



SAIF GROUP

KOHAT TEXTILE MILLS LIMITED

HALF YEARLY REPORT
(REVIEWED)
DECEMBER 31, 2023



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)
Barrister 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

SR. DIRECTOR TECHNICAL

Badar Us Samee

GENERAL MANAGER MARKETING & SALES

Amir Badshah

COMPANY SECRETARY

Sajjad Hussain

HEAD OF INTERNAL AUDIT

Muhammad Adeel Raza

AUDITORS

Shinewing Hameed Chaudhri & Co.,
Chartered Accountants

LEGAL ADVISORS

Salahuddin Saif & Aslam
(Attorneys at Law)

BANKERS

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

HEAD OFFICE

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

REGISTERED OFFICE

KPTMA 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, 2023, duly reviewed by the statutory auditors.

Financial highlight

The Company's sales grew by Rs.1.2 billion (45%) over corresponding period last year (Rs.3.7 billion vs Rs.2.5 billion). Sales increased mainly due to an increase in rates. The Company posted a gross profit of Rs.571 million (Gross margin: 16%) in the period, compared to a gross profit of Rs.353 million (Gross margin: 14%) for the similar period last year. However, the net profitability was dampened by higher financing and energy costs. Nevertheless, the Company posted a pre-tax profit of Rs.124 million, depicting around 200% growth over the same period last year. The Company is regular in debt servicing with all banks, and the plant operated at full capacity during the period.

Future outlook

The textile sector continues to face strong headwinds in the form of worsening cost structures. The Government's decision to transfer escalating energy costs to the industry will adversely affect its competitiveness. Similarly, high interest rates will continue to impact sector profitability. All eyes are on the new Government and it remains to be seen how it would strive to balance meeting IMF's conditions with reviving economic growth.

The management of your company is focusing on cost rationalization, an effective raw material procurement strategy, and a flexible sales mix to better respond to market aiming for sustainable growth.

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 continuously rendered by the employees of the Company. We look forward to the same co-operation 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, 2024

ڈائریکٹرز رپورٹ برائے ممبران

معزز ممبران

آپ کی کمپنی کی ڈائریکٹرز 31 دسمبر 2023 کو ختم ہونے والی کمپنی کی نصف سالہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں جو کہ قانونی آڈیٹرز کی جانب سے جائزہ شدہ ہے۔

مالی اہم نکات

کمپنی کی فروخت تقابلی عرصہ کے مقابل 1.2 بلین روپے سے (45%) بڑھی (3.7 بلین روپے بالمقابل 2.5 بلین روپے) فروخت میں اضافہ زیادہ تر قیمت میں اضافہ کی وجہ سے ہوئی۔ کمپنی نے مجموعی منافع 571 ملین روپے حاصل کیا (مجموعی منافع کا تناسب 16%) جو کہ تقابلی عرصہ میں 353 ملین روپے تھا (مجموعی منافع کا تناسب 14%) تاہم خالص منافع قرضہ کی لاگت اور انرجی کی قیمتوں میں اضافے کا باعث متاثر ہوا۔ تاہم کمپنی نے ٹیکس سے قبل 124 ملین روپے منافع حاصل کیا جو کہ تقابلی عرصہ کے بالمقابل 200 فیصد بڑھوتری ظاہر کرتا ہے۔ کمپنی تمام بینکوں کے ساتھ قرضہ کی ادائیگی میں باقاعدہ رہی اور اس عرصہ میں پلانٹ مکمل استطاعت پر چلا۔

مستقبل کا نقطہ نظر

ٹیکسٹائل کی صنعت لاگت میں اضافے کے باعث مشکلات دیکھ رہی ہے۔ گورنمنٹ کا بڑھتی ہوئی انرجی کی قیمتوں کو صنعت پر لاگو کرنے کا فیصلہ صنعت مسابقتی اہلیت کو متاثر کرے گا۔ اسی طرح قرضہ کی مہنگی لاگت صنعت کے منافع کو متاثر کرتی رہے گی۔ تمام تر امیدیں نئی گورنمنٹ کے ساتھ وابستہ رہیں گی کہ کیسے یہ IMF کی شرائط اور معیشت کی بحالی کے درمیان توازن قائم رکھ سکے گی۔ آپ کی کمپنی کی منجمنٹ اخراجات کو تدبیر کرنا خرید کی بہتر حکمت عملی اور فروخت کی بہترین کس کے ذریعے لاگت کو کم کرنے کی کوشش کر رہی ہے تاکہ مارکیٹ کی تبدیلی کو بہتر انداز میں نمٹایا جاسکے۔ ان سے کمپنی کی بڑھوتری میں تسلسل مقصود ہے۔

