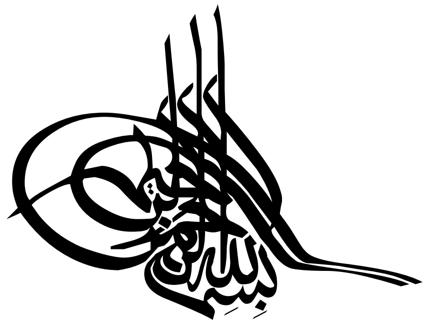

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Anwar Saifullah Khan	**- Chairman**
	Salim Saifullah Khan	
	Osman Saifullah Khan	
	Jehangir Saifullah Khan	
	Ms. Hoor Yousafzai	
	Assad Saifullah Khan	**- Chief Executive**
	Asif Saifullah Khan	
AUDIT COMMITTEE	Ms. Hoor Yousafzai	**- Chairpreson**
	Jehangir Saifullah Khan	**- Member**
	Assad Saifullah Khan	**- Member**
HR & REMUNERATION COMMITTEE	Anwar Saifullah Khan	**- Chairman**
	Salim Saifullah Khan	**- Member**
	Ms. Hoor Yousafzai	**- Member**
CHIEF FINANCIAL OFFICER	Nouman Ahmad	
COMPANY SECRETARY	Sabir Khan	
HEAD OF INTERNAL AUDIT	Salman Shafiq	
AUDITORS	Hameed Chaudhri & Co., Chartered Accountants	
LEGAL ADVISORS	Dr. Pervez Hassan Hassan & Hassan, Advocates	
	Salahuddin Saif & Aslam (Attorney's at Law)	
BANKERS	Albaraka Bank (Pakistan) Limited Askari Bank Limited Dubai Islamic Bank Meezan Bank Limited National Bank of Pakistan Soneri Bank Limited The Bank of Punjab United Bank Limited	
HEAD OFFICE	Kulsum Plaza, 4th Floor, 2020 – Blue Area, Islamabad Phone : (051) 2342155-60 Fax : (051) 2342176 Email : ktm@saifgroup.com	
REGISTERED OFFICE	APTMA House, Tehkal Payan, Jamrud Road, Peshawar Phone : (091) 5843870, 5702941 Fax : (091) 5840273 Email : Peshawar@saifgroup.com	
SHARES REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd., HM House, 7-Bank Square, Lahore Phone : +92-42-37235081-37235082 Fax : +92-42-37358817 E-mail : info@hmaconsultants.com	
MILLS	Saifabad, Kohat Phone : (0922) 862065, 862091 Fax : (0922) 862057-58 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 **49th 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 30, 2015** at **11:00 A.M.** to transact the following business:

1) To confirm the minutes of the last Annual General Meeting dated October 24, 2014.
2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon.
3) To approve Cash Dividend @ 7.5% as recommended by the Board of Directors.
4) To appoint Auditors for the year 2015-2016 and fix their remuneration. The retiring auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, being eligible offered themselves for re-appointment.
5) To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Place : Peshawar
Dated : October 09, 2015

SABIR KHAN
Company Secretary

NOTES:

BOOK CLOSURE NOTICE

Share Transfer Books of the Company will remain closed from **October 24, 2015 to October 30, 2015** (Both Days Inclusive). Transfers received in order at the office of our Share Registrar **M/s.Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore,** by the close of business on **Friday, October 23, 2015,** will be considered in time for the determination of the entitlement of the shareholders to final cash dividend and to attend and vote at the meeting.

PARTICIPATION IN THE ANNUAL GENERAL MEETING:

A member entitled to attend and vote at the meeting is entitled to appoint any other member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company, **APTMA House, Tehkal Payan, Jamrud Road, Peshawar, Pakistan** duly stamped and signed not less than 48 hours before the time of the meeting.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan.

A. FOR ATTENDING THE MEETING:

i. In case of individuals, the account holders or sub-account holders and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate identity by showing their original Computerized National Identity Card (CNIC), or original passport at the time of attending the meeting.

ii. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of attending the meeting.

B. FOR APPOINTING PROXIES

i. In case of individuals, the account holders or sub-account holders and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.

ii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii. The proxy shall produce his/her original CNIC or passport at the time of the meeting.

iv. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to present and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

CONFIRMATION FOR FILING STATUS OF INCOME TAX RETURN FOR APPLICATION OF REVISED RATES PURSUANT TO THE PROVISIONS OF FINANCE ACT, 2015.

Pursuant to the provisions of Finance Act, 2015, Effective July 01, 2015, reforms have been made with regards to deduction of income tax. For cash dividend, the rates of deduction of income tax, under section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

1	Rate of tax deduction for filer of income tax returns	12.50%
2	Rate of tax deduction for non-filer of income tax returns	17.50%

In case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company by sending following detail on the registered address of the Company and the members who have deposited their shares into Central Depository Company of Pakistan Limited (CDC) are requested to send a copy of detail regarding tax payment status also to the relevant member stock exchange and CDC if maintaining CDC investor account, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/ CDS ID/ AC#	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding proportion (No. of Shares)	Name and CNIC No.	Shareholding proportion (No. of Shares)

The CNIC number / NTN detail is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time.

SUBMISSION OF COMPUTERISED NATIONAL IDENTITY CARD (CNIC) FOR PAYMENT OF FINAL CASH DIVIDEND

In order to comply with the requirements of Securities & Exchange Commission of Pakistan (SECP) SRO 19(I)/2014 dated January 10, 2014 those shareholders who have not yet submitted attested copy of their valid CNICs are once again requested to provide the same with their folio numbers to the Company's Share Registrar, M/s Hameed Majeed Associates (Pvt) Limited. Members holding shares in CDC/Participants accounts are also requested to provide the attested copy of their CNIC to their CDC Participant/Investor Account Services.

CIRCULATION OF ANNUAL AUDITED FINANCIAL STATEMENTS TO SHAREHOLDERS THROUGH EMAIL

The directive of SECP contained in SRO 787(I)/2014 dated September 8, 2014, whereby Securities and Exchange Commission of Pakistan (SECP) has allowed companies to circulate annual balance sheet, profit and loss account, auditor's report and directors' report etc. (Audited Financial Statements) along with notice of annual general meeting(Notice) to its members through e-mail. Members are requested to provide their email addresses on registered address of the Company.

