



CONTENTS

COMPANY INFORMATION	2
DIRECTOR'S REVIEW REPORT TO THE SHAREHOLDERS	3
CONDENSED BALANCE SHEET	4
CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)	5
CONDENSED CASH FLOW STATEMENT (UN-AUDITED)	6
CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)	7
SELECTED EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)	8

COMPANY INFORMATION**BOARD OF DIRECTORS** Javed Saifullah Khan - **Chairman/Chief Executive**

Osman Saifullah Khan
Kulsum Saifullah Khan
Omar Saifullah Khan
Jehangir Saifullah Khan
Mrs. Hoor Yousafzai
Ch. Maqbool Ahmad

AUDIT COMMITTEE Ch. Maqbool Ahmad - **Chairman**

Jehangir Saifullah Khan - **Member**
Mrs. Hoor Yousafzai - **Member**

CHIEF FINANCIAL OFFICER Zaheen-ud-Din Qureshi**COMPANY SECRETARY** Mumtaz H. Chaudhry**AUDITORS** Hameed Chaudhri & Co.,
Chartered Accountants**LEGAL ADVISORS** Dr. Pervez Hassan
Hassan & Hassan, Advocates

Abdul Latif Yousafzai, Advocate

BANKERS National Bank of Pakistan
United Bank Limited
Albaraka Islamic Bank
The Bank of Punjab
First National Bank Modaraba**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**MILLS** Saifabad, Kohat
Phone : (0922) 518615, 518712
Fax : (0922) 512295
email : ktmkht@saifgroup.com**WEB SITE** www.kohattextile.com

DIRECTOR'S REVIEW REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I present this report of your Company's performance for the quarter ended 30 September 2008.

FINANCIAL HIGHLIGHTS

- Gross profit margin declined to **4.85%** from **9.75%** because of the external economic and operational factors such as the depressed market for textiles, the unprecedented increase in energy costs coupled with shortages in the availability of electricity and natural gas, followed by the increased cost of raw material during the cotton season despite the poor quality of the current available cotton crop.
- Resultantly the operating loss climbed to **Rs. 26.98** million as compared to **Rs. 8.07** million for the corresponding period of last year.

GENERAL MARKET CONDITIONS

Your company is not shielded from the difficulties that are affecting the profitability of the entire textile sector. The most crippling factor is the simultaneous shortage of electricity and natural gas, thereby undermining our ability to effectively utilize the installed captive power plant. The other factors contributing to these difficulties include:

- Increase in the cost of inputs caused by the elevated price of petroleum products and natural gas.
- Major increase in cotton prices.
- Poor quality of cotton during the cotton season.
- Sudden increase in electricity tariffs of about 31%.
- Rising interest rates and financial charges.
- Domestic and regional political uncertainty.
- High cost of security.

FUTURE OUTLOOK

The management is consistently focusing its efforts to increase your company's efficiency and profit margins despite the challenges before us.

The entire domestic manufacturing sector, not just the textile sector is in the midst of a downturn. The primary driver of this downturn is the escalating cost of borrowing, which is fuelled by the inability of the government to reduce the fiscal deficit. Unfortunately, so long as the government fails to curtail its own expenditure and the consequent inflation, the State Bank will continue to impose a restrictive monetary policy with crippling results for the textile manufacturing industry.

The electricity deficit is also at an all time high, resulting in frequent power shutdowns causing lower efficiencies and machinery breakdowns. These occur during peak as well as off-peak hours. Increasingly, the supply of natural gas to industrial units is also prone to shutdowns especially in the winter season. The result is that even gas fueled captive power plants cannot provide the standby economic benefits that they were installed for.

This operationally challenging environment has come at the same time as the energy crisis, and has had a telling effect on the operating cost and efficiency of the textiles manufacturing sector. This sector is in crisis and requires support from the regulatory authorities in helping it to regain cost effectiveness and international market share.

