CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Anwar Saifullah Khan	**- Chairman**
	Salim Saifullah Khan	**- Chief Executive**
	Osman Saifullah Khan	
	Jehangir Saifullah Khan	
	Hoor Yousafzai	
	Assad Saifullah Khan	
	Asif Saifullah Khan	
AUDIT COMMITTEE	Hoor Yousafzai	**- Chairpreson**
	Jehangir Saifullah Khan	**- Member**
	Assad Saifullah Khan	**- Member**
HR & REMUNERATION COMMITTEE	Anwar Saifullah Khan	**- Chairman**
	Salim Saifullah Khan	**- Member**
	Hoor Yousafzai	**- Member**
CHIEF FINANCIAL OFFICER	Noman Ahmad	
COMPANY SECRETARY	Sabir Khan	
AUDITORS	Hameed Chaudhri & Co., Chartered Accountants	
LEGAL ADVISORS	Dr. Pervez Hassan Hassan & Hassan, Advocates Salahuddin Saif & Aslam (Attorney's at Law)	
BANKERS	Albaraka Bank (Pakistan) Limited First National Bank Modaraba National Bank of Pakistan The Bank of Punjab United Bank Limited	
HEAD OFFICE	Kulsum Plaza, 4th Floor, 2020 – Blue Area, Islamabad Phone : (051) 2823924, 2829415 Fax : (051) 2822564, 2278537 Email : ktm@saifgroup.com	
REGISTERED OFFICE	APTMA House, Tehkal Payan, Jamrud Road, Peshawar Phone : (091) 5843870, 5702941 Fax : (091) 5840273 Email : Peshawar@saifgroup.com	
SHARES REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd., HM House, 7-Bank Square, Lahore Phone : +92-42-37235081-37235082 Fax : +92-42-37358817 E-mail : info@hmaconsultants.com	
MILLS	Saifabad, Kohat Phone : (0922) 862065, 862091 Fax : (0922) 862057-58 Email : ktmkht@saifgroup.com	
WEB SITE	www.kohattextile.com	

VISION AND MISSION STATEMENT

VISION

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

MISSION

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 47th Annual General Meeting of the members of M/s.**Kohat Textile Mills Limited** will Insha Allah be held at registered office of the Company, **APTMA House, Tehkal Payan, Jamrud Road, Peshawar** on **Friday, October 25, 2013 at 11:00 A.M.** to transact the following business:

ORDINARY BUSINESS

1) To confirm the minutes of the last Annual General Meeting dated October 31, 2012.
2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2013 together with the Directors' and Auditors' Reports thereon.
3) To approve cash dividend @ 12.5 % as recommended by the Board of Directors.
4) To appoint Auditors for the year 2013-2014 and fix their remuneration. The retiring auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, being eligible offered themselves for re-appointment.

SPECIAL BUSINESS

5) To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution:

   "RESOLVED THAT the words and figures "The remuneration of a Director for attending meetings of the Board shall not exceed Rs.500/- (Rupees five hundred only) for each meeting attended by him" as appearing in Article No.96 of the Articles of Association be substituted by the words and figures "The remuneration of a director for attending meetings of the Board or the Committees of the directors shall be Rs.1,000/- (Rupees One thousand only) for each meeting attended by him"
6) To transact any other business with the permission of the Chair.

By order of the Board

Place : **Peshawar**
Dated : **October 03, 2013**

SABIR KHAN
Company Secretary

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984

Agenda item No.5: the amendment is being made to fairly compensate the directors for attending meetings of the Board or the Committees of the Directors.

The Board commends the aforementioned resolution for your approval.

The Directors of the Company have no interest, whether directly or indirectly, in the above special business, save to the extent of their shareholding in the Company.

NOTES:

i. Share Transfer Books of the Company will remain closed from 19.10.2013 to 25.10.2013 (Both Days Inclusive)
ii. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing the proxy, duly completed, must be received at the Company's Registered Office not later than 48 hours before the time of holding of the meeting.
iii. CDC individual Account holders or Sub-account holders are required to bring with them their original Computerized National Identity Card (CNIC) / original passport along with participant's ID number and their account number in order to facilitate identification.
iv. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
v. Members are requested to promptly notify any change in their address.
vi. The Memorandum and Articles of Association of the Company as on date and also indicating the proposed amendment has been kept at the Registered Office of the Company and can be inspected during business hours on all working days upto October 25, 2013.

DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

On behalf of the Board of Directors, it gives me pleasure to present the 47th Annual Audited Financial Statements for the year ended June 30, 2013.

GENERAL MARKET CONDITIONS

During the year under review market remained positive due to static demand for synthetic fiber yarns as a result company has posted pretax profit of Rs 196.578 million.

OPERATING RESULTS

Your Company has crossed another mile stone by achieving extraordinary results. The major highlights of your Company as compared to the corresponding period of the preceding Financial Year are as follows:

Turnover
There was a nominal reduction by 2.65% as compared to last year because of production of fine count yarns as compared to last year.

Profitability
Gross profit margin has improved to 14.97% from 11.16% as compared to last financial year; increase in gross profit margin is mainly due to improvement in sales rates and production of marketable counts.

Profit Before Tax of Rs. 196.578 Million as compared with Rs. 116.623 Million in the previous year.

There was abnormal hike in production overheads on account increase in salaries & wages due to revision in minimum wage and power & fuel costs due to revision in Sui Gas tariff.

For the period under review, financial charges have decreased by 20.98% compared to the corresponding period. Reduction on this account shows the financial prudence being exercised by the management and also the strength of our financial health. Despite of the fact that the company has made investments in plant & machinery during the year, we were able to rely on our own resources to finance our operations & capex. incurred during the year. We are also continuously working towards better financial management and reduction of receivables.

Company has to incur extra administrative costs due to location of mills in Khyber Pakhtunkhwa province which is still in the grip of terrorism.

FUTURE OUTLOOK

Ongoing energy crises are a big challenge for Pakistan and are also main threat to Pakistan Textile Industry. Curtailment of Sui Gas and power shut down with combination of devaluation of Pak rupee is cause of triggering the cost of production and is making our products costlier in the region and is hurting our textile industry.

Management is working on the various plans to reduce the operational costs through automation of machinery and utilization of available resources.

EARNINGS PER SHARE

Earnings per share of the Company were Rs. 5.71 as compared to Rs. 8.02 last year.

PROFIT APPROPRIATION

The Board in its meeting held of 26 September, 2013 decided to recommend 12.50 % cash dividend.

CONTRIBUTION TO THE NATIONAL ECONOMY

Besides payment to the financial institutions against long and short-term debt, your Company contributed Rs. 110.23 Million (2012: Rs. 89.64 Million) to the National Exchequer during the year under review in sales tax, surcharges and various other levies.

CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance, as incorporated in the listing rules of the Stock Exchanges.

The statement on Corporate Governance and Financial Reporting Frame Work is given below:

- The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of share holding.
- There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations.

- During the year Mr. Asad Saifullah Khan Director of the Company attended directors' training program arranged by Institute of Chartered Accountants of Pakistan.

