



Saif Group

Kohat Textile Mills Limited

52nd Annual Report 2018

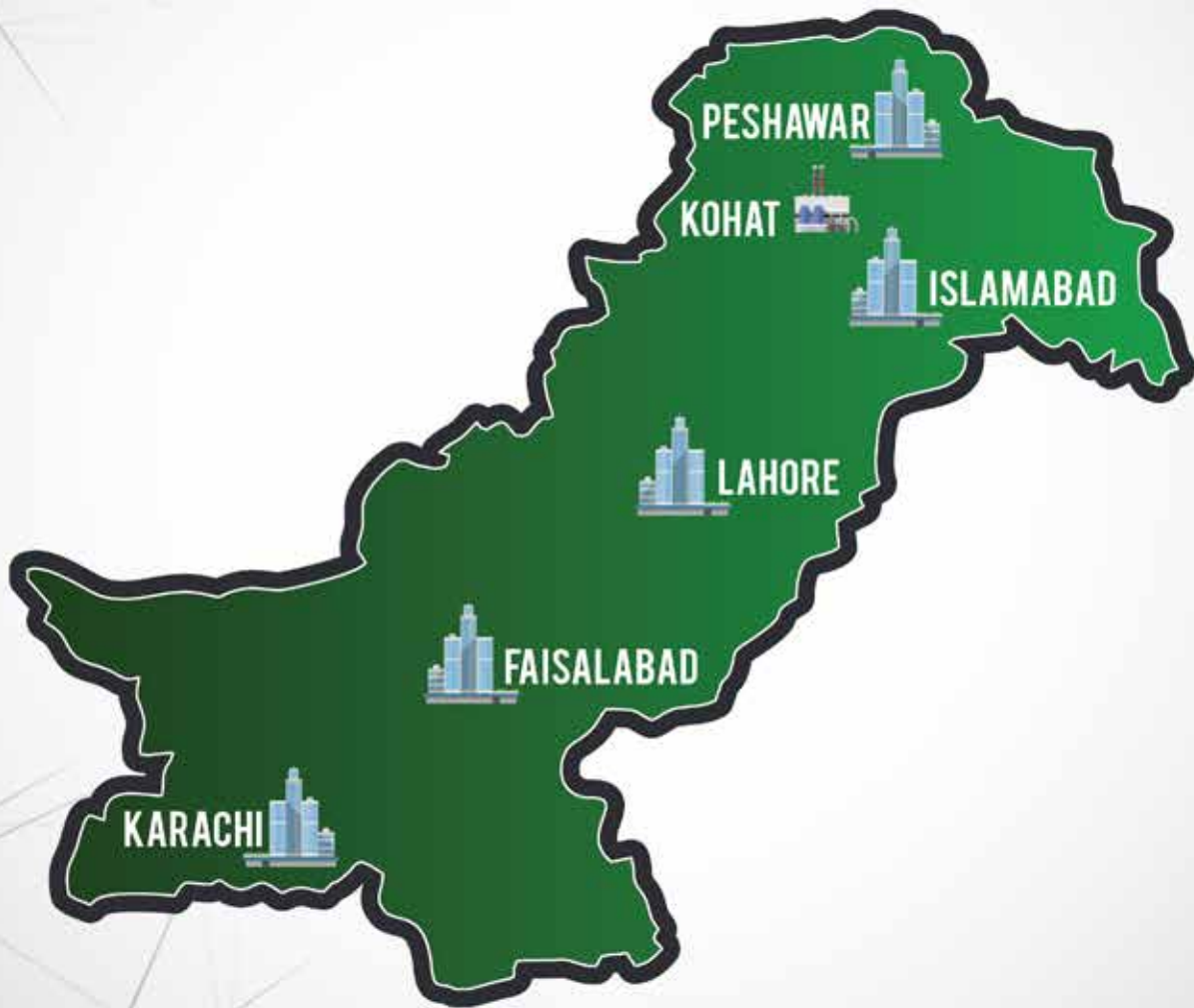


GEOGRAPHICAL SPREAD

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FACTORY



FINANCIAL HIGHLIGHTS



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Abdul Rehman Qureshi (Chairman)
Hoor Yousafzai
Jehangir Saifullah Khan

HR & REMUNERATION COMMITTEE

Abdul Rehman Qureshi (Chairman)
Assad Saifullah Khan
Hoor Yousafzai

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sabir Khan

HEAD OF INTERNAL AUDIT

Fahad Talal

AUDITORS

Shinewing Hameed Chaudhri & Co.,
Chartered Accountants

LEGAL ADVISORS

Salahuddin Saif & Aslam
(Attorney's at Law)

BANKERS

Askari Bank Limited
Dubai Islamic Bank
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, 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 : +92-42-37235081-37325082
Fax : +92-42-37358817
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





Vision

To attain market leadership through unmatched quality, a diverse and unique product mix, empowered employees, world class systems, and the highest ethical and professional standards.

Mission

- Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.
- Earn and sustain the trust of our stakeholders through efficient resource management.
- Provide the highest quality products and services consistent with customer needs and continue to earn the respect, confidence and goodwill of our customers and suppliers.
- Foster a culture of trust and openness in order to make professional life at the Kohat Textile Mills Limited a stimulating and challenging experience for all our people
- Strive for the continuous development of Pakistan while adding value to the textile sector.

NOTICE OF 52nd ANNUAL GENERAL MEETING

NOTICE is hereby given that the 52nd Annual General Meeting of Kohat Textile Mills Limited will Insha'Allah be held on Friday October 26, 2018 at 10:00 a.m. at its registered office, APTMA House Tehkal payan, Jamrud Road, Peshawar, to transact the following business:

• **ORDINARY BUSINESS:-**

1. To confirm minutes of the Extra Ordinary General Meeting of the Company held on October 27, 2017.
2. To receive, consider and adopt the annual audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2018.
3. To approve cash dividend @ 7.5% i.e. Re. 0.75/- per share for the year ended June 30, 2018 as recommended by the Board of Directors.
4. To appoint auditors and to fix their remuneration for the financial year ending June 30, 2019, who will hold office till conclusion of the next Annual General Meeting. The Board on the recommendation of the Audit Committee has proposed the appointment of M/s Shinewing Hameed Chaudhri & Co, Chartered Accountants as external auditors. The retiring auditors being eligible, have offered themselves for re-appointment.

• **SPECIAL BUSINESS:-**

5. To consider and approve the following resolution(s), with or without modification, as special resolution for sharing of common expenses, sale and purchase of goods with associated companies including M/s. Saif Textile Mills Limited.

RESOLVED THAT the company be and is hereby authorized to share common expenses with its associated companies including M/s. Saif Textile Mills Limited. The common expenses may include but

not limited to office rents, administrative salaries, utilities expenses, repair and maintenance and other miscellaneous expenses etc. (collectively the "Administrative Expenses"), in respect of its joint offices of the companies.

RESOLVED FURTHER THAT Chief Executive & Secretary of company be and are hereby authorized to take all legal and other corporate formalities with regard to these matters on behalf of the company and to do all such acts, deeds and things as may be deemed necessary and beneficial for the Company.

FURTHER RESOLVED THAT the Related Party Transactions of sale and purchase of goods to / from associated companies as disclosed in notes to the audited financial statements be and are hereby ratified, approved and confirmed.

FURTHER RESOLVED THAT the Chief Executive of the company be and is hereby authorized to approve the Related Party Transactions regarding sale and purchase of goods to / from associated companies as disclosed in notes to the financial statements.

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

Attached to this Notice is a Statement of Material Facts covering the above-mentioned special business, as required under Section 134(3) of the Companies Act, 2017.

By Order of the Board



SABIR KHAN

Place: Peshawar,

Dated: October 5, 2018

Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from October 20, 2018 to October 26, 2018 (both days inclusive) transfers received in order at the office of the Company's Shares Registrar. M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore by the close of business on dated October 19, 2018 will be treated in time.
2. A member entitled to attend and vote at the meeting, may appoint any other member as a proxy to attend, speak and vote on behalf of him/her. A proxy must be a member. Proxy Forms duly stamped with Rs.5/- revenue stamp, signed and witnessed by two persons, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual beneficial owners of CDC, entitled to attend and vote at the meeting must bring his/her CNIC or passport to prove his/her identity and the proxy shall produce his/ her original CNIC or passport. In case of corporate members, the Boards' resolution or power of attorney with specimen signatures of the nominee shall require to be produced at the time of meeting.
4. For the convenience of Members, a Standard Request Form with appropriate details has been uploaded on the Company's website <www.kohattextile.com>. Those Members who opt to receive the hard copies of the annual audited financial statements instead of sending the same through CD/DVD/USB

at their registered addresses may apply to the Company Secretary at his postal address i.e. APTMA House Tehkal Payan Jamrud Road, Peshawar or email address c.a@saifgroup.com.

5. Members are requested to submit an attested photocopy of their valid Computerized National Identity Cards (CNICs) as per SECP's direction, if not provided earlier.
6. Pursuant to Section 132(2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please fill the following form and submit to the registered address of the Company within seven (07) days before holding of annual general meeting.

I/ We, _____ of _____, being a member of Kohat Textile Mills Limited, holder of _____ Ordinary Shares as per Register Folio No./ CDC A/C No.._____ hereby opt for Video Conference Facility at _____

Signature of member

NOTICE OF 52nd ANNUAL GENERAL MEETING

If the Company receives consent from members holding an aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through Video Conference at least 07 days prior to the date of meeting, the Company will arrange Video Conference facility in that city subject to availability of such facility in that city.

7. Change in Address: Members are requested to promptly notify any change in their address.

8. **DIVIDEND PAYMENTS THROUGH ELECTRONIC MODE:**

In order to receive the future dividends through electronic mode as per requirements of Section 242 of the Companies Act, 2017 shareholders are requested to provide the following detail to our share registrar M/s Hameed Majeed Associates (Pvt.) Limited

STATEMENT OF MATERIAL FACTS U/S 134(3) OF THE COMPANIES ACT, 2017

The transactions with associated companies regarding sharing of common expenses and sale and purchase of goods require approval of the Board on the recommendation of the audit committee on quarterly basis pursuant to clause (15) of the Listed Companies (Code of Corporate Governance) Regulations, 2017, however, the majority of company's directors being interested in the said transactions due to their common directorship and holding of shares in the associated companies, the quorum of the directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017, thus, these transactions are being place before the members for their approval.

Name of Shareholder	
Folio / CDS Account No.	
CNIC	
Email	
Title of Bank of Account	
Bank Account (IBAN) Number (24-Digits)	
Bank's Name	
Branch Name and Address	
Contact No.	

DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

The Directors of your Company take pleasure in presenting before you the performance review together with audited financial statements and auditor's report thereon for the year ended June 30, 2018.

Overview and operating results

The principal activity of your Company is the manufacturing of yarn. During the year Company achieved turnover of Rs.2.24 billion, growth in turnover remained flat. Although raw material costs increased during the year, the gross profit margin increased by 2% to 10% in the year. The increase is majorly attributable to moving towards better product mix with cost efficiencies. Profit before taxation of Rs.64.28 million showed an increase of 8% comparing to last year.

The Company was ISO 9001:2000 (Quality Management System) certified in 2003 and has been re-certified by ISO in 9001:2015 (Quality Management System) and 45001:2018 (Occupational Health & Safety Management System).

Earnings per Share

Earnings per share of the Company were Rs.0.50 as compared to Rs.1.68 in last year. Decline is attributable to increase in deferred tax expense during the year.

Dividend and Appropriation Policy

The Board of Directors is pleased to propose cash dividend @ 7.5% for the year ended June 30, 2018.

Holding company

Saif Holdings Limited, incorporated in Pakistan, is the holding company of Kohat Textile Mills Limited with 77.98% shareholding.

Future Outlook

We wish to remain optimistic about anticipated business friendly policies of the newly elected Government, however with 5% devaluation of Pak Rupee subsequent to the year's end, volatility in the local and international cotton/Manmade fiber prices, minimum wage increase, Sui Gas/WAPDA tariff increase and with IMF bailout package on the cards, the cost of doing business may increase further. The ongoing US-China trade war now days may also influence yarn market in future. Despite all these hindrances, the textile sector has great potential for improvement and requires Government support to identify textile as a key priority area.

To realize business objectives the management will continue to replace old technology machineries with better and more advanced technology and will put its best efforts for reduction in the input costs.

The capital expenditure earlier approved by the board has been completed successfully subsequent to the year end. We expect this investment to significantly contribute to our revenues/profitability.

Chairman's review

The Chairman review is annexed to the annual audited financials, briefly explaining the overall performance of the Board of Directors along with performance of the Board members and its committees and their effective role in meeting the challenges being faced.

Corporate governance and Financial Reporting Framework

The Directors of your Company are pleased to state that the Company is in compliance with the provisions of Code of Corporate Governance as required by the Securities and Exchange

DIRECTORS' REPORT TO THE MEMBERS

Commission of Pakistan.

