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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 Dubai Islamic Bank Meezan Bank Limited 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 48th 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 24, 2014 at 11:00 A.M.** to transact the following business:

- 1) To confirm the minutes of the last Extraordinary General Meeting dated February 3, 2014.
- 2) To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2014 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 2014-2015 and fix their remuneration. The retiring auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, being eligible offered themselves for re-appointment.
- 5) To pass the following resolution with or without modification.

RESOLVED THAT the approval of following remuneration and other perquisites as re-fixed by the board of directors vide resolution dated September 25, 2014 to be paid to the Chief Executive of the company w.e.f. July 01, 2014 be and is hereby accorded:-

- | | |
|--|------------------------|
| i. Salary | Rs.550,000/- per month |
| ii. Utilities (Electricity, Gas & Water) of Residence | At Actual |
| iii. Two Mobile & Two Land Line Telephone Connections at residence | At Actual |
| iv. Two Company's Maintained car with Chauffeur | At Actual |
| v. Other Benefits | As per Company's Rules |
- 6) To transact any other business with the permission of the Chair.

By order of the Board

Place : Peshawar
Dated : October 2, 2014

SABIR KHAN
Company Secretary

Statement of material facts under section 160(I)(b) of the Companies Ordinance, 1984

- (i) The approval of the shareholders is being sought in terms of Article No.98 of the Articles of Associations of the company.

NOTES:

- i. Share Transfer Books of the Company will remain closed from 18.10.2014 to 24.10.2014 (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.

DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

On behalf of Board of Directors, it gives me pleasure to present the 48th Annual Audited financial statements for the year ended June 30, 2014. About half of a century is a long time indeed, and it has been a personal privilege and an honour to be associated with this company.

GENERAL MARKET CONDITIONS

During the year under review yarn market remained positive for 1st half of the year and sharp decline was witnessed during 3rd quarter of the year. However, the yarn market managed to recover during last quarter of the year as a result company has posted pre-tax profit of Rs 114.891 million as compared to last year Rs 196.630 million.

OPERATING RESULTS

Although the results are not similar to last year but the performance of the company have been excellent during the year under review despite of various challenges faced by the textile sector. 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 2.40% as compared to last year because of lower yarn demand during 3rd quarter of the year and oversupply of yarn from India.

Profitability

Gross profit margin has reduced to 11% from 14% as compared to last financial year.

Profit Before Tax of Rs. 114.891 Million as compared with Rs. 196.578 Million in the previous year.

During the year under review, we invested in increasing our capacity, reduction in operating expenses; this expansion was funded through additional long-term debt. However better working capital management and lower interest rates has resulted slight increase in finance cost.

FUTURE OUTLOOK

Indian yarn spinners continue to be very competitive in the medium to finer counts but still local market of synthetic fiber is performing well. The long-term secular decline of China's textile production capacity may also be taken as given. What remains uncertain is the extent to which Pakistan will be a beneficiary of this shift. Time will tell. As other countries progress, and per capita incomes grow, Pakistan's poor economic growth will mean that labour will continue to be cheap, and hence textile production viable. Sad, but likely to be true.

Your company's strategy is to focus on improving operational efficiency. This means investment in automated and energy efficient plant and equipment. This also means extracting as much production from our existing infrastructure as possible.

No report to our shareholders would be complete without the mandatory reference to the uncertain political situation, the energy crisis, and the struggles of doing business in the Khyber Pakhtunkhwa province. These seem to be perennial challenges.

EARNINGS PER SHARE

Earnings per share of the Company were Rs. 3.53 as compared to Rs. 5.71 last year.

PROFIT APPROPRIATION

The Board in its meeting held of 25 September, 2014 decided to recommend 12.50 % (2013: 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. 188.34 Million (2013: Rs. 110.23 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 shareholding.
- There has been no material departure from the best practices of code of corporate governance, as detailed in the listing regulations.
- The key operating and financial data of the Company for last six years is given below :-

Year ended	30 June					
	2014	2013	2012	2011	2010	2009
Property, plant & equipment (RS 000)	1,060,402	852,211	812,383	727,438	759,674	800,154
Net worth (Rs 000)	364,501	313,407	202,526	27,043	12,744	(18,094)
Production (Kgs 000)	6,838	6,105	6,419	6,568	6,585	5,614
Sales (Rs 000)	2,298,760	2,355,043	2,418,912	2,133,636	1,686,696	1,444,643
Gross Profit (Rs 000)	260,336	346,768	270,049	134,065	172,036	426
Profit/(loss) from operations (Rs 000)	188,980	269,233	208,513	106,533	115,993	(49,829)
Profit/(loss) after taxation (Rs 000)	73,509	118,802	166,778	6,433	16,459	(133,469)
Earnings/(Loss) per share (Rs)	3.53	5.71	8.02	0.31	0.79	(6.42)
No. of Spindles installed	35,280	29,520	29,520	29,520	30,000	44,000

- During the Year 05 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	05
Osman Saifullah Khan	04
Jehangir Saifullah Khan	04
Hoor Yousafzai	04
Assad Saifullah Khan	05
Asif Saifullah Khan	04

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 24 October, 2014 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

Dated: 25 September, 2014

SALIM SAIFULLAH KHAN
Chief Executive Officer

ALL THE SHAREHOLDERS OF THE COMPANY

STATEMENT UNDER SECTION 218(2) OF THE COMPANIES ORDINANCE, 1984

INCREASE IN REMUNERATION OF CHIEF EXECUTIVE OFFICER

In pursuance of section 218(2) of the Companies Ordinance, 1984, the members of the Company are hereby informed that upon recommendation of Human Resources and Remuneration (HR&R) Committee, the Directors approved and re-fixed the remuneration of Mr. Salim Saifullah Khan, Chief Executive of the Company on **September 25, 2014**, as per the given details w.e.f. **July 01, 2014** for the remainder of term of his office or till he perform the duty as such, which ever is earlier.

