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## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	Javed Saifullah Khan Osman Saifullah Khan Kulsum Saifullah Khan Omar Saifullah Khan Jehangir Saifullah Khan Ch. Maqbool Ahmad Zafar Qureshi	- Chairman - Chief Executive
<b>AUDIT COMMITTEE</b>	Ch. Maqbool Ahmad Jehangir Saifullah Khan Zafar Qureshi	- Chairman - Member - Member
<b>CHIEF FINANCIAL OFFICER</b>	Zaheen-ud-Din Qureshi	
<b>COMPANY SECRETARY</b>	Mumtaz H. Chaudhry	
<b>AUDITORS</b>	Hameed Chaudhri & Co., Chartered Accountants	
<b>LEGAL ADVISORS</b>	Dr. Pervez Hassan Hassan & Hassan, Advocates Abdul Latif Yousafzai, Advocate	
<b>BANKERS</b>	National Bank of Pakistan United Bank Limited Albaraka Islamic Bank The Bank of Punjab First National Bank Modaraba	
<b>HEAD OFFICE</b>	Kulsum Plaza, 4th Floor, 2020 - Blue Area, Islamabad-44000 Phone : (051) 2823924, 2829415 Fax : (051) 2822564, 2278537 e-mail : ktm@saifgroup.com	
<b>REGISTERED OFFICE</b>	APTMA House, Tehkal Payan, Jamrud Road, Peshawar Phone : (091) 5843870, 5702941 Fax : (091) 5840273 e-mail : peshawar@saifgroup.com	
<b>MILLS</b>	Saifabad, Kohat Phone : (0922) 518615, 518712 Fax : (0922) 512295 E-mail : ktmkht@saifgroup.com	
<b>WEB SITE</b>	www.kohattextile.com	

## **DIRECTOR'S REVIEW REPORT TO THE MEMBERS**

It is my pleasure to present, on behalf of the Board of Directors, this report of your Company's performance for the half year ended 31 December 2007.

### **FINANCIAL HIGHLIGHTS**

- Your Company has achieved **4%** growth in the turn over against the corresponding period of the previous year.
- Gross profit margin remained **7.12%** due to severe external pressures arising from the depressed market conditions, increase in energy cost and increased cost of raw material during the cotton season.
- Your company earned operating profit **Rs. 25.74 million**

### **GENERAL MARKET CONDITIONS**

The following market conditions are prevailing and affecting the profitability of not only of your company but also the overall textile sector:

- An increase in the cost of inputs caused by the elevated price of petroleum products and gas.
- Major increase in cotton prices.
- Shortage of gas and electricity in the country.
- Political uncertainty in the country.
- Higher borrowing costs.

### **FUTURE OUTLOOK**

The management is consistently focussing its efforts to increase the margin of profits and to smooth line the productivity.

Pakistan's textile sector is heading towards a downturn, primarily due to prevailing impediments in the national economy and political uncertainty. The sharp rise in the cost of domestic borrowing, accompanied by similar unilateral escalation in the cost of energy and shortage of gas & electricity are creating an extremely challenging environment for all manufacturers. The tariff on natural gas and minimum wages has already risen resulting increase in the cost of production and these factors have affected the profitability of the entire textile sector.

In this operating environment, the challenge before your Company's management is indeed a Herculean one. The mission before us is to operate in a dedicated and efficient manner as possible and by doing so, to minimize the adverse impacts of the depressed market and economic conditions. In the absence of any positive change in government economic policies & developments during the next two quarters, our operating results are unlikely to improve beyond current level.

### **ACKNOWLEDGMENT**

The Board places on record its appreciation of 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: 26 February 2008

**JAVED SAIFULLAH KHAN**  
Chairman/Director

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

We have reviewed the accompanying condensed interim balance sheet of **KOHAT TEXTILE MILLS LIMITED** as at 31 December, 2007 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, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half-year ended 31 December, 2007.

**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.

**Conclusion**

Based on our review, except for the contents of note 9.1 and the extent to which this may affect the annexed financial statements, 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, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Place : Lahore  
Date : 26 February, 2008