As a part of the compliance with the requirements of Code of Corporate Governance and the Companies Act, 2017, we confirm the following;

- The Financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of the accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- The board understands its responsibility to ensure that adequate and effective internal controls are in place. It evaluates the compliance of internal control by reviewing the internal audit reports of the internal audit department, which regularly reviews the design and effectiveness of control. Deficiencies, if any, are reported to the board and corrective actions are taken.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- There is no significant doubt about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- We have an Audit Committee, and HR & Remuneration Committee the members of which are from the Board of Directors and the Chairman both committee is an independent director.
- Information about liability of taxes and levies at year end is disclose in the notes to these financial statements.
- The Board has adopted a Vision, Mission Statement and a Statement of Overall Corporate Strategy.
- The key operating and financial data of the Company for last six years is given below;

	30 June					
Year ended	2018	2017	2016	2015	2014	2013
Property, plant & equipment (Rs. 000)	1,474,298	1,270,674	1,332,206	1,121,135	1,060,402	852,211
Net worth (Rs. 000)	389,864	390,992	341,318	362,676	364,501	313,407
Production (Kgs. 000)	6,975	7,122	7,284	7,274	6,838	6,105
Sales (Rs. 000)	2,243,619	2,229,999	2,227,640	2,405,277	2,298,760	2,355,043
Gross Profit (Rs. 000)	214,959	180,116	132,131	209,505	260,336	352,610
Profit from operations (Rs. 000)	126,945	110,975	51,330	119,207	188,980	269,181
Profit / (loss) before tax (Rs. 000)	64,283	59,420	(17,721)	39,432	114,891	196,630
Earnings / (loss) per share (Rs.)	0.50	1.68	(0.93)	1.00	3.53	5.71
No. of Spindles installed	35,280	35,280	35,280	35,280	35,280	29,520

Composition of the Board

The Board of Directors as at June 30, 2018 consist of;

Directors	Numbers
a) Male	6
b) Female	1

Composition	Numbers
a) Independent Director	1
b) Other Non-Executive Directors	5
c) Executive Director	1

Attendance of Board meetings

During the year four meetings of the Board of Directors, four meetings of the Board Audit Committee and one meeting of the HR & remuneration Committee were held. Attendance of the Director is as under:

Sr. #	Directors	Committees		Attendance		
		Board Audit Committee	HR & Remuneration Committee	Board Of Directors	Board Audit Committee	HR & Remuneration Committee
1.	Osman Saifullah Khan	-	-	4/4	-	-
2.	Assad Saifullah Khan	-	✓	4/4	-	1/1
3.	Hoor Yousafzai	✓	✓	4/4	4/4	-
4.	Jehangir Saifullah Khan	✓	-	4/4	4/4	1/1
5.	Abdul Rehman Qureshi	✓	✓	3/4	3/4	1/1
6.	Rana Muhammad Shafi	-	-	4/4	-	-
7.	Zaheen Ud Din Qureshi	-	-	4/4	-	-

Leave of absence was granted to the Directors who were unable to attend Board meetings.

Performance evaluation of Directors on the Board

The Board of Directors of your Company comprises of highly professional individuals. All members possess reasonable qualifications, high caliber and diversified experience. Furthermore, they have in-depth knowledge of business processes and strategic vision. The Board comprises of seven members including an independent director having professional experience in various business disciplines.

The board has adopted a highly structured process to evaluate its own performance, as well as individual performances of every member. Comprehensive questionnaires are developed in this regard to ensure the growth

targets of the Company. The responses to these questionnaires are discussed in detail after being compiled at different board meetings. The foremost role of the board is to ensure its performance in fulfillment of its fiduciary responsibilities, providing strategic guidance and vision through target setting of the management ultimately complying the statutory requirements relating with policies, international standards and best practices.

While developing respective committees, the Board has established specific roles, guidelines and responsibilities through some terms of references for each committee. The overall performance of the board remained satisfactory.

Review of CEO's performance

The performance of the CEO is formally

DIRECTORS' REPORT TO THE MEMBERS

appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

Efforts for sustainable financial growth, increased customer base and stronger human capital are some of key stones of success of CEO in current year.

Directors' training

The directors of the Company are adequately trained to perform their duties, and are aware of their powers and responsibilities under the Companies Act 2017.

Directors' Remuneration

The remuneration of the Board members is approved by Board itself. However, no director takes part in deciding his/her remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. For the remuneration of Directors and CEO 2017-18, please refer to the notes to the financial statements.

Safeguarding of Records

The Company puts great emphasis for storage and safe custody of its financial records. The Company is using Microsoft Dynamics-ERP for recording its financial information. The access to electronic documentation has been secured through implementation of a comprehensive password protected authorization system.

Human Resource Management

Human resource planning and management is one of the most important considerations with senior management. The Company has established HR& R Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending in the human resource policies and procedures

and their periodic review.

Corporate Social Responsibility

We strongly feel the importance in service to humanity and try to ensure that best possible benefits should pass on to the deserving. Company has provided free land for Social Security dispensary and also free building to school. We also encourage our team members to dedicate their time and to take active participation in such activities. The Company was also presented Corporate Philanthropy Award 2016.

Health, Safety and Environment

We feel our responsibility in maintaining best possible standards towards health and safety of not only of our dedicated employees but also the people near our factory premises. Proper first aid medical assistance is provided in factory in case of any injury. A dedicated social security dispensary is also located in front of our factory premises. We also ensure the compliance of our production facility with ISO health and safety standards. Our production facility does not discharge any harmful material. However, we have strict compliance towards wastage and disposal.

Risk Management and Internal Controls

The Company's risk management policy involves is to continually assess the control environment to prevent and build resilience against any internal and external threats, both anticipated and unforeseen.

The Board has effectively implemented and monitored internal control framework through an independent internal audit function which is completely independent from External Audit Function.

Pattern of Shareholdings

The pattern of shareholdings of the Company as at June 30, 2018 is annexed to this report.

Communication

The Company focuses on the importance of the communication with the shareholders. The annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Act, 2017. The activities are updated on its website at www.kohattextile.com, on timely basis.

Material changes

There has been no material financial event took place subsequently to close of the financial year 2017-18, having any adverse impact over financial position of the Company.

Auditors

The present auditors, Shinewing Hameed Chaudhri & Co. Chartered Accountants, will

retire on the conclusion of the Annual General Meeting of the Company and being eligible; have offered themselves for reappointment. As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending June 30, 2019.

Acknowledgement

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



ZAHEEN UD QURESHI

Director

Place: Islamabad

Dated: September 28, 2018

وقت کے اندر اندر سالانہ، نصف سالانہ اور سہ ماہی رپورٹیں انہیں تقسیم کی جاتی ہیں۔ مذکورہ عمل / سرگرمیاں اس ویب سائٹ www.kohattextile.com پر وقتاً فوقتاً لوڈ کی جاتی ہیں۔

بڑی تبدیلیاں:

مالیاتی سال 2017-2018 کے اختتام پر کسی قسم کا کوئی بڑا وقوعہ / تقریب وقوع پذیر نہیں ہوا ہے جس سے کمپنی ہذا کی مالیاتی حیثیت پر کسی قسم کے کوئی برے اثرات مرتب ہوئے ہوں۔

آڈیٹرز:

موجودہ آڈیٹرز، ایم / ایس شائن ونگ حمید چوہدری اینڈ کو چارٹرڈ اکاؤنٹنٹ، کمپنی ہذا کی سالانہ جنرل میٹنگ کے نتیجے پر ریٹائرڈ ہونگے اور اس امر کے اہل ہونگے کہ خود کو دوبارہ تعیناتی کے لئے پیش کر سکیں۔ جیسا کہ آڈٹ کمیٹی نے تجویز دی ہے کہ کمپنی ہذا نے انہیں باحیثیت آڈیٹرز برائے سال 30 جون 2019 تعیناتی کی سفارش کی ہے۔

اظہار تشکر:

بورڈ ہذا ہمارے بینکلرز اور معزز صارفین کی معاونت کو خراج تحسین پیش کرتا ہے۔ ہم اپنے کارپوریٹ فیملی ممبران کے سخت محنت کو بھی خراج تحسین پیش کرتے ہیں۔ ہم آئندہ ان سے اسی لگن اور تعاون کی امید کرتے ہیں۔

ذہین الدین قریشی
ڈائریکٹر

ڈسپنری بھی واقع ہے۔ ہم نے آئی ایس او (ISO) کی صحت اور تحفظ سے متعلق معیارات کے تحت اپنی پیداواری سہولیات کو یقینی بنایا ہے ہماری پیداواری سہولیات (فیکٹریاں) کسی قسم کے مضر مواد کا اخراج نہیں کرتیں۔ تاہم ہم فضلہ تلف کرنے کے سلسلہ میں سختی سے قوانین کی پابندی کرتے ہیں۔

نظم و نسق برائے خطرہ اور داخلی کنٹرول (ریسک منیجمنٹ اینڈ انٹرنل کنٹرول):

کمپنی ہذا کی ریسک منیجمنٹ پالیسی ماحول کو کنٹرول کرنے کیلئے مسلسل مصروف پیکار ہے تاکہ کسی بھی داخلی اور خارجی خطرات آیا درپیش یا غیر متوقع ہوں دونوں کو روکا جاسکے اور ان کے خلاف حفاظتی اقدامات کی جاسکے۔ بورڈ ہذا نے ایک خود مختار / آزاد داخلی آڈٹ فنکشن کے ذریعے سے داخلی کنٹرول فریم ورک پر موثر طریقے سے عمل درآمد اور نگرانی کر رہا ہے جو کہ مکمل طور پر بیرونی آڈٹ فنکشن سے آزاد ہے۔

حصص رکھنے کا نمونہ (پیٹرن آف شیئر ہولڈنگ):

کمپنی ہذا کا جون 30، 2018 سے حصص رکھنے کا نمونہ اس رپورٹ کے ساتھ لف ہے۔

کیونٹیکشن (میل جول / بات چیت):

کمپنی ہذا شیئر ہولڈرز کے ساتھ باہم میل جول / بات چیت کی اہمیت پر توجہ مرکوز کیے ہوئے ہے کمپنیز ایکٹ 2017 میں درج

بورڈ ہذا کی جانب سے:

Asad S Khan

اسد سیف اللہ خان

چیف ایگزیکٹو آفیسر

بمقام: اسلام آباد

تاریخ: 28 ستمبر، 2018

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

مائیکروسافٹ ڈائنامکس ای آر پی استعمال کرتا ہے۔ پاس ورڈ کی حفاظتی اختیاری نظام پر عمل درآمد کے ذریعے سے الیکٹرونک دستاویزات کی رسائی کو محفوظ بنادیا گیا ہے۔

ہیومن ریسورسز منیجمنٹ:

سینئر انتظامیہ کیلئے ہیومن ریسورسز منیجمنٹ سب سے اہم پہلو میں سے ایک ہے۔ کمپنی ہذا نے اس سلسلہ میں ایچ آر اینڈ آر (HR&R) کمیٹی قائم کی ہے جو اہم انتظامی اشخاص اسٹاف کا انتخاب کرنے، تجزیہ / تشخیص کرنے، معاوضہ ادا کرنے اور ان کی جانشینی کی منصوبہ بندی کرتا ہے۔ یہ انسانی وسائل کی پالیسیوں اور طریقہ کار وضع کرنے اور وقتاً فوقتاً ان کا جائزہ لینے میں بھی اپنی سفارشات پیش کرتا ہے۔

انضمامی سماجی ذمہ داری:

ہم نے انسانیت کی خدمت کی اہمیت کو بہت شدت سے محسوس کیا ہے اور اس امر کو یقینی بنانے کی کوشش کی ہے کہ مستحق افراد کو زیادہ سے زیادہ فوائد / سہولیات بہم پہنچ سکیں۔ کمپنی ہذا نے سوشل سیکورٹی ڈسپنری کیلئے مفت اراضی فراہم کی ہے اور سکول کو بھی مفت عمارت دی ہے۔ ہم اپنی ٹیم ممبران کو اپنا وقت صرف کرنے اور اس قسم کی سرگرمیوں میں بھرپور شرکت کی بھی حوصلہ افزائی کرتے ہیں۔

کمپنی کو کارپوریٹ ایوارڈ فار فلانٹروپی 2016 سے بھی نوازا گیا۔

صحت، حفاظت اور ماحول:

ہم نہ صرف اپنے سرگرم ملازمین بلکہ ہماری فیکٹری کے احاطے کے قریب بسنے والے لوگوں کی بھی ممکنہ معیاری صحت اور تحفظ کو برقرار رکھنے کی ذمہ داری کو محسوس کرتے ہیں۔ فیکٹری میں زخمی ہونے کی صورت میں مناسب ابتدائی طبی امداد کی سہولت فراہم کی گئی ہے۔ ہماری فیکٹری کے احاطے کے سامنے ایک سرگرم سوشل سیکورٹی

چیف ایگزیکٹو آفیسر (C.E.O) کی کارکردگی کا جائزہ:

چیف ایگزیکٹو آفیسر (C.E.O) کی کارکردگی کا باقاعدہ جائزہ / تشخیص آزمائشی (جانچ پڑتال) نظام کے ذریعے سے کیا جاتا ہے جس کی بنیاد مقداری اور قابل قدر اقدار پر مبنی ہے۔ اس میں بشمول کاروباری کارکردگی، منافع سے متعلق مقاصد کے حصول، ادارے کی ترقی، جانشینی کی منصوبہ بندی، منظم کامیابی شامل ہیں۔

دیرپا مالیاتی بڑھوتری، صارفین کی ضرورتوں / پسند کو مد نظر رکھتے ہوئے اور ٹھوس انسانی (وسائل کی) سرمایہ کاری حالیہ سال میں

چیف ایگزیکٹو آفیسر (C.E.O) کی کامیابی کے کچھ اہم عناصر ہیں۔

ڈائریکٹر کی تربیت:

کمپنی ہذا کے ڈائریکٹرز کو اپنے فرائض کو سرانجام دینے کیلئے مناسب تربیت دی جاتی ہے اور وہ کمپنیز ایکٹ 2017 کے تحت اپنے اختیارات اور ذمہ داریوں سے آگاہ ہوتے ہیں۔

ڈائریکٹر کی تنخواہ / معاوضہ:

بورڈ ممبران کی تنخواہ بورڈ ہذا خود منظور کرتا ہے، تاہم کوئی بھی ڈائریکٹر اپنی تنخواہ کے فیصلے کے بارے میں حصہ نہیں لیتا۔ کمپنی ہذا اجلاس میں شرکت کی فیس کے علاوہ کسی بھی غیر ایگزیکٹو ڈائریکٹرز کو معاوضہ کی ادائیگی نہیں کرتا۔ سال 2017-2018 میں ڈائریکٹرز اور سی ای او کی تنخواہ کے سلسلہ میں برائے مہربانی مالیاتی گوشوارے کے نوٹس ملاحظہ فرمائیں۔

