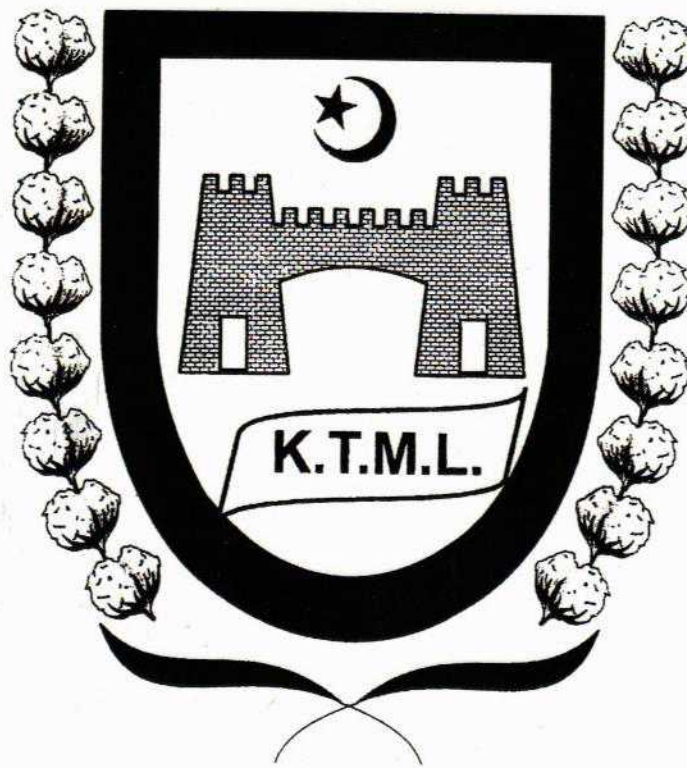


**53rd**  
**ANNUAL REPORT**  
*FOR THE YEAR*  
*2014*



*Khyber Textile Mills Limited*

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

شروع اللہ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE ANNUAL REPORT 2014

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**COMPANY INFORMATION**

**CHAIRMAN  
CHIEF EXECUTIVE**

Chaudry M. Eusaff  
Mr. Farid M. Jadoon

**DIRECTORS**

Mr. Nasir Khan  
Mr. Aurangzeb Khan  
Mr. Omer Farid Jadoon  
Mr. Muhammad Bahauddin  
Mr. Adam Jadoon  
Mrs. Aamna Adam Jadoon

**AUDIT COMMITTEE**

**CHAIRMAN  
MEMBER  
MEMEBER**

Mr. Aurangzeb Khan  
Mr. Nasir Khan  
Mr. Adam Jadoon

**SECRETARY**

**C.F.O**

**AUDITORS**

Mr. Sadaqat Khan  
Mr. Taj Muhammad  
Hafizullah & Company  
Chartered Accountants

**REGISTERED OFFICE  
& HEAD OFFICE**

Khyber Textile Mills Ltd.  
Baldher, District Haripur,  
Khyber Pakhtunkhawa

**MILLS**

Baldher, District Haripur,  
Khyber Pakhunkhawa

Website address:- [www.khybertextile.com](http://www.khybertextile.com)

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## VISION STATEMENT

To remain an important contributor in the home textile market to serve the needs of our valued customers and through them cater to the requirements of general public at large, with dedication.

## MISSION STATEMENT

The Mills is situated in a remote area of Khyber Pakhtunkhwa, despite these odds it still has the following two missions:

**Number one:** to contribute to the economy of the country by producing quality products and to the extent of its maximum capacity, thereby making humble contribution to the exchequer and the national product.

**Number two:** to provide employment to the residents of the surrounding areas and:

- Take care of their health and safety problems
- Train them in their professional field to improve their efficiency through constant education, training and development of human resources.

## STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Organization of Khyber Textile Mills will be guided by the following principles in all activities for achievement of the Organizational objectives.

- Elimination of improper payments or use of the Company's Assets.
- Oversee that the affairs of the Company are being carried out prudently within the frame work of existing laws & regulations and high business ethics.
- Accuracy of books and record of the Company and its safe custody.
- Admissible and genuine payment of amounts due to customers, employees, agents and suppliers.
- A drive to ensure that KTML succeeds as a business.
- Assurance of health & safety environments.
- Respect of employees, suppliers, agents, customers & share holders.

The dealing of Khyber Textile Mills with all elements especially with the Government and Financial Institutions are based on honesty. In maintaining accounting and financing policies and procedures KTML is guided by corporate regulations, Companies Ordinance, 1984 and Code of Corporate Governance.

**KEY OPERATING AND FINANCIAL DATA**

	(Rupees in '000)					
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>OPERATING:</u></b>						
Net Sales	0	0	0	0	0	0
Gross (Loss) Profit	0	0	0	0	0	0
<b>Operating Profit/(Loss)</b>	(1,342)	(1,587)	(874)	(1,014)	(2,578)	(6,015)
<b>Pre Tax Profit/(Loss)</b>	(1,342)	(1,587)	(874)	(1,014)	(2,583)	(6,025)
<b>After Tax Profit/(Loss)</b>	(2,790)	(1,587)	(874)	(1,016)	(2,583)	(6,025)
<b>Tangible Fixed Assets</b>	473,953	488,376	30,684	30,696	30,709	30,723
<b>Long Term Deposit</b>	89	89	89	89	89	89
	<b><u>468,390</u></b>	<b><u>488,465</u></b>	<b><u>30,773</u></b>	<b><u>30,798</u></b>	<b><u>30,812</u></b>	<b><u>41,278</u></b>
<b>Current Assets</b>	3,318	3,313	6,650	6,640	6,642	6,725
<b>Current Liabilities</b>	(40,582)	(40,547)	(40,568)	(49,991)	(56,427)	(74,630)
<b>Working Capital</b>	<b><u>(37,264)</u></b>	<b><u>(37,234)</u></b>	<b><u>(33,968)</u></b>	<b><u>(43,351)</u></b>	<b><u>(49,785)</u></b>	<b><u>(67,905)</u></b>
<b>Share Capital</b>	12,275	12,275	12,275	12,275	12,275	12,275
<b>Accumulated Losses</b>	(57,035)	(55,386)	(48,067)	(53,226)	(52,210)	(49,436)

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**NOTICE OF ANNUAL GENERAL MEETING**

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Notice is hereby given that the 53<sup>rd</sup> Annual General Meeting of the Shareholders of KHYBER TEXTILE MILLS LIMITED will be held on Thursday 30<sup>th</sup> October, 2014 at Registered Office of the Company, Baldher, District Haripur, Khyber Pakhtoonkhawah. at 12:00 Noon to transact the following business..

1. To confirm the minutes of the 52nd Annual General Meeting of the Shareholders held on 31<sup>st</sup> October, 2013.
2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended 30<sup>th</sup> June, 2014 together with Director's and Auditors Reports thereon.
3. To appoint auditors of the Company for the year 2014-2015 and to fix their remuneration. M/s Hafizullah & Company, Chartered Accountants who retire & being eligible have offered themselves for reappointment as Auditors of the Company.
4. To transact any other business of the Company with the permission of the Chair.

