



SAIF GROUP

# KOHAT TEXTILE MILLS LIMITED

HALF YEARLY REPORT  
(REVIEWED)  
DECEMBER 31, 2020



# ENTITY RATING OF KOHAT TEXTILE MILLS LIMITED

Long Term      A-

Short Term      A2

Stable outlook

## CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Osman Saifullah Khan (Chairman)  
Assad Saifullah Khan (Chief Executive Officer)  
Hoor Yousafzai  
Sardar Aminullah Khan  
Abdul Rehman Qureshi  
Rana Muhammad Shafi  
Sohail H Hydari

## AUDIT COMMITTEE

Abdul Rehman Qureshi (Chairman)  
Rana Muhammad Shafi  
Sardar Aminullah 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  
Bank Alfalah 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

3<sup>rd</sup> 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

## MILLS

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

## WEB SITE

www.kohattextile.com

# DIRECTORS' REVIEW REPORT TO THE MEMBERS

## Dear Members,

The Directors of your Company take pleasure in presenting before you the financial performance of the Company for the half year ended December 31, 2020, duly reviewed by the statutory auditors.

## Performance review

During the period under review, your Company has achieved following:

- Turnover grew by 25% to Rs. 1,647million (2019:Rs. 1,312 million).
- Gross profit increased to Rs.242 million-margin 15% (2019:Rs.150 million-margin 11%).
- EBITDA increased to Rs.216 million (2019:Rs.138 million).
- Finance cost declined to Rs.49 million (2019:Rs.93 million).
- Profit before tax increased to Rs.124 million (2019:Rs.3 million).
- Earnings per share increased to Rs.3.39 (2019:Rs.0.09).
- Plant capacity increased by 9% to 38,460 spindles & operated at FULL capacity.
- Regular in debt servicing with ALL banks.
- PACRA has maintained credit rating category A with stable outlook.

## Future outlook

The swift post-pandemic economic recovery in the country has generated strong demand for the textile products. Meanwhile, the announcement of the long awaited Textile Policy 2020-25 by the Government would further support the industry.

Globally, the accelerated development, availability and administration of COVID-19 vaccines has brought back much-needed confidence and activity in the markets. The international oil prices have rebounded which have caused increase in cost of manmade fiber and would, hopefully, translate into higher prices for synthetic yarn as well.

On the domestic front, the CCOE has recently approved the proposal for discontinuation of natural gas supply for captive power generation of the export-oriented industry. This proposal if implemented, will adversely impact production costs of industrial units. In view of such frequent policy changes, we are continuously adjusting our energy mix with increasing reliance on solar energy. We believe our investments in solar will not only lower our energy costs but will also enhance our energy resilience.


The Management is following the strategy of continuous BMR plan having dual effect by reducing operational costs along with increase in profitability. We are optimistic to forecast the reasonable profitability in the third quarter of current financial year.

## 'Safety First' and acknowledgment

The Board by recognizing its social responsibility arising out of the virus outbreak, has adopted the policy of "Safety First" and ensured all necessary SOPs.

The Board acknowledge overall performance of the Company's workers, staff and executives more especially in pandemic times. 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.

For and on Behalf of the Board



**ASSAD SAIFULLAH KHAN**  
Chief Executive Officer



**RANA MUHAMMAD SHAFI**  
Director

Place : Islamabad  
Dated : February 26, 2021

# ڈائریکٹرز کی جائزہ رپورٹ برائے حصص یافتگان

## محترم حصص یافتگان

آپ کی کمپنی کے ڈائریکٹرز ششماہی اختتامی دسمبر 2020، 31 کی مالیاتی رپورٹ آپ کے سامنے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

