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COMPANY INFORMATION

BOARD OF DIRECTORS	Javed Saifullah Khan Anwar Saifullah Khan Osman Saifullah Khan Kulsum Saifullah Khan Omar Saifullah Khan Jehangir Saifullah Khan Hoor Yousafzai	- Chairman/Chief Executive
AUDIT COMMITTEE	Osman Saifullah Khan Jehangir Saifullah Khan Hoor Yousafzai	- Chairman - Member - 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-44000 Phone : (051) 2823924, 2829415 Fax : (051) 2822564, 2278537 e-mail : ktm@saifgroup.com	
REGISTERED OFFICE	APTMA House, Tehkal Payan, Jamrud Road, Peshawar Phone : (091) 5843870, 5702941 Fax : (091) 5840273 e-mail : peshawar@saifgroup.com	
MILLS	Saifabad, Kohat Phone : (0922) 518615, 518712 Fax : (0922) 512295 E-mail : ktmkht@saifgroup.com	
WEB SITE	www.kohattextile.com	

DIRECTOR'S REVIEW REPORT

The un-audited financial statements of the company for the Half year ended on December 31, 2008 are being presented to you with the following observations.

FINANCIAL HIGHLIGHTS

Company suffered gross loss amounting to Rs. 17.16 million as compared to gross profit of Rs. 48.35 million for the corresponding period of last year. This was primarily due to the depressed economic conditions in the domestic and export textiles market that caused demand and prices to fall. The other factors caused unprecedented increase in operating costs were rising energy costs coupled with shortages in the availability of electricity and natural gas, followed by the liquidity crunch in the financial sector world wide which pushed the KIBOR higher resulting in increasing financial costs. Furthermore, volatility in the Rupee ~ USD parity kept the company away from using cheaper USD credit lines leading again to additional financial costs for your company.

Resultantly the company suffered net loss of Rs. 74.01 million as compared net loss of Rs. 16.86 million for the corresponding period of last year.

GENERAL MARKET CONDITIONS

The prevailing depressed market condition during the half year has badly affected the country. The global financial crisis has badly jolted the Pakistan economy, and the country is going through a severe liquidity crisis. Amongst the major difficulties facing the textile industry are:

- Drastic negative change in parity of PKR versus US Dollars.
- Increase in prices of energy inputs and the shortage of Electricity and Gas in the country.
- Rising interest rates and financial charges.
- Domestic and regional political uncertainty.

QUALIFICATION IN AUDITORS' REPORT

The auditors' have qualified the report on the basis that company has recognized the deferred tax asset despite the availability of unused tax losses. As explained in the Note 10.1 management hopes that taxable profits will be available in foreseeable future to utilize the unused tax losses. However the current operating cost structure has suddenly increased and general market conditions have changed which has resulted in losses.

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 fueled 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.

Unless the government provides the regulatory, infrastructure and operational framework for enabling Pakistan's textile industry to become cost competitive, the country will continue to lose market share to textile manufacturers in China, India and Bangladesh with a negative effect on our country's balance of trade.

Measures need to be taken immediately to reduce financial, power and energy costs. Negotiations for free trade and greater market access with the EU and the USA need to be concluded on favorable terms as soon as possible.

The management requests the State Bank of Pakistan (SBP) to issue a policy framework and guide lines to the financial institution which would support the manufacturing sector during the current global economic situation.

Steps must be taken to stave off the economic crisis, and in such a situation, all financial institutions look to the central bank for leadership and guidance. The SBP can authorize financial institutions to allow a minimum two-year moratorium on corporate debt and extend the repayment schedule of loans.

The management further requests the SBP to extend the Export Refinance Scheme to the entire spinning sector and permit a reasonable mark-up subsidy on Long Term and Working Capital loans so that Pakistani producers can be competitive with manufacturers in China, India and Bangladesh.

Your company's management is cognizant of the rising degree of leverage of the Company and making serious efforts to bring it down to the required level; we have also requested our domestic financial institutions to allow an 18-month moratorium on the repayments of the principal amounts.

