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COMPANY INFORMATION

BOARD OF DIRECTORS	Javed Saifullah Khan Osman Saifullah Khan Kulsum Saifullah Khan Omar Saifullah Khan Jehangir Saifullah Khan Ch. Maqbool Ahmad Zafar Qureshi	- Chairman - Chief Executive
AUDIT COMMITTEE	Ch. Maqbool Ahmad Jehangir Saifullah Khan Zafar Qureshi	- 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 Faysal Bank Limited	
HEAD OFFICE	Kulsum Plaza, 4th Floor, 2020 - Blue Area, Islamabad Phone : (051) 2823924, 2829368 Fax : (051) 2822564, 2277843 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	

CHIEF EXECUTIVE'S REVIEW REPORT

It gives me pleasure to present, on behalf of the Board of Directors, the report on the company's performance for the quarter and nine months ended 31 March, 2006.

Operating Results

By the grace of God there has been improvement in the overall performance of your Company as compared to the corresponding period of the last year. There was a 29% growth in sales and the company improved gross margin to 10.26% from a figure of 0.42% in the corresponding period last year. The company earned an operating profit of Rs. 55.97 million as compared to an operating loss of Rs. 21.60 million during the corresponding period last year. However, increasing financial charges are badly affecting the profitability of the company and resulted in net loss. However the results for the quarter ended 31 March, 2006 show a big turn around and company earned Rs. 2.20 million net profit after tax.

Future Outlook

The inexorable rise of interest rates is a phenomenon that has impacted and will continue to impact the profitability of the Company. However the management is optimistic that improved product mix and enhanced efficiencies will bring about profitability in the next quarter as well.

The Board places on record its appreciation of the steadfast support of our valued customers and our bankers. I would like also to highlight and acknowledge the hard work put in by the members of our corporate family. We are sure they will continue to show the same dedication in the days ahead.

For and on behalf of the Board

Place : Peshawar
Date : 27 April, 2006

OSMAN SAIFULLAH KHAN
Chief Executive

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**BALANCE SHEET
AS AT 31 MARCH, 2006**

	Note	(Un-audited) 31 March, 2006	(Audited) 30 June, 2005
(Rupees in thousand)			
SHARE CAPITAL			
Authorised			
22,000,000 ordinary shares of Rs.10 each (30 June, 2005: 9,000,000 ordinary shares of Rs.10 each)		<u>220,000</u>	<u>90,000</u>
Issued, subscribed and paid-up	4	158,000	88,000
ACCUMULATED LOSS		<u>(51,525)</u>	<u>(36,611)</u>
		106,475	51,389
DEPOSIT FOR SHARES	5	50,000	70,000
SURPLUS ON REVALUATION OF FIXED ASSETS		157,441	159,854
NON-CURRENT LIABILITIES			
Demand finances	6	194,000	220,000
Long term deposits		1,048	561
Liabilities against assets subject to finance lease	7	93,605	101,711
Staff retirement benefits - gratuity		15,642	15,520
		<u>304,295</u>	<u>337,792</u>
CURRENT LIABILITIES			
Current portion of:			
- Demand finances	6	52,000	40,000
- Liabilities against assets subject to finance lease		28,386	20,541
Short term finances	8	402,851	388,075
Trade and other payables		49,632	30,863
Accrued mark-up and interest		13,954	24,939
Taxation	9	4,141	66
		<u>550,964</u>	<u>504,484</u>
CONTINGENCIES AND COMMITMENTS			
	10	<u>1,169,175</u>	<u>1,123,519</u>
PROPERTY, PLANT AND EQUIPMENT			
Operating assets	11	676,999	618,061
Capital work-in-progress		188	36,566
Stores held for capital expenditure		0	338
		<u>677,187</u>	<u>654,965</u>
LONG TERM DEPOSITS		1,137	318
LONG TERM LOANS		2,118	1,584
DEFERRED TAXATION		9,716	9,075
CURRENT ASSETS			
Stores, spares and loose tools		27,235	28,340
Stock-in-trade		308,904	327,889
Trade debtors		105,352	76,714
Loans and advances		720	320
Advance payments		3,056	6,011
Trade deposits and short term prepayments		2,440	552
Sales tax refundable		9,917	2,594
Due from associated undertakings-Trade balance		15,285	0
Other receivables		107	5,823
Advance income tax and tax deducted at source		3,312	6,522
Cash and bank balances		2,689	2,812
		<u>479,017</u>	<u>457,577</u>
		<u>1,169,175</u>	<u>1,123,519</u>

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

Osman Saifullah Khan
Chief Executive

Zafar Qureshi
Director

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**CASH FLOW STATEMENT
FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2006 (UN-AUDITED)**