CDC account holders are requested to provide their email addresses to the relevant member stock exchange and CDC if maintaining CDC investor account.

CHANGE IN ADDRESS:

Members are requested to promptly notify any change of address to the Company's Share Registrar.

AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON COMPANY'S WEBSITE:

The audited financial statements of the Company for the year ended June 30, 2015 have been made available on the Company's website www.kohattextile.com in addition to annual and quarterly financial statements for the prior year.

DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

On behalf of Board of Directors, it gives me pleasure to present the 49th Annual Audited financial statements for the year ended June 30, 2015.

GENERAL MARKET CONDITIONS

During the year under review yarn market remained stagnant and sharp declined was witnessed during 2nd and 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 39.432 million as compared to last year Rs. 114.891 million.

OPERATING RESULTS

Although the results are not similar to last year but the performance of the company have been pleasing during the year under review despite of various challenges faced by the textile sector including the imposition of increase GIDC (Gas Infra Structure Development Cess). The major highlights of your Company as compared to the corresponding period of the preceding Financial Year are as follows:

Turnover
There is an increase by 4% as compared to last year because of increase in capacities.

Profitability
Gross profit margin has reduced to 8.7% from 11% as compared to last financial year.

Profit before Tax of Rs. 39.43 Million as compared with Rs. 114.89 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 has resulted slight increase in finance cost.

FUTURE OUTLOOK

Overall textile industry is under crises which have also affected the synthetic fiber yarns market. Many new mills have shifted towards synthetic fiber yarns because of low investment in working capital, in addition to this Indian yarn spinners continue to be very competitive in the medium to finer counts and there is a need for a support from Government to safeguard the interest of the Textile Industry.

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. 1.00 as compared to Rs. 3.53 last year.

PROFIT APPROPRIATION

The Board in its meeting held of 06 October, 2015 decided to recommend 7.5% (2014: 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. 179.09 Million (2014: Rs. 188.34 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					
	2015	2014	2013	2012	2011	2010
Property, plant & equipment (RS 000)	1,121,135	1,060,402	852,211	812,383	727,438	759,674
Net worth (Rs 000)	362,676	364,501	313,407	202,526	27,043	12,744
Production (Kgs 000)	7,274	6,838	6,105	6,419	6,568	6,585
Sales (Rs 000)	2,405,277	2,298,760	2,355,043	2,418,912	2,133,636	1,686,696
Gross Profit (Rs 000)	209,505	260,336	346,768	270,049	134,065	172,036
Profit/(loss) from operations (Rs 000)	119,207	188,980	269,233	208,513	106,533	115,993
Profit/(loss) after taxation (Rs 000)	20,851	73,509	118,802	166,778	6,433	16,459
Earnings/(Loss) per share (Rs)	1.00	3.53	5.71	8.02	0.31	0.79
No. of Spindles installed	35,280	35,280	29,520	29,520	29,520	30,000

- During the Year 04 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	04
Osman Saifullah Khan	04
Jehangir Saifullah Khan	04
Hoor Yousafzai	03
Assad Saifullah Khan	04
Asif Saifullah Khan	03

  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 30 October, 2015 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

ASSAD SAIFULLAH KHAN
Chief Executive Officer

Dated: 06 October, 2015

PATTERN OF SHAREHOLDINGS
AS AT 30TH JUNE, 2015

Number of Share Holders	Share Holding From	Share Holding To	Total Shares Held
460	1	100	26,066
170	101	500	56,823
87	501	1,000	82,300
115	1001	5,000	336,578
41	5001	10,000	349,324
12	10001	15,000	158,373
7	15001	20,000	132,000
5	20001	25,000	119,000
3	25001	30,000	83,431
1	30001	35,000	31,500
2	35001	40,000	76,000
1	45001	50,000	50,000
1	50001	55,000	52,500
1	55001	60,000	60,000
1	60001	65,000	62,500
1	85001	90,000	90,000
1	90001	95,000	94,450
3	105001	110,000	323,887
1	115001	120,000	116,704
1	195001	200,000	200,000
1	2075001	2,080,000	2,078,554
1	6340001	6,345,000	6,340,010
1	9875001	9,880,000	9,880,000
917	**T O T A L**		**20,800,000**

Categories of Share Holders	Number of Shareholders	Shares Held	% Age of Capital
Directors and Chief Executive Officer	7	187,692	0.90
Associated Companies, Undertakings and Related Partie	14	16,438,460	79.03
NIT & ICP	1	750	0.00
Financial Institutions	3	2,078,976	10.00
Joint Stock Companies	7	293,059	1.41
Banks, Development Financial Instituations, Non Banking Financial Instituations	3	2,150	0.01
Insurance Companies	1	200	0.00
Funds	2	3,650	0.02
General Public	876	1,792,413	8.62
Others	3	2,650	0.01
Total	**917**	**20,800,000**	**100.00**

DETAIL OF CATEGORY OF SHARE HOLDERS
AS AT 30 JUNE, 2015

Sr. No.	Name of Shareholders		Shares Held	Percentage
Directors, Chief Executive, and their Spouse and Minor Children				
1	Jehangir Saifullah Khan		116,704	0.56
2	Hoor Yousafzai		500	0.00
3	Salim Saifullah Khan		3,089	0.01
4	Asif Saifullah Khan		500	0.00
5	Osman Saifullah Khan		62,500	0.30
6	Assad Saifullah Khan		500	0.00
7	Anwar Saifullah Khan		3,899	0.02
		Total	**187,692**	**0.90**
Associated Companies, Undertakings and Related Parties				
1	Globecomm (Pvt.) Limited		6,340,010	30.48
2	Gulshan Javed Saifullah Khan		600	0.00
3	Zafar Qureshi		4,335	0.02
4	Begum Shirin Saifullah Khan		500	0.00
5	Javed Saifullah Khan		107,887	0.52
6	Shehernaz Saifullah Khan		14,000	0.07
7	Yasmin Saifullah Khan		5,000	0.02
8	Iqbal Saifullah Khan		6,824	0.03
9	Begum Samina Anwar S. Khan		15,000	0.07
10	Humayun Saifullah Khan		12,373	0.06
11	Shereen Saifullah Khan		5,000	0.02
12	Omar Saifullah Khan		26,931	0.13
13	Saif Holdings Limited		9,880,000	47.50
14	Begum Zeb Saifullah Khan		20,000	0.10
		Total	**16,438,460**	**79.03**
NIT & ICP				
1	National Bank of Pakistan	**Total**	**750**	**0.00**
Financial Institutions				
1	IDBL (ICP Unit)		400	0.00
2	National Bank Of Pakistan		22	0.00
3	National Bank Of Pakistan		2,078,554	9.99
		Total	**2,078,976**	**10.00**