ریکارڈز کا تحفظ:

کمپنی ہذا اپنے مالیاتی ریکارڈز کو محفوظ طریقے سے رکھنے میں بہت زور دیتا ہے۔ کمپنی اپنی مالیاتی معلومات کو ریکارڈ کرنے کیلئے

بورڈ اجلاس میں حاضری :

حالیہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس، بورڈ آف آڈٹ کمیٹی کے چار اجلاس اور ایچ آر اینڈ ریمونیشن (انسانی وسائل و معاوضہ) کمیٹی کا ایک اجلاس منعقد ہوا۔ ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہیں:

نمبر شمار	ڈائریکٹرز	کمیٹیاں		حاضری	
		بورڈ آڈٹ کمیٹی	ایچ آر اینڈ ریمونیشن کمیٹی	بورڈ آف ڈائریکٹرز	بورڈ آڈٹ کمیٹی
1	عثمان سیف اللہ خان	-	-	4/4	-
2	اسد سیف اللہ خان	-	✓	4/4	1/1
3	حور یوسف زئی	✓	✓	4/4	4/4
4	جہانگیر سیف اللہ خان	✓	-	4/4	4/4
5	عبدالرحمن قریشی	✓	✓	3/4	3/4
6	رانا محمد شفیع	-	-	4/4	-
7	ذہین الدین قریشی	-	-	4/4	-

کارکردگی کے تجزیے / جائزے کیلئے ایک انتہائی مفصل طریقہ کار اختیار کیا ہوا ہے۔ کمپنی ہذا کی ترقیاتی اہداف کو یقینی بنانے کیلئے جامع سوالنامے تشکیل دیئے گئے ہیں۔ بورڈ کے مختلف اجلاسوں میں عمل درآمد کے بعد ان سوالنامے کے جوابات پر تفصیلاً بحث و مباحثہ کیا گیا۔ مذکورہ بورڈ کا اولین کردار یہ ہے کہ وہ اپنی اعتمادی ذمہ داریوں کو پورا کرنے کے لئے اپنی کارکردگی کو یقینی بنائیں اور انتظامیہ کی جانب سے دیئے گئے اہداف کے ذریعے سے اسٹریٹجک رہنمائی اور نقطہ نظر پیش کرے بالآخر وہ پالیسیوں، بین الاقوامی معیارات اور بہتری عمل سے متعلق قانونی مطلوبات پورا کرتا ہے۔

متعلقہ کمیٹیوں کو بناتے وقت، بورڈ ہذا نے ہر کمیٹی کیلئے کچھ حوالہ جات کی شرائط کے ذریعے سے مخصوص کردار، رہنمائی اور ذمہ داریاں مقرر کی ہیں۔ بورڈ ہذا کی مجموعی کارکردگی تسلی بخش رہی ہے۔

وہ ڈائریکٹر حضرات جو بورڈ اجلاس میں حاضر نہیں ہو سکتے تھے ان کو غیر حاضری کی اجازت دی گئی۔

بورڈ آف ڈائریکٹرز کے کارکردگی کا جائزہ:

کمپنی ہذا کے بورڈ آف ڈائریکٹرز انتہائی پیشہ ورانہ قابلیت کے مالک اشخاص پر مشتمل ہیں۔ تمام ممبران موزوں تعلیم / قابلیت، اعلیٰ صلاحیت / وجاہت اور متنوع / وسیع تجربہ رکھتے ہیں۔ مزید برآں، وہ کاروباری طور طریقے اور حکمت عملی کی دورانہدیشی کے لحاظ سے بہت گہرے علم کے حامل ہیں۔ بورڈ ہذا اسات ڈائریکٹرز پر مشتمل ہے جس میں ایک خود مختار ڈائریکٹر ہے اور وہ مختلف کاروباری شعبے / مضامین میں پیشہ ورانہ تجربہ رکھتا ہے۔

بورڈ ہذا نے اپنی کارکردگی اور اس کے ساتھ ساتھ ہر ممبر کی انفرادی

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

* کمپنی ہذا کی گزشتہ چھ سالوں کے اہم آپریشن (کاروباری امور چلانے) اور مالیاتی اعداد و شمار درج ذیل دیا گیا ہے:

30 جون						اختتامی سال
2013	2014	2015	2016	2017	2018	
852,211	1,060,402	1,121,135	1,332,206	1,270,674	1,474,298	جائیداد، پلانٹ اور سامان (مبلغ روپے 000 میں)
313,407	364,501	362,676	341,318	390,992	389,864	کل مالیت (مبلغ روپے 000 میں)
6,105	6,838	7,274	7,284	7,122	6,975	پیداوار (کلوگرامز 000 میں)
2,355,043	2,298,760	2,405,277	2,227,640	2,229,999	2,243,619	سیلز / فروخت (مبلغ روپے 000 میں)
352,610	260,336	209,505	132,131	180,116	214,959	کل منافع (مبلغ روپے 000 میں)
269,181	188,980	119,207	51,330	110,975	126,945	کاروبار امور سے منافع (مبلغ روپے 000 میں)
196,630	114,891	39,432	(17,721)	59,420	64,283	منافع / نقصان پہلے ٹیکس (مبلغ روپے 000 میں)
5.71	3.53	1.00	0.93	1.68	0.50	آمدنی / نقصان فی حصص (مبلغ روپے)
29,520	35,280	35,280	35,280	35,280	35,280	تنصیب شدہ اسپنڈلز کی تعداد

بورڈ ہذا کی جدول

مورخہ 30 جون 2018 تک بورڈ آف ڈائریکٹرز ذیل پر مشتمل ہے:

تعداد	تفصیل
1	(ا) خود مختار ڈائریکٹر
5	(ب) دیگر غیر-ایگزیکٹو ڈائریکٹرز
1	(س) ایگزیکٹو ڈائریکٹر

تعداد	ڈائریکٹرز
6	(ا) مرد
1	(ب) عورت

بورڈ ہذا نے سرمایہ کاری کے جو اخراجات پہلے منظور کیے تھے وہ کامیابی سے اختتام پذیر ہو چکے ہیں ہم امید کرتے ہیں کہ یہ سرمایہ کاری ہماری آمدنی / منافع میں اہم سبب کا باعث ہوگی۔
چیرمین کا جائزہ:

مذکورہ سالانہ آڈیٹڈ مالیاتی گوشوارے کے ساتھ چیرمین کا جائزہ لف ہے، جس میں بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی بمعہ بورڈ ممبران اور اس کمیٹی کی کارکردگی اور درپیش چیلنجوں سے نبرد آزما ہونے میں ان کے موثر کردار کو مفصل بیان کیا گیا ہے۔

انظامی نظم و ضبط اور مالیاتی رپورٹنگ فریم ورک (احوال بیان کرنے کا ڈھانچہ):

آپ کی کمپنی کے ڈائریکٹرز کیلئے یہ پیش کرنا بھی خوشی کا امر ہے کہ کمپنی ہذا سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مطلوب کے مطابق انظامی نظم و ضبط کے قوانین کی شرائط کے ساتھ عمل پیرا ہے۔

انظامی نظم و ضبط کے قوانین اور کمپنیز ایکٹ 2017 کے مطلوبات پر تعمیل کرتے ہوئے، ہم درج ذیل امور کی توثیق کرتے ہیں:

* کمپنی ہذا کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کے آپریشن (کاروباری امور) کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتا ہے۔

* کمپنی ہذا نے بکس آف اکاؤنٹس کا باقاعدہ ریکارڈ رکھا ہے۔

* مالیاتی گوشوارے تیار کرنے کیلئے مناسب اکاؤنٹنگ پالیسیوں کا مستقل طور پر اطلاق کیا جاتا ہے اور اکاؤنٹنگ تخمینے موزوں اور محتاط فیصلے پر مبنی ہے۔

* بورڈ ہذا اپنی اس ذمہ داری کو سمجھتا ہے کہ مناسب اور موثر داخلی کنٹرول کو یقینی بنایا جائے۔ داخلی آڈٹ ڈیپارٹمنٹ کی داخلی آڈٹ رپورٹس کے جائزے سے داخلی کنٹرول پر عمل درآمد کا امر واضح ہوتا ہے۔ جوڈیزائن اور کنٹرول کے موثر ہونے کا باقاعدگی سے جائزہ لیتا ہے کسی بھی قسم کی خرابی کی صورت میں، بورڈ کو مطلع کیا جاتا ہے اور اصلاحی (درستگی کے) اقدامات کیے جاتے ہیں۔

* بین الاقوامی مالیاتی رپورٹنگ (احوال بیان کرنے) کا معیار جیسا کہ پاکستان میں لاگو ہے، مالیاتی گوشوارے تیار کرنے کے سلسلہ میں اس کی پیروی کی جاتی ہے۔

* موجودہ جاری صورت حال میں کمپنی ہذا کی صلاحیت کے بارے میں کسی قسم کا کوئی شک و شبہ نہ ہے۔

* انظامی نظم و ضبط کے بہترین عملیات میں سے کوئی بھی مادی امر کو چھوڑا نہیں جاتا۔

* ہمارے پاس ایک آڈٹ کمیٹی اور ایک ایچ آر اینڈ ریمونیویشن (انسانی وسائل و معاوضہ) کمیٹی ہے جس کے ممبران کا تعلق بورڈ آف ڈائریکٹرز سے ہے اور دونوں کمیٹیوں کا چیرمین ایک خود مختار ڈائریکٹر ہوتا ہے۔

* سال کے اختتام پر ٹیکس اور محصول کے بقایا جات کے بارے میں معلومات ان مالیاتی گوشوارے کے نوٹس پر ظاہر کیا جاتا ہے۔

* بورڈ ہذا نے ایک وژن، مشن سٹیٹمنٹ (مقصدی بیان / دعوی) اور مجموعی انظامی حکمت عملی کا ایک سٹیٹمنٹ اختیار کیا ہوا ہے۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

محترم شیئر ہولڈرز

2018 کیلئے نقد منافع مبلغ %7.5 پیش کرنے کی تجویز دے رہے ہیں۔

ہولڈنگ کمپنی

سیف ہولڈنگ کمپنی پاکستان میں تشکیل دی گئی جو کوہاٹ ٹیکسٹائل ملز لمیٹڈ کمپنی کی %77.98 شیئر ہولڈنگ کے ساتھ ملکیتی کمپنی ہے۔

مستقبل کا نقطہ نظر

ہم نئی منتخب حکومت کی متوقع کاروباری دوستانہ پالیسیوں کے بارے میں پر اُمید ہیں تاہم سال کے اختتام پر %5 پاکستانی روپے میں کمی کی وجہ سے، مقامی اور بین الاقوامی مارکیٹ میں کپاس / انسانی ہاتھ سے بنی ہوئی ریشہ کی قیمتوں میں اتار چڑھاؤ، کم از کم اجرت میں اضافہ، سوئی گیس / واپڈ کے نرخوں میں اضافہ اور آئی ایم ایف کی ضمانتی ٹیکج کے متوقع استعمال کی وجوہات کی بناء پر کاروباری لاگت میں مزید اضافہ ہو سکتا ہے۔ حالیہ چائنہ - امریکہ کی تجارتی جنگ بھی مستقبل میں سوت کی مارکیٹ میں اثرات مرتب کر سکتے ہیں۔

ان تمام روکاٹوں / مشکلات کے باوجود، ٹیکسٹائل کی صنعت میں بہتری کی بہت صلاحیت ہے اور اس سلسلہ میں ٹیکسٹائل کی صنعت کو اہم ترجیحی شعبے کے لحاظ سے تسلیم کرنے میں حکومتی معاونت مطلوب ہے۔

کاروباری مقاصد کی ذمہ داریوں کو محسوس کرتے ہوئے، انتظامیہ ہذا پرانی ٹیکنالوجی کی مشینوں کو بہتر اور زیادہ جدید ٹیکنالوجی سے تبدیل کرنے میں اپنی سعی جاری رکھے ہوئے ہے اور اس طرح ان پٹ لاگت میں کمی کیلئے اپنی پوری کوشش کو بروئے کار لانے میں پیش ہے۔

آپ کی کمپنی کے ڈائریکٹرز کیلئے خوشی کا امر ہے کہ وہ مشترکہ جائزہ کی کارکردگی بمعہ اختتامی سال جون 2018،30 کے مالیاتی گوشوارے واڈیٹرز رپورٹ آپ کے سامنے پیش کر رہے ہیں۔

سرسری جائزہ اور آپریٹنگ (جاری کاروبار) کے نتائج:

آپ کی کمپنی کا بنیادی کام سوت / دھاگہ کی تیاری ہے۔ حالیہ سال کے دوران کمپنی نے 2.24 بلین روپے کا کاروباری حدف حاصل کیا۔ کاروباری سرگرمیاں گذشتہ سال کے برابر ہیں اگرچہ حالیہ سال کے دوران خام مال کی لاگت میں اضافہ ہوا، مگر کم ترین مجموعی منافع میں %2 تا %20 کا اضافہ ہوا۔ قابل وصف انتہائی اضافہ / بڑھوتری بہتر مصنوعات کی آمیزش بمعہ لاگت میں کمی ہے۔ گذشتہ سال کی نسبت اس سال ٹیکس کی کٹوتی سے قبل مبلغ 64.28 ملین یعنی %8 کا اضافہ ظاہر کرتا ہے۔

کمپنی ہذا کو سال 2003 میں ISO 9001:2000 (نظام برائے کوالٹی مینجمنٹ کی جانب سے آیوارڈ سے نوازا گیا تھا۔ اور دوبارہ کمپنی ہذا کو ISO 9001:2015 (نظام برائے کوالٹی مینجمنٹ) اور 45001:2018 (پیشہ ورانہ صحت و حفاظتی انتظامی نظام) کے آیوارڈ سے نوازا گیا۔

فی حصص آمدنی

گزشتہ سال کی فی حصص آمدنی مبلغ 1.68 ملین روپے کی نسبت اس سال فی حصص آمدنی مبلغ 0.50 روپے ہے۔ آمدنی میں قابل وصف کمی حالیہ سال کے دوران ملتی ٹیکس کے اخراجات میں اضافہ ہے۔

حصہ داروں کو منافع کی ادائیگی اور اختصاص کی پالیسی

بورڈ آف ڈائریکٹرز کیلئے خوشی کا امر ہے کہ اختتامی سال جون 30،

CHAIRMAN'S REVIEW

As the Chairman of the Board, I hereby present my review on the overall performance of the Board as required under section 192 of Companies Act, 2017.