S. NO.	BENEFITS	PARTICULARS
1.	Salary	Rs. 550,000/- Per Month
2.	Utilities (Electricity, gas & water) of residence	At actual
3.	Two Mobile & Two land line Telephone connections at residence	At actual
4.	Two Company's maintained car with chauffeur	At actual
5.	Other benefits	As per Company's rules

Dated: 25 September, 2014

For **KOHAT TEXTILE MILLS LIMITED**

SABIR KHAN
Company Secretary

PATTERN OF SHAREHOLDING AS AT 30TH JUNE, 2014

Number of Share Holders	Share Holding From	Share Holding To	Total Shares Held
460	1	100	26,130
159	101	500	51,572
83	501	1000	77,765
103	1001	5000	302,130
23	5001	10000	193,000
8	10001	15000	106,367
8	15001	20000	151,500
9	20001	25000	214,000
2	25001	30000	55,931
1	30001	35000	31,500
1	35001	40000	39,500
1	40001	45000	43,000
1	55001	60000	60,000
1	60001	65000	62,500
1	85001	90000	90,000
1	90001	95000	94,450
1	105001	110000	107,887
1	115001	120000	116,704
1	210001	215000	212,000
1	2540001	2545000	2,544,054
1	6340001	6345000	6,340,010
1	9875001	9880000	9,880,000
868	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	2,544,076	12.23
Joint Stock Companies	8	133,058	0.64
General Public	830	1,486,465	7.15
Others	4	6,726	0.03
Total	868	20,800,000	100.00

DETAIL OF CATEGORY OF SHARE HOLDERS AS AT 30 JUNE, 2014

Sr. No.	Name of Shareholders	Shares Held	Percentage
Directors, Chief Executive, and their Spouse and Minor Children			
1	Anwar Saifullah Khan	1,526	0.01
2	Salim Saifullah Khan	715	0.00
3	Osman Saifullah Khan	62,500	0.30
4	Jehangir Saifullah Khan	116,704	0.56
5	Hoor Yousafzai	500	0.00
6	Assad Saifullah Khan	500	0.00
7	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	IDBP (ICP UNIT)	400	0.00
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	2,544,054	12.23
	Total	2,544,076	12.23
Joint Stock Companies			
1	Seven Star Securities (Pvt) Ltd	1,000	0.00
2	Sultan Textile Mills (K) Limited	8	0.00
3	Muhammad Munir Muhammad Ahmed Khanani Securities	17,500	0.08
4	NCC Pre Settlement Delivery Account	3,500	0.02
5	Co-oper & Co. (Private) Limited	90,000	0.43
6	Capital Vision Securities Pvt Ltd	19,500	0.09
7	Fateh Textile Mills Limited	50	0.00
8	Aziz Fidahussain & Company (Pvt) Ltd	1,500	0.01
	Total	133,058	0.64
	General Public (Local)	1,486,465	7.15
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	Securities & Exchange Commission of Pakistan	1	0.00
4	Deputy Administrator Abandoned Properties Organization	3,075	0.01
	Total	6,726	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 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 elections of the directors were held in February, 2014 company completed all the statutory formalities relating to election of directors but no independent shareholder came forward to contest the election as a director hence shareholders of the company were unable to elect independent director.
3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
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.

For and behalf of the Board

Place: Islamabad
Dated: 25 September, 2014

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 enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Kohat Textile Mills Limited for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the under mentioned observation of non-compliance, 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 as applicable to the Company for the year ended June 30, 2014.

As stated in paragraph no.2 of the Statement of Compliance with the Code of Corporate Governance, the shareholders of the Company were unable to elect an independent director in the elections held during the year despite fulfilling all the statutory requirements relating to election of directors.

Place: Lahore
Dated: 25 September, 2014

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kohat Textile Mills Limited (the Company) as at June 30, 2014 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, except for the change as stated in note 5 with which we concur;
 - (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, 2014 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.

Place: Lahore

Dated: 25 September, 2014

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

Engagement Partner: Osman Hameed Chaudhri

BALANCE SHEET

	Note	2014	2013 (Re-stated)	2012 (Re-stated)
(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	220,000
Issued, subscribed and paid-up capital	6	208,000	208,000	208,000
UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)		156,501	105,407	(5,474)
		364,501	313,407	202,526
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	309,899	318,542	328,766
NON-CURRENT LIABILITIES				
Loans from an Associated Company	8	100,000	130,178	131,678
Long term financing	9	202,088	50,000	112,500
Long term deposits	10	965	1,128	1,037
Deferred liability - staff retirement benefits	11	62,137	43,591	39,030
Deferred taxation - net	12	63,028	24,131	0
		428,218	249,028	284,245
CURRENT LIABILITIES				
Trade and other payables	13	234,946	210,695	191,492
Accrued interest / mark-up	14	27,837	14,585	19,096
Short term borrowings	15	354,561	404,394	175,942
Current portion of long term financing	9	87,146	62,500	75,000
		704,490	692,174	461,530
Contingencies and Commitments	16	1,807,108	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, 2014

