# CONTENTS

## COMPANY INFORMATION

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | Anwar Saifullah Khan | **- Chairman** |
| | Salim Saifullah Khan | **- Chief Executive** |
| | Osman Saifullah Khan | |
| | Jehangir Saifullah Khan | |
| | Hoor Yousafzai | |
| | Assad Saifullah Khan | |
| | Asif Saifullah Khan | |
| **AUDIT COMMITTEE** | Hoor Yousafzai | **- Chairpreson** |
| | Jehangir Saifullah Khan | **- Member** |
| | Assad Saifullah Khan | **- Member** |
| **HR & REMUNERATION COMMITTEE** | Anwar Saifullah Khan | **- Chairman** |
| | Salim Saifullah Khan | **- Member** |
| | Hoor Yousafzai | **- Member** |
| **CHIEF FINANCIAL OFFICER** | Noman Ahmad | |
| **COMPANY SECRETARY** | Sabir Khan | |
| **AUDITORS** | Hameed Chaudhri & Co.,<br>Chartered Accountants | |
| **LEGAL ADVISORS** | Dr. Pervez Hassan<br>Hassan & Hassan, Advocates<br><br>Salahuddin Saif & Aslam<br>(Attorney's at Law) | |
| **BANKERS** | Albaraka Bank (Pakistan) Limited<br>Dubai Islamic Bank<br>Meezan Bank Limited<br>National Bank of Pakistan<br>The Bank of Punjab<br>United Bank Limited | |
| **HEAD OFFICE** | Kulsum Plaza, 4th Floor,<br>2020 – Blue Area, Islamabad<br>Phone : (051) 2823924, 2829415<br>Fax : (051) 2822564, 2278537<br>Email : ktm@saifgroup.com | |
| **REGISTERED OFFICE** | APTMA House, Tehkal Payan,<br>Jamrud Road, Peshawar<br>Phone : (091) 5843870, 5702941<br>Fax : (091) 5840273<br>Email : Peshawar@saifgroup.com | |
| **SHARES REGISTRAR** | M/s Hameed Majeed Associates (Pvt.) Ltd.,<br>HM House, 7-Bank Square, Lahore<br>Phone : +92-42-37235081-37235082<br>Fax : +92-42-37358817<br>E-mail : info@hmaconsultants.com | |
| **MILLS** | Saifabad, Kohat<br>Phone : (0922) 862065, 862091<br>Fax : (0922) 862057-58<br>Email : ktmkht@saifgroup.com | |
| **WEB SITE** | www.kohattextile.com | |

# VISION AND MISSION STATEMENT

## 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 ANNUAL GENERAL MEETING

NOTICE is hereby given that 48th Annual General Meeting of the members of M/s. **Kohat Textile Mills Limited** will Insha Allah be held at registered office of the Company, **APTMA House, Tehkal Payan, Jamrud Road, Peshawar** on **Friday, October 24, 2014 at 11:00 A.M.** to transact the following business:

1) To confirm the minutes of the last Extraordinary General Meeting dated February 3, 2014.
2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.
3) To approve Cash Dividend @12.5% as recommended by the Board of Directors.
4) To appoint Auditors for the year 2014-2015 and fix their remuneration. The retiring auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, being eligible offered themselves for re-appointment.
5) To pass the following resolution with or without modification.

   **RESOLVED THAT** the approval of following remuneration and other perquisites as re-fixed by the board of directors vide resolution dated September 25, 2014 to be paid to the Chief Executive of the company w.e.f. July 01, 2014 be and is hereby accorded:-

| | | |
|---|---|---|
| i. | Salary | Rs.550,000/- per month |
| ii. | Utilities (Electricity, Gas & Water) of Residence | At Actual |
| iii. | Two Mobile & Two Land Line Telephone Connections at residence | At Actual |
| iv. | Two Company's Maintained car with Chauffeur | At Actual |
| v. | Other Benefits | As per Company's Rules |

6) To transact any other business with the permission of the Chair.

By order of the Board

**Place : Peshawar**
**Dated : October 2, 2014**

**SABIR KHAN**
Company Secretary

**Statement of material facts under section 160(1)(b) of the Companies Ordinance, 1984**

(i) The approval of the shareholders is being sought in terms of Article No.98 of the Articles of Associations of the company.

**NOTES:**

i. Share Transfer Books of the Company will remain closed from 18.10.2014 to 24.10.2014 (Both Days Inclusive).
ii. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing the proxy, duly completed, must be received at the Company's Registered Office not later than 48 hours before the time of holding of the meeting.
iii. CDC individual Account holders or Sub-account holders are required to bring with them their original Computerized National Identity Card (CNIC) / original passport along with participant's ID number and their account number in order to facilitate identification.
iv. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
v. Members are requested to promptly notify any change in their address.

# DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

On behalf of Board of Directors, it gives me pleasure to present the 48th Annual Audited financial statements for the year ended June 30, 2014. About half of a century is a long time indeed, and it has been a personal privilege and an honour to be associated with this company.

## GENERAL MARKET CONDITIONS

During the year under review yarn market remained positive for 1st half of the year and sharp declined was witnessed during 3rd quarter of the year. However, the yarn market managed to recover during last quarter of the year as a result company has posted pre-tax profit of Rs 114.891 million as compared to last year Rs 196.630 million.

## OPERATING RESULTS

Although the results are not similar to last year but the performance of the company have been excellent during the year under review despite of various challenges faced by the textile sector. The major highlights of your Company as compared to the corresponding period of the preceding Financial Year are as follows:

### Turnover

There was a nominal reduction by 2.40% as compared to last year because of lower yarn demand during 3rd quarter of the year and oversupply of yarn from India.

### Profitability

Gross profit margin has reduced to 11% from 14% as compared to last financial year.

Profit Before Tax of Rs. 114.891 Million as compared with Rs. 196.578 Million in the previous year.

During the year under review, we invested in increasing our capacity, reduction in operating expenses; this expansion was funded through additional long-term debt. However better working capital management and lower interest rates has resulted slight increase in finance cost.

## FUTURE OUTLOOK

Indian yarn spinners continue to be very competitive in the medium to finer counts but still local market of synthetic fiber is performing well. The long-term secular decline of China's textile production capacity may also be taken as given. What remains uncertain is the extent to which Pakistan will be a beneficiary of this shift. Time will tell. As other countries progress, and per capita incomes grow, Pakistan's poor economic growth will mean that labour will continue to be cheap, and hence textile production viable. Sad, but likely to be true.

Your company's strategy is to focus on improving operational efficiency. This means investment in automated and energy efficient plant and equipment. This also means extracting as much production from our existing infrastructure as possible.

No report to our shareholders would be complete without the mandatory reference to the uncertain political situation, the energy crisis, and the struggles of doing business in the Khyber Pakthunkhwa province. These seem to be perennial challenges.

## EARNINGS PER SHARE

Earnings per share of the Company were Rs. 3.53 as compared to Rs. 5.71 last year.

## PROFIT APPROPRIATION

The Board in its meeting held of 25 September, 2014 decided to recommend 12.50 % (2013: 12.50%) cash dividend.

## CONTRIBUTION TO THE NATIONAL ECONOMY

Besides payment to the financial institutions against long and short-term debt, your Company contributed Rs. 188.34 Million (2013: Rs. 110.23 Million) to the National Exchequer during the year under review in sales tax, surcharges and various other levies.

## CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance, as incorporated in the listing rules of the Stock Exchanges.

The statement on Corporate Governance and Financial Reporting Frame Work is given below:

- The financial statements prepared by the management of the company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of 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 judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of shareholding.
- There has been no material departure from the best practices of code of corporate governance, as detailed in the listing regulations.
- The key operating and financial data of the Company for last six years is given below :-

| Year ended | 30 June | | | | | |
|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** |
| Property, plant & equipment (RS 000) | 1,060,402 | 852,211 | 812,383 | 727,438 | 759,674 | 800,154 |
| Net worth (Rs 000) | 364,501 | 313,407 | 202,526 | 27,043 | 12,744 | (18,094) |
| Production (Kgs 000) | 6,838 | 6,105 | 6,419 | 6,568 | 6,585 | 5,614 |
| Sales (Rs 000) | 2,298,760 | 2,355,043 | 2,418,912 | 2,133,636 | 1,686,696 | 1,444,643 |
| Gross Profit (Rs 000) | 260,336 | 346,768 | 270,049 | 134,065 | 172,036 | 426 |
| Profit/(loss) from operations (Rs 000) | 188,980 | 269,233 | 208,513 | 106,533 | 115,993 | (49,829) |
| Profit/(loss) after taxation (Rs 000) | 73,509 | 118,802 | 166,778 | 6,433 | 16,459 | (133,469) |
| Earnings/(Loss) per share (Rs) | 3.53 | 5.71 | 8.02 | 0.31 | 0.79 | (6.42) |
| No. of Spindles installed | 35,280 | 29,520 | 29,520 | 29,520 | 30,000 | 44,000 |

- During the Year 05 meetings of the Board of Directors were held. Attendance by each director is as follows:

| Name of Director | No. of meetings attended |
|---|---|
| Anwar Saifullah Khan | 03 |
| Salim Saifullah Khan | 05 |
| Osman Saifullah Khan | 04 |
| Jehangir Saifullah Khan | 04 |
| Hoor Yousafzai | 04 |
| Assad Saifullah Khan | 05 |
| Asif Saifullah Khan | 04 |

Leave of absence was granted to Directors who could not attend any of the Board meetings.