Baldher 26<sup>th</sup> September, 2014  
BOARD

BY ORDER OF THE

For Khyber Textile Mills Limited

Sadaqat Khan  
Company Secretary

**NOTES:**

1. The Share transfer books of the Company will remain closed from 21<sup>st</sup> October, 2014 to 30<sup>th</sup> October, 2014 (Both days inclusive)
2. A member entitled to attend and vote at the Meeting may appoint another member as his / her proxy to attend and vote. In order to be effective proxies must be delivered at the Company's registered Office Baldher, District Haripur at least 48 hours before the time of Meeting and must be stamped, signed and witnessed.
3. Shareholders are required to promptly notify the Company any change in their address.

**CHAIRMAN'S REVIEW**

(In the Name of Allah the Magnificent the Merciful)

I welcome you with great pleasure to the 53<sup>rd</sup> Annual General Meeting of your Company for the year ended 30<sup>th</sup> June, 2014.

**Operating Results:**

	2014	2013	2012	2011	2010	2009
-----Rupees in "000"-----						
Sales	0	0	0	0	0	0
Operating Profit / (Loss)	(1,342)	(1,587)	(874)	(1,014)	(2,578)	(6,014)
Profit / (Loss) after tax	(2,790)	(1,587)	(874)	(1,016)	(2,583)	(6,025)
Accumulated Loss	(57,035)	(55,386)	(48,067)	(53,226)	(52,210)	(49,436)

During the period under review, the Mills remained fully closed.

**ACKNOWLEDGEMENT:**

I thank the management and staff for their hard work and devotion for betterment of the Company.

Baldher, Haripur  
Dated: 26th September, 2014

**Ch. M Eusaff**  
Chairman

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Dear Members,

The Board of Directors welcome you at the 53rd Annual General Meeting of your Company and are pleased to present the Annual Accounts duly audited together with Auditors' Report along with other relevant statements as required by the Code of Corporate Governance of Stock Exchange for the year ended 30<sup>th</sup> June, 2014.

**Financial Results:**

During the period under review, the Mills remained totally closed and there were no operative activities.

	<b>June 30<sup>th</sup> 2014</b>	<b>June 30<sup>th</sup> 2013</b>
Gross Profit / (Loss)	0	0
Operating & Financial Expenses	(1,422)	(2,381)
Other Income	80	794
Profit / (Loss) before Tax	<b>(1,342)</b>	<b>(1,587)</b>
<b>Provision for taxation</b>		
Current	0	0
Deferred	4,132	4,489
Loss after tax	<b>(2,790)</b>	<b>(1,587)</b>
Accumulated Loss C/F to Balance Sheet	<b>(57,035)</b>	<b>(55,386)</b>
Profit/(Loss) per Share	<b>(7.59)</b>	<b>(12.75)</b>

**Auditor's Reservation:**

Regarding the auditors' observation / view about the company's ability to continue as going concern the same is fully explained in Note # 3 of these accounts.

**Statement of Corporate and Financial Reporting Framework:**

The Board of Directors further state that:

1. The financial statements under review have been prepared in accordance with the provision of the Companies Ordinance, 1984 and the International Accounting Standards as applicable in Pakistan.
2. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
3. Proper books of account have been maintained by the Company accordingly the financial statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.

4. The system of internal control of the Company is satisfactory in design and has been effectively implemented and continues to be monitored for improvement.
5. As a result of over all effort being made to control cost and maximize revenue, there are no significant doubts about the Company's ability to continue as a going concern and therefore no adjustment is required in the recorded assets and liabilities.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations and as applicable to the company for the year ended 30<sup>th</sup> June, 2014.
7. The key operating and financial results for the last six years, in a summarized form, are annexed.
8. The Audit Committee assists the Board in discharging its duties and responsibilities ensuring good compliance with Code of Corporate Governance including review of reports, company's financial results and internal control procedures for management decisions and evolving strategy for safeguarding Company's assets and its business potentials.
9. The Audit Committee meets regularly before Board Meetings and its report is presented in the Board Meeting.
10. The Board is in the process of establishing also a Planning and Strategic committee to recommend and advise the Board from time to time the matters of long term planning, evolving business improvement strategies, corporate affairs, budgetary controls, management reporting and monitoring.
11. The pattern of shareholding as required by the Code of Corporate Governance and shares held/traded by the Chief Executive, CFO, Company Secretary, Directors, Executives of the Company and their spouses and minor children is annexed with this report.
12. During the period under report 4 (four) meetings of the Board of Directors were held, Attendance of each Director is as under:

	<u>Name of Directors</u>	<u>No. of Meetings Attended</u>
1	Mr. Farid M Jadoon	4
2	Mr. Ch. M. Eusaff	2
3	Mr. Nasir Khan	4
4	Mr. M. Aurangzeb Khan	4
5	Mr. M. Bahauddin	3
6	Mr. Omar Farid Jadoon	2
7	Mr. Adam Jadoon	4
8	Mrs. Aamna Adam Jadoon	2

13. Communications with the shareholders are given high priority. Annual, half yearly and quarterly reports are distributed amongst them within the time specified in the Company's Ordinance, 1984.

14. As required by the Code of Corporate Governance, the Audit Committee has suggested the name of M/s Hafizullah & Company, Chartered accountants as auditors, of the Company for financial year 2014-2015 who retire and being eligible, have offered themselves for re-appointment.

**LAW SUITS AGAINST THE COMPANY:**

The NBP case has been decided in favor of KTM and the Peshawar High Court, has dismissed NBP's claim as per the judgment dated 17/03/2014. KTM has received a notice from NBP's legal department/attorney that the bank intends to file an appeal with the Peshawar High Court regarding the dismissal of their suit. A Suit was filed by NBP & ICP in the Sindh High Court Karachi. This case has no standing as NBP has filed two cases for recovery of the same amount in two separate Civil Jurisdictions.

**Chairman's Review:**

The directors fully endorse the contents of the Chairman's Review, which may be deemed to be a part of the Directors' Report.

**Transfer Pricing:**

In compliance with the best practices on Transfer pricing as required by the Listing Regulation No. 38 for the listed securities, the directors wish to put on record that there has been no transaction involving the case in which the requirements of the transfer pricing are required to be complied with.

**On behalf of the Boards of Directors**

Baldher, Haripur  
Dated: 26th September, 2014

**Farid M. Jadoon**  
**Chief Executive**

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**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

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**Name of company: KHYBER TEXTILE MILLS LIMITED Year ending 30<sup>th</sup> June, 2014**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of KSE for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

<u>Category</u>	<u>Names</u>
<b>Independent Directors</b>	1:- Mr Aurangzeb Khan 2:- Mrs Aamna Adam Jadoon
<b>Executive Directors</b>	1:- Mr. Farid M Jadoon 2:- Ch. M Eusaff 3:- Mr. Adam Jadoon
<b>Non-Executive Directors</b>	1:- Mr. Nasir Khan 2:- Mr Omer Farid Jadoon 3:- Mr. M Bahauddin

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the period under review.

5. 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.

6. 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.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

- 
9. The board intends to make training programs for its directors but the Mills is close at present.
  10. The board has approved appointment of CFO, Company Secretary and Head of internal Audit, including their remuneration and terms and conditions of employment.
  11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
  12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
  13. All transactions with related parties are placed before the Audit Committee on a quarterly basis and are approved by the Board along With the Methods for pricing.
  14. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
  15. The company has complied with all the corporate and financial reporting requirements of the CCG.
  16. The board has formed an Audit Committee. It comprises three (3) members, of whom two (2) are non-executive directors and the chairman of the committee is an independent director.
  17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
  18. The board has not yet formed an HR and Remuneration Committee.
  19. The board has not set up an effective internal audit function due to financial crises suffered by the Company.
  20. 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, 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.
  21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
  22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
  23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
  24. We confirm that all material principles enshrined in the CCG have been complied with.

