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COMPANY INFORMATION**BOARD OF DIRECTORS**

Javed Saifullah Khan - **Chairman**
Osman Saifullah Khan - **Chief Executive**
Kulsum Saifullah Khan
Omar Saifullah Khan
Jehangir Saifullah Khan
Ch. Maqbool Ahmad
Zafar Qureshi

AUDIT COMMITTEE

Ch. Maqbool Ahmad - **Chairman**
Jehangir Saifullah Khan - **Member**
Zafar Qureshi - **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
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 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 quarter ended on September 30, 2007.

General Market Conditions

Following market conditions prevailed during the period:

- Increase in the cost of inputs due to higher prices of petroleum products.
- Bearish nature of cotton and man made yarn markets.
- High borrowing costs.

Operating Results

The company earned an operating profit of Rs. 17.73 million as compared to an operating profit of Rs. 27.42 million during the corresponding period last year. Further the increases in financial charges are badly affecting the profitability of the company and have resulted in net loss.

Future Outlook

Pakistan's textile sector is heading towards a downturn, primarily due to prevailing impediments in the national economy. The sharp rises in the finance cost, accompanied by similar unilateral increase in minimum wages are creating an extremely challenging environment for all manufacturers. The prices of man made fibers are increasing with the record increase in the petroleum prices and sales rates are not improving in the same proportion.

Given this operating environment, the challenges that lie before your Company's management are Herculean. The mission before us is to minimize the adverse impacts of the depressed market and economic conditions, through hard work and efficiency. In the absence of any positive government economic policy developments our operating results are unlikely to improve beyond their current level.

Acknowledgment

The Board places on record its appreciation of the support of our valued customers and bankers. I 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 difficult days ahead.

For and on behalf of the Board

Place : Islamabad
Dated : 29 October, 2007

JAVED SAIFULLAH KHAN
Chairman/Director

**CONDENSED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER, 2007**

	Note	(Unaudited) 30 September, 2007	(Audited) 30 June, 2007
(Rupees in thousand)			
SHARE CAPITAL			
Authorised			
22,000,000 ordinary shares of Rs.10 each			
(30 June, 2007 22,000,000 ordinary shares			
of Rs.10 each		<u>220,000</u>	<u>220,000</u>
Issued, subscribed and paid-up		208,000	208,000
ACCUMULATED LOSS		<u>(59,034)</u>	<u>(54,554)</u>
		148,966	153,446
SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT		152,674	153,383
NON-CURRENT LIABILITIES			
Long term finances	4	250,000	250,000
Long term deposits		1,559	1,454
Liabilities against assets subject to finance lease	5	51,614	61,769
Staff retirement benefits - gratuity		14,288	14,659
		317,461	327,882
CURRENT LIABILITIES			
Current portion of:			
- Liabilities against assets subject to finance lease	5	29,829	29,421
Short term finances	6	472,887	426,308
Trade and other payables		70,991	89,903
Accrued interest / mark-up		23,039	17,529
Taxation	7	8,025	6,575
		604,771	569,736
CONTINGENCIES AND COMMITMENTS	8	1,223,872	<u>1,204,447</u>

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

Javed Saifullah Khan
Chairman/Director

These financial statements are not signed by the Chief Executive as he is out of country. This information is disclosed as required under Section 241(2) of the Companies Ordinance, 1984.

CONDENSED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER, 2007

	Note	(Unaudited) 30 September, 2007	(Audited) 30 June, 2007
(Rupees in thousand)			
NON - CURRENT ASSETS			
Property, plant and equipment			
Operating assets	9	633,760	644,961
Stores held for capital expenditure		0	449
		<u>633,760</u>	<u>645,410</u>
Deposits		1,137	1,137
Loans to employees		2,695	1,906
Deferred taxation	10	38,245	34,000
		<u>675,837</u>	<u>682,453</u>
CURRENT ASSETS			
Stores, spares and loose tools		24,888	24,302
Stock-in-trade		385,535	338,671
Trade debtors		110,680	139,426
Loans and advances		1,297	681
Advance payments		428	793
Deposits and prepayments		2,382	1,179
Sales tax refundable		10,561	10,130
Other receivables		656	316
Advance income tax and tax deducted at source		8,027	6,381
Cash and bank balances		3,581	115
		<u>548,035</u>	<u>521,994</u>
		<u><u>1,223,872</u></u>	<u><u>1,204,447</u></u>

