



KOHAT TEXTILE MILLS LIMITED

HALF YEARLY REPORT
(REVIEWED)
DECEMBER 31, 2021



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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COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Abdul Rehman Qureshi (Chairman)
Sardar Aminullah Khan
Rana Muhammad Shafi

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

HEAD OFFICE

4th Floor, Kashmir Commercial Complex,
Fazal-e-Haq Road, Blue Area
Islamabad
Phone : (051) 2604733-5
Fax : (051) 2604732
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) 862057-8
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 statements of the Company for the half year ended December 31, 2021, duly reviewed by the statutory auditors.

Financial highlights

Company's turnover grew by Rs.552 million over corresponding period last year (Rs.2,199 million vs Rs.1,647 million) and posted a gross profit of Rs.422 million (Gross margin: 19%) in the period compared to a gross profit of Rs.242 million (Gross margin: 15%) for the similar period last year. However, the suspension/low pressure of gas and rising KIBOR rates dampened the net profitability of the Company. Nevertheless, the Company posted a pre-tax profit of Rs.246 million, depicting around 100% growth over the same period last year.

Future outlook

The textile industry is operating at near 100% capacity. As summer season approaches, we are hopeful that Government will restore full supply of natural gas to captive power plants/industry. Meanwhile, factors like reduction of interest rates and steady PKR:US\$ parity remain critical for maintaining competitiveness of the sector.

The Management continues to strive for growth and is optimistic for strong financial results in the third quarter of current financial year.

Acknowledgment

The Directors are grateful to the Company's members, financial institutions and customers for their co-operation and support. The Directors would also like to express their deep appreciation for the services, loyalty and efforts being continuously rendered by the employees of the Company.

For and on Behalf of the Board



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director

Place : Islamabad
Dated : February 28, 2022

ڈائریکٹرز کی جائزہ رپورٹ برائے حصص یافتگان

معزز حصص یافتگان:

آپ کی کمپنی کے ڈائریکٹرز شش ماہی اختتامی دسمبر 2021، 31 کی مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ جو کہ قانونی آڈیٹرز کی جانب سے جائزہ شدہ ہیں۔

مالیاتی جائزہ:

کمپنی کی فروخت تقابلی عرصہ کے مقابل 552 ملین روپے سے بڑھی (2,199 ملین روپے برعکس 1,647 ملین روپے) اور کل منافع 422 ملین روپے رہا (کل منافع کا مارجن 19 فیصد) جبکہ تقابلی عرصہ میں منافع 242 ملین روپے تھا (کل منافع کا مارجن 15 فیصد)۔ تاہم گیس پریشر کے دباؤ میں کمی بندش اور KIBOR میں اضافہ نے کمپنی کے منافع پر منفی اثرات مرتب کیے۔ تاہم کمپنی نے ٹیکس سے قبل 246 ملین روپے منافع کمایا جو کہ تقابلی سال کے مقابل 100 فیصد اضافہ ظاہر کرتا ہے۔

مستقبل کا نقطہ نظر:

ٹیکسٹائل انڈسٹری 100 فیصد صلاحیت پر چل رہی ہے۔ گرمیوں کے موسم آنے پر گورنمنٹ انڈسٹری / کپڑوں پاور پلانٹس کو قدرتی گیس کی فراہمی کو بحال کر دے گی۔ اس دوران شرح سود میں کمی اور مستحکم روپے: امریکی ڈالر کی برابری جیسے عوامل انڈسٹری میں مسابقت برقرار رکھنے کے لیے اہم رہیں گے۔ منجھٹ بڑھوتری کے لیے کوشاں ہے اور رواں مالیاتی سال کے نو ماہی مالیاتی نتائج میں اضافہ کیلئے پرامید ہے۔

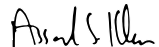
اظہار تشکر:

ڈائریکٹرز کمپنی کے حصص یافتگان، مالیاتی اداروں اور گاہکوں کے تعاون اور حمایت کے شکر گزار ہیں۔ ڈائریکٹرز ملازمین کی مستقل طور پر دی جانے والی خدمات، وفاداری اور کوششوں کی بھی خوب قدر دانی کرتے ہیں۔

منجانب بورڈ ہذا



راتا محمد شفیق
ڈائریکٹر



اسد سیف اللہ خان
چیف ایگزیکٹو آفیسر

مقام: اسلام آباد

تاریخ: فروری 28، 2022

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF KOHAT TEXTILE MILLS LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Kohat Textile Mills Limited** (the Company) as at December 31, 2021 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 (hereinafter 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, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2021.

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 28, 2022

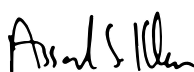
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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	Note	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
Assets			
Non-Current Assets			
Property, plant and equipment	4	3,151,330	2,923,789
Long term investment		2,500	2,350
Long term loans		1,147	1,136
Long term deposits		5,036	5,041
		3,160,013	2,932,316
Current Assets			
Stores, spare parts and loose tools		44,081	40,609
Stock-in-trade		1,228,138	714,281
Trade debts		752,287	512,827
Loans and advances		6,175	3,500
Deposits, other receivables and prepayments		17,219	17,786
Sales tax refundable		26,421	4,788
Cash and bank balances		12,508	6,000
		2,086,829	1,299,791
		5,246,842	4,232,107
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		208,000	208,000
Revenue reserve			
- Unappropriated profit		656,490	535,375
Capital reserve			
- Surplus on revaluation of Property, Plant and Equipment		1,196,221	1,205,777
Unrealised loss on financial assets at fair value through other comprehensive income		-	(150)
		2,060,711	1,949,002
Non-Current Liabilities			
Loan from the Holding Company		70,000	80,000
Long term financing	5	716,550	596,282
Long term deposits		3,308	2,804
Lease liabilities		6,292	8,321
Deferred income - government grant		-	237
Deferred liability - staff retirement benefits		150,653	140,173
Deferred taxation - net		264,344	192,117
		1,211,147	1,019,934
Current Liabilities			
Trade and other payables		491,380	563,606
Contract liabilities		1,183	871
Accrued mark-up / profit		37,325	24,375
Short term borrowings	6	1,162,769	427,015
Current portion of non-current liabilities		263,917	245,280
Unpaid dividend		209	138
Unclaimed dividend		943	944
Taxation - net		17,258	942
		1,974,984	1,263,171
Contingencies and commitments	7	5,246,842	4,232,107


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, 2021

		Quarter ended		Six months period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Note		(Rupees in thousand)			
Sales - net	8	1,106,783	839,608	2,198,829	1,646,847
Cost of sales		(909,251)	(695,086)	(1,776,345)	(1,404,501)
Gross profit		197,532	144,522	422,484	242,346
Distribution cost		(10,897)	(8,118)	(21,612)	(16,377)
Administrative expenses		(31,410)	(22,685)	(61,379)	(44,132)
Other expenses		(13,715)	(8,958)	(22,377)	(12,140)
Other income		2,538	2,079	2,587	3,455
Profit from operations		144,048	106,840	319,703	173,152
Finance cost		(39,779)	(22,802)	(73,160)	(48,903)
Profit before taxation		104,269	84,038	246,543	124,249
Taxation	9	(72,016)	(23,720)	(114,184)	(53,641)
Profit after taxation		32,253	60,318	132,359	70,608
Other comprehensive income / (loss)		150	(100)	150	(100)
Total comprehensive income		32,403	60,218	132,509	70,508

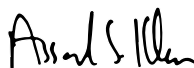
----- Rupees -----

Earnings per share

- basic and diluted

1.55	2.90	6.36	3.39
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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



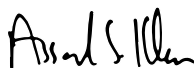
NOUMAN AHMAD
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