- Key operating and financial data of the Company for the last six years is reproduced below:

Year Ended	30 June					
	2013	2012	2011	2010	2009	2008
Property, plant & equipment (RS 000)	852,211	812,383	727,438	759,674	800,154	752,160
Net worth (Rs 000)	508,041	397,209	320,647	314,214	297,755	366,046
Production (Kgs 000)	6,105	6,419	6,568	6,585	5,614	5,783
Sales (Rs 000)	2,355,043	2,418,912	2,133,636	1,686,696	1,444,643	1,438,648
Gross Profit (Rs 000)	352,610	270,049	134,065	172,036	426	67,708
Profit/(loss) from operations (Rs 000)	269,181	208,513	106,533	115,993	(49,829)	25,620
Net Profit/(loss) after taxation (Rs 000)	118,750	166,778	6,433	16,459	(133,469)	(55,221)
Earning/(Loss)per share (Rs)	5.71	8.02	0.31	0.79	(6.42)	(2.65)
No. of Spindles installed	29,520	29,520	29,520	30,000	44,000	44,000

- During the Year 04 meetings of the Board of Directors were held. Attendance by each director is as follows:

Name of Director	**No. of meetings attended**
Anwar Saifullah Khan	03
Salim Saifullah Khan	03
Javed Saifullah Khan	01
Osman Saifullah Khan	04
Jehangir Saifullah Khan	03
Hoor Yousafzai	03
Assad Saifullah Khan	04
Asif Saifullah Khan	02
Rana Muhammad Shafi	01

Leave of absence was granted to Directors who could not attend any of the Board meetings.

- The Board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.

- Regarding outstanding taxes and levies, please refer note 16 to the annexed audited statements.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company under section 236(2) (d) of the Companies Ordinance, 1984 and additional information as required by the Code of Corporate Governance is annexed.

EXTERNAL AUDITORS

The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of the Annual General Meeting to be held on 25 October, 2013 until the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENT

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

We are confident they will continue to show the same dedication in the days ahead.

For and on behalf of the Board

SALIM SAIFULLAH KHAN
Chief Executive

Dated: 26 September, 2013

PATTERN OF SHAREHOLDING
AS AT 30TH JUNE, 2013

Number of Share Holders	Share Holding From	Share Holding To	Total Shares Held
451	1	100	25,885
161	101	500	52,503
64	501	1000	58,443
92	1001	5000	266,766
19	5001	10000	161,500
8	10001	15000	101,867
6	15001	20000	115,000
3	20001	25000	66,000
5	25001	30000	138,431
1	35001	40000	40,000
1	45001	50000	50,000
1	55001	60000	56,950
2	60001	65000	123,500
1	80001	85000	82,000
1	85001	90000	90,000
1	105001	110000	107,887
1	115001	120000	116,704
1	2925001	2930000	2,926,554
1	6340001	6345000	6,340,010
1	9875001	9880000	9,880,000
821	**TOTAL**		**20,800,000**

Categories of Share Holders	Number of Shareholders	Shares Held	% Age of Capital
Directors and Chief Executive Officer	7	182,945	0.88
Family Members of Directors	13	225,570	1.08
Associated Companies, Undertaking & related parties	2	16,220,010	77.98
NIT & ICP	2	1,150	0.01
Financial Institutions	2	2,926,576	14.07
Joint Stock Companies	6	98,558	0.47
General Public	786	1,138,466	5.48
Others	3	6,725	0.03
Total	**821**	**20,800,000**	**100.00**

DETAIL OF CATEGORY OF SHARE HOLDERS
AS AT 30 JUNE, 2013

Sr. No.	Name of Shareholders	Shares Held	Percentage
Directors, Chief Executive and their spouses and Minor Children			
1	Anwar Saifullah Khan	1,526	0.01
2	Salim Saifullah Khan	715	0.00
2	Osman Saifullah Khan	62,500	0.30
3	Jehangir Saifullah Khan	116,704	0.57
4	Hoor Yousafzai	500	0.00
5	Assad Saifullah Khan	500	0.00
6	Asif Saifullah Khan	500	0.00
	Total	**182,945**	**0.88**
Family Members of Directors			
1	Javed Saifullah Khan	107,887	0.52
2	Gulshan Javed Saifullah Khan	600	0.00
3	Kulsum Saifullah Khan	11,867	0.06
4	Zeb Saifullah Khan	20,000	0.10
5	Omar Saifullah Khan	26,931	0.13
6	Shirin Saifullah Khan	500	0.00
7	Zafar Qureshi (Other)	4,335	0.02
8	Iqbal Saifullah Khan	4,450	0.02
9	Yasmin Saifullah Khan	5,000	0.02
10	Shereen Saifullah Khan	5,000	0.02
11	Shehernaz Saifullah Khan	14,000	0.07
12	Humayun Saifullah Khan	10,000	0.05
13	Samina Saifullah Khan	15,000	0.07
	Total	**225,570**	**1.08**
Associated Companies, Undertakings and Related Parties			
1	Saif Holdings Limited	9,880,000	47.50
2	Globecomm (Pvt) Limited	6,340,010	30.48
		16,220,010	**77.98**
NIT & ICP			
1	National Bank of Pakistan (Trustee Wing)	750	0.00
2	IDBL (ICP UNIT)	400	0.01
	Total	**1,150**	**0.01**

Sr. No.	Name of Shareholders		Shares Held	Percentage
Financial Institutions				
1	National Bank of Pakistan		22	0.00
2	National Bank of Pakistan		2,926,554	14.07
		Total	**2,926,576**	**14.07**
Joint Stock Companies				
1	Highlink Capital (Pvt) Limited		1,000	0.00
2	N.H Securties (Pvt) Limited		4,000	0.02
3	Fateh Textile Mills Limited		50	0.00
4	Sultan Textile Mills (K) Limited		8	0.00
5	Co-oper & Co. (Private) Limited		3,500	0.02
6	Time Securities (Pvt) Limited		90,000	0.43
		Total	**98,558**	**0.47**
General Public (Local)		**Total**	**1,138,466**	**5.48**
OTHERS				
1	Trustee National Bank Of Pakistan Employees Benevolent Fund		124	0.00
2	Trustee National Bank Of Pakistan Employees Pension Fund		3,526	0.02
3	Deputy Administrator Abandoned Properties Organization		3,075	0.01
		Total	**6,725**	**0.03**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of the Karachi Stock Exchange, Chapter XIII of Listing Regulations of the Lahore Stock Exchange and Chapter XI of Listing Regulations of the Islamabad Stock Exchange 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:

Category	Names
Executive Directors	Salim Saifullah Khan
Non-Executive Directors	Anwar Saifullah Khan Osman Saifullah Khan Jehangir Saifullah Khan Hoor Yousafzai Assad Saifullah Khan Asif Saifullah Khan
Independent Directors	NIL

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurred on the board was filled up by the directors within stipulated period of time.

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.

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 arranged in-house training program for its directors during the year.

10. 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.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

12. 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.

13. The company has complied with all the corporate and financial reporting requirements of the CCG.

14. The board has formed an Audit Committee. It comprises 03 members, who are non-executive directors

15. 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.

16. The board has formed an HR and Remuneration Committee. It comprises 03 members, of whom 02 are non-executive directors while one is Executive director.

17. The board has set up an effective internal audit function and the persons involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

18. 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.

19. 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.

20. 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).

21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

22. We confirm that all other material principles enshrined in the CCG have been complied with except certification of a director under Directors' Training Programme (DTP) by the end of financial year; however efforts would be made to attain certification by the end of next accounting year.