ACKNOWLEDGMENT

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: 25 February, 2009

Anwar Saifullah Khan
Director

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of **KOHAT TEXTILE MILLS LIMITED** as at 31 December, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half-year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 31 December, 2008 and 2007 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 December, 2008.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

Deferred tax asset has been recognised despite the availability of unused tax losses as detailed in note 10.1.

Qualified Conclusion

Based on our review, except for the matter referred to in the preceding paragraph and the extent to which this may affect the annexed interim financial information, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended 31 December, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Place : Lahore
Date : 25 February, 2009

**HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS**

**CONDENSED INTERIM BALANCE SHEET
AS AT 31 DECEMBER, 2008**

	Note	(Un-audited) 31 December, 2008	(Audited) 30 June, 2008
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorised Capital		220,000	220,000
Issued, subscribed and paid-up		208,000	208,000
ACCUMULATED LOSS			
		(176,960)	(106,553)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
	6	326,169	264,599
NON-CURRENT LIABILITIES			
Long term financing	7	325,000	250,000
Liabilities against assets subject to finance lease		18,417	32,660
Long term deposits		1,585	1,526
Deferred liability Staff retirement benefits		20,558	20,339
		365,560	304,525
CURRENT LIABILITIES			
Trade and other payables		155,240	71,489
Accrued interest / mark-up		30,265	26,241
Short term borrowings		523,972	501,734
Current portion of:			
- long term financing		25,000	0
- liabilities against assets subject to finance lease		30,161	31,403
		764,638	630,867
CONTINGENCIES AND COMMITMENTS			
	8	1,487,407	1,301,438
NON - CURRENT ASSETS			
Property, plant and equipment	9	833,118	752,160
Long term loans		1,132	2,421
Long term deposits		1,137	1,137
Deferred taxation	10	42,159	41,588
		877,546	797,306
CURRENT ASSETS			
Stores, spares parts and loose tools		27,395	25,356
Stock-in-trade		271,909	188,602
Trade debts		279,762	267,681
Loans and advances		6,803	2,900
Deposits and short term prepayments		996	844
Other receivables		328	1,448
Taxation - net		760	847
Sales tax refundable		19,014	16,397
Cash and bank balances		2,894	57
		609,861	504,132
		1,487,407	1,301,438

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241 (2) of the Companies ordinance, 1984.

Anwar Saifullah Khan
Director

Hoor Yousafzai
Director

Kohat Textile Mills Limited Half Yearly Report 2008-09

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2008 (UN-AUDITED)**

	For the 2nd Quarter		Cumulative	
	Oct. - Dec. 2008	Oct. - Dec. 2007	Jul. - Dec. 2008	Jul. - Dec. 2007
	----- Rupees -----			
Sales	279,394	388,146	561,894	678,255
Cost of Sales	310,260	368,087	579,056	629,906
Gross (Loss) / Profit	(30,866)	20,059	(17,162)	48,349
Distribution cost	2,989	2,154	4,664	4,205
Administrative Expenses	11,385	10,122	20,751	17,097
	14,374	12,276	25,415	21,302
	(45,240)	7,783	(42,577)	27,047
Finance cost	37,682	26,228	67,331	53,567
Operating Loss	(82,922)	(18,445)	(109,908)	(26,520)
Other Operating Income	242	222	478	314
Loss Before Taxation	(82,680)	(18,223)	(109,430)	(26,206)
Taxation				
- Current	0	1,959	0	3,409
- Prior years	252	14	252	14
- Deferred	(26,296)	(8,523)	(35,667)	(12,767)
	(26,044)	(6,550)	(35,415)	(9,344)
Loss for the period	(56,636)	(11,673)	(74,015)	(16,862)
	----- Rupees -----			
Loss per share	(2.72)	(0.56)	(3.56)	(0.81)

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The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241 (2) of the Companies ordinance, 1984.

