



SAIF GROUP



KOHAT TEXTILE MILLS LIMITED

HALF YEARLY REPORT
(REVIEWED)
DECEMBER 31, 2022



ENTITY RATING OF KOHAT TEXTILE MILLS LIMITED

Long Term	A-
Short Term	A2

Stable outlook

CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

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COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HR & REMUNERATION COMMITTEE

Abdul Rehman Qureshi (Chairman)
Assad Saifullah Khan
Hoor Yousafzai

CHIEF FINANCIAL OFFICER

Abid Hussain

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 / MODARABA

Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Limited
First Habib Modaraba
Habib Metropolitan Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak China Investment Company Limited
Soneri Bank Limited
The Bank of Punjab
The Bank of Khyber
United Bank Limited

HEAD OFFICE

4th Floor, Kashmir Commercial Complex,
Fazal-e-Haq Road, Blue Area
Islamabad
Phone : (051) 2604733-5
Fax : (051) 2604732
email : ktm@saifgroup.com

REGISTERED OFFICE

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

MILLS

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

SHARE REGISTRAR

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

WEB SITE

www.kohattextile.com

DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

The Directors of your company take pleasure in presenting before you the financial statements of the Company for the half year ended December 31, 2022, duly reviewed by the statutory auditors.

Financial highlights

Company's sales improved from Rs.2,199 million to Rs.2,544 million depicting an improvement of 16% over the last period. However, the growth in topline was more than offset by increase in raw material and energy costs, which resulted in a decline in gross profitability (Rs.353 million in the current period, against Rs.422 million for the same period last year). Moreover, the net profitability was adversely impacted by steep rise in KIBOR rates. Resultantly, the Company posted a pre-tax profit of Rs.37 million as against Rs.246 million same period last year. The Company is regular in debt servicing with all banks and plant operated at full capacity during the period.

Future outlook

While domestic stabilization efforts are under way, the overall global and local demand contraction in textiles is expected to continue to impact sales growth. Similarly, on the cost side, inflation (particularly energy costs) and higher borrowing costs will adversely impact the profitability. However, a silver lining exists in the shape of recent PKR devaluation and a rebound in global yarn prices which is expected to translate into higher prices in the local market as well.

Acknowledgement

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

For and on Behalf of the Board



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director

Place : Islamabad
Dated : February 28, 2023

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

عزیر ممبران :

آپ کی کمپنی کے ڈائریکٹرز انتہائی مسرت کے ساتھ 31 دسمبر 2022 کو ختم ہونے والی کمپنی کی نصف سالہ مالیاتی رپورٹ پیش کرتے ہیں، جو کہ قانونی آڈیٹرز کی جانب سے جائزہ شدہ ہے۔

مالیاتی جائزہ

کمپنی کی فروخت تقابلی عرصہ کے مقابل 16 فی صد اضافے کے ساتھ 2,199 ملین روپے سے بڑھ کر 2,544 ملین روپے ہوئی۔ تاہم فروخت میں اضافے سے زیادہ خام مال اور توانائی کی لاگت میں زیادہ اضافہ ہوا جس سے مجموعی منافع میں کمی ہوئی (حالیہ عرصہ میں 353 ملین روپے بالمقابل 222 ملین روپے گزشتہ تقابلی عرصہ میں)۔ مزید برآں خالص منافع KIBOR میں مسلسل اضافے سے متاثر ہوا۔ نتیجاً کمپنی نے ٹیکس سے قبل 37 ملین روپے منافع کمایا جو کہ تقابلی عرصہ میں 246 ملین روپے تھا۔ کمپنی تمام بیکنوں کے ساتھ قرضوں کی ادائیگی میں باقاعدگی رہی۔ اور اس عرصہ میں پلانٹ مکمل استظاعت پر چلا۔