For and behalf of the Board

Place: Islamabad
Dated: 26 September, 2013

Anwar Saifullah Khan
Chairman

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Kohat Textile Mills Limited (the Company) to comply with the Listing Regulations of the Karachi and Islamabad Stock Exchanges 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's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Listing Regulations of the Karachi and Islamabad Stock Exchanges require the Company to place before the Board of Directors 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 the 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

Place: Lahore
Dated: 26 September, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kohat Textile Mills Limited (the Company) as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity 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 purposes 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 the 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 a 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 management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

    (i) the balance sheet and profit and loss account 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 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 the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Osman Hameed Chaudhri

Place: Lahore
Dated: 26 September, 2013

BALANCE SHEET

	Note	2013	2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
22,000,000 ordinary shares of Rs.10 each		**220,000**	220,000
Issued, subscribed and paid-up	5	**208,000**	208,000
UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)		**109,726**	(1,103)
		317,726	206,897
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	**318,542**	328,766
NON-CURRENT LIABILITIES			
Loans from an Associated Company	7	**130,178**	131,678
Long term financing	8	**50,000**	112,500
Long term deposits	9	**1,128**	1,037
Deferred liability - staff retirement benefits	10	**39,272**	34,659
Deferred taxation - net	11	**24,131**	0
		244,709	279,874
CURRENT LIABILITIES			
Trade and other payables	12	**210,695**	191,492
Accrued interest / mark-up	13	**14,585**	19,096
Short term borrowings	14	**404,394**	175,942
Current portion of long term financing	8	**62,500**	75,000
		692,174	461,530
Contingencies and Commitments	15		
		1,573,151	1,277,067

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

SALIM SAIFULLAH KHAN
CHIEF EXECUTIVE

AS AT 30 JUNE, 2013

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	**16**	**852,211**	812,383
Intangible assets	**17**	**459**	576
Long term loans	**18**	**1,032**	1,096
Long term deposits		**1,137**	1,137
Deferred taxation - net	**11**	**0**	45,095
		854,839	860,287
CURRENT ASSETS			
Stores, spare parts and loose tools	**19**	**23,138**	25,249
Stock-in-trade	**20**	**455,961**	318,780
Trade debts	**21**	**153,025**	4,653
Loans and advances	**22**	**3,857**	2,740
Deposits and short term prepayments	**23**	**4,363**	4,992
Other receivables	**24**	**154**	4,755
Taxation - net	**25**	**53,063**	38,131
Sales tax refundable		**18,922**	16,749
Bank balances	**26**	**5,829**	731
		718,312	416,780
		1,573,151	1,277,067

OSMAN SAIFULLAH KHAN
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2013

	Note	2013	2012
		(Rupees in thousand)	
SALES - NET	**27**	**2,355,043**	2,418,912
COST OF SALES	**28**	**(2,002,433)**	(2,148,863)
GROSS PROFIT		**352,610**	270,049
DISTRIBUTION COST	**29**	**(9,038)**	(8,493)
ADMINISTRATIVE EXPENSES	**30**	**(58,510)**	(44,912)
OTHER INCOME	**31**	**933**	1,630
OTHER EXPENSES	**32**	**(16,814)**	(9,761)
PROFIT FROM OPERATIONS		**269,181**	208,513
FINANCE COST	**33**	**(72,603)**	(91,890)
PROFIT BEFORE TAXATION		**196,578**	116,623
TAXATION	**34**	**(77,828)**	50,155
PROFIT AFTER TAXATION		**118,750**	166,778
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME		**118,750**	166,778
		------- Rupees -------	
EARNINGS PER SHARE - basic and diluted	**35**	**5.71**	8.02

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

SALIM SAIFULLAH KHAN
CHIEF EXECUTIVE

OSMAN SAIFULLAH KHAN
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2013

	2013	2012
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - before taxation	**196,578**	116,623
Adjustments for non-cash and other charges:		
Depreciation	**50,723**	44,667
Amortisation	**117**	10
Staff retirement benefits - gratuity (net)	**4,614**	6,349
Unclaimed payable balances written-back	**(933)**	(12)
Loss / (Gain) on sale of operating fixed assets	**1,045**	(898)
Finance cost	**71,697**	103,780
PROFIT BEFORE WORKING CAPITAL CHANGES	**323,841**	270,519
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**2,111**	(4,694)
Stock-in-trade	**(137,181)**	123,404
Trade debts	**(148,372)**	211,397
Loans and advances	**(1,117)**	2,627
Deposits and short term prepayments	**629**	(3,320)
Mark-up subsidy receivable	**0**	15,301
Other receivables	**4,601**	(1,277)
Sales tax refundable	**(2,173)**	(8,027)
Increase in trade and other payables	**17,191**	26,247
	(264,311)	361,658
CASH GENERATED FROM OPERATING ACTIVITIES	**59,530**	632,177
Income tax paid	**(20,879)**	(6,436)
Long term loans - net	**64**	(80)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**38,715**	625,661
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(95,771)**	(40,843)
Additions to intangible assets	**0**	(586)
Sale proceeds of operating fixed assets	**4,175**	2,441
NET CASH USED IN INVESTING ACTIVITIES	**(91,596)**	(38,988)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan from an Associated Company - net	**(1,500)**	(28,322)
Long term financing - net	**(75,000)**	(75,000)
Long term deposits	**91**	85
Short term borrowings - net	**228,452**	(341,377)
Finance cost paid - net	**(76,209)**	(141,805)
Dividend paid	**(17,855)**	0
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	**57,979**	(586,419)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,098**	254
CASH AND CASH EQUIVALENTS - at beginning of the year	**731**	477
CASH AND CASH EQUIVALENTS - at end of the year	**5,829**	731

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

SALIM SAIFULLAH KHAN
CHIEF EXECUTIVE

OSMAN SAIFULLAH KHAN
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2013

	Share capital	(Accumulated loss) / Un-Appropriated Profit	Total equity
	------------- (Rupees in thousand) -------------		
Balance as at July 01, 2011	208,000	(180,957)	27,043
Total comprehensive income for the year	0	166,778	166,778
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):			
- on account of incremental depreciation for the year	0	12,836	12,836
- upon sale of revalued assets	0	240	240
Balance as at June 30, 2012	**208,000**	**(1,103)**	**206,897**
Transactions with owners			
Cash dividend for the year ended June 30, 2012 at the rate of Re.1 per share	0	(20,800)	(20,800)
Total comprehensive income for the year	0	118,750	118,750
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):			
- on account of incremental depreciation for the year	0	11,686	11,686
- upon sale of revalued assets	0	1,193	1,193
Balance as at June 30, 2013	**208,000**	**109,726**	**317,726**

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

SALIM SAIFULLAH KHAN
CHIEF EXECUTIVE

OSMAN SAIFULLAH KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2013

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 Karachi and Islamabad Stock Exchanges. It is principally engaged in manufacture and sale of yarn. The Company's Mills are located in Saifabad, Kohat and the Registered Office of the Company is located at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or requirements of the said directives have been followed.

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest thousand, unless otherwise stated.

2.3 Initial application of standards, amendments or an interpretation to existing standards

2.3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Company.