	Note	2014	2013 (Re-stated)	2012 (Re-stated)
(Rupees in thousand)				
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	17	1,060,402	852,211	812,383
Intangible assets	18	342	459	576
Long term loans	19	1,466	1,032	1,096
Long term deposits		1,137	1,137	1,137
Deferred taxation - net	12	0	0	45,095
		1,063,347	854,839	860,287
CURRENT ASSETS				
Stores, spare parts and loose tools	20	26,087	23,138	25,249
Stock-in-trade	21	432,863	455,961	318,780
Trade debts		157,724	153,025	4,653
Loans and advances	22	5,425	3,857	2,740
Deposits and short term prepayments	23	2,365	4,363	4,992
Other receivables	24	1,924	154	4,755
Taxation - net	25	76,674	53,063	38,131
Sales tax refundable		36,171	18,922	16,749
Bank balances		4,528	5,829	731
		743,761	718,312	416,780
		1,807,108	1,573,151	1,277,067

ASSAD SAIFULLAH KHAN
DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2014**

	Note	2014 (Rupees in thousand)	2013 (Re-stated)
SALES - NET	26	2,298,760	2,355,043
COST OF SALES	27	<u>(2,038,424)</u>	<u>(2,008,275)</u>
GROSS PROFIT		260,336	346,768
DISTRIBUTION COST	28	(10,669)	(9,030)
ADMINISTRATIVE EXPENSES	29	(59,827)	(52,624)
OTHER INCOME	30	13,833	933
OTHER EXPENSES	31	<u>(14,693)</u>	<u>(16,814)</u>
PROFIT FROM OPERATIONS		188,980	269,233
FINANCE COST	32	<u>(74,089)</u>	<u>(72,603)</u>
PROFIT BEFORE TAXATION		114,891	196,630
TAXATION	33	<u>(41,382)</u>	<u>(77,828)</u>
PROFIT AFTER TAXATION		73,509	118,802
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequent to profit and loss:			
- loss on remeasurement of defined benefit obligation		(7,544)	0
TOTAL COMPREHENSIVE INCOME		<u><u>65,965</u></u>	<u><u>118,802</u></u>
		----- Rupees -----	
EARNINGS PER SHARE - basic and diluted	34	<u><u>3.53</u></u>	<u><u>5.71</u></u>

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

SALIM SAIFULLAH KHAN
CHIEF EXECUTIVE

ASSAD SAIFULLAH KHAN
DIRECTOR

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

	Share capital	(Accumulated loss) / Un- Appropriated Profit	Total equity
----- (Rupees in thousand) -----			
Balance as at July 01, 2012 - as previously reported	208,000	(1,103)	206,897
Effect of change in accounting policy due to application of IAS-19 (Revised) - net of tax [note 5]	0	(4,371)	(4,371)
Balance as at July 01, 2012 (re-stated)	208,000	(5,474)	202,526
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 ended June 30, 2013	0	118,802	118,802
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 (re-stated)	208,000	105,407	313,407
Transactions with owners			
Cash dividend for the year ended June 30, 2013 at the rate of Rs.1.25 per share	0	(26,000)	(26,000)
Total Comprehensive Income for the year ended June 30, 2014			
Profit for the year	0	73,509	73,509
Other comprehensive loss	0	(7,544)	(7,544)
	0	65,965	65,965
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	10,675	10,675
- upon sale of revalued assets	0	454	454
Balance as at June 30, 2014	208,000	156,501	364,501

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

SALIM SAIFULLAH KHAN
CHIEF EXECUTIVE

ASSAD SAIFULLAH KHAN
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2014

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. 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. The Company is principally engaged in manufacturing and sale of yarn.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

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

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

The amendments to following standards have been adopted by the Company for the first time for financial year beginning on July 01, 2013:

- (a) Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit and loss subsequently (reclassification adjustments). The Company has applied the amendments by incorporating the effects in these financial statements.

- (b) Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period. However, the entity need not present the related notes in the opening balance sheet as at the beginning of the preceding period.
- (c) IAS 19 (revised) 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach and calculates finance costs on a net funding basis. IAS 19 (Revised) amends the accounting for the Company's defined benefit plans. The impact of this change on the Company's financial statements has been explained in note 5.

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

2.4.3 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, 2013 and have not been early adopted by the Company:

- (a) 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.
- (b) 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.

- (c) IAS 36 (Amendment) 'Impairment of Assets', is applicable on accounting periods beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 01, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

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. USE OF ESTIMATES AND JUDGMENTS

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 judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the financial statements. The assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy note. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were 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 11.

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. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 5.

4.1 Borrowings and borrowing cost

Borrowings are recognised initially at fair value.

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

4.2 Staff retirement benefits (gratuity)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2014 on the basis of the projected unit credit method by an independent Actuary.

4.3 Trade and other payables

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

4.4 Taxation

(a) Current year

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

(b) Deferred

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for

taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit and loss account except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

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

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

4.5 Dividend distribution

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

4.6 Property, plant and equipment

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

Surplus arisen on revaluation of these assets has been credited to surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to equity.

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, except for overhauling of gas fired power plant, so as to write-off the depreciable amount of an asset over its remaining useful life. The Company, during the current financial year, changed its accounting policy for depreciation of overhauling of gas fired power plant by ascertaining the useful life based on the number of hours of operations. Depreciation on overhauling of gas fired power plant is to be charged to the profit and loss account using straight line method. The Company has applied this new rate of depreciation in the current financial year as all the previously held assets in this category have been scraped because they are of no more use. Rates of depreciation are stated in note 17.1.