- The Board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.

- Regarding outstanding taxes and levies, please refer note 16 to the annexed audited statements.

## PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company under section 236(2) (d) of the Companies Ordinance, 1984 and additional information as required by the Code of Corporate Governance is annexed.

## EXTERNAL AUDITORS

The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of the Annual General Meeting to be held on 24 October, 2014 until the conclusion of the next Annual General Meeting.

## ACKNOWLEDGEMENT

The Board places on record its appreciation for the support of our bankers and our valued customers. I would also like to highlight the hard work put in by the members of our corporate family.

We are confident they will continue to show the same dedication in the days ahead.

for and on behalf of the Board

**SALIM SAIFULLAH KHAN**
Chief Executive Officer

Dated: 25 September, 2014

## ALL THE SHAREHOLDERS OF THE COMPANY

## STATEMENT UNDER SECTION 218(2) OF THE COMPANIES ORDINANCE, 1984

## INCREASE IN REMUNERATION OF CHIEF EXECUTIVE OFFICER

In pursuance of section 218(2) of the Companies Ordinance, 1984, the members of the Company are hereby informed that upon recommendation of Human Resources and Remuneration (HR&R) Committee, the Directors approved and re-fixed the remuneration of Mr. Salim Saifullah Khan, Chief Executive of the Company on **September 25, 2014,** as per the given details w.e.f. **July 01, 2014** for the remainder of term of his office or till he perform the duty as such, which ever is earlier.

| S. NO. | BENEFITS | PARTICULARS |
|---|---|---|
| 1. | Salary | Rs. 550,000/- Per Month |
| 2. | Utilities (Electricity, gas & water) of residence | At actual |
| 3. | Two Mobile & Two land line Telephone connections at residence | At actual |
| 4. | Two Company's maintained car with chauffeur | At actual |
| 5. | Other benefits | As per Company's rules |

Dated: 25 September, 2014

For **KOHAT TEXTILE MILLS LIMITED**

**SABIR KHAN**
Company Secretary

# PATTERN OF SHAREHOLDING
# AS AT 30TH JUNE, 2014

| Number of Share Holders | Share Holding From | Share Holding To | Total Shares Held |
|---|---|---|---|
| 460 | 1 | 100 | 26,130 |
| 159 | 101 | 500 | 51,572 |
| 83 | 501 | 1000 | 77,765 |
| 103 | 1001 | 5000 | 302,130 |
| 23 | 5001 | 10000 | 193,000 |
| 8 | 10001 | 15000 | 106,367 |
| 8 | 15001 | 20000 | 151,500 |
| 9 | 20001 | 25000 | 214,000 |
| 2 | 25001 | 30000 | 55,931 |
| 1 | 30001 | 35000 | 31,500 |
| 1 | 35001 | 40000 | 39,500 |
| 1 | 40001 | 45000 | 43,000 |
| 1 | 55001 | 60000 | 60,000 |
| 1 | 60001 | 65000 | 62,500 |
| 1 | 85001 | 90000 | 90,000 |
| 1 | 90001 | 95000 | 94,450 |
| 1 | 105001 | 110000 | 107,887 |
| 1 | 115001 | 120000 | 116,704 |
| 1 | 210001 | 215000 | 212,000 |
| 1 | 2540001 | 2545000 | 2,544,054 |
| 1 | 6340001 | 6345000 | 6,340,010 |
| 1 | 9875001 | 9880000 | 9,880,000 |
| **868** | **TOTAL** | | **20,800,000** |

| Categories of Share Holders | Number of Shareholders | Shares Held | % Age of Capital |
|---|---|---|---|
| Directors and Chief Executive Officer | 7 | 182,945 | 0.88 |
| Family Members of Directors | 13 | 225,570 | 1.08 |
| Associated Companies, Undertaking & related parties | 2 | 16,220,010 | 77.98 |
| NIT & ICP | 2 | 1,150 | 0.01 |
| Financial Institutions | 2 | 2,544,076 | 12.23 |
| Joint Stock Companies | 8 | 133,058 | 0.64 |
| General Public | 830 | 1,486,465 | 7.15 |
| Others | 4 | 6,726 | 0.03 |
| **Total** | **868** | **20,800,000** | **100.00** |

# DETAIL OF CATEGORY OF SHARE HOLDERS
# AS AT 30 JUNE, 2014

| Sr. No. | Name of Shareholders | Shares Held | Percentage |
|---|---|---|---|
| **Directors, Chief Executive, and their Spouse and Minor Children** | | | |
| 1 | Anwar Saifullah Khan | 1,526 | 0.01 |
| 2 | Salim Saifullah Khan | 715 | 0.00 |
| 3 | Osman Saifullah Khan | 62,500 | 0.30 |
| 4 | Jehangir Saifullah Khan | 116,704 | 0.56 |
| 5 | Hoor Yousafzai | 500 | 0.00 |
| 6 | Assad Saifullah Khan | 500 | 0.00 |
| 7 | Asif Saifullah Khan | 500 | 0.00 |
| | **Total** | **182,945** | **0.88** |
| **Family Members of Directors** | | | |
| 1 | Javed Saifullah Khan | 107,887 | 0.52 |
| 2 | Gulshan Javed Saifullah Khan | 600 | 0.00 |
| 3 | Kulsum Saifullah Khan | 11,867 | 0.06 |
| 4 | Zeb Saifullah Khan | 20,000 | 0.10 |
| 5 | Omar Saifullah Khan | 26,931 | 0.13 |
| 6 | Shirin Saifullah Khan | 500 | 0.00 |
| 7 | Zafar Qureshi (Other) | 4,335 | 0.02 |
| 8 | Iqbal Saifullah Khan | 4,450 | 0.02 |
| 9 | Yasmin Saifullah Khan | 5,000 | 0.02 |
| 10 | Shereen Saifullah Khan | 5,000 | 0.02 |
| 11 | Shehernaz Saifullah Khan | 14,000 | 0.07 |
| 12 | Humayun Saifullah Khan | 10,000 | 0.05 |
| 13 | Samina Saifullah Khan | 15,000 | 0.07 |
| | **Total** | **225,570** | **1.08** |
| **Associated Companies, Undertakings and Related Parties** | | | |
| 1 | Saif Holdings Limited | 9,880,000 | 47.50 |
| 2 | Globecomm (Pvt) Limited | 6,340,010 | 30.48 |
| | | **16,220,010** | **77.98** |
| **NIT & ICP** | | | |
| 1 | National Bank of Pakistan (Trustee Wing) | 750 | 0.00 |
| 2 | IDBP (ICP UNIT) | 400 | 0.00 |
| | **Total** | **1,150** | **0.01** |

| Sr. No. | Name of Shareholders | Shares Held | Percentage |
|---|---|---|---|
| **Financial Institutions** | | | |
| 1 | National Bank of Pakistan | 22 | 0.00 |
| 2 | National Bank of Pakistan | 2,544,054 | 12.23 |
| | **Total** | **2,544,076** | **12.23** |
| **Joint Stock Companies** | | | |
| 1 | Seven Star Securties (Pvt) Ltd | 1,000 | 0.00 |
| 2 | Sultan Textile Mills (K) Limited | 8 | 0.00 |
| 3 | Muhammad Munir Muhammad Ahmed Khanani Securities | 17,500 | 0.08 |
| 4 | NCC Pre Settlement Delivery Account | 3,500 | 0.02 |
| 5 | Co-oper & Co. (Private) Limited | 90,000 | 0.43 |
| 6 | Capital Vision Securities Pvt Ltd | 19,500 | 0.09 |
| 7 | Fateh Textile Mills Limited | 50 | 0.00 |
| 8 | Aziz Fidahussain & Company (Pvt) Ltd | 1,500 | 0.01 |
| | **Total** | **133,058** | **0.64** |
| **General Public (Local)** | **Total** | **1,486,465** | **7.15** |
| **OTHERS** | | | |
| 1 | Trustee National Bank Of Pakistan Employees Benevolent Fund | 124 | 0.00 |
| 2 | Trustee National Bank Of Pakistan Employees Pension Fund | 3,526 | 0.02 |
| 3 | Securties & Exchange Commission of Pakistan | 1 | 0.00 |
| 4 | Deputy Administrator Abandoned Properties Organization | 3,075 | 0.01 |
| | **Total** | **6,726** | **0.03** |

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Karachi Stock Exchange, Chapter XIII and Chapter XI of Listing Regulations of the Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| Category | Names |
|---|---|
| Executive Directors | Salim Saifullah Khan |
| Non-Executive Directors | Anwar Saifullah Khan<br>Osman Saifullah Khan<br>Jehangir Saifullah Khan<br>Hoor Yousafzai<br>Assad Saifullah Khan<br>Asif Saifullah Khan |
| Independent Directors | NIL |

2. The elections of the directors were held in February, 2014 company completed all the statutory formalities relating to election of directors but no independent shareholder came forward to contest the election as a director hence shareholders of the company were unable to elect independent director.

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

4. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven

days before the meetings. The minutes of the meetings were appropriately recorded andcirculated.