**HAMEED CHAUDHRI & CO.**  
**CHARTERED ACCOUNTANTS**

**CONDENSED INTERIM BALANCE SHEET**  
AS AT 31 DECEMBER, 2007

	Note	(Un-audited) 31 December, 2007	(Audited) 30 June, 2007
(Rupees in thousand)			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL</b>			
Authorised		220,000	220,000
Issued, subscribed and paid-up		208,000	208,000
<b>ACCUMULATED LOSS</b>			
		(69,999)	(54,554)
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		138,001	153,446
		151,966	153,383
<b>NON-CURRENT LIABILITIES</b>			
Term finances	6	250,000	250,000
Long term deposits		1,314	1,454
Liabilities against assets subject to finance lease		46,832	61,769
Staff retirement benefits - gratuity		14,213	14,659
		312,359	327,882
<b>CURRENT LIABILITIES</b>			
Current portion of liabilities against assets subject to finance lease		30,144	29,421
Short term finances		425,472	426,308
Trade and other payables		23,403	89,903
Accrued interest / mark-up		21,969	17,529
Taxation		3,409	6,575
		504,397	569,736
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	1,106,723	1,204,447
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment			
Operating assets	8	621,817	644,961
Stores held for capital expenditure		9	449
		621,826	645,410
Deposits		1,137	1,137
Loans to employees		2,222	1,906
Deferred taxation	9	46,767	34,000
		671,952	682,453
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		27,337	24,302
Stock-in-trade		255,871	338,671
Trade debts		125,442	139,426
Loans and advances		944	681
Advance payments		4,180	793
Deposits and prepayments		1,774	1,179
Sales tax refundable		11,733	10,130
Other receivables		1,641	316
Advance income tax and tax deducted at source		4,394	6,381
Cash and bank balances		1,455	115
		434,771	521,994
		1,106,723	1,204,447

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.

Javed Saifullah Khan  
Chairman / Director

Zafar Qureshi  
Director

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**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007 (UN-AUDITED)**

	For the 2nd Quarter		Cumulative	
	Oct. - Dec. 2007	Oct. - Dec. 2006	Jul. - Dec. 2007	Jul. - Dec. 2006
	(Rupees in thousand)			
Sales - net	388,146	288,268	678,255	651,157
Cost of sales	368,087	257,025	629,906	580,412
Gross profit	20,059	31,243	48,349	70,745
Administrative expenses	8,453	7,461	17,007	15,465
Distribution cost	2,154	1,993	4,205	4,484
Other operating charges	1,669	851	1,714	2,439
	12,276	10,305	22,926	22,388
	7,783	20,938	25,423	48,357
Other operating income	222	341	314	341
Operating profit	8,005	21,279	25,737	48,698
Finance cost	26,228	22,711	51,943	44,833
(Loss) / profit before taxation	(18,223)	(1,432)	(26,206)	3,865
Taxation				
- current - note 10	1,959	1,440	3,409	3,250
- prior years'	14	(310)	14	(310)
- deferred - note 9	(8,523)	9,376	(12,767)	11,776
	(6,550)	10,506	(9,344)	14,716
Loss for the period	(11,673)	(11,938)	(16,862)	(10,851)
	----- Rupee -----			
Loss per share	(0.56)	(0.57)	(0.81)	(0.52)

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

- Appropriations have been reflected in the statement of changes in equity.

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.

Javed Saifullah Khan  
Chairman / Director

Zafar Qureshi  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007 (UN-AUDITED)**

	Half-year ended	
	31 Dec. 2007	31 Dec. 2006
	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit for the period - before taxation	(26,206)	3,865
Adjustments for:		
Depreciation and amortisation	26,162	27,977
Staff retirement benefits - gratuity (net)	(446)	952
Gain on sale of vehicles	(69)	(340)
Finance cost	51,943	44,833
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>51,384</b>	<b>77,287</b>
- Before working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(3,035)	(1,935)
Stock-in-trade	82,800	23,977
Trade debts	13,984	(38,969)
Loans and advances	(263)	(1,426)
Advance payments	(3,387)	(378)
Deposits and prepayments	(595)	(2,591)
Sales tax refundable	(1,603)	(4,281)
Other receivables	(1,325)	(167)
Decrease in trade and other payables	(66,500)	(6,815)
	20,076	(32,585)
<b>CASH FLOW FROM OPERATING ACTIVITIES - Before taxation</b>	<b>71,460</b>	<b>44,702</b>
Taxes paid	(4,602)	(2,788)
<b>CASH FLOW FROM OPERATING ACTIVITIES - After taxation</b>	<b>66,858</b>	<b>41,914</b>
Loans to employees	(316)	(223)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>66,542</b>	<b>41,691</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(2,874)	(13,259)
Sale proceeds of vehicles	365	450
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(2,509)</b>	<b>(12,809)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Demand finances	0	(26,000)
Long term deposits	(140)	201
Lease finances - net	(14,214)	(14,153)
Short term finances - net	(836)	55,269
Finance cost paid	(47,503)	(41,911)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(62,693)</b>	<b>(26,594)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,340</b>	<b>2,288</b>
<b>CASH AND CASH EQUIVALENTS - At the beginning of the period</b>	<b>115</b>	<b>442</b>
<b>CASH AND CASH EQUIVALENTS - At the end of the period</b>	<b>1,455</b>	<b>2,730</b>

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.