	Nine months ended	
	31 March, 2006	31 March, 2005
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	(6,746)	(47,792)
Adjustments for:		
Depreciation and amortisation	44,614	33,592
Staff retirement benefits (gratuity) - net	122	844
Unclaimed balances written-back	0	(36)
Loss on sale of fixed assets - net	0	585
Finance cost	62,898	26,322
CASH INFLOW FROM OPERATING ACTIVITIES		
-Before working capital changes	100,888	13,515
(Increase) / decrease in current assets:		
Stores, spares and loose tools	1,105	(3,760)
Stock-in-trade	18,985	(146,598)
Trade debtors	(28,638)	14,614
Loans and advances	(400)	(139)
Advance payments	2,955	(118)
Trade deposits and short term prepayments	(1,888)	2,259
Sales tax refundable	(7,323)	29,158
Due from associated undertakings-Trade balance	(15,285)	(2,228)
Other receivables	5,770	(1,425)
Increase in trade and other payables	18,769	54,581
	(5,950)	(53,656)
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
-After working capital changes	94,938	(40,141)
Taxes paid	(3,937)	(2,558)
CASH FLOW FROM OPERATING ACTIVITIES - After taxation	91,001	(42,699)
Long term deposits	(819)	0
Long term loans - net	(588)	(1,121)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	89,594	(43,820)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment	(66,836)	(127,545)
Sale proceeds of plant and equipment	0	10,343
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(66,836)	(117,202)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of right shares	70,000	0
Deposit for shares	(20,000)	50,000
Demand finances	(14,000)	965
Long term deposits	487	268
Lease finance-net	(261)	83,463
Short term finances - net	14,776	47,246
Finance cost paid	(73,883)	(21,981)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	(22,881)	159,961
NET DECREASE IN CASH AND CASH EQUIVALENTS	(123)	(1,061)
CASH AND CASH EQUIVALENTS		
- At the beginning of the period	2,812	8,546
CASH AND CASH EQUIVALENTS		
- At the end of the period	2,689	7,485

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

Osman Saifullah Khan
Chief Executive

Zafar Qureshi
Director

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**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2006 (UN-AUDITED)**

	Share capital	Unappropriated Profit/ (Accumulated Loss)	Total
(Rupees in thousand)			
Balance as at 30 June, 2004	88,000	328	88,328
Loss for the period from 01 July, 2004 to 31 March, 2005	0	(30,837)	(30,837)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation for the period from 01 July, 2004 to 31 March, 2005 - net of deferred taxation	0	133	133
Balance as at 31 March, 2005	88,000	(30,376)	57,624
Loss for the period from 01 April, 2005 to 30 June, 2005	0	(6,278)	(6,278)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period from 01 April, 2005 to 30 June, 2005 - net of deferred taxation	0	43	43
Balance as at 30 June, 2005	88,000	(36,611)	51,389
Issue of Right Shares	70,000	0	70,000
Loss for the nine months from 01 July, 2005 to 31 March, 2006	0	(17,327)	(17,327)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation for the period from 01 July, 2005 to 31 March, 2006 - net of deferred taxation	0	2,413	2,413
Balance as at 31 March, 2006	158,000	(51,525)	106,475

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

Osman Saifullah Khan
Chief Executive

Zafar Qureshi
Director

**SELECTED EXPLANATORY NOTES TO THE
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD OF NINE MONTHS ENDED 31 MARCH, 2006**

1. CORPORATE INFORMATION

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. STATEMENT OF COMPLIANCE

These financial statements are being presented in condensed form and comply 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.

3. BASIS OF PREPARATION

The accounting policies and methods of computation adopted in the preparation of these financial statements are the same as those applied in the preparation of the preceding published financial statements of the Company for the period of nine months ended on 30 June, 2005.

(Un-audited) 31 March, 2006	(Audited) 30 June, 2005
(Rupees in thousand)	

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2,525,400 ordinary shares of Rs. 10 each fully paid in cash	25,254	25,254
6,274,600 ordinary shares of Rs.10 each issued as fully paid-up by conversion of loans and debentures	62,746	62,746
7,000,000 ordinary shares of Rs. 10 each fully paid in cash issued and allotted during the period	70,000	0
	<u>158,000</u>	<u>88,000</u>

4.1 7,350,010 (30 June, 2005: 4,410,575) ordinary shares are held by the following Associates at the period end

(Un-audited) 31 March, 2006	(Audited) 30 June, 2005
Number of Shares	

- Saif Telecom Ltd.	7,219,435	4,280,000
- KSK Investments (Pvt.) Ltd.	130,575	130,575
	<u>7,350,010</u>	<u>4,410,575</u>

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5. DEPOSIT FOR SHARES

This represents the amount deposited by Saif Telecom Limited (an associate) Rs. 25,299,900 and by Globecomm (Pvt) Limited (existing shareholder) Rs. 24,700,100 for issuance of shares.