9. The board arranged in-house training program for its directors during the year.
10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the CCG.
14. The board has formed an Audit Committee. It comprises 03 members, who are non-executive directors
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The board has formed an HR and Remuneration Committee. It comprises 03 members, of whom 02 are non-executive directors while one is Executive director.
17. The board has set up an effective internal audit function and the persons involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the CCG have been complied with.

**For and behalf of the Board**

Place: Islamabad
Dated: 25 September, 2014

**Anwar Saifullah Khan**
Chairman

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Kohat Textile Mills Limited for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the under mentioned observation of non-compliance, 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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

As stated in paragraph no.2 of the Statement of Compliance with the Code of Corporate Governance, the shareholders of the Company were unable to elect an independent director in the elections held during the year despite fulfilling all the statutory requirements relating to election of directors.

**HAMEED CHAUDHRI & CO.,**
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

Place: Lahore
Dated: 25 September, 2014

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kohat Textile Mills Limited (the Company) as at June 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 5 with which we concur;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, 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 the Ordinance.

**HAMEED CHAUDHRI & CO.,**
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

Place: Lahore
Dated: 25 September, 2014

# BALANCE SHEET

| | Note | 2014 | 2013 (Re-stated) | 2012 (Re-stated) |
|---|---|---|---|---|
| | | (Rupees in thousand) | | |
| **EQUITY AND LIABILITIES** | | | | |
| **SHARE CAPITAL AND RESERVES** | | | | |
| Authorised capital | | | | |
| 22,000,000 ordinary shares of Rs.10 each | | **220,000** | 220,000 | 220,000 |
| Issued, subscribed and paid-up capital | 6 | **208,000** | 208,000 | 208,000 |
| **UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)** | | **156,501** | 105,407 | (5,474) |
| | | **364,501** | 313,407 | 202,526 |
| **SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT** | 7 | **309,899** | 318,542 | 328,766 |
| **NON-CURRENT LIABILITIES** | | | | |
| Loans from an Associated Company | 8 | **100,000** | 130,178 | 131,678 |
| Long term financing | 9 | **202,088** | 50,000 | 112,500 |
| Long term deposits | 10 | **965** | 1,128 | 1,037 |
| Deferred liability - staff retirement benefits | 11 | **62,137** | 43,591 | 39,030 |
| Deferred taxation - net | 12 | **63,028** | 24,131 | 0 |
| | | **428,218** | 249,028 | 284,245 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 13 | **234,946** | 210,695 | 191,492 |
| Accrued interest / mark-up | 14 | **27,837** | 14,585 | 19,096 |
| Short term borrowings | 15 | **354,561** | 404,394 | 175,942 |
| Current portion of long term financing | 9 | **87,146** | 62,500 | 75,000 |
| | | **704,490** | 692,174 | 461,530 |
| **Contingencies and Commitments** | 16 | | | |
| | | **1,807,108** | 1,573,151 | 1,277,067 |

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

**SALIM SAIFULLAH KHAN**
CHIEF EXECUTIVE

## AS AT 30 JUNE, 2014

| | Note | 2014 | 2013 (Re-stated) | 2012 (Re-stated) |
|---|---|---|---|---|
| | | (Rupees in thousand) | | |
| **ASSETS** | | | | |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 17 | **1,060,402** | 852,211 | 812,383 |
| Intangible assets | 18 | **342** | 459 | 576 |
| Long term loans | 19 | **1,466** | 1,032 | 1,096 |
| Long term deposits | | **1,137** | 1,137 | 1,137 |
| Deferred taxation - net | 12 | **0** | 0 | 45,095 |
| | | **1,063,347** | 854,839 | 860,287 |
| **CURRENT ASSETS** | | | | |
| Stores, spare parts and loose tools | 20 | **26,087** | 23,138 | 25,249 |
| Stock-in-trade | 21 | **432,863** | 455,961 | 318,780 |
| Trade debts | | **157,724** | 153,025 | 4,653 |
| Loans and advances | 22 | **5,425** | 3,857 | 2,740 |
| Deposits and short term prepayments | 23 | **2,365** | 4,363 | 4,992 |
| Other receivables | 24 | **1,924** | 154 | 4,755 |
| Taxation - net | 25 | **76,674** | 53,063 | 38,131 |
| Sales tax refundable | | **36,171** | 18,922 | 16,749 |
| Bank balances | | **4,528** | 5,829 | 731 |
| | | **743,761** | 718,312 | 416,780 |
| | | **1,807,108** | 1,573,151 | 1,277,067 |

**ASSAD SAIFULLAH KHAN**
DIRECTOR

# PROFIT AND LOSS ACCOUNT
# FOR THE YEAR ENDED 30 JUNE, 2014

| | Note | 2014 | 2013 (Re-stated) |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **SALES** - NET | 26 | **2,298,760** | 2,355,043 |
| **COST OF SALES** | 27 | **(2,038,424)** | (2,008,275) |
| **GROSS PROFIT** | | **260,336** | 346,768 |
| **DISTRIBUTION COST** | 28 | **(10,669)** | (9,030) |
| **ADMINISTRATIVE EXPENSES** | 29 | **(59,827)** | (52,624) |
| **OTHER INCOME** | 30 | **13,833** | 933 |
| **OTHER EXPENSES** | 31 | **(14,693)** | (16,814) |
| **PROFIT FROM OPERATIONS** | | **188,980** | 269,233 |
| **FINANCE COST** | 32 | **(74,089)** | (72,603) |
| **PROFIT BEFORE TAXATION** | | **114,891** | 196,630 |
| **TAXATION** | 33 | **(41,382)** | (77,828) |
| **PROFIT AFTER TAXATION** | | **73,509** | 118,802 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Items that will not be reclassified subsequent to profit and loss: | | | |
| - loss on remeasurement of defined benefit obligation | | **(7,544)** | 0 |
| **TOTAL COMPREHENSIVE INCOME** | | **65,965** | 118,802 |
| | | ------- Rupees ------- | |
| **EARNINGS PER SHARE** - basic and diluted | 34 | **3.53** | 5.71 |

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

**SALIM SAIFULLAH KHAN**
CHIEF EXECUTIVE

**ASSAD SAIFULLAH KHAN**
DIRECTOR

# CASH FLOW STATEMENT
# FOR THE YEAR ENDED 30 JUNE, 2014

| | 2014 | 2013 (Re-stated) |
|---|---|---|
| | (Rupees in thousand) | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit for the year - before taxation | **114,891** | 196,630 |
| Adjustments for non-cash and other charges: | | |
| Depreciation | **58,091** | 50,723 |
| Amortisation | **117** | 117 |
| Staff retirement benefits - gratuity (net) | **11,002** | 4,562 |
| Unclaimed payable balances written-back | **(23)** | (933) |
| Loss on sale of operating fixed assets | **3,378** | 1,045 |
| Finance cost | **71,144** | 71,697 |
| **PROFIT BEFORE WORKING CAPITAL CHANGES** | **258,600** | 323,841 |
| **EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES** | | |
| (Increase) / decrease in current assets: | | |
| Stores, spare parts and loose tools | **(2,949)** | 2,111 |
| Stock-in-trade | **23,098** | (137,181) |
| Trade debts | **(4,699)** | (148,372) |
| Loans and advances | **(1,568)** | (1,117) |
| Deposits and short term prepayments | **1,998** | 629 |
| Other receivables | **(1,770)** | 4,601 |
| Sales tax refundable | **(17,249)** | (2,173) |
| Increase in trade and other payables | **24,016** | 17,191 |
| | **20,877** | (264,311) |
| **CASH GENERATED FROM OPERATING ACTIVITIES** | **279,477** | 59,530 |
| Income tax paid | **(23,611)** | (20,879) |
| Long term loans - net | **(434)** | 64 |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | **255,432** | 38,715 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Additions to property, plant and equipment | **(271,758)** | (95,771) |
| Sale proceeds of operating fixed assets | **2,098** | 4,175 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(269,660)** | (91,596) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Long term loan from an Associated Company - net | **(30,178)** | (1,500) |
| Long term financing - obtained | **239,234** | 0 |
| - repaid | **(62,500)** | (75,000) |
| Long term deposits | **(163)** | 91 |
| Short term borrowings - net | **(49,833)** | 228,452 |
| Finance cost paid - net | **(57,891)** | (76,209) |
| Dividend paid | **(25,742)** | (17,855) |
| **NET CASH GENERATED FROM FINANCING ACTIVITIES** | **12,927** | 57,979 |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | **(1,301)** | 5,098 |
| **CASH AND CASH EQUIVALENTS** - at beginning of the year | **5,829** | 731 |
| **CASH AND CASH EQUIVALENTS** - at end of the year | **4,528** | 5,829 |