## کارکردگی کا جائزہ

زیر جائزہ مدت کے دوران، آپ کی کمپنی نے ذیل نتائج حاصل کیے:-

- فروخت %25 اضافے کے ساتھ 1,647 ملین روپے تک چاہیٹی (2019 میں 1,312 ملین روپے)
- مجموعی منافع بڑھ کر 242 ملین روپے تک چاہیٹی جو کہ 15 فی صد ہے (2019 میں 150 ملین روپے جو کہ 11 فیصد)
- EBITDA بڑھ کر 216 ملین روپے تک چاہیٹی (2019 میں 138 ملین روپے)
- قرضے کی لاگت کم ہو کر 49 ملین روپے رہی (2019 میں 93 ملین روپے)
- ٹیکس سے پہلے کا منافع 124 ملین روپے تک بڑھ گیا (2019 میں 3 ملین روپے)
- فی حصص منافع بڑھ کر 3.39 روپے ہو گیا (2019 میں 0.09 روپے)
- پائمنٹ کی استطاعت 9 فیصد اضافے کے ساتھ 38,460 سینڈلر تک بڑھ گئی اور پلانٹ مکمل استطاعت پر چلا۔
- قرضہ کی واپسی میں تمام پینتوں میں باقاعدگی رہی۔
- PACRA نے A کی ٹیکسٹ کی رینٹنگ کو برقرار رکھا جو کہ مستحکم آؤٹ لک کو ظاہر کرتی ہے

## مستقبل کا نقطہ نظر

عالمی وباء کے بعد تیز معاشی بحالی نے ملک میں ٹیکسٹائل مصنوعات کی زبردست طلب پیدا کی ہے۔ فی الوقت گورنمنٹ کی طرف سے طویل انتظار کی گئی ٹیکسٹائل پالیسی 2020-25 صنعت کو مزید مستحکم کرنے کی۔

عالمی سطح پر Covid-19 ویکسین کی جلدی فراہمی اور انتظام مارکیٹ میں ضروری اعتماد کو واپس لائی ہے۔ تیل کی عالمی قیمتوں میں اضافہ ہوا ہے جو کہ جون میڈیا بھر کی قیمتوں میں اضافہ کرنے کی جو کہ متوقع طور پر مصنوعی دھماکے کی قیمتوں میں بھی اضافہ کرنے کی۔

مقامی سطح پر حال ہی میں سی ای او ای نے ایکسپورٹ اور ٹیکسٹائل صنعت کو بھلے پیدا کرنے کے لیے ٹیکس کی فراہمی معطل کرنے کا فیصلہ کیا ہے یہ تجویز اگر لاگو ہوگئی تو صنعتی پینٹس کی پیداوار کی لاگت میں منفی اثر مرتب کرے گی۔ پالیسی میں بار بار تبدیلی کے مدنظر، ہم اپنی توانائی کے مرکب کو بدلتے رہتے ہیں اور شکی توانائی پر زیادہ انحصار کر رہے ہیں۔ ہم توقع رکھتے ہیں کہ شکی توانائی میں سرمایہ کاری نہ صرف ہماری توانائی کی لاگت میں کمی لائے گی بلکہ ہماری توانائی کی ضرورت میں چلک پیدا کرے گی۔

میںجنت مسلسل نبی آ کر کی حکمت عملی پر عمل پیرا ہے جو کہ دوہرا اثر رکھتی ہے اور آپریٹنگ کی لاگت کو کم کرنے کے ساتھ ساتھ منافع کو بھی بڑھائے گی۔ ہم امید کرتے ہیں کہ موجودہ سال کے تیسرے سہ ماہی میں مناسب منافع دیکھا جائے گا۔

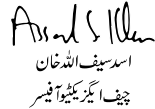
## اول حفاظت اور انتظامیہ تشکر

بورڈ وائرس کے بعد آج اگر ہونے والی اپنی سماجی ذمہ داری کو سمجھتے ہوئے اول حفاظت کی حکمت عملی اپنائے ہوئے ہے اور تمام SOPs کو ضروری بنایا ہے۔ بورڈ کمپنی کے کارکنان، سٹاف اور ایگزیکٹوز کی کارکردگی کو بالخصوص ان مشکل حالات میں خراج تحسین پیش کرتا ہے۔ اور بورڈ ہمارے ٹیکسٹائل اور معزز کارکنوں کے تعاون کا شکریہ ادا کرتا ہے۔ ہم آئندہ دنوں میں اسی تعاون اور لگن کی امید کرتے ہیں