Zafar Qureshi
Director

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

	Note	2007	2006
		Rupees in thousand	
SALES		290,109	362,700
COST OF SALES		261,819	323,199
GROSS PROFIT		28,290	39,501
ADMINISTRATIVE EXPENSES		8,554	8,004
DISTRIBUTION COST		2,051	2,490
OTHER OPERATING EXPENSES		45	1,588
		10,650	12,082
OTHER OPERATING INCOME		17,640	27,419
		92	0
OPERATING PROFIT		17,732	27,419
FINANCE COST		25,715	22,122
(LOSS) / PROFIT BEFORE TAXATION		(7,983)	5,297
TAXATION			
Current	7	1,450	1,810
Deferred		(4,244)	2,400
		(2,794)	4,210
(LOSS) / PROFIT AFTER TAXATION		(5,189)	1,087
(LOSS) / EARNINGS PER SHARE (Rupees)		(0.25)	0.05

Javed Saifullah Khan
Chairman/Director

Zafar Qureshi
Director

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

	2007	2006
	Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	(7,983)	5,297
Adjustments for:		
Depreciation and amortisation	13,096	13,845
Staff retirement benefits (gratuity) - net	(371)	505
Finance cost	25,715	22,122
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	30,457	41,769
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(586)	(396)
Stock-in-trade	(46,864)	58,178
Trade debtors	28,746	(23,683)
Loans and advances	(616)	(742)
Advance payments	365	(4,670)
Deposits and prepayments	(1,203)	(3,684)
Sales tax refundable	(431)	(2,992)
Due from associates	0	(287)
Other receivables	(340)	(80)
Decrease in trade and other payables	(18,913)	(28,451)
	(39,842)	(6,807)
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES - Before taxation	(9,385)	34,962
Taxes paid	(1,646)	(1,407)
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES - After taxation	(11,031)	33,555
Loans to employees - net	(789)	(449)
NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	(11,820)	33,106
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,446)	(2,710)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,446)	(2,710)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances - net	0	(14,000)
Long term deposits	105	100
Lease finances - net	(9,747)	(10,637)
Short term finances - net	46,579	25,184
Finance cost paid	(20,205)	(30,228)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	16,732	(29,581)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,466	815
CASH AND CASH EQUIVALENTS		
- At the beginning of the period	115	442
CASH AND CASH EQUIVALENTS		
- At the end of the period	3,581	1,257

Javed Saifullah Khan
Chairman/Director

Zafar Qureshi
Director

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER, 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
Profit for the period from 01 July, 2006 to 30 Sep., 2006	0	1,087	1,087
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period from 01 July, 2006 to 30 Sep., 2006 - net of deferred taxation	0	773	773
Balance as at 30 Sep., 2006	208,000	(32,923)	175,077
Loss for the period of nine months from 01 Oct., 2006 to 30 June, 2007	0	(23,951)	(23,951)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation for the period from 01 Oct., 2006 to 30 Jun., 2007 - net of deferred taxation	0	2,320	2,320
Balance as at 30 June, 2007	208,000	(54,554)	153,446
Loss for the period from 01 July, 2007 to 30 Sep., 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, 2007 to 30 Sep., 2007 - net of deferred taxation	0	709	709
Balance as at 30 Sep., 2007	208,000	(59,034)	148,966

Javed Saifullah Khan
Chairman/Director

Zafar Qureshi
Director

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**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER, 2007**

1. LEGAL STATUS AND OPERATIONS

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 interim financial statements (the financial statements) are presented in condense form in accordance with 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 interim financial statements are the same as those applied in the preparation of the preceding published financial statements of the Company for the year ended 30 June, 2007.

