



SAIF GROUP

Kohat Textile Mills Limited



Half-Yearly Report
(Reviewed)
31 December, 2019



ENTITY RATING OF KOHAT TEXTILE MILLS LIMITED

Long Term A-

Short Term A2

Stable outlook

CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Abdul Rehman Qureshi (Chairman)
Hoor Yousafzai
Sardar Amin Ullah Khan

HR & REMUNERATION COMMITTEE

Abdul Rehman Qureshi (Chairman)
Assad Saifullah Khan
Hoor Yousafzai

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sajjad Hussain

HEAD OF INTERNAL AUDIT

Meesam Habib Butt

AUDITORS

Shinewing Hameed Chaudhri & Co.,
Chartered Accountants

LEGAL ADVISORS

Salahuddin Saif & Aslam
(Attorneys at Law)

BANKERS

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

HEAD OFFICE

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

REGISTERED OFFICE

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

SHARE REGISTRAR

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

MILLS

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

WEB SITE

www.kohattextile.com

DIRECTORS' REVIEW REPORT TO THE MEMBERS

Dear Members,

The Directors of your Company take pleasure in presenting before you the financial information of the Company for the first half year ended December 31, 2019, duly reviewed by the statutory auditors.

Operating results

During the period under review, despite a reduced topline (contraction of Rs.29 million or 2% over corresponding period last year) the gross profitability of the Company improved (Rs.150 million vs Rs.132 million) owing to a proportionately higher decrease in cost of sales. The EBITDA also improved to Rs.138 million from Rs.120 million in corresponding period last year. However, the net profitability of the Company was adversely impacted due to exorbitant increase in borrowing costs which more than doubled to Rs.93 million, and thus resulted in a pretax profit of Rs.3 million compared to a profit of Rs.41 million in the same period last year.

Future outlook

The Government is expected to announce Textile Policy for 2020~2025 soon. Draft of Textile Policy includes fixing regionally-competitive energy prices, prompt Sales Tax refunds, Zero Rating, Long Term Financing Facility for the entire textile value chain and establishment of export processing zones etc. These policy measures, if implemented, bode well for the textile industry. We are hopeful that synthetic fiber yarn prices will keep pace with rising raw material costs, and thus expect next quarter to be better than second quarter of the period under review.

Letters of credit for import of machinery under ongoing CAPEX have been established and related civil works are also in progress. This capital expenditure will not only enhance the production capacity but will also improve product quality which will allow us to enter new markets. Ongoing CAPEX will also help the Company reduce its operational expenses by improving efficiencies.

Acknowledgement

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

For and on Behalf of the Board



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAAHEEN UD DIN QURESHI
Director

Place : Islamabad
Dated : February 28, 2020

ڈائریکٹرز کی جائزہ رپورٹ برائے تھمص یافتگان

محترم تھمص یافتگان

آپ کی کمپنی کے ڈائریکٹرز قانونی آڈیٹرز کی جانب سے جائزہ لی گئی ششماہی اختتامی دسمبر 31، 2019 کی مالیاتی رپورٹ آپ کے سامنے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

آپریٹنگ نتائج

زیر جائزہ مدت کے دوران اوپر کی سطر میں کمی کے باوجود (29 ملین روپے یا 2 فی صد کی تقابلی سائل کے برعکس) کمپنی کے مجموعی منافع میں اضافہ (150 ملین روپے مقابلہ 132 ملین روپے) ہوا جو کہ پیداواری لاگت میں نسبتاً زیادہ کی وجہ سے تھا۔ تاہم کمپنی کے منافع پر ادھار کی لاگت میں بے حد اضافہ جو کہ دو گنا سے بھی زیادہ ہے، نے منفی اثرات مرتب کیے، جو کہ ٹیکس کی کٹوتی سے پہلے 3 ملین روپے پر منتج ہوا جو تقابلی سال میں 41 ملین روپے تھا۔