The directors as a body are under an equitable duty to act *bona fide* in the interest of the company. Therefore, the Board is to ensure that the company is being managed in a way its objectives are achieved, whilst safeguarding the integrity of the company and the interests of its stakeholders. I am satisfied that the Board has been working well given its organizational model and the Board structure. The Board members having the appropriate range of skills, knowledge and experience, as well as the degree of diversity, necessary to enable it to effectively govern the business. The Board committees will strive to become an ever more effective tool for governance and monitoring have also worked efficiently as designated by the Board. Individual Board members appear to be hard-working and demonstrate a strong commitment towards overall performance of the company. Their behavior in the Board meetings is mostly seen to be professional and constructive. The Board has been focused and committed to company's values and mission. Time was suitably apportioned to both strategic and operational level discussions and suggesting appropriate resolutions.

Attendance of Board members at Board meetings and committee meetings was always robust. There was no code of conduct violation. Performance objectives were reviewed against actual results and were found satisfactory given the overall volatility in our industry.

The role of the Board has been pivotal in achieving the company's objectives. The Board has developed short, medium and long-term plans to achieve its strategic objectives. Independent and Non-Executive Directors provide depth of expertise and support for effective decision making.

On overall basis, I believe that the strategic direction of the company for the long-term is clear and appropriate. Further, the processes

adopted in developing and reviewing the overall corporate strategy and achievement of company's objectives are commendable which are truly reflected by the improving financial results of the company.

I shall remain firmly committed to ensuring that your company complies with all the relevant codes, rules, regulations and ensuring that our management team continues to make decisions that will create value for shareholders.

I would also like to recognize the role and efforts of the executive management team for their prudent and insightful leadership during the past year as well as their flexibility and willingness to receive feedback. I would also like to express my gratitude for the efforts of all our workers for their dedication and all stakeholders for their trust in us.



OSMAN SAIFULLAH KHAN

Chairman

Place: Islamabad

Dated: September 28, 2018

چیرمین کی جائزہ رپورٹ

تسلیم کرتا ہوں اور ان کی اپنے بارے میں رائے لینے پر رضامندی کو بھی سراہتا ہوں۔ میں اپنے تمام کارکنان کی لگن و کوششوں اور اسٹیک ہولڈرز کے ہم پر اعتماد کو بھی خراج تحسین پیش کرتا ہوں۔

تمام متعلقہ قوانین، اصول و ضوابط، قواعد کی پابندی کرے گی اور اس امر کو یقینی بنائے گی کہ ہماری انتظامیہ ایسے فیصلے کرتی رہے گی جو شیئر ہولڈرز کیلئے گراں قدر ہو۔ میں گزشتہ سالوں کے دوران ایگزیکٹو انتظامیہ ٹیم کے شاندار اور بصیرانہ قیادت کیلئے ان کے کردار اور کوششوں کو



عثمان سیف اللہ خان

چیرمین

بمقام: اسلام آباد

تاریخ: ستمبر 28، 2018

چیئر مین کی جائزہ رپورٹ

ہوئے ہیں۔ حکمت عملی اور آپریشن (کاروباری امور کو چلانے) دنوں کی سطح پر بحث و مباحثہ کیلئے مختص شدہ موزوں اوقات کا روضہ کیے گئے ہیں۔

بورڈ ممبران کی بورڈ اجلاسوں اور کمیٹی کے اجلاسوں میں حاضری بہت بہتر رہی۔ مزید برآں کسی قسم کے ضابطہ اخلاق کی خلاف ورزی نہ کی گئی۔ اصل نتائج کی کارکردگی کے اہداف کے مطابق پیمائش کی گئی جو کہ ہماری انڈسٹری کی اتار چڑھاؤ کے برعکس تسلی بخش رہی۔

بورڈ ہذا کا کردار کمپنی کے اہداف کو حاصل کرنے میں اہم ہے۔ بورڈ نے اپنی حکمت عملی کے اہداف کے حصول کے لئے مختصر، درمیانی اور لمبی مدت کے منصوبے تشکیل دیے ہیں۔ خود مختار اور نان ایگزیکٹو ڈائریکٹرز نے موثر فیصلے کرنے کے سلسلہ میں وسیع تجربہ اور معاونت فراہم کی ہیں۔

مجموعی طور پر، میں یقین کرتا ہوں کہ لمبی مدت کیلئے کمپنی ہذا کی حکمت عملی کی سمت بالکل واضح اور مناسب ہے۔ مزید برآں، مجموعی انضمامی نظم و ضبط اور کمپنی کے اہداف کا حصول ترقی دینے اور اس کا جائزہ لینے کیلئے جو طریقہ کار / مراحل اختیار کیا گیا وہ قابل تعریف ہیں جس کی واضح عکاسی کمپنی ہذا کی مالیاتی نتائج میں بہتری سے ہوتی ہے۔ میں آپ کو حلفاً عہد کر کے یقین دلاتا ہوں کہ آپ کی کمپنی

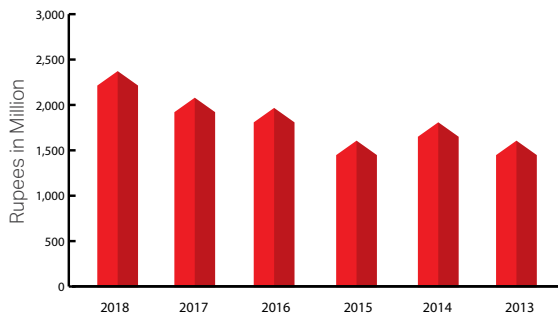
بورڈ ہذا کا باحیثیت چیئر مین، میں کمپنیز ایکٹ 2017 کے سیکشن 192 کے تحت بورڈ کی مجموعی کارکردگی کے سلسلہ میں اپنی جائزہ رپورٹ پیش کر رہا ہوں۔

ڈائریکٹرز کو باحیثیت ٹیم ممبر اباڈی اور مساوی فرائض کے تحت کمپنی ہذا کے مفاد میں ایمانداری سے امور سرانجام دینے چاہیے۔ لہذا بورڈ ہذا اس امر کو یقینی بنائیں کہ کمپنی کو اس طریقے سے مصروف عمل ہونا چاہیے کہ وہ کمپنی ہذا کی بقا اور اس کے اسٹیک ہولڈرز کے مفاد کو برقرار رکھتے ہوئے (تحفظ دیتے ہوئے) اپنے مقاصد باآسانی حاصل کر لے۔ میں مطمئن ہوں کہ بورڈ ادارتی ماڈل اور بورڈ کے ڈھانچے (خود خال) کے مطابق بہت اچھا کام کر رہی ہے۔ مذکورہ بورڈ ممبران کے پاس مناسب مہارت، علم اور تجربہ، مختلف مضامین / شعبوں میں حامل اسناد جو کاروباری نظم و نسق کو چلانے کیلئے ضروری و موثر ہیں۔ بورڈ کمیٹیز نگرانی کیلئے موثر آلہ کار بنیں گی۔

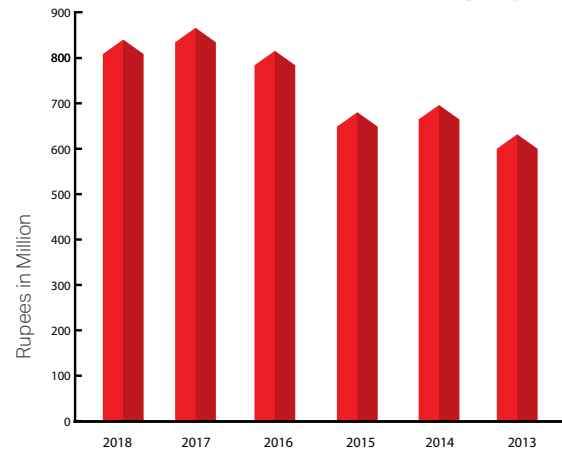
بورڈ ممبران انفرادی طور پر بھی سخت محنت کرنے والے نظر آتے ہیں اور کمپنی کی مجموعی کارکردگی کے سلسلے میں انہوں نے مضبوط عہد و پیمانہ کا مظاہرہ کیا ہے۔ بورڈ کے اجلاسوں میں ان کا رویہ زیادہ تر پیشہ ورانہ اور تعمیری دیکھا گیا ہے۔ بورڈ ہذا کی قدر اور مشن کے لئے اپنی توجہ و عہد کو مرکوز کیے

GRAPHICAL PRESENTATION

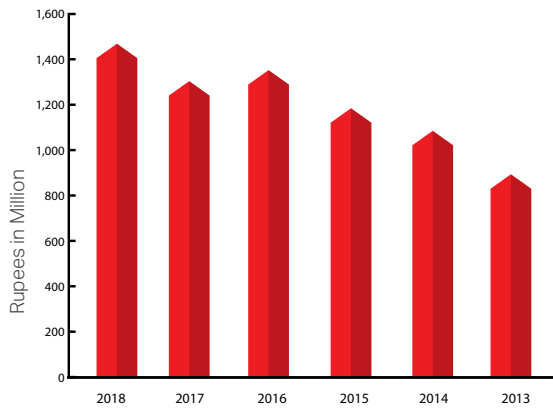
Statement of Financial Position



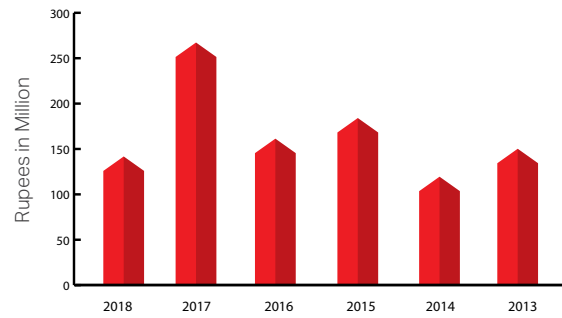
Shareholders' Equity



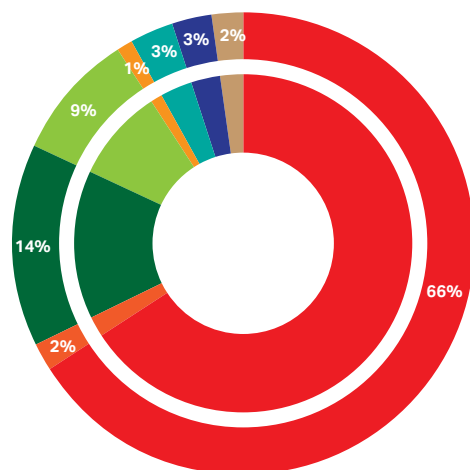
Fixed Assets



Debt Servicing



Revenue Distribution



-  Raw material
-  Packing material
-  Salaries, wages and benefits
-  Power and fuel
-  Distribution cost
-  Administrative expenses
-  Finance cost
-  Taxation

PATTERN OF SHAREHOLDINGS

As at June 30, 2018

NUMBER OF SHARE HOLDERSSHARE HOLDING.....		TOTAL NO OF SHARES HELD
	FROM	TO	
462	1	100	26,016
151	101	500	47,757
55	501	1,000	50,900
57	1001	5,000	157,108
13	5001	10,000	106,324
5	10001	15,000	67,873
2	15001	20,000	39,500
3	20001	25,000	71,000
1	25001	30,000	29,304
1	30001	35,000	31,500
1	35001	40,000	38,000
1	45001	50,000	50,000
3	55001	60,000	174,500
2	95001	100,000	196,500
1	115001	120,000	116,704
1	125001	130,000	129,450
1	195001	200,000	200,000
1	965001	970,000	969,000
1	2075001	2,080,000	2,078,554
1	6340001	6,345,000	6,340,010
1	9875001	9,880,000	9,880,000
764	TOTAL =>		20,800,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE CAPITAL
Directors and Chief Executive Officer and their spouses and minor children	8	180,104	0.87
Associated Company	2	16,220,010	77.98
NIT & ICP	2	5,100	0.02
Banks, Development Financial Institutions, Non Banking Financial Institutions	6	2,081,126	10.01
Joint Stock Companies	6	203,559	0.98
Insurance Companies	1	200	0.00
Funds	2	3,650	0.02
General Public (local)	171	1,853,338	8.90
Individuals	559	249,413	1.20
Others	7	3,500	0.02
Total	764	20,800,000	100.00