مستقبل کا نقطہ نظر

جب کہ ملکی استحکام کی کوششیں جاری ہیں ٹیکسٹائل کی طلب میں مجموعی طور پر عالمی اور مقامی کمی، فروخت میں بڑھوتری پر اثر انداز ہوگی۔ اسی طرح، لاگت کے حوالے سے، افراط زر (بالخصوص توانائی کی لاگت) اور قرضے کی لاگت سے منافع پر منفی اثرات مرتب ہوں گے۔ تاہم روپے کی قدر میں حالیہ کمی اور دھاگے کی عالمی قیمتوں میں اضافے سے مقامی قیمتوں میں اضافے کی توقع کی جاسکتی ہے۔

اظہار تشکر

ڈائریکٹرز کمپنی کے ممبران، مالی اداروں اور گاہکوں کے تعاون اور معاونت کے شکرگزار ہیں۔ ڈائریکٹرز ملازمین کی مستقل خدمات، وفاداری اور کاوشوں کی بھی قدر دانی کرتے ہیں۔ ہم مستقبل میں اسی تعاون اور لگن کی امید کرتے ہیں۔

منجانب بورڈ ہذا



رانا محمد شفیع
ڈائریکٹر

Asad S Khan

اسد سیف اللہ خان
چیف ایگزیکٹو آفیسر

مقام: اسلام آباد

تاریخ: فروری 28، 2023

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF KOHAT TEXTILE MILLS LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Kohat Textile Mills Limited** (the Company) as at December 31, 2022 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, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2022.

Scope of Review

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

Conclusion

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

Emphasis of Matter

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

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

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Place: Lahore

Dated: February 28, 2023

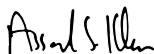
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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	Note	Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022
Assets			
Non-Current Assets			
Property, plant and equipment	4	5,078,972	4,985,146
Long term investment		4,906	2,375
Long term loans		1,215	1,022
Long term deposits		14,328	13,894
		5,099,421	5,002,437
Current Assets			
Stores, spare parts and loose tools		51,455	50,204
Stock-in-trade		1,419,090	1,156,684
Trade debts		1,107,182	1,055,353
Loans and advances		3,236	8,496
Deposits, other receivables and prepayments		14,459	15,477
Sales tax refundable		12,689	-
Cash and bank balances		16,643	4,176
		2,624,754	2,290,390
		7,724,175	7,292,827
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
22,000,000 ordinary shares of Rs.10 each		220,000	220,000
Issued, subscribed and paid up capital		208,000	208,000
Revenue reserve			
- Unappropriated profit		843,134	815,283
Capital reserve			
- Surplus on revaluation of Property, Plant and Equipment		2,593,429	2,601,724
Unrealised loss on financial assets at fair value through other comprehensive income		(94)	(125)
		3,644,469	3,624,882
Non-Current Liabilities			
Loan from the Holding Company		30,000	60,000
Long term financing	5	649,226	776,897
Long term deposits		4,706	3,756
Lease liabilities		2,328	4,426
Deferred income - government grant		83,337	35,792
Deferred liability - staff retirement benefits		184,770	169,826
Deferred taxation - net		285,255	299,374
		1,239,622	1,350,071
Current Liabilities			
Trade and other payables		399,969	772,402
Contract liabilities		1,064	850
Accrued mark-up / profit		123,596	62,560
Short term borrowings	6	2,052,315	1,203,169
Current portion of non-current liabilities		253,632	246,048
Unpaid dividend		209	209
Unclaimed dividend		939	939
Taxation - net		8,360	31,697
		2,840,084	2,317,874
Contingencies and commitments	7	7,724,175	7,292,827

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director



ABID HUSSAIN
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, 2022

	Note	Quarter ended		Six months period ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
(Rupees in thousand)					
Sales - net	8	1,402,774	1,106,783	2,544,149	2,198,829
Cost of sales		(1,231,279)	(909,251)	(2,191,189)	(1,776,345)
Gross profit		171,495	197,532	352,960	422,484
Distribution cost		(16,683)	(10,897)	(33,784)	(21,612)
Administrative expenses		(39,224)	(31,410)	(77,413)	(61,379)
Other expenses		(2,490)	(13,715)	(5,592)	(22,377)
Other income		14,935	2,538	15,938	2,587
Profit from operations		128,033	144,048	252,109	319,703
Finance cost		(118,071)	(39,779)	(214,862)	(73,160)
Profit before taxation		9,962	104,269	37,247	246,543
Taxation	9	(8,690)	(72,016)	(17,691)	(114,184)
Profit after taxation		1,272	32,253	19,556	132,359
Other comprehensive income		31	150	31	150
Total comprehensive income		1,303	32,403	19,587	132,509

