audit procedures included the following:</p> <ul style="list-style-type: none"> - Discussed with the management changes made in the revenue recognition criteria to comply with the requirements of new accounting standard; - Obtained relevant underlying supporting documents for ensuring that management has complied with the revenue recognition criteria as introduced by IFRS 15; and - Assessed the appropriateness of the related disclosures made by the management in the Company's financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

S. No.	Key audit matters	How the matter was addressed in our audit
	In view of the above amendments, reclassifications of financial assets, assumptions involved, incorporation of new disclosures, we considered the adoption of IFRS 9 and IFRS 15 as a key audit matter.	
2.	<p>Contingencies</p> <p>The Company is subject to litigations involving different courts pertaining to Gas Infrastructure Development Cess and taxation, which require management to make assessment and judgements with respect to likelihood and impact of such litigations.</p> <p>Management has engaged independent legal counsel on these matters.</p> <p>The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>Due to magnitude of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts we have considered above referred contingencies as one of the key audit matters.</p>	<ul style="list-style-type: none"> - In response to this matter, our audit procedures included: - Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances. - Obtaining independent opinion of legal advisors dealing with such cases in the form of confirmations. - We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets. - The disclosures of legal exposures and provisions were assessed for completeness and accuracy.

Information Other than the Financial Statements and Auditors' Report thereon

Management is responsible for the other information, which comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

of internal control.

- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

the purpose of the Company's business; and

- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Nafees ud din.

Shine Wing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Place: Lahore

Dated: 02 October 2019

FINANCIAL STATEMENTS



STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

		2019	2018
	Note	Rupees in '000	
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital 22,000,000 ordinary shares of Rs.10 each		220,000	220,000
Issued, subscribed and paid-up capital	6	208,000	208,000
Revenue reserve			
- Unappropriated profit		259,507	181,864
Capital reserve			
- Surplus on Revaluation of Property, Plant and Equipment	7	1,240,388	438,263
Total Shareholders' equity		1,707,895	828,127
Non-current Liabilities			
Loan from the Holding Company	8	100,000	100,000
Long term financing	9	183,741	198,749
Long term deposits	10	1,877	3,066
Liability against assets subject to finance lease	11	10,779	3,379
Deferred liability - staff retirement benefits	12	115,979	108,126
Deferred taxation - net	13	168,317	138,369
		580,693	551,689
Current Liabilities			
Trade and other payables	14	394,290	300,251
Contract liabilities		4,099	5,006
Accrued mark-up / profit	15	33,320	15,346
Short term borrowings	16	699,557	688,336
Current portion of non-current liabilities	17	90,567	63,456
Unpaid dividend		77	-
Unclaimed dividend		3,687	3,734
		1,225,597	1,076,129
		1,806,290	1,627,818
Contingencies and Commitments	18		
		3,514,185	2,455,945



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



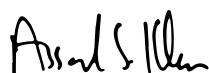
NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

		2019	2018
	Note	Rupees in '000	
Assets			
Non-current Assets			
Property, plant and equipment	19	2,348,712	1,474,298
Intangible assets	20	1,355	2,061
Long term investment	21	2,500	-
Long term loans	22	1,459	2,051
Long term deposits		1,137	1,137
		2,355,163	1,479,547
Current Assets			
Stores, spare parts and loose tools	23	36,061	35,476
Stock-in-trade	24	668,237	482,571
Trade debts		307,669	335,508
Loans and advances	25	6,185	9,133
Deposits, other receivables and prepayments	26	17,086	17,351
Taxation - net	27	75,263	64,299
Sales tax refundable		41,216	22,994
Cash and bank balances	28	7,305	9,066
		1,159,022	976,398
		3,514,185	2,455,945

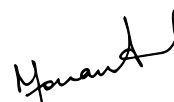
The annexed notes form an integral part of these financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director




NOUMAN AHMAD
Chief Financial Officer
Annual Report 2019 » 35

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the Year Ended June 30, 2019

		2019	2018
	Note	Rupees in '000	
Sales - net	29	2,966,457	2,243,619
Cost of sales	30	(2,656,307)	(2,028,660)
Gross profit		310,150	214,959
Distribution cost	31	(22,700)	(16,899)
Administrative expenses	32	(73,106)	(64,509)
Other income	33	754	907
Other expenses	34	(12,907)	(7,513)
Profit from operations		202,191	126,945
Finance cost	35	(115,957)	(62,662)
Profit before taxation		86,234	64,283
Taxation	36	(19,269)	(53,812)
Profit after taxation		66,965	10,471
Other Comprehensive Income / (Loss)			
Items that will not be reclassified subsequent to statement of profit or loss:			
- gain / (loss) on remeasurement of staff retirement benefit obligation		7,024	(6,071)
- surplus on revaluation of property, plant and equipment		842,494	-
- impact of deferred tax		(21,115)	-
		821,379	-
		828,403	(6,071)
Total comprehensive income		895,368	4,400
		----- Rupees -----	
Earnings per share - basic and diluted	37	3.22	0.50

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



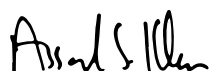
NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

	2019	2018
	Rupees in '000	
Cash flow from operating activities		
Profit for the year - before taxation	86,234	64,283
Adjustments for non-cash and other charges:		
Depreciation	72,811	62,472
Amortisation	706	706
Staff retirement benefits - gratuity (net)	14,877	6,930
Unclaimed payable balances written-back	(26)	(39)
Loss on sale of operating fixed assets	4,495	699
Finance cost	114,454	60,282
Profit before working capital changes	293,551	195,333
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(585)	(1,326)
Stock-in-trade	(185,666)	(68,409)
Trade debts	27,839	(81,266)
Loans and advances	2,948	9,194
Deposits and short term prepayments	265	(1,263)
Sales tax refundable	(18,222)	17,355
(Decrease) / increase in current liabilities:		
Trade and other payables	94,064	(41,876)
Contract liabilities	(907)	-
	(80,264)	(167,591)
Cash generated from operating activities	213,287	27,742
Income tax paid	(21,400)	(12,109)
Long term loans - net	592	69
Net cash generated from operating activities	192,479	15,702
Cash flow from investing activities		
Additions to property, plant and equipment	(106,542)	(266,574)
Sale proceeds of operating fixed assets	7,646	2,467
Long term investment made	(2,500)	-
Net cash used in investing activities	(101,396)	(264,107)
Cash flow from financing activities		
Long term financing - obtained	66,655	195,832
- repaid	(56,153)	(81,058)
Liability against assets subject to finance lease - net	(1,329)	(792)
Long term deposits	(1,189)	746
Short term borrowings - net	11,221	216,569
Finance cost paid - net	(96,479)	(58,000)
Dividend paid	(15,570)	(20,665)
Net cash (used in) / generated from financing activities	(92,844)	252,632
Net (decrease) / increase in cash and cash equivalents	(1,761)	4,227
Cash and cash equivalents - at beginning of the year	9,066	4,839
Cash and cash equivalents - at end of the year	7,305	9,066

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the Year Ended June 30, 2019