Sr. No.	Name of Shareholders	Shares Held	Percentage
Joint Stock Companies			
1	Adeel Zafar Securities (Pvt) Ltd.	200,000	0.96
2	Seven Star Securities (Pvt.) Ltd.	1,000	0.00
3	Cooper & Co.(Private) Limited	90,000	0.43
4	NCC - Pre Settlement Delivery Account	2,000	0.01
5	Fateh Textile Mills Ltd.	50	0.00
6	Maple Leaf Capital Limited	1	0.00
7	Sultan Textile Mills (Karachi) Limited	8	0.00
	Total	**293,059**	**1.41**
Banks, Development Financial Instituations, Non Banking Financial Instituations			
1	Murree Brewery Co. Ltd.	50	0.00
2	Mollasses Export Co. Ltd.	100	0.00
3	Muslim Commercial Bank Ltd.	2,000	0.01
	Total	**2,150**	**0.01**
Insurance Companies			
1	E.F.U. Ins. Co. Ltd. **Total**	**200**	**0.00**
Funds			
1	Trustee National Bank of Pakistan Employees Pension Fund	3,526	0.02
2	Trustee National Bank of Pakistan Employees Benevolent Fund	124	0.00
	Total	**3,650**	**0.02**
General Public (Local)	**Total**	**1,792,413**	**8.62**
OTHERS			
1	The Pak Ismailia Cooperative	350	0.00
2	United Executors & Trustee	2,200	0.01
3	Azeem Services (Pvt) Ltd,	100	0.00
	Total	**2,650**	**0.01**
		20,800,000	**100.00**

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 of Listing Regulations of Karachi and Islamabad Stock Exchanges Limited 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	Assad Saifullah Khan
Non-Executive Directors	Anwar Saifullah Khan Salim Saifullah Khan Osman Saifullah Khan Jehangir Saifullah Khan Hoor Yousafzai 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 and circulated.

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 02 non-executive directors and 01 is executive director.

15. In compliance with the CCG, BOD has put a mechanism for the annual evaluation of board performance. The following major areas in evaluation:

    i. Board composition
    ii. Board function
    iii. Professional development
    iv. Monitor of company performance

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with except certification of a director under Directors' Training Programme (DTP) by the end of financial year; however efforts would be made to attain certification by the end of next accounting year.

For and behalf of the Board

Place: Islamabad
Dated: 06 October, 2015

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, 2015 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.

Following instances of non-compliance with the requirements of the Code were observed:

i. the Company has not appointed an independent director on its Board of Directors as required by sub-clause (b) of clause (i) of the Code;

ii. the composition of Audit Committee, at reporting date, is not incompliance with the requirements of clause (xxiv) of the Code.

Based on our review, except for the above instances 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, 2015.

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

Place: Lahore
Dated: 06 October, 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kohat Textile Mills Limited (the Company) as at June 30, 2015 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;
- (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, 2015 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: 06 October, 2015

BALANCE SHEET

	Note	2015	2014
		(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
Issued, subscribed and paid-up capital	5	**208,000**	208,000
UNAPPROPRIATED PROFIT		**154,676**	156,501
		362,676	364,501
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	**302,147**	309,899
NON-CURRENT LIABILITIES			
Loan from an Associated Company	7	**100,000**	100,000
Long term financing	8	**245,146**	202,088
Long term deposits	9	**1,280**	965
Deferred liability - staff retirement benefits	10	**80,290**	62,137
Deferred taxation - net	11	**66,371**	63,028
		493,087	428,218
CURRENT LIABILITIES			
Trade and other payables	12	**150,662**	234,946
Accrued mark-up	13	**13,185**	27,837
Short term borrowings	14	**260,235**	354,561
Current portion of long term financing	8	**78,558**	87,146
		502,640	704,490
		995,727	1,132,708
Contingencies and Commitments	15		
		1,660,550	1,807,108

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

ASSAD SAIFULLAH KHAN
CHIEF EXECUTIVE

AS AT 30 JUNE, 2015

	Note	2015	2014
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**16**	**1,121,135**	1,060,402
Intangible assets	**17**	**225**	342
Long term loans	**18**	**1,893**	1,466
Long term deposits		**1,137**	1,137
		1,124,390	1,063,347
CURRENT ASSETS			
Stores, spare parts and loose tools	**19**	**31,850**	26,087
Stock-in-trade	**20**	**188,954**	432,863
Trade debts		**141,019**	157,724
Loans and advances	**21**	**46,186**	5,425
Deposits and short term prepayments	**22**	**2,244**	2,365
Other receivables	**23**	**1,258**	1,924
Taxation - net	**24**	**81,923**	76,674
Sales tax refundable		**32,868**	36,171
Bank balances		**9,858**	4,528
		536,160	743,761
		1,660,550	1,807,108

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

OSMAN SAIFULLAH KHAN
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2015

	Note	2015	2014
		(Rupees in thousand)	
SALES - NET	25	**2,405,277**	2,298,760
COST OF SALES	26	**(2,195,772)**	(2,038,424)
GROSS PROFIT		**209,505**	260,336
DISTRIBUTION COST	27	**(14,952)**	(10,669)
ADMINISTRATIVE EXPENSES	28	**(67,637)**	(59,827)
OTHER INCOME	29	**961**	13,833
OTHER EXPENSES	30	**(8,670)**	(14,693)
PROFIT FROM OPERATIONS		**119,207**	188,980
FINANCE COST	31	**(79,775)**	(74,089)
PROFIT BEFORE TAXATION		**39,432**	114,891
TAXATION	32	**(18,581)**	(41,382)
PROFIT AFTER TAXATION		**20,851**	73,509
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequent to profit and loss:			
- loss on remeasurement of staff retirement benefit obligation		**(6,763)**	(7,544)
TOTAL COMPREHENSIVE INCOME		**14,088**	65,965
		------- Rupees -------	
EARNINGS PER SHARE - basic and diluted	33	**1.00**	3.53