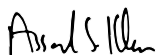
----- Rupees -----

Earnings per share

- basic and diluted

	0.06	1.55	0.94	6.36
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The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director



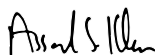
ABID HUSSAIN
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Six months period ended	
	December 31, 2022	December 31, 2021
	(Rupees in thousand)	
Cash flows from operating activities		
Profit for the period - before taxation	37,247	246,543
Adjustments for non-cash charges and other items:		
Depreciation	75,433	53,356
Staff retirement benefits - gratuity (net)	14,944	10,480
Unclaimed payable balances written-back	(1,521)	-
Loss on sale of operating fixed assets	-	1,879
Finance cost	214,862	73,160
Profit before working capital changes	340,965	385,418
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(1,251)	(3,472)
Stock-in-trade	(262,406)	(513,857)
Trade debts	(51,829)	(239,460)
Loans and advances	5,260	(2,675)
Deposits, other receivables and prepayments	1,018	567
Sales tax refundable	(12,689)	(21,633)
(Decrease) / increase in current liabilities:		
Trade and other payables	(371,780)	(72,226)
Contract liabilities	214	312
	(693,463)	(852,444)
Cash used in operating activities	(352,498)	(467,026)
Income taxes paid	(55,147)	(25,641)
Long term loans - net	(193)	(11)
Net cash used in operating activities	(407,838)	(492,678)
Cash flow from investing activities		
Additions in property, plant and equipment	(169,259)	(295,928)
Sale proceeds of operating fixed assets	-	13,152
Long term investment made	(2,500)	-
Net cash used in investing activities	(171,759)	(282,776)
Cash flows from financing activities		
Long term financing - obtained	128,939	249,303
- repaid	(201,812)	(109,569)
Loan from the Holding Company- repaid	(30,000)	(10,000)
Lease liabilities	(1,333)	(3,090)
Long term deposits	950	504
Short term borrowings - net	849,146	735,754
Dividend paid	-	(20,730)
Finance cost paid	(153,826)	(60,210)
Net cash generated from financing activities	592,064	781,962
Net increase in cash and cash equivalents	12,467	6,508
Cash and cash equivalents - at beginning of the period	4,176	6,000
Cash and cash equivalents - at end of the period	16,643	12,508

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director



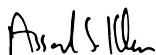
ABID HUSSAIN
Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

Share capital	Revenue reserves	Capital reserve	Unrealised (loss) / gain on financial assets at fair value through other comprehensive income	Total	
	Unappropriated profit	Revaluation surplus on property, plant and equipment			
(Rupees in thousand)					
Balance as at July 01, 2022 (audited)	208,000	815,283	2,601,724	(125)	3,624,882
Total comprehensive income for the six months period ended December 31, 2022					
Profit for the period	-	19,556	-	-	19,556
Other comprehensive income	-	-	-	31	31
	-	19,556	-	31	19,587
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)	-	8,295	(8,295)	-	-
Balance as at December 31, 2022 (un-audited)	208,000	843,134	2,593,429	(94)	3,644,469
Balance as at July 01, 2021 (audited)	208,000	535,375	1,205,777	(150)	1,949,002
Transactions with owners					
Cash dividend for the year ended June 30, 2021 at the rate of Re.1 per share	-	(20,800)	-	-	(20,800)
Total comprehensive income for the six months period ended December 31, 2021					
Profit for the period	-	132,359	-	-	132,359
Other comprehensive income	-	-	-	150	150
	-	132,359	-	150	32,509
Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental					
- on account of incremental depreciation	-	7,157	(7,157)	-	-
- on sale of revalued assets	-	2,399	(2,399)	-	-
Balance as at December 31, 2021 (un-audited)	208,000	656,490	1,196,221	-	2,060,711