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

**SALIM SAIFULLAH KHAN**
CHIEF EXECUTIVE

**ASSAD SAIFULLAH KHAN**
DIRECTOR

# STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 30 JUNE, 2014

| | Share capital | (Accumulated loss) / Un-Appropriated Profit | Total equity |
|---|---|---|---|
| | ------------- (Rupees in thousand) ------------- | | |
| **Balance as at July 01, 2012** | | | |
| **- as previously reported** | 208,000 | (1,103) | 206,897 |
| Effect of change in accounting policy due to application of IAS-19 (Revised) - net of tax [note 5] | 0 | (4,371) | (4,371) |
| **Balance as at July 01, 2012 (re-stated)** | **208,000** | **(5,474)** | **202,526** |
| **Transactions with owners** | | | |
| Cash dividend for the year ended June 30, 2012 at the rate of Re.1 per share | 0 | (20,800) | (20,800) |
| **Total Comprehensive Income for the year ended June 30, 2013** | 0 | 118,802 | 118,802 |
| Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation): | | | |
| - on account of incremental depreciation for the year | 0 | 11,686 | 11,686 |
| - upon sale of revalued assets | 0 | 1,193 | 1,193 |
| **Balance as at June 30, 2013 (re-stated)** | **208,000** | **105,407** | **313,407** |
| **Transactions with owners** | | | |
| Cash dividend for the year ended June 30, 2013 at the rate of Rs.1.25 per share | 0 | (26,000) | (26,000) |
| **Total Comprehensive Income for the year ended June 30, 2014** | | | |
| Profit for the year | 0 | 73,509 | 73,509 |
| Other comprehensive loss | 0 | (7,544) | (7,544) |
| | 0 | 65,965 | 65,965 |
| Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation): | | | |
| - on account of incremental depreciation for the year | 0 | 10,675 | 10,675 |
| - upon sale of revalued assets | 0 | 454 | 454 |
| **Balance as at June 30, 2014** | **208,000** | **156,501** | **364,501** |

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

**SALIM SAIFULLAH KHAN**
CHIEF EXECUTIVE

**ASSAD SAIFULLAH KHAN**
DIRECTOR

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

## 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 Karachi and Islamabad Stock Exchanges. The Company's Mills are located in Saifabad, Kohat and the Registered Office of the Company is located at APTMA House, Tehkal Payan, Jamrud Road, Peshawar. The Company is principally engaged in manufacturing and sale of yarn.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain operating fixed assets which have been included at their revalued amounts and staff retirement benefits (gratuity) stated at their present value.

### 2.3 Functional and presentation currency

The 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 Initial application of standards, amendments or an interpretation to existing standards

### 2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments to following standards have been adopted by the Company for the first time for financial year beginning on July 01, 2013:

**(a)** Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments). The Company has applied the amendments by incorporating the effects in these financial statements.

**(b)** Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period. However, the entity need not present the related notes in the opening balance sheet as at the beginning of the preceding period.

**(c)** IAS 19 (revised) 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach and calculates finance costs on a net funding basis. IAS 19 (Revised) amends the accounting for the Company's defined benefit plans. The impact of this change on the Company's financial statements has been explained in note 5.

**2.4.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant**

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on or after July 01, 2013 and have not been early adopted by the Company:

**(a)** IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

**(b)** IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the Company's financial statements.

**(c)** IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

## 3. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements 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. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the financial statements. The assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy note. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows:

**a) Staff retirement benefits - gratuity (note 4.2)**
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 11.

**b) Provision for taxation (note 4.4)**
In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

**c) Property, plant and equipment (note 4.6)**
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.

d) **Stores & spares and stock-in-trade (note 4.8 and 4.9)**
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.

e) **Provision for impairment of trade debts (note 4.10)**
The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These polices have been consistently applied to all the years presented, except as stated in note 5.

### 4.1 Borrowings and borrowing cost
Borrowings are recognised initially at fair value.

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, 2014 on the basis of the projected unit credit method by an independent Actuary.

### 4.3 Trade and other payables
Trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 4.4 Taxation
**(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 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 deductable temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit and loss account 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 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 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.

Surplus arisen on revaluation of these assets has been credited to surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to equity.

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 profit and loss account 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. The Company, during the current financial year, changed its accounting policy for depreciation of overhauling of gas fired power plant by ascertaining the useful life based on the number of hours of operations. Depreciation on overhauling of gas fired power plant is to be charged to the profit and loss account using straight line method. The Company has applied this new rate of depreciation in the current financial year as all the previously held assets in this category have been scraped because they are of no more use. Rates of depreciation are stated in note 17.1.

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 profit and loss account.

**4.7 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 18.

**4.8 Stores, spare parts and loose tools**

Stores, spare parts and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet 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.

**4.9 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 | -At cost accumulated to the balance sheet date. |
| 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 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.

**4.10 Trade debts and other receivables**

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

**4.11 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of balances with banks.

**4.12 Impairment loss**

The carrying amounts of the Company's assets are reviewed at each balance sheet 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 recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

**4.13 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 balance sheet date and adjusted to reflect the current best estimate.

**4.14 Foreign currency translations**

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 balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

**4.15 Financial instruments**

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include deposits, trade debts, other receivables, bank balances, loans from an Associated Company, long term financing, trade & other payables, accrued interest / mark-up and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**4.16 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.

**4.17 Revenue recognition**

Revenue is recognised 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:

- Local sales through agents are recorded on intimation from agents whereas direct sales are recorded when goods are dispatched to customers.
- Export sales are booked on shipment of goods.
- Return on bank deposits is accounted for on 'accrual basis'.

**4.18 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 40 to these financial statements.

**5. CHANGE IN ACCOUNTING POLICY**

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The revised standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation. Further, a new term 'remeasurements' has been introduced, which is made up of actuarial gains and losses. The revised standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (revised), the Company's policy for 'staff retirement benefits-gratuity' in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of 'remeasurements' are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

**Effect on balance sheet**

| | Balance as at June 30, 2012 - as previously reported | Restatement adjustments<br>Recognition of remeasurement loss | Balance as at June 30, 2012 - as re-stated |
|---|---|---|---|
| | | Rupees in '000 | |
| **June 30, 2012** | | | |
| Staff retirement benefit - gratuity | 34,659 | 4,371 | 39,030 |
| Accumulated loss | (1,103) | (4,371) | (5,474) |

| | Balance as at June 30, 2013 - as previously reported | Restatement adjustments<br>Recognition of remeasurement loss | Balance as at June 30, 2013 - as re-stated |
|---|---|---|---|
| | | Rupees in '000 | |
| **June 30, 2013** | | | |
| Staff retirement benefit - gratuity | 39,272 | 4,319 | 43,591 |
| Unappropraited profit | 109,726 | (4,319) | 105,407 |

| **Effect on profit and loss account due to re-statement:** | For the year ended June 30, 2013 **Rupees in '000** |
|---|---|
| Decrease in cost of sales | **34** |
| Decrease in distribution cost | **8** |
| Decrease in administrative expenses | **10** |
| | **52** |

The effects of change in accounting policy, due to application of IAS 19 (revised), on 'earnings per share' and 'cash flows' are immaterial in the overall context of these financial statements.

## 6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| **2014** | 2013 | | **2014** | 2013 |
|---|---|---|---|---|
| **--- 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 |

| | | 2014 | 2013 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **6.1** | Ordinary shares held by the Associated Companies at the year-end were as follows: | | |
| | - Saif Holdings Ltd. | **9,880,000** | 9,880,000 |
| | - GlobeComm (Pvt.) Ltd. | **6,340,010** | 6,340,010 |
| | | **16,220,010** | 16,220,010 |

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

This represents surplus over book values resulted from the revaluations of freehold land, buildings on freehold land, plant & machinery, diesel generators & fuel reservoir, gas fired power plant and electric installations during the years 1984, 1995, 2004, 2005, 2008 and 2012 adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **Opening balance** | | **408,805** | 428,619 |
| Less: transferred to unappropriated profit / (accumulated loss): | | | |
| - on account of incremental depreciation for the year | | **(16,175)** | (17,978) |
| - upon sale of revalued assets | | **(687)** | (1,836) |
| | | **391,943** | 408,805 |
| Less: deferred tax on: | | | |
| - opening balance of surplus | | **90,263** | 99,853 |
| - incremental depreciation for the year | | **(5,500)** | (6,292) |
| - sale of revalued assets | | **(233)** | (643) |
| | | **84,530** | 92,918 |
| adjustment resulting from reduction in tax rate | | **(2,486)** | (2,655) |
| | | **82,044** | 90,263 |
| **Closing balance** | | **309,899** | 318,542 |

## 8. LOANS FROM AN ASSOCIATED COMPANY - Unsecured

| | Note | 2014 | 2013 |
|---|---|---|---|
| Sub-ordinated loan | **8.1** | **100,000** | 100,000 |
| Other loan | **8.2** | **0** | 30,178 |
| | | **100,000** | 130,178 |

**8.1** The Company and Saif Holdings Ltd. (SHL) have entered into a loan agreement on October 21, 2009; the terms of loan agreement are effective from April 09, 2009. Salient terms of the agreement are as follows:

**(a)** SHL has lent an unsecured loan amounting Rs.100 million to the Company on April 09, 2009 to meet its financial obligations;

**(b)** 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 has been revised to average borrowing cost of SHL + 0.1% per annum; and

**(c)** 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 any of the financial institution and cannot be repaid till their final settlement; therefore, the Company and SHL mutually agreed to renew the loan agreement for further period of five years.

The effective mark-up rate charged by SHL, during the current financial year, ranged from 9.44% to 12.27% (2013: 11.66% to 13.47%) per annum.

**8.2** The Company had entered into another loan agreement with SHL on June 18, 2011 to obtain an unsecured long term loan facility of Rs.90 million. SHL disbursed amounts aggregated Rs.80 million to the Company against this long term loan facility in June and July, 2011. As per the original agreement terms, this loan was repayable through one time bullet payment during January, 2015; however, the Company during the current and preceding financial years, on the request of SHL, has made premature full repayment of loan. The loan carried mark-up equal to the borrowing cost of SHL + 0.1% per annum; the effective mark-up rate charged by SHL, during the current financial year, ranged from 9.44% to 12.27% (2013: 12.41% to 15.01%) per annum.