In this operating environment, the mission facing your Company's management is an extremely challenging one. Our goal is to operate in a dedicated and efficient manner as much as possible and by doing so, to minimize the adverse impact of the depressed market and economic conditions. In the absence of any positive change in government economic policies & developments during the next quarter, our operating results are unlikely to improve beyond their current levels.

ACKNOWLEDGEMENT

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

We look forward to the same dedication and cooperation in the days ahead.

For and on behalf of the Board

Place: Islamabad
Dated: 27 October 2008

JAVED SAIFULLAH KHAN
Chairman/Chief Executive

CONDENSED BALANCE SHEET AS AT 30 SEPTEMBER, 2008

	Note	(Un-audited) 30 September, 2008	(Audited) 30 June, 2008
(Rupees in thousand)			
EQUITY AND LIABILITIES			
Authorised capital 22,000,000 ordinary shares of Rs. 10 each		220,000	220,000
Issued, subscribed and paid-up		208,000	208,000
ACCUMULATED LOSS		(122,128)	(106,553)
		85,872	101,447
SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT		262,795	264,599
NON-CURRENT LIABILITIES			
Long term financing	3	237,500	250,000
Liabilities against assets subject to finance lease	4	21,000	32,660
Long term deposits		1,479	1,526
Deferred liability - staff retirement benefits		22,506	20,339
		282,485	304,525
CURRENT LIABILITIES			
Trade and other payables		157,204	71,489
Accrued interest / mark-up		26,964	26,241
Short term borrowings	5	583,709	501,734
Current portion of:			
- Long term financing	3	12,500	0
- Liabilities against assets subject to finance lease	4	32,465	31,403
		812,842	630,867
CONTINGENCIES AND COMMITMENTS	6	1,443,994	1,301,438
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	7	742,032	752,160
Loans to employees		1,060	2,421
Long term deposits		1,137	1,137
Deferred taxation	8	50,959	41,588
		795,188	797,306
CURRENT ASSETS			
Stores, spare parts and loose tools		28,431	25,356
Stock-in-trade	9	333,560	188,602
Trade debts		254,419	267,681
Loans and advances		8,173	2,900
Deposits and short term prepayments		3,848	844
Other receivables		258	1,448
Advance income tax and tax deducted at source		961	847
Sales tax refundable		17,519	16,397
Cash and bank balances		1,637	57
		648,806	504,132
		1,443,994	1,301,438

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

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director

Kohat Textile Mills Limited **First Quarterly Report 2008-2009**

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2008**

	Note	Jul-Sep 2008	Jul-Sep 2007
		Rupees in thousand	
SALES		282,500	290,109
COST OF SALES		268,796	261,819
GROSS PROFIT		13,704	28,290
DISTRIBUTION COST		1,675	2,051
ADMINISTRATIVE EXPENSES		9,366	8,599
		11,041	10,650
		2,663	17,640
FINANCE COST		29,649	25,715
		(26,986)	(8,075)
OTHER OPERATING INCOME		236	92
LOSS BEFORE TAXATION		(26,750)	(7,983)
TAXATION			
Current		0	1,450
Deferred	8	(9,371)	(4,244)
		(9,371)	(2,794)
LOSS AFTER TAXATION		(17,379)	(5,189)
LOSS PER SHARE (Rupees)		(0.84)	(0.25)