	Share Capital	Revenue reserve Unappropriated profit	Capital reserve Revaluation surplus on property, plant and equipment	Total
	Rupees in '000			
Balance as at July 01, 2017	208,000	182,992	449,723	840,715
Transactions with owners				
Cash dividend for the year ended June 30, 2017 at the rate of Re.1 per share	-	(20,800)	-	(20,800)
Total Comprehensive income / (loss) for the year ended June 30, 2018				
Profit for the year	-	10,471	-	10,471
Other comprehensive loss	-	(6,071)	-	(6,071)
	-	4,400	-	4,400
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):				
- on account of incremental depreciation	-	14,629	(14,629)	-
- upon sale of revalued assets	-	643	(643)	-
Deferred tax adjustment due to reduction in tax rate	-	-	3,812	3,812
Balance as at June 30, 2018	208,000	181,864	438,263	828,127
Transactions with owners				
Cash dividend for the year ended June 30, 2018 at the rate of Re.0.75 per share	-	(15,600)	-	(15,600)
Total Comprehensive income for the year ended June 30, 2019				
Profit for the year	-	66,965	-	66,965
Other comprehensive income	-	7,024	821,379	828,403
	-	73,989	821,379	895,368
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):				
- on account of incremental depreciation	-	17,100	(17,100)	-
- upon sale of revalued assets	-	2,155	(2,155)	-
Balance as at June 30, 2019	208,000	259,507	1,240,388	1,707,895

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

Kohat Textile Mills Limited (the Company) is a public limited Company incorporated in Pakistan during the year 1967 and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn.

1.1 Geographical location and addresses of major business units including mills / plant of the Company are as under:

Kohat	Purpose
Saifabad	Mills / factory
Peshawar	
APTMA House, Tahkal Payan, Jamrud Road	Registered office
Rawalpindi	
City Centre, Main Bank Road, Saddar Cantt	Head office
Karachi	
2 nd Floor, The Plaza, Block-9, Clifton	Marketing & Sale Office
Faisalabad	
Sooter Mandi	Marketing & Sale Office

1.2 The Company is a Subsidiary Company of Saif Holding Limited (the Holding Company) as 77.98% (2018: 77.98%) of the Company's issued, subscribed and paid-up capital is held by the Holding Company.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise specified.

2.4 Change in accounting standards and interpretations

2.4.1 Standards, interpretations and amendments to published approved accounting

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

standards that are effective and relevant

Standards, amendments and interpretations to IFRSs that are effective for accounting periods beginning on July 01, 2018 and are considered to be relevant and have significant effect on the Company's operations are as follows:

- (a) IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- (b) IFRS 9, 'Financial Instruments': this standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- (c) IFRIC 22, "Foreign currency transactions and advance consideration' applicable to accounting periods beginning on or after July 01, 2018. This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related assets, expenses or income where an entity pays or receive consideration in advance for foreign currency denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which an entity recognizes the non-monetary assets or liability arising from the advance consideration. If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The impact of this interpretation is not considered to be material on the financial statements of the Company.

2.4.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 01, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.

- (b) Amendments to IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.
- (c) Amendments to IAS 19, 'Employee Benefits' on plan amendment, curtailment or settlement is effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment on its financial statements.
- (d) IFRIC 23, 'Uncertainty over Income Tax Treatments' is effective for periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation on its financial statements. The Company has yet to assess the impact of these changes on its financial statements.

3. Critical accounting estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified. Useful lives, residual values and depreciation method of property, plant and equipment are stated in notes 4.7 & 19.

(b) Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale - note 4.10 & 4.11.

(c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss (ECL) model. Management used actual credit loss experience over past years for the calculation of ECL. Trade and other receivables are written off when there is no reasonable expectation of recovery - note 4.12.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 4.2 & 12.

(e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability - note 4.4.

4. SIGNIFICANT ACCOUNTING 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.

4.1 Borrowings and borrowing cost

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.2 Staff retirement benefits (gratuity)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2019 on the basis of the projected unit credit method by an independent Actuary.

The liability recognised in the statement of financial position in respect of retirement gratuity scheme is the present value of defined benefit obligation at the end of reporting period. The amount arising as a result of remeasurements are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

4.3 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.4 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in statement of other comprehensive income or directly in equity. In this case, the tax is also recognised in statement of other comprehensive income or directly in equity, respectively.

(a) Current year

Provision for current taxation is based on taxable income/turnover at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments, where necessary, relating to prior years, which arise from assessments framed / finalised during the year.

(b) Deferred

The Company accounts for deferred taxation using the statement of financial position liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the statement of profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.5 Dividend distribution

Dividend distribution to the Company's shareholders are recognised in the period in which these are approved.

4.6 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.7 Property, plant and equipment

Operating fixed assets, other than fire extinguishing equipment, furniture & fixtures, vehicles and live stock, are stated at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of asset and the net amount is restated to the revalued amount of asset. Fire extinguishing equipment, furniture & fixtures, vehicles and live stock are stated at historical cost less accumulated depreciation. Cost of some items of plant and machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost.

The revaluation is measured on individual asset; if an asset's carrying amount is increased as a result of revaluation, the surplus is recognised in statement of other comprehensive income and accumulated in equity under the heading of revaluation surplus on property, plant and equipment. However, the surplus is recognised in statement of profit or loss to the extent that it reverses revaluation decrease of the same asset previously recognised in statement of profit or loss. If an asset's carrying amount is decreased as a result of revaluation, the deficit on revaluation of asset

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

is recognised in statement of profit or loss. However, the decrease is recognised in statement of other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation is taken to statement of profit or loss applying reducing balance method, except for overhauling of gas fired power plant, so as to write-off the depreciable amount of an asset over its remaining useful life. Depreciation on overhauling of gas fired power plant is charged to the statement of profit or loss using straight line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. Rates of depreciation are stated in note 19.1.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gain / loss on disposal of property, plant and equipment, if any, is taken to statement of profit or loss.

4.8 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-line method at the rate stated in note 20.

4.9 Financial assets

Initial measurement

The Company classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

• Equity Instruments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

• Debt Instruments at FVTOCI

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- **Debt Instruments at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- **Financial Assets measured at amortised cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.10 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated up to the statement of financial position date. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.11 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials:	
At mills	- At lower of moving average cost and market value.
In transit position date.	- At cost accumulated to the statement of financial
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At contracted rates.
• Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.	

- Provision for obsolete and slow moving stock-in-trade is determined based on the

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

management's assessment regarding their future usability.

- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.12 Trade debts and other receivables

Trade debts and other receivables are classified as financial assets at amortised cost according to IFRS 9. Under IAS 39, trade and other receivables were previously classified as loans and receivables.

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cash-in-hand and balances with banks.

4.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the reporting date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to statement of profit or loss.

4.16 Impairment

(a) Financial assets

The Company assesses on a forward looking basis for the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for calculation of ECL.

For debt instruments measured as FVTOCI, the Company applies the low credit

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

4.17 Off-setting of financial assets and liabilities

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

4.18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;
- revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

goods to the destination port;

- dividend income from investments is recognized when the Company's right to receive dividend is established; and
- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

4.19 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 44 to these financial statements.

5. CHANGE IN ACCOUNTING POLICY DUE TO ADOPTION OF NEW ACCOUNTING STANDARDS

The following changes in accounting policies have taken place with effect from July 01, 2018.

5.1 IFRS 15 'Revenue from Contracts with Customers'

5.1.1 Following the application of IFRS 15, the Company policy for revenue recognition under different contracts with customers stands amended as follows:

Sale of goods

The Company sells its products in separately identifiable contracts. The contracts entered into with the customers generally include one performance obligation i.e. the provision of goods to the customer.

Revenue from local sale of goods is recognised when the Company satisfies a performance obligation under a contract, by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from the export sale of goods is recognised at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port.