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **9. LONG TERM FINANCING** - Secured | | | |
| The Bank of Punjab (BoP) | | | |
| Term finance - I | **9.1** | **50,000** | 100,000 |
| Term finance - II | **9.2** | **0** | 12,500 |
| Term finance - III | **9.3** | **135,000** | 0 |
| **United Bank Limited (UBL)** | | | |
| Demand finance | **9.4** | **104,234** | 0 |
| | | **289,234** | 112,500 |
| Less: current portion grouped under current liabilities | | **87,146** | 62,500 |
| | | **202,088** | 50,000 |

**9.1** The Company, during the financial year ended June 30, 2007 had arranged a term finance facility of Rs.250 million (Term finance - I) from BoP. Originally, the principal balance of this finance facility was repayable in 20 equal quarterly instalments of Rs.12.500 million with effect from August, 2009. However BoP, vide its letter Ref # BOP/CBU(N)/2009/420 dated September 08, 2009, had approved extension in repayment of this finance facility; accordingly, repayment of principal balance commenced from August, 2010. This term finance facility carries mark-up at the rate of 3-months KIBOR + 325 basis points per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 12.28% to 13.42% (2013: 12.53% to 15.20%) per annum. This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs.333.334 million.

**9.2** The Company, during the financial year ended June 30, 2009 had arranged a term finance facility of Rs.100 million (Term finance - II) from BoP. This finance facility was repayable in 16 equal quarterly instalments commenced from March, 2010 and has been fully repaid during the current financial year. This term finance facility carried mark-up at the rate of 3-months KIBOR + 325 basis points with floor of 11% per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 12.28% to 13.31% (2013: 12.53% to 15.20%) per annum. This term finance facility was secured against registered first pari passu hypothecation charge on fixed assets of the Company for Rs. 133.334 million.

**9.3** The Company, during the current financial year, has arranged a term finance facility of Rs.135 million (Term finance - III) from BoP. This finance facility is repayable in 6 equal half-yearly instalments of Rs. 22.500 million each commencing June, 2015. This term finance facility carries mark-up at the rate of 6-months average KIBOR + 130 basis points per annum payable semi-annually; effective mark-up rate charged, during the current financial year, ranged from 11.41% to 11.45% per annum. This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs.333.334 million.

**9.4** The Company, during the current financial year, has arranged a demand finance facility of Rs.110 million from UBL. The bank has disbursed Rs.104.234 million in three trenches of different amounts and each trench is repayable in 16 equal quarterly instalments commencing February, 2015. This demand finance facility carries mark-up at the rate of 3-months KIBOR + 150 basis points per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 11.11% to 11.66% 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.

## 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. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

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

| | **2014** | 2013 |
|---|---|---|
| - discount rate | **13.25%** | 13% |
| - expected rate of increase in salary | **12.25%** | 12% |
| - average expected remaining working life of employees | **9 years** | 9 years |

**11.2** The amount recognised in the balance sheet is present value of defined benefit obligation at reporting date.

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| **The movement in the present value of defined benefit obligation is as follows:** | | |
| Balance at beginning of the year | **43,591** | 39,030 |
| Current service cost | **12,050** | 7,322 |
| Interest cost | **5,666** | 5,074 |
| Benefits paid | **(6,714)** | (7,835) |
| Remeasurement of obligation | **7,544** | 0 |
| Balance at end of the year | **62,137** | 43,591 |

**11.3** Charge to profit and loss account:

| | 2014 | 2013 |
|---|---|---|
| Current service cost | **12,050** | 7,322 |
| Interest cost | **5,666** | 5,074 |
| | **17,716** | 12,396 |

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | ------------------ Rupees in '000 ------------------ | | | | |
| Present value of defined benefit obligation | **62,137** | 43,591 | 39,030 | 30,239 | 25,835 |
| Experience adjustment on obligation | **7,544** | 0 | 2,442 | 0 | (1,780) |

**11.5 Sensitivity analysis for actuarial assumptions:**

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarizes how defined benefit obligation would have increased / (decreased) as a result of change in respective assumption by 1 percent.

| | "Increase in assumptions" | "Decrease in assumptions" |
|---|---|---|
| | ------ Rupees in '000 ------ | |
| Discount rate | 57,053 | 68,083 |
| Increase in salaries | 68,212 | 56,852 |

**11.6 Expected maturity analysis of undiscounted obligation is as follows:**

| Time in years | (Rupees in thousand) |
|---|---|
| 1 | 5,839 |
| 2 | 7,580 |
| 3 | 10,517 |
| 4 | 9,161 |
| 5 | 14,092 |
| 6 - 10 | 65,320 |
| 11 and onwards | 2,597,030 |

**11.7** The Company's contribution to scheme in 2015 is expected to be Rs.21.879 million.

| | Note | **2014** | 2013 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **12. DEFERRED TAXATION** - net | | | |
| The liability for deferred tax comprises of temporary difference relating to: | | | |
| **Taxable temporary difference:** | | | |
| - accelerated tax depreciation allowances | | **126,715** | 102,320 |
| - surplus on revaluation of property, plant and equipment | **7** | **82,044** | 90,263 |
| | | **208,759** | 192,583 |
| **Deductible temporary difference:** | | | |
| - unused tax losses | | **(139,784)** | (162,505) |
| - minimum tax recoverable against normal tax charge in future years | | **(5,947)** | (5,947) |
| | | **(145,731)** | (168,452) |
| | | **63,028** | 24,131 |

| | Note | **2014** | 2013 |
|---|---|---|---|
| **13. TRADE AND OTHER PAYABLES** | | | |
| Creditors | | **18,091** | 22,635 |
| Advances from customers | | **2,314** | 3,385 |
| Bills payable | **13.1** | **141,328** | 110,450 |
| Accrued expenses | | **52,570** | 52,041 |
| Workers' (profit) participation fund | | **6,310** | 10,557 |
| Workers' welfare fund | | **9,295** | 6,950 |
| Unclaimed dividends | | **3,356** | 3,098 |
| Others | | **1,682** | 1,579 |
| | | **234,946** | 210,695 |

**13.1** These are secured against import documents.

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |

## 14. ACCRUED MARK-UP AND INTEREST

| | | | |
|---|---|---|---|
| Mark-up accrued on: | | | |
| - loans from an Associated Company | | **7,453** | 0 |
| - long term financing | | **9,549** | 4,117 |
| - short term borrowings | | **10,835** | 10,468 |
| | | **27,837** | 14,585 |

## 15. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks and a Modaraba aggregate Rs.550.000 million (2013: Rs.522.500 million). These facilities, during the current financial year, carried mark-up at the rates ranging from 4.33% to 12.68% (2013: 4.47% to 15.44%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate Rs.324.000 million (2013: Rs.234.500 million) of which the amounts aggregating Rs.133.110 million (2013: Rs.58.094 million) remained unutilised at the balance sheet 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, 2014.

## 16. CONTINGENCIES AND COMMITMENTS

**Contingencies**

**16.1** The Company has filed a claim for Rs.268 thousand with the Customs and Central Excise Department in respect of rebate of excise duty already paid for manufacturing of man-made yarn.

**16.2** Guarantees aggregating Rs.49.562 million (2013: Rs.32.865 million) has been issued by banks of the Company to Sui Northern Gas Pipeline Limited and Excise & Taxation. These guarantees are secured against pari passu charge over the Company's fixed and current assets.

**16.3** Refer contents of note 25.3.

**Commitments**

**16.4** Commitments, other than for capital expenditure, against irrevocable letters of credit outstanding at the year-end were for Rs.Nil (2013: Rs.33.215 million).

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2014 | 2013 |
|---|---|---|---|
| Operating fixed assets - tangible | **17.1** | **1,048,788** | 814,017 |
| Capital work-in-progress | **17.6** | **458** | 5,644 |
| Stores held for capital expenditure | | **11,156** | 32,550 |
| | | **1,060,402** | 852,211 |