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**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE  
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of *Khyber Textile Mills Limited*, to comply with the Listing Regulations of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system, to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Director for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

The operating activities of the company have remained closed, which have been shut down since July 01, 2007 when all employees were retrenched. Currently the company does not have internal audit function and none of the members of the board has obtained certification regarding Directors Training Program, therefore in the current conditions best practices of corporate governance cannot be followed. The situation indicates existence of uncertainty regarding the company's ability to continue as going concern.

Based on our review except for the effects of the matters noted in the previous paragraph, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's Compliance with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2014.

**Hafizullah & Co.**  
**Chartered Accountants**

Engagement Partner – Badrur Rahman

Date: 26<sup>th</sup> September, 2014  
Karachi:

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**AUDITORS' REPORT TO THE MEMBERS**

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We have audited the annexed balance sheet of *Khyber Textile Mills Limited* as at June 30, 2014 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended 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 purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

**Basis for Adverse Opinion**

- a) The management could not succeed in resuming the business operations till the issuance of this report that were suspended from July 01, 2007. Consequently the company has not conducted any business but incurred some fixed and running cost which after adjustment of other comprehensive income / loss resulted in net comprehensive loss (after tax) of Rs.9.322 million (2013: loss of Rs. 15.656 million). The current operating loss together with carry over accumulated losses of previous years, has left the negative equity to Rs. 44.502 million (2013: Rs. 42.853 million). Its current liabilities exceed the current assets by Rs. 37.265 million (2013: Rs. 37.234 million) showing adverse current ratio of 0.08:1 (2013: 0.08:1)
- b) The company was unable to obtain essential finances due to credit restrictions on account of pending law suits from a bank and a financial institution. Due to substantial losses in previous years the company has failed to declare dividend to its shareholders for a considerable period of time and as reported previously, there were no employees in the company except few on contract and casual basis. In the absence of confirmations from customers and creditors, their balances remained unverified in spite of reminders.
- c) For the financial year 2014 also the management was unable to revive the company and stop outflow of its resources or other mitigating factors for reviving this unit and we have not seen reasons for preparing these financial statements on going concern assumption. The conditions perpetually available as well as that disclosed in note 5 to the financial statements indicate the existence of material uncertainty and cast significant doubt about

the company's ability to continue as a going concern and therefore may be unable to realize its assets and discharge its liabilities in the normal course of business. In spite of these factors the financial statements have been prepared on going concern assumption.

- b) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- c) In our opinion;
  - (i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with objects of the company;

**Adverse Opinion**

- d) in our opinion, because of the reasons mentioned in the basis of adverse opinion paragraph (i) to (iii) hereinbefore the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof do not give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the operating loss for the year and accumulated loss, its cash flows and changes in equity for the year then ended; and
- e) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Hafizullah & Co.**

**Chartered Accountants**

Engagement Partner - Badrur Rahman

**Date : 26<sup>th</sup> September, 2014**

**Karachi :**



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

		2014	2013
		( Rupees )	
	Note		
Sales	20	-	-
Cost of Sales	21	-	-
Gross Loss		-	-
Distribution Cost		-	-
Administrative Expenses	22	1,281,912	2,240,732
Other Operating Expenses	23	140,000	140,000
Other Operating Income	24	(80,000)	(794,003)
		1,341,912	1,586,729
Operating Loss		(1,341,912)	(1,586,729)
Finance Cost	25	70	-
(Loss) before Tax		(1,341,982)	(1,586,729)
Provision for Taxation			
- Current Year	26	-	-
- Deferred Taxation	8	4,131,870	4,488,955
Profit / (Loss) after Tax		2,789,888	2,902,226
Other Comprehensive Income / (Expense)			
Depreciation relating to cost of goods mnfg.		(14,414,230)	(15,715,533)
Mills Store Written Off		-	(3,300,205)
Directors' Loan waived off		1,000,000	-
Liabilities over three years written back		-	-
Income from agriculture		1,302,200	457,166
		(12,112,030)	(18,558,572)
Total Comprehensive Income / (Loss) for the year		(9,322,142)	(15,656,346)
Income / Loss per share	27	(7.59)	(12.75)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	2014	2013
	( Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit after tax	2,789,888	2,902,226
<b>Adjustment of Non Fund Items:</b>		
Depreciation	9,010	10,110
Deferred Taxation relating to surplus on revaluation	(4,131,870)	(4,488,955)
Deferred Cost - Written off	-	-
Obsolete Spares written off	-	-
Trade Debts - Written off	-	-
Liabilities over three years written back	-	-
Financial Expenses	-	-
	<u>(4,122,860)</u>	<u>(4,478,845)</u>
	(1,332,972)	(1,576,619)
<b>(Increase)/Decrease in Current Assets</b>		
Stores & Spares	-	-
Stock in Trade	-	-
Trade Debts	-	-
Loans & Advances	-	-
Trade Deposits & Short Term Prepayments	-	26,860
Taxes Refundable	-	-
	-	26,860
<b>Increase/(Decrease) in Current Liabilities</b>		
Trade & Other Payables	35,001	(20,000)
Accrued Interest	-	-
Short Term Liability	-	-
Current portion of Long-term Loan	-	-
Provision for Taxation	-	-
	<u>35,001</u>	<u>(20,000)</u>
<b>Effect on Cash Flow due to changes in</b>		
Working Capital	35,001	6,860
Sundry Income Received	1,302,200	457,165
Income Tax Paid	-	-
	<u>4,229</u>	<u>(1,112,594)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Deferred Cost	-	-
Sale proceed on Disposal of Assets	-	-
	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Loan Received from Directors	-	1,103,000
	-	1,103,000
<b>Net (Decrease) Increase in Cash</b>	<u>4,228</u>	<u>(9,595)</u>
<b>Cash and Cash Equivalents at the beginning of the year</b>	47,105	56,700
<b>Cash and Cash Equivalents as the end of the year.</b>	<u>51,333</u>	<u>47,105</u>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Share Capital	Reserves	Unappropriated Profit & Loss	Total
( Rupees )				
Balance as on July 01, 2012	12,275,030	257,782	(48,066,522)	(35,533,710)
Profit / (Loss) for the year 2012 - 2013	-	-	2,902,226	2,902,226
Other Comprehensive Income / (Expense)			(18,558,572)	(18,558,572)
Total Comprehensive (Loss) for the year			(15,656,346)	(15,656,346)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation, net of deferred tax (Restated)			8,336,631	8,336,631
<b>Balance as on June 30, 2013</b>	<b><u>12,275,030</u></b>	<b><u>257,782</u></b>	<b><u>(55,386,237)</u></b>	<b><u>(42,853,425)</u></b>
Profit / (Loss) for the year 2013 - 2014	-	-	2,789,888	2,789,888
Other Comprehensive Income / (Expense)			(12,112,030)	(12,112,030)
Total Comprehensive (Loss) for the year			(9,322,142)	(9,322,142)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation, net of deferred tax			7,673,472	7,673,472
<b>Balance as on June 30, 2014</b>	<b><u>12,275,030</u></b>	<b><u>257,782</u></b>	<b><u>(57,034,907)</u></b>	<b><u>(44,502,095)</u></b>

Chief Executive

Director

deferred tax to the extent of incremental depreciation charged on the related revalued assets is transferred to unappropriated profit.

In case of additions to fixed assets depreciation is charged from the month addition is made and in case of disposal of items of fixed assets up to the month the asset has been in use of the Company.