## مخائب بورڈ ہذا



رانہ ہاشم  
ڈائریکٹر



اسد سیف اللہ خان  
چیف ایگزیکٹو آفیسر

مقام: اسلام آباد

تاریخ: 26 فروری 2021

# INDEPENDENT AUDITORS REVIEW REPORT TO THE MEMBERS ON CONDENSED INTERIM FINANCIAL INFORMATION

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Kohat Textile Mills Limited** (the Company) as at December 31, 2020 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (herein-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2020.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

## Emphasis of Matter

Without qualifying our conclusion, we draw your attention to the note 7.1.2 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess.

The engagement partner on the review resulting in this independent auditors' review report is Osman Hameed Chaudhri.

*Shinewing Hameed Chaudhri & Co.*

SHINEWING HAMEED CHAUDHRI & CO.,  
CHARTERED ACCOUNTANTS

Place: Lahore

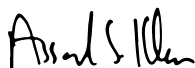
Dated: February 26, 2021

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

		Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
<b>Assets</b>	Note		
<b>Non-Current Assets</b>			
Property, plant and equipment	4	2,717,621	2,477,022
Intangible assets		295	649
Long term investment		2,350	2,450
Long term loans		1,390	1,527
Long term deposits		2,347	1,816
		<b>2,724,003</b>	<b>2,483,464</b>
<b>Current Assets</b>			
Stores, spare parts and loose tools		37,868	34,544
Stock-in-trade		628,045	398,667
Trade debts		369,441	610,367
Loans and advances		4,760	11,031
Deposits, other receivables and prepayments		20,116	14,726
Taxation - net		36,417	46,323
Sales tax refundable		22,109	-
Cash and bank balances		8,679	12,997
		<b>1,127,435</b>	<b>1,128,655</b>
		<b>3,851,438</b>	<b>3,612,119</b>
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Authorized capital			
22,000,000 ordinary shares of Rs.10 each		220,000	220,000
Issued, subscribed and paid up capital		208,000	208,000
Revenue reserve			
- Unappropriated profit		300,574	218,766
Capital reserve			
- Surplus on revaluation of Property, Plant and Equipment		1,213,229	1,224,529
		<b>1,721,803</b>	<b>1,651,295</b>
<b>Non-Current Liabilities</b>			
Loan from the Holding Company		100,000	100,000
Long term financing	5	560,649	442,192
Long term deposits		2,927	2,280
Lease liabilities		6,752	9,081
Deferred income - government grant		721	1,996
Deferred liability - staff retirement benefits		118,237	111,585
Deferred taxation - net		146,720	117,790
		<b>936,006</b>	<b>784,924</b>
<b>Current Liabilities</b>			
Trade and other payables		437,912	411,343
Contract liabilities		2,381	7,377
Accrued mark-up / profit		25,706	44,292
Short term borrowings	6	529,398	649,517
Current portion of non-current liabilities		197,142	62,242
Unpaid dividend		138	166
Unclaimed dividend		952	963
		<b>1,193,629</b>	<b>1,175,900</b>
<b>Contingencies and commitments</b>	7	<b>3,851,438</b>	<b>3,612,119</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