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

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2008**

	Jul-Sep 2008	Jul-Sep 2007
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	(26,750)	(7,983)
Adjustments for:		
Depreciation and amortisation	13,886	13,096
Staff retirement benefits (gratuity) - net	2,167	(371)
Gain on sale of vehicle	(7)	0
Finance cost	29,649	25,715
CASH FLOW FROM OPERATING ACTIVITIES		
-Before working capital changes	18,945	30,457
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(3,075)	(586)
Stock-in-trade	(144,958)	(46,864)
Trade debts	13,262	28,746
Loans and advances	(5,273)	(251)
Deposits and short term prepayments	(3,004)	(1,203)
Other receivables	1,190	(340)
Sales tax refundable	(1,122)	(431)
Increase / (Decrease) in trade and other payables	85,715	(18,909)
	(57,265)	(39,838)
CASH OUTFLOW FROM OPERATING ACTIVITIES		
- After working capital changes	(38,320)	(9,381)
Taxes paid	(114)	(1,646)
CASH FLOW FROM OPERATING ACTIVITIES - After taxation	(38,434)	(11,027)
Long term loans - net	1,361	(789)
NET CASH FLOW FROM OPERATING ACTIVITIES	(37,073)	(11,816)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment	(3,964)	(1,446)
Sale proceeds of vehicle	213	0
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,751)	(1,446)
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	(10,598)	(9,747)
Long term deposits	(47)	105
Short term borrowings - net	81,975	46,575
Finance cost paid	(28,926)	(20,205)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	42,404	16,728
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	1,580	3,466
CASH AND CASH EQUIVALENTS		
- At the beginning of the period	57	115
CASH AND CASH EQUIVALENTS		
- At the end of the period	1,637	3,581

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

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director

Kohat Textile Mills Limited First Quarterly Report 2008-2009

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2008**

	Share capital	(Accumulated Loss)	Total Equity
	(Rupees in thousand)		
Balance as at 30 June, 2007	208,000	(54,554)	153,446
Profit for the period from 01 July, 2006 to 30 September, 2007	0	(5,189)	(5,189)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period from 01 July, 2006 to 30 Sep., 2007 - net of deferred taxation	0	709	709
Balance as at 30 September, 2007	208,000	(59,034)	148,966
Loss for the period of nine months from 01 Oct., 2007 to 30 June, 2008	0	(50,032)	(50,032)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period from 01 Oct., 2007 to 30 June, 2008 - net of deferred taxation	0	2,513	2,513
Balance as at 30 June, 2008	208,000	(106,553)	101,447
Loss for the period from 01 July, 2008 to 30 September, 2008	0	(17,379)	(17,379)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period from 01 July, 2008 to 30 Sep., 2008 - net of deferred taxation	0	1,804	1,804
Balance as at 30 September, 2008	208,000	(122,128)	85,872

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

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER, 2008**

1. LEGAL STATUS AND OPERATIONS

Kohat Textile Mills Limited (the Company) is a public limited Company incorporated in Pakistan during the year 1967 and its shares are quoted on Karachi and Islamabad Stock Exchanges. It is principally engaged in manufacture and sale of yarn. The company's Mills are located in Saifabad, Kohat and the Registered Office of the Company is located at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.

2. BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting).

These financial statements are being circulated to shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi and Islamabad Stock Exchanges.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the preceding published annual financial statements of the Company for the year ended 30 June, 2008.

The accounting policies, significant judgment, estimates and assumptions used by the management in preparation of this condensed interim financial information are the same as those applied to the preceding published financial statements of the Company for the year ended 30 June, 2008.

	(Un-audited) 30 September, 2008	(Audited) 30 June, 2008
	(Rupees in thousand)	
3. LONG TERM FINANCES - Secured		
Balance at the beginning of the period / year	250,000	250,000
Less: Current portion	12,500	0
Balance at the closing of the period / year	237,500	250,000

3.1 This finance facility is secured against first pari passu charge on fixed assets of the Company for Rs. 333.334 million. The finance facility carries mark-up at the rate of 3-month KIBOR plus 325 basis points with floor of 11% per annum payable quarterly. The effective mark-up rate charged by BoP, during the current financial period, remained 16.99% (2008: 12.84% to 13.42%) per annum. The principal balance of this finance facility is repayable in 20 equal quarterly instalments of Rs. 12.500 million commencing August, 2009.

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Balance at the beginning of the period / year	64,063	91,190
Add: Lease facility obtained during the period / year	0	2,607
	64,063	93,797
Less: Payments made during the period / year	10,598	29,734
	53,465	64,063
Less: Current portion grouped under current liabilities	32,465	29,735
Balance at the closing of the period / year	21,000	34,328

4.1 The Company has entered into lease agreements with First National Bank Modaraba and AlBaraka Islamic Bank to acquire plant & machinery and vehicles. The liabilities under the lease agreements are payable in monthly instalments by May, 2011. These facilities, during the period, carried finance cost at the rates ranging from 12.51% to 16.14% (2008:12.16% to 12.83%) per annum. The Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. These lease finance facilities are secured against charge over leased assets, ranking charge over all present and future movable fixed assets of the Company including plant & machinery and equipment and demand promissory note.