The assets residual values and useful lives are reviewed and adjusted if appropriate at each financial year end. The effect of any adjustment in residual value and useful lives is recognized prospectively as a change of accounting estimates.

Repairs and maintenance of major amounts are capitalized, while normal repair and maintenance of assets are charged to the statement of comprehensive income as and when incurred.

Gains or Losses on disposal assets, if any, are included in the statement of comprehensive income currently.

#### **4.2 Stores & Spares**

These are stated at lower of cost and net realizable value using moving average cost method except items in transit which are valued at cost accumulated up to the balance sheet date. Cost comprises purchase cost and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less the cost necessarily to be incurred in order to make the sale. The Company reviews the carrying amount of stores on regular basis and provision is made for obsolescence, if any.

#### **4.3 Stock-in-Trade**

These are valued at lower of cost and net realizable value.

Cost is determined on the following basis;

- Raw material and trading stocks: at weighted average cost.
- Material in Transit: at cost accumulated up to date of balance sheet.
- Work-in-process: at average manufacturing cost.
- Finished goods: at average manufacturing cost
- Waste: at net realizable value.

Average manufacturing cost in relation to work-in-process and finished goods signifies material cost and processing overheads. Net realizable value signifies the selling prices prevailing in the market less selling expenses incidental to sales.

#### **4.4 Trade Debtors**

Trade debts are recognized at invoice value at the time when billed to the customers. Known bad debts are written off and provision is made for debts considered doubtful.

**4.5 Surplus on Revaluation of Fixed Assets**

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets Account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984, the said section was subsequently amended through the Companies (Amendment) Ordinance, 2002. The Company has adopted following accounting treatment of depreciation on revalued assets, in accordance with Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the statement of comprehensive income; and
- An amount equal to incremental depreciation for the year net of deferred taxation, if any, is transferred from "Surplus on Revaluation of Fixed Assets" account to accumulated profit or loss through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

**4.6 Staff Retirement Benefits**

The Company operates an unfunded gratuity scheme covering all its employees who attain the minimum qualifying period entitled for gratuity. Provision is made in the accounts on the basis of last drawn salary that is adjusted annually as per actuarial valuation required under the International Accounting Standard (IAS)-19. "Employee Benefits". Actuarial gain or loss is recognized using minimum 10% corridor approach.

The Company also offers facility for the encashment of un-utilized leave at the end of each year.

**4.7 Trade and Others Payable**

Liabilities for trade and others payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services obtained, whether or not billed to the Company.

**4.8 Provision**

Provision is recognized when the Company has an obligation (legal or constructive) as a result of present or past events and it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**4.9 Taxation****Current:**

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation on the turnover under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

The charge for current tax also includes adjustments, wherever considered necessary, to the provision for tax made in the previous years as a result of adjustments in assessments framed during the year for such years.

**Deferred:**

Deferred tax is provided using the liability method for all temporary difference at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial statements reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Accordingly the effect on deferred taxation relating to the portion of income falling under final tax regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan.

**4.10 Revenue Recognition**

Sales are recognized on dispatch of goods to customers.

Dividend income on equity investments, if any, is recognized when the Company's right to receive the payment has been established.

Return on deposits is recognized on accrual basis.

**4.11 Borrowing Costs**

Borrowing cost incurred which is directly attributable to the acquisition or construction of fixed assets is capitalized upto date of commissioning of the respective assets. All other borrowing costs are recognized as expenses in the period in which they are incurred.

**4.12 Foreign Currency Transaction**

Foreign exchange transactions are converted into local currency at the ruling rate of exchange on the date of transaction, except where forward exchange contracts have been entered, in which case the rates contracted for are used.

Exchange gains or losses upon conversion of outstanding balances at the end of the year are included in statement of comprehensive income currently.

**4.13 Financial Instruments**

Financial assets and financial liabilities are recognized at the time when the Company becomes party to contractual provisions of an instrument. All financial assets and liabilities are initially recognized at cost which is the fair

value of the consideration given and received respectively. Financial assets are subsequently measured by de-recognizing when the contractual rights are realized or surrendered whereas financial liabilities are measured when the obligations are discharged or cancelled.

The gain or loss, if any, arising on the recognition and de-recognition of the financial instruments is included in the net profit or loss for the year in which it arises.

#### **4.14 Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in statement of comprehensive income.

#### **4.15 Related Party Transactions and Transfer Pricing**

Transaction between the Company and related parties are priced at arm's length basis determined in accordance with the comparable uncontrolled price method which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to seller.

#### **4.16 Off setting**

Financial assets and financial liabilities are offset and net amount is reported in the balance sheet only if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

#### **4.17 Cash and Cash Equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and current and deposit accounts with the commercial banks.

### **5. GOING CONCERN**

During this year also the mill remained closed for the whole year and production activities could not be resumed due to various unfavorable conditions. Consequently, Company this year also sustained a net operating loss before tax of Rs. 1.342 million (2013: Rs. 1.587 million). The liquidity problem continuing, which shortfall is being met by the directors alone, the Company has current liabilities of Rs. 40.582 million (2013: Rs. 40.547 million) which exceeded the current assets by Rs. 37.265 million (2013: Rs. 37.234 million) leaving the negative current ratio of 0.08:1 (2013: 0.08:1) which is manifestly due to shortage of working capital. As repeatedly identified, the other reasons for such unfavorable conditions are still the increase in prices of cotton & polyester, constant electrical load shedding, low electrical voltage, increasing trend of power tariff, lack of natural gas, ban on installation of industrial gas meters and generators, and lack of mandatory provision of enhanced minimum wages for labor.

Therefore in order to reduce the burden of standing fixed cost, all the employees have been laid-off and production of yarn has been stopped for the time being since July 01, 2007 and could not yet be resumed. However, in spite of this the Board of Directors is

continuing to maintain a skeleton staff on contract basis, whose main focus is, maintaining the security of Company's tangible assets, assisting the legal department and upholding the Company's statutory responsibilities as required under the Companies Ordinance 1984.

To enable the Company to overcome working capital constraints, efforts are still being made by the management to convince the State Bank of Pakistan to lift restrictions on the banks and financial institutions to extend financing because the plant conditions and most of the capacity are available to convert the facility into viable unit. Possibility of exports being there, efforts may be made to explore the international market particularly when the European market has extended concessions. This will help in enhancing productivity, paying off creditors and attaining satisfactory current ratio, level of profitability and meeting other operational requirements particularly the purchase of polyester and raw cotton during season.

It is also important to note that due to credit restriction, the Company cannot even open a single letter of credit unless 100 % margin is deposited with the banks.