5.1.2 Effect of change in accounting policy

- a) The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entity to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The above mentioned revised policy does not have any significant impact on these financial statements as the revised policy neither impacts the timing nor the amount of revenue recognition from the contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

- b) The adoption of IFRS 15 also resulted in reclassification of "Advance payments from customers", previously grouped under trade and other payables, to the statement of financial position as 'Contract liabilities'. The affect of which is presented below:

	As previously reported	Re- statement	As restated
	Rupees in '000		
As at June 30, 2018			
Effect on statement of financial position			
Trade and other payable	305,257	(5,006)	300,251
Contract liabilities	-	5,006	5,006
As at July 01, 2017			
Trade and other payable	347,172	(1,023)	346,149
Contract liabilities	-	1,023	1,023

5.2 IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with irrevocable option at the inception to present changes in fair value in other comprehensive income, with no recycling. There is now a new expected credit loss model that replaces the incurred loss impairment model of IAS 39. For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

5.2.1 Impairment of financial assets

The adoption of IFRS 9 has also changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. The Company assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost and at FVTOCI. The impairment methodology applied depends on whether there

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

has been a significant increase in credit risk. Further, considering the nature of the other financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time expected loss. For this purpose, the management, after conducting an exercise to assess the impairment of its financial assets, has concluded that it is in compliance with the requirements of the new accounting standard.

5.2.2 Impacts of adoption of IFRS 9 on these financial statements

The Company has adopted IFRS 9 and has amended its accounting policies accordingly; however, the changes laid down by the standard do not have any significant impact on these financial statements of the Company. For revised policies refer note 4.1, 4.3, 4.6, 4.9, 4.12 and 4.16 to these financial statements.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
--- No. of shares ---			--- Rupees in '000 ---	
14,525,400	14,525,400	ordinary shares of Rs.10 each fully paid in cash	145,254	145,254
6,274,600	6,274,600	ordinary shares of Rs.10 each issued as fully paid-up by conversion of loans and debentures	62,746	62,746
20,800,000	20,800,000		208,000	208,000

6.1 Saif Holding Ltd. (the Holding Company) held 16,220,010 ordinary shares of the Company as at June 30, 2019 and June 30, 2018.

6.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding.

7. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net

7.1 The Company revalued its freehold land, buildings on freehold land, plant & machinery, diesel generators & fuel reservoir, gas fired power plant, electric installations and equipment and appliances during the financial years 1984, 1995, 2004, 2005, 2008, 2012 and 2016. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values.

7.2 The Company as at June 30, 2019 has again revalued its above mentioned fixed assets. The latest revaluation exercise was carried-out by M/s. Hamid Mukhtar (Pvt.) Ltd. (Independent Valuers and Consultants) to replace the carrying amounts of these assets with the market value / depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs. 842.494 million has been credited to this account to comply with the requirements of International Accounting Standards (IAS-16). The year-end balance has been arrived at as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

	2019	2018
	Rupees in '000	
Opening balance	548,820	570,637
Add: surplus arisen on revaluation carried out at the year end	842,494	-
Less: transferred to unappropriated profit:		
- on account of incremental depreciation for the year	(24,084)	(20,899)
- upon sale of revalued assets	(3,035)	(918)
	1,364,195	548,820
Less: deferred tax on:		
- opening balance of surplus	110,557	120,914
- surplus on revaluation carried out at the year end	21,115	-
- incremental depreciation for the year	(6,984)	(6,270)
- sale of revalued assets	(880)	(275)
	123,807	114,369
adjustment resulting from reduction in tax rate	-	(3,812)
	123,807	110,557
Closing balance	1,240,388	438,263
8. LOAN FROM THE HOLDING COMPANY - Unsecured		
Sub-ordinated loan	8.1	100,000

8.1 The Company had entered into a loan agreement with Saif Holdings Ltd. (the Holding Company) on October 21, 2009; salient terms of the agreement were as follows:

- (a) the terms of loan agreement were effective from April 09, 2009;
- (b) the Holding Company lent an unsecured loan amounting Rs.100 million to the Company on April 09, 2009 to meet its financial obligations;
- (c) as per the original agreement terms, loan carried mark-up at the rate of 3-months KIBOR + 2% payable quarterly; however, from January, 2013 the rate of mark-up was revised to average borrowing cost of the Holding Company + 0.1% per annum; and
- (d) originally the maturity period of the loan was five years and the loan become payable in April, 2014. However, as the loan is sub-ordinated to all other finance facilities availed / to be availed by the Company from National bank of Pakistan, Albaraka Islamic Bank Ltd., The bank of Punjab, United bank Ltd. and First National bank Modaraba and the loan could not be repaid till their final settlement; therefore, the Company and the Holding Company mutually agreed to renew the loan agreement for further period of five years. Then again both the parties first in June, 2018 and then in May, 2019 revised the repayment terms. As per the latest repayment terms the loan is repayable after April, 2021. The company is on the active stage of its request with relevant financial institutions regarding the change of status of the sub-ordinated loan and is quite optimistic that same will be proceeded in the financial year 2020.

The effective mark-up rate charged by the Holding Company, during the current financial year, ranged from 7.77% to 13.07% (2018: 7.00% to 7.35%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

9. LONG TERM FINANCING - Secured		2019	2018
	Note	---- Rupees in '000 ----	
United Bank Limited (UBL)			
Demand finance	9.1	-	13,029
Askari Bank Limited (ABL)			
Diminishing musharakah	9.2	22,500	52,500
Bank of Khyber (BoK)			
Demand finance	9.3	249,363	195,832
		271,863	261,361
Less: current portion grouped under current liabilities		88,122	62,612
		183,741	198,749

9.1 The Company, during the financial year ended June 30, 2014, arranged a demand finance facility of Rs.110 million from UBL. The bank against the said facility has disbursed Rs.104.234 million in three tranches of different amounts and each tranche is repayable in 16 equal quarterly instalments commenced from February, 2015. This finance facility carries mark-up at the rate of 3-months KIBOR + 175 basis points per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 8.16% to 9.68% (2018: 7.88% to 8.16%) per annum. This finance facility is secured against first pari passu hypothecation charge on all fixed assets of the Company for Rs.146.670 million.

9.2 The Company, during the financial year ended June 30, 2015, arranged a diminishing musharakah finance facility of Rs.120 million from ABL. This finance facility is repayable in 48 equal monthly instalments of Rs.2.500 million each with effect from April, 2016. This finance facility carries profit at the rate of 6-months KIBOR + 100 basis points per annum payable monthly; effective profit rate charged, during the current financial year, ranged from 7.51% to 12.20% (2018: 7.15% to 7.51%) per annum. This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs.160 million.