5. SHORT TERM FINANCES - Secured

Short term cash, trust receipt, running and murabaha finance facilities available from National Bank of Pakistan, United Bank Limited, The Bank of Punjab, First National Bank Modaraba and AlBaraka Islamic Bank aggregate Rs.775 million (2007: Rs.775 million). These facilities, during the year, carried mark-up at the rates ranging from 4.98% to 15.32% (2008: 4.63% to 17.24%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from the aforementioned banks aggregate Rs. 348 million (2008: Rs.348 million) of which the amount aggregating Rs. 270.74 million (2008: Rs.281.930 million) remained unutilised at the balance sheet date. The aggregate facilities are secured against pledge of stock-in-trade, charge on current assets of the Company and lien on documents of title to imported goods. These facilities are expiring on various dates by 30 June, 2009.

6. CONTINGENCIES AND COMMITMENTS

- 6.1 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.
- 6.2 (a) National Bank of Pakistan, on behalf of the Company, has issued an inland bank guarantee of Rs. 8 million (2008: Rs. 8 million) in favour of Sui Northern Gas Pipeline Ltd. (SNGPL). The guarantee is secured against pari passu charge on the Company's fixed assets for Rs. 8 million.
- (b) AlBaraka Islamic Bank, on behalf of the Company, has also issued a bank guarantee of Rs. 3 million (2008: Rs. 3 million) in favour of SNGPL. The guarantee is secured against second charge for Rs. 5 million on the Company's current assets.
- 6.3 Commitments, other than for capital expenditure, against irrevocable letters of credit outstanding at the year-end were for Rs. 66.260 million (2008: Rs. 55.068 million).

(Un-audited)	(Audited)
30 September,	30 June,
2008	2008
(Rupees in thousand)	

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Operating fixed assets:

Opening balance owned / leased	752,160	644,962
Add: Additions during the period / year	3,964	16,078
Revaluation surplus	0	91,651
Existing gross carrying amount	0	53,283
	3,964	161,012
Less: Depreciation for the period / year	13,886	52,873
Book value of assets disposed off	206	94
	14,092	53,814
	742,032	752,160

	(Un-audited) 30 September, 2008	(Audited) 30 June, 2008
	(Rupees in thousand)	
8. DEFERRED TAXATION		
The deferred tax asset comprised of temporary differences arising to:		
Debit balances arising in respect of:		
- unused tax losses	158,036	147,968
- minimum tax recoverable against tax charge in future years	26,739	26,739
	184,775	174,707
Credit balances arising in respect of:		
- accelerated tax depreciation allowances	(113,246)	(115,232)
- lease finances	(20,570)	(17,887)
	(133,816)	(133,119)
	50,959	41,588
9. STOCK-IN-TRADE		
Raw material (at mills)	169,479	119,959
Work-in-Process	35,434	29,147
Finished goods	128,647	39,496
	333,560	188,602
10. TRANSACTIONS WITH RELATED PARTIES		
Related parties include associated companies, major shareholders, directors and key management personnel. Transactions with related parties during the period/year as follows:		
The Aggregate transactions made during the period / year with associates were as follows:		
Sale of goods and services	15,830	776,392
Purchases:		
- goods and services	102,625	276,761
- fixed assets	1,265	0
11. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS		
These financial statements were authorised for issue on 27 October, 2008 by the Board of Directors of the Company.		
12. GENERAL		
12.1 Figures in the condensed interim financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.		
12.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangements and reclassifications have been made in the financial statements.		

Javed Saifullah Khan
Chairman/Chief Executive

Mrs. Hoor Yousafzai
Director