	Six months period ended	
	December 31, 2021	December 31, 2020
	(Rupees in thousand)	
Cash flows from operating activities		
Profit for the period - before taxation	246,543	124,249
Adjustments for non-cash charges and other items:		
Depreciation	53,356	42,502
Amortisation	-	354
Staff retirement benefits - gratuity (net)	10,480	6,652
Loss on sale of operating fixed assets	1,879	3,287
Finance cost	73,160	48,903
Profit before working capital changes	385,418	225,947
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(3,472)	(3,324)
Stock-in-trade	(513,857)	(229,378)
Trade debts	(239,460)	240,926
Loans and advances	(2,675)	6,271
Deposits, other receivables and prepayments	567	(5,390)
Sales tax refundable	(21,633)	(22,109)
(Decrease) / increase in current liabilities:		
Trade and other payables	(72,226)	26,569
Contract liabilities	312	(4,996)
	(852,444)	8,569
Cash (used in) / generated from operating activities	(467,026)	234,516
Income taxes paid	(25,641)	(14,804)
Long term loans - net	(11)	137
Net cash (used in) / generated from operating activities	(492,678)	219,849
Cash flow from investing activities		
Additions in property, plant and equipment	(295,928)	(291,188)
Sale proceeds of operating fixed assets	13,152	4,800
Net cash used in investing activities	(282,776)	(286,388)
Cash flows from financing activities		
Long term financing - obtained	249,303	252,709
- repaid	(109,569)	(760)
Loan from the Holding Company- repaid	(10,000)	-
Lease liabilities	(3,090)	(2,728)
Long term deposits	504	647
Short term borrowings - net	735,754	(120,119)
Dividend paid	(20,730)	(39)
Finance cost paid	(60,210)	(67,489)
Net cash generated from financing activities	781,962	62,221
Net increase / (decrease) in cash and cash equivalents	6,508	(4,318)
Cash and cash equivalents - at beginning of the period	6,000	12,997
Cash and cash equivalents - at end of the period	12,508	8,679

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



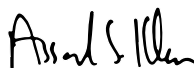
NOUMAN AHMAD
Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

	Share capital	Revenue reserves	Capital reserve	Unrealised (loss) / gain on financial assets at fair value through other comprehensive income	Total
		Unappropriated profit	Revaluation surplus on property, plant and equipment		
(Rupees in thousand)					
Balance as at July 01, 2021 (audited)	208,000	535,375	1,205,777	(150)	1,949,002
Transactions with owners					
Cash dividend for the year ended June 30, 2021 at the rate of Re.1 per share	-	(20,800)	-	-	(20,800)
Total comprehensive income for the six months period ended December 31, 2021					
Profit for the period	-	132,359	-	-	132,359
Other comprehensive income	-	-	-	150	150
	-	132,359	-	150	132,509
Surplus on revaluation of property, plant and equipment for the six months realised during the period (net of deferred taxation)					
- on account of incremental depreciation	-	7,157	(7,157)	-	-
- on sale of revalued assets	-	2,399	(2,399)	-	-
Balance as at December 31, 2021 (un-audited)	208,000	656,490	1,196,221	-	2,060,711
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

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, 2021

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, Tehkal Payan, Jamrud Road	Registered office
Islamabad	
4 th Floor, Kashmir Commercial Complex, Fazal-e-haq road, Blue Area	Head office
Karachi	
Room # 03, 5 th Floor KDLB Building, 58- West Wharf Road,	Marketing & Sales office
Faisalabad	
P-17, Near Allied Bank Ltd, Montgomery Bazar,	Marketing & Sales office

1.2 The Company is a Subsidiary Company of Saif Holding Limited (the Holding Company) as 77.98% (June 30, 2021: 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 (the Act), and
- Provisions of and directives issued under the Act,
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

Where provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act 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, 2021. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Act.

2.2 Standards, amendments to approved accounting standards effective in current period and are relevant

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2021 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 interim financial statements.