**NBP Case:** During the 1990's NBP's policy towards KTM amounted to a denial of working capital and the bank also placed restrictions on access to a long term modernization funds, that KTM required in order to stay competitive in the textile market. Therefore, due to the banks coercive methods, KTM applied for consideration for review to the Revival of Sick Units Committee No.5 Islamabad. This committee had been formed in June 1997 on the directives of Prime Minister of Pakistan and given a mandate by State Bank of Pakistan to assist industries in genuine distress due credit restrictions. The Committee checked and examined the facts and determined that KTM's case was genuine and hence accepted KTM's case for review. In addition, NBP's Senior Management also requested that KTM's case be brought to Committee No.5 Islamabad, for deliberation on all outstanding issues between both parties. Therefore, NBP's Senior Management willfully took part in the proceedings of Committee No.5 and the positions of both sides were laid to bear before the Committee. The Committee determined the total outstanding liabilities of KTM were Rs.7.4 million and directed the Company to begin repayment of installments to NBP. However, after receiving 3 installments from KTM, NBP issued a letter stating that it was no longer accepting the decisions of the Government Mandated Committee, over 8 months after the Committee's decision was made. Despite this, KTM continued to abide by the binding decisions of the Committee and repaid NBP's entire loan including interest to a total of Rs.9.57 million. In addition, the Committee's authority and binding decision was confirmed through issuance of SBP Circular No. 19, which clearly states that after a decision is made by the Committee, "in case no clearance of objection is received within seven days from the date of decision of the Committee, it will be deemed as final." Furthermore, SBP Circulars 20 & 21 were also issued directing NBP and other commercial banks to follow the decisions of the Government Mandated Committee. Although the decisions of the Committee were applicable and binding, NBP filed a lawsuit against the Company in a Court of law on account of their position that the Committees decisions were not obligatory upon them and therefore the Bank proceeded to claim additional amounts against the Company.

NBP vs. KTM (OS 14/98): The Mills Management and Legal Team, are pleased to inform you that the National Bank of Pakistan versus Khyber Textile Mills Ltd. Suit

14/98 has been decided in favor of KTM and that the suit has been dismissed, as per the ruling of the Honorable Peshawar High Court Judgment, dated 17/03/2014. The judgment is based on legal and factual aspects, in which court has determined that KTM had indeed paid all outstanding dues to NBP, in accordance with the decision of Committee No.5 constituted by Federal Government in 1997 and that the entire outstanding loan amounting to Rs.9.57 Million has been paid by KTM, which has been duly acknowledged by NBP in court. As per record it was also held by the honorable judge that the matter was referred to Committee No. 5 by NBP for consideration and that the State Bank of Pakistan had issued Circulars 19, 20 and 21 constituting these Committees, in which SBP directed the Banks, including NBP to follow the decisions of the committee. Consequently, based on these facts and provision of law, NBP's suit was dismissed. However, as of June 30<sup>th</sup> 2014, KTM has received notice from NBP's legal department/attorney that the bank intends to file an appeal with the Peshawar High Court regarding the dismissal of their suit. KTM's legal department will continue to defend this case vigorously and believes that NBP's suit has no footing as per the honorable Peshawar High Court ruling.

**PICIC (Now NIB Bank Ltd)** lead creditor of KTM, also filed suit against the Company in the Peshawar High Court in 1999. The suit was decreed in favor of PICIC in October of 2000 for Rs. 2,450.740 million. KTM then filed an appeal in the Peshawar High Court, which was dismissed. Thereafter, the Company filed an appeal and a review application in the Supreme Court, which was also dismissed in 2007, on technical grounds. Following these legal setbacks KTM's Board of Directors and Senior Management determined that an out of court settlement was the appropriate solution, in order to salvage the Company. The Company approached NIB Bank (legal successor to PICIC) and began engaging the Bank in negotiations for an out of court settlement of all liabilities. After tenuous negotiations NIB accepted a Compromise Agreement in which all outstanding liabilities would be settled for a total payment of Rs. 25 million. According to the Compromise Agreement the Company has to make a down payment of Rs. 8.380 million and the balance of settled amount equivalent to Rs. 16.620 million will be paid in 16 equal quarterly installments of Rs. 1.038 million each, final payment due on September 01, 2013. The aforementioned agreement has been duly filed with the Honorable Peshawar High Court, which has disposed of the case subject to fulfillment of the conditions as agreed between the parties. As of April 25, 2013 KTM has repaid in full Rs.25 million as per the requirements of the Compromise Agreement. Furthermore, NIB Bank has also issued a clearance certificate No. SAM/HO/164/2013 dated August 07, 2013 confirming that the company has paid a down payment and all 16 quarterly installments as per repayment schedule have been paid, that the loan account stands fully repaid and there is no balance outstanding against the Khyber Textile Mills Ltd. Consequently, KTM's attorney filed an application, submitting copies of the NIB confirmation of payment letters along with NIB Bank's Clearance Certificate Letters in the Peshawar High Court, for final disposal of the NIB execution petition. As of 30/9/2013, the Honorable Peshawar High Court restored the above mentioned execution petition and disposed off the PICIC (NIB Bank) vs. KTM case as all the criteria of the Compromise Agreement was fulfilled by KTM. Therefore, we are pleased to disclose that this litigation has ended and the matter is finally closed.

**Assets Revaluation:** In the financial year 2013, the management of the Company in compliance with the Order dated April 29, 2013 issued by the Securities & Exchange

Commission of Pakistan has carried out a formal assessment of the fair value of fixed assets of the Company. The fair values were assessed by an independent valuer based on the most reliable evidence available at the time of valuation in accordance with the requirements of IAS-36 "Impairment of Assets" and IAS-2 "Inventories". Consequently the value of assets have been appreciated by an amount of Rs. 476 million as compared to the carrying amount of Rs. 26 million, accounted for on historical cost basis. The exercise of revaluation as repeatedly emphasized by the management has proved the worth of the Company as an economically viable industrial undertaking.

The above-mentioned issues are sufficient enough to recognize the sincerity of the management to put the Company on good business footings. For that purpose the directors are making efforts to overcome these difficulties and once again endorse their assertion to revive the business of the Company. They do not have any intention to liquidate the Company and also do not assume it as a discontinued operation and hence these financial statements have been prepared on going concern assumption and consequently do not include any adjustments relating to the recoverability of recorded assets amount and reclassification of liabilities that may be necessary, should the Company may not be able to continue as a going concern.

## 6. SHARE CAPITAL

### SUBSCRIBED & PAID UP CAPITAL:

#### a) Issued for Cash

i) 517,813 Ordinary Shares (2013:517813)  
of Rs. 10/- each fully paid up

5,178,130

5,178,130

ii) 200,000 Ordinary Shares of  
Rs.10/- each, Rs.8.75 paid up

1,750,000

1,750,000

6,928,130

6,928,130

#### b) Issued for Consideration other than cash

64,897 ordinary shares of Rs. 10/-each  
fully paid for acquisition of assets

648,970

648,970

#### c) Issued as Bonus Shares

i) 444,793 Ordinary Shares of  
Rs. 10/- each, fully paid-up

4,447,930

4,447,930

ii) 200,000 Ordinary Shares of Rs. 10/each  
Rs. 1.25 paid-up to make these shares as  
fully paid up.

250,000

5,500,437

4,697,930

4,697,930

12,275,030

12,275,030

## 7. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents revaluation surplus relating to Freehold Land, Building & Civil Works and Plant & Machinery of the company (Refer Note 11).

		<u>(Restated)</u>
Opening Balance as on July 01	299,384,611	-
Surplus arising on revaluation of freehold land, building and plant & machinery carried out at year end - net of deferred tax	-	307,721,242
Transfer to unappropriated profit/loss account (SOCE) in respect of incremental depreciation for the year, net of deferred tax	(7,673,472)	(8,336,631)
	<u>291,711,139</u>	<u>299,384,611</u>

Surplus arising on these revaluations have been incorporated in the books during the year under review and would be amortized over the useful lives of the revalued assets in accordance with the requirements of section 235 of the Companies Ordinance, 1984, further amended vide the Companies (Amendment) Ordinance 2002.