اظہار تشکر

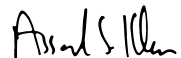
ڈائریکٹرز کمپنی کے ممبران، مالی اداروں اور گاہکوں کے تعاون اور معاونت کے شکرگزار ہیں۔ ڈائریکٹرز ملازمین کی مستقل خدمات، وفاداری اور کوششوں کی بھی قدر دانی کرتے ہیں۔ ہم مستقبل میں اسی تعاون اور لگن کی امید کرتے ہیں۔

منجانب بورڈ ہذا



راناشجوجھان

ڈائریکٹر



اسد سیف اللہ خان

چیف ایگزیکٹو آفیسر

مقام: اسلام آباد

تاریخ: فروری 28، 2024

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, 2023 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, 2023 and 2022 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2023.

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.

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

Date: February 28, 2024

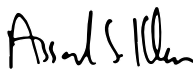
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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	Note	Un-audited December 31, 2023	Audited June 30, 2023
(Rupees in thousand)			
Assets			
Non-Current Assets			
Property, plant and equipment	4	5,003,618	5,051,423
Long term investment		4,886	4,886
Long term loans		843	985
Long term deposits		15,832	15,263
		5,025,179	5,072,557
Current Assets			
Stores, spare parts and loose tools		54,060	57,182
Stock-in-trade		1,260,311	1,233,760
Trade debts		1,558,784	1,398,063
Loans and advances		4,751	5,550
Deposits, other receivables and prepayments		16,357	17,229
Cash and bank balances		14,015	14,273
		2,908,278	2,726,057
		7,933,457	7,798,614
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		1,013,355	916,972
Capital reserve			
- Surplus on revaluation of Property, Plant and Equipment		2,578,117	2,584,203
Unrealised loss on financial assets at fair value through other comprehensive income		(114)	(114)
		3,799,358	3,709,061
Non-Current Liabilities			
Long term financing	5	518,591	648,155
Long term deposits		5,868	4,636
Deferred income - government grant		23,885	29,923
Deferred liability - staff retirement benefits		191,834	182,118
Deferred taxation - net		273,945	286,408
		1,014,123	1,151,240
Current Liabilities			
Trade and other payables		486,729	637,847
Contract liabilities		2,688	1,802
Accrued mark-up / profit		145,553	135,077
Short term borrowings	6	2,238,515	1,941,357
Current portion of non-current liabilities		243,469	218,124
Unpaid dividend		209	209
Unclaimed dividend		939	939
Taxation - net		1,874	2,958
		3,119,976	2,938,313
Contingencies and commitments			
	7		
		7,933,457	7,798,614

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



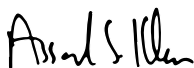
ABID HUSSAIN
Chief Financial Officer

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

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

	Note	Quarter ended		Six months period ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
(Rupees in thousand)					
Sales - net	8	2,044,565	1,402,774	3,678,357	2,544,149
Cost of sales		(1,782,539)	(1,231,279)	(3,107,414)	(2,191,189)
Gross profit		262,026	171,495	570,943	352,960
Distribution cost		(26,837)	(16,683)	(47,728)	(33,784)
Administrative expenses		(44,172)	(39,224)	(84,762)	(77,413)
Other expenses		(5,447)	(2,490)	(11,437)	(5,592)
Other income		12,191	14,935	13,077	15,938
Profit from operations		197,761	128,033	440,093	252,109
Finance cost		(163,986)	(118,071)	(316,270)	(214,862)
Profit before taxation		33,775	9,962	123,823	37,247
Taxation	9	(7,146)	(8,690)	(33,526)	(17,691)
Profit after taxation		26,629	1,272	90,297	19,556
Other comprehensive income		-	31	-	31
Total comprehensive income		26,629	1,303	90,297	19,587
----- Rupees -----					
Earnings per share					
- basic and diluted		1.28	0.06	4.34	0.94