مستقبل کا نقطہ نظر

متوقع ہے کہ گورنمنٹ ٹیکسٹائل پالیسی 2020-2025 جلد ہی جاری کرے گی۔ ٹیکسٹائل پالیسی کے ڈرافٹ میں علاقائی تقابلی توانائی کی قیمت کو مختص کرنا، سبز ٹیکس کے فوری ریفرنڈم، تمام ٹیکسٹائل ویلیو چین کے لیے لمبے عرصہ کی سرمایہ کاری کی سہولت اور ایکسپورٹ پروسنگ زونز کی تعمیر ہے۔ یہ پالیسی اقدامات لاگو ہونے کے بعد ٹیکسٹائل انڈسٹری کیلئے نیک شگون ثابت ہوں گے۔ ہم پُر امید ہیں کہ سینٹھلیک بابر کی قیمتیں، بڑھتی ہوئی خام مال کی لاگت کے مطابق بڑھیں گی اور اگلی سہ ماہی زیر جائزہ سہ ماہی کے مقابلے میں بہتر رہے گی۔ جاری سرمایہ کاری کی درآمدی مشینری کے لیٹرز آف کریڈٹ قائم ہو چکے ہیں اور سول ورکس کا کام بھی جاری ہے۔ یہ سرمایہ کاری نہ صرف ہماری پیداواری قابلیت کو بڑھائے گی بلکہ ہمارے پروڈکٹ کے معیار کو بہتر بنائے گی جو کہ ہمیں نئی منڈیوں میں شامل ہونے کے قابل بنائے گی۔ جاری سرمایہ کاری آپریٹل خرچہ جات کو کم کرے گی جو کہ کارکردگی کی بہتری کی وجہ سے ممکن ہوا۔

اظہار تشکر

بورڈ کمپنی کے کارکنان، سٹاف اور ایگزیکٹوز کی کارکردگی پر ان کو خراج تحسین پیش کرتا ہے۔ مزید براں بورڈ ہمارے ٹیکسٹرز اور معزز گاہکوں کے تعاون کا شکر گزار ہے۔ ہم آئندہ دنوں میں اسی لگن اور تعاون کی امید کرتے ہیں۔

مخائب بورڈ ہذا

سید

ذہین الدین قریشی

ڈائریکٹر

Asim S. Khan

اسد سیف اللہ خان

چیف ایگزیکٹو آفیسر

مقام: اسلام آباد

تاریخ: 28 فروری 2020

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Kohat Textile Mills Limited** (the Company) as at December 31, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (herein-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

Scope of Review

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

Conclusion

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

Emphasis of Matter

Without qualifying our conclusion, we draw your attention to the note 8.1.2 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.592.351 million.

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

Shinewing Hameed Chaudhri & Co.

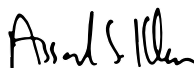
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Place: Lahore
Dated: February 28, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

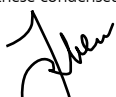
AS AT DECEMBER 31, 2019

	Note	Un-audited December 31, 2019	Audited June 30, 2019
(Rupees in thousand)			
Assets			
Non-Current Assets			
Property, plant and equipment	4	2,362,035	2,348,712
Intangible assets		1,001	1,355
Long term investment		2,500	2,500
Long term loans		1,900	1,459
Long term deposits		1,137	1,137
		2,368,573	2,355,163
Current Assets			
Stores, spare parts and loose tools		36,369	36,061
Stock-in-trade		580,009	668,237
Trade debts		448,635	307,669
Loans and advances		9,640	6,185
Deposits, other receivables and prepayments		14,047	17,086
Taxation - net		62,728	75,263
Sales tax refundable		22,694	41,216
Cash and bank balances		11,993	7,305
		1,186,115	1,159,022
		3,554,688	3,514,185
Equity and Liabilities			
Share Capital and Reserves			
Authorized capital			
22,000,000 ordinary shares of Rs.10 each		220,000	220,000
Issued, subscribed and paid up capital		208,000	208,000
Revenue reserve			
- Unappropriated profit		248,430	259,507
Capital reserve			
- Surplus on revaluation of Property, Plant and Equipment		1,232,459	1,240,388
		1,688,889	1,707,895
Non-Current Liabilities			
Loan from the Holding Company		100,000	100,000
Long term financing	5	160,414	183,741
Long term deposits		1,657	1,877
Lease liabilities	6	14,256	10,779
Deferred liability - staff retirement benefits		130,339	115,979
Deferred taxation - net		150,115	168,317
		556,781	580,693
Current Liabilities			
Trade and other payables		241,498	394,290
Contract liabilities		2,298	4,099
Accrued mark-up/ profit		44,539	33,320
Short term borrowings	7	937,509	699,557
Current portion of non-current liabilities		79,320	90,567
Unpaid dividend		167	77
Unclaimed dividend		3,687	3,687
		1,309,018	1,225,597
Contingencies and commitments			
	8		
		3,554,688	3,514,185