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

Gain / loss on disposal of property, plant and equipment, if any, is taken to 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 18.

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:

Particulars	Mode of valuation
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 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 40 to these financial statements.

5. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 01, 2013 amends the accounting for employee benefits. The revised standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation. Further, a new term 'remeasurements' has been introduced, which is made up of actuarial gains and losses. The revised standard requires 'remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (revised), the Company's policy for 'staff retirement benefits-gratuity' in respect of 'remeasurements' stands amended as follows:

- The amount arising as a result of 'remeasurements' are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

Effect on balance sheet	Balance as at	Restatement	Balance as at
	June 30, 2012	adjustments	June 30, 2012
	- as previously	Recognition of	- as re-stated
	reported	remeasurement	
		loss	
	----- Rupees in '000 -----		
June 30, 2012			
Staff retirement benefit - gratuity	34,659	4,371	39,030
Accumulated loss	(1,103)	(4,371)	(5,474)
	Balance as at	Restatement	Balance as at
	June 30, 2013	adjustments	June 30, 2013
	- as previously	Recognition of	- as re-stated
	reported	remeasurement	
		loss	
	----- Rupees in '000 -----		
June 30, 2013			
Staff retirement benefit - gratuity	39,272	4,319	43,591
Unappropriated profit	109,726	(4,319)	105,407

Effect on profit and loss account due to re-statement:

	For the year ended June 30, 2013 Rupees in '000
Decrease in cost of sales	34
Decrease in distribution cost	8
Decrease in administrative expenses	10
	52

The effects of change in accounting policy, due to application of IAS 19 (revised), on 'earnings per share' and 'cash flows' are immaterial in the overall context of these financial statements.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
--- No. of shares ---			--- Rupees in '000 ---	
14,525,400	14,525,400	ordinary shares of Rs.10 each fully paid in cash	145,254	145,254
6,274,600	6,274,600	ordinary shares of Rs.10 each issued as fully paid-up by conversion of loans and debentures	62,746	62,746
20,800,000	20,800,000		208,000	208,000

		2014	2013
		(Rupees in thousand)	
6.1	Ordinary shares held by the Associated Companies at the year-end were as follows:		
	- Saif Holdings Ltd.	9,880,000	9,880,000
	- GlobeComm (Pvt.) Ltd.	6,340,010	6,340,010
		16,220,010	16,220,010
7.	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net		
	This represents surplus over book values resulted from the revaluations of freehold land, buildings on freehold land, plant & machinery, diesel generators & fuel reservoir, gas fired power plant and electric installations during the years 1984, 1995, 2004, 2005, 2008 and 2012 adjusted only by surplus realised on disposal of revalued assets, incremental depreciation arising out of revaluation and deferred taxation.		
		2014	2013
	Note	(Rupees in thousand)	
	Opening balance	408,805	428,619
	Less: transferred to unappropriated profit / (accumulated loss):		
	- on account of incremental depreciation for the year	(16,175)	(17,978)
	- upon sale of revalued assets	(687)	(1,836)
		391,943	408,805
	Less: deferred tax on:		
	- opening balance of surplus	90,263	99,853
	- incremental depreciation for the year	(5,500)	(6,292)
	- sale of revalued assets	(233)	(643)
		84,530	92,918
	adjustment resulting from reduction in tax rate	(2,486)	(2,655)
		82,044	90,263
	Closing balance	309,899	318,542
8.	LOANS FROM AN ASSOCIATED COMPANY - Unsecured		
	Sub-ordinated loan	8.1 100,000	100,000
	Other loan	8.2 0	30,178
		100,000	130,178
8.1	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) originally the maturity period of the loan was five years and the loan become payable in April, 2014. However, as the loan is sub-ordinated to all other finance facilities availed / to be availed by the Company from any of the financial institution and cannot be repaid till their final settlement; therefore, the Company and SHL mutually agreed to renew the loan agreement for further period of five years.

The effective mark-up rate charged by SHL, during the current financial year, ranged from 9.44% to 12.27% (2013: 11.66% to 13.47%) per annum.

- 8.2** 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 the current and preceding financial years, on the request of SHL, has made premature full repayment of loan. The loan carried 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 9.44% to 12.27% (2013: 12.41% to 15.01%) per annum.

	Note	2014 (Rupees in thousand)	2013
9. LONG TERM FINANCING - Secured			
The Bank of Punjab (BoP)			
Term finance - I	9.1	50,000	100,000
Term finance - II	9.2	0	12,500
Term finance - III	9.3	135,000	0
United Bank Limited (UBL)			
Demand finance	9.4	104,234	0
		289,234	112,500
Less: current portion grouped under current liabilities		87,146	62,500
		202,088	50,000

- 9.1** The Company, during the financial year ended June 30, 2007 had arranged a term finance facility of Rs.250 million (Term finance - I) 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 term finance facility carries mark-up at the rate of 3-months KIBOR + 325 basis points per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 12.28% to 13.42% (2013: 12.53% to 15.20%) per annum. This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs.333.334 million.

