

DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

The Directors of your Company take pleasure in presenting before you the financial information of the Company for the first quarter ended September 30, 2019.

Operating results

During the first quarter, despite a reduced topline (contraction of Rs.23.37 million or 4% over corresponding period last year) the gross profitability of the Company marginally improved (Rs.80.25 million vs Rs.73.94 million) owing to a proportionately higher decrease in cost of sales.

Your Company posted a pretax profit of Rs.10.38 million as compared to profit of Rs.33.54 million in the same period last year. The profitability of the Company was negatively impacted due to exorbitant increase in energy and borrowing costs.

Future outlook

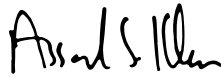
The market conditions are bearish. The other major factors hampering textile sector profitability include rising energy costs, uncertain domestic and regional political situation and higher borrowing costs.. Moreover, low pressure/outage of gas is also expected in the coming winter months which will impact production and costs.

The capital expenditure for the current year is in progress which will not only help the Company to reduce the operational expenses but will also enable the Company to enter into new markets by improving quality of Company's product.

Acknowledgement

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

For and on Behalf of the Board



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director

Place : Islamabad
Dated : October 29, 2019

ڈائریکٹرز رپورٹ برائے حصص یافتگان

محترم حصص یافتگان

آپ کی کمپنی کے ڈائریکٹران مسرت کے ساتھ 30 ستمبر 2019ء کو اختتام پذیر ہونے والی سہ ماہی کی مالی تفصیلات آپ کے سامنے پیش کرتے ہیں۔

مالیاتی نتائج

پہلی سہ ماہی کے دوران فروخت میں کمی کے باوجود پچھلے سال کے مقابلہ میں (23.37 ملین روپے یا 4 فیصد کمی) کے مجموعی منافع میں معمولی اضافہ ہوا۔ (80.25 ملین روپے، بمقابلہ 73.94 ملین روپے) جسکی بنیادی وجہ مقابلہ لاگت میں زیادہ کمی ہے۔ آپ کی کمپنی نے ٹیکس سے پہلے 10.38 ملین روپے کی کمائی کی جو کہ تقابلی سال میں 33.54 ملین روپے تھی۔ توانائی اور ادھار کی لاگت میں اضافے نے کمپنی کے منافع پر منفی اثرات مرتب کیے۔

مستقبل کا نقطہ نظر

مارکیٹ میں مندی کی صورت حال ہے۔ ٹیکسٹائل کی صنعت کے منافع میں رکاوٹ کی دوسری وجوہات میں بڑھتی ہوئی توانائی کی لاگت، مقامی اور علاقائی سیاسی حالات میں غیر یقینی اور بڑھتی ہوئی ادھار کی لاگت شامل ہیں۔ مزید برآں آنے والی سردیوں کے مہینوں میں گیس کی بندش اپریل میں بھی متوقع ہے جو کہ پیداوار اور لاگت پر اثر انداز ہوگی۔ موجودہ برس کی سرمایہ میں پر کام جاری ہے۔ جو کہ نہ صرف کمپنی کی پیداواری لاگت میں کمی بلکہ کمپنی کے پروڈکٹ کے معیار میں بھی بہتری لائے گی۔ جس کی وجہ سے کمپنی نئی منڈیوں میں داخل ہونے کے قابل ہو جائے گی۔

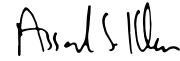
اظہار تشکر

بورڈ کمپنی کے کارکنان، سٹاف اور ایگزیکٹوز کی کارکردگی کو خراج تحسین پیش کرتا ہے۔ بورڈ اپنے مینکوز اور بالخصوص مینشل بینک آف پاکستان کو کمپنی کی سرمایہ کاری کے لیے 250 ملین روپے کی سرمایہ کاری کا مالی کچھ دینے کے عمل کو سراہتا ہے۔ ہم آئندہ آنے والے دنوں میں اسی گن اور تعاون کی امید کرتے ہیں۔