	2014	2013
	(Rupees)	
<b>8. DEFERRED TAXATION</b>		
<i>-Representing related deferred tax liability arising on revaluation of property plant &amp; equipment</i>		<i>(Restated)</i>
Opening balances on July 01	161,207,098	
Deferred Tax Liability arising in respect of surplus on revaluation		165,696,053
<i>Less: Deferred Tax Liability relating to incremental depreciation for the year, recognised in profit &amp; loss account</i>	<i>(4,131,870)</i>	<i>(4,488,955)</i>
	<u>157,075,228</u>	<u>161,207,098</u>
<b>9. LONG TERM LOANS</b>		
<i>Loan from Directors - unsecured</i>		
Opening Balance	33,492,975	32,389,975
Amounts received/ (paid) during the year	-	1,103,000
	<u>33,492,975</u>	<u>33,492,975</u>
<i>Less: Waived during the year</i>	<i>(1,000,000)</i>	-
	<u>32,492,975</u>	<u>33,492,975</u>

*It represents the amount received from directors of the Company for the purpose of meeting day to day expenses and other pressing payments. The terms of the loans are not agreed and also do not carry any mark up.*

<b>10. TRADE AND OTHER PAYABLES</b>		
Trade Creditors	40,202,714	40,202,714
Accrued Liabilities	351,242	316,242
Other Liabilities	28,558	28,558
	<u>40,582,514</u>	<u>40,547,514</u>

**11. CONTINGENCIES & COMMITMENTS**

*A Suit had been filed in the Court of Law against the Company by NBP for an amount of Rs. 437 million which is being contested by the Company. The Company does not acknowledge the claim as this was already decided by Committee No. 5 for the Revival of Sick Units, established in 1997 by the Government of Pakistan and given authorization by State Bank of Pakistan through Circulars No 19, 20 & 21. KTML followed the Committee's binding decision and paid the entire dues determined by Committee No 5, however NBP has wrong fully claimed the aforementioned additional amount in blatant disregard of Committee's binding decisions. The Company's attorney had been granted leave to defend the case by the Honorable High Court. Subsequently, following a detailed hearing, the Honorable Peshawar High Court on March 17, 2014 has made a ruling thereby dismissing NBP's case in favor of KTM, on the above mentioned legal and factual grounds. However, as of June 30th 2014, NBP's legal counsel has given a notice to the company intimating that the Bank intends to file an appeal before the Honorable Peshawar High Court.*

12. FIXED ASSETS (Tangible)  
- Property, Plant and Equipment

PARTICULARS	COST / REVALUATION					DEPRECIATION					WRITTEN DOWN
	AS ON	REVALUATION SURPLUS	DISPOSALS	AS ON	RATE	AS ON	DEPRECIATION FOR THE YEAR	DEPRECIATION ON REVALUATION FOR THE YEAR	DISPOSALS	ACCUMULATED DEPRECIATION AS ON	VALUES AS ON
	01/07/2013			30/06/2014		01/07/2013				30/06/2014	30/06/2014
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.		Rs.	Rs.	Rs.
Free Hold Land	292,800,000	-	-	292,800,000		-	-	-	-	-	292,800,000
Building and Civil Works	133,276,335	-	-	133,276,335	5%	30,581,335	5,134,750	-	-	35,716,085	97,560,250
Plant & Machinery	254,654,814	-	-	254,654,814	10%	163,034,814	9,162,000	-	-	172,196,814	82,458,000
Tools & Equipment	1,200,738	-	-	1,200,738	10%	1,028,943	17,180	-	-	1,046,123	154,616
Electric Fittings	7,933,823	-	-	7,933,823	10%	7,003,634	93,019	-	-	7,096,653	837,170
Furniture & Fixture	877,824	-	-	877,824	10%	805,011	7,281	-	-	812,292	65,532
Telephone Fitting	238,000	-	-	238,000	10%	214,917	2,308	-	-	217,225	20,775
Office Equipment	408,665	-	-	408,665	10%	389,329	1,934	-	-	391,263	17,402
Electric, Gas & Home Appliance	433,468	-	-	433,468	10%	392,869	4,060	-	-	396,929	36,539
n3p30 F-eR7-9	907,904	-	-	907,904	20%	904,361	709	-	-	905,070	2,834
<b>Total : 2014</b>	<b>692,731,571</b>	<b>-</b>	<b>-</b>	<b>692,731,571</b>		<b>204,355,215</b>	<b>14,423,240</b>	<b>-</b>	<b>-</b>	<b>218,778,453</b>	<b>473,953,118</b>

PARTICULARS	COST / REVALUATION					DEPRECIATION					WRITTEN DOWN
	AS ON	REVALUATION SURPLUS	DISPOSALS	AS ON	RATE	AS ON	DEPRECIATION FOR THE YEAR	DEPRECIATION ON REVALUATION FOR THE YEAR	DISPOSALS	ACCUMULATED DEPRECIATION AS ON	VALUES AS ON
	01/07/2012			30/06/2013		01/07/2012				30/06/2013	30/06/2013
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.		Rs.	Rs.	Rs.
Free Hold Land	101,574	292,698,426	-	292,800,000		-	-	-	-	-	292,800,000
Building and Civil Works	28,350,309	104,926,026	-	133,276,335	5%	25,176,335	158,699	5,246,301	-	30,581,335	102,695,000
Plant & Machinery	178,861,971	75,792,843	-	254,654,814	10%	152,854,814	2,600,716	7,579,284	-	163,034,814	91,620,000
Tools & Equipment	1,200,738	-	-	1,200,738	10%	1,009,855	19,088	-	-	1,028,943	171,795
Electric Fittings	7,933,823	-	-	7,933,823	10%	6,900,280	103,354	-	-	7,003,634	930,189
Furniture & Fixture	877,824	-	-	877,824	10%	796,921	8,090	-	-	805,011	72,813
Telephone Fitting	238,000	-	-	238,000	10%	212,352	2,565	-	-	214,917	23,083
Office Equipment	408,665	-	-	408,665	10%	387,181	2,148	-	-	389,329	19,336
Electric, Gas & Home Appliance	433,468	-	-	433,468	10%	388,358	4,511	-	-	392,869	40,599
n3p30 F-eR7-9	907,904	-	-	907,904	20%	903,476	886	-	-	904,361	3,543
<b>Total : 2013</b>	<b>219,314,276</b>	<b>473,417,295</b>	<b>-</b>	<b>692,731,571</b>		<b>188,629,572</b>	<b>2,900,057</b>	<b>12,825,586</b>	<b>-</b>	<b>204,355,215</b>	<b>488,376,356</b>

Revaluation of fixed assets of the company was carried out in June 2013 on the instructions of the Securities and Exchange Commission of Pakistan by an independent valuer, M/s Impulse (Pvt) Ltd., 1081, 4th Floor, Rehman Building, Saddar Road, Peshawar. Surplus arising on revaluations has been credited to the Revaluation Surplus account in accordance with the requirements of section 235 of the Companies Ordinance, 1984, further amended vide the Companies (Amendment) Ordinance 2002.