- 9.2** The Company, during the financial year ended June 30, 2009 had arranged a term finance facility of Rs.100 million (Term finance - II) from BoP. This finance facility was repayable in 16 equal quarterly instalments commenced from March, 2010 and has been fully repaid during the current financial year. This term finance facility carried 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 12.28% to 13.31% (2013: 12.53% to 15.20%) per annum. This term finance facility was secured against registered first pari passu hypothecation charge on fixed assets of the Company for Rs. 133.334 million.
- 9.3** The Company, during the current financial year, has arranged a term finance facility of Rs.135 million (Term finance - III) from BoP. This finance facility is repayable in 6 equal half-yearly instalments of Rs. 22.500 million each commencing June, 2015. This term finance facility carries mark-up at the rate of 6-months average KIBOR + 130 basis points per annum payable semi-annually; effective mark-up rate charged, during the current financial year, ranged from 11.41% to 11.45% per annum. This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs.333.334 million.
- 9.4** The Company, during the current financial year, has arranged a demand finance facility of Rs.110 million from UBL. The bank has disbursed Rs.104.234 million in three trenches of different amounts and each trench is repayable in 16 equal quarterly instalments commencing February, 2015. This demand finance facility carries mark-up at the rate of 3-months KIBOR + 150 basis points per annum payable quarterly; effective mark-up rate charged, during the current financial year, ranged from 11.11% to 11.66% per annum. This finance facility is secured against first pari passu hypothecation charge on all fixed assets of the Company for Rs.146.670 million.

10. 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.

11. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)

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

	2014	2013
- discount rate	13.25%	13%
- expected rate of increase in salary	12.25%	12%
- average expected remaining working life of employees	9 years	9 years

- 11.2** The amount recognised in the balance sheet is present value of defined benefit obligation at reporting date.

	2014	2013
	(Rupees in thousand)	
The movement in the present value of defined benefit obligation is as follows:		
Balance at beginning of the year	43,591	39,030
Current service cost	12,050	7,322
Interest cost	5,666	5,074
Benefits paid	(6,714)	(7,835)
Remeasurement of obligation	7,544	0
Balance at end of the year	<u>62,137</u>	<u>43,591</u>
11.3 Charge to profit and loss account:		
Current service cost	12,050	7,322
Interest cost	5,666	5,074
	<u>17,716</u>	<u>12,396</u>

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

	2014	2013	2012	2011	2010
	----- Rupees in '000 -----				
Present value of defined benefit obligation	<u>62,137</u>	<u>43,591</u>	<u>39,030</u>	<u>30,239</u>	<u>25,835</u>
Experience adjustment on obligation	<u>7,544</u>	<u>0</u>	<u>2,442</u>	<u>0</u>	<u>(1,780)</u>

11.5 Sensitivity analysis for actuarial assumptions:

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarizes how defined benefit obligation would have increased / (decreased) as a result of change in respective assumption by 1 percent.

	“Increase in assumptions”	“Decrease in assumptions”
	----- Rupees in '000 -----	
Discount rate	<u>57,053</u>	<u>68,083</u>
Increase in salaries	<u>68,212</u>	<u>56,852</u>

11.6 Expected maturity analysis of undiscounted obligation is as follows:

Time in years	(Rupees in thousand)
1	5,839
2	7,580
3	10,517
4	9,161
5	14,092
6 - 10	65,320
11 and onwards	2,597,030

11.7 The Company's contribution to scheme in 2015 is expected to be Rs.21.879 million.

	Note	2014 (Rupees in thousand)	2013
12. DEFERRED TAXATION - net			
The liability for deferred tax comprises of temporary difference relating to:			
Taxable temporary difference:			
- accelerated tax depreciation allowances		126,715	102,320
- surplus on revaluation of property, plant and equipment	7	82,044	90,263
		<u>208,759</u>	<u>192,583</u>
Deductible temporary difference:			
- unused tax losses		(139,784)	(162,505)
- minimum tax recoverable against normal tax charge in future years		(5,947)	(5,947)
		<u>(145,731)</u>	<u>(168,452)</u>
		<u>63,028</u>	<u>24,131</u>
13. TRADE AND OTHER PAYABLES			
Creditors		18,091	22,635
Advances from customers		2,314	3,385
Bills payable	13.1	141,328	110,450
Accrued expenses		52,570	52,041
Workers' (profit) participation fund		6,310	10,557
Workers' welfare fund		9,295	6,950
Unclaimed dividends		3,356	3,098
Others		1,682	1,579
		<u>234,946</u>	<u>210,695</u>

13.1 These are secured against import documents.

	Note	2014 (Rupees in thousand)	2013
14. ACCRUED MARK-UP AND INTEREST			
Mark-up accrued on:			
- loans from an Associated Company		7,453	0
- long term financing		9,549	4,117
- short term borrowings		10,835	10,468
		<u>27,837</u>	<u>14,585</u>

15. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks and a Modaraba aggregate Rs.550.000 million (2013: Rs.522.500 million). These facilities, during the current financial year, carried mark-up at the rates ranging from 4.33% to 12.68% (2013: 4.47% to 15.44%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate Rs.324.000 million (2013: Rs.234.500 million) of which the amounts aggregating Rs.133.110 million (2013: Rs.58.094 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, 2014.

16. CONTINGENCIES AND COMMITMENTS

Contingencies

16.1 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.

16.2 Guarantees aggregating Rs.49.562 million (2013: Rs.32.865 million) has been issued by banks of the Company to Sui Northern Gas Pipeline Limited and Excise & Taxation. These guarantees are secured against pari passu charge over the Company's fixed and current assets.

16.3 Refer contents of note 25.3.

Commitments

16.4 Commitments, other than for capital expenditure, against irrevocable letters of credit outstanding at the year-end were for Rs.Nil (2013: Rs.33.215 million).

17. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	17.1	1,048,788	814,017
Capital work-in-progress	17.6	458	5,644
Stores held for capital expenditure		11,156	32,550
		<u>1,060,402</u>	<u>852,211</u>

17.2 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							
Card China FA 186	10,488	9,079	1,409	1,404	(5)	Negotiation	M/s. Noshad Textile Machinery traders, Faisalabad.
Gas fired power plant							
Gas generators parts	11,014	7,595	3,419	0	(3,419)	Scraped	
Vehicles:							
Toyota Corolla	1,452	1,000	452	476	24	Company policy	Mr. Badar us Samee, employee.
Suzuki Cultus	665	469	196	218	22	Company policy	Mr. Abdul Khaliq, employee.
	2,117	1,469	648	694	46		
	23,619	18,143	5,476	2,098	(3,378)		

17.3 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:

	2014	2013
	(Rupees in thousand)	
Owned		
Freehold land	474	474
Buildings on freehold land:		
- Factory	45,687	29,350
- Non-factory	12,907	13,586
Residential:		
- Officers	4,180	1,176
- Workers	3,674	526
Plant & machinery	420,324	291,053
Diesel generators & fuel reservoirs	919	993
Gas fired power plant	121,075	26,514
Electric installations	12,605	5,704
Equipment & appliances	15,690	15,992
	637,535	385,368

17.4 Depreciation for the year has been apportioned as under:

Cost of sales	50,486	43,923
Administrative expenses	7,605	6,800
	58,091	50,723

17.5 During the current financial year, borrowing cost at the rate of 11.37% and 11.41% per annum amounting Rs.3.564 million has been included in the cost of plant and machinery.

	Note	2014 (Rupees in thousand)	2013
17.6 Capital work-in-progress			
Buildings on freehold land			
- factory		0	2,353
- non - factory		458	2,669
Advance payments against purchase of vehicle		0	622
		<u>458</u>	<u>5,644</u>
18. INTANGIBLE ASSETS - Computer software			
Cost		586	586
Less: amortisation			
- at beginning of the year		127	10
- charge for the year		117	117
- at end of the year		244	127
Book value as at June 30,		<u>342</u>	<u>459</u>
Amortisation rate - 20% per annum			
19. LONG TERM LOANS - Secured			
Loans to employees		1,899	1,175
Less: current portion grouped under current assets		433	143
		<u>1,466</u>	<u>1,032</u>
19.1 These interest-free loans have been advanced for various purposes and are secured against employees' gratuity benefits. These loans, except for nine (2013: six) loans are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.			
20. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores	20.1	5,137	7,817
Spare parts		19,535	13,942
Loose tools		1,415	1,379
		<u>26,087</u>	<u>23,138</u>

20.1 It includes in transit inventory valuing Rs.88 thousand (2013: Rs.90 thousand).

	Note	2014 (Rupees in thousand)	2013
21. STOCK-IN-TRADE			
Raw materials:			
- at mills		208,628	363,921
- in-transit		<u>123,144</u>	<u>56,553</u>
		331,772	420,474
Work-in-process		30,070	24,578
Finished goods		<u>71,021</u>	<u>10,909</u>
		432,863	455,961
21.1 Raw materials and finished goods inventories are pledged with commercial banks as security for short term finance facilities (note 15).			
22. LOANS AND ADVANCES			
Current portion of long term loans		433	143
Advances - considered good			
- employees		1,203	1,180
- suppliers		<u>3,789</u>	<u>2,534</u>
		5,425	3,857
23. DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		1,805	3,475
Short term prepayments		<u>560</u>	<u>888</u>
		2,365	4,363
24. OTHER RECEIVABLES			
Associated Companies	24.1	915	0
Letters of credit		970	115
Others		<u>39</u>	<u>39</u>
		1,924	154
24.1 Year-end receivable balances were not yet due.			
25. TAXATION - net			
Balance of advance tax at beginning of the year		53,063	38,131
Add: income tax deducted / paid during the year		<u>23,611</u>	<u>20,879</u>
		76,674	59,010
Less: provision made during the year	25.2	<u>0</u>	<u>(5,947)</u>
Balance of advance tax at end of the year		76,674	53,063

- 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 2013.
- 25.2** No provision for taxation has been made for the current financial years as tax credit available under section 65B is in excess of the tax liability under section 113 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 Honourable Supreme Court of Pakistan, which is pending adjudication. An adverse judgment by the Honourable Supreme Court of Pakistan will create a tax liability amounting Rs.53.451 million.

	Note	2014 (Rupees in thousand)	2013
26. SALES - Net			
Own manufactured goods:			
- yarn		2,362,717	2,316,877
- waste		0	4,823
Trading activities:			
- raw materials		4,773	49,152
		2,367,490	2,370,852
Less: sales tax		68,730	15,809
		2,298,760	2,355,043