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

ASSAD SAIFULLAH KHAN
CHIEF EXECUTIVE

OSMAN SAIFULLAH KHAN
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2015

	Note	2015	2014
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year - before taxation		**39,432**	114,891
Adjustments for non-cash and other charges:			
Depreciation		**68,997**	58,091
Amortisation		**117**	117
Staff retirement benefits - gratuity (net)		**11,390**	11,002
Unclaimed payable balances written-back		**(107)**	(23)
(Gain) / loss on sale of operating fixed assets		**(415)**	3,378
Finance cost		**78,737**	71,144
PROFIT BEFORE WORKING CAPITAL CHANGES		**198,151**	258,600
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		**(5,763)**	(2,949)
Stock-in-trade		**243,909**	23,098
Trade debts		**16,705**	(4,699)
Loans and advances		**(40,761)**	(1,568)
Deposits and short term prepayments		**121**	1,998
Other receivables		**666**	(1,770)
Sales tax refundable		**3,303**	(17,249)
(Decrease) / increase in trade and other payables		**(84,446)**	24,016
		133,734	20,877
CASH GENERATED FROM OPERATING ACTIVITIES		**331,885**	279,477
Income tax paid		**(18,151)**	(23,611)
Long term loans - net		**(427)**	(434)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**313,307**	255,432
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(130,206)**	(271,758)
Sale proceeds of operating fixed assets		**891**	2,098
NET CASH USED IN INVESTING ACTIVITIES		**(129,315)**	(269,660)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loan from an Associated Company - net		**0**	(30,178)
Long term financing - obtained		**120,000**	239,234
- repaid		**(85,530)**	(62,500)
Long term deposits		**315**	(163)
Short term borrowings - net		**(94,326)**	(49,833)
Finance cost paid - net		**(93,390)**	(57,891)
Dividend paid		**(25,731)**	(25,742)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES		**(178,662)**	12,927
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**5,330**	(1,301)
CASH AND CASH EQUIVALENTS - at beginning of the year		**4,528**	5,829
CASH AND CASH EQUIVALENTS - at end of the year		**9,858**	4,528

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

ASSAD SAIFULLAH KHAN
CHIEF EXECUTIVE

OSMAN SAIFULLAH KHAN
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2015

	Share Capital	Un-Appropriated Profit	Total
	------------- (Rupees in thousand) -------------		
Balance as at July 01, 2013	**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**
Transactions with owners			
Cash dividend for the year ended June 30, 2014 at the rate of Rs.1.25 per share	0	(26,000)	(26,000)
Total Comprehensive Income for the year ended June 30, 2015			
Profit for the year	0	20,851	20,851
Other comprehensive loss	0	(6,763)	(6,763)
	0	14,088	14,088
Surplus on revaluation of property, plant and equipment realised during the year - on account of incremental depreciation for the year - net of deferred taxation	0	10,087	10,087
Balance as at June 30, 2015	**208,000**	**154,676**	**362,676**

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

ASSAD SAIFULLAH KHAN
CHIEF EXECUTIVE

OSMAN SAIFULLAH KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 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 have been followed.

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

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

2.4 New and amended standards and interpretations

2.4.1 Standards and amendments to approved accounting standards and interpretations effective in the current year and are relevant to the Company's financial reporting

New and amended standards and interpretations mandatory for the first time for the financial year beginning July 01, 2014:

(a) IAS 32 (Amendments), 'Financial instruments: presentation'. These amendments update the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The application of these amendments has no material impact on the Company's financial statements.

(b) IAS 36 (Amendment), 'Impairment of assets'. 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 application of these amendments has no material impact on the Company's financial statements.

2.4.2 Standards, interpretations and amendments to 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, 2014 are considered not to be relevant or to have any significant effect on the Company's financial reporting and are, therefore, not detailed in these financial statements.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on or after July 01, 2014 and have not been early adopted by the Company:

(a) IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2018). 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) IFRS 13 'Fair value measurement' (effective for annual periods beginning on or after January 01, 2015). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will not effect the determination of fair value and its related disclosures in the financial statements of the Company.

(c) Annual improvements 2014 applicable for annual periods beginning on or after July 1, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5 'Non current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: disclosures', IAS 19 'Employee benefits', and IAS 34, 'Interim financial reporting'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.

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 10.

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 and 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, unless otherwise stated.

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, 2015 on the basis of the projected unit credit method by an independent Actuary.

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

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 balance sheet 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. Depreciation on overhauling of gas fired power plant is charged to the profit and loss account using straight line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. Rates of depreciation are stated in note 16.1.

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 17.

4.8 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated 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, loan from an Associated Company, long term financing, trade & other payables, accrued mark-up / profit 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 39 to these financial statements.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
--- (No. of shares) ---			--- (Rupees in thousand) ---	
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

5.1 Ordinary shares held by the Associated Companies at the year-end were as follows:

	2015	2014
- Saif Holdings Ltd.	**9,880,000**	9,880,000
- GlobeComm (Pvt.) Ltd.	**6,340,010**	6,340,010
	16,220,010	16,220,010

6. 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 financial 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	2015	2014
		(Rupees in thousand)	
Opening balance		**391,943**	408,805
Less: transferred to unappropriated profit:			
- on account of incremental depreciation for the year		**(15,056)**	(16,175)
- upon sale of revalued assets		**0**	(687)
		376,887	391,943
Less: deferred tax on:			
- opening balance of surplus		**82,044**	90,263
- incremental depreciation for the year		**(4,969)**	(5,500)
- sale of revalued assets		**0**	(233)
		77,075	84,530
adjustment resulting from reduction in tax rate		**(2,335)**	(2,486)
		74,740	82,044
Closing balance		**302,147**	309,899

7. LOANS FROM AN ASSOCIATED COMPANY - Unsecured

	Note	2015	2014
Sub-ordinated loan	**7.1**	**100,000**	100,000

7.1 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 9.60% to 12.11% (2014: 9.44% to 12.27%) per annum.