NOUMAN AHMAD  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

		Quarter ended		Six months period ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Note		(Rupees in thousand)			
Sales - net	8	839,608	739,914	1,646,847	1,312,097
Cost of sales		(695,086)	(670,043)	(1,404,501)	(1,161,976)
<b>Gross profit</b>		<b>144,522</b>	<b>69,871</b>	<b>242,346</b>	<b>150,121</b>
Distribution cost		(8,118)	(6,704)	(16,377)	(11,907)
Administrative expenses		(22,685)	(20,447)	(44,132)	(41,001)
Other expenses		(8,958)	(404)	(12,140)	(1,964)
Other income		2,079	1,108	3,455	1,210
<b>Profit from operations</b>		<b>106,840</b>	<b>43,424</b>	<b>173,152</b>	<b>96,459</b>
Finance cost		(22,802)	(50,517)	(48,903)	(93,172)
<b>Profit / (loss) before taxation</b>		<b>84,038</b>	<b>(7,093)</b>	<b>124,249</b>	<b>3,287</b>
Taxation	9	(23,720)	7,596	(53,641)	(1,493)
<b>Profit after taxation</b>		<b>60,318</b>	<b>503</b>	<b>70,608</b>	<b>1,794</b>
Other comprehensive loss		(100)	-	(100)	-
<b>Total comprehensive income</b>		<b>60,218</b>	<b>503</b>	<b>70,508</b>	<b>1,794</b>

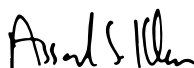
----- Rupees -----

## Earnings per share

- basic and diluted

2.90	0.02	3.39	0.09
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The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



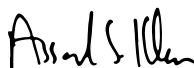
NOUMAN AHMAD  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Six months period ended	
	December 31, 2020	December 31, 2019
	(Rupees in thousand)	
<b>Cash flows from operating activities</b>		
Profit for the period - before taxation	124,249	3,287
Adjustments for non-cash charges and other items:		
Depreciation	42,502	39,297
Amortisation	354	354
Staff retirement benefits - gratuity (net)	6,652	14,360
Loss / (gain) on sale of operating fixed assets	3,287	(7)
Finance cost	48,903	93,172
<b>Profit before working capital changes</b>	<b>225,947</b>	<b>150,463</b>
<b>Effect on cash flows due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(3,324)	(308)
Stock-in-trade	(229,378)	88,228
Trade debts	240,926	(140,966)
Loans and advances	6,271	(3,455)
Deposits, other receivables and prepayments	(5,390)	3,039
Sales tax refundable	(22,109)	18,522
(Decrease) / increase in current liabilities:		
Trade and other payables	26,569	(152,792)
Contract liabilities	(4,996)	(1,801)
	8,569	(189,533)
<b>Cash generated from / (used in) operating activities</b>	<b>234,516</b>	<b>(39,070)</b>
Income taxes paid	(14,804)	(7,160)
Long term loans - net	137	(441)
<b>Net cash generated from / (used in) operating activities</b>	<b>219,849</b>	<b>(46,671)</b>
<b>Cash flow from investing activities</b>		
Additions in property, plant and equipment	(291,188)	(53,242)
Sale proceeds of operating fixed assets	4,800	629
<b>Net cash used in investing activities</b>	<b>(286,388)</b>	<b>(52,613)</b>
<b>Cash flows from financing activities</b>		
Long term financing - obtained	252,709	3,076
- repaid	(760)	(38,749)
Lease liabilities	(2,728)	4,576
Long term deposits	647	(220)
Short term borrowings - net	(120,119)	237,952
Dividend paid	(39)	(20,710)
Finance cost paid	(67,489)	(81,953)
<b>Net cash generated from financing activities</b>	<b>62,221</b>	<b>103,972</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(4,318)</b>	<b>4,688</b>
<b>Cash and cash equivalents - at beginning of the period</b>	<b>12,997</b>	<b>7,305</b>
<b>Cash and cash equivalents - at end of the period</b>	<b>8,679</b>	<b>11,993</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