Javed Saifullah Khan  
Chairman / Director

Zafar Qureshi  
Director

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007 (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, 2006	208,000	(34,783)	173,217
Loss after taxation for the half-year ended 31 December, 2006	0	(10,851)	(10,851)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half- year ended 31 December, 2006 - net of deferred taxation	0	1,547	1,547
Balance as at 31 December, 2006	208,000	(44,087)	163,913
Loss after taxation for the half-year ended 30 June, 2007	0	(12,013)	(12,013)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the half- year ended 30 June, 2007 - net of deferred taxation	0	1,546	1,546
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
<b>Balance as at 31 December, 2007</b>	<b>208,000</b>	<b>(69,999)</b>	<b>138,001</b>

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.

Javed Saifullah Khan  
Chairman / Director

Zafar Qureshi  
Director

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER, 2007 (UN-AUDITED)**

1. The Company was incorporated in Pakistan during the year 1967 as a Public Company 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 Registered Office at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.
2. This 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. 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, 2007.
4. The accounting policies adopted for the preparation of this condensed interim financial information 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, 2007.
5. The 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 annual financial statements of the Company for the year ended 30 June, 2007.
6. **TERM FINANCES** - Secured  
This term finance facility of Rs.250 million has been obtained from The Bank of Punjab and is secured against first pari passu charge over fixed assets of the Company. This finance facility, during the period, carried mark-up at the rates ranging from 12.84% to 12.99% per annum and is repayable in 20 equal quarterly instalments of Rs.12.500 million commencing August, 2009.
7. **CONTINGENCIES AND COMMITMENTS**
  - 7.1 There is 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, 2007.
  - 7.2 Guarantees issued by commercial banks, on behalf of the Company, in favour of Sui Northern Gas Pipelines Ltd. were outstanding for Rs.11 million (30 June 2007: Rs.11 million).
  - 7.3 Commitments for irrevocable letters of credit outstanding as at 31 December, 2007 amounted to Rs.2,034 thousand (30 June, 2007: Rs.48,739 thousand).

	(Un-audited) Half-year ended 31 Dec., 2007	(Audited) Year ended 30 June, 2007
	(Rupees in thousand)	
<b>8. OPERATING ASSETS</b>		
Opening book value	644,961	676,148
Additions during the period / year:		
<b>Owned:</b>		
<b>Tangible</b>		
- factory buildings on freehold land	187	3,933
- plant & machinery	2,349	17,437
- electric installations	0	51
- equipment & appliances	318	3,497
- furniture & fixtures	60	162
- vehicles	0	1,018
	2,914	26,098
<b>Leased: equipment &amp; appliances</b>	400	0
	3,314	26,098
Book value of vehicles sold during the period / year	(296)	(429)
Depreciation / amortisation charge for the period / year	(26,162)	(56,856)
Closing book value	621,817	644,961

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	Note	(Un-audited) Half-year ended 31 Dec., 2007	(Audited) Year ended 30 June, 2007
(Rupees in thousand)			
<b>9. DEFERRED TAXATION - Net</b>			
Net deferred tax asset comprises of temporary differences arising due to:			
Debit balances arising in respect of:			
- unused tax losses	9.1	125,452	115,275
- minimum tax recoverable against normal tax charge in future years		22,954	19,545
		148,406	134,820
Credit balances arising in respect of:			
- accelerated tax depreciation allowances		(86,794)	(88,893)
- lease finances		(14,845)	(11,927)
		(101,639)	(100,820)
		46,767	34,000

**9.1** 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 utilised. The Auditors have relied upon management's representation for the basis and assumptions applied in the preparation of these projections.

### 10. TAXATION

In view of available tax losses, the current tax expense represents the minimum tax on turnover for the half-year due under section 113 of the Income Tax Ordinance, 2001.

### 11. TRANSACTIONS WITH RELATED PARTIES

**11.1** Aggregate transactions made during the period / year with Associates were as follows:

Sales:		
- goods and services	450,347	558,167
- fixed assets	0	304
Purchase of goods and services	74,322	414,775

**11.2** No other transactions, other than remuneration and benefits to key management personnel under the terms of their employment, were 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 Associates, which are on the actual basis.

**12. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information has been authorised for issue by the Board of Directors of the Company in its meeting held on 26 February, 2008.

**13. FIGURES**

- Figures in the condensed interim financial information have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have neither been re-arranged nor re-classified.

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.

**Javed Saifullah Khan**  
Chairman / Director

**Zafar Qureshi**  
Director