	Note	2015	2014
		(Rupees in thousand)	
8. LONG TERM FINANCING - Secured			
The Bank of Punjab (BoP)			
Term finance - I	**8.1**	**0**	50,000
Term finance - II	**8.2**	**112,500**	135,000
United Bank Limited (UBL)			
Demand finance	**8.3**	**91,204**	104,234
Askari Bank Limited (ABL)			
Diminishing Musharakah	**8.4**	**120,000**	0
		323,704	289,234
Less: current portion grouped under current liabilities		**78,558**	87,146
		245,146	202,088

8.1 The Company, during the financial year ended June 30, 2007, 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 installments 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, approved extension in repayment of this finance facility; accordingly, repayment of principal balance commenced from August, 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 per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 11.25% to 13.46% (2014: 12.28% to 13.42%) per annum. This finance facility was secured against first pari passu charge on fixed assets of the Company for Rs.333.334 million.

8.2 The Company, during the financial year ended June 30, 2014, arranged a term finance facility of Rs.135 million (Term finance - II) from BoP. This finance facility is repayable in 6 equal half-yearly installments of Rs. 22.500 million each commenced from 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 8.16% to 11.48% (2014: 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.

8.3 The Company, during the financial year ended June 30, 2014, arranged a demand finance facility of Rs.110 million from UBL. The bank against the said facility has disbursed Rs.104.234 million in three tranches of different amounts and each tranche is repayable in 16 equal quarterly installments commenced from February, 2015. This demand finance facility carries mark-up at the rate of 3-months KIBOR + 175 basis points per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 8.95% to 11.83% (2014: 11.11% to 11.45%) 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.

8.4 The Company, during the current financial year, has arranged a diminishing musharakah finance facility of Rs.120 million from ABL. This finance facility is repayable in 48 equal monthly installments of Rs. 2.500 million each commencing April, 2016. This finance facility carries profit at the rate of 6-months KIBOR + 100 basis points per annum payable monthly; effective profit rate charged, during the current financial year, was 8.98% per annum. This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs.150 million.

9. 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.

10. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

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

	2015	2014
- discount rate	**9.75%**	13.25%
- expected rate of increase in salary	**8.75%**	12.25%
- average expected remaining working life of employees	**9 years**	9 years

10.2 Amount recognised in the balance sheet

	2015	2014
	(Rupees in thousand)	
Net liability at the beginning of the year	**62,137**	43,591
Charge to profit and loss account	**21,879**	17,716
Remeasurement recognised in other comprehensive income	**6,763**	7,544
Payments made during the year	**(10,489)**	(6,714)
Net liability at the end of the year	**80,290**	62,137

		2015	2014
		(Rupees in thousand)	
10.3	**The movement in the present value of defined benefit obligation is as follows:**		
	Balance at beginning of the year	**62,137**	43,591
	Current service cost	**13,646**	12,050
	Interest cost	**8,233**	5,666
	Benefits paid	**(10,489)**	(6,714)
	Remeasurement of obligation	**6,763**	7,544
	Balance at end of the year	**80,290**	62,137
10.4	Charge to profit and loss account:		
	Current service cost	**13,646**	**12,050**
	Interest cost	**8,233**	**5,666**
		21,879	**17,716**

10.5 Remeasurements recognised in other comprehensive income

	2015	2014
Experience loss	**6,763**	**7,544**

10.6 Sensitivity analysis for actuarial assumptions:

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

	"Change in assumptions"	**"Increase in assumptions"**	**"Decrease in assumptions"**
		------ Rupees in '000 ------	
Discount rate		(73,638)	88,120
Increase in salaries		88,280	(73,381)

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

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

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

	2015	2014	2013	2012	2011
	Rupees in '000				
Present value of defined benefit obligation	**80,290**	62,137	43,591	30,030	30,239
Experience adjustment on obligation	**6,763**	7,544	0	2,442	0

10.8 Based on actuary's advice, the expected charge for the year ending June 30, 2016 amounts to Rs.23.337 million.

11. DEFERRED TAXATION - net	Note	**2015**	2014
		(Rupees in thousand)	
The balance of deferred tax is in respect of following major temporary differences			
Taxable temporary difference:			
- accelerated tax depreciation allowances		**126,467**	126,715
- surplus on revaluation of property, plant and equipment	6	**74,740**	82,044
		201,207	208,759
Deductible temporary difference:			
- unused tax losses		**(115,987)**	(139,784)
- minimum tax recoverable against normal tax charge in future years		**(18,849)**	(5,947)
		(134,836)	(145,731)
		66,371	63,028

12. TRADE AND OTHER PAYABLES			
Creditors		**20,899**	18,091
Advances from customers		**2,277**	2,314
Bills payable	12.1	**35,936**	141,328
Accrued expenses		**74,568**	52,570
Workers' (profit) participation fund		**2,116**	6,310
Workers' welfare fund		**10,099**	9,295
Unclaimed dividends		**3,625**	3,356
Others		**1,142**	1,682
		150,662	234,946

12.1 These are secured against import documents.

	Note	2015	2014
		(Rupees in thousand)	
13. ACCRUED MARK-UP			
Mark-up / profit accrued on:			
- loans from an Associated Company		**2,394**	7,453
- long term financing		**2,418**	9,549
- short term borrowings		**8,373**	10,835
		13,185	27,837

14. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.750.000 million (2014: Rs.550.000 million). These facilities, during the current financial year, carried mark-up / profit at the rates ranging from 4.33% to 12.68% (2014: 4.33% to 12.68%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.668.000 million (2014: Rs.324.000 million) of which the amounts aggregating Rs.282.830 million (2014: Rs.133.110 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, 2015.

15. CONTINGENCIES AND COMMITMENTS

Contingencies

15.1 Guarantees aggregating Rs.41.562 million (2014: Rs.49.562 million) has been issued by the banks of the Company to Sui Northern Gas Pipeline Limited. These guarantees are secured against pari passu charge over the Company's fixed and current assets.

15.2 RThe Company, during the current financial year, has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). The PHC has stayed the levy / cess charged through GIDC Act, 2015 and the Respondents were directed to submit their comments. Earlier, the Supreme Court of Pakistan had dismissed the appeal of Federation on the same matter in August 2014, wherein it was held that the levy under the GIDC Act, 2011 was not covered under any entry relating to the imposition or levy of a tax as envisaged in the Constitution.