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



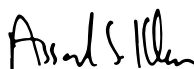
ABID HUSSAIN
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

	Six months period ended	
	December 31, 2023	December 31, 2022
	(Rupees in thousand)	
Cash flows from operating activities		
Profit for the period - before taxation	123,823	37,247
Adjustments for non-cash charges and other items:		
Depreciation	74,187	75,433
Staff retirement benefits - gratuity (net)	9,716	14,944
Unclaimed payable balances written-back	-	(1,521)
Profit on sale of operating fixed assets	(1,813)	-
Finance cost	316,270	214,862
Profit before working capital changes	522,183	340,965
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	3,122	(1,251)
Stock-in-trade	(26,551)	(262,406)
Trade debts	(160,721)	(51,829)
Loans and advances	799	5,260
Deposits, other receivables and prepayments	872	1,018
Sales tax refundable	-	(12,689)
(Decrease) / increase in current liabilities:		
Trade and other payables	(151,118)	(371,780)
Contract liabilities	886	214
	(332,711)	(693,463)
Cash generated from / (used in) operating activities	189,472	(352,498)
Income taxes paid	(47,073)	(55,147)
Long term loans - net	142	(193)
Net cash generated from / (used in) operating activities	142,541	(407,838)
Cash flow from investing activities		
Additions in property, plant and equipment	(27,344)	(169,259)
Sale proceeds of operating fixed assets	2,775	-
Long term investment made	-	(2,500)
Net cash used in investing activities	(24,569)	(171,759)
Cash flows from financing activities		
Long term financing - obtained	-	128,939
- repaid	(107,698)	(201,812)
Loan from the Holding Company- repaid	-	(30,000)
Lease liabilities	(3,128)	(1,333)
Long term deposits	1,232	950
Short term borrowings - net	297,158	849,146
Finance cost paid	(305,794)	(153,826)
Net cash (used in) / generated from financing activities	(118,230)	592,064
Net (decrease) / increase in cash and cash equivalents	(258)	12,467
Cash and cash equivalents - at beginning of the period	14,273	4,176
Cash and cash equivalents - at end of the period	14,015	16,643

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



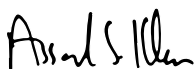
ABID HUSSAIN
Chief Financial Officer

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

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, 2023 (audited)	208,000	916,972	2,584,203	(114)	3,709,061
Total comprehensive income for the six months period ended December 31, 2023					
Profit for the period	-	90,297	-	-	90,297
Other comprehensive income	-	-	-	-	-
	-	90,297	-	-	90,297
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)	-	6,086	(6,086)	-	-
Balance as at December 31, 2023 (un-audited)	208,000	1,013,355	2,578,117	(114)	3,799,358
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

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, 2023

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 Saifabad	Purpose Mills / factory
Peshawar KPTMA 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, 2023: 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, 2023

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, 2023. 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, 2023 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, 2024 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, 2023.

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, 2023.

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

4. PROPERTY, PLANT AND EQUIPMENT

		Un-audited December 31, 2023	Audited June 30, 2023
	Note	(Rupees in thousand)	
Operating fixed assets - tangible	4.1	4,964,883	4,989,755
Capital work-in-progress		-	3,360
Right-of-use assets	4.2	3,618	6,196
Stores held for capital expenditure		35,117	52,112
		5,003,618	5,051,423
4.1 Operating fixed assets - tangible			
Book value at beginning of the period / year		4,989,755	4,892,551
Additions during the period / year	4.1.2	47,619	255,935
Transfer from right of use to owned		962	-
Disposals costing Rs.2.513 million (June 30, 2023: Rs.8.709 million)		-	-
- at net book value		(962)	(6,361)
Depreciation charge for the period / year		(72,491)	(152,370)
Book value at end of the period / year		4,964,883	4,989,755

4.1.1 Fixed assets costing Rs.68.395 million having written down value of Rs.Nil have been written-off during the period.