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director



ABID HUSSAIN
Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

Kohat	Purpose
Saifabad	Mills / factory
Peshawar	
APTMA House, Tehkal Payan, Jamrud Road	Registered office
Islamabad	
4 th Floor, Kashmir Commercial Complex, Fazal-e-haq road, Blue Area	Head office
Karachi	
Plot No. 36, New Karachi Cooperative Housing Society Near Dolmen Mall Tariq Road	Marketing & Sales office
Faisalabad	
P-17, Near Allied Bank Ltd, Montgomery Bazar,	Marketing & Sales office

1.2 The Company is a Subsidiary Company of Saif Holding Limited (the Holding Company) as 77.98% (June 30, 2022: 77.98%) of the Company's issued, subscribed and paid-up capital is held by the Holding Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

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

2.1.2 These condensed interim financial statements does not include all the information and disclosures as required in an annual audited financial statements, and these should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2022. These condensed interim financial statements are being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

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

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are effective for accounting periods beginning on January 01, 2023 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

2.4 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2022.

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, 2022.

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

4. PROPERTY, PLANT AND EQUIPMENT		Un-audited December 31, 2022	Audited June 30, 2022
		(Rupees in thousand)	
	Note		
Operating fixed assets - tangible	4.1	5,028,271	4,892,551
Capital work-in-progress		-	46,883
Right-of-use assets	4.2	7,782	9,270
Stores held for capital expenditure		42,919	36,442
		5,078,972	4,985,146
4.1 Operating fixed assets - tangible			
Book value at beginning of the period / year		4,892,551	2,735,572
Revaluation adjustments during the period / year		-	1,452,628
Additions during the period / year	4.1.1	209,515	860,646
Transfer from right of use to owned		-	2,065
Disposals costing Rs.Nil (June 30, 2022: Rs.134.235 million)			
- at net book value		-	(51,097)
Depreciation charge for the period / year		(73,795)	(107,263)
Book value at end of the period / year		5,028,271	4,892,551
4.1.1 Additions during the period / year			
Buildings on freehold land			
- factory		59,340	143,369
- non - factory		749	705
- residential		3,324	11,677
Plant & machinery		63,787	607,015
Gas fired power plant		2,050	25,109
Electric installations		79,310	49,455
Equipment & appliances		697	1,761
Fire extinguishing equipment		210	255
Furniture & fixtures		48	4,322
Vehicles		-	16,978
		209,515	860,646
4.1.2 Borrowing cost during the current financial period ranged from 4.00% to 16.71% (June 30, 2022: 4.00% to 15.56%) per annum amounting Rs.5.526 million (June 30, 2022: Rs.14.207 million) has been included in the cost of electric installations (June 30, 2022: Plant and machinery).			
		Un-audited December 31, 2022	Audited June 30, 2022
		--- Rupees in '000 ---	
4.2 Right-of-Use Assets			
Book value at beginning of the period / year		9,270	14,998
Reassessment due to mark-up rate change		150	378
Depreciation charge for the period / year		(1,638)	(4,041)
Transferred to own assets		-	(2,065)
Book value at end of the period / year		7,782	9,270
5. LONG TERM FINANCING - Secured			
Balance at beginning of the period / year		1,007,311	833,267
Add: disbursements during the period / year	5.1	63,297	461,213
Less: repayments made during the period / year		(201,812)	(287,169)
Balance at end of the period / year		868,796	1,007,311
Less: current portion grouped under current liabilities		(219,570)	(230,414)
		649,226	776,897

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

- 5.1 The Company, during the period, arranged a long term finance facility amounted Rs.50 million from Bank Alfalah Limited to finance the installation of Solar Power Project under Category-II of SBP Financing Scheme for Renewable Energy. This finance facility is repayable in 40 equal monthly instalments, commencing January, 2023. This finance facility carries mark-up at the rate of SBP rate plus 1% per annum payable quarterly; effective mark-up rate charged, during the current financial period, ranged from 4% to 16.71% per annum. This finance facility is secured against 1st PP charge over entire fixed assets of the Company with 25% margin amounting to 66.667 million to be registered with SECP.
- 5.2 Except for the above new facilities obtained by the Company, all other terms and conditions of long term financing are materially same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2022. Effective mark-up rates charged, during the current period, ranged from 3.00% to 16.87% (June 30, 2022: 4.00% and 14.41%) per annum.

6. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.2,660 million (June 30, 2022: Rs.1,780 million). These facilities, during the period, carried mark-up / profit at the rates ranged from 15.55% to 18.05% (June 30, 2022: 8.27% to 16.18%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.1,983.60 million (June 30, 2022: Rs.1,961 million) of which the amounts aggregated Rs.1,672.41 million (June 30, 2022: Rs.1,353.110 million) remained unutilised at the reporting date. The aggregate facilities are secured against pledge of raw materials & finished goods, charge on fixed and current assets of the Company, lien on documents of title to imported goods. These facilities are expiring on various dates by December, 2023.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

- 7.1.1 Guarantees aggregating Rs.132.481 million (June 30, 2022: Rs.121.162 million) have been issued by the banks of the Company to Sui Northern Gas Pipeline Limited and Excise and Taxation Department, Karachi. These guarantees are secured against pari passu charge over the Company's fixed assets.
- 7.1.2 The Gas Infrastructure Development Cess ("GIDC") was initially imposed as a levy on gas consumers in 2011 vide GIDC Act 2011. The said Act was challenged in Peshawar High Court ("PHC") that declared the levy of GIDC unconstitutional. The Government challenged the PHC's decision in the Supreme Court of Pakistan ("SCP"). The SCP upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said decision, GIDC Ordinance 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from 15th December 2011. While the Ordinance was still in the field, the Government sought a review of the SCP's decision which was also dismissed by the SCP.

In May 2015, the government passed the GIDC Act 2015 whereby GIDC was again imposed on gas consumers. The Company filed the writ petition in the PHC and challenged the validity of the GIDC Act 2015. The PHC dismissed the writ petition of the Company vide its judgment dated May 31, 2017, and declared the GIDC Act 2015 to be intra vires the Constitution. The Company preferred an appeal to the SCP against the said judgment of PHC. The SCP vide its detailed judgment dated August 13, 2020 declared the GIDC Act 2015 as valid and constitutional. The SCP in its said judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their end customers/clients. Subsequently, the Company, filed a review petition against the said decision of the SCP for waiver of the full amount of GIDC Cess on the ground that the Company, being spinning unit and producing raw material for weaving sector, has not passed on the burden of

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

GIDC to its customers. The SCP dismissed the afore-mentioned review petition vide its judgment dated November 02, 2020, however, SCP mentioned in its said judgment that the companies claiming any relief under GIDC Act 2015 may approach the right forum. In case of adverse decision the contingent liability aggregates to the tune of Rs.97.630 million, calculated on the basis of applicable rate for industry from June, 2015 to October, 2018 because from October 2018 the gas tariff is inclusive of all charges including GIDC and therefore GIDC is not applicable afterwards. However, SNGPL has raised the demand against GIDC of Rs.319.934 million in their bill.

In February 2021, the Company filed a writ petition No. 872-P/2021 in PHC claiming non-applicability of GIDC Act 2015 and sought relief against the recovery of GIDC Installment Bills. The PHC vide its judgment dated June 15, 2022 dismissed the writ petition on the ground of non-maintainability. Afterward, the Company filed another writ petition No. 2459-P/2022 challenging recovery of GIDC on various grounds. The PHC passed an interim order on dated July 07, 2022 and thereby restrained SNGPL from cutting off the gas supply and recovering GIDC from the Company.