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of June, 2015, has raised GIDC demands aggregating Rs.105.716 million, which are payable in case of an adverse judgement by the PHC. The petition before the PHC is pending adjudication.

15.3 Refer contents of note 24.3.

Commitments

15.4 Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.307.681 million (2014: Rs.Nil).

15.5 Commitments against capital expenditure, other than letters of credit, outstanding at the year-end aggregate to Rs.21.694 million (2014: Rs.Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
Operating fixed assets - tangible	**16.1**	**1,056,830**	1,048,788
Capital work-in-progress	**16.6**	**28,888**	458
Stores held for capital expenditure		**35,417**	11,156
		1,121,135	1,060,402

16.1 Operating fixed assets - tangible

	Freehold land	Buildings on freehold land		Residential		Plant & machinery	Diesel generators & fuel reservoir	Gas fired power plant	Electric installations	Equipment & appliances	Fire extinguishing equipment	Furniture & fixtures	Vehicles	Live-stock	Total
		Factory	Non - factory	officers	workers										
	Rupees in '000														
COST / REVALUATION															
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
Balance as at July 01, 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
Additions during the year	0	1,972	479	0	1,398	62,758	0	7,623	824	1,240	0	142	1,079	0	77,515
Disposals during the year	0	0	0	0	0	(1,212)	0	0	0	0	0	0	(864)	0	(2,076)
Balance as at June 30, 2015	**143,800**	**135,127**	**66,531**	**61,545**	**15,493**	**857,676**	**6,501**	**152,178**	**30,865**	**46,077**	**1,460**	**7,389**	**26,371**	**1**	**1,551,014**
DEPRECIATION															
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
Balance as at July 01, 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
Charge for the year	0	5,575	2,930	2,721	1,191	37,474	401	11,531	1,912	1,646	32	300	3,284	0	68,997
On disposals during the year	0	0	0	0	0	(883)	0	0	0	0	0	0	(717)	0	(1,600)
Balance as at June 30, 2015	**0**	**27,412**	**10,859**	**9,847**	**3,743**	**347,465**	**1,547**	**30,783**	**13,414**	**30,655**	**1,171**	**4,644**	**12,644**	**0**	**494,184**
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
BOOK VALUE AS AT JUNE 30, 2015	**143,800**	**107,715**	**55,672**	**51,698**	**11,750**	**510,211**	**4,954**	**121,395**	**17,451**	**15,422**	**289**	**2,745**	**13,727**	**1**	**1,056,830**
Depreciation rate (%)	**0**	**5**	**5**	**5**	**10**	**7.5**	**7.5**	**7.5 & 15**	**10**	**10**	**10**	**10**	**20**	**0**	**0**

16.2 Disposal of operating fixed assets

Asset description	Cost / revaluation	Accumulated depreciation	Net Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	---------- (Rupees in thousand) ----------						
Plant & machinery							
Comber machine filter	1,212	883	329	500	171	Negotiation	M/s. Saif Textile Mills Limited (an Associated Company)
Vehicles:							
Suzuki Alto	488	364	124	151	27	Company policy	Mr. Khalid Khan, employee.
Suzuki Mehran	376	353	23	240	217	Negotiation	Mr. Muhammad Tariq, I - 8/4, Islamabad.
	864	717	147	391	244		
	2,076	**1,600**	**476**	**891**	**415**		

16.3 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:

	2015	2014
	(Rupees in thousand)	
Owned		
Freehold land	**474**	474
Buildings on freehold land:		
- Factory	**45,366**	45,687
- Non-factory	**12,717**	12,907
Residential:		
- Officers	**3,971**	4,180
- Workers	**4,667**	3,674
Plant & machinery	**450,151**	420,324
Diesel generators & fuel reservoirs	**850**	919
Gas fired power plant	**117,572**	121,075
Electric installations	**12,110**	12,605
Equipment & appliances	**15,297**	15,690
	663,175	637,535

16.4 Depreciation for the year has been apportioned as under:

Cost of sales	**62,129**	50,486
Administrative expenses	**6,868**	7,605
	68,997	58,091

16.5 Borrowing cost at the rate of 8.98% (2014: 11.37% and 11.41%) per annum amounting Rs.0.776 million (2014: Rs. 3.564 million) has been included in the cost of plant and machinery.

	Note	2015	2014
		(Rupees in thousand)	
16.6 Capital work-in-progress			
Buildings on freehold land			
- factory		**18,384**	0
- non - factory		**674**	458
Advance payments			
- freehold land		**2,000**	0
- plant and machinery		**4,641**	0
- computer software		**3,189**	0
		28,888	458

17. INTANGIBLE ASSETS - Computer software

	2015	2014
Cost	**586**	586
Less: amortisation		
- at beginning of the year	**244**	127
- charge for the year	**117**	117
- at end of the year	**361**	244
Book value as at June 30,	**225**	342

Amortisation rate - 20% per annum

18. LONG TERM LOANS - Secured

	2015	2014
Loans to employees	**2,519**	1,899
Less: current portion grouped under current assets	**626**	433
	1,893	1,466

18.1 These interest-free loans have been advanced for various purposes and are secured against employees' gratuity benefits. These loans, except for twenty one (2014: nine) loans are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

19. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2015	2014
Stores	**19.1**	**14,960**	5,137
Spare parts		**15,306**	19,535
Loose tools		**1,584**	1,415
		31,850	26,087

19.1 It includes in transit inventory valuing Rs.2,707 thousand (2014: Rs.88 thousand).

	Note	2015	2014
		(Rupees in thousand)	
20. STOCK-IN-TRADE			
Raw materials:			
- at mills		**62,270**	208,628
- in-transit		**70,790**	123,144
		133,060	331,772
Work-in-process		**21,869**	30,070
Finished goods		**34,025**	71,021
		188,954	432,863

20.1 Raw materials and finished goods inventories are pledged with commercial banks as security for short term finance facilities (note 14).