## 17.1 Operating fixed assets - tangible

| | Freehold land | Buildings on freehold land | | | | Plant & machin-ery | Diesel generato-rs & fuel reservoir | Gas fired power plant | Electric install-ations | Equip-ment & applia-nces | Fire exting-uishing equip-ment | Furnit-ure & fixtures | Vehicles | Live-stock | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Factory | Non - factory | Residential | | | | | | | | | | | |
| | | | | officers | workers | | | | | | | | | | |
| | (Rupees in thousand) | | | | | | | | | | | | | | |
| **COST / REVALUATION** | | | | | | | | | | | | | | | |
| **Balance as at July 01, 2012** | 143,800 | 114,964 | 66,052 | 58,363 | 10,839 | 599,776 | 6,501 | 52,205 | 24,412 | 41,456 | 1,460 | 6,578 | 10,901 | 1 | 1,137,308 |
| Additions during the year | 0 | 0 | 0 | 0 | 0 | 58,282 | 0 | 0 | 314 | 2,099 | 0 | 323 | 15,583 | 0 | 76,601 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | (8,527) | 0 | 0 | (2,267) | (86) | 0 | 0 | (2,173) | 0 | (13,053) |
| **Balance as at June 30, 2013** | 143,800 | 114,964 | 66,052 | 58,363 | 10,839 | 649,531 | 6,501 | 52,205 | 22,459 | 43,469 | 1,460 | 6,901 | 24,311 | 1 | 1,200,856 |
| **Balance as at July 01, 2013** | 143,800 | 114,964 | 66,052 | 58,363 | 10,839 | 649,531 | 6,501 | 52,205 | 22,459 | 43,469 | 1,460 | 6,901 | 24,311 | 1 | 1,200,856 |
| Additions during the year | 0 | 18,191 | 0 | 3,182 | 3,256 | 157,087 | 0 | 103,364 | 7,582 | 1,368 | 0 | 346 | 3,962 | 0 | 298,338 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | (10,488) | 0 | (11,014) | 0 | 0 | 0 | 0 | (2,117) | 0 | (23,619) |
| **Balance as at June 30, 2014** | **143,800** | **133,155** | **66,052** | **61,545** | **14,095** | **796,130** | **6,501** | **144,555** | **30,041** | **44,837** | **1,460** | **7,247** | **26,156** | **1** | **1,475,575** |
| **DEPRECIATION** | | | | | | | | | | | | | | | |
| **Balance as at July 01, 2012** | 0 | 11,348 | 1,650 | 1,459 | 541 | 265,743 | 243 | 16,601 | 9,766 | 25,545 | 1,065 | 3,740 | 6,248 | 0 | 343,949 |
| Charge for the year | 0 | 5,181 | 3,220 | 2,845 | 1,030 | 27,520 | 469 | 4,028 | 1,331 | 1,800 | 39 | 300 | 2,960 | 0 | 50,723 |
| On disposals during the year | 0 | 0 | 0 | 0 | 0 | (5,360) | 0 | 0 | (936) | (22) | 0 | 0 | (1,515) | 0 | (7,833) |
| **Balance as at June 30, 2013** | 0 | 16,529 | 4,870 | 4,304 | 1,571 | 287,903 | 712 | 20,629 | 10,161 | 27,323 | 1,104 | 4,040 | 7,693 | 0 | 386,839 |
| **Balance as at July 01, 2013** | 0 | 16,529 | 4,870 | 4,304 | 1,571 | 287,903 | 712 | 20,629 | 10,161 | 27,323 | 1,104 | 4,040 | 7,693 | 0 | 386,839 |
| Charge for the year | 0 | 5,308 | 3,059 | 2,822 | 981 | 32,050 | 434 | 6,218 | 1,341 | 1,686 | 35 | 304 | 3,853 | 0 | 58,091 |
| On disposals during the year | 0 | 0 | 0 | 0 | 0 | (9,079) | 0 | (7,595) | 0 | 0 | 0 | 0 | (1,469) | 0 | (18,143) |
| **Balance as at June 30, 2014** | 0 | **21,837** | **7,929** | **7,126** | **2,552** | **310,874** | **1,146** | **19,252** | **11,502** | **29,009** | **1,139** | **4,344** | **10,077** | 0 | **426,787** |
| **BOOK VALUE AS AT JUNE 30, 2013** | 143,800 | 98,435 | 61,182 | 54,059 | 9,268 | 361,628 | 5,789 | 31,576 | 12,298 | 16,146 | 356 | 2,861 | 16,618 | 1 | 814,017 |
| **BOOK VALUE AS AT JUNE 30, 2014** | **143,800** | **111,318** | **58,123** | **54,419** | **11,543** | **485,256** | **5,355** | **125,303** | **18,539** | **15,828** | **321** | **2,903** | **16,079** | **1** | **1,048,788** |
| **Depreciation rate (%)** | 0 | **5** | **5** | **5** | **10** | **7.5** | **7.5** | **7.5 & 15** | **10** | **10** | **10** | **10** | **20** | 0 | |

### 17.2 Disposal of operating fixed assets

| Asset description | Cost / revaluation | Accumulated depreciation | Net Book value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of buyer |
|---|---|---|---|---|---|---|---|
| | ---------------------------- (Rupees in thousand) | ---------------------------- | | | | | |
| **Plant & machinery** | | | | | | | |
| Card China FA 186 | 10,488 | 9,079 | 1,409 | 1,404 | (5) | Negotiation | M/s. Noshad Textile Machinery traders, Faisalabad. |
| **Gas fired power plant** | | | | | | | |
| Gas generators parts | 11,014 | 7,595 | 3,419 | 0 | (3,419) | Scraped | |
| **Vehicles:** | | | | | | | |
| Toyota Corolla | 1,452 | 1,000 | 452 | 476 | 24 | Company policy | Mr. Badar us Samee, employee. |
| Suzuki Cultus | 665 | 469 | 196 | 218 | 22 | Company policy | Mr. Abdul Khaliq, employee. |
| | 2,117 | 1,469 | 648 | 694 | 46 | | |
| | **23,619** | **18,143** | **5,476** | **2,098** | **(3,378)** | | |

**17.3** 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:

| | **2014** | 2013 |
|---|---|---|
| | **(Rupees in thousand)** | |
| **Owned** | | |
| Freehold land | **474** | 474 |
| Buildings on freehold land: | | |
| - Factory | **45,687** | 29,350 |
| - Non-factory | **12,907** | 13,586 |
| Residential: | | |
| - Officers | **4,180** | 1,176 |
| - Workers | **3,674** | 526 |
| Plant & machinery | **420,324** | 291,053 |
| Diesel generators & fuel reservoirs | **919** | 993 |
| Gas fired power plant | **121,075** | 26,514 |
| Electric installations | **12,605** | 5,704 |
| Equipment & appliances | **15,690** | 15,992 |
| | **637,535** | 385,368 |

**17.4 Depreciation for the year has been apportioned as under:**

| | | |
|---|---|---|
| Cost of sales | **50,486** | 43,923 |
| Administrative expenses | **7,605** | 6,800 |
| | **58,091** | 50,723 |

**17.5** During the current financial year, borrowing cost at the rate of 11.37% and 11.41% per annum amounting Rs.3.564 million has been included in the cost of plant and machinery.

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **17.6 Capital work-in-progress** | | | |
| Buildings on freehold land | | | |
| - factory | | **0** | 2,353 |
| - non - factory | | **458** | 2,669 |
| Advance payments against purchase of vehicle | | **0** | 622 |
| | | **458** | 5,644 |

**18. INTANGIBLE ASSETS** - Computer software

| | | 2014 | 2013 |
|---|---|---|---|
| Cost | | **586** | 586 |
| Less: amortisation | | | |
| - at beginning of the year | | **127** | 10 |
| - charge for the year | | **117** | 117 |
| - at end of the year | | **244** | 127 |
| Book value as at June 30, | | **342** | 459 |

Amortisation rate - 20% per annum

**19. LONG TERM LOANS** - Secured

| | | 2014 | 2013 |
|---|---|---|---|
| Loans to employees | | **1,899** | 1,175 |
| Less: current portion grouped under current assets | | **433** | 143 |
| | | **1,466** | 1,032 |

19.1 These interest-free loans have been advanced for various purposes and are secured against employees' gratuity benefits. These loans, except for nine (2013: six) loans are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

**20. STORES, SPARE PARTS AND LOOSE TOOLS**

| | Note | 2014 | 2013 |
|---|---|---|---|
| Stores | **20.1** | **5,137** | 7,817 |
| Spare parts | | **19,535** | 13,942 |
| Loose tools | | **1,415** | 1,379 |
| | | **26,087** | 23,138 |

**20.1** It includes in transit inventory valuing Rs.88 thousand (2013: Rs.90 thousand).

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **21. STOCK-IN-TRADE** | | | |
| Raw materials: | | | |
| - at mills | | **208,628** | 363,921 |
| - in-transit | | **123,144** | 56,553 |
| | | **331,772** | 420,474 |
| Work-in-process | | **30,070** | 24,578 |
| Finished goods | | **71,021** | 10,909 |
| | | **432,863** | 455,961 |

21.1 Raw materials and finished goods inventories are pledged with commercial banks as security for short term finance facilities (note 15).

| | Note | 2014 | 2013 |
|---|---|---|---|
| **22. LOANS AND ADVANCES** | | | |
| Current portion of long term loans | | **433** | 143 |
| Advances - considered good | | | |
| - employees | | **1,203** | 1,180 |
| - suppliers | | **3,789** | 2,534 |
| | | **5,425** | 3,857 |
| **23. DEPOSITS AND SHORT TERM PREPAYMENTS** | | | |
| Security deposits | | **1,805** | 3,475 |
| Short term prepayments | | **560** | 888 |
| | | **2,365** | 4,363 |
| **24. OTHER RECEIVABLES** | | | |
| Associated Companies | **24.1** | **915** | 0 |
| Letters of credit | | **970** | 115 |
| Others | | **39** | 39 |
| | | **1,924** | 154 |

**24.1** Year-end receivable balances were not yet due.

| | Note | 2014 | 2013 |
|---|---|---|---|
| **25. TAXATION** - net | | | |
| Balance of advance tax at beginning of the year | | **53,063** | 38,131 |
| Add: income tax deducted / paid during the year | | **23,611** | 20,879 |
| | | **76,674** | 59,010 |
| Less: provision made during the year | **25.2** | **0** | (5,947) |
| Balance of advance tax at end of the year | | **76,674** | 53,063 |

**25.1** 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 2013.

**25.2** No provision for taxation has been made for the current financial years as tax credit available under section 65B is in excess of the tax liability under section 113 of the Ordinance.