(Un-audited) 31 March, 2006	(Audited) 30 June, 2005
(Rupees in thousand)	

6. DEMAND FINANCES - Secured

National Bank of Pakistan
Demand Finance (DF) - I
Demand Finance (DF) - II

126,000	140,000
120,000	120,000
246,000	260,000
Less: Current portion grouped under current liabilities 52,000	40,000
194,000	220,000

These demand finances have been obtained against a finance facility of Rs.260 million and are secured against first pari passu charge on fixed assets of the Company for Rs.370 million. These finance facilities, during the period, carried mark-up at the rates ranging from 8.39% to 11.25% per annum. DF I is repayable in 10 half-yearly instalments of Rs.14 million each commencing January, 2006 whereas DF II is repayable in 10 half-yearly instalments of Rs.12 million each commencing April, 2006.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

The Company has entered into lease agreements with First National Bank Modaraba, AlBaraka Islamic Bank and Faysal Bank Limited (FBL) to acquire plant & machinery and a vehicle. The liabilities under the lease agreements are payable in monthly and bi-annually instalments by November, 2010. These facilities, during the period, carried finance charges at the rates ranging from 10.36% to 11.72% 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, demand promissory note and title of the leased vehicle in the name of FBL.

8. SHORT TERM FINANCES - Secured

Short term cash, trust receipt, running and murabaha finance facilities available from National Bank of Pakistan, The Bank of Punjab, United Bank Limited, AlBaraka Islamic Bank and First National Bank Modaraba aggregate Rs.725 million (30 June, 2005: Rs.400 million). These facilities, during the period, carried mark-up at the rates ranging from 5.26% to 11.85% per annum; payable on quarterly and bi-annually basis. Facilities available for opening letters of credit / guarantee from the aforementioned banks aggregate Rs. 283 million (30 June 2005: Rs.183 million) of which the amount aggregating Rs. 261.657 million (30 June, 2005: Rs. 133.428 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 February 2007.

9. TAXATION

Opening balance	66	66
Add: Provision made during the period		
- Current	4,141	0
- Prior years'	7,081	0
	11,222	0
	11,288	66
Less: Advance payments/adjustments made during the period	7,147	0
	4,141	66

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- 9.1** In view of available tax losses, provision made during the period represents the minimum tax on turnover due under section 113 of the Income Tax Ordinance, 2001.
- 9.2** There has been no significant change in the Company's taxation status since the date of preceding published financial statements for the period of nine months ended on 30 June, 2005.

(Un-audited)	(Audited)
31 March,	30 June,
2006	2005

(Rupees in thousand)

10. CONTINGENCIES AND COMMITMENTS

- 10.1** Commitments for irrevocable letters of credit outstanding as at period end were as follows:

- Capital expenditure	2,130	23,711
- Others	8,215	17,861
	10,345	41,572

- 10.2** There has been no change in contingencies since the date of preceding published annual financial statements of the Company for the period of nine months ended on 30 June, 2005.

11. PROPERTY, PLANT AND EQUIPMENT

Opening book value	618,061	450,662
Additions during the period		
Owned:		
Tangible		
Factory buildings on freehold land	4,610	5,693
Non-factory buildings on freehold land	744	0
Plant & machinery	15,669	24,851
Electric installations	55	902
Equipment & appliances	694	2,348
Fire extinguishing equipment	25	126
Furniture & fixtures	373	3,594
Intangible - Computer software	429	438
	22,599	37,952
Leased: Plant & machinery	80,953	103,604
	103,552	141,556
Surplus arisen on revaluation of:		
Freehold land	0	7,205
Buildings on freehold land	0	64,721
	0	71,926
Book value of assets disposed-off during the period	0	(10,020)
Depreciation / amortisation charge for the period	(44,614)	(36,063)
Closing book value	676,999	618,061

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12. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The Company has related party relationship with its Associates, employee benefit plans, its directors and key management personnel. Transactions with related parties are carried-out at arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with Associates during the period were as follows

	(Un-audited) Nine months ended 31 March, 2006	(Audited) Nine months ended 30 June, 2005
(Rupees in thousand)		
Sales of:		
- Goods and services	202,737	313,949
- Fixed assets	0	7,410
Purchases of goods and services	181,960	41,078

13. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 27 April, 2006 by the Board of Directors of the Company.

14. FIGURES

- in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise; and
- of the corresponding period, where necessary, have been rearranged for the purpose of comparison, however no material re-arrangement of the corresponding figures has been made in these financial statements.

Osman Saifullah Khan
Chief Executive

Zafar Qureshi
Director