	Note	2015	2014
21. LOANS AND ADVANCES			
Current portion of long term loans		**626**	433
Advances - considered good			
- employees		**1,167**	1,203
- suppliers		**44,393**	3,789
		46,186	5,425
22. DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		**600**	1,805
Short term prepayments		**1,644**	560
		2,244	2,365
23. OTHER RECEIVABLES			
Associated Companies		**0**	915
Letters of credit		**1,215**	970
Others		**43**	39
		1,258	1,924
24. TAXATION - net			
Balance of advance tax at beginning of the year		**76,674**	53,063
Add: income tax deducted / paid during the year		**18,151**	23,611
		94,825	76,674
Less: provision made during the year	**24.2**	**(12,902)**	0
Balance of advance tax at end of the year		**81,923**	76,674

24.1 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 2014.

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

24.3 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.

	2015	2014
	(Rupees in thousand)	
25. SALES - Net		
Own manufactured goods:		
- yarn	**2,453,839**	2,362,717
- waste	**9,457**	0
Trading activities:		
- raw materials	**13,971**	4,773
	2,477,267	2,367,490
Less: sales tax	**71,990**	68,730
	2,405,277	2,298,760

26. COST OF SALES

	Note	2015 (Rupees in thousand)	2014 (Rupees in thousand)
Raw materials consumed	26.1	**1,566,771**	1,571,954
Packing materials consumed		**39,644**	36,335
Salaries, wages and benefits	26.2	**248,433**	214,334
Power and fuel		**192,203**	192,788
Repair and maintenance		**31,227**	29,712
Depreciation		**62,129**	50,486
Insurance		**3,771**	3,066
Vehicle running and maintenance		**1,388**	2,046
Traveling and conveyance		**988**	964
Guest house and entertainment		**881**	978
Textile cess		**29**	29
Others		**3,111**	1,336
		2,150,575	2,104,028
Adjustment of work-in-process			
Opening		**30,070**	24,578
Closing		**(21,869)**	(30,070)
		8,201	(5,492)
Cost of goods manufactured		**2,158,776**	2,098,536
Adjustment of finished goods			
Opening stock		**71,021**	10,909
Closing stock		**(34,025)**	(71,021)
		36,996	(60,112)
		2,195,772	2,038,424

26.1 Raw materials consumed

	2015	2014
Opening stock	**331,772**	420,474
Add:		
Purchases	**1,353,805**	1,477,328
Cost of raw materials sold	**13,428**	4,583
Insurance	**826**	1,341
	1,368,059	1,483,252
	1,699,831	1,903,726
Less: closing stock	**133,060**	331,772
	1,566,771	1,571,954

26.2 These include Rs.14.479 million (2014: Rs.11.724 million) in respect of staff retirement benefits - gratuity.

	Note	2015	2014
		(Rupees in thousand)	
27. DISTRIBUTION COST			
Freight and forwarding		**2,934**	569
Travelling and conveyance		**22**	22
Salaries and benefits	**27.1**	**10,935**	9,526
Rent, rates and utilities		**264**	239
Communication		**163**	146
Insurance		**625**	165
Others		**9**	2
		14,952	10,669

27.1 These include Rs.3.080 million (2014: Rs.2.494 million) in respect of staff retirement benefits - gratuity.

	Note	2015	2014
28. ADMINISTRATIVE EXPENSES			
Directors' remuneration and fees		**6,428**	4,237
Salaries and benefits	**28.1**	**26,072**	23,965
Travelling and conveyance		**755**	581
Rent, rates and taxes		**5,903**	5,646
Entertainment		**1,391**	1,302
Communication		**1,058**	1,233
Printing and stationery		**904**	772
Utilities		**3,509**	3,836
Insurance		**4,863**	3,689
Vehicles' running and maintenance		**3,328**	3,581
Repair and maintenance		**2,821**	879
Advertisement		**127**	135
Subscription		**317**	315
Newspapers & periodicals		**34**	34
Depreciation		**6,868**	7,605
Amortisation		**117**	117
Auditors' remuneration:	**28.2**	**942**	822
Legal and professional (other than Auditors)		**1,630**	438
Others		**570**	640
		67,637	59,827

28.1 These include Rs.4.320 million (2014: Rs.3.498 million) in respect of staff retirement benefits - gratuity.

28.2 Auditors' remuneration

	2015	2014
Statutory audit	**625**	500
Half yearly review	**110**	110
Certification charges	**72**	77
Consultancy services	**120**	120
Out-of-pocket expenses	**15**	15
	942	822

28.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.15.267 million (2014: Rs.7.195 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	2015	2014
		(Rupees in thousand)	
29. OTHER INCOME			
Sale of scrap		**439**	563
Unclaimed payable balances written-back		**107**	23
Reversal of provision for Gas infrastructure Development Cess (GIDC)		**0**	11,529
Exchange fluctuation gain		**0**	1,718
Gain on sale of operating fixed assets	**16.2**	**415**	0
		961	13,833
30. OTHER EXPENSES			
Loss on sale of operating fixed assets		**0**	3,378
Workers' (profit) participation fund		**2,116**	6,170
Workers' welfare fund		**804**	2,345
Donations	**30.1**	**5,750**	2,800
		8,670	14,693

30.1 These include an amount of Rs.3.750 million (2014: Rs.1.800 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

	2015	2014
31. FINANCE COST - Net		
Mark-up on loans from an Associated Company		
- sub-ordinated loan	**11,252**	11,175
- other loan	**0**	3,372
	11,252	14,547
Mark-up on long term financing	**31,217**	20,065
Mark-up on short term borrowings	**24,639**	36,392
Interest on workers' (profit) participation fund	**51**	140
Exchange fluctuation loss	**1,578**	0
Bank and other charges	**1,038**	2,945
	79,775	74,089

	2015	2014
	(Rupees in thousand)	
32. TAXATION		
Current tax	**12,902**	0
Deferred		
- relating to temporary differences	**5,433**	38,011
- resulting from reduction in tax rate	**246**	3,371
	5,679	41,382
	18,581	41,382

33. EARNINGS PER SHARE

33.1 Basic earnings per share

	2015	2014
Profit after taxation attributable to ordinary shareholders	20,851	73,509
	(No. of shares)	
Weighted average number of shares outstanding during the year	**20,800,000**	20,800,000
Earnings per share	**1.00**	3.53

33.2 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, 2015 and June 30, 2014 which would have any effect on the earnings per share if the option to convert is exercised.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.1 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.