منجانب بورڈ ہذا



ذہین الدین قریشی
ڈائریکٹر



اسد سیف اللہ خان
چیف ایگزیکٹو آفیسر

مقام: اسلام آباد

تاریخ: 29 اکتوبر 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019

	Note	Un-audited September 30, 2019 (Rupees in thousand)	Audited June 30, 2019
Assets			
Non-Current Assets			
Property, plant and equipment	4	2,331,553	2,348,712
Intangible assets		1,178	1,355
Long term investment		2,500	2,500
Long term loans		1,765	1,459
Long term deposits		1,137	1,137
		2,338,133	2,355,163
Current Assets			
Stores, spare parts and loose tools		36,883	36,061
Stock-in-trade		612,292	668,237
Trade debts		435,125	307,669
Loans and advances		11,465	6,185
Deposits, other receivables and prepayments		14,400	17,086
Taxation - net		71,693	75,263
Sales tax refundable		41,216	41,216
Cash and bank balances		6,486	7,305
		1,229,560	1,159,022
		3,567,693	3,514,185
Equity and Liabilities			
Share Capital and Reserves			
Authorized capital			
22,000,000 ordinary shares of Rs.10 each		220,000	220,000
Issued, subscribed and paid-up capital		208,000	208,000
Revenue reserve			
- Unappropriated profit		264,763	259,507
Capital reserve			
- Surplus on revaluation of Property, Plant and Equipment		1,236,423	1,240,388
Total shareholders' equity		1,709,186	1,707,895
Non-current Liabilities			
Loan from the Holding Company		100,000	100,000
Long term financing		181,241	183,741
Long term deposits		2,121	1,877
Liability against asset subject to finance lease		12,235	10,779
Deferred liability - staff retirement benefits		123,234	115,979
Deferred taxation - net		168,823	168,317
		587,654	580,693
Current Liabilities			
Trade and other payables		372,507	394,290
Contract liabilities		2,219	4,099
Accrued mark-up / profit		43,480	33,320
Short term borrowings		776,026	699,557
Current portion of non-current liabilities		72,857	90,567
Unpaid dividend		77	77
Unclaimed dividend		3,687	3,687
		1,270,853	1,225,597
Contingencies and commitments	5	3,567,693	3,514,185

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.


 ASSAD SAIFULLAH KHAN
 Chief Executive Officer


 ZAHEEN UD DIN QURESHI
 Director

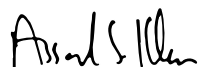

 NOUMAN AHMAD
 Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Quarter ended	
	Jul-Sep 30, 2019	Jul-Sep 30, 2018
	(Rupees in thousand)	
Sales - net	572,183	595,551
Cost of sales	(491,933)	(521,609)
Gross profit	80,250	73,942
Distribution cost	(5,203)	(3,917)
Administrative expenses	(20,554)	(15,573)
Other expenses	(1,560)	(2,665)
Other income	102	-
Profit from operations	53,035	51,787
Finance cost	(42,655)	(18,250)
Profit before taxation	10,380	33,537
Taxation	(9,089)	13,048
Profit before taxation	1,291	46,585
Other comprehensive income	-	-
Total comprehensive income	1,291	46,585
	---- Rupees ----	
Profit per share - basic and diluted	0.06	2.24

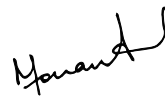
The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Three months ended	
	Sep 30, 2019	Sep 30, 2018
	(Rupees in thousand)	
Cash flows from operating activities		
Profit for the period - before taxation	10,380	33,537
Adjustments for non-cash and other charges:		
Depreciation	18,669	16,033
Amortisation	177	176
Staff retirement benefits - gratuity (net)	7,255	3,982
Finance cost	77,988	18,250
Profit before working capital changes	114,469	71,978
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(822)	92
Stock-in-trade	55,945	(75,869)
Trade debts	(127,456)	30,417
Loans and advances	(5,280)	3,692
Deposits, other receivables and prepayments	2,686	2,328
Sales tax refundable	-	(6,594)
Decrease in current liabilities:		
Trade and other payables	(21,783)	(22,528)
Contract liabilities	(1,880)	-
	(98,590)	(68,462)
Cash generated from operations	15,879	3,516
Income taxes paid	(5,013)	(3,514)
Long term loans - net	(306)	663
Net cash generated from operating activities	10,560	665
Cash flows from investing activities		
Additions in property, plant and equipment	(1,510)	(15,832)
Net cash used in investing activities	(1,510)	(15,832)
Cash flows from financing activities		
Long term financing repaid	(20,624)	(3,351)
Liability against asset subject to finance lease - net	1,870	(218)
Long term deposits	244	59
Short term borrowings - net	76,469	26,955
Finance cost paid	(67,828)	(10,080)
Net cash (used in) / generated from financing activities	(9,869)	13,365
Net decrease in cash and cash equivalents	(819)	(1,802)
Cash and cash equivalents - at beginning of the period	7,305	9,066
Cash and cash equivalents - at end of the period	6,486	7,264