(Un-audited)	(Audited)
30 Sep., 2007	30 June, 2007
(Rupees in thousand)	

4. LONG TERM FINANCES - Secured

The Bank of Punjab (BoP)

250,000	250,000
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BoP has disbursed this term finance facility of Rs. 250 million to fully settle the Company's demand and short term finance liabilities during the last year. This finance facility is secured against registered ranking charge for Rs. 333.334 million over fixed assets of the Company. This finance facility carries mark-up at the rate of 3-months KIBOR plus 325 basis points with floor of 11% per annum payable quarterly. The principal balance of this finance facility is repayable in 20 equal quarterly instalments of Rs.12.500 million commencing August, 2009.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Opening balance	91,190	119,653
Add: Lease facility obtained during the period / year	400	0
	91,590	119,653
Less: Payments made during the period / year	10,147	28,463
	81,443	91,190
Less: Current portion grouped under current liabilities	29,829	29,421
	51,614	61,769

The Company has entered into lease agreements with First National Bank Modaraba and AlBaraka Islamic Bank to acquire equipment & plant & machinery. The liabilities under the lease agreements are payable in monthly instalments by May, 2011. These facilities, during the period / year,

carried finance charges at the rates ranging from 12.16% to 12.92% 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.

6. 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 period / year, carried mark-up at the rates ranging from 7.11% to 12.96% per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from the aforementioned banks aggregate Rs. 348 million (2007: Rs.348 million) of which the amount aggregating Rs. 289.71 million (2007: Rs.220.516 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, 2008.

7. TAXATION

	(Un-audited) 30 Sep., 2007	(Audited) 30 June, 2007
	(R u p e e s i n t h o u s a n d)	
Opening balance	6,575	5,956
Add: Provision made during the period / year		
- Current	1,450	6,575
- Prior years'	0	(309)
	1,450	6,266
Less: advance payments/adjustments made during the period / year	8,025	12,222
	0	5,647
	8,025	6,575

7.1 In view of available tax losses, the current tax provision represents the minimum tax on turnover for the period/year due under section 113 of the Income Tax Ordinance, 2001 (the Ordinance).

7.2 There has been no significant change in the Company's taxation status since the date of preceding published annual financial statements for the year ended 30 June, 2007.

8. CONTINGENCIES AND COMMITMENTS

8.1 No commitments were outstanding as at 30 September, 2007; (30 June 2007: commitments outstanding for irrevocable letters of credit amounted Rs. 48.739 million).

8.2 There has been no change in contingencies since the date of preceding published annual financial statement of the Company for the year ended 30 June, 2007.

(Un-audited) 30 Sep., 2007	(Audited) 30 June, 2007
(R u p e e s i n t h o u s a n d)	

9. OPERATING FIXED ASSETS

Opening book value	644,961	676,148
Additions during the period / year		
Owned:		
Tangible		
Factory buildings on freehold land	187	3,933
Plant & machinery	1,144	17,437
Electric installations	0	51
Equipment & appliances	522	3,497
Furniture & fixtures	42	162
Vehicle	0	1,018
	1,895	26,098
Book value of assets disposed-off during the period/year	0	(429)
Depreciation / amortisation charge for the period/year	(13,096)	(56,856)
Closing book value	633,760	644,961

10. DEFERRED TAXATION

The deferred tax asset comprised of temporary differences arising due to:

Debit balances arising in respect of:

- available tax losses
- minimum tax recoverable against tax charge in future years

119,200	115,275
20,996	19,545
140,196	134,820

Credit balances arising in respect of:

- accelerated tax depreciation allowances
- lease finances

(87,568)	(88,893)
(14,383)	(11,927)
(101,951)	(100,820)
38,245	34,000

11. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 29 October, 2007 by the Board of Directors of the Company.

12. FIGURES

- in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise;
- corresponding 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/Director

Zafar Qureshi
Director

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