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

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

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Note	Quarter ended		Six months period ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31 2018
(Rupees in thousand)					
Sales - net	9	739,914	745,649	1,312,097	1,341,200
Cost of sales		(670,043)	(687,163)	(1,161,976)	(1,208,772)
Gross profit		69,871	58,486	150,121	132,428
Distribution cost		(6,704)	(6,690)	(11,907)	(10,607)
Administrative expenses		(20,447)	(16,548)	(41,001)	(32,121)
Other expenses		(404)	(2,546)	(1,964)	(5,211)
Other income		1,108	439	1,210	439
Profit from operations		43,424	33,141	96,459	84,928
Finance cost		(50,517)	(26,115)	(93,172)	(44,365)
(Loss) / profit before taxation		(7,093)	7,026	3,287	40,563
Taxation	10	7,596	(16,012)	(1,493)	(2,964)
Profit / (loss) after taxation		503	(8,986)	1,794	37,599
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss)		503	(8,986)	1,794	37,599

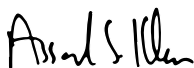
----- Rupees -----

Earnings / (loss) per share

- basic and diluted

0.02	(0.43)	0.09	1.81
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The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAAHEEN UD DIN QURESHI
Director



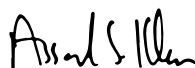
NOUMAN AHMAD
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Six months period ended	
	December 31, 2019	December 31, 2018
	(Rupees in thousand)	
Cash flows from operating activities		
Profit for the period - before taxation	3,287	40,563
Adjustments for non-cash charges and other items:		
Depreciation	39,297	34,304
Amortisation	354	354
Staff retirement benefits - gratuity (net)	14,360	8,911
(Gain) / loss on sale of operating fixed assets	(7)	786
Finance cost	93,172	44,365
Profit before working capital changes	150,463	129,283
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(308)	1,148
Stock-in-trade	88,228	(46,359)
Trade debts	(140,966)	65,548
Loans and advances	(3,455)	3,563
Deposits, other receivables and prepayments	3,039	1,148
Sales tax refundable	18,522	(5,151)
(Decrease) / increase in current liabilities:		
Trade and other payables	(152,792)	(126,977)
Contract liabilities	(1,801)	4,795
	(189,533)	(102,285)
Cash (used in) / generated from operating activities	(39,070)	26,998
Income taxes paid	(7,160)	(9,165)
Long term loans - net	(441)	392
Net cash (used in) / generated from operating activities	(46,671)	18,225
Cash flow from investing activities		
Additions in property, plant and equipment	(53,242)	(34,473)
Sale proceeds of operating fixed assets	629	1,310
Net cash used in investing activities	(52,613)	(33,163)
Cash flows from financing activities		
Long term financing - obtained	3,076	66,654
- repaid	(38,749)	(28,029)
Lease liabilities	4,576	(408)
Long term deposits	(220)	220
Short term borrowings - net	237,952	30,064
Dividend paid	(20,710)	(15,505)
Finance cost paid	(81,953)	(37,743)
Net cash generated from financing activities	103,972	15,253
Net increase in cash and cash equivalents	4,688	315
Cash and cash equivalents - at beginning of the period	7,305	9,066
Cash and cash equivalents - at end of the period	11,993	9,381

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



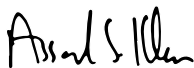
NOUMAN AHMAD
Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

	Share capital	Revenue reserves	Capital reserve	Total
		Unappropriated profit	Revaluation surplus on property, plant and equipment	
(Rupees in thousand)				
Balance as at July 01, 2019 (audited)	208,000	259,507	1,240,388	1,707,895
Transaction with owners				
Cash dividend for the year ended June 30, 2019 at the rate of Re.1 per share	-	(20,800)	-	(20,800)
Total comprehensive income for the six months period ended December 31, 2019	-	1,794	-	1,794
Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation (net of deferred taxation)	-	7,929	(7,929)	-
Balance as at December 31, 2019 (un-audited)	208,000	248,430	1,232,459	1,688,889
Balance as at July 01, 2018 (audited)	208,000	181,864	438,263	828,127
Transaction with owners				
Cash dividend for the year ended June 30, 2018 at the rate of Re.0.75 per share	-	(15,600)	-	(15,600)
Total comprehensive income for the six months period ended December 31, 2018	-	37,599	-	37,599
Surplus on revaluation of property, plant and equipment for the six months realised during the period (net of deferred taxation):				
- on account of incremental depreciation	-	6,997	(6,997)	-
- upon sale of revalued assets	-	34	(34)	-
Balance as at December 31, 2018 (un-audited)	208,000	210,894	431,232	850,126