PATTERN OF SHAREHOLDINGS

As at June 30, 2018

S. NO	NAME OF SHAREHOLDERS	SHARES HELD	Percentage
Directors, Chief Executive officer, and their Spouse and Minor Children			
1	Osman Saifullah Khan	55,500	0.27
2	Assad Saifullah Khan	500	0.00
3	Hoor Yousafzai	500	0.00
4	Jehangir Saifullah Khan	116,704	0.56
5	Shereen Saifullah Khan	5,000	0.02
6	Abdul Rehman Qureshi	900	0.00
7	Rana Muhammad Shafi	500	0.00
8	Zaheen-ud-Din Qureshi	500	0.00
	Total	180,104	0.87
Associated Company			
	Saif Holdings Limited	Total	16,220,010
			77.98
NIT & ICP			
1	Investment Corporation of Pakistan	4,350	0.02
2	National Bank of Pakistan	750	0.00
	Total	5,100	0.02
Banks, Development Financial Institutions, Non Banking Financial Institutions			
1	IDBL (ICP Unit)	400	0.00
2	Muslim Commercial Bank Ltd.	2,000	0.01
3	Habib Bank Limited	100	0.00
4	Bank of Bahawalpur Limited	50	0.00
5	National Bank of Pakistan	22	0.00
6	National Bank of Pakistan	2,078,554	9.99
	Total	2,081,126	10.01
Joint Stock Companies			
1	Fateh Textile Mills Limited.	50	0.00
2	Maple Leaf Capital Limited.	1	0.00
3	Seven Star Securities (Pvt.) Limited.	1,000	0.00
4	Adeel Zafar Securities (Pvt) Limited.	200,000	0.96
5	Ample Securities (Pvt) Limited.	2,500	0.01
6	Sultan Textile Mills (Karachi) Limited.	8	0.00
	Total	203,559	0.98

PATTERN OF SHAREHOLDINGS

As at June 30, 2018

S NO	NAME OF SHAREHOLDERS	SHARES HELD	Percentage	
Insurance Companies				
1	E.F.U. Ins. Co. Ltd.	Total	200	0.00
Funds				
1	Trustee National Bank Of Pakistan Employees Pension Fund	3,526	0.02	
2	Trustee National Bank Of Pakistan Emp Benevolent Fund	124	0.00	
	Total	3,650	0.02	
General Public (Local)		Total	1,853,338	8.91
Individuals		Total	249,413	1.20
Others				
1	The Pak Ismailia Cooperative	350	0.00	
2	Naseer Shaheed Ltd	300	0.00	
3	Mollasses Export Co. Ltd.	100	0.00	
4	Murree Brewery Co. Ltd.	50	0.00	
5	United Executors & Trustee	2,200	0.01	
6	IDBL (ICP Unit)	400	0.00	
7	Azeem Services (Pvt) Ltd,	100	0.00	
	Total	3,500	0.02	
		20,800,000	100.00	

STATEMENT OF COMPLIANCE WITH THE (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:
 - a) Male 6
 - b) Female 1
2. The composition of board is as follows:
 - a) Other Non-executive Directors
 - Osman Saifullah Khan
 - Hoor Yousafzai
 - Jehangir Saifullah Khan
 - Rana Muhammad Shafi
 - Zaheen Ud Din Qureshi
 - b) Executive Director
 - Assad Saifullah Khan
 - c) Independent Director
 - Abdul Rehman Qureshi
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence,

by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Assad Saifullah Khan, Jehangir Saifullah Khan & Hoor Yousafzai have already attained the DTP certification. The Company will arrange DTP certification for remaining directors within stipulated time as prescribed in the CCG Regulations 2017.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

a)	Audit Committee	
	Abdul Rehman Qureshi	Chairman
	Hoor Yousafzai	Member
	Jehangir Saifullah Khan	Member
b)	HR and Remuneration Committee	
	Abdul Rehman Qureshi	Chairman
	Assad Saifullah Khan	Member
	Hoor Yousafzai	Member

To comply with CCG Regulations 2017, on April 30, 2018, Abdul Rehman Qureshi (Independent Director) accepted the chairmanship of HR & Remuneration

STATEMENT OF COMPLIANCE WITH THE (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Committee as requested.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee

Four (4) Audit Committee meetings were held during the year 2017-18, one (01) for each yearly, 1st quarterly, half yearly and 3rd quarterly. The committee met at least once every quarter of the financial year.

b) HR and Remuneration Committee

One (01) HR and Remuneration Committee meeting was held during the year 2017-18. The committee met once in the financial year.

15. The board has set up an effective internal audit function, who are considered suitably qualified and experienced person for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and

the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

For and on Behalf of the Board



OSMAN SAIFULLAH KHAN

Chairman

INDEPENDENT AUDITORS' REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of KOHAT TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Place: Lahore

Date: September 28, 2018

ShineWing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Audit Engagement Partner: Nafees ud din

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **KOHAT TEXTILE MILLS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit

of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 19.1.2 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.417.356 million. Our report is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Compliance with laws and regulations The Companies Act, 2017 (the Act) was promulgated on May 30, 2017, which replaced the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures. These changes are applicable first time to the Company's financial statements for the year ended June 30, 2018. The changes are considered as a key audit matter as failure to comply with the requirements of the Act could have financial impact on the Company. Refer notes 1, 2.1, 6, 20.4, 27, 40 and 41 for changes in disclosures made through the Act.</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - Obtained an understanding of the related provisions and schedules of the Act, applicable to the Company and prepared documents to assess the Company's compliance with the disclosure requirements of the Act. - Discussed the applicable changes with the Company's management and those charged with governance as to whether the Company was in compliance with such changes. - Maintained a high level of vigilance when carrying-out our other audit procedures for identification of any non-compliance. - Ensured that the financial statements have been prepared in accordance with the approved accounting standards and the Act.
2.	<p>Contingencies The Company is subject to litigations involving different courts pertaining to Gas Infrastructure Development Cess and taxation, which require management to make assessment and judgements with respect to likelihood and impact of such litigations. Management has engaged independent legal counsel on these matters. The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgements required to determine the level of certainty on these matters. Due to magnitude of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts we have considered above referred contingencies as one of the key audit matters.</p>	<ul style="list-style-type: none"> - In response to this matter, our audit procedures included: - Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances. - Obtaining independent opinion of legal advisors dealing with such cases in the form of confirmations. - We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets. - The disclosures of legal exposures and provisions were assessed for completeness and accuracy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information, which comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- A) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- B) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- C) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- D) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Nafees ud din.

ShineWing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Audit Engagement Partner: Nafees ud din

Place: Lahore

Date: September 28, 2018

FINANCIAL STATEMENTS



STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

		(Re-stated)	(Re-stated)
		2017	July 01, 2016
	Note	Rupees in '000	
		2018	
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	7	208,000	208,000
Revenue reserve			
- Unappropriated profit		181,864	182,992
Capital reserve			
- Surplus on Revaluation of Property, Plant and Equipment	8	438,263	449,723
Total Shareholders' equity		828,127	840,715
Non-current Liabilities			
Loan from the Holding Company	9	100,000	100,000
Long term financing	10	198,749	65,529
Long term deposits	11	3,066	2,320
Liability against asset subject to finance lease	12	3,379	1,968
Deferred liability - staff retirement benefits	13	108,126	95,125
Deferred taxation - net	14	138,369	113,630
		551,689	378,710
Current Liabilities			
Trade and other payables	15	305,257	347,172
Accrued mark-up / profit	16	15,346	13,065
Short term borrowings	17	688,336	471,767
Current portion of non-current liabilities	18	63,456	81,417
Unclaimed dividend		3,734	3,599
		1,076,129	917,020
		1,627,818	1,295,730
Contingencies and Commitments			
	19		
		2,455,945	2,136,445



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

			(Re-stated)	(Re-stated)
		2018	2017	July 01, 2016
	Note	Rupees in '000		
Assets				
Non-current Assets				
Property, plant and equipment	20	1,474,298	1,270,674	1,332,206
Intangible assets	21	2,061	2,767	3,581
Long term loans	22	2,051	2,120	2,070
Long term deposits		1,137	1,137	1,137
		1,479,547	1,276,698	1,338,994
Current Assets				
Stores, spare parts and loose tools	23	35,476	34,150	35,503
Stock-in-trade	24	482,571	414,162	304,908
Trade debts		335,508	254,242	150,901
Loans and advances	25	9,133	18,327	3,878
Deposits, other receivables and prepayments	26	17,351	16,088	721
Taxation - net	27	64,299	77,590	81,499
Sales tax refundable		22,994	40,349	44,313
Cash and bank balances	28	9,066	4,839	12,880
		976,398	859,747	634,603
		2,455,945	2,136,445	1,973,597

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the Year Ended June 30, 2018

		2018	2017
	Note	Rupees in '000	
Sales - net	29	2,243,619	2,229,999
Cost of sales	30	(2,028,660)	(2,049,883)
Gross profit		214,959	180,116
Distribution cost	31	(16,899)	(11,938)
Administrative expenses	32	(64,509)	(60,145)
Other income	33	907	10,641
Other expenses	34	(7,513)	(7,699)
Profit from operations		126,945	110,975
Finance cost	35	(62,662)	(51,555)
Profit before taxation		64,283	59,420
Taxation	36	(53,812)	(24,488)
Profit after taxation		10,471	34,932
Other Comprehensive Loss			
Items that will not be reclassified subsequent to statement of profit or loss:			
- loss on remeasurement of staff retirement benefit obligation		(6,071)	(5,329)
Total comprehensive income		4,400	29,603
		----- Rupees -----	
Earnings per share - basic and diluted	37	0.50	1.68

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

	2018	2017
	Rupees in '000	
Cash flow from operating activities		
Profit for the year - before taxation	64,283	59,420
Adjustments for non-cash and other charges:		
Depreciation	62,472	85,504
Amortisation	706	814
Staff retirement benefits - gratuity (net)	6,930	6,990
Reversal of prior years' workers' welfare fund	-	(10,099)
Unclaimed payable balances written-back	(39)	(70)
Loss on sale of operating fixed assets	699	972
Finance cost	60,282	49,840
Profit before working capital changes	195,333	193,371
Effect on cash flow due to working capital changes		
Increase / (decrease) in current assets:		
Stores, spare parts and loose tools	(1,326)	1,353
Stock-in-trade	(68,409)	(109,254)
Trade debts	(81,266)	(103,341)
Loans and advances	9,194	(14,799)
Deposits and short term prepayments	(1,263)	(15,367)
Sales tax refundable	17,355	3,964
(Decrease) / increase in trade and other payables	(41,876)	265,372
	(167,591)	27,928
Cash generated from operating activities	27,742	221,299
Income tax paid	(12,109)	(16,412)
Long term loans - net	69	300
Net cash generated from operating activities	15,702	205,187
Cash flow from investing activities		
Additions to property, plant and equipment	(266,574)	(26,144)
Sale proceeds of operating fixed assets	2,467	1,200
Net cash used in investing activities	(264,107)	(24,944)
Cash flow from financing activities		
Long term financing - obtained	195,832	-
- repaid	(81,058)	(218,559)
Liability against asset subject to finance lease - net	(792)	2,327
Long term deposits	746	743
Short term borrowings - net	216,569	81,152
Finance cost paid - net	(58,000)	(53,943)
Dividend paid	(20,665)	(4)
Net cash generated from / (used in) financing activities	252,632	(188,284)
Net increase / (decrease) in cash and cash equivalents	4,227	(8,041)
Cash and cash equivalents - at beginning of the year	4,839	12,880
Cash and cash equivalents - at end of the year	9,066	4,839

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the Year Ended June 30, 2018

	Share Capital	Revenue reserve	Capital reserve	Total
		Unappropriated profit	Revaluation surplus on property, plant and equipment	
Rupees in '000				
Balance as at July 01, 2016 - (as previously reported)	208,000	133,318	-	341,318
Effect of retrospective restatement due to change in policy (note 5)	-	-	465,764	465,764
Balance as at July 01, 2016 - restated	208,000	133,318	465,764	807,082
Total Comprehensive income for the year ended June 30, 2017				
Profit for the year	-	34,932	-	34,932
Other comprehensive loss	-	(5,329)	-	(5,329)
	-	29,603	-	29,603
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):				
- on account of incremental depreciation	-	18,843	(18,843)	-
- upon sale of revalued assets	-	1,228	(1,228)	-
Deferred tax adjustment due to reduction in tax rate	-	-	4,030	4,030
Balance as at June 30, 2017 - restated	208,000	182,992	449,723	840,715
Transactions with owners				
Cash dividend for the year ended June 30, 2017 at the rate of Re.1 per share	-	(20,800)	-	(20,800)
Total Comprehensive income for the year ended June 30, 2018				
Profit for the year	-	10,471	-	10,471
Other comprehensive loss	-	(6,071)	-	(6,071)
	-	4,400	-	4,400
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):				
- on account of incremental depreciation	-	14,629	(14,629)	-
- upon sale of revalued assets	-	643	(643)	-
Deferred tax adjustment due to reduction in tax rate	-	-	3,812	3,812
Balance as at June 30, 2018	208,000	181,864	438,263	828,127

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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, Tahkal Payan, Jamrud Road	Registered office
Rawalpindi	
City Centre, Main Bank Road, Saddar Cantt	Head office
Karachi	
2 nd Floor, The Plaza, Block-9, Clifton	Marketing & Sale office
Faisalabad	
Sooter Mandi	Marketing & Sale office

1.2 The Company is a Subsidiary Company of Saif Holding Limited (the Holding Company) as 77.98% (2017: 77.98%) of the Company's issued, subscribed and paid-up capital is held by the Holding Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provision of and directives issued under the Companies Act, 2017 differ from the IFRS, the provision of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

2.4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.4.1 Standards, amendments to approved accounting standards effective in current year and are relevant

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2017 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 financial statements, except for the following:

- (a) Amendments to IAS 7, 'Statement of cash flows'. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only resulted in some additional disclosures in the Company's financial statements.
- (b) IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.
- (c) The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 5 to these financial statements.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the incorporation of significant additional disclosures and elimination of duplicative disclosures with the IFRS disclosure requirements.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2017 and have not been early adopted by the Company:

- (a) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.

- (b)** IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is assessing the impact of this standard on its financial statements.
- (c)** IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company is assessing the impact of these changes on its financial statements.
- (d)** Annual improvements to IFRS Standards 2015-2017 Cycle applicable to accounting periods beginning on or after January 1, 2019. The new cycle of improvements addresses improvements to following approved accounting standards.

 - IAS 12 Income Taxes. The amendment clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.
 - IAS 23 'Borrowing Costs'. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non – qualifying assets – are included in that general pool.