9.3 The Company, during the preceding financial year, arranged a demand finance facility of Rs.300 million from BoK. The bank, against the said facility, disbursed Rs.66.654 million during the current financial year and Rs.195.832 million during the preceding financial year. This finance facility is repayable in 20 equal quarterly instalments commenced March, 2019. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points per annum payable semi annually; effective mark-up rate charged, during the current financial year, ranged from 8.14% to 11.90% (2018: at the rate of 7.31%) per annum. This finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.400 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

10. LONG TERM DEPOSITS

These deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles have been provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

11. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Particulars	2019		
	Upto one year	From one to five years	Total
	----- Rupees in '000 -----		
Minimum lease payments	4,195	15,339	19,534
Less: finance cost allocated to future periods	1,750	2,885	4,635
Less: security deposits adjustable on expiry of lease terms	-	1,675	1,675
Present value of minimum lease payments	2,445	10,779	13,224
	----- Rupees in '000 -----		
Particulars	2018		
	Upto one year	From one to five years	Total
	----- Rupees in '000 -----		
Minimum lease payments	1,163	4,406	5,569
Less: finance cost allocated to future periods	319	500	819
Less: security deposits adjustable on expiry of lease terms	-	527	527
Present value of minimum lease payments	844	3,379	4,223

11.1 The Company has arranged an Ijarah finance facility from Dubai Islamic Bank Pakistan Ltd. to acquire vehicles. The liabilities under this finance arrangement are repayable in 60 monthly instalments ending various dates, and carry mark-up at the rate of 6-months KIBOR + 2% per annum. The Company intends to exercise its option to purchase the vehicles upon completion of lease terms. The liabilities are secured against title of the leased vehicles in the name of the bank and post dated cheques of each principal instalment.

11.2 The Company, during the current financial year, acquired five vehicles from First Habib Modaraba Limited against a Diminishing Musharaka facility of Rs. 20 million. The liabilities under this finance arrangement are repayable in 60 monthly instalments ending various dates, and carry mark-up at the rate of 3-months KIBOR + 1.20% per

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

annum. The Company intends to exercise its option to purchase the vehicles upon completion of lease terms. The liabilities are secured against title of the leased vehicles in the name of the bank.

12. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

12.1 Projected unit credit method, as allowed under IAS 19 (Employee Benefits), has been used for actuarial valuation based on the following significant assumptions:

	2019	2018
- discount rate	14.25%	9.00%
- expected rate of increase in salary	13.25%	8.00%
- average expected remaining working life of employees	7.00 years	7.44 years

12.2 Amount recognised in the statement of financial position

	2019	2018
	--- Rupees in '000 ---	
Net liability at the beginning of the year	108,126	95,125
Charge to statement of profit and loss	29,144	24,390
Remeasurement recognised in statement of other comprehensive income	(7,024)	6,071
Payments made during the year	(14,267)	(17,460)
Net liability at the end of the year	115,979	108,126

12.3 The movement in the present value of defined benefit obligation is as follows:

Balance at beginning of the year	108,126	95,125
Current service cost	20,055	17,910
Interest cost	9,089	6,480
Benefits paid	(14,267)	(17,460)
Remeasurement of obligation	(7,024)	6,071
Balance at end of the year	115,979	108,126

12.4 Charge to statement of profit or loss:

Current service cost	20,055	17,910
Interest cost	9,089	6,480
	29,144	24,390

12.5 Remeasurements recognised in statement of other comprehensive income

Experience adjustment	(7,024)	6,071
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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

12.6 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in principal assumptions is:

	Change in assumption	Increase in assumptions	Decrease in assumptions
	----- Rupees in '000 -----		
Discount rate		(108,629)	125,818
Increase in salaries		126,002	(108,291)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis have not changed compared to the previous period.

12.7 Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2019	2018	2017	2016	2015
	----- Rupees in '000 -----				
Present value of defined benefit obligation	115,979	108,126	95,125	82,806	80,290
Experience adjustment on obligation	(7,024)	6,071	5,329	(4,092)	6,763

12.8 Based on actuary's advice, the expected charge for the year ending June 30, 2020 amounts to Rs.37.997 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

13. DEFERRED TAXATION - net

	Note	2019 --- Rupees in '000 ---	2018
The balance of deferred tax is in respect of following major temporary differences			
Taxable temporary difference:			
- accelerated tax depreciation allowances		142,680	116,190
- surplus on revaluation of property, plant and equipment	7	123,806	110,556
- Lease finance		514	105
		267,000	226,851
Deductible temporary difference:			
- unused tax losses		(11,904)	(6,193)
- minimum tax recoverable against normal tax charge in future years		(86,779)	(82,289)
		(98,683)	(88,482)
		168,317	138,369

14. TRADE AND OTHER PAYABLES

Due to Holding Company	14.1	98	-
Creditors		45,303	40,553
Bills payable	14.2	278,138	205,339
Accrued expenses		60,222	45,433
Security deposit	14.3	500	500
Workers' (profit) participation fund		4,312	3,214
Others		5,717	5,212
		394,290	300,251

14.1 The aggregate maximum outstanding balance due to the Holding Company at the end of any month during the year was Rs. 6 thousands (2018: Rs. 727 thousands).

14.2 These are secured against import documents.

14.3 This represent interest free security deposit received from the Company's transport contractor. The amount received has been utilised for the purpose of the business in accordance with the written agreement with the contractor.

15. ACCRUED MARK-UP / PROFIT

Mark-up / profit accrued on:

- loan from the Holding Company	3,258	1,832
- long term financing	7,445	3,011
- short term borrowings	22,617	10,503
	33,320	15,346

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

16. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.1,125 million (2018: Rs.1,050 million). These facilities, during the current financial year, carried mark-up / profit at the rates ranging from 7.49% to 14.06% (2018: 3.40% to 8.03%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.770 million (2018: Rs.670 million) of which the amounts aggregating Rs.389.083 million (2018: Rs.385.330 million) remained unutilised at the reporting date. The aggregate facilities are secured against pledge of raw materials & finished goods, charge on fixed and current assets of the Company, lien on documents of title to imported goods. These facilities are expiring on various dates by June, 2020.

17. CURRENT PORTION OF

NON-CURRENT LIABILITIES

	Note	2019 --- Rupees in '000 ---	2018
Long term financing	9	88,122	62,612
Liability against asset subject to finance lease	11	2,445	844
		90,567	63,456

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 Guarantees aggregating Rs.83.962 million (2018: Rs.78.962 million) have been issued by the banks of the Company to Sui Northern Gas Pipeline Limited and Excise and Taxation Department, Karachi. These guarantees are secured against pari passu charge over the Company's fixed and current assets.

18.1.2 The Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication.

Subsequent to the year-end, on request of the Government of Pakistan, SCP conducted hearing of this case on September 19, 2019. Next date of hearing in SCP is October 22, 2019.

Sui Northern Gas Pipelines Limited, along with gas bill for the month of June, 2019, has raised GIDC demands aggregating Rs.526.134 million which are payable in case of an adverse judgment by the SCP. Provisions for the GIDC demands aggregating Rs.526.134 million have not been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

18.1.3 The Company has challenged SRO#584(I)/2017 by filing a writ petition dated May 15, 2018, before PHC, challenging the levy of further tax @ 1% on textile goods usable as industrial inputs if supplied to unregistered person under section 3(A) of Sales Tax Act, 1990. The PHC has granted stay against the charging of further tax the Respondents has been asked to submit their comments. The petition before the PHC is pending adjudication. However, in a similar case, Lahore High Court has decided the matter in favour of industry in its judgement dated December 11, 2018.

18.2 Commitments

Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.26.983 million (2018: Rs.nil).

19. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	19.1	2,305,073	1,227,789
Capital work-in-progress	19.9	219	202,928
Stores and spares held for capital expenditure		43,420	43,581
		2,348,712	1,474,298

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

19.1 Operating Fixed assets - tangible

	Owned															Leased
	Freehold land	Buildings on freehold land			Plant & machinery	Diesel generators & fuel reservoir	Gas fired power plant	Electric installations	Equipment & appliances	Fire extinguishing equipment	Furniture & fixtures	Vehicles	Livestock	Vehicles	Total	
		Factory	Non-factory	Residential officers												Residential workers
-----Rupees in '000-----																
COST / REVALUATION																
Balance as at July 01, 2017	168,066	186,615	82,699	63,442	16,918	912,683	6,501	152,178	31,416	48,582	1,460	8,069	31,242	1	2,633	1,712,505
Additions during the year	20,000	1,967	-	-	-	28,955	-	-	146	4,403	-	2,196	-	-	2,879	60,546
Disposals during the year	-	-	-	-	-	(18,158)	-	-	-	(93)	-	-	(1,705)	-	-	(19,956)
Balance as at June 30, 2018	188,066	188,582	82,699	63,442	16,918	923,480	6,501	152,178	31,562	52,892	1,460	10,265	29,537	1	5,512	1,753,095
Balance as at July 01, 2018	188,066	188,582	82,699	63,442	16,918	923,480	6,501	152,178	31,562	52,892	1,460	10,265	29,537	1	5,512	1,753,095
Additions during the year	-	21,550	1,340	2,956	3,899	245,402	-	21,131	4,363	4,271	100	1,581	1,229	-	11,920	319,742
Revaluation surplus	769,684	13,168	9,460	(3,274)	(902)	-	(532)	-	(10,580)	-	(2,405)	-	-	-	-	774,619
Disposals during the year	-	-	-	-	-	(33,606)	-	-	-	-	-	-	(8,607)	-	-	(42,213)
Balance as at June 30, 2019	957,750	223,300	93,499	63,124	19,915	1,135,276	5,969	162,729	35,925	54,758	1,560	11,846	22,159	1	17,432	2,805,243
DEPRECIATION																
Balance as at July 01, 2017	-	9,323	4,135	21,526	7,701	325,248	3,379	34,640	15,147	33,769	1,225	5,229	18,214	-	88	479,624
Charge for the year	-	8,932	3,928	2,096	922	30,259	234	9,859	820	1,658	23	435	2,467	-	839	62,472
On disposals during the year	-	-	-	-	-	(16,151)	-	-	-	(17)	-	-	(622)	-	-	(16,790)
Balance as at June 30, 2018	-	18,255	8,063	23,622	8,623	339,356	3,613	44,499	15,967	35,410	1,248	5,664	20,059	-	927	525,306
Balance as at July 01, 2018	-	18,255	8,063	23,622	8,623	339,356	3,613	44,499	15,967	35,410	1,248	5,664	20,059	-	927	525,306
Charge for the year	-	9,266	3,745	2,027	967	38,517	217	11,377	840	1,989	27	503	1,825	-	1,511	72,811
Elimination against revaluation surplus	-	(27,521)	(11,808)	-	-	(16,164)	-	-	(12,382)	-	-	-	-	-	-	(67,875)
On disposals during the year	-	-	-	-	-	(23,760)	-	-	-	-	-	-	(6,312)	-	-	(30,072)
Balance as at June 30, 2019	-	-	-	25,649	9,590	337,949	3,830	55,876	4,425	37,399	1,275	6,167	15,572	-	2,438	500,170
BOOK VALUE AS AT																
JUNE 30, 2018	188,066	170,327	74,636	39,820	8,295	584,124	2,888	107,679	15,595	17,482	212	4,601	9,478	1	4,585	1,227,789
BOOK VALUE AS AT																
JUNE 30, 2019	957,750	223,300	93,499	37,475	10,325	797,327	2,139	106,853	31,500	17,359	285	5,679	6,587	1	14,994	2,305,073
Depreciation rate (%)	-	5	5	5	5	10	7.5	5 & 15	5	10	10	10	20	-	20	

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

19.2 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 7.2, has been determined as follows:

Particulars	Freehold land	Factory / Residential				Plant & machinery	Diesel generators & fuel reservoir	Gas fired power plant	Electric installations	Equipment & appliances	Total
		Factory	Non - factory	Residential Officers	Residential Workers						
----- Rupees in '000 -----											
Cost/ revaluation as at											
30 June, 2019	188,066	210,132	84,039	66,398	20,817	1,135,276	6,501	173,309	35,925	57,163	1,977,626
Accumulated depreciation as at											
30 June, 2019	-	27,521	11,808	25,649	9,590	354,113	3,830	55,876	16,807	37,399	542,593
Book value before											
revaluation adjustments											
as at 30 June, 2019	188,066	182,611	72,231	40,749	11,227	781,163	2,671	117,433	19,118	19,764	1,435,033
Revalued amounts	957,750	223,300	93,499	37,475	10,325	797,327	2,139	106,853	31,500	17,359	2,277,527
Revaluation surplus / (deficit)	769,684	40,689	21,268	(3,274)	(902)	16,164	(532)	(10,580)	12,382	(2,405)	842,494

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

19.3 Borrowing cost at the rate of 8.14% per annum amounting Rs.4.096 million has been included in the cost of plant and machinery.

19.4 Disposal of operating fixed assets

Asset Description	Cost / Revaluation	Accumulated Depreciation	Net Book Value	Sale Proceeds	(Loss) / gain	Mode of disposal	Particulars of buyer
----- Rupees in '000 -----							
Plant & Machinery							
Chinese Auto Bale Plucker	1,291	461	830	490	(340)	Negotiation	Saif Textile Mills Ltd. (a related party)
Chinese Auto Bale Plucker	725	152	573	300	(273)	-do-	---- do ----
Toyoda Drawing Machine.	4,688	3,450	1,238	280	(958)	-do-	Noshad Textile Mills Ltd
China Simplex Machine	12,246	9,956	2,290	1,156	(1,134)	-do-	---- do ----
Murata Auto Cone	8,234	5,084	3,150	1,620	(1,530)	-do-	---- do ----
Vehicles							
Honda Civic	2,392	1,792	600	635	35	-do-	Mr. Nouman Shakeel (ex employee)
Mercedes Benz	1,144	605	539	600	61	-do-	Mr.Khurram Habib Baig
Various assets having net book value upto							
Rs.500,000 each	11,493	8,572	2,921	2,565	(356)		
Total - June, 30 2019	42,213	30,072	12,141	7,646	(4,495)		
Total - June, 30 2018	19,956	16,790	3,166	2,467	(699)		

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

19.5 Free hold land of the Company and building thereon, is located at Saifabad, Kohat with an area of 193,145 square yards.

19.6 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2019	2018
	--- Rupees in '000 ---	
Freehold land	20,475	20,475
Buildings on freehold land:		
- Factory	81,997	62,277
- Non-factory	12,748	10,903
- Residential		
- Officers	7,593	5,091
- Workers	7,679	4,452
Plant & machinery	651,434	441,805
Diesel generators & fuel reservoirs	583	673
Gas fired power plant	97,006	85,441
Electric installations	14,375	9,952
Equipment & appliances	19,442	17,391
	913,332	658,460

19.7 Based on the latest revaluation exercise carried-out on June 30, 2019, forced sale value of the Company's revalued assets was Rs.1,774.262 million.