	Note	2014 (Rupees in thousand)	2013
27. COST OF SALES			
Raw materials consumed	27.1	1,571,954	1,568,098
Packing materials consumed		36,335	29,836
Salaries, wages and benefits	27.2	214,334	168,752
Power and fuel		192,788	174,027
Repair and maintenance		29,712	26,661
Depreciation		50,486	43,923
Insurance		3,066	3,178
Vehicle running and maintenance		2,046	1,855
Traveling and conveyance		964	917
Guest house and entertainment		978	792
Textile cess		29	29
Others		1,336	1,268
		<u>2,104,028</u>	<u>2,019,336</u>
Adjustment of work-in-process			
Opening		24,578	17,245
Closing		(30,070)	(24,578)
		<u>(5,492)</u>	<u>(7,333)</u>
Cost of goods manufactured		2,098,536	2,012,003
Adjustment of finished goods			
Opening stock		10,909	7,181
Closing stock		(71,021)	(10,909)
		<u>(60,112)</u>	<u>(3,728)</u>
		<u>2,038,424</u>	<u>2,008,275</u>
27.1 Raw materials consumed			
Opening stock		420,474	294,354
Add:			
Purchases		1,477,328	1,644,478
Cost of raw materials sold		4,583	48,823
Insurance		1,341	917
		<u>1,483,252</u>	<u>1,694,218</u>
		<u>1,903,726</u>	<u>1,988,572</u>
Less: closing stock		331,772	420,474
		<u>1,571,954</u>	<u>1,568,098</u>

27.2 These include Rs.11.724 million (2013: Rs.8.203 million) in respect of staff retirement benefits - gratuity.

	Note	2014 (Rupees in thousand)	2013
28. DISTRIBUTION COST			
Freight and forwarding		569	481
Travelling and conveyance		22	2
Salaries and benefits	28.1	9,526	7,861
Rent, rates and utilities		239	221
Communication		146	115
Insurance		165	348
Others		2	2
		10,669	9,030
<p>28.1 These include Rs.2.494 million (2013: Rs.1.745 million) in respect of staff retirement benefits - gratuity.</p>			
29. ADMINISTRATIVE EXPENSES			
Directors' remuneration and fees		4,237	3,516
Salaries and benefits	29.1	23,965	20,305
Travelling and conveyance		581	1,090
Rent, rates and taxes		5,646	5,604
Entertainment		1,302	732
Communication		1,233	1,158
Printing and stationery		772	786
Utilities		3,836	3,325
Insurance		3,689	2,710
Vehicles' running and maintenance		3,581	2,839
Repair and maintenance		879	1,661
Advertisement		135	63
Subscription		315	198
Newspapers & periodicals		34	27
Depreciation		7,605	6,800
Amortisation		117	117
Auditors' remuneration:			
- statutory audit		500	500
- half yearly review		110	110
- certification charges		77	22
- consultancy services		120	170
- out-of-pocket expenses		15	55
		822	857
Legal and professional (other than Auditors)		438	270
Others		640	566
		59,827	52,624

29.1 These include Rs.3.498 million (2013: Rs.2.448 million) in respect of staff retirement benefits - gratuity.

29.2 The Company, during the current financial year, has shared administrative expenses aggregating Rs.7.195 million (2013: Rs.6.067 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.

	Note	2014 (Rupees in thousand)	2013
30. OTHER INCOME			
Sale of scrap		563	0
Unclaimed payable balances written-back		23	933
Reversal of provision for Gas infrastructure Development Cess (GIDC)	30.1	11,529	0
Exchange fluctuation gain		1,718	0
		<u>13,833</u>	<u>933</u>

30.1 Based on a Judgement given by the Supreme Court of Pakistan, the company has reversed this provision created for payment of GIDC. (refer contents of note. 42.1)

31. OTHER EXPENSES			
Loss on sale of operating fixed assets	17.2	3,378	1,045
Workers' (profit) participation fund		6,170	10,557
Workers' welfare fund		2,345	4,012
Donations	31.1	2,800	1,200
		<u>14,693</u>	<u>16,814</u>

31.1 This includes an amount of Rs.1.800 million (2013: Rs.1.200 million) 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

32. FINANCE COST - Net			
Mark-up on loans from an Associated Company			
- sub-ordinated loan		11,175	12,529
- other loan		3,372	4,208
		<u>14,547</u>	<u>16,737</u>
Mark-up on long term financing		20,065	21,223
Mark-up on short term borrowings		36,392	31,129
Interest on workers' (profit) participation fund		140	178
Exchange fluctuation loss		0	2,430
Bank and other charges		2,945	906
		<u>74,089</u>	<u>72,603</u>

	Note	2014 (Rupees in thousand)	2013
33. TAXATION			
Current tax	25	0	5,947
Deferred			
- relating to temporary differences		38,011	68,143
- resulting from reduction in tax rate		3,371	3,738
		41,382	71,881
		41,382	77,828

34. EARNINGS PER SHARE

34.1 Basic earnings per share

Profit after taxation attributable to ordinary shareholders

73,509	118,802
--------	---------

(No. of shares)

Weighted average number of shares outstanding during the year

20,800,000	20,800,000
------------	------------

Earnings per share

3.53	5.71
------	------

34.2 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, 2014 and June 30, 2013 which would have any effect on the earnings per share if the option to convert is exercised.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Financial Risk Factors

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

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

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

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

35.1.1 Market risk

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

(a) Currency risk

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

As at June 30, 2014	Rupees	U.S.\$
	(Rupees in thousand)	
Bills payable	141,328	1,431
Short term borrowings	47,613	482
Net balance sheet exposure	188,941	1,913

As at June 30, 2013	Rupees	Euros	U.S.\$	CHF
	----- (Rupees 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

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2014	2013	2014	2013
Euro to Rupee	0	129.02	0	129.11
U.S. \$ to Rupee	103.29	95.21	98.75	98.80
CHF to Rupee	0	104.84	0	104.71

Sensitivity analysis

At June 30, 2014, 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.