The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



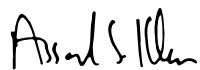
NOUMAN AHMAD
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Share capital	Revenue reserves Unappropriated profit	Capital reserve Revaluation surplus on property, plant and equipment	Total
	(Rupees in thousand)			
Balance as at July 01, 2018	208,000	181,864	438,263	828,127
Total comprehensive income for the three months ended September 30, 2018	-	46,585	-	46,585
Surplus on revaluation of property, plant and equipment for the three months realised during the period on account of incremental depreciation for the period (net of deferred taxation)	-	3,499	(3,499)	-
Balance as at September 30, 2018	208,000	231,948	434,764	874,712
Transaction with owners				
Cash dividend for year ended June 30, 2018 at the rate of Re.0.75 per share	-	(15,600)	-	(15,600)
Total Comprehensive income for the period				
Profit for the period	-	20,379	-	20,379
Other comprehensive income	-	7,024	821,380	828,404
	-	27,403	821,380	848,783
Surplus on revaluation of property, plant and equipment realised during the period (net of deferred taxation) on account of:				
- on account of incremental depreciation	-	13,601	(13,601)	-
- upon sale of revalued asset	-	2,155	(2,155)	-
Balance as at July 01, 2019	208,000	259,507	1,240,388	1,707,895
Total comprehensive loss for the three months ended September 30, 2019	-	1,291	-	1,291
Surplus on revaluation of property, plant and equipment for the three months realised during the period on account of incremental depreciation for the period (net of deferred taxation)	-	3,965	(3,965)	-
Balance as at September 30, 2019	208,000	264,763	1,236,423	1,709,186

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

- Provisions of and directives issued under the Companies Act, 2017.

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

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

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

2.2.1 There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 01, 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 exemption exists for short-term and low-value leases. The impact of the change in standard is not considered to be material on the financial statements of the Company.
- Amendments to IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. 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 amendments are not likely to have material impact on the Company's financial statements.



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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

- Amendments to IAS 19, 'Employee Benefits' on plan amendment, curtailment or settlement is effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments are not likely to have material impact on the Company's financial statements.

2.3 Accounting policies

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

4. PROPERTY, PLANT AND EQUIPMENT	Note	Un-audited September 30, 2019	Audited June 30, 2019
		(Rupees in thousand)	
Operating fixed assets - tangible	4.1	2,301,125	2,305,073
Capital work-in-progress		4,047	219
Stores held for capital expenditure		26,381	43,420
		2,331,553	2,348,712
4.1 Operating fixed assets - tangible			
Book value at beginning of the period / year		2,305,073	1,227,789
Additions during the period / year	4.1.1	14,721	319,742
Revaluation surplus		-	842,494
Disposals costing Rs. Nil (June 30, 2019: Rs.42.213 million)			
- at net book value		-	(12,141)
Depreciation charge for the period / year		(18,669)	(72,811)
Book value at end of the period / year		2,301,125	2,305,073
4.1.1 Additions during the period / year:			
Buildings on freehold land			
- factory		-	21,550
- non factory		-	1,340
- residential		-	6,855
Plant & machinery		10,971	245,402
Gas fired power plant		-	21,131
Electric installations		235	4,363
Equipment & appliances		589	4,271
Fire extinguishing equipment		-	100
Furniture & fixtures		-	1,581
Vehicles			
- owned		-	1,229
- leased		2,926	11,920
		14,721	319,742

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

5.1.1 There has been no significant change in the status of contingencies as disclosed in note 18 of the audited annual financial statements for the year ended June 30, 2019.

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

6. TRANSACTIONS WITH RELATED PARTIES

6.1 Significant transactions with related parties are as follows:

	Un-audited Quarter ended	
	Jul.-Sep. 2019	Jul.-Sep. 2018
	(Rupees in thousand)	
i) Holding Company		
- mark-up accrued on loan	3,827	1,958
ii) Key management personnel		
- salary and other employment benefits	3,082	2,217

7. FINANCIAL RISK MANAGEMENT

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

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

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

7.2 Fair value estimation

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

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

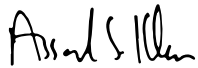
8. CORRESPONDING FIGURES

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

9. GENERAL

9.1 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on October 29, 2019.

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



ZAHEEN UD DIN QURESHI
Director



NOUMAN AHMAD
Chief Financial Officer



Kohat Textile Mills Limited

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Saddar Cantt., Rawalpindi
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