**25.3** Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Ordinance starting from the tax year 2010. Exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue (FBR) to the specific areas of Khyber Pakhtunkhwa. The Company had filed a writ petition before the Peshawar High Court, Peshawar, praying exemption from levy of minimum tax under section 113 of the Ordinance, who vide its judgment dated July 18, 2012 admitted and allowed the Company's writ petition and directed the concerned authorities to extend the benefit of clause 126F to the Company in the light of clarification given by the FBR. Accordingly, no provision for minimum tax for the financial year ended June 30, 2012 amounted Rs.23.681 million was made in the books of account as well as provision for minimum tax made during the financial years ended June 30, 2010 and 2011 aggregated Rs.29.770 million were written-back. The Department, against the said order, has filed an appeal with the Honourable Supreme Court of Pakistan, which is pending adjudication. An adverse judgment by the Honourable Supreme Court of Pakistan will create a tax liability amounting Rs.53.451 million.

| | Note | **2014** | 2013 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **26. SALES** - Net | | | |
| Own manufactured goods: | | | |
| - yarn | | **2,362,717** | 2,316,877 |
| - waste | | **0** | 4,823 |
| Trading activities: | | | |
| - raw materials | | **4,773** | 49,152 |
| | | **2,367,490** | 2,370,852 |
| Less: sales tax | | **68,730** | 15,809 |
| | | **2,298,760** | 2,355,043 |

## 27. COST OF SALES

| | Note | 2014 (Rupees in thousand) | 2013 (Rupees in thousand) |
|---|---|---|---|
| Raw materials consumed | 27.1 | **1,571,954** | 1,568,098 |
| Packing materials consumed | | **36,335** | 29,836 |
| Salaries, wages and benefits | 27.2 | **214,334** | 168,752 |
| Power and fuel | | **192,788** | 174,027 |
| Repair and maintenance | | **29,712** | 26,661 |
| Depreciation | | **50,486** | 43,923 |
| Insurance | | **3,066** | 3,178 |
| Vehicle running and maintenance | | **2,046** | 1,855 |
| Traveling and conveyance | | **964** | 917 |
| Guest house and entertainment | | **978** | 792 |
| Textile cess | | **29** | 29 |
| Others | | **1,336** | 1,268 |
| | | **2,104,028** | 2,019,336 |
| Adjustment of work-in-process | | | |
| Opening | | **24,578** | 17,245 |
| Closing | | **(30,070)** | (24,578) |
| | | **(5,492)** | (7,333) |
| **Cost of goods manufactured** | | **2,098,536** | **2,012,003** |
| Adjustment of finished goods | | | |
| Opening stock | | **10,909** | 7,181 |
| Closing stock | | **(71,021)** | (10,909) |
| | | **(60,112)** | (3,728) |
| | | **2,038,424** | 2,008,275 |

### 27.1 Raw materials consumed

| | 2014 | 2013 |
|---|---|---|
| Opening stock | **420,474** | 294,354 |
| Add: | | |
| Purchases | **1,477,328** | 1,644,478 |
| Cost of raw materials sold | **4,583** | 48,823 |
| Insurance | **1,341** | 917 |
| | **1,483,252** | 1,694,218 |
| | **1,903,726** | 1,988,572 |
| Less: closing stock | **331,772** | 420,474 |
| | **1,571,954** | 1,568,098 |

**27.2** These include Rs.11.724 million (2013: Rs.8.203 million) in respect of staff retirement benefits - gratuity.

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **28. DISTRIBUTION COST** | | | |
| Freight and forwarding | | **569** | 481 |
| Travelling and conveyance | | **22** | 2 |
| Salaries and benefits | **28.1** | **9,526** | 7,861 |
| Rent, rates and utilities | | **239** | 221 |
| Communication | | **146** | 115 |
| Insurance | | **165** | 348 |
| Others | | **2** | 2 |
| | | **10,669** | 9,030 |

**28.1** These include Rs.2.494 million (2013: Rs.1.745 million) in respect of staff retirement benefits - gratuity.

| | Note | 2014 | 2013 |
|---|---|---|---|
| **29. ADMINISTRATIVE EXPENSES** | | | |
| Directors' remuneration and fees | | **4,237** | 3,516 |
| Salaries and benefits | **29.1** | **23,965** | 20,305 |
| Travelling and conveyance | | **581** | 1,090 |
| Rent, rates and taxes | | **5,646** | 5,604 |
| Entertainment | | **1,302** | 732 |
| Communication | | **1,233** | 1,158 |
| Printing and stationery | | **772** | 786 |
| Utilities | | **3,836** | 3,325 |
| Insurance | | **3,689** | 2,710 |
| Vehicles' running and maintenance | | **3,581** | 2,839 |
| Repair and maintenance | | **879** | 1,661 |
| Advertisement | | **135** | 63 |
| Subscription | | **315** | 198 |
| Newspapers & periodicals | | **34** | 27 |
| Depreciation | | **7,605** | 6,800 |
| Amortisation | | **117** | 117 |
| Auditors' remuneration: | | | |
| - statutory audit | | **500** | 500 |
| - half yearly review | | **110** | 110 |
| - certification charges | | **77** | 22 |
| - consultancy services | | **120** | 170 |
| - out-of-pocket expenses | | **15** | 55 |
| | | **822** | 857 |
| Legal and professional (other than Auditors) | | **438** | 270 |
| Others | | **640** | 566 |
| | | **59,827** | 52,624 |

29.1 These include Rs.3.498 million (2013: Rs.2.448 million) in respect of staff retirement benefits - gratuity.

29.2 The Company, during the current financial year, has shared administrative expenses aggregating Rs.7.195 million (2013: Rs.6.067 million) with its Associates on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

| | Note | **2014** | 2013 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **30. OTHER INCOME** | | | |
| Sale of scrap | | **563** | 0 |
| Unclaimed payable balances written-back | | **23** | 933 |
| Reversal of provision for Gas infrastructure Development Cess (GIDC) | **30.1** | **11,529** | 0 |
| Exchange fluctuation gain | | **1,718** | 0 |
| | | **13,833** | 933 |

30.1 Based on a Judgement given by the Supreme Court of Pakistan, the company has reversed this provision created for payment of GIDC. (refer contents of note. 42.1)

## 31. OTHER EXPENSES

| | Note | 2014 | 2013 |
|---|---|---|---|
| Loss on sale of operating fixed assets | **17.2** | **3,378** | 1,045 |
| Workers' (profit) participation fund | | **6,170** | 10,557 |
| Workers' welfare fund | | **2,345** | 4,012 |
| Donations | **31.1** | **2,800** | 1,200 |
| | | **14,693** | 16,814 |

31.1 This includes an amount of Rs.1.800 million (2013: Rs.1.200 million) donated to Saifullah Foundation for Sustainable Development (a social welfare society) administered by the following directors of the Company:

- Mr. Anwar Saifullah Khan
- Mr. Jehangir Saifullah Khan
- Mr. Osman Saifullah Khan

## 32. FINANCE COST - Net

| | 2014 | 2013 |
|---|---|---|
| Mark-up on loans from an Associated Company | | |
| - sub-ordinated loan | **11,175** | 12,529 |
| - other loan | **3,372** | 4,208 |
| | **14,547** | 16,737 |
| Mark-up on long term financing | **20,065** | 21,223 |
| Mark-up on short term borrowings | **36,392** | 31,129 |
| Interest on workers' (profit) participation fund | **140** | 178 |
| Exchange fluctuation loss | **0** | 2,430 |
| Bank and other charges | **2,945** | 906 |
| | **74,089** | 72,603 |

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **33. TAXATION** | | | |
| Current tax | 25 | **0** | 5,947 |
| Deferred | | | |
| - relating to temporary differences | | **38,011** | 68,143 |
| - resulting from reduction in tax rate | | **3,371** | 3,738 |
| | | **41,382** | 71,881 |
| | | **41,382** | 77,828 |

## 34. EARNINGS PER SHARE

### 34.1 Basic earnings per share

| | 2014 | 2013 |
|---|---|---|
| Profit after taxation attributable to ordinary shareholders | **73,509** | 118,802 |
| | (No. of shares) | |
| Weighted average number of shares outstanding during the year | **20,800,000** | 20,800,000 |
| Earnings per share | **3.53** | 5.71 |

### 34.2 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, 2014 and June 30, 2013 which would have any effect on the earnings per share if the option to convert is exercised.

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 35.1 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.

