



SAIF GROUP



**Third Quarterly Report
(Un-audited)
31 March, 2016**

Kohat Textile Mills Limited



**In The Name Of Allah
The Merciful
The Compassionate**

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COMPANY INFORMATION**BOARD OF DIRECTORS**

Anwar Saifullah Khan - Chairman
Salim Saifullah Khan
Osman Saifullah Khan
Jehangir Saifullah Khan
Ms. Hoor Yousafzai
Assad Saifullah Khan - Chief Executive
Asif Saifullah Khan

AUDIT COMMITTEE

Salim Saifullah Khan - Chairman
Ms. Hoor Yousafzai - Member
Jehangir Saifullah Khan - Member

HR & REMUNERATION COMMITTEE

Anwar Saifullah Khan - Chairman
Salim Saifullah Khan - Member
Ms. Hoor Yousafzai - Member

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sabir Khan

HEAD OF INTERNAL AUDIT

Salman Shafiq

AUDITORS

Shinewing Hameed Chaudhri & Co.,
Chartered Accountants

LEGAL ADVISORS

Salahuddin Saif & Aslam
(Attorney's at Law)

BANKERS

Albaraka Bank (Pakistan) Limited
Askari Bank Limited
Dubai Islamic Bank
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
The Bank of Punjab
United Bank Limited

HEAD OFFICE

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SHARES REGISTRAR

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MILLS

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WEB SITE

www.kohattextile.com

DIRECTORS' REVIEW REPORT

The un-audited financial statements of the Company for the third quarter and nine months ended March 31, 2016 are being presented to you with the following observations.

Your company has earned Gross Profit of Rs. 25 million (1.58 %) as compared to Rs. 144 million (7.86 %) in the same period of last year. Profit margins have declined due to depressed demand of domestic yarn and over supply of imported yarn.

Your company has posted Loss Before Tax Rs. 92.14 million as compared to a Profit Before Tax of Rs. 17.07 million for the corresponding period of last year. The profitability has declined by mounting energy and operational costs brought about by increasing fuel & electricity rates and revision in minimum wage rate due to which local manufacturer is not able to compete with the international counterparts.

The yarn markets are improving and we foresee that stocks will be sold out at better rates hence improving the profit margin. We expect that next quarter will be better due to the stability in the petroleum products and increase in demand of local manufactured synthetic yarn as the units in Punjab started to operate on their full capacities.

We would like to conclude with heartfelt appreciation for the support of our bankers and our valued customers. We would also like to highlight the hard work put in by the management and staff. We look forward to the same dedication and cooperation in the days ahead.

Place: Islamabad
Dated: 28 April, 2016

Assad Saifullah Khan
Chief Executive

CONDENSED INTERIM BALANCE SHEET AS AT 31 MARCH, 2016

	Note	Un-audited 31 Mar., 2016	Audited 30 June, 2015
(Rupees in thousand)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,113,592	1,121,135
Intangible assets		137	225
Long term loans		2,303	1,893
Long term deposits		1,137	1,137
		<u>1,117,169</u>	<u>1,124,390</u>
Current Assets			
Stores, spares and loose tools		36,279	31,850
Stock-in-trade	6	338,530	188,954
Trade debts		104,793	141,019
Loans and advances		42,553	46,186
Deposits and short term prepayments		2,096	2,244
Other receivables		475	1,258
Taxation - net		82,840	81,923
Sales tax refundable		39,785	32,868
Cash and bank balances		8,789	9,858
		<u>656,140</u>	<u>536,160</u>
		<u>1,773,309</u>	<u>1,660,550</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
22,000,000 ordinary shares of Rs.10 each		<u>220,000</u>	<u>220,000</u>
Issued, subscribed and paid up capital			
20,800,000 ordinary shares of Rs.10 each		<u>208,000</u>	<u>208,000</u>
Unappropriated profit		<u>76,000</u>	<u>154,676</u>
		<u>284,000</u>	<u>362,676</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		<u>294,966</u>	<u>302,147</u>
NON-CURRENT LIABILITIES			
Loans from an Associated Company		<u>100,000</u>	<u>100,000</u>
Long term financing		292,117	245,146
Long term deposits		1,405	1,280
Deferred liability - staff retirement benefits		84,315	80,290
Deferred taxation - net		<u>32,601</u>	<u>66,371</u>
		<u>510,438</u>	<u>493,087</u>
CURRENT LIABILITIES			
Trade and other payables		<u>155,794</u>	<u>150,662</u>
Accrued interest / mark-up		21,214	13,185
Short term borrowings		390,839	260,235
Current portion of long term financing		<u>116,058</u>	<u>78,558</u>
		<u>683,905</u>	<u>502,640</u>
CONTINGENCIES AND COMMITMENTS	7		
		<u>1,773,309</u>	<u>1,660,550</u>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive

Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND NINE MONTHS ENDED 31 MARCH, 2016 (UN-AUDITED)**

	For the 3rd Quarter		Cumulative	
	Jan. - Mar. 2016	Jan. - Mar. 2015	Jul. - Mar. 2016	Jul. - Mar. 2015
Note	----- (Rupees in thousand) -----			
SALES	571,071	703,067	1,600,253	1,824,656
COST OF SALES	(579,541)	(690,089)	(1,574,894)	(1,680,929)
GROSS PROFIT / (LOSS)	(8,470)	12,978	25,359	143,727
DISTRIBUTION COST	(4,383)	(3,713)	(13,153)	(10,743)
ADMINISTRATIVE EXPENSES	(16,440)	(14,698)	(48,808)	(48,070)
OTHER OPERATING EXPENSES	480	1,100	(2,800)	(6,250)
OTHER OPERATING INCOME	0	238	0	238
(LOSS) / PROFIT FROM OPERATIONS	(28,813)	(4,095)	(39,402)	78,902
FINANCE COST	(19,987)	(21,149)	(52,741)	(61,825)
(LOSS) / PROFIT BEFORE TAXATION	(48,800)	(25,244)	(92,143)	17,077
TAXATION 8	(15,673)	(7,841)	(21,885)	11,995
(LOSS) / PROFIT AFTER TAXATION	(33,127)	(17,403)	(70,258)	5,082
OTHER COMPREHENSIVE INCOME	0	0	0	0
TOTAL COMPREHENSIVE (LOSS) / INCOME	(33,127)	(17,403)	(70,258)	5,082
	----- Rupees -----			
(LOSS) / EARNINGS PER SHARE - basic and diluted	(1.59)	(0.84)	(3.38)	0.24

The annexed notes form an integral part of this condensed interim financial information.

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2016 (UN-AUDITED)

	Nine Months ended 31, March 2016	31, March 2015
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period - before taxation	(92,143)	17,077
Adjustments for non-cash charges and other items:		
Depreciation	54,858	51,290
Amortisation	88	88
Staff retirement benefits - gratuity (net)	4,025	8,805
Gain / (loss) on disposal of operating fixed assets	(65)	(238)
Finance cost	52,741	61,825
PROFIT BEFORE WORKING CAPITAL CHANGES	19,504	138,847
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(4,429)	(725)
Stock-in-trade	(149,576)	198,154
Trade debts	36,226	(66,440)
Loans and advances	3,633	(8,981)
Deposits and short term prepayments	148	1,068
Other receivables	783	597
Sales tax refundable	(6,917)	(827)
Increase / (Decrease) in trade and other payables	5,132	(121,789)
	(115,000)	1,057
CASH GENERATED FROM OPERATIONS	(95,496)	139,904
Income tax paid	(12,802)	(17,065)
Long term loans - net	(410)	(383)
NET CASH GENERATED FROM OPERATING ACTIVITIES	(108,708)	122,456
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(47,526)	(66,328)
Sale proceeds of operating fixed assets	276	391
NET CASH USED IN INVESTING ACTIVITIES	(47,250)	(65,937)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing - obtained	84,471	68,485
Long term deposits	125	195
Short term borrowings - net	130,604	(34,662)
Dividend paid	(15,600)	(26,000)
Finance cost paid	(44,711)	(67,798)
NET CASH GENERATED FROM FINANCING ACTIVITIES	154,889	(59,780)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,069)	(3,261)
CASH AND CASH EQUIVALENTS - at beginning of the period	9,858	4,528
CASH AND CASH EQUIVALENTS - at end of the period	8,789	1,267

The annexed notes form an integral part of this condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2016 (UN-AUDITED)

	Share Capital	Unappropriated Profit / (Accumulated Loss)	Total
----- (Rupees In thousand) -----			
Balance as at July 01, 2014	208,000	156,501	364,501
Total comprehensive income for the nine month ended 31 March, 2015	0	5,082	5,082
Cash divided for the year ended June 30, 2014 at the rate of Rs.1.25 per share	0	(26,000)	(26,000)
Surplus on revaluation of property, plant and equipment realised during the period - net of deferred taxation: - on account of incremental depreciation for the period	0	7,563	7,563
Balance as at 31 March, 2015	208,000	143,146	351,146
Total comprehensive income for the quarter ended 30 June, 2015	0	9,006	9,006
Surplus on revaluation of property, plant and equipment realised during the period - net of deferred taxation: - on account of incremental depreciation for the quarter	0	2,524	2,524
Balance as at 30 June, 2015	208,000	154,676	362,676
Cash dividend for the year ended June 30, 2015 at the rate of Rs.0.75 per share	0	(15,600)	(15,600)
Total comprehensive loss for the nine month ended 31 March, 2016	0	(70,258)	(70,258)
Surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year realised during the period - net of deferred taxation	0	7,182	7,182
Balance as at 31 March, 2016	208,000	76,000	284,000

The annexed notes form an integral part of this condensed interim financial information.