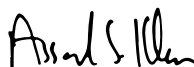
NOUMAN AHMAD  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Share capital	Revenue reserves Unappropriated profit	Capital reserve Revaluation surplus on property, plant and equipment	Total
(Rupees in thousand)				
Balance as at July 01, 2020 (audited)	208,000	218,766	1,224,529	1,651,295
Total comprehensive income for the six months period ended December 31, 2020	-	70,508	-	70,508
Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation)	-	11,300	(11,300)	-
Balance as at December 31, 2020 (un-audited)	208,000	300,574	1,213,229	1,721,803
Balance as at July 01, 2019 (audited)	208,000	259,507	1,240,388	1,707,895
Transaction with owners				
Cash dividend for the year ended June 30, 2019 at the rate of Re.1 per share	-	(20,800)	-	(20,800)
Total comprehensive income for the six months period ended December 31, 2019	-	1,794	-	1,794
Surplus on revaluation of property, plant and equipment for the six months realised during the period (net of deferred taxation):	-	7,929	(7,929)	-
Balance as at December 31, 2019 (un-audited)	208,000	248,430	1,232,459	1,688,889

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



NOUMAN AHMAD  
Chief Financial Officer

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

## 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 Limited. 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:

<b>Kohat</b> Saifabad	<b>Purpose</b> Mills / factory
<b>Peshawar</b> APTMA House, Tehkal Payan, Jamrud Road	Registered office
<b>Rawalpindi</b> City centre, Main Bank Road, Saddar Cantt	Head office
<b>Karachi</b> Room # 03, 5th Floor KDLB, Building 58-West Wharf Road,	Marketing office
<b>Faisalabad</b> P-12, Montgomery Bazar near Nishat Bakery, Sooter mandi	Marketing / Sales office

- 1.2 The Company is a Subsidiary Company of Saif Holding Limited (the Holding Company) as 77.98% (2020 : 77.98%) of the Company's issued, subscribed and paid-up capital is held by the Holding Company.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

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

- International Accounting Standard ('IAS') 34, 'Interim Financial Reporting', issued by International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017, and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.1.2 These condensed interim financial statements does not include all the information and disclosures as required in an annual audited financial statements, and these should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2020. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

## 2.2 Standards, amendments to published standards, interpretations and guidelines that are effective in the current period

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed financial statements.

## 2.3 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2020.

## 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2020.

## 4. PROPERTY, PLANT AND EQUIPMENT

		Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
	Note		
Operating fixed assets - tangible	4.1	2,627,381	2,295,191
Capital work-in-progress		59,929	151,292
Right-of-use assets	4.2	11,383	13,341
Stores held for capital expenditure		18,928	17,198
		<b>2,717,621</b>	<b>2,477,022</b>
<b>4.1 Operating fixed assets - tangible</b>			
Book value at beginning of the period / year		2,295,191	2,305,073
Additions during the period / year	4.1.1	381,316	87,462
Disposals costing Rs.29.401 million (June 30, 2020: Rs.4.845 million)			
- at net book value		(8,087)	(2,525)
Transition effect on initial application IFRS 16	4.2	-	(14,994)
Depreciation charge for the period / year		(41,039)	(79,825)
Book value at end of the period / year		<b>2,627,381</b>	<b>2,295,191</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

## 4.1.1 Additions during the period / year:

	Un-audited December 31, 2020	Audited June 30, 2020
Note	(Rupees in thousand)	
(including transfer from right-of-use assets):		
Buildings on freehold land		
- factory	50,960	7,398
- non - factory	808	827
- residential	6,059	2,125
Plant & machinery	309,043	52,802
Gas fired power plant	12,565	18,794
Electric installations	806	307
Equipment & appliances	482	2,231
Fire extinguishing equipment	-	69
Furniture & fixtures	593	463
Vehicles	-	2,446
	<b>381,316</b>	<b>87,462</b>

4.1.2 Borrowing cost aggregating Rs.8.576 million charged at the rate of 8.05% per annum has been capitalised during the period.