34.1.1 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 U.S. Dollar. The Company's exposure to foreign currency risk for U.S. Dollar is as follows:

As at June 30, 2015	**Rupees**	**U.S.$**
	--- in '000 ---	
Gross balance sheet exposure		
Bills payable	**35,936**	**353**
Outstanding letter of credit	**307,681**	**3,025**
Net balance sheet exposure	**343,617**	**3,378**

As at June 30, 2014	Rupees	U.S.$
	--- in '000 ---	
Bills payable	141,328	1,431
Short term borrowings	47,613	482
Net exposure	188,941	1,913

The following significant exchange rates have been applied:

	Average rate		**Balance sheet date rate**	
	2015	2014	**2015**	2014
U.S. $ to Rupee	**101.50**	103.29	**101.70**	98.75

Sensitivity analysis

At June 30, 2015, 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.

	2015	2014
	(Rupees in thousand)	
Effect on profit for the year		
U.S. $ to Rupee	**3,590**	18,891

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:

	2015	**2014**	**2015**	**2014**
	Effective rate		**Carrying amount**	
	%	**%**	**(Rupees in thousand)**	
Financial liabilities				
Variable rate instruments				
Long term loans from an Associated Company	**9.60 to 12.11**	9.44 to 12.27	**100,000**	100,000
Long term financing	**8.16 to 13.46**	11.11 to 13.42	**323,704**	289,234
Short term borrowings	**4.33 to 12.68**	4.33 to 12.68	**260,235**	354,561

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, 2015, 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.6.839 million (2014: Rs.7.438 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.

34.1.2 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, 2015 along with comparative is tabulated below:

	2015	2014
	(Rupees in thousand)	
Long term deposits	**1,137**	1,137
Trade debts	**141,019**	157,724
Security deposits	**600**	1,805
Bank balances	**9,858**	4,528
	152,614	165,194

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	**121,924**	139,166
Past due - more than 30 days	**19,095**	18,558
	141,019	157,724

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.77.577 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.

34.1.3 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, 2015	**--------------- (Rupees in thousand) ----------------**			
Loans from an Associated Company	**100,000**	**136,243**	**9,600**	**126,643**
Long term financing	**323,704**	**380,823**	**103,508**	**277,315**
Trade and other payables	**136,170**	**136,170**	**136,170**	**0**
Accrued mark-up / profit	**13,185**	**13,185**	**13,185**	**0**
Short term borrowings	**260,235**	**266,967**	**266,967**	**0**
	833,294	**933,388**	**529,430**	**403,958**

	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	217,027	217,027	217,027	0
Accrued mark-up / profit	27,837	27,837	27,837	0
Short term borrowings	354,561	383,416	383,416	0
	988,659	1,149,695	763,486	386,209

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.

34.2 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, 2015, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

34.3 Financial instruments by category

Financial assets as per balance sheet	Loans and receivables 2015	2014	Financial liabilities as per balance sheet	Financial liabilities measured at amortised cost 2015	2014
	--- Rupees in '000 ---			--- Rupees in '000 ---	
Long term loans	**1,893**	1,466	Loan from an Associated Company	**100,000**	100,000
Long term deposits	**1,137**	1,137	Long term financing	**323,704**	289,234
Trade debts	**141,019**	157,724	Long term deposits	**1,280**	965
Loans and advances	**626**	433	Trade and other payables	**136,170**	217,027
Deposits and short term prepayments	**600**	1,805	Accrued mark-up / profit	**13,185**	27,837
Other receivables	**43**	954	Short term borrowings	**260,235**	354,561
Bank balances	**9,858**	4,528			
	155,176	168,047		**834,574**	989,624

35. 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.

36. 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:

	2015	2014
	(Rupees in thousand)	
Loans repaid - long term	**0**	30,178
Dividend paid	**20,275**	20,275
Sale of:		
- goods, store items and services	**15,736**	5,737
- fixed assets	**500**	0
Purchase of:		
- goods and services	**68,147**	21,224
- fixed assets	**0**	70
Mark-up paid on loans	**16,312**	14,547

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		**Executives**	
	2015	2014	**2015**	2014
	------------ (Rupees in thousand) ------------			
Managerial remuneration	**6,400**	4,200	**13,449**	12,081
Retirement benefits	**0**	0	**0**	1,049
Medical expenses reimbursed	**0**	17	**298**	279
	6,400	4,217	**13,747**	13,409
Number of persons	**2**	1	**6**	6

37.1 In addition to the above, meeting fees amounting Rs.28 thousand (2014: Rs.20 thousand) were paid to six (2014: six) directors during the current financial year.

38. CAPACITY AND PRODUCTION

		2015	2014
No. of spindles installed		**35**	35
No. of spindles shifts worked		**37,946**	34,044
Rated capacity at 20's count	Kgs	**14,587**	13,159
Actual production 1,095 shifts (2014: 1,095 shifts)	Kgs	**7,274**	6,838
Actual production converted into 20's count	Kgs	**16,826**	14,428

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.

39. OPERATING SEGMENT

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

39.1 Yarn sales represent 99.05% (2014: 99.80%) of the total sales of the Company.

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

39.3 All non-current assets of the Company as at June 30, 2015 are located in Pakistan.

39.4 Two (2014: two) of the Company's customers having sales aggregating Rs.1,078 million (2014: Rs.1,034 million) contributed towards 44% (2014: 45%) of the Company's sales. Each customer individually exceeded 10% of total sales.

40. NUMBER OF EMPLOYEES

	2015	2014
Number of employees as at June 30,		
- Permanent	**997**	1106
- Contractual	**4**	4
Average number of employees during the year		
- Permanent	**1091**	1044
- Contractual	**5**	5

41. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on October 06, 2015 has proposed a final cash dividend of Re. 0.75 (2014: Rs.1.25) per share amounting to Rs. 15.60 million (2014: Rs.26.000 million) for the year ended June 30, 2015. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 30, 2015. 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, 2016.

42. GENERAL

These financial statements were authorised for issue on October 06, 2015 by the Board of Directors of the Company.

ASSAD SAIFULLAH KHAN
CHIEF EXECUTIVE

OSMAN 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 49th Annual General Meeting of the Company to be held on October 30, 2015.

Signed this ____________________________ day of ________________2015

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.