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2016 (UN-AUDITED)**

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 [Pakistan Stock Exchange Limited with effect from January 11, 2016]. It is principally engaged in manufacture and sale of yarn. The Company's Mills are located in Saifabad, Kohat and the Registered Office of the Company is located at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine month ended March 31, 2016 is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2015.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2015.

There are certain new International Financial Reporting Standards (standards), amendments to published standards and interpretations that are mandatory for the financial year beginning on July 1, 2015. These considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this condensed interim financial information.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited annual financial statements for the year ended June 30, 2015.

5. PROPERTY, PLANT AND EQUIPMENT

		(Un-audited) 31 March, 2016	(Audited) 30 June, 2015
	Note	(Rupees in thousand)	
Operating fixed assets - tangible	5.1	1,078,689	1,056,830
Capital work-in-progress	5.3	14,783	28,888
Stores held for capital expenditure		20,120	35,417
		<u>1,113,592</u>	<u>1,121,135</u>

5.1 Operating fixed assets-tangible

		(Un-audited) 31 March, 2016 (Rupees in thousand)	(Audited) 30 June, 2015
	Note		
Book value at beginning of the period / year		1,056,830	1,048,788
Additions during the period / year	5.2	76,928	77,515
Book value of operating fixed assets disposed-off during the period / year		(211)	(476)
Depreciation charge for the period / year		(54,858)	(68,997)
Book value at end of the period / year		1,078,689	1,056,830

5.2 Additions during the period / year:

- buildings on freehold land			
- factory		24,467	1,972
- non- factory		951	479
- residential		1,427	1,398
- plant & machinery		42,560	62,758
- gas fired power plant		0	7,623
- electric installations		135	824
- equipment & appliances		585	1,240
- furniture & fixtures		175	142
- vehicles		6,628	1,079
		76,928	77,515

5.3 Capital work-in-progress

Buildings on freehold land			
- factory		0	18,384
- non-factory		0	674
Advance payments against			
- freehold land		10,000	2,000
- plant and machinery		0	4,641
- computer software		4,783	3,189
		14,783	28,888

6. STOCK IN TRADE

Raw Materials		226,307	133,060
Work-in-process		21,925	21,869
Finished goods		90,298	34,025
		338,530	188,954

7. CONTINGENCIES AND COMMITMENTS

There has been no significant change in the status of contingencies as reported in the preceding published Half Yearly financial statements of the Company for the period ended 31 December, 2015.

8. TAXATION-Net

	Un-audited			
	Quarter ended		Nine Month ended	
	March 31,		March 31,	
	2016	2015	2016	2015
	----- Rupees in thousand -----			
Current	5,711	7,031	11,885	13,063
Deferred	(21,384)	(14,872)	(33,770)	(1,068)
	(15,673)	(7,841)	(21,885)	11,995

8.1 Income tax assessments of the Company have been completed upto the Tax Year 2015. No numeric tax rate reconciliation has been given as provisions made during the current period represents minimum tax payable under section 113 after adjusting tax credit under section 65B of the Income Tax Ordinance, 2001.

8.2 There has been no significant change in the status of pending tax cases as reported in the preceding audited Half yearly statements of the Company for the period ended December 31, 2015.

9. TRANSACTIONS WITH RELATED PARTIES

9.1 Significant transactions with related parties are as follows:

Relationship	Nature of transactions	(Un-audited) Jul-March,	
		2016	2015
(Rupees in thousand)			
Associated Companies	- Sale of goods and services	0	5,583
	- Purchase of goods and services	7,675	20,808
	- Purchase of fixed assets	0	736
	- Mark-up accrued on loan	6,254	7,937
	- Dividend paid	12,165	20,275

9.2 Period / year end balances are as follows

	(Un-audited) 31 March, 2016	(Audited) 30 June, 2015
Loans from an Associated Company	100,000	100,000

10. FINANCIAL RISK MANAGEMENT

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

There has been no change in the Company's sensitivity to these risks since June 30, 2015, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the period.

This condensed interim financial information does not include all financial risk management information and disclosures as are required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2015.

11. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2015, whereas, the condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial information of the Company for the Nine-month ended March 31, 2015.

12. GENERAL

12.1 This condensed interim financial information was approved by the Board of Directors and authorised for issue on April 28, 2016.

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