2.3 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 accounting standards and interpretations that are effective for accounting periods beginning on July 01, 2022 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 condensed interim financial statements.

2.4 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, 2021.

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, 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

4. PROPERTY, PLANT AND EQUIPMENT

		Un-audited December 31, 2021	Audited June 30, 2021
		(Rupees in thousand)	
Operating fixed assets - tangible	4.1	2,723,417	2,735,572
Capital work-in-progress		380,238	138,224
Right-of-use assets	4.2	13,233	14,998
Stores held for capital expenditure		34,442	34,995
		3,151,330	2,923,789
4.1 Operating fixed assets - tangible			
Book value at beginning of the period / year		2,735,572	2,295,191
Additions during the period / year	4.1.1	54,236	540,862
Disposals costing Rs.40.858 million (June 30, 2021: Rs.33.180 million)			
- at net book value		(15,031)	(9,267)
Depreciation charge for the period / year		(51,360)	(91,214)
Book value at end of the period / year		2,723,417	2,735,572
4.1.1 Additions during the period / year			
Buildings on freehold land			
- factory		19,865	66,292
- non - factory		545	2,201
- residential		2,148	13,240
Plant & machinery		21,586	355,687
Gas fired power plant		-	12,565
Electric installations		-	85,254
Equipment & appliances		777	2,050
Fire extinguishing equipment		73	205
Furniture & fixtures		4,138	1,201
Vehicles		5,104	2,167
		54,236	540,862

4.1.2 Borrowing cost during the current financial period ranged from 4.00% to 5.00% (2021: 4.00% to 10.39%) per annum amounting Rs.3.543 million (2021: Rs.10.752 million) has been included in the cost of plant and machinery.

		Un-audited December 31, 2021	Audited June 30, 2021
		--- Rupees in '000 ---	
4.2 Right-of-Use Assets	Note		
Book value at beginning of the period / year		14,998	13,341
Recognition of leases during the period / year		-	7,487
Reassessment due to mark-up rate change		231	(512)
Depreciation charge for the period / year		(1,996)	(3,323)
Derecognized during the period / year		-	(1,995)
Book value at end of the period / year		13,233	14,998
5. LONG TERM FINANCING - Secured			
Balance at beginning of the period / year		833,267	497,299
Add: disbursements during the period / year	5.1 & 5.2	251,247	404,000
Less: repayments made during the period / year		(109,569)	(68,032)
Balance at end of the period / year		974,945	833,267
Less: current portion grouped under current liabilities		(258,395)	(236,985)
		716,550	596,282

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

- 5.1 The Company, during the current period, obtained a term finance facility of Rs.80 million from Soneri Bank Limited. The principal balance is repayable in 16 equal quarterly instalments commencing January, 2022. This finance facility carries mark-up at the rate of 3-months KIBOR + 100 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.106.667 million.
- 5.2 The Company, during the current period, obtained a diminishing musharakah (ITERF) facility of Rs.100 million from Askari Bank Limited. The bank, against the said facility, disbursed Rs.87.380 million in five tranches of different amounts till reporting date. The principal balance is repayable in 20 equal quarterly instalments commencing November, 2023. This finance facility carries mark-up at the rate of SBP rate plus 4% per annum payable quarterly and is secured against first pari passu charge over current and fixed assets of the Company for Rs.460 million.
- 5.3 Except for the above new facilities and disbursement of five tranches under the existing finance facilities 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, 2021. Effective mark-up rates charged, during the current period, ranged from 8.55% to 9.48% (June 30, 2021: 8.05% and 8.45%) per annum.

6. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.1,630 million (June 30, 2021: Rs.1,205 million). These facilities, during the period, carried mark-up / profit at the rates ranged from 8.39% to 12.26% (June 30, 2021: 7.72% to 14.62%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.1,540.940 million (June 30, 2021: Rs.1,355 million) of which the amounts aggregated Rs.900.780 million (June 30, 2021: Rs.519.707 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, 2022.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

- 7.1.1 Guarantees aggregating Rs.121.162 million (June 30, 2021: Rs.117.162 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 assets.
- 7.1.2 The Gas Infrastructure Development Cess ("GIDC") was initially imposed as a levy on gas consumers in 2011 vide GIDC Act, 2011. The vires of the said Act and its subsequent versions including GIDC Act, 2015 were challenged from time to time. The Supreme Court of Pakistan ("SCP") vide its detailed judgment dated August 13, 2020 declared the GIDC Act, 2015 as valid and constitutional. The SCP in its said judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their end customers/clients. Subsequently, the Company, filed a review petition against the said decision of the SCP for waiver of the full amount of GIDC Cess on the ground that the Company, being spinning unit and producing raw material for weaving sector, has not passed on the burden of GIDC to its customers. The SCP dismissed the afore-mentioned review petition vide its judgment dated November 02, 2020, however, SCP 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. 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.

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

Earlier, in 2018, the Company filed a writ petition No.3586-P/2018 in PHC with the plea that the Company did not pass on the GIDC to its end customers and sought relief under Section 8 (2) of the GIDC Act 2015. PHC granted interim relief and refrained SNGPL from recovering the GIDC from the Company. After the SCP's judgment dated August 13, 2020, PHC referred the case to OGRA being the relevant authority for determining the fact whether the Company and other petitioners have passed the burden of GIDC to their end customers or not. As per the direction of PHC, the petition was filed with OGRA which was withdrawn subsequently after the declaration by OGRA that the matter does not fall under their jurisdiction.

In February 2021, the Company filed a writ petition No. 872-P/2021 in PHC claiming non-applicability of GIDC Act 2015 and sought relief against the recovery of GIDC installment in bills. The PHC vide its order dated March 03, 2021 issued a stay order and restrained SNGPL from taking any adverse action against the Company. Another hearing of the case, held on February 10, 2022, was adjourned with no further proceeding. The stay order in favour of the Petitioners is still in place.

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. 264.816 million (June 30, 2021: Rs.384.417 million).

7.2.2 The Company has entered into Ijarah arrangements for nine (June 30, 2021: nine) vehicles with First Habib Modaraba. Aggregate commitments for rentals under Ijarah arrangements at the reporting dates were as follows:

	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
Not later than one year	8,428	7,944
Later than one year but not later than five years	24,662	27,105
	33,090	35,049

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	(Rupees in thousand)			
Own manufactured goods:				
- yarn	1,051,460	825,365	2,115,184	1,629,109
- waste	7,391	3,886	8,391	7,381
	1,058,851	829,251	2,123,575	1,636,490
Trading activities:				
- fabrics	-	10,357	-	10,357
- raw materials	47,932	-	75,254	-
	1,106,783	839,608	2,198,829	1,646,847

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.

9. TAXATION - net

9.1 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 2021.

9.2 No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial years represent alternative corporate tax payable under section 113-C of the Ordinance.

10. TRANSACTIONS WITH RELATED PARTIES

10.1 Significant transactions with related parties are as follows:

Relationship	Nature of transactions	Un-audited Six months period ended	
		December 31, 2021	December 31, 2020
		(Rupees in thousand)	
i) Holding Company			
- dividend paid		16,220	-
- mark-up charged on loan		3,270	4,242
- loan repaid		10,000	-
ii) Associated Companies			
- sale of fixed assets		5,000	-
- sale of raw material and goods		6,468	-
iii) Key management personnel		31,101	19,429
		Un-audited December 31, 2021 (Rupees in thousand)	
			Audited June 30, 2021
10.2 Period / year end balances are as follows:			
Capital work-in-progress - advances		32,500	-
Loan from the Holding Company		70,000	80,000
Trade and other payables		306	-
Accrued mark-up / profit		1,624	1,653

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2021

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, 2021, 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, 2021.

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, 2021, 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, 2020.

14. GENERAL

14.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 28, 2022.

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



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