Anwar Saifullah Khan
Director

Hoor Yousafzai
Director

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2008 (UN-AUDITED)

	Half-year ended	
	31 Dec. 2008	31 Dec. 2007
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period - before taxation	(109,430)	(26,206)
Adjustments for non-cash charges and other items		
Depreciation and amortisation	27,902	26,162
Staff retirement benefits - gratuity (net)	219	(446)
Gain on sale of vehicles	(249)	(69)
Finance cost	67,331	51,943
CASH FLOW FROM OPERATING ACTIVITIES		
- before working capital changes	(14,227)	51,384
(Increase) /decrease in current assets:		
Stores, spares parts and loose tools	(2,039)	(3,035)
Stock-in-trade	(83,307)	82,800
Trade debts	(12,081)	13,984
Loans and advances	(3,903)	(3,650)
Deposits and short term prepayments	(152)	(595)
Other receivables	1,120	(1,325)
Sales tax refundable	(2,617)	(1,603)
Increase /(decrease) in trade and other payables	83,751	(66,500)
	(19,228)	20,076
CASH FLOW FROM OPERATING ACTIVITIES - Before taxation	(33,455)	71,460
Taxes paid	(165)	(4,602)
CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES- After taxation	(33,620)	66,858
Long term loans	1,289	(316)
NET CASH FLOW (OUTFLOW) / INFLOW FROM OPERATING	(32,331)	66,542
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(8,804)	(2,874)
Sale proceeds of vehicles	467	365
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(8,337)	(2,509)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	100,000	0
Long term deposits	59	(140)
Lease finances - net	(15,485)	(14,214)
Short term borrowings - net	22,238	(836)
Finance cost paid	(63,307)	(47,503)
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	43,505	(62,693)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,837	1,340
CASH AND CASH EQUIVALENTS - at the beginning of the period	57	115
CASH AND CASH EQUIVALENTS - at the end of the period	2,894	1,455

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241 (2) of the Companies ordinance, 1984.

Anwar Saifullah Khan
Director

Hoor Yousafzai
Director

Kohat Textile Mills Limited Half Yearly Report 2008-09

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2008 (UN-AUDITED)**

	Share capital	Accumulated Loss	Total
-----R u p e e s i n t h o u s a n d -----			
Balance as at 30 June, 2007	208,000	(54,554)	153,446
Loss after taxation for the half-year ended 31 December, 2007	0	(16,862)	(16,862)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year ended 31 December, 2007 - net of deferred taxation	0	1,417	1,417
Balance as at 31 December, 2007	208,000	(69,999)	138,001
Loss after taxation for the half-year ended 30 June, 2008	0	(38,359)	(38,359)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year ended 30 June, 2008 - net of deferred taxation	0	1,805	1,805
Balance as at 30 June, 2008	208,000	(106,553)	101,447
Loss after taxation for the half-year ended 31 December, 2008	0	(74,015)	(74,015)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half-year ended 31 December, 2008 - net of deferred taxation	0	3,608	3,608
Balance as at 31 December, 2008	208,000	(176,960)	31,040

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241 (2) of the Companies ordinance, 1984.

Anwar Saifullah Khan
Director

Hoor Yousafzai
Director

**NOTES TO THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2008 (UN-AUDITED)**

1. 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. This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 (Interim Financial Reporting) and has been reviewed by the external Auditors as required by the Code of Corporate Governance.
3. The 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.
4. The accounting policies adopted for the preparation of this condensed interim financial information, except for the following change are the same as those applied in the preparation of the preceding published annual financial statements of the Company for the year ended 30 June, 2008:

Effective from the current period, owned and leased plant & machinery, diesel generators & fuel reservoir, gas fired power plant, electric installations and equipment & appliances are also being shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent depreciation. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.
5. The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that effect 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 the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 30 June, 2008.
6. **SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**
The Company at 31 December, 2008 has revalued operating fixed assets (as detailed in note 4). The revaluation exercise has been carried-out by Indus Surveyors (Pvt.) Ltd. (Siddiq Trade Centre, Gulberg, Lahore) to replace the carrying amounts of these assets with their depreciated market values. The period-end balance has been arrived at as follows:

	(Un-audited) 31 Dec., 2008
	(Rupees in thousand)
Balance at beginning of the period	264,599
Add: surplus arisen on revaluation carried-out during the period	100,274
Less: related deferred taxation	35,096
	65,178
	329,777
Less: transferred to accumulated loss on account of incremental depreciation for the period - net of deferred taxation	3,608
Balance at end of their period	326,169

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7. LONG TERM FINANCING - Secured	(Un-audited) 31 Dec., 2008	(Audited) 30 June, 2008
Note	(Rupees in thousands)	
The Bank of Punjab (BoP)		
- term finance - I	250,000	250,000
- term finance - II	100,000	0
	350,000	250,000
Less: current portion grouped under current liabilities	25,000	0
	325,000	250,000

7.1 BoP, during the current period for balance sheet restructuring of the Company, has converted short term running finance facility of Rs. 100 million into term finance - II facility Term finance - II is repayable in 16 equal quarterly instalments of Rs. 6.250 million commencing March, 2010 and is secured against registered first pari passu hypothecation charge on fixed assets of the Company valuing Rs. 133.334 million.

8. CONTINGENCIES AND COMMITMENTS

- 8.1 There has been no significant change in the status of contingencies as reported in the preceding published annual financial statements of the Company for the year ended 30 June, 2008.
- 8.2 Commitments for irrevocable letters of credit outstanding as at 31 December, 2008, Amounted to Rs. 13,513 thousand (30 June, 2008: Rs. 55,068 thousand).

9. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	Un-audited Half-year ended 31, Dec., 2008	Audited Year ended 30 June, 2008
	(Rupees in thousand)	
Opening book value	752,160	644,698
Additions during the period / year:		
Owned:		
- buildings on freehold land-factory	0	187
- plant and machinery	6,678	9,337
- equipment & appliances	297	1,556
- furniture & fixtures	54	74
- vehicles	1,775	2,314
Leased:		
- Plant and machinery	0	400
- Vehicles	0	2,207
	8,804	16,075
Revaluation (deficit) / surplus	(19,197)	91,652
Elimination of accumulated depreciation against gross carrying amount upon revaluation	119,471	53,284
Book value of vehicles disposed-off during the period / year	(218)	(940)
Depreciation Charge for the period / year	(27,902)	(52,609)
	833,118	752,160

Kohat Textile Mills Limited Half Yearly Report 2008-09

10. DEFERRED TAXATION

	Un-audited	Audited
	31, Dec., 2008	30 June, 2008
	(Rupees in thousand)	
Note		
Deferred tax asset comprises of temporary difference arising due to:		
Debit balance arising in respect of:		
- Unused tax losses	184,057	147,968
- Minimum tax recoverable against normal charge in future years	26,724	26,739
	210,781	174,707
Credit balance arising in respect of :		
- accelerated tax depreciation allowances	(151,171)	(115,232)
- lease finance	(17,451)	(17,887)
	(168,622)	(133,119)
	42,159	41,588

10.1 Deferred tax asset has been recognised based on the projections prepared by the management indicating reasonable probability that taxable profits will be available in the foreseeable future against which the unused tax losses will be utilized.

11. TRANSACTIONS WITH RELATED PARTIES

11.1 Aggregate transactions made during the period with the Associated Companies were as follows:

	Un-audited	
	Half-year ended	31 Dec., 2007
	31, Dec., 2008	31 Dec., 2007
	(Rupees in thousand)	
- sale of goods and services	24,091	450,347
- purchase of goods and services	115,455	74,322
- purchase of fixed assets	1,265	0

11.2 No other transactions, other than remuneration and benefits to key management personnel under the terms of their employment, where executed with other related parties during the period.

11.3 Sales, purchases and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

12. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue in the Board of Directors' meeting held on 25 February, 2009.

13. GENERAL

- Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison; however, no material rearrangements / reclassification have been made in this condensed financial information.

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two Directors as required under section 241 (2) of the Companies ordinance, 1984.

Anwar Saifullah Khan
Director

Hoor Yousafzai
Director