2.3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

IAS 1 - Amendment (Presentation of Financial Statements) is effective for the accounting periods beginning on or after July 01, 2012. It entails the requirements for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The change is not expected to have material impact on the Company's financial statements.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on or after July 01, 2012 and have not been early adopted by the Company:

(a) Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 01, 2013. This set of amendments includes changes to five standards: IFRS 1 'First time adoption', IAS 1 'Financial statement presentation', IAS 16 'Property, plant and equipment', IAS 32 'Financial instruments; Presentation' and IAS 34 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.

(b) IFRS 7 (Amendment), 'Financial Instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 01, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The application of these amendments have no material impact on the Company's financial statements.

(c) IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(d) IFRS 13, 'Fair value measurement' (effective for periods beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance and how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company shall apply this standard from January 01, 2013 and does not expect to have a material impact on its financial statements.

(e) IAS 19 (Amendment), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Company shall apply these amendments from July 01, 2013 and its impact on retained earnings shall be Rs.4.319 million due to recognition of current unrecognised actuarial loss on its defined benefit plan.

(f) IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the Company's financial statements.

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

3. BASIS OF MEASUREMENT

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

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

a) **Staff retirement benefits - gratuity (note 4.2)**
The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 10.

b) **Provision for taxation (note 4.4)**
In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

c) **Property, plant and equipment (note 4.6)**
The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

d) **Stores & spares and stock-in-trade (note 4.8 and 4.9)**
The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale.

e) **Provision for impairment of trade debts (note 4.10)**
The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.2 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2012 on the basis of the projected unit credit method by an independent Actuary.

4.3 Trade and other payables

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

4.4 Taxation

(a) Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

The Company accounts for deferred tax using the balance sheet liability method on all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

4.5 Dividend distribution

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

4.6 Property, plant and equipment

Operating fixed assets, other than fire extinguishing equipment, furniture & fixtures, vehicles and live stock, are stated at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of asset and the net amount is restated to the revalued amount of asset. Fire extinguishing equipment, furniture & fixtures, vehicles and live stock are stated at historical cost less accumulated depreciation. Cost of some items of plant and machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost.

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

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 16.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

4.7 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-line method at the rate stated in note 17.

4.8 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at the lower of cost and net realisable value.

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

4.9 Stock-in-trade

Basis of valuation are as follows:

<u>**Particulars**</u>	<u>**Mode of valuation**</u>
Raw materials:	
At mills	- At lower of moving average cost and market value.
In transit	- At cost accumulated to the balance sheet date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At contracted rates.

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.10 Trade debts and other receivables

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

4.11 Cash and cash equivalents

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

4.12 Impairment loss

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

4.13 Provisions

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

4.14 Foreign currency translations

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

4.15 Financial instruments

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

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

4.16 Off-setting of financial assets and liabilities

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

4.17 Revenue recognition

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

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

4.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.19 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 41 to these financial statements.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
(No. of shares)			(Rupees in thousand)	
14,525,400	14,525,400	ordinary shares of Rs.10 each fully paid in cash	**145,254**	145,254
6,274,600	6,274,600	ordinary shares of Rs.10 each issued as fully paid-up by conversion of loans and debentures	**62,746**	62,746
20,800,000	20,800,000		**208,000**	208,000

5.1 Ordinary shares held by the Associated Companies at the year-end were as follows:

	2013	2012
	(No. of shares)	
- Saif Holdings Ltd.	**9,880,000**	9,880,000
- GlobeComm (Pvt.) Ltd.	**6,340,010**	6,340,010
	16,220,010	16,220,010

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

6.1 This represents surplus over book values resulted from the revaluations of freehold land, buildings on freehold land and plant & machinery during the years 1984, 1995, 2004, 2005 and 2008 adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.

6.2 The Company, during the preceding financial year, had again revalued its aforementioned assets along with diesel generators & fuel reservoir, gas fired power plant and electric installations. The revaluation exercise was carried-out by Indus Surveyors (Pvt.) Ltd. Gulberg, Lahore (Valuation Consultants) to replace the carrying amounts of these assets with the market value / depreciated market values. The net appraisal surplus arisen on the latest revaluation aggregated Rs.90.312 million was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

	Note	2013	2012
		(Rupees in thousand)	
Opening balance		**428,619**	358,424
Add: surplus arisen on revaluation carried-out during the preceding year		**0**	90,312
Less: transferred to unappropriated profit / (accumulated loss):			
- on account of incremental depreciation for the year		**(17,978)**	(19,748)
- upon sale of revalued assets		**(1,836)**	(369)
		408,805	428,619
Less: deferred tax on:			
- opening balance of surplus		**99,853**	64,820
- surplus on revaluation carried-out during the preceding year		**0**	42,074
- incremental depreciation for the year		**(6,292)**	(6,912)
- sale of revalued assets		**(643)**	(129)
		92,918	99,853
adjustment resulting from reduction in tax rate		**(2,655)**	0
		90,263	99,853
Closing balance		**318,542**	328,766

7. LOANS FROM AN ASSOCIATED COMPANY - Unsecured

	Note	2013	2012
Sub-ordinated loan	**7.1**	**100,000**	100,000
Other loan	**7.2**	**30,178**	31,678
		130,178	131,678

7.1 The Company and Saif Holdings Ltd. (SHL) have entered into a loan agreement on October 21, 2009; the terms of loan agreement are effective from April 09, 2009. Salient terms of the agreement are as follows:

(a) SHL has lent an unsecured loan amounting Rs.100 million to the Company on April 09, 2009 to meet its financial obligations;

(b) as per the original agreement terms, loan carried mark-up at the rate of 3-months KIBOR + 2% payable quarterly; however, from January, 2013 the rate of mark-up has been revised to average borrowing cost of SHL + 0.1% per annum; and

(c) the maturity period of the loan is five years; however, it cannot be repaid till the final settlement of all the financial liabilities of the Company, as the loan is sub-ordinated to all other finance facilities availed / to be availed by the Company from any of the financial institution.

The effective mark-up rate charged by SHL, during the current financial year, ranged from 11.66% to 13.47% (2012: 13.86% to 15.37%) per annum.

7.2 The Company had entered into another loan agreement with SHL on June 18, 2011 to obtain an unsecured long term loan facility of Rs.90 million. SHL disbursed amounts aggregated Rs.80 million to the Company against this long term loan facility in June and July, 2011. As per the original agreement terms, this loan was repayable through one time bullet payment during January, 2015; however, the Company, during May, 2012 and June, 2013, on the request of SHL, has made premature repayments aggregated Rs.49.822 million. Remaining balance is repayable on the original maturity date. The loan carries mark-up equal to the borrowing cost of SHL + 0.1% per annum; the effective mark-up rate charged by SHL, during the current financial year, ranged from 12.41% to 15.01% (2012: 16.01% to 17.64%) per annum. Mark-up is payable on quarterly basis.

8. LONG TERM FINANCING - Secured

	Note	2013	2012
		(Rupees in thousand)	
The Bank of Punjab (BoP)			
Term finance - I	**8.1**	**100,000**	150,000
Term finance - II	**8.2**	**12,500**	37,500
		112,500	187,500
Less: current portion grouped under current liabilities		**62,500**	75,000
		50,000	112,500

8.1 The Company, during the financial year ended June 30, 2007, had arranged term finance - I facility of Rs.250 million from BoP. Originally, the principal balance of this finance facility was repayable in 20 equal quarterly instalments of Rs.12.500 million with effect from August, 2009. However BoP, vide its letter Ref # BOP/CBU(N)/2009/420 dated September 08, 2009, had approved extension in repayment of this finance facility; accordingly, repayment of principal balance commenced from August, 2010. This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs.333.334 million.