19.8 Depreciation for the year has been apportioned as under:

Cost of sales	66,463	56,222
Administrative expenses	6,348	6,250
	72,811	62,472

19.9 Capital work-in-progress

Factory building	219	14,359
Plant & machinery	-	188,569
	219	202,928

20. INTANGIBLE ASSETS - Computer software

Cost	3,532	3,532
Less: amortisation		
- at beginning of the year	1,471	765
- charge for the year	706	706
- at end of the year	2,177	1,471
Book value as at June 30,	1,355	2,061
Amortisation rate - 20% per annum		

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

21. LONG TERM INVESTMENT

Debt Instruments - at FVTOCI

Note

2019

2018

--- Rupees in '000 ---

Habib Bank Limited - term finance certificates (TFCs)

Advance for purchase of TFCs

2,500

-

21.1 This represents advance given to Habib Bank Limited (the issuer) in pursuant of an agreement dated May 19, 2019. As per the terms of the agreement the issuer shall issue 25 TFCs having face value of Rs.100,000 each within 90 days of the date of payment and the said TFCs shall be listed on PSX within 90 days of closing date of subscription. These TFCs shall carry mark-up at the rate of 3 month KIBOR + 160 basic points.

22. LONG TERM LOANS - Secured

Loans to employees

22.1

1,911

3,799

Less: current portion grouped under current assets

452

1,748

1,459

2,051

22.1 Loans provided to employees are interest-free and have been advanced for various purposes and are secured against employees' gratuity benefits. Some of the loans provided to employees are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

23. STORES, SPARE PARTS AND LOOSE TOOLS

Stores

19,408

21,053

Spare parts

16,454

14,233

Loose tools

199

190

36,061

35,476

24. STOCK-IN-TRADE

Raw materials:

- at mills

448,664

312,985

- in-transit

182,049

103,919

630,713

416,904

Work-in-process

37,524

34,162

Finished goods

-

31,505

668,237

482,571

24.1 Raw materials and finished goods inventories are pledged with commercial banks as security for short term finance facilities (note 16).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

25. LOANS AND ADVANCES

	Note	2019 --- Rupees in '000 ---	2018
Current portion of long term loans	21	452	1,748
Advances - considered good			
- employees		1,868	1,087
- suppliers		3,865	6,298
		6,185	9,133

26. DEPOSITS, OTHER RECEIVABLE AND PREPAYMENTS

Security deposits		5,990	6,150
Claims for mark-up subsidy	26.1	10,831	10,831
Short term prepayments		265	370
		17,086	17,351

26.1 These represent mark-up subsidy claims booked under the Government's "Technology Up-gradation Support Order 2010". These claims have been duly verified by the banks of the Company.

27. TAXATION - net

Balance of advance tax at beginning of the year		64,299	77,590
Add: income tax deducted / paid during the year		21,400	12,108
		85,699	89,698
Less: provision made during the year:			
- current	27.2	(10,436)	(25,161)
- prior		-	(238)
Balance of advance tax at end of the year		75,263	64,299

27.1 Income tax assessments of the Company have been finalised by the Income Tax Department (the Department) or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto Tax Year 2018.

27.2 No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial years represent minimum tax payable under section 113 after adjusting tax credit under section 65B of the Ordinance.

27.3 The Company has claimed income tax credit for BMR under section 65B of the Ordinance at the rate of 10% based on the opinion from the Company's tax advisor.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

28.	CASH AND BANK BALANCES	Note	2019	2018
			--- Rupees in '000 ---	
	Cash in hand		169	-
	Cash at banks			
	- on current accounts		7,059	8,925
	- on dividend account		77	141
			7,305	9,066
29.	SALES - Net			
	Own manufactured goods:			
	- yarn		2,960,864	2,218,467
	- waste		14,169	18,886
	Trading activities:			
	- raw materials		1,973	6,266
			2,977,006	2,243,619
	Less: sales return		10,549	-
			2,966,457	2,243,619
29.1	All the contacts were with the local customers under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.			
30.	COST OF SALES			
	Raw materials consumed	30.1	1,941,177	1,421,820
	Packing materials consumed		51,981	46,786
	Salaries, wages and benefits	30.2	334,534	296,939
	Power and fuel		189,150	193,624
	Repair and maintenance		32,786	28,338
	Depreciation	19.8	66,463	56,222
	Insurance		5,364	5,336
	Vehicle running and maintenance		3,302	2,483
	Traveling and conveyance		750	566
	Guest house and entertainment		607	598
	Textile cess		35	44
	Others		2,015	1,890
			2,628,164	2,054,646
	Adjustment of work-in-process			
	Opening		34,162	39,544
	Closing		(37,524)	(34,162)
			(3,362)	5,382
	Cost of goods manufactured		2,624,802	2,060,028
	Adjustment of finished goods			
	Opening stock		31,505	137
	Closing stock		-	(31,505)
			31,505	(31,368)
			2,656,307	2,028,660

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

30.1 Raw materials consumed

	Note	2019 --- Rupees in '000 ---	2018
Opening stock		416,904	374,481
Add:			
Purchases		2,151,903	1,457,113
Cost of raw materials sold		1,973	6,227
Insurance		1,110	903
		2,154,986	1,464,243
		2,571,890	1,838,724
Less: closing stock		630,713	416,904
		1,941,177	1,421,820

30.2 These include Rs.25.355 million (2018: Rs.21.956 million) in respect of staff retirement benefits - gratuity.

31. DISTRIBUTION COST

Freight and forwarding		15,427	12,719
Travelling and conveyance		462	129
Salaries and benefits	31.1	4,279	3,255
Rent, rates and utilities		643	436
Communication		23	27
Insurance		399	149
Commission		1,233	184
Others		234	-
		22,700	16,899

31.1 These include Rs.0.291 million (2018: Rs.0.274 million) in respect of staff retirement benefits - gratuity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

32. ADMINISTRATIVE EXPENSES		2019	2018
		--- Rupees in '000 ---	
Directors' remuneration and fees		9,270	6,123
Salaries and benefits	32.1	31,803	25,812
Travelling and conveyance		1,622	642
Rent, rates and taxes		3,785	3,272
Entertainment		1,364	1,055
Communication		924	1,107
Printing and stationery		662	562
Utilities		3,576	2,522
Insurance		4,576	4,517
Vehicles' running and maintenance		2,873	2,320
Repair and maintenance		1,002	1,306
Advertisement		147	147
Subscription		1,912	5,401
Newspapers & periodicals		58	65
Depreciation	19.8	6,348	6,250
Amortisation	20	706	706
Auditors' remuneration	32.2	1,070	990
Legal and professional (other than Auditors)		836	1,237
Others		572	475
		73,106	64,509

32.1 These include Rs.3.497 million (2018: Rs.2.161 million) in respect of staff retirement benefits - gratuity.

32.2 Auditors' remuneration

Statutory audit	625	625
Half yearly review	140	140
Certification charges	95	90
Consultancy services and others	195	120
Out-of-pocket expenses	15	15
	1,070	990

32.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.7.169 million (2018: Rs.14.696 million) with Saif Textile Mills Ltd. (a related party) on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