The fair values of assets have been determined with reference to market-based evidences, based on active market prices and relevant enquires and information as considered necessary, adjusted for any difference in nature, location and conditions of the specific property and in case where market-based evidences are not available or not applicable due to the specialized nature of asset, than it were based on depreciated replacement cost method. The details are as under:

	<u>Surplus on Revaluation</u>
Freehold Land	292,698,426
Building and Civil Works	104,926,026
Plant and Machinery	75,792,843
	<u>473,417,295</u>

Had there been no revaluation, the values of specific classes of freehold land, building & civil works and plant & machinery at June 30, 2014 would have been as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Written Down Values</u>
Freehold Land	101,574	-	101,574
Building and Civil Works	28,350,309	25,485,797	2,864,512
Plant and Machinery	178,861,971	157,796,174	21,065,797
	<u>207,313,854</u>	<u>183,281,971</u>	<u>24,031,883</u>

Depreciation charge for the year has been allocated as under:

	<u>2014</u>	<u>2013</u>
	Rs.	Rs.
Cost of goods manufactured grouped in Other comprehensive expenses	14,414,230	15,715,533
Administrative Expenses	9,010	10,110
	<u>14,423,240</u>	<u>15,725,643</u>

	2014	2013
	(Rupees)	
<b>13. STORES &amp; SPARES</b>		
General Stores	3,000,000	6,300,205
Less: Obsolescence, due to diminution in value	-	(3,300,205)
	<u>3,000,000</u>	<u>3,000,000</u>
<b>14. STOCK-IN-TRADE</b>		
Raw Material	-	-
Work-in-process	-	-
Finished Goods	-	-
	<u>-</u>	<u>-</u>
<b>15. TRADE DEBTS</b>		
(Unsecured-Considered Good)	-	-
<b>16. LOANS AND ADVANCES</b>		
(Unsecured, Considered good)	-	-
<b>17. TRADE DEPOSIT &amp; SHORT TERM PREPAYMENTS</b>		
Prepaid Insurance	-	-
<b>18. TAXES REFUNDABLE</b>		
Income Tax Refundable	60,542	60,542
Sales Tax Recoverable	205,785	205,785
	<u>266,327</u>	<u>266,327</u>
<b>19. CASH &amp; BANK BALANCES</b>		
Cash in hand	4,870	574
Cash at Bank		
In Current Accounts	46,463	46,533
	<u>51,333</u>	<u>47,107</u>
<b>20. SALES</b>		
Yarn Sales - Local	-	-
Cotton Soft Waste Sales	-	-
Cotton Hard Waste Sales	-	-
	<u>-</u>	<u>-</u>

	2014	2013
	(Rupees)	
<b>21. COST OF SALES</b>		
Finished Goods Opening	-	-
Add: Fixed Factory Overheads	-	-
Add: Cost of Goods Manufactured	-	-
Less: Finished Goods Closing	-	-
	-	-
	-	-
<b>21.1 Cost of Goods Manufactured</b>		
Raw Material Opening	-	-
Add: Purchases	-	-
Less: Cost of Raw Material Sold	-	-
Less: Raw Material Closing	-	-
Raw Material Consumed	-	-
Stores Consumed	-	-
Packing Expenses	-	-
Fuel and Power	-	-
Salaries, Wages, & Benefits	-	-
Insurance	-	-
Repairs and Maintenance	-	-
Vehicle Running Expenses	-	-
Telephone, Telex and Postage	-	-
Travelling and Conveyance	-	-
Printing and Stationery	-	-
Entertainment	-	-
Other Manufacturing Expenses	-	-
Depreciation	-	-
Cost of Fixed Factory Overhead	-	-
Work-in-Process Opening	-	-
Work-in-Process Sold	-	-
Work-in-Process Closing	-	-
	-	-
	-	-
Cost of Goods Manufactured	-	-

Salaries, Wages and benefits include Rs. NIL (2013 : Rs. NIL) in respect of staff retirement benefits.

<b>22. ADMINISTRATIVE EXPENSES</b>		
Salaries and Allowances	733,200	639,400
Conveyance, Traveling & Entertainment	-	-
Postage, Telegram & Telephone	39,991	34,469
Membership Fee & Subscription	85,400	151,417
Printing & Stationery	37,725	49,675
Other Miscellaneous Expenses	-	-
Depreciation Expenses	9,010	10,110
Insurance	-	26,860
Fuel and Power	298,072	1,278,801
Legal & Professional Charges	-	50,000
Advertisement	13,264	-
Meeting Expenses	11,450	-
Repairs & Maintenance	53,800	-
	<b>1,281,912</b>	<b>2,240,732</b>

Salaries and allowances represent payment to contract and casual staff.

<b>23. OTHER OPERATING EXPENSES</b>		
<b>Auditors' Remuneration</b>		
Annual Audit Fee	100,000	100,000
Half Yearly Review Fee	40,000	40,000
	<b>140,000</b>	<b>140,000</b>

	2014	2013
	(Rupees)	
<b>24. OTHER OPERATING INCOME</b>		
Sundry Income	80,000	794,003
<b>25. FINANCE COST</b>		
Bank Charges & Commission	70	-
<b>26. TAXATION</b>		
<b>26.1 CURRENT</b>		
26.1.1 Income Tax assessments of the Company have been finalized upto and including the tax year 2012 under section 120 of the Income Tax Ordinance, 2001.		
26.1.2 The charge for the year can be reconciled to the profit or loss as per statement of comprehensive income as follows:		
Accounting loss before tax	(1,341,982)	(1,586,729)
Less: Liabilities over three years written back	1,000,000	-
Taxable Income	<u>(341,982)</u>	<u>(1,586,729)</u>
- Tax at the applicable income tax rate of thirty five percent	(116,274)	(555,355)
- Tax effect of expenses that are not deductible in determining taxable profit	3,063	6,554
- Tax effect on brought forward losses of earlier years	113,210	548,801
	<u>-</u>	<u>-</u>
<b>26.2 DEFERRED</b>		
Due to suspension of business activities since July 01, 2007 and available brought forward assessed losses of the Company the effect of temporary differences both taxable and deductible are not likely to arise.		
<b>27. EARNING / (LOSS) PER SHARE - Basic</b>		
Weighted average number of ordinary shares outstanding during the year	(Numbers)	
	<u>1,227,503</u>	<u>1,227,503</u>
Total comprehensive income / loss after taxation	(Rupees)	
	<u>(9,322,142)</u>	<u>(15,656,346)</u>
Income / Loss per share	(Rupees)	
	<u>(7.59)</u>	<u>(12.75)</u>

There is no dilutive effect on loss per share during the year.

2014	2013
(Rupees)	

## 28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying value of all the financial assets and financial liabilities of the Company reflected in the financial statements approximate their fair values.

## 29. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's risk management policy focuses on the impact of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework and for developing and monitoring the Company's risk management policies. The Board regularly meets and any changes and compliance issues are reported to the Board through the audit committee.

## 30. MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks interest rate risk, foreign currency risk, and other price risk.

### 30.1 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date the interest rate profile of Company's interest-bearing financial instruments is as under:

	Carrying amount in rupees	
	2014	2013
Financial Assets	-	-
Financial Liabilities	32,492,975	33,492,975

### Sensitivity Analysis

The Company is not exposed to interest rate risk. (refer note-8)

### 30.2 Foreign Currency risk

Foreign currency risk is the risk that the fair value of future cash flows relating to a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

### Sensitivity Analysis

The Company is not materially exposed to foreign currency risk on its financial assets and liabilities as there are no transaction involving such risk in the current year.

## 31. CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company under usual circumstances receives advance against sales and only casually applies credit limits to its customers therefore does not have any significant exposure to any individual customer resulting in the concentration of credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. It indicates the related scnility of the Company's performance to developments affecting the particular industry.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	Carrying amount in rupees	
	2014	2013
<b>Financial Assets</b>		
Long Term Deposits	88,983	88,983
Trade Deposits & Prepayments		
Bank Balances	46,463	46,533
	<u>135,446</u>	<u>135,516</u>

32. Liquidity risk reflects the Company's inability of generating funds to meet its commitments. The Company applies effective funds management techniques by maintaining sufficient cash and bank balances and by keeping committed credit limits in the circumstances in which the Company for the being continues.