8.2 BoP, during the financial year ended June 30, 2009, for balance sheet restructuring of the Company, had converted short term running finance facility of Rs.100 million into term finance - II facility. This facility is repayable in 16 equal quarterly instalments of Rs.6.250 million commenced from March, 2010 and is secured against registered first pari passu hypothecation charge on fixed assets of the Company for Rs.133.334 million.

8.3 These term finance facilities carry mark-up at the rate of 3-months KIBOR + 325 basis points with floor of 11% per annum payable quarterly. Effective mark-up rate charged, during the current financial year, ranged from 12.53% to 15.20% (2012: 7.5% to 15.17%) per annum.

9. LONG TERM DEPOSITS

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

10. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

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

	2013	2012
- discount rate	**13%**	13%
- expected rate of eligible salary increase in future years	**12%**	12%
- average expected remaining working life time of employees	**9 years**	9 years

The amount recognised in the balance sheet is as follows:	**(Rupees in thousand)**	
Present value of defined benefit obligation	**43,591**	39,030
Unrecognised actuarial loss	**(4,319)**	(4,371)
Net liability at end of the year	**39,272**	34,659
Net liability at beginning of the year	**34,659**	28,310
Charge to profit and loss account	**12,448**	10,308
Payments made during the year	**(7,835)**	(3,959)
Net liability at end of the year	**39,272**	34,659
The movement in the present value of defined benefit obligation is as follows:		
Balance at beginning of the year	**39,030**	30,239
Current service cost	**7,322**	6,679
Interest cost	**5,074**	3,629
Benefits paid	**(7,835)**	(3,959)
Actuarial loss	**0**	2,442
Balance at end of the year	**43,591**	39,030
Charge to profit and loss account:		
Current service cost	**7,322**	6,679
Interest cost	**5,074**	3,629
Actuarial loss recognised during the year	**52**	0
	12,448	10,308

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

	2013	2012	2011	2010	2009
	---------------(Rupees in thousand)---------------				
Present value of defined benefit obligation	**43,591**	39,030	30,239	25,835	24,494
Experience adjustment on obligation	**0**	2,442	0	(1,780)	0

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

11. DEFERRED TAXATION - net

	Note	2013	2012
		(Rupees in thousand)	
Credit balances arising in respect of:			
- accelerated tax depreciation allowances		**102,320**	100,346
- surplus on revaluation of property, plant and equipment		**90,263**	99,853
		192,583	200,199
Debit balances arising in respect of:			
- unused tax losses		**(162,505)**	(238,116)
- minimum tax recoverable against normal tax charge in future years		**(5,947)**	(7,178)
		(168,452)	(245,294)
Deferred tax Liability / (Asset)		**24,131**	(45,095)

12. TRADE AND OTHER PAYABLES

	Note	2013	2012
Creditors		**22,635**	14,647
Advances from customers		**3,385**	68,714
Bills payable	**12.1**	**110,450**	63,778
Accrued expenses		**52,041**	34,984
Workers' (profit) participation fund - allocation for the year		**10,557**	6,278
Workers' welfare fund		**6,950**	2,938
Unclaimed dividends		**3,098**	153
Others		**1,579**	0
		210,695	191,492

12.1 These are secured against import documents.

13. ACCRUED MARK-UP AND INTEREST

		2013	2012
Mark-up accrued on:			
- loans from an Associated Company		**0**	5,507
- long term financing		**4,117**	7,647
- short term borrowings		**10,468**	5,942
		14,585	19,096

14. SHORT TERM BORROWINGS

	Note	2013	2012
Borrowings from:			
- commercial banks and a modaraba - secured	**14.1**	**404,394**	165,942
- an Associated Company - unsecured	**14.2**	**0**	10,000
		404,394	175,942

14.1 Short term finance facilities available from various commercial banks and a Modaraba aggregate Rs.522.500 million (2012: Rs.532.500 million). These facilities, during the current financial year, carried mark-up at the rates ranging from 4.47% to 15.44% (2012: 4.40% to 17.24%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate Rs.234.500 million (2012: Rs.230.500 million) of which the amounts aggregating Rs.58.094 million (2012: Rs.54.891 million) remained unutilised at the balance sheet date. The aggregate facilities are secured against pledge of raw materials & finished goods, charge on fixed and current assets of the Company, lien on documents of title to imported goods. These facilities are expiring on various dates by December, 2013.

14.2 The Company, during the current financial year, has repaid this short term loan obtained from Saif Holdings Ltd. (an Associated Company). The loan, during the current financial year, carried mark-up at the rates ranging from 2.86% to 4.99% (2012: 4.80% to 5.47%) per annum.

15. CONTINGENCIES AND COMMITMENTS

Contingencies

15.1 The Company has filed a claim for Rs.268 thousand with the Customs and Central Excise Department in respect of rebate of excise duty already paid for manufacturing of man-made yarn.

15.2 Guarantees aggregating Rs.32.865 million (2012: Rs.23.318 million) has been issued by banks of the Company to Sui Northern Gas Pipeline Limited. These guarantees are secured against pari passu charge over the Company's fixed and current assets.

15.3 Refer contents of note 25.3.

Commitments

15.4 Commitments, other than for capital expenditure, against irrevocable letters of credit outstanding at the year-end were for Rs.33.215 million (2012: Rs.88.513 million).

16. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		(Rupees in thousand)	
Operating fixed assets - tangible	16.1	**814,017**	793,359
Capital work-in-progress	16.5	**5,644**	17,382
Stores held for capital expenditure	16.6	**32,550**	1,642
		852,211	812,383