The Company has yet to assess the impact of these changes on its financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

3 Critical accounting estimates and judgements

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

In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Obligation of defined benefit obligation - note 4.2 & 13
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - note 4.4, 14, 27 & 36
- Useful lives, residual values and depreciation method of property, plant and equipment. - note 4.6 & 20
- Provision for impairment of inventories - note 4.8, 4.9, 23 & 24
- Provision for doubtful trade receivables - note 4.10
- Provision for impairment losses - note 4.12
- Estimation of provisions - note 4.13

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.2 Staff retirement benefits (gratuity)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2018 on the basis of the projected unit credit method by an independent Actuary.

The liability recognised in the statement of financial position in respect of retirement gratuity scheme is the present value of defined benefit obligation at the end of reporting period. The amount arising as a result of remeasurements are recognised in the statement of financial position immediately, with a charge or credit to other

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

comprehensive income in the periods in which they occur.

4.3 Trade and other payables

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

4.4 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in statement of other comprehensive income or directly in equity. In this case, the tax is also recognised in statement of other comprehensive income or directly in equity, respectively.

(a) Current year

Provision for current taxation is based on taxable income/turnover at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments, where necessary, relating to prior years, which arise from assessments framed / finalised during the year.

(b) Deferred

The Company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the statement of profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.5 Dividend distribution

Dividend distribution to the Company's shareholders are recognised in the period in which these are approved.

4.6 Property, plant and equipment

Operating fixed assets, other than fire extinguishing equipment, furniture & fixtures, vehicles and live stock, are stated at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of asset and the net amount is restated to the revalued amount of asset. Fire extinguishing equipment, furniture & fixtures, vehicles and

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

live stock are stated at historical cost less accumulated depreciation. Cost of some items of plant and machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost.

Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation of property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984. During the year, the Company change its accounting policy as detailed in note 5 to the financial statements.

The revaluation is measured on individual asset; if an asset's carrying amount is increased as a result of revaluation, the surplus is recognised in statement of other comprehensive income and accumulated in equity under the heading of revaluation surplus on property, plant and equipment. However, the surplus is recognised in statement of profit or loss to the extent that it reverses revaluation decrease of the same asset previously recognised in statement of profit or loss. If an asset's carrying amount is decreased as a result of revaluation, the deficit on revaluation of asset is recognised in statement of profit or loss. However, the decrease is recognised in statement of other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation is taken to statement of profit or loss applying reducing balance method, except for overhauling of gas fired power plant, so as to write-off the depreciable amount of an asset over its remaining useful life. Depreciation on overhauling of gas fired power plant is charged to the statement of profit or loss using straight line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. Rates of depreciation are stated in note 20.1.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gain / loss on disposal of property, plant and equipment, if any, is taken to statement of profit or loss.

4.7 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

line method at the rate stated in note 21.

4.8 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the statement of financial position date. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.9 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
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Raw materials:

At mills	- At lower of moving average cost and market value.
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In transit	- At cost accumulated to the statement of financial position date.
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Work-in-process	- At manufacturing cost.
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Finished goods	- At lower of cost and net realisable value.
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Waste	- At contracted rates.
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- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.10 Trade debts and other receivables

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

4.11 Cash and cash equivalents

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

4.12 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the statement of profit or loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.14 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the reporting date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to statement of profit or loss.

4.15 Financial instruments

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

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

4.16 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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

4.18 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 43 to these financial statements.

5. CHANGE IN ACCOUNTING POLICY

5.1 Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the surplus on revaluation of property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984. This specific section in the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. Further, this treatment was not in line with the requirements of IFRS. This change has impacted the accounting policy of the Company related to surplus on revaluation of property, plant and equipment, and now the Company is following the accounting treatment and presentation of surplus on revaluation of property, plant and equipment, prescribed by IAS 16, 'Property, plant and equipment'. Accordingly, the surplus on revaluation of property, plant and equipment is now shown in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

5.2 Following the change and application of IAS 16, the Company's policy for surplus on revaluation of fixed assets stands amended as follows:

"Increases in the carrying amounts arising on revaluation of fixed assets are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. Upon revaluation, the extent to which the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss. At the end of each financial year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the Revaluation surplus to the retained earnings".

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

5.3 The effect of change in accounting policy is summarised below:

	As previously reported	Re- statement	As restated
	Rupees in '000		
As at June 30, 2017			
Effect on statement of financial position			
Surplus on revaluation of property, plant and equipment	449,723	-	449,723
Total shareholder's equity	390,992	449,723	840,715
Effect on statement of changes in equity			
Capital reserve	-	449,723	449,723
As at June 30, 2016			
Effect on statement of financial position			
Surplus on revaluation of property, plant and equipment	465,764	-	465,764
Total shareholder's equity	341,318	465,764	807,082
Effect on statement of changes in equity			
Capital reserve	-	465,764	465,764

6. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

- (a) The Company, during the year, has obtained a demand finance facility of Rs. 300 million from the Bank of Khyber as part of its proposed BMR plan.
- (b) Due to applicability of the Companies Act, 2017 to the financial statements of the Company, amounts reported for the previous years have been restated. For detailed information please refer to note 5.
- (c) All other significant transactions and events that have affected the Company financial position and performance during the year have been adequately disclosed in these financial statements. For detail performance review of the Company refer Chairman's Review Report and Directors' Report on the Company's operations.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
--- No. of shares ---			--- Rupees in '000 ---	
14,525,400	14,525,400	ordinary shares of Rs.10 each fully paid in cash	145,254	145,254
6,274,600	6,274,600	ordinary shares of Rs.10 each issued as fully paid-up by conversion of loans and debentures	62,746	62,746
20,800,000	20,800,000		208,000	208,000

7.1 Saif Holding Ltd. (the Holding Company) held 16,220,010 ordinary shares of the Company as at June 30, 2018 and June 30, 2017.

7.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding.

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

8.1 The Company had revalued its freehold land, buildings on freehold land, plant & machinery, diesel generators & fuel reservoir, gas fired power plant and electric installations during the financial years 1984, 1995, 2004, 2005, 2008, 2012 and 2016. These fixed assets were revalued by independent Valuers on the basis of market value / depreciated market values.

8.2 The latest revaluation exercise was carried-out by M/s. Hamid Mukhtar & Co. (Pvt.) Ltd. (Independent Valuers and Consultants) to replace the carrying amounts of these assets with the market value / depreciated market values. The net appraisal surplus arisen on these revaluation exercises has been credited to this account.

	2018	2017
	----- Rupees in '000 -----	
Opening balance	570,637	599,726
Less: transferred to unappropriated profit:		
- on account of incremental depreciation for the year	(20,899)	(27,309)
- upon sale of revalued assets	(918)	(1,780)
	548,820	570,637
Less: deferred tax on:		
- opening balance of surplus	120,914	133,962
- surplus on revaluation carried out at the year end	-	-
- incremental depreciation for the year	(6,270)	(8,466)
- sale of revalued assets	(275)	(552)
	114,369	124,944
Adjustment resulting from reduction in tax rate	(3,812)	(4,030)
	110,557	120,914
Closing balance	438,263	449,723

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

9. LOAN FROM THE HOLDING COMPANY		2018	2017
- Unsecured	Note	---- Rupees in '000 ----	
Sub-ordinated loan	9.1	100,000	100,000

9.1 The Company and Saif Holdings Ltd. (the Holding Company) had entered into a loan agreement on October 21, 2009; the terms of loan agreement were effective from April 09, 2009. Salient terms of the agreement were as follows:

- (a) The Holding Company lent an unsecured loan amounting Rs.100 million to the Company on April 09, 2009 to meet its financial obligations;
- (b) As per the original agreement terms, loan carried mark-up at the rate of 3-months KIBOR + 2% payable quarterly; however, from January, 2013 the rate of mark-up was revised to average borrowing cost of the Holding Company + 0.1% per annum; and
- (c) Originally the maturity period of the loan was five years and the loan become payable in April, 2014. However, as the loan is sub-ordinated to all other finance facilities availed / to be availed by the Company from any of the financial institution and could not be repaid till their final settlement; therefore, the Company and the Holding Company mutually agreed to renew the loan agreement for further period of five years. During the year in June, 2018, both the parties further extended the repayment of this loan till April, 2020.

The effective mark-up rate charged by the Holding Company, during the current financial year, ranged from 7.00% to 7.35% (2017: 7.14% to 7.22%) per annum.

10. LONG TERM FINANCING - Secured

The Bank of Punjab (BoP)

Term finance	10.1	-	22,500
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United Bank Limited (UBL)

Demand finance	10.2	13,029	39,087
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Askari Bank Limited (ABL)

Diminishing Musharakah	10.3	52,500	85,000
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Bank of Khyber (BoK)

Demand Finance	10.4	195,832	-
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		261,361	146,587
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Less: current portion grouped under current liabilities		62,612	81,058
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		198,749	65,529
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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- 10.1** The Company, during the financial year ended June 30, 2014, arranged a term finance facility of Rs.135 million from BoP. This finance facility was repayable in 6 equal half-yearly installments of Rs. 22.500 million each commenced from June, 2015. This finance facility carried mark-up at the rate of 6-months average KIBOR + 130 basis points per annum payable semi-annually; effective mark-up rate charged, during the current financial year, was 7.46% (2017: at the rates ranged from 7.42% to 7.46%) per annum. This finance facility was secured against first pari passu charge on fixed assets of the Company for Rs.333.334 million.
- 10.2** The Company, during the financial year ended June 30, 2014, arranged a demand finance facility of Rs.110 million from UBL. The bank against the said facility has disbursed Rs.104.234 million in three tranches of different amounts and each tranche is repayable in 16 equal quarterly installments commenced from February, 2015. This finance facility carries mark-up at the rate of 3-months KIBOR + 175 basis points per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 7.88% to 8.16% (2017: 7.78% to 8.13%) per annum. This finance facility is secured against first pari passu hypothecation charge on all fixed assets of the Company for Rs.146.670 million.
- 10.3** The Company, during the financial year ended June 30, 2015, arranged a diminishing musharakah finance facility of Rs.120 million from ABL. This finance facility is repayable in 48 equal monthly installments of Rs.2.500 million each commenced April, 2016. This finance facility carries profit at the rate of 6-months KIBOR + 100 basis points per annum payable monthly; effective profit rate charged, during the current financial year, ranged from 7.15% to 7.51% (2016: 7.05% to 7.36%) per annum. This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs.150 million.
- 10.4** The Company, during the current financial year, arranged a demand finance facility of Rs.300 million from BoK. The bank against the said facility has disbursed Rs.195.832 till the reporting date. This finance facility is repayable in 20 equal quarterly instalments commencing March, 2019. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points per annum payable semi annually; effective mark-up rate charged, during the current financial year, was 7.31% per annum. This finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.400 million.

11. LONG TERM DEPOSITS

These deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles have been provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

12. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

Particulars	2018		
	Upto one year	From one to five years	Total
	----- Rupees in '000 -----		
Minimum lease payments	1,163	4,406	5,569
Less: finance cost allocated to future periods	319	500	819
Less: security deposits adjustable on expiry of lease terms	-	527	527
Present value of minimum lease payments	<u>844</u>	<u>3,379</u>	<u>4,223</u>
	----- Rupees in '000 -----		
Particulars	2017		
	Upto one year	From one to five years	Total
	----- Rupees in '000 -----		
Minimum lease payments	521	2,578	3,099
Less: finance cost allocated to future periods	162	352	514
Less: security deposits adjustable on expiry of lease terms	-	258	258
Present value of minimum lease payments	<u>359</u>	<u>1,968</u>	<u>2,327</u>

- 12.1** The Company has arranged an Ijarah finance facility from Dubai Islamic Bank Pakistan Ltd. to acquire vehicles. The liabilities under this finance arrangement are repayable in 60 monthly installments ending various dates, and carry mark-up at the rate of 6-months KIBOR + 2% 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 and post dated cheques of each principal installments.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

13. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

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

	2018	2017
- discount rate	9.00%	7.50%
- expected rate of increase in salary	8.00%	6.50%
- average expected remaining working life of employees	7.44 years	8 years

13.2 Amount recognised in the statement of financial position

	2018	2017
--- Rupees in '000 ---		
Net liability at the beginning of the year	95,125	82,806
Charge to statement of profit and loss account	24,390	21,154
Remeasurement recognised in statement of other comprehensive income	6,071	5,329
Payments made during the year	(17,460)	(14,164)
Net liability at the end of the year	108,126	95,125

13.3 The movement in the present value of defined benefit obligation is as follows:

Balance at beginning of the year	95,125	82,806
Current service cost	17,910	15,664
Interest cost	6,480	5,490
Benefits paid	(17,460)	(14,164)
Remeasurement of obligation	6,071	5,329
Balance at end of the year	108,126	95,125

13.4 Charge to statement of profit or loss:

Current service cost	17,910	15,664
Interest cost	6,480	5,490
	24,390	21,154

13.5 Remeasurements recognised in statement of other comprehensive income

Experience adjustment	6,071	5,329
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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

13.6 Sensitivity analysis for actuarial assumptions

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

	Change in assumption	Increase in assumptions	Decrease in assumptions
	----- Rupees in '000 -----		
Discount rate		<u>(100,983)</u>	<u>117,441</u>
Increase in salaries		<u>117,649</u>	<u>(100,656)</u>

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

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

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

	2018	2017	2016	2015	2014
	----- Rupees in '000 -----				
Present value of defined benefit obligation	<u>108,126</u>	<u>95,125</u>	<u>82,806</u>	<u>80,290</u>	<u>62,137</u>
Experience adjustment on obligation	<u>6,071</u>	<u>5,329</u>	<u>(4,092)</u>	<u>6,763</u>	<u>7,544</u>

13.8 Based on actuary's advice, the expected charge for the year ending June 30, 2019 amounts to Rs.29.786 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

14. DEFERRED TAXATION - net

	Note	2018 --- Rupees in '000 ---	2017
The balance of deferred tax is in respect of following major temporary differences			
Taxable temporary difference:			
- accelerated tax depreciation allowances		116,190	123,275
- surplus on revaluation of property, plant and equipment	8	110,556	120,914
- Lease finance		105	66
		226,851	244,255
Deductible temporary difference:			
- unused tax losses		(6,193)	(73,359)
- minimum tax recoverable against normal tax charge in future years		(82,289)	(57,128)
		(88,482)	(130,487)
		138,369	113,768

15. TRADE AND OTHER PAYABLES

Creditors		40,553	37,692
Advances from customers		5,006	1,023
Bills payable	15.1	205,339	257,638
Accrued expenses		45,433	44,437
Security deposit	15.2	500	500
Workers' (profit) participation fund		3,214	3,127
Others		5,212	2,755
		305,257	347,172

15.1 These are secured against import documents.

15.2 This represent interest free security deposit received from the Company's transport contractor. The amount received has been utilised for the purpose of the business in accordance with the written agreement with the contractor.