			2019	2018
	Note		--- Rupees in '000 ---	
33. OTHER INCOME				
Sale of scrap			728	868
Unclaimed payable balances written-back			26	39
			754	907
34. OTHER EXPENSES				
Loss on sale of operating fixed assets	19.4		4,495	699
Workers' (profit) participation fund			4,312	3,214
Donations	34.1		4,100	3,600
			12,907	7,513
34.1	These include Rs.1.800 million (2018: Rs.3.600 million) and Rs. 1.800 (2018: Rs. Nil) million donated to Saifullah Foundation for Sustainable Development (a social welfare society) and Akbar Kare (a section 42 Company) respectively. Following directors of the Company are interested in theses donations.			
	<i>Donation to Saifullah Foundation for Sustainable Development:</i>			
	- Jehangir Saifullah Khan			
	- Osman Saifullah Khan			
	<i>Donation to Akbar Kare</i>			
	- Jehangir Saifullah Khan			
	- Hoor Yousafzai			
35. FINANCE COST - Net				
Mark-up on sub-ordinated loan from the Holding Company			10,890	7,150
Mark-up / profit on long term financing			23,910	7,759
Mark-up / profit on short term borrowings			78,788	42,274
Mark-up / profit on finance leases			799	241
Interest on workers' (profit) participation fund			67	78
Exchange fluctuation loss			-	2,780
Bank and other charges			1,503	2,380
			115,957	62,662
36. TAXATION				
Current tax:				
- for the year	27		10,436	25,161
- prior year			-	238
			10,436	25,399
Deferred				
- origination and reversal of temporary differences			8,833	30,297
- impact of change in tax rate	7		-	(1,884)
			8,833	28,413
			19,269	53,812

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

37. EARNINGS PER SHARE

2019 2018

--- Rupees in '000 ---

37.1 Basic earnings per share

Profit after taxation attributable to
ordinary shareholders

66,965

10,471

--- No. of shares ---

Weighted average number of shares
outstanding during the year

20,800,000

20,800,000

--- Rupees ---

Earnings per share

3.22

0.50

37.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2019 and June 30, 2018 which would have any effect on the earnings per share if the option to convert is exercised.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial Risk Factors

The Company has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk; and
- liquidity risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

38.1.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, plant & machinery and stores & spares denominated in U.S. Dollar. The Company's exposure to foreign currency risk for U.S. Dollar is as follows:

	Rupees	U.S.\$
	--- in '000 ---	
As at June 30, 2019		
Net statement of financial position exposure - bills payable	278,138	1,691

	Rupees	U.S.\$
	--- in '000 ---	
As at June 30, 2018		
Net statement of financial position exposure - bills payable	205,339	1,640
The following significant exchange rates have been applied.		

	Average rate		Reporting rate	
	2019	2018	2019	2018
U.S. \$ to Rupee	138.68	112.76	164.50	125.20

Sensitivity analysis

At June 30, 2019, if Rupee had strengthened by 10% against U.S.\$ with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial liabilities.

	2019	2018
	--- Rupees in '000 ---	
U.S. \$ to Rupee	27,814	20,533

The weakening of Rupee against U.S. \$ would have had an equal but opposite impact on profit after taxation.

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018	2019	2018
	Effective rate		Carrying amount	
	%		--- Rupees in '000 ---	
Financial liabilities				
Variable rate instruments				
Loan from the Holding Company	7.77 to 13.07	7.00 to 7.35	100,000	100,000
Long term financing	7.51 to 12.20	7.31 to 8.16	271,863	261,361
Liabilities against assets subject to finance lease	8.65 to 12.30	8.15 to 8.52	13,224	4,223
Short term borrowings	7.49 to 14.06	3.40 to 8.03	699,557	688,336

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the statement of profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2019, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.10.846 million (2018: Rs.10.539 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result 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 instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

38.1.2 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss to the Company if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from long term deposits, trade debts, security deposits and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2019 along with comparative is tabulated below:

	2019	2018
	--- Rupees in '000 ---	
Long term deposits	1,137	1,137
Trade debts	307,669	335,508
Security deposits	5,990	6,150
Bank balances	7,136	9,066
	321,932	351,861

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

All the trade debts at the statement of financial position date represent domestic parties.

The aging of trade debts at the statement of financial position date was as follows:

	2019	2018
	--- Rupees in '000 ---	
Not yet due	295,454	320,455
Past due - more than 30 days	12,215	15,053
	307,669	335,508

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the Company various customer segments with similar loss patterns (i.e. by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

38.1.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
----- Rupees in '000 -----				
As at June 30, 2019				
Loan from the Holding Company	100,000	107,350	107,350	-
Long term financing	271,863	339,900	115,121	224,779
Liability against assets subject to finance lease	13,224	17,859	4,195	13,664
Trade and other payables	389,978	389,978	389,978	-
Accrued mark-up / profit	33,320	33,320	33,320	-
Short term borrowings	699,557	754,183	754,183	-
Unpaid dividends	77	77	77	-
Unclaimed dividends	3,687	3,687	3,687	-
	1,511,706	1,646,354	1,407,911	238,443

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
----- Rupees in '000 -----				
As at June 30, 2018				
Loan from the Holding Company	100,000	107,350	107,350	-
Long term financing	261,361	290,132	79,933	210,199
Liability against assets subject to finance lease	4,223	5,042	1,163	3,879
Trade and other payables	297,037	297,037	297,037	-
Accrued mark-up / profit	15,346	15,346	15,346	-
Short term borrowings	688,336	706,598	706,598	-
Unclaimed dividends	3,734	3,734	3,734	-
	<u>1,370,037</u>	<u>1,425,239</u>	<u>1,211,161</u>	<u>214,078</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

38.2 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

At June 30, 2019, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

38.3 Financial instruments by category

	2019		2018
	Amortised cost	At fair value through OCI	Loans and receivables
----- Rupees in '000 -----			
Financial assets			
as per statement of financial position			
Long term investment	-	2,500	2,500
Long term loans	1,459	-	1,459
Long term deposits	1,137	-	1,137
Trade debts	307,669	-	307,669
Loans and advances	2,320	-	2,320
Deposits, other receivables and prepayments	16,821	-	16,821
Bank balances	7,305	-	7,305
	336,711	2,500	339,211

	Financial liabilities measured at amortised cost	
	2019	2018
	--- Rupees in '000 ---	
Financial liabilities		
as per statement of financial position		
Loan from the Holding Company	100,000	100,000
Long term financing	271,863	261,361
Liability against assets subject to finance lease	13,224	4,223
Long term deposits	1,877	3,066
Trade and other payables	389,978	292,031
Accrued mark-up / profit	33,320	15,346
Short term borrowings	699,557	688,336
Unpaid dividends	77	-
Unclaimed dividends	3,687	3,734
	1,513,583	1,368,097

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

39 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCIAL ACTIVITIES

	Liabilities				
	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Accrued mark-up and interest	Dividend
	----- Rupees in '000 -----				
Balance as at July 01, 2018	261,361	4,223	688,336	15,338	3,734
Changes from financing activities					
Finances obtained	66,655	-	11,221	-	-
Finances repaid	(56,153)	-	-	-	-
Finance leases obtained	-	10,330	-	-	-
Repayment of finance lease liabilities	-	(1,329)	-	-	-
Finance cost paid	-	-	-	(96,472)	-
Dividends paid	-	-	-	-	(15,570)
Dividend declared	-	-	-	-	15,600
Total changes from financing cash flows	271,863	13,224	699,557	(81,134)	3,764
Other changes					
Mark-up / Interest expense	-	-	-	114,454	-
Balance as at June 30, 2019	271,863	13,224	699,557	33,320	3,764

	Liabilities				
	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Accrued mark-up and interest	Dividend
	----- Rupees in '000 -----				
Balance as at July 01, 2017	146,587	2,327	471,767	13,065	3,599
Changes from financing activities					
Finances obtained	195,832	-	216,569	-	-
Finances repaid	(81,058)	-	-	-	-
Finance leases obtained	-	2,688	-	-	-
Repayment of finance lease liabilities	-	(792)	-	-	-
Finance cost paid	-	-	-	(58,008)	-
Dividends paid	-	-	-	-	(20,665)
Dividend declared	-	-	-	-	20,800
Total changes from financing cash flows	261,361	4,223	688,336	(44,943)	3,734
Other changes					
Mark-up / Interest expense	-	-	-	60,281	-
Balance as at June 30, 2018	261,361	4,223	688,336	15,338	3,734