## 4.2 Right-of-Use Assets

Opening balance	13,341	-
Transition effect on initial application	-	14,994
Recognition due to adoption of IFRS 16	-	4,229
Reassessment due to mark-up rate change	(495)	-
Depreciation for the period	(1,463)	(3,980)
Transferred to own assets	-	(1,902)
Closing balance	<b>11,383</b>	<b>13,341</b>

## 5. LONG TERM FINANCING - Secured

Balance at beginning of the period / year	497,299	271,863
Add: disbursements during the period / year 5.1 & 5.2	254,215	287,309
Less: repayments made during the period / year	(760)	(61,873)
Balance at end of the period / year	750,754	497,299
Less: current portion grouped under current liabilities	(190,105)	(55,107)
	<b>560,649</b>	<b>442,192</b>

5.1 The Company, during the period, arranged a demand finance facility of Rs.37.500 million from The Bank of Khyber. The bank, against the said facility, disbursed Rs.35.227 million during the period. This finance facility is repayable in 10 equal semi-annual instalments commencing December, 2021. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points per annum payable quarterly and is secured against first pari passu charge over present and future fixed assets of the Company for Rs.400 million.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

- 5.2 The Company has arranged long term finance facility amounted Rs.27 million from Meezan Bank Limited to finance the purchase of 320 KW Solar Grid on Run Off basis under Category-II of SBP Financing Scheme for Renewable Energy. This facility carries mark-up at the rate of SBP rate plus 2% per annum and secured against registration of ranking charge over fixed assets of the Company. The loan is repayable in 80 equal monthly instalments, commencing from April, 2021.
- 5.3 Except for the above new facilities obtained by the Company, all other terms and conditions of long term financing are materially same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2020. Effective mark-up rates charged, during the current period, ranged from 8.05% to 10.39% (June 30, 2020: 12.05% and 14.90%) per annum.

## 6. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.1,175 million (June 30, 2020: Rs.975 million). These facilities, during the period, carried mark-up / profit at the rates ranged from 7.75% to 14.62% (June 30, 2020: 7.22% to 13.90%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.1,278 million (June 30, 2020: Rs.1,128 million) of which the amounts aggregated Rs.913.599 million (June 30, 2020: Rs.701.556 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 December, 2021.

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

- 7.1.1 Guarantees aggregating Rs.113.162 million (June 30, 2020: Rs.88.462 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.
- 7.1.2 The Gas Infrastructure Development Cess ("GIDC") was firstly imposed as a levy on gas consumers in 2011 vide GIDC Act 2011. The said Act was challenged in Peshawar High Court ("PHC") that declared the levy of GIDC unconstitutional. The government challenged the decision in the Supreme Court ("SC"). The SC upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said decision, GIDC Ordinance 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from December 15, 2011. While the Ordinance was still in field, the Government sought review of the SC's decision which was also dismissed by the SC.

In May 2015, the government passed the GIDC Act, 2015 whereby GIDC was again imposed on gas consumers. The Company filed the writ petition in the PHC and challenged the validity of the GIDC Act, 2015. The PHC dismissed the writ petition of the Company vide its judgment dated May 31, 2017 and declared the GIDC Act, 2015 to be intra vires the Constitution. The Company preferred an appeal to the SC against the said judgment of PHC. The SC was pleased to decide all petitions in its detailed judgment dated August 13, 2020.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

Meanwhile, in 2018, the Company sought interim relief from PHC on the plea that the Company did not pass on GIDC to its end customers and therefore was not liable to pay the GIDC. PHC granted interim relief and refrained SNGPL from recovering the GIDC from the Company.

It is pertinent to mention that the SC has specifically stated in its judgment dated August 13, 2020 that GIDC is recoverable only from those gas consumers that has passed the burden to its consumer / clients (Para 42). The management maintains that the Company is not liable to pay the GIDC because the Company is not selling its yarn to the end consumers / retail customers and cannot pass on GIDC to its buyers. The prices of yarn and cotton are determined by the local and international markets based on demand and supply mechanism. Accordingly, the Company filed the review petition in the Supreme Court of Pakistan against the above judgement of SC. The SC dismissed the review petition vide its judgment dated November 02, 2020, however, SC mentioned in its said judgment that the companies claiming any relief under GIDC Act 2015 may approach the right forum. In case of adverse decision the contingent liability aggregates to the tune of Rs.97.630 million calculated on the basis of applicable rate for industry from June, 2015 to October, 2018 because from October 2018 the gas tariff is inclusive of all charges including GIDC and therefore GIDC is not applicable afterwards. However, SNGPL has raised the demand against GIDC of Rs.319.934 million in their bill.