4.1.2 Additions during the period / year

	Un-audited December 31, 2023	Audited June 30, 2023
	(Rupees in thousand)	
Buildings on freehold land		
- factory	15,831	66,717
- non - factory	-	1,540
- residential	298	4,010
Plant & machinery	27,315	92,814
Gas fired power plant	-	5,556
Electric installations	4,128	79,310
Equipment & appliances	27	5,730
Fire extinguishing equipment	-	210
Furniture & fixtures	20	48
	47,619	255,935

4.2 Right-of-Use Assets

Book value at beginning of the period / year	6,196	9,270
Reassessment due to mark-up rate change	80	254
Depreciation charge for the period / year	(1,696)	(3,328)
Transferred to own assets	(962)	-
Book value at end of the period / year	3,618	6,196

**NOTES TO THE CONDENSED INTERIM FINANCIAL
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5. LONG TERM FINANCING - Secured	Un-audited December 31, 2023	Audited June 30, 2023
	(Rupees in thousand)	
Balance at beginning of the period / year	848,703	1,007,311
Add:		
- disbursements during the period / year	-	50,000
- unwinding impact of government grant	7,253	12,906
	7,253	62,906
Less: repayments made during the period / year	(107,698)	(221,514)
Balance at end of the period / year	748,258	848,703
Less: current portion grouped under current liabilities	(229,667)	(200,548)
	518,591	648,155

- 5.1 All 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, 2023. Effective mark-up rates charged, during the current period, ranged from 3.50% to 24.07% (June 30, 2023: 3.00% and 23.08%) per annum.

6. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.2,360 million (June 30, 2023: Rs.2,598 million). These facilities, during the period, carried mark-up / profit at the rates ranged from 18.11% to 25.71% (June 30, 2023: 13.01% to 23.97%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.1,555 million (June 30, 2023: Rs.1,792 million) of which the amounts aggregated Rs.1,229.95 million (June 30, 2023: Rs.964.863 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 November, 2024.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

- 7.1.1 Guarantees aggregating Rs.132.481 million (June 30, 2023: Rs.132.481 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.

- 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

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

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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 December 15, 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 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.

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

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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

Commitments against irrevocable letters of credit outstanding at the period-end were for Rs.39.172 million (June 30, 2023: Rs.324.966).

7.2.1 The Company has entered into Ijarah arrangements for twelve (June 30, 2023: thirteen) vehicles with First Habib Modaraba. Aggregate commitments for rentals under Ijarah arrangements at the reporting dates were as follows:

	Un-audited December 31, 2023	Audited June 30, 2023
	(Rupees in thousand)	
Not later than one year	23,416	25,127
Later than one year but not later than five years	51,382	63,750
	74,798	88,877

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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(Rupees in thousand)			
Own manufactured goods:				
- yarn	2,034,827	1,381,580	3,653,342	2,514,038
- waste	9,738	8,598	25,015	14,844
	2,044,565	1,390,178	3,678,357	2,528,882
Trading activities:				
raw materials	-	12,596	-	15,267
	2,044,565	1,402,774	3,678,357	2,544,149

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

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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 2023.

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, 2023 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,	
	2023	2022
	(Rupees in thousand)	
i) Holding Company		
- mark-up charged on loan	-	4,368
- loan repaid	-	30,000
ii) Associated Companies		
- sale of raw material and goods	-	3,126
- purchase of fixed assets	-	78,033
- purchase of raw material	-	105,276
- Donations	3,320	3,480
iii) Related Party		
- Gas Purchased	194,565	-
iv) Key management personnel	20,453	19,018
	Un-audited	Audited
	December 31,	June 30,
	2023	2023
	- - - Rupees in '000 - - -	

10.2 Period / year end balances are as follows:

Trade and other payables	106	-
Gas bill outstanding	81,398	-

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.

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

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There has been no change in the Company's sensitivity to these risks since June 30, 2023, 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, 2023.

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, 2023, 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, 2023, 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.

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

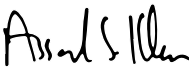
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2023

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, 2023, 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, 2022.

14. GENERAL

- 14.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 28, 2024.
- 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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