16. ACCRUED MARK-UP / PROFIT

Mark-up / profit accrued on:			
- loan from the Holding Company		1,832	3,578
- long term financing		3,011	3,668
- short term borrowings		10,503	5,819
		15,346	13,065

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

17. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.1,050 million (2017: Rs.750 million). These facilities, during the current financial year, carried mark-up / profit at the rates ranging from 3.40% to 8.03% (2017: 2.41% to 8.05%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.670,000 million (2017: Rs.690,000 million) of which the amounts aggregating Rs.385,330 million (2017: Rs.343,765 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 February, 2019.

18. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2018 --- Rupees in '000 ---	2017
Long term financing	10	62,612	81,058
Liability against asset subject to finance lease	12	844	359
		63,456	81,417

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 Guarantees aggregating Rs.78.962 million (2017: Rs.68.962 million) has 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.

19.1.2 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 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.

Sui Northern Gas Pipelines Limited, along with gas bill for the month of June, 2018, has raised GIDC demands aggregating Rs.417.356 million which are payable in case of an adverse judgment by the Supreme Court. Provisions for the GIDC demands aggregating Rs.417.356 million have not been made in the books of account as the management expects a favorable judgment by the Supreme Court due to meritorious legal grounds.

19.2 Commitments

Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.Nil (2017: Rs.19.635 million).

20. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	20.1	1,227,789	1,232,881
Capital work-in-progress	20.8	202,928	20,000
Stores held for capital expenditure		43,581	17,793
		1,474,298	1,270,674

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

20.1 Operating Fixed assets - tangible

	Owned											Leased				
	Freehold land		Buildings on freehold land			Diesel generators & fuel reservoir	Gas fired power plant	Electric installations	Equipment & appliances	Fire extinguishing equipment	Furniture & fixtures	Vehicles	Livestock	Vehicles	Total	
	Factory	Non-factory	Residential	officers	workers											Plant & machinery
Balance as at July 01, 2016	168,066	186,300	82,699	62,496	16,918	899,489	6,501	152,178	30,865	46,742	1,460	7,743	32,159	1	-	1,693,617
Additions during the year	-	315	-	946	-	17,500	-	-	551	1,840	-	326	-	-	2,633	24,111
Disposals during the year	-	-	-	-	-	(4,306)	-	-	-	-	-	-	(917)	-	-	(5,223)
Balance as at June 30, 2017	168,066	186,615	82,699	63,442	16,918	912,683	6,501	152,178	31,416	48,582	1,460	8,069	31,242	1	2,633	1,712,505
Balance as at July 01, 2017	168,066	186,615	82,699	63,442	16,918	912,683	6,501	152,178	31,416	48,582	1,460	8,069	31,242	1	2,633	1,712,505
Additions during the year	20,000	1,967	-	-	-	28,955	-	146	4,403	4,403	-	2,196	-	-	2,879	60,546
Disposals during the year	-	-	-	-	-	(18,158)	-	-	(93)	-	-	-	(1,705)	-	-	(19,956)
Balance as at June 30, 2018	188,066	188,582	82,699	63,442	16,918	923,480	6,501	152,178	31,562	52,892	1,460	10,265	29,537	1	5,512	1,753,095
DEPRECIATION																
Balance as at July 01, 2016	-	-	-	19,337	6,677	280,650	3,126	20,008	13,365	32,233	1,200	4,940	15,635	-	-	397,171
Charge for the year	-	9,323	4,135	2,189	1,024	46,964	253	14,632	1,782	1,536	25	289	3,264	-	88	85,504
On disposals during the year	-	-	-	-	-	(2,366)	-	-	-	-	-	-	(685)	-	-	(3,051)
Balance as at June 30, 2017	-	9,323	4,135	21,526	7,701	325,248	3,379	34,640	15,147	33,769	1,225	5,229	18,214	-	88	479,624
Balance as at July 01, 2017	-	9,323	4,135	21,526	7,701	325,248	3,379	34,640	15,147	33,769	1,225	5,229	18,214	-	88	479,624
Charge for the year	-	8,932	3,928	2,096	922	30,259	234	9,859	820	1,658	23	435	2,467	-	839	62,472
On disposals during the year	-	-	-	-	-	(16,151)	-	-	-	(17)	-	-	(622)	-	-	(16,790)
Balance as at June 30, 2018	-	18,255	8,063	23,622	8,623	339,356	3,613	44,499	15,967	35,410	1,248	5,664	20,059	-	927	525,306
BOOK VALUE AS AT																
JUNE 30, 2017	168,066	177,292	78,564	41,916	9,217	587,435	3,122	117,538	16,269	14,813	235	2,840	13,028	1	2,545	1,232,881
BOOK VALUE AS AT																
JUNE 30, 2018	188,066	170,327	74,636	39,820	8,295	584,124	2,888	107,679	15,595	17,482	212	4,601	9,478	1	4,585	1,227,789
Depreciation rate (%) - 2017	0	5	5	5	10	7.5	7.5	7.5 & 15	10	10	10	10	10	20	-	20
Depreciation rate (%) - 2018	0	5	5	5	10	5	7.5	5 & 15	5	10	10	10	20	-	20	

----- Rupees in '000 -----

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

20.2 Borrowing cost at the rate of 7.31% per annum amounting Rs.3.037 million has been included in the cost of plant and machinery.

20.3 Disposal of operating fixed assets

Asset Description	Cost / Revaluation	Accumulated Depreciation	Net Book Value	Sale Proceeds	(Loss) / gain	Mode of disposal	Particulars of buyer
----- Rupees in '000 -----							
Plant & Machinery							
Auto plucker	1,564	1,003	561	253	(308)	Negotiation	Noshad Textile Mills Ltd.
Scutcher feeder with condenser	3,082	2,714	368	300	(68)	-do-	----- do -----
Hooper feeder with condenser	1,100	977	123	28	(95)	-do-	----- do -----
Scutcher China	4,248	3,641	607	390	(217)	-do-	----- do -----
Card Machine (China)	7,515	7,248	267	113	(154)	-do-	----- do -----
Grinding machine	154	143	11	20	9	-do-	----- do -----
Grinding machine	79	79	-	20	20	-do-	----- do -----
Mounting machine	102	95	7	12	5	-do-	----- do -----
Lathe machine	314	251	63	80	17	-do-	----- do -----
Equipment & Appliances							
Mobile	20	5	15	16	1	Negotiation	Saif Textile Mills Ltd.
Laptop	73	12	61	62	1		(a related party)
Vehicle							
Honda City	1,705	622	1,083	1,173	90	-do-	Saif Textile Mills Ltd. (a related party)
Total - June, 30 2018	19,956	16,790	3,166	2,467	(699)		
Total - June, 30 2017	5,223	3,051	2,172	1,200	(972)		

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

20.4 Free hold land of the Company and building thereon, is located at Saifabad Kohat with an area of 192,844 square yards.

20.5 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2018	2017
	--- Rupees in '000 ---	
Freehold land	475	475
Buildings on freehold land:		
- Factory	62,277	63,554
- Non-factory	10,903	11,477
- Residential		
- Officers	5,091	5,359
- Workers	4,452	4,947
Plant & machinery	441,805	438,375
Diesel generators & fuel reservoirs	673	728
Gas fired power plant	85,441	93,637
Electric installations	9,952	10,328
Equipment & appliances	17,391	14,712
	638,460	643,592

20.6 Based on the latest revaluation exercise carried-out on June 30, 2016, forced sale value of the Company's revalued assets was Rs.1,009.880 million.

20.7 Depreciation for the year has been apportioned as under:

Cost of sales	56,222	79,190
Administrative expenses	6,250	6,314
	62,472	85,504

20.7.1 The management of the Company, during the current financial year, in order to ascertain the useful life of plant & machinery, gas fired power plant and electric installations has carried-out an internal exercise and assessed the remaining useful life of these class of assets. Keeping in consideration the assessed useful life of aforementioned assets, the depreciation rate of plant & machinery and gas fired power plant has been reduced to 5% per annum from 7.5% per annum, whereas the depreciation rate of electric installations has been reduced to 5% per annum from 10% per annum. The aforementioned revision has been accounted for as change in accounting estimates in accordance with the requirements of IAS 8 (Accounting policies, changes in accounting estimates and errors). The effect of this change in accounting estimate has been recognised prospectively in the statement profit or loss of the current financial year. Had there been no revision, profit before taxation and the carrying value of operating fixed assets would have been lower by Rs.18.382 million. Accordingly, earnings per share of Re.0.50 for the current financial year ended June 30, 2018 would have been loss per share of Re.0.38.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

20.8 Capital work-in-progress		2018	2017
	Note	--- Rupees in '000 ---	
Factory building		14,359	-
Plant & machinery		188,569	-
Advance payments against freehold land	20.8.1	-	20,000
		202,928	20,000

20.8.1 This represented advance given to the Holding Company for purchase of land.

21. INTANGIBLE ASSETS - Computer software

Cost		3,532	4,118
Disposed-off during the year		-	(586)
		3,532	3,532
Less: amortisation			
- at beginning of the year		765	537
- charge for the year		706	814
- at end of the year		1,471	1,351
Accumulated amortisation of assets disposed-off during the year		-	(586)
Book value as at June 30,		2,061	2,767
Amortisation rate - 20% per annum			

22. LONG TERM LOANS - Secured

Loan to Employees	22.1	3,799	3,536
Less: current portion grouped under current assets		1,748	1,416
		2,051	2,120

22.1 Loans provided to employees are interest-free and have been advanced for various purposes and are secured against employees' gratuity benefits. Some of the loans provided to employees are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

23. STORES, SPARE PARTS AND LOOSE TOOLS

Stores		21,053	22,089
Spare parts		14,233	11,910
Loose tools		190	151
		35,476	34,150

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

24. STOCK-IN-TRADE	Note	2018	2017
		--- Rupees in '000 ---	
Raw materials:			
- at mills		312,985	237,821
- in-transit		103,919	136,660
		416,904	374,481
Work-in-process		34,162	39,544
Finished goods		31,505	137
		482,571	414,162

24.1 Raw materials and finished goods inventories are pledged with commercial banks as security for short term finance facilities (note 17).

25. LOANS AND ADVANCES

Current portion of long term loans	22	1,748	1,416
Advances - considered good			
- employees		1,087	897
- suppliers		6,298	16,014
		9,133	18,327

26. DEPOSITS, OTHER RECEIVABLE AND PREPAYMENTS

Security deposits		6,150	4,570
Claims for mark-up subsidy	26.1	10,831	10,831
Short term prepayments		370	687
		17,351	16,088

26.1 These represent mark-up subsidy claims booked under the Government's "Technology Up-gradation Support Order 2010". These claims have been duly verified by the banks of the Company.

27. TAXATION - net

Balance of advance tax at beginning of the year		77,590	81,499
Add: income tax deducted / paid during the year		12,108	16,411
		89,698	97,910
Less: provision made during the year:			
- current	27.2	(25,161)	(20,316)
- prior		(238)	(4)
Balance of advance tax at end of the year		64,299	77,590

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- 27.1** 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 2017.
- 27.2** No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial years represent minimum tax payable under section 113 after adjusting tax credit under section 65B of the Ordinance.
- 27.3** As per the management, they have provided sufficient tax provision in the financial statement as per the applicable provisions of the Ordinance. A comparison of last three years of income tax provision as per the financial statements with the tax assessed is presented below:

	2017	2016	2015
	-----Rupees in '000-----		
Income tax provision for the year - accounts	20,316	17,964	12,902
Income tax as per assessment	20,555	17,968	13,112

28. CASH AND BANK BALANCES

	2018	2017
	--- Rupees in '000 ---	
Cash at banks		
- on current accounts	8,925	4,571
- on dividend account	141	268
	9,066	4,839

29. SALES - Net

Own manufactured goods:

- yarn	2,218,467	2,219,630
- waste	18,886	7,266

Trading activities:

- raw materials	6,266	36,986
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	2,243,619	2,263,882
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Less: sales return	-	33,883
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	2,243,619	2,229,999
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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

		2018	2017
	Note	--- Rupees in '000 ---	
30. COST OF SALES			
Raw materials consumed	30.1	1,421,820	1,406,533
Packing materials consumed		46,786	40,343
Salaries, wages and benefits	30.2	296,939	273,321
Power and fuel		193,624	190,030
Repair and maintenance		28,338	29,637
Depreciation	20.7	56,222	79,190
Insurance		5,336	3,433
Vehicle running and maintenance		2,483	2,107
Traveling and conveyance		566	948
Guest house and entertainment		598	518
Textile cess		44	30
Others		1,890	1,593
		2,054,646	2,027,683
Adjustment of work-in-process			
Opening		39,544	23,746
Closing		(34,162)	(39,544)
		5,382	(15,798)
Cost of goods manufactured		2,060,028	2,011,885
Cost of yarn return		-	(77,823)
Adjustment of finished goods			
Opening stock		137	115,958
Closing stock		(31,505)	(137)
		(31,368)	115,821
		2,028,660	2,049,883
30.1 Raw materials consumed			
Opening stock		374,481	165,204
Add:			
Purchases		1,457,113	1,581,679
Cost of raw materials sold		6,227	33,694
Insurance		903	437
		1,464,243	1,615,810
		1,838,724	1,781,014
Less: closing stock		416,904	374,481
		1,421,820	1,406,533