### 35.1.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect 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.

**(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 Euro, U.S. Dollar and Swiss Frank. The Company's exposure to foreign currency risk for Euro, U.S. Dollar and Swiss Frank is as follows:

| As at June 30, 2014 | Rupees | U.S.$ |
|---|---|---|
| | (Rupees in thousand) | |
| Bills payable | **141,328** | **1,431** |
| Short term borrowings | **47,613** | **482** |
| **Net balance sheet exposure** | **188,941** | **1,913** |

| As at June 30, 2013 | Rupees | Euros | U.S.$ | CHF |
|---|---|---|---|---|
| | ------------------ (Rupees in thousand) ------------------ | | | |
| Bills payable | 110,450 | 0 | 1,116 | 0 |
| Short term borrowings | 51,515 | 0 | 521 | 0 |
| Gross balance sheet exposure | 161,965 | 0 | 1,637 | 0 |
| Outstanding letters of credit | 33,215 | 25 | 292 | 11 |
| Net exposure | 195,180 | 25 | 1,929 | 11 |

The following significant exchange rates have been applied:

| | Average rate | | Balance sheet date rate | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Euro to Rupee | **0** | 129.02 | **0** | 129.11 |
| U.S. $ to Rupee | **103.29** | 95.21 | **98.75** | 98.80 |
| CHF to Rupee | **0** | 104.84 | **0** | 104.71 |

**Sensitivity analysis**

At June 30, 2014, 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.

| | 2014 | 2013 |
|---|---|---|
| | **(Rupees in thousand)** | |
| **Effect on profit for the year** | | |
| U.S. $ to Rupee | **18,891** | 16,174 |

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:

| | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| | **Effective rate** | | **Carrying amount** | |
| | % | % | **(Rupees in thousand)** | |
| **Financial liabilities** | | | | |
| **Variable rate instruments** | | | | |
| Long term loans from an Associated Company | 9.44 to 12.27 | 11.66 to 15.01 | **100,000** | 130,178 |
| Long term financing | 11.11 to 13.42 | 12.53 to 15.20 | **289,234** | 112,500 |
| Short term borrowings | 4.33 to 12.68 | 2.86 to 15.44 | **354,561** | 404,394 |

**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 profit or loss of the Company.

**Cash flow sensitivity analysis for variable rate instruments**

At June 30, 2014, 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.7.438 million (2013: Rs.6.471 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.

**35.1.2 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, 2014 along with comparative is tabulated below:

| | **2014** | 2013 |
|---|---|---|
| | **(Rupees in thousand)** | |
| Long term deposits | **1,137** | 1,137 |
| Trade debts | **157,724** | 153,025 |
| Security deposits | **1,805** | 3,475 |
| Bank balances | **4,528** | 5,829 |
| | **165,194** | 163,466 |

All the trade debts at the balance sheet date represent domestic parties.

The aging of trade debts at the balance sheet date was as follows:

| | | |
|---|---|---|
| Not yet due | **139,166** | 152,422 |
| Past due - more than 30 days | **18,558** | 603 |
| | **157,724** | 153,025 |

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.112.131 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

### 35.1.3 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** |
|---|---|---|---|---|
| **As at June 30, 2014** | **------------------ (Rupees in thousand) ------------------** | | | |
| **Loans from an Associated Company** | **100,000** | **158,762** | **12,371** | **146,391** |
| **Long term financing** | **289,234** | **362,653** | **122,835** | **239,818** |
| **Trade and other payables** | **237,751** | **237,751** | **237,751** | **0** |
| **Accrued interest / mark-up** | **27,837** | **27,837** | **27,837** | **0** |
| **Short term borrowings** | **354,561** | **383,416** | **383,416** | **0** |
| | **1,009,383** | **1,170,419** | **784,210** | **386,209** |

| | Carrying amount | Contractual cash flows | Less than 1 year | Between 1 to 5 years |
|---|---|---|---|---|
| As at June 30, 2013 | ------------------ (Rupees in thousand) ------------------ | | | |
| Loans from an Associated Company | 130,178 | 167,651 | 19,700 | 147,951 |
| Long term financing | 112,500 | 128,991 | 74,905 | 54,086 |
| Trade and other payables | 189,803 | 189,803 | 189,803 | 0 |
| Accrued interest / mark-up | 14,585 | 14,585 | 14,585 | 0 |
| Short term borrowings | 404,394 | 449,419 | 449,419 | 0 |
| | 851,460 | 950,449 | 748,412 | 202,037 |

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.

### 35.2 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At June 30, 2014, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

### 35.3 Financial instruments by category

| Financial assets as per balance sheet | Loans and receivables 2014 | 2013 | Financial liabilities as per balance sheet | Financial liabilities measured at amortised cost 2014 | 2013 |
|---|---|---|---|---|---|
| | --- Rupees in '000 --- | | | --- Rupees in '000 --- | |
| Long term loans | **1,466** | 1,032 | Loans from an Associated Company | **100,000** | 130,178 |
| Long term deposits | **1,137** | 1,137 | Long term financing | **289,234** | 112,500 |
| Trade debts | **157,724** | 153,025 | Long term deposits | **965** | 1,128 |
| Loans and advances | **433** | 143 | Trade and other payables | **237,751** | 189,803 |
| Deposits and short term prepayments | **1,805** | 3,475 | Accrued interest / mark-up | **27,837** | 14,585 |
| Other receivables | **954** | 39 | Short term borrowings | **354,561** | 404,394 |
| Bank balances | **4,528** | 5,829 | | | |
| | **168,047** | 164,680 | | **1,010,348** | 852,588 |

## 36. 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.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

## 37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Associated Companies, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties.

Material transactions with associated undertakings during the year were as follows:

| | 2014 | 2013 |
|---|---|---|
| | **(Rupees in thousand)** | |
| Loans repaid | | |
| - long term | **30,178** | 1,500 |
| - short term | **0** | 10,000 |
| Dividend paid | **20,275** | 16,220 |
| Sale of: | | |
| - goods, store items and services | **5,737** | 49,152 |
| - fixed assets | **0** | 430 |
| Purchase of: | | |
| - goods and services | **21,224** | 0 |
| - fixed assets | **70** | 0 |
| Mark-up paid on loans | **14,547** | 17,022 |

## 38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

| | Chief Executive | | Executives | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ---------------- (Rupees in thousand) ---------------- | | | |
| Managerial remuneration | **4,200** | 3,500 | **12,081** | **7,057** |
| Retirement benefits | **0** | 0 | **1,049** | **613** |
| Medical expenses reimbursed | **17** | 10 | **279** | **209** |
| | **4,217** | 3,510 | **13,409** | 7,879 |
| Number of persons | **1** | 1 | **6** | 5 |

**38.1** In addition to the above, meeting fees amounting Rs.20 thousand (2013: Rs.6 thousand) were paid to six (2013: six) directors during the current financial year.

## 39. CAPACITY AND PRODUCTION

| | | 2014 | 2013 |
|---|---|---|---|
| No. of spindles installed | | **35** | 30 |
| No. of spindles shifts worked | | **34,044** | 31,697 |
| Rated capacity at 20's count | Kgs | **13,159** | 12,320 |
| Actual production 1,095 shifts (2013: 1,095 shifts) | Kgs | **6,838** | 6,105 |
| Actual production converted into 20's count | Kgs | **14,428** | 13,801 |

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.

## 40. OPERATING SEGMENT

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

**40.1** Yarn sales represent 99.80% (2013: 98.00%) of the total sales of the Company.

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

**40.3** All non-current assets of the Company as at June 30, 2014 are located in Pakistan.

**40.4** Two (2013: two) of the Company's customers having sales aggregating Rs.1,034 million (2013: Rs.595 million) contributed towards 45% (2013: 25%) of the Company's sales. Each customer individually exceeded 10% of total sales.

## 41. NUMBER OF EMPLOYEES

| | 2014 | 2013 |
|---|---|---|
| Number of employees as at June 30, | | |
| - Permanent | **1106** | 962 |
| - Contractual | **4** | 5 |
| Average number of employees during the year | | |
| - Permanent | **1044** | 920 |
| - Contractual | **5** | 5 |

## 42. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on September 25, 2014 has proposed a final cash dividend of Rs.1.25 (2013: Rs.1.25) per share amounting to Rs.26.000 million (2013: Rs.26.000 million) for the year ended June 30, 2014. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24, 2014.

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, 2015.

## 43. GENERAL

These financial statements were authorised for issue on September 25, 2014 by the Board of Directors of the Company.

Figures of prior years have been restated consequent to the retrospective application of IAS 19 (revised) as detailed in note 5. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

**SALIM SAIFULLAH KHAN**
CHIEF EXECUTIVE

**ASSAD SAIFULLAH KHAN**
DIRECTOR

**PROXY FORM**

I/we________________________________________________

of________________________________________________

a Member(s) of **KOHAT TEXTILE MILLS LIMITED** and holder of ____________________

Ordinary Shares, do hereby appoint______________________________________

of________________________________________________

or failing him______________________________________________

of________________________________________________

a member of **KOHAT TEXTILE MILLS LIMITED,** vide Registered Folio No.__________and/or

CDC participant I.D. No.________________ and Sub Account No. ________________

as my/our proxy to act on my/our behalf at the 48th Annual General Meeting of the Company to be held on October 25, 2014.

Signed this ______________________________ day of ______________2014

**Signature**

Affix
Revenue
Stamp

(Signature should agree with the Specimen Signature registered with the Company).

**NOTES:**

1. No proxy shall be valid unless it is duly stamped with a revenue stamp.
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorised person.
3. If this proxy form is signed under a power of attorney or other authority then a notarially certified copy of that power of attorney/authority must be deposited alongwith this proxy form.
4. This form of proxy duly completed must be deposited at the Registered office of Company at least 48 hours before the meeting.
5. Individual CDC Account holders shall produce his/her original National Identity Card or Passport, account and participant's ID # to prove his/her identity. A corporate member from CDC must submit the board of directors' resolution or power of attorney and the specimen signature of the nominee, attending meeting.