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

Kohat Saifabad	Purpose Mills / factory
Peshawar APTMA House, Tehkal Payan, Jamrud Road	Registered office
Rawalpindi City centre, Main Bank Road, Saddar Cantt	Head office
Karachi 2nd Floor, The Plaza, Block-9, Clifton	Marketing office
Faisalabad Sooter mandi	Marketing office

1.2 The Company is a Subsidiary Company of Saif Holding Limited (the Holding Company) as 77.98% (2019: 77.98%) of the Company's issued, subscribed and paid-up capital is held by the Holding Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

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

2.1.2 These condensed interim financial statements does not include all the information and disclosures as required in an annual audited financial statements, and these should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2019. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

2.2 New standards, amendments to approved accounting standards and interpretations that are effective during the period

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for accounting periods beginning on or after July 1, 2019 but are

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned below:

Adoption of IFRS 16 'Lease'

The Company has adopted IFRS 16, 'Leases' which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC-15 'Operating leases - incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a lease'. IFRS 16 has introduced single, on balance sheet accounting model for all lessees. Adoption of IFRS 16 resulted in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under IFRS 16, a new concept of right-of-use leased item is introduced requiring recognition of right-of-use asset and a financial liability to pay rentals. The only exceptions are short-term and low-value leases.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach the cumulative effect of the initial application is to be recognised in the retained earnings as on July 01, 2019. Accordingly, the comparative information presented for June 30, 2019 need not to be re-stated i.e. it is presented, as previously reported under IAS 17. The adoption of IFRS 16 did not have a material effect on the Company's financial reporting except for the reclassification of leased assets as right-of-use assets (refer note 4).

The Company has elected not to recognise right-of-use assets and its corresponding liabilities in respect of low-value leases and for the operating leases having a remaining lease term of 12 months or less.

2.3 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2019.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2019.

4. PROPERTY, PLANT AND EQUIPMENT

		Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
	Note		
Operating fixed assets - tangible	4.1	2,306,977	2,305,073
Capital work-in-progress		8,143	219
Right-of-use assets	4.2	20,477	-
Stores held for capital expenditure		26,438	43,420
		2,362,035	2,348,712

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

4.1 Operating fixed assets - tangible	Note	Un-audited December 31, 2019 (Rupees in thousand)	Audited June 30, 2019
Book value at beginning of the period / year		2,305,073	1,227,789
Revaluation adjustments during the period / year		-	842,494
Additions during the period / year	4.1.1	56,817	319,742
Disposals costing Rs.2.399 million (June 30, 2019: Rs.42.213 million)			
- at net book value		(622)	(12,141)
Right-of-use assets		(14,994)	
Depreciation charge for the period / year		(39,297)	(72,811)
Book value at end of the period / year		2,306,977	2,305,073
4.1.1 Additions during the period / year:			
Buildings on freehold land			
- factory		1,157	21,550
- non - factory		827	1,340
- residential		732	6,855
Plant & machinery		33,940	245,402
Gas fired power plant		18,794	21,131
Electric installations		236	4,363
Equipment & appliances		807	4,271
Fire extinguishing equipment		-	100
Furniture & fixtures		324	1,581
Vehicles - owned		-	1,229
Vehicles - leased		-	11,920
		56,817	319,742
4.2 Right-of-Use Assets			
Opening balance		-	-
Transfer from operating assets		14,994	-
Additions during the period		6,987	-
Depreciation for the period		(1,504)	-
Closing balance		20,477	-
5. LONG TERM FINANCING - Secured			
Balance at beginning of the period / year		271,863	261,361
Add: disbursements during the period / year	5.1	3,076	66,655
Less: repayments made during the period / year		(38,749)	(56,153)
Balance at end of the period / year		236,190	271,863
Less: current portion grouped under current liabilities		(75,776)	(88,122)
		160,414	183,741

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

- 5.1 The Company, during the period, arranged a demand finance facility of Rs.250 million from National Bank of Pakistan. The bank, against the said facility, disbursed Rs.3.075 million during the period. This finance facility is repayable in 20 equal quarterly instalments commencing December, 2020. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points per annum payable quarterly and is secured against first pari passu charge over present and future fixed assets of the Company for Rs.333.333 million.
- 5.2 Except for the above new facility obtained by the Company, all other terms and conditions of long term financing are materially same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2019. Effective mark-up rates charged, during the current period, ranged from 12.05% to 14.90% (June 30, 2019: 7.51% and 12.20%) per annum.