The table below analyse the maturity profile of the Company's financial liabilities at the reporting date to the maturity date.

Financial Liabilities	Carrying amount	Contractual cash flows	Less than one year		Over one year
			2014	2013	
Long term loans	32,492,975	32,492,975			32,492,975
Trade Creditors	40,202,714	40,202,714	40,202,714		
Accrued Liabilities	351,242	351,242	351,242		
Other Liabilities	28,558	28,558	28,558		
	<u>73,075,489</u>	<u>73,075,489</u>	<u>40,582,514</u>		<u>32,492,975</u>
			2013		
Long term loans	33,492,975	33,492,975			33,492,975
Trade Creditors	40,202,714	40,202,714	40,202,714		
Accrued Liabilities	316,242	316,242	316,242		
Other Liabilities	28,558	28,558	28,558		
	<u>74,040,489</u>	<u>74,040,489</u>	<u>40,547,514</u>		<u>33,492,975</u>

33. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can provide returns for shareholders benefits, for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure by monitoring return on net assets and financial leverages.

**34. TRANSACTIONS WITH RELATED PARTIES**

Borrowings from Directors  
 Director's loan waived off

	2014	2013
	-	1,103,000
	1,000,000	-

It represents the amount of loan obtained from directors of the company during the year to meet day to day running cost and repayment of liabilities and it is free of mark-up.

**35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

PARTICULARS	(Rupees)					
	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2014	2013	2014	2013	2014	2013
Managerial Remuneration	-	-	-	-	-	-
Director's Meeting Fee	2,000	-	9,450	-	-	-
Directors Travelling & Halting	-	-	-	-	-	-
	2,000	-	9,450	-	-	-
Number of persons	1	1	7	7	-	-

**36. PRODUCTION CAPACITY**

PARTICULARS	CAPACITY Kgs	ACTUAL PRODUCTION FYL	ACTUAL PRODUCTION IN 20 Kgs
unigS			
Coarse	431,267	-	-
Medium	3,780,187	-	-
Fine	206,570	-	-
Year 2014	4,418,024	-	-
Year 2013	4,418,024	-	-

Capacity in 20/s = 6,585,921 Kgs (2013: 6,585,921 Kgs)

a. Number of spindles installed in the factory is 26,460 (2013: 26,460)

b. Number of shifts worked per day is NIL (2013: NIL)

**37. RESTATEMENT**

Surplus on Revaluation of fixed assets has been reclassified taking into account the effect of deferred tax liability. Consequently its effect on previous year's figures as well as on earnings /(loss) per share and statement of changes in equity has also been revised.

**38. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 26th September, 2014 by the Board of Directors of the Company.

**39. NUMBER OF EMPLOYEES**

Number of permanent employees at the end of the year was NIL (2013 : NIL)

**Pattern of Sherholding  
as per Code of Corporate Governance**

<u>Categories of Shareholders</u>	<u>Numbers</u>	<u>Shares Held</u>	<u>Percentage of Paid-up Capital</u>
<u>Associated Companies, Undertaking and Related Parties</u>	-	-	-
<u>Directors and Reletives</u>			
Farid M. Jadoon	1	138,255	
Adam Jadoon	1	137,962	
Sara Jadoon	1	88,965	
Mrs. S. Jadoon	1	88,868	
Ch. M. Eusaff	1	6,739	
Nasir Khan	1	3,950	
Aurangzeb Khan	1	5,298	
Omar Farid Jadoon	1	87,598	
M. Bahuddin	1	2,800	
Mrs. Aamna Jadoon	1	6,744	
	<u>10</u>	<u>567,179</u>	
<u>Executive</u>	-		
<u>Banks, Development Finance Institution, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds</u>	13	20800	
<u>Individuals</u>	422	639524	
	<u>445</u>	<u>1,227,503</u>	
<u>Shareholders holding 10% or more voting Interest in the Company</u>	3		

**PATTERN OF THE HOLDING OF SHARES  
HELD BY THE SHARE HOLDER AS AT 30TH JUNE 2014**

S No	NO OF SHARE HOLDERS	SHARE FROM	HOLDING TO	TOTAL SHARES HELD
1	124	1	100	6,648
2	160	101	500	40,534
3	60	501	1,000	47,241
4	76	1,001	5,000	163,939
5	13	5,001	10,000	89,035
6	2	10,001	15,000	22,098
7	2	15,001	30,000	45,861
8	1	30,001	35,000	32,772
9	1	40,001	60,000	50,373
10	3	60,001	120,000	265,431
11	3	120,001	200,000	463,571
	445			1,227,503

**CATEGORIES OF SHARE-HOLDERS AS ON 30TH JUNE 2014**

S No	SHARE HOLDING	NUMBER OF SHARES	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	428	1,206,143	98
2	INVESTMENT COMPANIES	6	2,932	-
3	INSURANCE COMPANIES	2	13,098	1
4	PUBLIC LTD. COMPANIES	2	400	0
5	FINANCIAL INSTITUTIONS	4	4,263	1
6	TRUST	1	100	-
7	ABOUNDED PROPERTIES	1	559	0
8	PRIVATE LTD COMPANIES	1	8	-
		445	1,227,503	100%

**FORM OF PROXY**

I/WE \_\_\_\_\_ OF \_\_\_\_\_

being shareholders(s) OF Khyber Textile Mills Limited, Shares Nos \_\_\_\_\_

Of \_\_\_\_\_

(or-failing him \_\_\_\_\_

Of \_\_\_\_\_

(another member of the Company) to attend, act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday the 30th October 2014 at 12.00 noon at the Registered Office of the Company, Baldher District Haripur and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_

Affix Re. 8.00  
Revenue  
Stamp

Signature of Shareholder

**IMPORTANT:-**

- (A) Signature must be in accordance with the specimen filed with the Company.
- (B) A proxy should also be a member of the Company.
- (C) The Form of Proxy duly completed must be deposited at the Company Registered Office Khyber Textile Mills Ltd, Baldher, Haripur at least 48 hours before the time of Meeting.

FORM OF PROXY

1. I, the undersigned, do hereby appoint and authorize the person named in the following table to act as my proxy and to vote for me at the meeting of the Board of Directors of Kaiser Textile Mills Limited, to be held on the day and at the place specified in the following table, and to do all such acts and things as he may think fit to do in relation to the business of the said company.

2. I hereby appoint and authorize the person named in the following table to act as my proxy and to vote for me at the meeting of the Board of Directors of Kaiser Textile Mills Limited, to be held on the day and at the place specified in the following table, and to do all such acts and things as he may think fit to do in relation to the business of the said company.

3. I hereby appoint and authorize the person named in the following table to act as my proxy and to vote for me at the meeting of the Board of Directors of Kaiser Textile Mills Limited, to be held on the day and at the place specified in the following table, and to do all such acts and things as he may think fit to do in relation to the business of the said company.

Signature of the Proxy Holder

Signature of the Proxy Holder

WITNESSES

1. I, the undersigned, do hereby witness the execution of the foregoing proxy by the person named in the following table.

2. I, the undersigned, do hereby witness the execution of the foregoing proxy by the person named in the following table.

3. I, the undersigned, do hereby witness the execution of the foregoing proxy by the person named in the following table.

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