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

40. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2019	2018
	--- Rupees in '000 ---	
Total borrowings	1,084,644	1,053,920
Less: cash and bank balances	7,305	9,066
Net debt	1,077,339	1,044,854
Total equity	1,707,895	828,127
Total capital	2,785,234	1,872,981
Gearing ratio	39%	56%

41. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Holding Company, Associated Companies, Directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

41.1 Name and nature of relationship

Holding and Associated Companies

Saif Holdings Ltd. (Holding Company as 77.98% shares held in the Company)

Saif Textile Mills Ltd. (an Associated Company due to common directorship)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, Directors and all team members of its management team to be its key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

	2019	2018
41.2 Significant transactions with the related parties	--- Rupees in '000 ---	
i) The Holding Company		
- dividend paid	12,165	16,220
- mark-up paid on loan	9,464	7,150
ii) An Associated Company		
Sales of:		
- goods, store items and services	1,973	6,266
- fixed assets	1,441	1,250
iii) Key management personnel		
Salary and other employment benefits	10,362	6,822
iv) Others - consultancy charges	-	3,600

42. REMUNERATION OF CHIEF EXECUTIVE, AND EXECUTIVES

	Chief Executive		Executives	
	2019	2018	2019	2018
	----- Rupees in '000 -----			
Managerial remuneration	9,120	6,000	21,398	18,599
Medical expenses reimbursed	-	-	295	271
	9,120	6,000	21,693	18,870
Number of persons	1	1	6	6

42.1 In addition to the above, meeting fees amounting Rs.150 thousand (2018: Rs 123 thousand) were paid to seven (2018: seven) directors during the current financial year.

42.2 The Chief Executive and some of the executives are also provided with Company's maintained cars in accordance with their terms of employment.

	2019	2018
43. CAPACITY AND PRODUCTION		
No. of spindles installed (in '000)	35	35
No. of spindles shifts worked (in '000)	37,771	37,634
No. of days worked	365	365
No. of shift worked	1,095	1,095
Average count	32.90	36.37
Actual production (in '000)	Kg 7,696	6,975

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

It is difficult to describe precisely the production capacity in textile spinning industry since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

44. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

44.1 Yarn sales represent 99.46%% (2018: 98.88%) of the total sales of the Company.

44.2 Whole of the Company's sales relate to customers in Pakistan.

44.3 All non-current assets of the Company as at June 30, 2019 are located in Pakistan.

44.4 One (2018: one) of the Company's customers having sales of Rs.262 million (2018: Rs. 221 million) exceeded 10% of total sales of the Company.

45. NUMBER OF EMPLOYEES	2019	2018
Total number of employees as at June 30,	1,085	1,123
Average number of employees during the year	1,068	1,117

46. EVENTS AFTER THE REPORTING DATE

The Board of Directors, in their meeting held on October 02, has proposed a final cash dividend of Re.1 per share for the year ended June 30, 2019. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 26, 2019. These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in year ending June 30, 2020.

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, except for the following, no material re-arrangements and re-classifications have been made in these financial statements, except as detailed in notes 5.1.2 & 5.2.2 to these financial statements.

48. GENERAL


These financial statements were authorised for issue on October 02, 2019 by the Board of Directors of the Company.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

FORM OF PROXY

I/we.....of.....being a member of Kohat Textile Mills Limited hereby appoint Mr./Ms..... offalling whom Mr./Ms..... ofas my proxy to attend act for me, and on my behalf, at the annual General Meeting of the Company to be held on Saturday, 26 October, 2019 at 10:00 a.m. at APTMA house, Tehkal Payan, Jamrud Road Peshawar and any adjournment there of Dated thisday of2019.

Revenue
Stamp
Rs..50/-

Specimen Signature of Proxy

Folio No.....

Participant I.D No.....

Sub Account No.

Signature of Shareholder

Specimen Signature of Alternate Proxy

Folio No.....

Folio No.....

Participant I.D No.....

Participant I.D No.....

Sub Account No.....

Sub Account No.....

Note:

- i) If a member is unable to attend the Meeting, he/she may appoint another member as his/her proxy and send this form to Kohat Textile Mills Limited, APTMA House, Tehkal Payan, Jamrud Road, Peshawar to reach not less than 48 hours before the time appointed for holding the meeting.
- ii) Attested copies of CNIC or the Passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
- iii) The Proxy shall produce his original CNIC or original Passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been Provided earlier) along with Proxy Form to the Company.

فارم آف پراسی

میں / ہم سکنہ کو ہاٹ

ٹیکسٹائل ملز لمیٹڈ کارکن ہوتے ہوئے بذریعہ ہذا مسمیٰ / مسماۃ / بیگم سکنہ

کو تعینات کرتے ہوئے بطور متبادل مسمیٰ / مسماۃ / بیگم

..... سکنہ کو اپنا پراکسی مقرر کرتا ہوں

جو کہ میری جانب سے میری عدم موجودگی کی صورت میں کمپنی کی سالانہ عمومی اجلاس جو کہ بروز ہفتہ مورخہ ۱۲۶ اکتوبر ۲۰۱۹ء کو صبح دس بجے آچھا ہاؤس، تھمال پایاں، جمرو روڈ، پشاور میں منعقد ہوگا یا التواء کی صورت میں حاضر ہو کر میری نمائندگی کرے۔

مورخہ بروز ماہ ۲۰۱۹ء

پراکسی کے دستخط کا نمونہ۔

فولیو نمبر۔

شرکت کنندہ کی شناختی کارڈ نمبر۔

ذیلی اکاؤنٹ نمبر۔

متبادل پراکسی کے دستخط کا نمونہ۔

فولیو نمبر۔

شرکت کنندہ کی شناختی کارڈ نمبر۔

ذیلی اکاؤنٹ نمبر۔

حصہ دار کا دستخط _____
 فولیو نمبر _____
 شرکت کنندہ کی شناختی کارڈ نمبر _____
 ذیلی اکاؤنٹ نمبر _____

نوٹ:








- (i) اگر کوئی ممبر اجلاس میں حاضر ہونے سے قاصر ہے تو وہ اپنا پراکسی تعینات کرنے کا مجاز ہے اور فارم ہذا کو اجلاس کے انعقاد کے لئے مقررہ وقت سے کم از کم ۴۸ گھنٹے پہلے تک کو ہاٹ ٹیکسٹائل ملز لمیٹڈ واقع آپٹا ہاؤس، تہہ کال پایاں، جمرو دروڈ، پشاور میں جمع کرادے۔
- (ii) مستفید مالکان اور پراکسی کے شناختی کارڈ یا پاسپورٹ کے مصدقہ نقول پراکسی فارم کے ساتھ منسلک ہونا چاہیئے۔
- (iii) اجلاس کے وقت پراکسی کو اپنا اصلی پاسپورٹ پیش کرنا ہوگا۔
- (iv) کمپنی ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ بشمول نمونہ دستخط (بشرطیکہ پہلے سے کمپنی کو فراہم نہ کیا گیا ہو) پراکسی فارم کے ساتھ جمع کرنا ہوگا۔










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