- 7.1.3** The OGRA, while citing the judgment of the Hon'able SC dated May 10, 2019 in civil appeal in number 159-L to 2014-L of 2018 titled Sui Northern Gas Pipelines Ltd, Vs Bulleh Shah Packaging (Pvt.) Ltd., passed the decision that the consumer who are having supply of natural gas for industrial use and having in-house electricity generation facility for self-consumption fall in the category of industrial consumers and are subject to the corresponding tariff. The OGRA also directed SNGPL to adjust the excess amount paid. Excess amount paid by the company is Rs.46.698 million which is expected to be adjusted by the SNGPL in future gas bills. The Company has not accounted for the same amount as receivable in the financial statements.
- 7.1.4** The Company has challenged SRO#584(I)/2017 by filing a writ petition dated May 15, 2018, before PHC, challenging the levy of further tax @ 1% on textile goods usable as industrial inputs if supplied to unregistered person under section 3(A) of Sales Tax Act, 1990. The PHC has granted stay, against the charging of further tax the Respondents has been asked to submit their comments. The petition before the PHC is pending adjudication. However, in a similar case, Lahore High Court has decided the matter in favour of industry in its judgement dated December 11, 2018.

7.2 Commitments

- 7.2.1** The Company has entered into Ijarah arrangements for sixteen (June 30, 2022: ten) vehicles with First Habib Modaraba. Aggregate commitments for rentals under Ijarah arrangements at the reporting dates were as follows:

	Un-audited December 31, 2022	Audited June 30, 2022
	(Rupees in thousand)	
Not later than one year	20,344	16,469
Later than one year but not later than five years	50,963	50,439
	71,307	66,908

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

8. SALES - Net

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

	Quarter ended		Six months period ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Rupees in thousand)			
Own manufactured goods:				
- yarn	1,381,580	1,051,460	2,514,038	2,115,184
- waste	8,598	7,391	14,844	8,391
	1,390,178	1,058,851	2,528,882	2,123,575
Trading activities:				
raw materials	12,596	47,932	15,267	75,254
	1,402,774	1,106,783	2,544,149	2,198,829

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

9. TAXATION - net

9.1 Income tax assessments of the Company have been finalised by the Income Tax Department (the Department) or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto Tax Year 2022.

9.2 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 of the ordinance. The provision for taxation for the six month period ended and quarter ended December 31, 2022 has been made using the best possible estimate of effective tax rate for the Company. Amount accrued may has to be adjusted in the subsequent period.

10. TRANSACTIONS WITH RELATED PARTIES

10.1 Significant transactions with related parties are as follows:

Relationship	Nature of transactions	Un-audited	
		Six months period ended	
		December 31, 2022	December 31, 2021
		(Rupees in thousand)	
i) Holding Company			
- dividend paid		-	16,220
- mark-up charged on loan		4,368	3,270
- loan repaid		30,000	10,000
ii) Associated Companies			
- sale of fixed assets		-	5,000
- sale of raw material and goods		3,126	6,468
- purchase of fixed assets		78,033	-
- purchase of raw material		105,276	-
- Donations		3,480	2,244
iii) Key management personnel		19,018	12,278
		Un-audited	Audited
		December 31,	June 30,
		2022	2022
		(Rupees in thousand)	

10.2 Period / year end balances are as follows:

Capital work-in-progress - advances	-	4,000
Loan from the Holding Company	30,000	60,000
Trade and other payables	213	-
Accrued mark-up / profit	1,967	2,184

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

11. FINANCIAL RISK MANAGEMENT

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

There has been no change in the Company's sensitivity to these risks since June 30, 2022, 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, 2022.

12. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

At December 31, 2022, investment in debt instruments have been measured at fair value using reporting date quoted price. Fair value of these investments falls within level 1 of fair value hierarchy as mentioned above.

During the period ended December 31, 2022, there were no transfers amongst the levels. Further, there were no changes in the valuation techniques during the period.

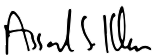
Except for the above, the carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

13. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2022, 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, 2021.

14. GENERAL

- 14.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 28, 2023.
- 14.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director



ABID HUSSAIN
Chief Financial Officer



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