16.1 Operating fixed assets - tangible

	Freehold land	Buildings on freehold land		Residential		Plant & machin-ery	Diesel generato-rs & fuel reservoir	Gas fired power plant	Electric install-ations	Equip-ment & applia-nces	Fire exting-uishing equip-ment	Furnit-ure & fixtures	Vehicles	Live-stock	Total
		Factory	Non - factory	officers	workers										
	Rupees in thousand														
COST / REVALUATION															
Balance as at July 01, 2011	173,700	113,964	48,885	26,621	7,668	582,305	5,066	52,205	24,003	39,623	1,460	6,471	12,461	1	1,094,433
Additions during the year	0	1,000	0	0	0	19,155	0	0	409	1,882	0	107	600	0	23,153
Revaluation (deficit) / surplus	(29,900)	0	17,167	31,742	3,171	0	1,435	0	0	0	0	0	0	0	23,615
Disposals during the year	0	0	0	0	0	(1,684)	0	0	0	(49)	0	0	(2,160)	0	(3,893)
Balance as at June 30, 2012	143,800	114,964	66,052	58,363	10,839	599,776	6,501	52,205	24,412	41,456	1,460	6,578	10,901	1	1,137,308
Balance as at July 01, 2012	143,800	114,964	66,052	58,363	10,839	599,776	6,501	52,205	24,412	41,456	1,460	6,578	10,901	1	1,137,308
Additions during the year	0	0	0	0	0	58,282	0	0	314	2,099	0	323	15,583	0	76,601
Disposals during the year	0	0	0	0	0	(8,527)	0	0	(2,267)	(86)	0	0	(2,173)	0	(13,053)
Balance as at June 30, 2013	**143,800**	**114,964**	**66,052**	**58,363**	**10,839**	**649,531**	**6,501**	**52,205**	**22,459**	**43,469**	**1,460**	**6,901**	**24,311**	**1**	**1,200,856**
DEPRECIATION															
Balance as at July 01, 2011	0	21,211	6,182	3,892	3,446	266,615	3,607	15,588	12,455	24,104	1,021	3,430	6,778	0	368,329
Charge for the year	0	4,962	2,719	2,027	753	24,856	298	4,718	1,338	1,449	44	310	1,193	0	44,667
Elimination against revaluation surplus	0	(14,825)	(7,251)	(4,460)	(3,658)	(25,109)	(3,662)	(3,705)	(4,027)	0	0	0	0	0	(66,697)
On disposals during the year	0	0	0	0	0	(619)	0	0	0	(8)	0	0	(1,723)	0	(2,350)
Balance as at June 30, 2012	0	11,348	1,650	1,459	541	265,743	243	16,601	9,766	25,545	1,065	3,740	6,248	0	343,949
Balance as at July 01, 2012	0	11,348	1,650	1,459	541	265,743	243	16,601	9,766	25,545	1,065	3,740	6,248	0	343,949
Charge for the year	0	5,181	3,220	2,845	1,030	27,520	469	4,028	1,331	1,800	39	300	2,960	0	50,723
On disposals during the year	0	0	0	0	0	(5,360)	0	0	(936)	(22)	0	0	(1,515)	0	(7,833)
Balance as at June 30, 2013	**0**	**16,529**	**4,870**	**4,304**	**1,571**	**287,903**	**712**	**20,629**	**10,161**	**27,323**	**1,104**	**4,040**	**7,693**	**0**	**386,839**
BOOK VALUE AS AT JUNE 30, 2012	143,800	103,616	64,402	56,904	10,298	334,033	6,258	35,604	14,646	15,911	395	2,838	4,653	1	793,359
BOOK VALUE AS AT JUNE 30, 2013	**143,800**	**98,435**	**61,182**	**54,059**	**9,268**	**361,628**	**5,789**	**31,576**	**12,298**	**16,146**	**356**	**2,861**	**16,618**	**1**	**814,017**
Depreciation rate (%)	**0**	**5**	**5**	**5**	**10**	**7.5**	**7.5**	**7.5 & 33.33**	**10**	**10**	**10**	**10**	**20**	**0**	

16.2 Disposal of operating fixed assets

Asset description	Cost / revaluation	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
	---------------------------- (Rupees in thousand)	----------------------------					
Plant & machinery							
Comber rieter	3,191	2,078	1,113	630	(483)	Negotiation	Noshad Textile Machinery traders, Faisalabad.
Comber rieter	3,279	2,167	1,112	970	(142)	- do -	- do -
Muratas cone winder	2,057	1,115	942	539	(403)	- do -	- do -
	8,527	5,360	3,167	2,139	(1,028)		
Electric installation							
Boge screw compressor with dryer	2,267	936	1,331	430	(901)	Negotiation	Saif Textile Mills Ltd. (an Associated Company)
Equipment & appliances							
Cell phones	86	22	64	52	(12)	Insurance claim	EFU General Insurance Ltd.
Vehicles:							
Honda Civic	1,175	740	435	900	465	Negotiation	Mr. Noman Shakeel, employee.
Suzuki Cultus	640	503	137	240	103	Company policy	Mr. Norbat Saleem, employee.
Suzuki Van	358	272	86	414	328	Negotiation	Mr. Muhammad Mohsin Iqbal,
	2,173	1,515	658	1,554	896		
	13,053	**7,833**	**5,220**	**4,175**	**(1,045)**		

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

	2013	2012
Owned:	**(Rupees in thousand)**	
Freehold land	**474**	474
Buildings on freehold land:		
- Factory	**29,350**	30,894
- Non-factory	**13,586**	14,302
Residential:		
- Officers	**1,176**	1,238
- Workers	**526**	584
Plant & machinery	**291,053**	256,885
Diesel generators & fuel reservoirs	**993**	1,074
Gas fired power plant	**26,514**	29,392
Electric installations	**5,704**	6,261
Equipment & appliances	**15,992**	15,741
	385,368	356,845

16.4 Depreciation for the year has been apportioned as under:

	Note	2013	2012
		(Rupees in thousand)	
Cost of sales		**43,923**	40,365
Administrative expenses		**6,800**	4,302
		50,723	44,667

16.5 Capital work-in-progress

Buildings on freehold land			
- factory		**2,353**	0
- non - factory		**2,669**	0
Plant and machinery - doubling machines		**0**	15,886
Advance payments against purchase of vehicle		**622**	1,496
		5,644	17,382

16.6 These mainly include items costing Rs.29.835 million held for major overhauling of Gas fired power plant.

17. INTANGIBLE ASSETS - Computer software

Cost		**586**	586
Less: amortisation			
- at beginning of the year		**10**	0
- charge for the year		**117**	10
- at end of the year		**127**	10
Book value as at June 30,		**459**	576

Amortisation rate - 20% per annum

18. LONG TERM LOANS - Secured

Loans to employees		**1,175**	1,539
Less: current portion grouped under current assets		**143**	443
		1,032	1,096

18.1 These interest-free loans have been advanced for various purposes and are secured against employees' gratuity benefits. These loans, except for six (2012: seven) loans are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

19. STORES, SPARE PARTS AND LOOSE TOOLS

Stores	**19.1**	**7,817**	11,672
Spare parts		**13,942**	12,342
Loose tools		**1,379**	1,235
		23,138	25,249

19.1 It includes in transit inventory valuing Rs.90 thousand (2012: Rs.1,495 thousand).

20. STOCK-IN-TRADE

	Note	2013	2012
		(Rupees in thousand)	
Raw materials:			
- at mills		**363,921**	242,227
- in-transit		**56,553**	52,127
		420,474	294,354
Work-in-process		**24,578**	17,245
Finished goods		**10,909**	7,181
		455,961	318,780

20.1 Raw materials and finished goods inventories are pledged with commercial banks as security for short term finance facilities (note 14.1).

21. TRADE DEBTS

As at June 30, 2013 and 2012 trade debts do not include any amount receivable from any of the related party.

22. LOANS AND ADVANCES

Current portion of long term loans	**143**	443
Advances - considered good		
- employees	**1,180**	552
- suppliers	**2,534**	1,745
	3,857	2,740

23. DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	**3,475**	3,165
Short term prepayments	**888**	1,827
	4,363	4,992

24. OTHER RECEIVABLES

Letters of credit	**115**	3,355
Others	**39**	1,400
	154	4,755

25. TAXATION - net

Balance of advance tax at beginning of the year		**38,131**	1,925
Add: income tax deducted / paid during the year		**20,879**	6,436
		59,010	8,361
Less: provision (made) / written-back during the year:			
- current	25.2	**(5,947)**	0
- prior	25.3	**0**	29,770
		(5,947)	29,770
Balance of advance tax at end of the year		**53,063**	38,131

25.1 Income tax assessments of the Company have been finalised by the Income Tax Department (the Department) or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto Tax Year 2012.

25.2 No numeric tax rate reconciliation has been given in these financial statements as provisions made during the current financial years represent minimum tax payable under section 113 after adjusting tax credit under section 65B of the Ordinance.