6. LEASE LIABILITIES

- 6.1 The Company, during the period, acquired two vehicles from First Habib Modaraba Limited against a Diminishing Musharaka facility of Rs.20 million. The liabilities under this finance arrangement are repayable in 60 monthly instalments ending various dates, and carry mark-up at the rate of 6-months KIBOR + 1.20% per annum. The Company intends to exercise its option to purchase the vehicles upon completion of lease terms. The liabilities are secured against title of the leased vehicles in the name of the bank.
- 6.2 Except for the above, there is no material change in the terms and conditions of lease liabilities as disclosed in audited annual financial statements of the Company for the year ended June 30, 2019.

7. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.1,025 million (June 30, 2019: Rs.1,125 million). These facilities, during the period, carried mark-up / profit at the rates ranged from 11.85% to 15.00% (June 30, 2019: 7.49% to 14.06%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.978 million (June 30, 2019: Rs.770 million) of which the amounts aggregated Rs.696.469 million (June 30, 2019: Rs.389.083 million) remained unutilised at the reporting date. The aggregate facilities are secured against pledge of raw materials & finished goods, charge on fixed and current assets of the Company, lien on documents of title to imported goods. These facilities are expiring on various dates by September, 2020.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- 8.1.1 Guarantees aggregating Rs.88.462 million (June 30, 2019: Rs.83.962 million) have been issued by the banks of the Company to Sui Northern Gas Pipeline Limited and Excise and Taxation Department, Karachi. These guarantees are secured against pari passu charge over the Company's fixed and current assets.
- 8.1.2 The Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication. During the period, on request of the Government of Pakistan, SCP is conducting hearing of this case.

Sui Northern Gas Pipelines Limited, along with gas bill for the month of December, 2019, has raised GIDC demands aggregating Rs.592.351 million which are payable in case of an adverse judgment by the SCP. Provisions for the GIDC demands aggregating Rs.592.351 million have not been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

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

8.2 Commitments

Commitments against irrevocable letters of credit outstanding at the period-end were for Rs.85.960 million (June 30, 2019: Rs.26.983 million).

9. SALES - Net

- 9.1 Detail of the Company's revenue from contracts with customers is as follows:

	Quarter ended		Six months period ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Rupees in thousand)			
Own manufactured goods:				
- yarn	732,974	741,673	1,305,157	1,334,940
- waste	6,940	3,976	6,940	6,260
	739,914	745,649	1,312,097	1,341,200

- 9.2 All the contacts were with the local customers under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

10. TAXATION - net

- 10.1 Income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto Tax Year 2018. Income tax return for the Tax Year 2019 has been filled subsequent to the period end.
- 10.2 Provision for taxation made for the current period represent minimum tax payable under section 113 of the Ordinance.

11. TRANSACTIONS WITH RELATED PARTIES

11.1 Significant transactions with related parties are as follows:

Relationship	Nature of transactions	Un-audited Six months period ended	
		December 31, 2019	December 31, 2018
(Rupees in thousand)			
i) Holding Company			
	- dividend paid	13,787	12,165
	- mark-up charged on loan	7,794	4,436
	- shared expenses	194	103
ii) Associated Companies			
	- sale of fixed assets	-	1,310
iii) Key management personnel			
		17,548	12,491
		Un-audited December 31, 2019	Audited June 30, 2019
(Rupees in thousand)			

11.2 Period / year end balances are as follows:

Loan from the Holding Company	100,000	100,000
Trade and other payables	194	98
Accrued mark-up / profit	3,967	3,258

12. FINANCIAL RISK MANAGEMENT

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

There has been no change in the Company's sensitivity to these risks since June 30, 2019, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the period.

These condensed interim financial statements does not include all financial risk management information and disclosures as are required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2019.

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2019

13. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

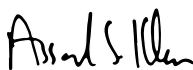
14. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2019, whereas, the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial statements of the Company for the six months period ended December 31, 2018.

15. GENERAL

15.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 28, 2020.

15.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer



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