In a writ petition number 3586-P/ 2018 PHC in its judgment dated September 16, 2020 has referred the matter to OGRA being the relevant authority for the determination of the fact whether the Company has passed on GIDC to its customers or not.

**7.1.3** The OGRA, while citing the judgment of the Hon'able SC dated May 10, 2019 in civil appeal in number 159-L to 2014-L of 2018 titled Sui Northern Gas Pipelines Ltd, Vs Bulleh Shah Packaging (Pvt.) Ltd., passed the decision that the consumer who are having supply of natural gas for industrial use and having in-house electricity generation facility for self-consumption fall in the category of industrial consumers and are subject to the corresponding tariff. The OGRA also directed SNGPL to adjust the excess amount paid. Excess amount paid by the company is Rs.46.698 million which is expected to be adjusted by the SNGPL in future gas bills. The Company has not accounted for the same amount as receivable in the financial statements.

**7.1.4** 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.

## **7.2 Commitments**

**7.2.1** Commitments against irrevocable letters of credit outstanding at the period-end were for Rs. 8.978 million (June 30, 2020: Rs.113.034 million).

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

**7.2.2** The Company has entered into Ijarah arrangements for four (June 30, 2020: two) vehicles with First Habib Modaraba. Aggregate commitments for rentals under Ijarah arrangements at the reporting dates were as follows:

	Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
Not later than one year	2,718	1,608
Later than one year but not later than five years	8,687	5,067
	<b>11,405</b>	<b>6,675</b>

## 8. SALES - Net

**8.1** Detail of the Company's revenue from contracts with customers is as follows:

	Quarter ended		Six months period ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in thousand)			
<b>Own manufactured goods:</b>				
- yarn	825,365	732,974	1,629,109	1,305,157
- waste	3,886	6,940	7,381	6,940
	<b>829,251</b>	<b>739,914</b>	<b>1,636,490</b>	<b>1,312,097</b>
<b>Trading activities:</b>				
- fabrics	10,357	-	10,357	-
	<b>839,608</b>	<b>739,914</b>	<b>1,646,847</b>	<b>1,312,097</b>

**8.2** 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.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

## 9. TAXATION - net

9.1 Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto Tax Year 2020.

9.2 Provision for taxation made for the current period represent minimum tax payable under section 113 of the Ordinance.

## 10. TRANSACTIONS WITH RELATED PARTIES

10.1 Significant transactions with related parties are as follows:

Significant transactions with related parties are as follows:

Relationship	Nature of transactions	Un-audited	
		Six months period ended	
		December 31, 2020	December 31, 2019
		(Rupees in thousand)	
<b>i) Holding Company</b>			
	- dividend paid	-	13,787
	- mark-up charged on loan	4,242	7,794
	- shared expenses	-	194
<b>ii) Key management personnel</b>		19,429	17,548

	Un-audited December 31, 2020	Audited June 30, 2020
	(Rupees in thousand)	
<b>10.2 Period / year end balances are as follows:</b>		
Loan from the Holding Company	100,000	100,000
Trade and other payables	-	171
Accrued mark-up / profit	515	3,145

## 11. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Company's sensitivity to these risks since June 30, 2020, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the period.

These condensed interim financial statements does not include all financial risk management information and disclosures as are required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2020.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

## 12. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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.

Fair values categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

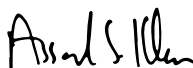
The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 13. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2020, whereas, the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial statements of the Company for the six months period ended December 31, 2019.

## 14. GENERAL

- 14.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on 26 February 2021.
- 14.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



ASSAD SAIFULLAH KHAN  
Chief Executive Officer



RANA MUHAMMAD SHAFI  
Director



NOUMAN AHMAD  
Chief Financial Officer



## **Kohat Textile Mills Limited**

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