25.3 Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Ordinance starting from the tax year 2010. Exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue (FBR) to the specific areas of Khyber Pakhtunkhwa. The Company had filed a writ petition before the Peshawar High Court, Peshawar, praying exemption from levy of minimum tax under section 113 of the Ordinance, who vide its judgment dated July 18, 2012 admitted and allowed the Company's writ petition and directed the concerned authorities to extend the benefit of clause 126F to the Company in the light of clarification given by the FBR. Accordingly, no provision for minimum tax for the financial year ended June 30, 2012 amounted Rs.23.681 million was made in the books of account as well as provision for minimum tax made during the financial years ended June 30, 2010 and 2011 aggregated Rs.29.770 million were written-back. The Department, against the said order, has filed an appeal with the Honorable Supreme Court of Pakistan, which is pending adjudication. An adverse judgment by the Honorable Supreme Court of Pakistan will create a tax liability amounting Rs.53.451 million.

26. BANK BALANCES

These represent balances in current accounts.

27. SALES - Net

	2013	2012
	(Rupees in thousand)	
Own manufactured goods:		
- yarn	**2,316,877**	2,361,955
- waste	**4,823**	6,147
Trading activities:		
- raw materials	**49,152**	50,810
	2,370,852	2,418,912
Less: sales tax	**15,809**	0
	2,355,043	2,418,912

28. COST OF SALES

	Note	2013	2012
		(Rupees in thousand)	
Raw materials consumed	**28.1**	**1,568,098**	1,649,675
Packing materials consumed		**29,836**	28,569
Salaries, wages and benefits	**28.2**	**168,786**	137,804
Power and fuel		**174,027**	144,898
Repair and maintenance		**25,617**	23,148
Depreciation		**43,923**	40,365
Insurance		**3,178**	3,600
Textile cess		**29**	29
		2,013,494	2,028,088
Adjustment of work-in-process			
Opening		**17,245**	46,097
Closing		**(24,578)**	(17,245)
		(7,333)	28,852
Cost of goods manufactured		**2,006,161**	2,056,940
Adjustment of finished goods			
Opening stock		**7,181**	99,104
Closing stock		**(10,909)**	(7,181)
		(3,728)	91,923
		2,002,433	2,148,863

28.1 Raw materials consumed

	2013	2012
Opening stock	**294,354**	296,983
Add:		
Purchases	**1,644,478**	1,592,168
Cost of raw materials sold	**48,823**	53,287
Insurance	**917**	1,591
	1,694,218	1,647,046
	1,988,572	1,944,029
Less: closing stock	**420,474**	294,354
	1,568,098	1,649,675

28.2 These include Rs.8,237 thousand (2012: Rs.6,822 thousand) in respect of staff retirement benefits - gratuity.

29. DISTRIBUTION COST

	Note	2013	2012
Freight and forwarding		**481**	458
Travelling and conveyance		**2**	10
Salaries and benefits	**29.1**	**7,869**	7,123
Rent, rates and utilities		**221**	198
Communication		**115**	99
Insurance		**348**	167
Others		**2**	438
		9,038	8,493

29.1 These include Rs.1,753 thousand (2012: Rs.1,451 thousand) in respect of staff retirement benefits - gratuity.

30. ADMINISTRATIVE EXPENSES

	Note	2013	2012
		(Rupees in thousand)	
Directors' remuneration and fees		**3,516**	3,760
Salaries and benefits	**30.1**	**20,315**	14,522
Travelling and conveyance		**2,007**	1,507
Rent, rates and taxes		**5,604**	4,822
Entertainment and guest house expenses		**1,524**	1,196
Communication		**2,011**	1,810
Printing and stationery		**1,203**	1,158
Utilities		**3,325**	2,481
Insurance		**2,710**	1,496
Vehicles' running and maintenance		**4,693**	3,406
Repair and maintenance		**2,704**	2,405
Advertisement		**63**	40
Subscription		**198**	137
Newspapers & periodicals		**27**	37
Depreciation		**6,800**	4,302
Amortisation		**117**	10
Auditors' remuneration:			
- statutory audit		**500**	500
- half yearly review		**110**	110
- certification charges		**22**	35
- consultancy services		**170**	145
- out-of-pocket expenses		**55**	15
		857	805
Legal and professional (other than Auditors)		**270**	623
Others		**566**	395
		58,510	44,912

30.1 These include Rs.2,457 thousand (2012: Rs.2,035 thousand) in respect of staff retirement benefits - gratuity.

30.2 The Company, during the current financial year, has shared administrative expenses aggregating Rs.6.067 million (2012: Rs.9.820 million) with its Associates on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

31. OTHER INCOME

	Note	2013	2012
		(Rupees in thousand)	
Gain on sale of operating fixed assets		**0**	898
Sale of scrap		**0**	720
Unclaimed payable balances written-back		**933**	12
		933	1,630

32. OTHER EXPENSES

	Note	2013	2012
Loss on sale of operating fixed assets	16.2	**1,045**	0
Workers' (profit) participation fund		**10,557**	6,278
Workers' welfare fund		**4,012**	2,383
Donations	32.1	**1,200**	1,100
		16,814	9,761

32.1 (2012: Rs.900 thousand) This represents the amount donated to Saifullah Foundation for Sustainable Development (a social welfare society) administered by the following directors of the Company:

- Mr. Anwar Saifullah Khan
- Mr. Jehangir Saifullah Khan
- Mr. Osman Saifullah Khan

33. FINANCE COST - Net

	2013	2012
Mark-up on sub-ordinated loan	**12,529**	14,390
Mark-up on other loan from an Associated Company	**4,208**	12,376
	16,737	26,766
Mark-up on long term financing	**21,223**	37,162
Less: mark-up subsidy	**0**	(11,583)
	21,223	25,579
Mark-up on short term borrowings	**31,129**	35,085
Less: mark-up subsidy	**0**	(2,732)
	31,129	32,353
Lease finance charges	**0**	0
Less: mark-up subsidy	**0**	(32)
	0	(32)
Interest on workers' (profit) participation fund	**178**	128
Exchange fluctuation loss	**2,430**	4,639
Bank and other charges	**906**	2,457
	72,603	91,890

34. TAXATION

	Note	2013	2012
		(Rupees in thousand)	
Current			
- for the year	**25**	**5,947**	0
- for prior year	**25**	**0**	(29,770)
		5,947	(29,770)
Deferred			
- relating to temporary differences		**68,143**	(20,385)
- resulting from reduction in tax rate		**3,738**	0
		71,881	(20,385)
		77,828	(50,155)

35. EARNINGS PER SHARE

35.1 Basic earnings per share

	2013	2012
Profit after taxation attributable to ordinary shareholders	**118,750**	166,778
	No. of shares	
Weighted average number of shares outstanding during the year	**20,800,000**	20,800,000
Earnings per share	**5.71**	8.02

35.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

36.2 Market risk

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

(a) Currency risk

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

	2013			
	Rupees	**Euros**	**U.S.$**	**CHF**
	----- in thousand -----			
Bills payable	**110,450**	0	1,116	0
Short term borrowings	**51,515**	0	521	0
Gross balance sheet exposure	**161,965**	0	1,637	0
Outstanding letters of credit	**33,215**	25	292	11
Net exposure	**195,180**	25	1,929	11

	2012		
	Rupees	**Euros**	**U.S.$**
	----- in thousand -----		
Bills payable	**63,778**	0	675
Short term borrowings	**15,529**	0	164
Gross balance sheet exposure	**79,307**	0	839
Outstanding letters of credit	**88,513**	159	740
Net exposure	**167,820**	159	1,579

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2013	2012	**2013**	2012
Euro to Rupee	**129.02**	119.44	**129.11**	118.50
U.S. $ to Rupee	**95.21**	94.42	**98.80**	94.20
CHF to Rupee	**104.84**	-	**104.71**	-

Sensitivity analysis

At June 30, 2013, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial liabilities.