	2014	2013
	(Rupees in thousand)	
Effect on profit for the year		
U.S. \$ to Rupee	<u>18,891</u>	<u>16,174</u>

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:

	2014	2013	2014	2013
	Effective rate		Carrying amount	
	%	%	(Rupees in thousand)	
Financial liabilities				
Variable rate instruments				
Long term loans from an Associated Company	9.44 to 12.27	11.66 to 15.01	<u>100,000</u>	<u>130,178</u>
Long term financing	11.11 to 13.42	12.53 to 15.20	<u>289,234</u>	<u>112,500</u>
Short term borrowings	4.33 to 12.68	2.86 to 15.44	<u>354,561</u>	<u>404,394</u>

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, 2014, 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.7.438 million (2013: Rs.6.471 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

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

35.1.2 Credit risk exposure and concentration of credit risk

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

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

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

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2014 along with comparative is tabulated below:

	2014 (Rupees in thousand)	2013
Long term deposits	1,137	1,137
Trade debts	157,724	153,025
Security deposits	1,805	3,475
Bank balances	4,528	5,829
	<u>165,194</u>	<u>163,466</u>

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	139,166	152,422
Past due - more than 30 days	18,558	603
	<u>157,724</u>	<u>153,025</u>

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.112.131 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.

35.1.3 Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
As at June 30, 2014	----- (Rupees in thousand) -----			
Loans from an Associated Company	100,000	158,762	12,371	146,391
Long term financing	289,234	362,653	122,835	239,818
Trade and other payables	237,751	237,751	237,751	0
Accrued interest / mark-up	27,837	27,837	27,837	0
Short term borrowings	354,561	383,416	383,416	0
	1,009,383	1,170,419	784,210	386,209
As at June 30, 2013	----- (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 interest / mark-up	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

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.

35.2 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, 2014, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

35.3 Financial instruments by category

Financial assets as per balance sheet	Loans and receivables		Financial liabilities as per balance sheet	Financial liabilities measured at amortised cost	
	2014 --- Rupees in '000 ---	2013		2014 --- Rupees in '000 ---	2013
Long term loans	1,466	1,032	Loans from an Associated Company	100,000	130,178
Long term deposits	1,137	1,137	Long term financing	289,234	112,500
Trade debts	157,724	153,025	Long term deposits	965	1,128
Loans and advances	433	143	Trade and other payables	237,751	189,803
Deposits and short term prepayments	1,805	3,475	Accrued interest / mark-up	27,837	14,585
Other receivables	954	39	Short term borrowings	354,561	404,394
Bank balances	4,528	5,829			
	168,047	164,680		1,010,348	852,588

36. 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.

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Associated Companies, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties.

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

	2014	2013
	(Rupees in thousand)	
Loans repaid		
- long term	30,178	1,500
- short term	0	10,000
Dividend paid	20,275	16,220
Sale of:		
- goods, store items and services	5,737	49,152
- fixed assets	0	430
Purchase of:		
- goods and services	21,224	0
- fixed assets	70	0
Mark-up paid on loans	14,547	17,022

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Executives	
	2014	2013	2014	2013
	----- (Rupees in thousand) -----			
Managerial remuneration	4,200	3,500	12,081	7,057
Retirement benefits	0	0	1,049	613
Medical expenses reimbursed	17	10	279	209
	4,217	3,510	13,409	7,879
Number of persons	1	1	6	5

38.1 In addition to the above, meeting fees amounting Rs.20 thousand (2013: Rs.6 thousand) were paid to six (2013: six) directors during the current financial year.

39. CAPACITY AND PRODUCTION

No. of spindles installed		35	30
No. of spindles shifts worked		34,044	31,697
Rated capacity at 20's count	Kgs	13,159	12,320
Actual production 1,095 shifts (2013: 1,095 shifts)	Kgs	6,838	6,105
Actual production converted into 20's count	Kgs	14,428	13,801

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.

40. OPERATING SEGMENT

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

- 40.1** Yarn sales represent 99.80% (2013: 98.00%) of the total sales of the Company.
- 40.2** Whole of the Company's sales relate to customers in Pakistan.
- 40.3** All non-current assets of the Company as at June 30, 2014 are located in Pakistan.
- 40.4** Two (2013: two) of the Company's customers having sales aggregating Rs.1,034 million (2013: Rs.595 million) contributed towards 45% (2013: 25%) of the Company's sales. Each customer individually exceeded 10% of total sales.

41. NUMBER OF EMPLOYEES

	2014	2013
Number of employees as at June 30,		
- Permanent	1106	962
- Contractual	4	5
Average number of employees during the year		
- Permanent	1044	920
- Contractual	5	5

42. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on September 25, 2014 has proposed a final cash dividend of Rs.1.25 (2013: Rs.1.25) per share amounting to Rs.26.000 million (2013: Rs.26.000 million) for the year ended June 30, 2014. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24, 2014.

These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in year ending June 30, 2015.

43. GENERAL

These financial statements were authorised for issue on September 25, 2014 by the Board of Directors of the Company.

Figures of prior years have been restated consequent to the retrospective application of IAS 19 (revised) as detailed in note 5. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.

SALIM SAIFULLAH KHAN
CHIEF EXECUTIVE

ASSAD 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 _____

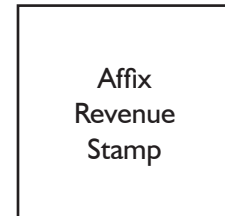
a member of **KOHAT TEXTILE MILLS LIMITED**, vide Registered Folio No. _____ and/or

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

as my/our proxy to act on my/our behalf at the 48th Annual General Meeting of the Company to be held on October 25, 2014.

Signed this _____ day of _____ 2014

Signature



(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.