30.2 These include Rs.21.956 million (2017: Rs.18.404 million) in respect of staff retirement benefits - gratuity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

31. DISTRIBUTION COST		2018	2017
	Note	--- Rupees in '000 ---	
Freight and forwarding		12,719	8,303
Travelling and conveyance		129	264
Salaries and benefits	31.1	3,255	2,451
Rent, rates and utilities		436	396
Communication		27	21
Insurance		149	394
Commission		184	90
Others		-	19
		16,899	11,938

31.1 These include Rs.0.274 million (2017: Rs.0.211 million) in respect of staff retirement benefits - gratuity.

32. ADMINISTRATIVE EXPENSES

Directors' remuneration and fees		6,123	6,023
Salaries and benefits	32.1	25,812	24,090
Travelling and conveyance		642	522
Rent, rates and taxes		3,272	3,779
Entertainment		1,055	827
Communication		1,107	812
Printing and stationery		562	818
Utilities		2,522	3,116
Insurance		4,517	7,449
Vehicles' running and maintenance		2,320	2,050
Repair and maintenance		1,306	838
Advertisement		147	131
Subscription		5,401	573
Newspapers & periodicals		65	62
Depreciation	20.7	6,250	6,314
Amortisation	21	706	814
Auditors' remuneration	32.2	990	975
Legal and professional (other than Auditors)		1,237	778
Others		475	174
		64,509	60,145

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

32.1 These include Rs.2.161 million (2017: Rs.2.538 million) in respect of staff retirement benefits - gratuity.

32.2 Auditors' remuneration	Note	2018	2017
		--- Rupees in '000 ---	
Statutory audit		625	625
Half yearly review		140	130
Certification charges		90	74
Consultancy services		120	120
Out-of-pocket expenses		15	26
		990	975

32.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.14.696 million (2017: Rs.6.400 million) with Saif Textile Mills Ltd. (a related party) on account of proportionate expenses of the combined offices at Karachi, Faisalabad and Lahore. These expenses have been booked in the respective heads of account

33. OTHER INCOME

Sale of scrap		868	472
Reversal of prior years' workers' welfare fund		-	10,099
Unclaimed payable balances written-back		39	70
		907	10,641

34. OTHER EXPENSES

Loss on sale of operating fixed assets	20.3	699	972
Workers' (profit) participation fund		3,214	3,127
Donations	34.1	3,600	3,600
		7,513	7,699

34.1 This represents amount donated to Saifullah Foundation for Sustainable Development (a social welfare society). The following directors of the Company are also the directors of the society during the year:

- Osman Saifullah Khan
- Jehangir Saifullah Khan

35. FINANCE COST - Net		2018	2017
	Note	--- Rupees in '000 ---	
Mark-up on sub-ordinated loan from the Holding Company		7,150	7,170
Mark-up / profit on long term financing		7,759	21,434
Mark-up subsidy	26.1	-	(10,831)
		7,759	10,603
Mark-up / profit on short term borrowings		42,274	31,934
Mark-up / profit on finance leases		241	-
Interest on workers' (profit) participation fund		78	-
Exchange fluctuation loss		2,780	133
Bank and other charges		2,380	1,715
		62,662	51,555
36. TAXATION			
Current tax:			
- for the year	27	25,161	20,316
- prior year		238	4
Deferred tax:			
- Origination and reversal of temporary differences		30,297	138
- impact of change in tax rate	8	(1,884)	4,030
		28,413	4,168
		53,812	24,488
37. EARNINGS PER SHARE			
37.1 Basic earnings per share			
Profit after taxation attributable to ordinary shareholders		10,471	34,932
		--- No. of shares ---	
Weighted average number of shares outstanding during the year		20,800,000	20,800,000
		--- Rupees ---	
Earnings per share		0.50	1.68

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

37.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial Risk Factors

The Company has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk; and
- liquidity risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

38.1.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, plant & machinery and stores & spares denominated in U.S. Dollar. The Company's exposure to foreign currency risk for U.S. Dollar is as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

	Rupees	U.S \$
	--- in '000 ---	
As at June 30, 2018		
Net statement of financial position exposure - bills payable	205,339	1,640
As at June 30, 2017		
Bills payable	257,638	2,453
Short term borrowings	72,809	693
Gross statement of financial position exposure	330,447	3,146
Outstanding letter of credit	19,635	187
Net statement of financial position exposure	350,082	3,333
	Average rate	
	2018	2017
U.S. \$ to Rupee	112.76	104.85
	Reporting rate	
	2018	2017
U.S. \$ to Rupee	125.20	105.00

Sensitivity analysis

At June 30, 2018, if Rupee had strengthened by 10% against U.S.\$ with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial liabilities.

Effect on profit for the year

U.S. \$ to Rupee	20,533	33,033
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The weakening of Rupee against U.S. \$ would have had an equal but opposite impact on profit / loss after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / loss for the year and liabilities of the Company.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

Financial liabilities	2018		2017	
	Effective rate		Carrying amount	
	%		--- Rupees in '000 ---	
Variable rate instruments				
Loan from the				
Holding Company	7.00 to 7.35	7.14 to 7.22	100,000	100,000
Long term financing	7.31 to 8.16	7.05 to 8.13	261,361	146,587
Liabilities against assets				
subject to finance lease	8.15 to 8.52	-	4,223	2,327
Short term borrowings	3.40 to 8.03	2.41 to 8.05	688,336	471,767

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the statement of profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2018, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.10.539 million (2017: Rs.7.207 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

38.1.2 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss to the Company if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from long term deposits, trade debts, security deposits and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2018 along with comparative is tabulated below:

	2018	2017
	--- Rupees in '000 ---	
Long term deposits	1,137	1,137
Trade debts	335,508	254,242
Security deposits	6,150	4,570
Bank balances	9,066	4,839
	351,861	264,788

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

All the trade debts at the statement of financial position date represent domestic parties.

The aging of trade debts at the statement of financial position date was as follows:

	2018	2017
	--- Rupees in '000 ---	
Not yet due	320,455	242,331
Past due - more than 30 days	15,053	11,911
	<u>335,508</u>	<u>254,242</u>

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.44.076 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

38.1.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	----- Rupees in '000 -----			
As at June 30, 2018				
Loan from the Holding Company	100,000	107,350	107,350	-
Long term financing	261,361	290,132	79,933	210,199
Liability against asset subject to finance lease	4,223	5,042	1,163	3,879
Trade and other payables	297,037	297,037	297,037	-
Accrued mark-up / profit	15,346	15,346	15,346	-
Short term borrowings	688,336	706,598	706,598	-
	<u>1,366,33</u>	<u>1,421,505</u>	<u>1,207,427</u>	<u>214,078</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
----- Rupees in '000 -----				
As at June 30, 2017				
Loan from the Holding Company	100,000	112,622	7,210	105,412
Long term financing	146,587	158,560	86,499	72,061
Liability against asset subject to finance lease	2,327	2,841	521	2,320
Trade and other payables	346,621	346,621	346,621	-
Accrued mark-up / profit	13,065	13,065	13,065	-
Short term borrowings	471,767	480,182	480,182	-
	<u>1,080,367</u>	<u>1,113,891</u>	<u>934,098</u>	<u>179,793</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

38.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer 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 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.

At June 30, 2018, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

38.3 Financial instruments by category

Financial assets as per statement of financial position	Loans and receivables		Financial liabilities as per statement of financial position	Financial liabilities measured at amortised cost	
	2018	2017		2018	2017
	--- Rupees in '000 ---			--- Rupees in '000 ---	
Long term loans	2,051	2,120	Loan from the Holding Company	100,000	100,000
Long term deposits	1,137	1,137	Long term financing	261,361	146,587
Trade debts	335,508	254,242	Liability against asset subject to finance lease	4,223	2,327
Loans and advances	1,748	1,416	Long term deposits	3,066	2,320
Deposits, other receivables and prepayments	6,150	4,570	Trade and other payables	297,037	346,621
Bank balances	9,066	4,839	Accrued mark-up / profit	15,346	13,065
			Short term borrowings	688,336	471,767
	<u>355,660</u>	<u>268,324</u>		<u>1,369,369</u>	<u>1,082,687</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

38.4 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Accrued mark-up and interest	Dividend
	----- Rupees in '000 -----				
Balance as at July 01, 2017	146,587	2,327	471,767	13,065	3,599
Changes from financing activities					
Finances obtained	195,832	-	216,569	-	-
Finances repaid	(81,058)	-	-	-	-
Finance leases obtained	-	2,688	-	-	-
Repayment of finance lease liabilities	-	(792)	-	-	-
Finance cost paid	-	-	-	(58,008)	-
Dividends paid	-	-	-	-	(20,665)
Dividend declared	-	-	-	-	20,800
Total changes from financing cash flows	261,361	4,223	688,336	(44,943)	3,734
Other changes					
Mark-up / Interest expense	-	-	-	60,281	-
Balance as at June 30, 2018	261,361	4,223	688,336	15,338	3,734

39. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

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

40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Holding Company, Associated Companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

40.1 Name and nature of relationship

Holding and Associated Companies

Saif Holdings Ltd. (Holding Company as 77.98% shares held in the Company)

Saif Textile Mills Ltd. (an Associated Company due to common directorship)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

40.2 Significant transactions with the related parties

	2018	2017
	--- Rupees in '000 ---	
i) The Holding Company		
- dividend paid	16,220	-
- mark-up paid on loan	7,150	5,569
- advance given for purchase of land	-	10,000
ii) An Associated Company		
Sales of:		
- goods, store items and services	6,266	33,721
- fixed assets	1,250	878
Sales return of raw materials	-	34,899
Purchase return:		
- raw material	-	72,181
- yarn	-	80,158
iii) Key management personnel		
Salary and other employment benefits	6,822	8,304
iv) Others - consultancy charges	3,600	-

41. REMUNERATION OF CHIEF EXECUTIVE, AND EXECUTIVES

Particulars	Chief Executive		Executives	
	2018	2017	2018	2017
	----- Rupees in '000 -----			
Managerial remuneration	6,000	6,000	18,599	12,777
Medical expenses reimbursed	-	-	271	136
	6,000	6,000	18,870	12,913
Number of persons	1	1	6	4

41.1 In addition to the above, meeting fees amounting Rs.123 thousand (2017: Rs.23 thousand) were paid to seven (2017: seven) directors during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

		2018	2017
42. CAPACITY AND PRODUCTION			
No. of spindles installed (in '000)		35	35
No. of spindles shifts worked (in '000)		37,634	37,920
No. of days worked		365	365
No. of shift worked		1,095	1,095
Average count		36.37	35.82
Actual production (in '000)	Kg	6,975	7,122

It is difficult to describe precisely the production capacity in textile spinning industry since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

43. OPERATING SEGMENT

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

43.1 Yarn sales represent 98.88% (2017: 98.04%) of the total sales of the Company.

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

43.3 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

43.4 One (2017: one) of the Company's customers having sales of Rs.221 million (2017: Rs. 327 million) exceeded 10% of total sales of the Company.

44. NUMBER OF EMPLOYEES

Number of employees as at June 30,

- at mills

	1,087	1,097
--	-------	-------

- at head office

	36	37
--	----	----

Average number of employees during the year

- at mills

	1,080	1,074
--	-------	-------

- at head office

	37	34
--	----	----

45. EVENTS AFTER THE statement of financial position DATE

The Board of Directors, in their meeting held on September 28, 2018 has proposed a final cash dividend of Re. 0.75 (2017: Rs. 1) per share for the year ended June 30, 2018. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 26, 2018. These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from un-appropriated profit in year ending June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

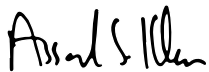
46. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, except for the following, no material re-arrangements and re-classifications have been made in these financial statements.

As required by provisions of the Companies Act, 2017, unclaimed dividends have been disclosed as a separate line item on the face of statement of financial position whereas revaluation surplus on property, plant and equipment has been reclassified and made part of equity as fully detailed in note 5.

47. GENERAL


These financial statements were authorised for issue on September 28, 2018 by the Board of Directors of the Company.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



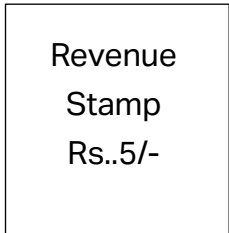
ZAAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

KOHAT TEXTILE MILLS LIMITED

I/we.....of.....being a member of Kohat Textile Mills Limited hereby appoint Mr./Ms..... offalling whom Mr./Ms..... ofas my proxy to attend act for me, and on my behalf, at the annual General Meeting of the Company to be held on Friday, 26 October,2018 at 10:00 a.m. at APTMA house,Tehkal Payan, Jamrud Road Peshawar and any adjournment there of Dated thisday of2018.



Specimen Signature of Proxy

Follo No.....

Participant I.D No.....

Sub Account No.

Signature of Shareholder

Specimen Signature of Alternate Proxy

Foll No.....

Foll No.....

Participant I.D No.....

Participant I.D No.....

Sub Account No.....

Sub Account No.....

Note:








- i) If a member is unable to attend the Meeting, he/she may appoint another member as his/her proxy and send this form to Kohat Textile Mills Limited, APTMA House, Tehkal Payan, Jamrud Road, Peshawar to reach not less than 48 hours before the time appointed for holding the meeting.
- ii) Attested copies of CNIC or the Passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
- iii) The Proxy shall produce his original CNIC or original Passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted(unless it has been Provided earlier) along with Proxy Form to the Company.










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