	2013	2012
Effect on profit for the year	**Rupees in thousand**	
U.S. $ to Rupee	**16,174**	7,903

The weakening of Rupee against U.S. $ would have had an equal but opposite impact on profit after taxation.

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

(b) Interest rate risk

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

	2013	2012	**2013**	2012
	Effective rate		**Carrying amount**	
Financial liabilities	**%**	**%**	**Rupees in thousand**	
Variable rate instruments				
Long term loans from an Associated Company	**11.66 to 15.01**	13.86 to 17.64	**130,178**	131,678
Long term financing	**12.53 to 15.20**	7.5 to 15.17	**112,500**	187,500
Short term borrowings	**2.86 to 15.44**	4.40 to 17.24	**404,394**	175,942

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2013, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.6,471 thousand (2012: Rs.4,951 thousand) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

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

36.3 Credit risk exposure and concentration of credit risk

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

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

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

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

	2013	2012
	(Rupees in thousand)	
Long term deposits	**1,137**	1,137
Trade debts	**153,025**	4,653
Security deposits	**3,475**	3,165
Bank balances	**5,829**	731
	163,466	9,686

All the trade debts at the balance sheet date represent domestic parties.

The aging of trade debts at the balance sheet date was as follows:

Not yet due	**152,422**	0
Past due		
- upto 30 days	**0**	3,500
- more than 30 days	**603**	1,153
	153,025	4,653

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.114.938 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

36.4 Liquidity risk

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

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

	2013			
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
	------------------ Rupees in thousand ------------------			
Loans from an Associated Company	**130,178**	**167,651**	**19,700**	**147,951**
Long term financing	**112,500**	**128,991**	**74,905**	**54,086**
Trade and other payables	**189,803**	**189,803**	**189,803**	**0**
Accrued mark-up and financial charges	**14,585**	**14,585**	**14,585**	**0**
Short term borrowings	**404,394**	**449,419**	**449,419**	**0**
	851,460	**950,449**	**748,412**	**202,037**

	2012			
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	------------------ Rupees in thousand ------------------			
Loans from an Associated Company	131,678	188,111	21,549	166,562
Long term financing	187,500	196,051	71,020	125,031
Trade and other payables	113,562	113,562	113,562	0
Accrued mark-up and financial charges	19,096	19,096	19,096	0
Short term borrowings	175,942	187,662	187,662	0
	627,778	704,482	412,889	291,593

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

36.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At June 30, 2013, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

37. CAPITAL RISK MANAGEMENT

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

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

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

38. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Associated Companies, directors of the Company, Companies in which directors are interested, key management personnel and close members of the families of the directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 39. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Material transactions with associated undertakings during the year were as follows:

	2013	2012
	(Rupees in thousand)	
Long term loan		
- obtained	**0**	20,000
- repaid	**1,500**	48,322
Short term loan - repaid	**10,000**	0
Dividend paid	**16,220**	0
Sale of :		
- goods and services	**49,152**	44,386
- fixed assets	**430**	1,200
Purchase of:		
- goods and services	**0**	8,149
- fixed assets	**0**	0
Mark-up expense on long and short term loans	**17,022**	27,339

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		**Director**		**Executives**	
	2013	2012	**2013**	2012	**2013**	2012
	-------------- (Rupees in thousand) --------------					
Managerial remuneration	**3,500**	1,050	**0**	2,025	**7,057**	4,302
Retirement benefits	**0**	0	**0**	0	**613**	353
Medical expenses reimbursed	**10**	0	**0**	675	**209**	224
	3,510	1,050	**0**	2,700	**7,879**	4,879
Number of persons	**1**	1	**0**	1	**5**	2

39.1 In addition to the above, meeting fees amounting Rs.6 thousand (2012: Rs.10 thousand) were paid to six (2012: three) directors during the current financial year.

40. CAPACITY AND PRODUCTION

		2013	2012
		(Rupees in thousand)	
No. of spindles installed		**30**	30
No. of spindles shifts worked		**31,697**	31,514
Rated capacity at 20's count	Kgs	**12,320**	12,353
Actual production 1,095 shifts (2012: 1,098 shifts)	Kgs	**6,105**	6,419
Actual production converted into 20's count	Kgs	**13,801**	13,365

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

41. OPERATING SEGMENT

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

41.1 Yarn sales represent 98% (2012: 98%) of the total sales of the Company.

41.2 100% (2012: 100%) of the Company's sales relate to customers in Pakistan.

41.3 All non-current assets of the Company as at June 30, 2013 are located in Pakistan.

41.4 Two (2012: two) of the Company's customers having sales aggregating Rs.595 million (2012: Rs.1,161 million) contributed towards 25% (2012: 49%) of the Company's sales. Each customer individually exceeded 10% of total sales.

42. NUMBER OF EMPLOYEES

	2013	2012
Number of employees as at June 30,		
- Permanent	**962**	690
- Contractual	**5**	5
Average number of employees during the year		
- Permanent	**920**	620
- Contractual	**5**	4

43. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on September 26, 2013 has proposed a final cash dividend of Rs.1.25 (2012: Rs.1) per share amounting to Rs.26 million (2012: Rs.20.800 million) for the year ended June 30, 2013. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 25, 2013. These financial statements do not include the effect of this appropriation and it will be accounted for in the financial statements for the year ending June 30, 2014.

44. GENERAL

These financial statements were authorised for issue on September 26, 2013 by the Board of Directors of the Company.

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

SALIM SAIFULLAH KHAN
CHIEF EXECUTIVE

OSMAN SAIFULLAH KHAN
DIRECTOR

PROXY FORM

I/we____

of____

a Member(s) of **KOHAT TEXTILE MILLS LIMITED** and holder of ____________________

Ordinary Shares, do hereby appoint____

of____

or failing him____

of____

a member of **KOHAT TEXTILE MILLS LIMITED,** vide Registered Folio No.____________and/or

CDC participant I.D. No.____________________ and Sub Account No. ____________________

as my/our proxy to act on my/our behalf at the 47th Annual General Meeting of the Company to be held on 25 October, 2013.

Signed this ______________________________ day of ________________2013

Signature

Affix
Revenue
Stamp

(Signature should agree with the Specimen Signature registered with the Company).

NOTES:

1. No proxy shall be valid unless it is duly stamped with a revenue stamp.
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorised person.
3. If this proxy form is signed under a power of attorney or other authority then a notarially certified copy of that power of attorney/authority must be deposited alongwith this proxy form.
4. This form of proxy duly completed must be deposited at the Registered office of Company at least 48 hours before the meeting.
5. Individual CDC Account holders shall produce his/her original National Identity Card or Passport, account and participant's ID # to prove his/her identity. A corporate member from CDC must submit the board of directors' resolution or power of attorney and the specimen signature of the nominee, attending meeting.